GROUP FINANCIAL STATEMENTS OF ALPHA BANK CYPRUS LIMITED

ANNUAL REPORT
For the period from 1 January to 31 December 2020

Nicosia,
31 March 2021

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BOARD OF DIRECTORS AND PROFESSIONAL ADVISERS

Board of Directors	A. M. Michaelides
	Ch. C. Giampanas (Resigned on 29 January 2020)
	C. N. Papadopoulos
	L. Georgiadou
	M.A.Iacovidou (Appointed on 1 February 2019)
	M.H.Drakou (Appointed on 29 January 2020)
	Aik. Marmara (Appointed on 29 January 2020)
	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 the members, its annual report and the audited consolidated financial statements of the Alpha Bank Cyprus Group (the "Group") for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

During 2020, the Group continued to conduct full banking operations by providing a wide range of banking and financial services.

On 31.12.2020 all shareholders of Alpha Bank Cyprus sold all their shares to Alpha Bank International Holdings S.A. As a result of this transaction, all shares are held by Alpha International Holdings Single Member S.A., which is 100% controlled by Alpha Bank S.A., thus Alpha Bank S.A., which is registered in Greece, indirectly controls 100% of the share capital of Alpha Bank Cyprus Ltd.

REVIEW OF THE DEVELOPMENTS, POSITION AND PERFORMANCE OF ACTIVITIES

Key financial data		**From 1 January to**	
In Euro mil.	*Change*	**31.12.2020**	**31.12.2019**
Net interest income	-12,6%	51,9	59,4
Total income	-7,0%	73,4	78,9
Total expenses	42,6%	(88,0)	(61,7)
(Loss)/ profit before impairment	184,8%	(14,6)	17,2
Impairment losses and provisions to cover credit risk	917,0%	(53,9)	(5,3)
(Loss)/ profit after income tax	712,9%	(71,1)	11,6
(Loss)/ profit per share	715,8%	(33,5) cent	5,44 cent
In Euro mil.		**31.12.2020**	**31.12.2019**
Loans and advances to customers	-9,0%	1.361,3	1.496,1
Due to customers	-3,1%	2.102,3	2.169,5
Transitional common equity Tier I ratio (CET I)	-110 basis points	15,4%	16,5%

Net Interest income in 2020 amounted to Euro 51,9 million, presenting a decrease of 12,6% compared to Euro 59,4 million in 2019. The decrease is mainly attributed to the sale of a non-performing portfolio, the decrease of which was offset by purchases of loans by the Group and the decrease of the deposits interest rates.

Total income of the Group amounted to Euro 73,4 million in 2020, compared to Euro 78,9 million in 2019. The total decrease of income during 2020 of 7,0%, is mainly attributed to the sale of non-performing portfolio, whose impact was offset by purchases of loans and bonds.

Total expenses of the Group for 2020, amounted to Euro 88,0 million, compared to Euro 61,7 million for 2019. The increase of total expenses is mainly due to the implementation of a voluntary separation scheme in 2020, the cost of which amounted to Euro 26,2 million. Excluding the cost of the voluntary separation scheme, the expenses in 2020 have a slight increase of 0,2%. The cost to income ratio, excluding non-reccuring voluntary separation costs, is at 84,2% for 2020 compared to 78,3% in 2019.

MANAGEMENT REPORT (cont.)

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

Impairment loss and provisions to cover credit risk were increased in 2020 to Euro 53,9 compared to Euro 5,3 million in 2019. The increase is due both to the deterioration of the economic environment caused by Covid 19 pandemic and to the increase of credit risk.

Accumulated impairments to cover credit risk for on balance sheet balances amounted to Euro 181,9 million on 31 December 2020, covering 11,8% of gross loans, representing a decrease of 235,7% compared to 31 December 2019, due to the sale of a portfolio of non-performing loans. Accumulated impairments include the fair value adjustment of the loan portfolio acquired at fair value, as well as exposures that were initially designated as Purchased or Originated Credit Impaired (POCI). The total fair value adjustment amounted on 31.12.2020 to Euro 28,0 milllion (2019: Euro 93,1 million)

Net loans and advances to customers on 31 December 2020 amounted to Euro 1.361,3 million, decreased by 9,0% compared to Euro 1.496,1 million at December 31, 2019. The main reason relates to the deleveraging efforts and the sale of a portfolio of non-performing loans with a fair value of Euro 280 million. In compensation for the sale of a non-performing portfolio, the Group purchased performing loans from Alpha Bank S.A amounted to Euro 251 million and bonds amounted to Euro 60 million.

Non-performing exposures, according to the definition of the European Banking Authority (EBA), stood at Euro 388,7 million compared to Euro 1.140,4 million in 2019. These represent the 25,2% of gross loans, compared to 54,1% in 2019.

On 31 December 2020, coverage ratio of non performing exposures, according to the definition of the European Banking Authority (EBA), stands at 46,8% compared to 53,5% on 31 December 2019.

Amounts due to customers on 31 December 2020 amounted to Euro 2.102,3 million, presenting a decrease of 3,1%, compared to Euro 2.169,5 million in 31 December 2019. The net loans to deposits ratio was improved from 69,0% on 31 December 2019, to 64,8% on 31 December 2020.

On 31 December 2020, Common Equity Tier I ratio (CET I) stood at 15,4%, (2019 : 16,5%) Tier I ratio at 19,5% (2019 : 20,2%) and Total Capital Adequacy ratio at 19,5% (2019 : 20,2%). The capital adequacy ratios are in accordance with transitional provisions for the year. Despite the impact of the results including the cost of the voluntary separation scheme, the ratio was decreased due to the recognition of losses related to the application of IFRS9 up to 2022 and the repayment of tier II capital. The decrease was offset by the early application of regulations included in the CRR2 / CRD V.

FINANCIAL RESULTS

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

The loss for the year attributable to the owners amounted to €71.135thous. (2019: profit €11.563 thous., as restated to reflect the reclassification of the investment in Visa International).

DIVIDENDS

The Board of Directors does not recommend the payment of dividend for the year 2020 (2019: €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 the day-to-day business and to ensure the effectiveness of its corporate governance.

The Group's main focus in 2020 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.

The year 2020 was impacted by the Covid 19 pandemic that affected the society in a grobal level. The pandemic has caused a global recession which, as a result, affected the entire economic environment. The Group focused its attention on the management of credit risk resulting from the consequences of the pandemic.

In order to assist the borrowers which their repayment ability was affected by the outbreak of the Covid 19 pandemic, the Cyprus Government passed the Financial Institutions and Supervisory Authorities Emergency Measures Act 2020 with a date of adoption on 30 March 2020. The Basic Decree was revised by the adoption of an Amending Decree on 7 May 2020.

The emergency measures included in the Decree lasted from the date of adoption of the Decree until 31 December 2020 and included, subject to conditions, the suspension of the obligation to pay installments and interest on credit facilities (moratoria). In Credit facilities included all categories of loans, overdrafts and credit cards. The Minister of Finance, on the basis of a decision of the Council of Ministers with the agreement of the Central Bank, has issued a new relevant Decree on the "Taking of Emergency Measures by Financial Institutions and Supervisory Authorities, (Suspension of Installments for Certain Beneficiaries) Decree of 2021", with the aim to further support the borrowers in 2021.

The Group has implemented the measures provided for in the Decrees. During 2020, 2.989 borrowers with loans amounted to Euro 425,2 million benefited from the installment suspension measure.

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

CAPITAL ADEQUACY

Capital adequacy – Ratios

On 31 December 2020, Common Equity Tier I (CET I) ratio of the Group was 15,4% ,Tier I ratio was 19,5% and total Capital Adequacy ratio was 19,5%. The capital adequacy of the Group on 31 December 2020, 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, after its successful recapitalization at the end of 2015, 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 on 31.12.2020 stood with transitional provisions at 19,5%. According to the European Central Bank (ECB), the minimum Overall Capital Requirement (OCR) is 13,75% for 2020. The minimum OCR requirement remains at 13,75% for 2021, due to the change adopted by the Central Bank of Cyprus where the gradual increase in the buffer of systemically important institutions (O-SII) changed from 4 to 5 years and remains stable for 2021. The Group's capital adequacy on 31 December 2020 exceeds the minimum capital requirements of Pillar I and Pillar II, providing the Group with significant capital buffer. It is noted that the Pillar II capital requirement assessment is performed annually by the supervisory authority, with a specific supervisory process that is dynamic as it is subject to change over time.

In relation to the impact from the application of IFRS 9, the Group will make use of the transitional provisions, according to which the impact will be absorbed applying within five years the provisions of the new standard. The Group is sufficiently capitalized to meet the needs arising from the application of the new standard as the CET1 ratio stands at 15,4% as at 31.12.2020 under the transitional provisions, while the impact from full implementation is estimated at around 2,2% thus forming a ratio of 13,1% on 31.12.2020.

As per the recently announced regulatory measures by the European Banking Authority (EBA) and the European Central Bank (ECB), in view of the COVID-19 outbreak, capital regulatory thresholds for European banking institutions have been relaxed.
The European Central Bank (ECB) and the European Banking Authority (EBA) have taken a number of measures to counter the spread of COVID-19 to ensure that supervised banks continue to fulfil their role and finance the real economy.
Specifically, on 12 March, the European Central Bank (ECB) and the European Banking Authority (EBA) announced the following relaxation measures for the minimum capital and liquidity requirements for Banks in the Eurozone:

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

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

CAPITAL ADEQUACY (cont.)

Capital adequacy – Ratios (cont.)

The European Commission has decided to review the existing supervisory framework by bringing into force, earlier, regulations that would be included in the CRR2/CRDV framework, as well as to offer greater flexibility in dealing with the supervisory impact of IFRS9 on the Bank's supervisory funds. The revised supervisory framework was published on the Official Journal of the European Union on 22 June 2020.

On 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 subctraction of assets in the software category from Common Equity Tier 1 assets.

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 the 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.

SIGNIFICANT EVENTS

The year 2020, was a special year which was marked by uncertainty due to the spread of the Covid 19 pandemic. Due to the pandemic, schools and businesses were forced to suspend their operations, population movements were restricted and more generally measures were taken not to spread the virus that would burden health in society.

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

a) Monitor loans in a negative economic environment

b) Apply effective liquidity management during the recession and the negative-interest-rates environment

c) Contain operating costs

d) Ensure a healthy working environment for staff

e) Strengthen distance work

f) Retain the continuous customer service

For these reasons, the Group offers new solutions for loan restructuring, participates in the Cyprus Government plans to subsidise the interest rate, as well as in the plans to suspend installment payments. Also, throughout the period of the pandemic in 2020, the foreclosures of real estates were suspended.

SIGNIFICANT EVENTS (cont.)

The European Securities and Markets Authority (ESMA) in cooperation with European Banking Authority (EBA) issued statements on 25.3.2020. Both authorities consider that the implementation of public or private decisions aimed at addressing the adverse systemic effects of the COVID-19, should not be regarded as an automatic indication that a significant increase has occurred of credit risk.

As part of the efficient management of non-performing loans, the Group cooperates with the international company doValue.

At the same time, a portfolio of pre-forecast accounting balances of Euro 649 million was sold to a company of Alpha Bank AE Group, resulting in a reduction in the non-performing loan ratio to 25%.

At the same time, a healthy loan portfolio worth Euro 251 million and bonds worth Euro 60 million were purchased with the aim of channeling excess liquidity and improving the interest margin.

Despite the difficult economic environment, the Group sold recovered properties with a net value of Euro 2,3 million.

To rationalize costs,

a) A voluntary separation scheme was established, which provided for a one-off compensation where the amount was determined on the basis of age, years of employment and annual net income. At the same time, additional motives had been granted by increasing the amount of compensation to certain services. The total cost of the voluntary separation scheme, recognised in the results of the financial year 2020, amounted to Euro 26.214thous., of which Euro 20.848thous. was paid to those who left within the financial year 2020, while for the participants in the programme who will leave in 2021 an obligation of Euro 5.366thous., was recognised. A total of 188 employees joined the voluntray separation scheme. The Group will continue to pay contributions to the Health Fund and insurance coverage for a period of 2 years for the persons who have jointed the voluntary separation scheme.

   The number of the branch network has reduced from 22 branches to 17 and at the same time the e-banking services were enriched. This enables customers to process several of their transactions without a physical presence.

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

Alpha Bank Cyprus Limited and the Group monitors recent developments about the rapid transmission of Coronavirus Disease (COVID-19) and considers any potential impact on its asset quality, the sensitivity of risk models to macro-parameters, and the implementation of its business plan.
Due to the pandemic, the Group received additional provisions for bad debts amounted to Euro 9,5 million.

Extensive description of the consequences of the Covid 19 pandemic is presented in Note 38 to the consolidated Financial Statements.

MANAGEMENT REPORT (cont.)

SIGNIFICANT EVENTS (cont.)

The Group has reached a preliminary agreement with the international company doValue in October 2019 for the management of the non-performing portfolio and the repossessed properties, estimated at Euro 435,4 million. The agreement includes the transfer of certain tangible and intangible assets as well as the employees of the recoveries units involved in the specific operations. The agreement is expected to enter into force in 2021. Therefore, according to IFRS 5 only real estate and equipment amounting to Euro 71 thousand were classified as "Non current assets held for sale" without being classified as discontinued operations as they are not a significant part of the Groups' activities. The Group decreased the above mentioned assets to the lower of their carrying amount and the fair value less the cost-to-sell with no need for impairment. In 2020, the Board of Directors decided to cooperate with the same company, to buy consulting services regarding the management of non-performing exposures and the repossessed properties.

We also reassessed the business continuity plan as well as the ability to retain our business operations, in order to support our customers in these harsh times. The group activated early on its Business Continuity Plan ("BCP"), adapted for the pandemic, to ensure a coordinated response to events that could potentially disrupt our business. In order to address an extraordinary situation as the current Covid 19 outbreak, a series of predefined actions were activated but standard BCP procedures had to be adjusted. In order to mitigate risk, staff for critical functions were immediately split between physical location and BCP sites. Moreover, to ensure continuity of business and to prevent staff with the same skillset from being affected by the coronavirus, there were separation of departments and the employees in the central units had the ability to work from home, without endangering critical functions or downgrading the service standards of the Group. Branch staff were divided into teams, with one team working while the other stays at home, alternating at regular periods.

Existing remote access capability has been significantly upgraded and additional hardware was provided to Group's staff, allowing the successful and timely implementation of remote work, and ensuring that all operations can be performed from alternate locations without interruption. At the same time, the Group confirmed that BCP capabilities of a similar nature are in place with our suppliers / vendors covering people, process and technology, to ensure the continued flow of services and goods to the Group.

In 2020, the emergence and rapid spread of the Covid-19 pandemic reversed the growth prospects of the global economy, intensified the uncertainty of economic develoments and worsened the labor market conditions. Many governments, in an effort to strengthen the resilience of their national economies, they were forced to take emergency budgetary measures in order to support the national health systems and ensure employment and the continuation of enterpreneurhsip. During the first outbreak of the pandemic in March and April, Cyprus, which is the main country where the Group operates, managed to contain the exponential spread of infections, due to the timely adoption of restrictive measures. After the gradual easing of the first lockdown since May, economic activity gradually returned to normality in the third quarter of 2020, which was reflected in real GDP growth on a quarterly basis.

The recovery in economic activity was interrupted by the resurgence of the Covid-19 pandemic at the end of the 2020, with the result that the recovery in 2021 due to the second wave of the pandemic is expected to be lower than originally predicted.

MANAGEMENT REPORT (cont.)

SIGNIFICANT EVENTS (cont.)

It is noted that the Covid-19 pandemic continues to create uncertainty and in the upcoming period its financial implications are estimated to lead to a deterioration of creditworthiness of individuals and businesses. Until today, these effects have been mitigated by the supportive measures of the banking sector and government incentives.

The Republic of Cyprus to deal with the consequences of Covid-19 disease, offers economic support measures that relates to the following:

a) the legislation for suspension of installments for 2020 to up-to-date borrowers,

b) extension of the abovementioned legislative act to 2021 for those up-to-date borrowers who did not benefit in 2020,

c) partial contribution of the mortgage interest rate for a limited period of time,

d) Plan for a Special Unemployment Benefit

e) Business Support plan

DEVELOPMENTS AND PROSPECTS

DEVELOPMENTS

Cyprus economy

Achievements

Cyprus economy had growth for five consecutive years until 2019. However, the pandemic caused by Covid-19 disease has led to a reduction in growth, resulting in adverse impact on GDP. A large contraction of -13,1% occurred in the second quarter of 2020, when the pandemic first appeared. The third and fourth quarters are recovering, limiting GDP losses according to the International Monetary Fund around to -6,4%. The contraction was the result of a long-term suspension of business aimed at limiting the spread of the virus.

Despite the estimate of an increase in unemployment, the index remained relatively stable. The mesarues taken by the Republic of Cyprus to support businesses and employees by paying allowances contributed in keeping the index low. The unemployment index for 2020 stood at 8% compared to 7% in 2019. The European Union's corresponding index was 8,9%. Inflation for 2020 is expected to be at the level of -0,6% and is estimated to reach 1% by 2021. The public debt is expected to increase to Euro 24,8 billion due to the pandemic that forced the Republic of Cyprus to finance with Euro 1 billion the losses of the economy, and reached 118% of GDP. The Cypriot economy remains in the investment grade from the international credit rating agencies, except for Moodys. The losses of the economy, in addition to limiting private consumption, were affected by the loss of tourism which is traditionally one of the main contributors to GDP.

DEVELOPMENTS AND PROSPECTS (cont.)

DEVELOPMENTS (cont.)

Cyprus economy (cont.)

Forecasts

According to the European Commission's winter forecasts, the Cypriot economy after the losses in 2020 due to the pandemic, will grow by 3,2%. This is due to the fact that restrictive measures in the economy concerns a smaller proportion of economic activity and are now more targeted. At the same time, the start of vaccinations will allow for an increase in business activity, mainly the private consumption.

The measures taken to mitigate the effects of the pandemic such as the suspension of loan installments and the payment of allowances which will continue throught 2021, will assist in maintaining job positions, family income and the business activity.

Tourism which was shrunk by 85% in 2020, is expected to be one of the main factors in the recovery of the economy for 2021. Vaccinations are expected to begin both locally and in the main countries of origin of tourists such as United Kingdom, Israel and Russia, are expected to cover the main portion of 2020 losses.

In 2022 it is estimated that GDP recovery will be at the level of 3,1%, reaching 2019 levels.

The construction sector is expected to be affected by the termination of the existing Cyprus Investment Programme (CIP) concerning the granting of passports to third-country residents which was abolished at the end of 2020.

Initially, according to the Ministry of Finance's macroeconomic and fiscal forecasts, the fiscal balance in 2020 was projected to present surplus and reach 2,7%, as a percentage of GDP, while the surplus of the primary balance was projected to be around 5,1% of GDP. However, the spread of the COVID-19 epidemic and the government's announced measures are expected to negatively affect both GDP growth and the surplus of the primary balance. As a result of the pandemic, the fiscal balance had suffered losses of 5% of GDP.

The Republic of Cyprus, in order to deal with the consequences of the pandemic, is expected to receive support from the European Union through various programs such as a) a grant of Euro 1,3 billion, b) a loan of Euro 1,4 billion, c) financial support of Euro 479 million through the SURE programme to support job retention programmes.

Inflation is expected to rise to 1% in 2021, mainly due to the increase in disposable income from the expected increase in business activity.

The risks that the Cypriot economy is expected to face in 2021 are directly related to the course of reducing the pandemic. The vaccination programme at both local and global level is the key factor that will enable uninterrupted business activity. Cyprus is expected to receive the first tourist wave in the second quarter of 2021, leading to the start of the reduction of tourism losses.

DEVELOPMENTS AND PROSPECTS (cont.)

DEVELOPMENTS (cont.)

Cyprus economy (cont.)

The termination of the Cyprus Investment Programme (CIP) which was one of the pillars of construction development, may cause further losses in GDP. Due to the United Kingdom's exit from the European Union (EU) at the end of 2020, economic activities between the two countries may be affected. However, it is not expected to substantially affect the tourist flow between the two countries.

The international environment of prolonged low interest rates has an impact on the profitability of the banking sector as it reduces the net income of banks.

Greek economy - Operating environment of the parent company

During the first wave of the pandemic, Greece succeeded in containing the exponential spread of infections throughout March and April 2020 due to the early introduction of front-loaded containment measures. Following the gradual easing of the first generalized lockdown from May onwards, economic activity was progressively normalized in Q3 2020, which was reflected in the rise of real GDP by 2.3% on a quarterly basis. However, Greece witnessed a lower growth in a quarterly basis compared to the Euro area (+12.4%), as the weak performance of tourism-related activities in Q3 weighed on growth dynamics.

The European Commission, the International Monetary Fund (IMF) and the Greek Ministry of Finance foresee an incomplete rebound in 2021. More specifically, the European Commission (Economic Forecasts, Autumn 2020) projects an incomplete recovery in 2021 (5%). Similarly, the latest projections by the IMF included in the latest country report, (Country Report No. 20/308, November 2020) foresee a partial rebound in 2021 (5.7%). The projections provided by the Greek Ministry of Finance, included in the State Budget 2021, are now envisaging a mild rebound in 2021 by 4.8%. The sizeable fiscal stimulus enacted by the government is estimated to have partially offset the negative consequences of the recessionary shock. Furthermore, the progress being made in developing and distributing effective vaccines should improve the outlook and boost confidence, paving the way for a virtuous cycle that is expected to take effect from next year.

At the beginning of the year, the international rating agency Fitch upgraded the debt of the Greek Economy to BB with positive prospects. Due to the pandemic crisis, however both Fitch and S&P adjusted in April 2020 Greece's outlook from positive to stable, maintaining, however, the country's rating at the same level (S&P: BB-). In addition, in November 2020 the rating agency Moody's maintained Greece's outlook stable, while adjusting, the country's rating to Ba3 from B1.

DEVELOPMENTS AND PROSPECTS (cont.)

DEVELOPMENTS (cont.)

Challenges and uncertainties

In addition to the challenges caused by Covid 19, non-performing loans and private debt continue to be major challenges for the banking sector and the economy in general. The high public debt also remains a challenge.

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

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

Actions at European level to revise the tax system in Europe may generate imbalances that Cyprus will need to tackle.

The exit of the United Kingdom (UK) from the European Union (EU) on the 31.12.2020 is expected to diversify the way of economic transactions between the two countries. However, it is not expected to substiantially affect the tourist flow between the two countries.

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

Prospects

The Cypriot economy, before the spread of coronavirus (Covid-19) disease, was expected to continue to grow in the coming years, according to the European Commission and international rating agencies. The European Commission's new forecasts indicate that 2021 will be a year of growth, resulting in GDP returning to 2019 levels by the end of 2022.
The Group, under the current circumstances and perspectives, is following its business plan, with the aim of continuously consolidating its balance sheet and strengthening its profitability.At the same time, the Group recognizes the risks and challenges of the Cypriot economy, as well as the specificities related to the geopolitical stability of the region and the interconnection with the economic stability of Greece and the Eurozone.

The course of the vaccination programme will be crucial for the development of the economy in 2021.

The Group monitors recent developments about the rapid transmission of Coronavirus Disease (COVID-19) and considers any potential impact on its asset quality, the sensitivity of risk models to macro-parameters, and the implementation of the business plan.

Developments resulting from the spread of the Covid-19 virus may lead the Group to reconsider its business plan.

DEVELOPMENTS AND PROSPECTS (cont.)

Group priorities

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

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

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

CORPORATE RESPONSIBILITY - NON FINANCIAL REPORT

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

EUROPEAN SECURITIES AND MARKETS AUTHORITY (ESMA)

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

Alternative Performance Measures

Ratio	**Definition**	**Formula**	**31.12.2020**	**31.12.2019**
			€'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	88.029-26.214 73.420 Ratio 84,2%	61.749 78.871 Ratio 78,3%
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.	1.543.299-153.897-28.057 2.102.301 Ratio 64,8%	2.106.690 – 517.444 - 93.120 2.169.486 Ratio 69,0%
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	388.723 1.543.299 Ratio 25,2%	1.140.417 2.106.690 Ratio 54,1%
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	181.954 1.543.299 Ratio 11,8%	610.564 2.106.690 Ratio 29,0%
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.	153.897+28.057 388.723 Ratio 46,8%	517.444 +93.120 1.140.417 Ratio 53,5%

Ratio of loans with more than 90 days past due amounts ceases to be published because it has been replaced by the ratio of non performing exposures according to the European Banking Authority, where a more complete information on the quality of the loan portfolio is provided.

SHARE CAPITAL

The share capital of the Bank numbers 212.581.357 common shares with a nominal value of Euro 0,85 each, with a total amount of Euro 180.694.153. On 31.12.2020 all shareholders of Alpha Bank Cyprus Ltd sold all their shares to Alpha International Holdings Single Member S.A. The transaction resulted in neither profit nor loss. All shares are held by Alpha International Holdings Single Member S.A., which is controlled by Alpha Bank S.A. which indirectly holds 100% of the share capital of Alpha Bank Cyprus Ltd.

BRANCHES

The Group in 2020 reduced the number of its branches by 5. The Bank is currently comprised of a modern network of 17 branches (2019: 22) and other specialized units which are effectively supported by ATMs, internet banking and mobile banking.

BOARD OF DIRECTORS

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

A. M. Michaelides, Chairman
C. N. Papadopoulos
L. Georgiadou
M.A. Iacovidou
M.Ch. Drakou (appointed 29 January 2020)
Aik. Marmara (appointed 29 January 2020)

K. D. Koutentakis, Managing Director
N. Mavrogenis

CORPORATE GOVERNANCE REPORT

1. Introduction

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

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

2. Board of Directors

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

On the 1st of January 2020, the composition of the Board of Directors was as follows:

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

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

In January 2020, Mrs. Ekaterini Marmara's appointment, for the replacement of Mr. Christos Giampanas, in the position of the Non-Executive Member was completed. Mr. Giampanas retired from the Bank's Board of Directors because the maximum service as a Non-Executive Member of the Bank's Board of Directors was completed, according to the provisions of Central Bank of Cyprus' ("CBC") directive on Governance and Management Arrangements (the "CBC directive").

In January 2020, Mrs. Milista Christodoulou Drakou's appointment in the position of the Non-Executive Independent Member, was completed, in the context of the implementation of decision of the shareholders' General Meeting, which took place on the 26th July 2019, recommending the increase of the number of the members of the Board of Directors, from seven to nine. After the completion of Mrs. Drakou's appointment, the number of the Members was increased to 8.

MANAGEMENT REPORT (cont.)

CORPORATE GOVERNANCE REPORT (cont.)

After the completion of appointment of Mrs. Ekaterini Marmara, for the position of the Non-Executive Member and Mrs. Militsa Drakou's appointment, for the position of the Independent Non-Executive Member, the Board of Directors accepted the proposal of the Nominations Committee, for the new composition of the Board of Directors and its Committees, as of the 30th of January 2020. As per the date of the current Report, the composition of the Board of Directors is still as follows:

Board of Directors:

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

Audit Committee:

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

Risk Committee:

	Member's Full name	Member's Category
Chairperson	Andreas Michaelides	Independent Non-Executive
Members	Constantinos Papadopoulos	Senior Independent Non-Executive
	Militsa Christodoulou Drakou	Independent Non-Executive

The Board of Directors acknowledges that, based on paragraph 53 of the EBA Guidelines on Internal Governance *"In all institutions, the chair of the risk committee should be neither the chair of the management body nor the chair of any other committee"*. Nevertheless, the Board of Directors unanimously decided on the temporary arrangement, for which the CBC has been informed, due to the Chairman's departure in July 2020 and the CBC's pending decision for the appointment of two new Independent Members.

CORPORATE GOVERNANCE REPORT (cont.)

Nominations Committee:

	Member's Full name	Member's Category
Chairperson	Lenia Georgiadou	Independent Non-Executive
Members	Andreas Michaelides	Independent Non-Executive
	Ekaterini Marmara	Non-Executive

The Nominations Committee in the context of finding new potential candidates for appointment in the Board of Directors, in order to increase the number of the members from 8 to 9 and for the replacement of potential vacancies in the Board according to the Bank's succession policy, conducted numerous interviews with candidates and came to the conclusion that Mr. Christos Vakis, due to his extensive experience and knowledge in the banking and financial sector, is considered a suitable candidate to contribute effectively to the Board's business and thus strengthen the Bank's Board of Directors. The Board of Directors, taking into consideration the positive recommendation of the Nominations Committee, unanimously approved Mr. Christos Vakis' candidacy for the position of the Bank's Independent Non-Executive Member of the Board of Directors. The Bank has forwarded to the CBC all the relevant and essential information/documents, requesting its consent, for the finalisation of the appointment of Mr. Christos Vakis.

With the completion of Andreas Michaelides' term of office as the Chairman of the Board of Directors, the Nominations Committee in the context of finding Mr. Michaelide's replacer and in cooperation with the parent company Alpha Bank S.A. engaged an external consultant, Egon Zehnder, to find potential candidates for the position of the Chairman of the Board of Directors. The Board of Directors, on the 16th of December 2020, based on the work of Egon Zehnder, decided the appointment of Mr. Michael Colakides to the said position and initiated the prescribed, by the Central Bank of Cyprus' procedure, for the appointment of the new Chairman of the Board of Directors, forwarding to the CBC all the relevant information/documents, requesting its consent, for the finalisation of the appointment.

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

Andreas Michaelides (Chairman of the Board of Directors- Independent Non-Executive Member)

In 1970 he became a Member of the Institute of Chartered Accounts in England and Wales and upon his return to Cyprus he joined Coopers and Lybrand. From 1972 to 1979 he was employed by the Bank of Cyprus as Manager of the Financial Control Division and also as Secretary of the Board of Directors. In 1979 he joined Chrysanthou and Christophorou Audit Company and later he became partner in Peat Marwick Mitchell and Co (KPMG today). He served as the Managing Director of the Emergo Group in Cyprus between 1992 and 2010, where he remains on the Boards of several group companies as Non-Executive Director. He has also served as President of the Council of the Institute of Certified Public Accountants of Cyprus. He has served on the Bank's Board of Directors since July 2011 as a Member and since 26 April 2016 as Chairman.

Date of Appointment:	20/07/2011
Participation in the Board's Committees:	Risk Committee and Nominations Committee

CORPORATE GOVERNANCE REPORT (cont.)

Konstantinos Koutentakis (Executive Member- Managing Director)

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

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

Nicholas Mavrogenis (Executive Member- General Manager of Operations)

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

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

Maria Agrotou Iacovidou (Independent Non-Executive Member)

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

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

CORPORATE GOVERNANCE REPORT (cont.)

Constantinos Papadopoulos (Independent Non-Executive Member)

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

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

Lenia Georgiadou (Independent Non-Executive Member)

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

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

CORPORATE GOVERNANCE REPORT (cont.)

Ekaterini Marmara (Non-Executive Member)

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

Date of Appointment:	29/01/2020
Participation in the Board's Committees:	Nominations 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

2.3 Meetings of the Board of Directors

The Board of Directors holds regular meetings to carry out their responsibilities adequately and effectively. During 2020, twenty one Board meetings were held.

MANAGEMENT REPORT (cont.)

CORPORATE GOVERNANCE REPORT (cont.)

Following below, there is a table which summarises the Board and its Committees' meetings, the attendance of the Members to the meetings (physical and via video-conference/tele-conference), during 2020.

Name	Board of Directors		Risk Committee		Audit Committee		Nominations/ Internal Governance Committee	
	Presences		Presences		Presences		Presences	
	Physical	Video - conference	Physical	Video - conference	Physical	Video - conference	Physical	Video - conference
Andreas Michaelides	4/21	17/21	2/14	12/14	-	-	3/10	7/10
Christos Giampanas	1/21	-	1/14	-	1/15	-	-	-
Konstantinos Koutentakis	8/21	13/21	-	-	-	-	-	-
Nicholas Mavrogenis	8/21	13/21	-	-	-	-	-	-
Constantinos Papadopoulos	5/21	16/21	1/14	12/14	3/15	12/15	2/10	-
Lenia Georgiadou	4/21	17/21	-	-	2/15	13/15	3/10	7/10
Maria Agrotou	4/21	17/21	1/14	-	1/15	13/15	-	-
Militsa Drakou	3/21	18/21	1/14	12/14	-	-	-	-
Ekaterini Marmara	2/21	19/21	-	-	-	-	1/10	7/10
Total number of meetings	***21***		***14***		***15***		***10***	

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

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

During 2020 and until the date of the current Report, the Board of Directors in order to comply with the relevant Regulatory Framework has reviewed and/or examined and/or amended and/or issued and/or approved, among other documents, the following:

- Business Plan 2021-2023.
- IT Strategy 2021-2023.
- NPE Plan 2020-2022.
- Recovery Plan (revised).
- Bank's Terms of Reference/Operations Rules and Organogram.
- Terms of Reference of the Board of Directors and its Committees.
- Policy regarding the succession plans of the Members of the Board of Directors, Senior Managers and Heads of Control Functions.
- Budget 2020.
- Bank's Policies- compliance with MiFiD II.
- Bank's Policy regarding the disclosures to relevant stakeholders.
- Policy for the development of a new or modification of an existing product /service.
- Annual Report concerning Outsourcing.
- Personal Data Protection Report for 2019.
- ILAAP Stress Testing Assumptions.
- ICAAP Stress Testing Assumptions.
- Annual report of Internal Capital Adequacy and Assessment Process.
- Annual report of Internal Liquidity Adequacy and Assessment Process.
- Risk Appetite Framework (revised).
- Audit Report: MBSR, MIR, FLOWS and Securitisation Regulatory Reporting.
- Annual Audit Plan 2021.
- Pillar III Disclosures.
- Assessment Report of the Operational Risk regarding the Bank's new service for the provision of investment products.
- Interest Rate Risk in the Banking Book Policy.
- Market Risk Management Policy.

2.5 Board Performance Evaluation

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

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

CORPORATE GOVERNANCE REPORT (cont.)

The assessment report with evaluation's findings, is required to be submitted to the CBC before the 31st of March 2021.

Based on the findings of the said report, the Secretariat of the Board of Directors in collaboration with the General Management, the Members of the Board and the rest of the relative divisions, will prepare an action plan and will monitor the actions for the implementation of the propositions that were included in the assessment report.

3 External Auditors

During 2020, Deloitte audit firm was appointed as the Bank's independent external auditor, for the fourth consecutive year. At the Audit Committee's meeting with the external auditors on the 13th of November 2020, Deloitte reaffirmed its objectivity and independence, required by the regulatory framework, when it comes to expressing their opinion regarding the financial statements of 2020. The external auditors noted that the members of the audit team are fully independent from the Bank and assured the Board of Directors that there is no possibility of a conflict of interest when Deloitte's Partners are appointed to the position of Manager Receiver in cases where the Bank is an interested party.

4 Internal Audit System

The Board of Directors confirms that during 2020 the Bank was maintaining an adequate and effective internal control system, according to the Bank's Corporate Governance Code and the relative Regulatory Framework.

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

The selection process of the external auditor, to whom the three-year assessment of the internal control system was assigned, was carried out at Group level and included the parent Alpha Bank S.A. and its subsidiaries.

During the Audit Committee's meeting on the 24th of June 2020, PwC's Audit Team presented before the Committee and discussed with the Audit Committee's Members, the most important findings / observations included in the Assessment Report of the adequacy of the Bank's internal control system, identified during the three-year assessment of the internal control system.

SHAREHOLDERS HOLDING MORE THAN 5% OF THE SHARE CAPITAL

As at 31 December 2020 and 31 December 2019, 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 2020	31 December 2019
	%	%
Alpha Bank 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 46 of the financial statements.

INDEPENDENT AUDITORS

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

By order of the Board of Directors,

Nikitas Alkiviades
Secretary

Nicosia, 31 March 2021

Deloitte Limited
Maximos Plaza
Block, 3rd Floor
213 Arch. Makariou III Avenue
CY-3030 Limassol, Cyprus
Mail: P.O Box 58466
CY-3734 Limassol, Cyprus

Tel: +357 25 86 86 86
Fax: +357 25 86 86 00
infolimassol@deloitte.com
www.deloitte.com/cy

This is a translated version of the Independent Auditors' report of the Greek consolidated financial statements of Alpha Bank Cyprus Limited for the year ended 31 December 2020, as issued on 31 March 2021.

Independent Auditor's Report

To the Members of Alpha Bank Cyprus Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Alpha Bank Cyprus Limited (the "Bank"), and its subsidiaries (together with the Bank, the "Group"), which are presented in pages 39 to 262 and comprise the consolidated balance sheet as at 31 December 2020, 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 2020, 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 remained independent of the Group throughout the period of our appointment in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated 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.

Deloitte.

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

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.

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the Key audit matters</th></tr>
<tr><td colspan="2">Allowance for loans and advances to customers</td></tr>
<tr><td>
Loans and advances to customers at amortized cost of the Group amounted to €1.499 million at 31 December 2020, (€2.014 million at 31 December 2019), while accumulated impairment losses amounted to €154 million for the year ended 31 December 2020, (€517 million at 31 December 2019).
The Group establishes an allowance for expected credit losses on loans and advances to customers (accumulated impairment losses) on both an individual and on a collective basis.
The estimation of expected credit losses on loans and advances to customers is considered a key audit matter given the magnitude of the specific account balance, as well as the high degree of judgement exercised by Management and the existence of estimates with a significant level of subjectivity and complexity. The degree of subjectivity and complexity was considerably high in the current year due to the economic implications associated with Covid-19 pandemic.
The most significant Management judgements and estimates, include:

The criteria used for the staging assessment of loans, taking into consideration the impact of Covid-19 pandemic and the government relief measures for borrowers in the form of payment deferrals (moratoria).
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, taking into consideration the impact of Covid-19 pandemic.

</td><td>
Based on our risk assessment and following a risk-based approach, we performed, inter alia, the following audit procedures:

We assessed the appropriateness of the methodologies, interpretations and policies adopted by Management in relation to the determination of the expected credit losses on loans and advances to customers in accordance with IFRS 9 "Financial Instruments".
We assessed the design and implementation of internal controls relevant to expected credit losses, including internal controls over methodologies, judgements and estimates applied by Management. We also assessed the internal controls relating to the data accuracy and completeness, model calculations and the staging classification of loans, considering the criteria for inclusion in the government relief measures for borrowers in the form of payment deferrals (moratoria). In addition, we assessed internal controls over the valuation of collaterals. Where deemed appropriate, we involved our credit risk and information technology specialists in performing our procedures.
We assessed the design, implementation and operating effectiveness of internal controls relevant to the measurement of the expected credit losses of credit impaired loans that have been individually assessed for impairment, including internal controls relevant to the appropriateness of the assessment approach and the assumptions for the estimation of the future cash inflows.

</td></tr>
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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
Allowance for loans and advances to customers (continued)	
• The assumptions for the determination of expected future cash flows of individually assessed credit impaired exposures, including the selection of the assessment method, valuation and time of realisation of collaterals, particularly in the context of the uncertainty caused by the Covid-19 pandemic. • The parameters and the assumptions used in the determination of the macroeconomic scenarios and the weighted probabilities applied in each of them. • The adjustments made by Management on the expected credit loss models in order to address model limitations, as well as to incorporate events that are not reflected in the models, particularly in relation to the economic uncertainty caused by the Covid-19 pandemic and the payment deferral schemes. These post model adjustments involve inherent uncertainty and significant level of Management judgement. Management provides further information relating to the above in Notes 1.6.3, 10, 18 and 38 of the consolidated financial statements.	• With the support of our internal credit risk specialists, we developed an independent estimate of the allowance for impairment on loans and advances to customers, who, based on the Group's methodology, are collectively assessed for impairment, and compared our estimate with the results of the collective impairment exercise 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 consideration the impact of Covid-19 pandemic. • On a sample basis, we assessed the reasonableness of significant assumptions used in the measurement of impairment of individually assessed exposures, including valuation of collaterals as well as assumptions used for estimating future discounted cash flows, taking into consideration the impact of Covid-19 pandemic on cash flows.

Deloitte.

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
Allowance for loans and advances to customers (continued)	
	• On a sample basis, with the support of our internal real estate valuation specialists, we assessed the appropriateness of the assumptions and data used in the valuation of collateralised properties, taking into consideration the impact of Covid-19 pandemic on the real estate market. • We assessed the appropriateness of the criteria and significant assumption used by the Management for the staging classification of loans and advances to customers in accordance with IFRS 9. Our audit work included the assessment of the criteria set by Management for the timely recognition of significant increase in credit risk and unlikeness-to-pay. We obtained the appropriate evidence and assessed, on a sample basis, the timely identification of exposures with significant increase in credit risk and the timely identification of credit impaired exposures. We assessed, on a sample basis, the appropriateness of the eligibility criteria and the staging classification for borrowers who were granted relief measures by the Group. • We assessed the appropriateness of Management's adjustments to the results of the expected credit loss models, including those in response to Covid-19 pandemic, taking into consideration the circumstances, judgements, methodology and governance over these adjustments. • We assessed the completeness and accuracy of the disclosures in accordance with the relevant accounting standards and the regulatory expectations for the presentation of Covid-19 pandemic related disclosures. The above audit procedures were completed in a satisfactory manner.

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
Sale of Loans and advances to Customers to a company of the Group Alpha Bank S.A.	
During 2020, "Loans and advances to customers" with an accounting balance before provisions of €649 million and fair value of €280 million were sold to an Alpha Bank S.A. Group company for an amount of €307 million. The difference between the fair value and the amount received was recognised directly in equity as a capital contribution. The aforementioned event is considered a key audit matter due to the size of the transaction and its accounting treatment and fair value determination complexities. The fair value of the transaction was determined by discounting the expected future cash flows of the related loans, using a market discount rate, as this was determined by Management taking into consideration cost of capital, cost of financing and administration costs. The determination of the fair value of the transaction requires a significant degree of judgement by Management to determine the discount rate and the assumptions on which the estimates of future cash flows were based. These assumptions, which are based on historical trends and future expectations, are by nature of high subjectivity, which is heightened by the uncertainty caused by the Covid-19 pandemic. Management provides further information relating to the above transaction in Notes 18, 34 and 43 of the consolidated financial statements.	Based on our risk assessment and following a risk-based approach, we performed, inter alia, the following audit procedures, involving, where deemed necessary, our internal credit risk specialists: • We assessed, on the basis of the loans sale agreement, the appropriateness of their derecognition from the balance sheet. • With the support of our internal IFRS specialists, we assessed the accounting treatment of the transaction. • We assessed the Group methodology used to calculate the fair value of the transaction. We also assessed the business assumptions and variables used, as well as the appropriateness of the fair value model. • On a sample basis, we assessed the cash flows used to calculate the fair value of the related loans. • We assessed the completeness and accuracy of the transaction related disclosures in accordance with the relevant accounting standards. The above audit procedures were completed in a satisfactory manner.

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 center 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 center and network operations. Where deemed appropriate, we involved our information technology specialists in performing our procedures. In summary, our key audit procedures included, among others, testing of: User access provisioning and de-provisioning • 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 center and network operations, including the creation and monitoring of security back-ups. The above audit procedures were completed in a satisfactory manner.

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Independent Auditor's Report (continued)

To the Members of Alpha Bank Cyprus Limited

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.

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.

Independent Auditor’s Report (continued)

To the Members of Alpha Bank Cyprus Limited

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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.

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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.

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 2020 in the General Meeting of the shareholders of the Group on 7 August 2020. Ours appointment has been renewed annually by shareholder's resolution representing a total period of uninterrupted engagement appointment of four years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Bank, which we issued on 30 March 2021 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-Audit Services

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

Other Legal Requirements

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

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

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Independent Auditor's Report (continued)

To the Members of Alpha Bank Cyprus Limited

Other Matters

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

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

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

Deloitte Limited
Certified Public Accountants and Registered Auditors

31 March 2021

Consolidated Statement of Comprehensive Income

		From 1 January to	
	Note	31.12.2020	31.12.2019*
		€'000	€'000
Interest and similar income		55.592	69.207
Interest expense and similar charges		(3.728)	(9.787)
Net interest income	**2**	**51.864**	**59.420**
Fees and commission income		12.708	10.471
Commission expense		(1.416)	(1.404)
Net fee and commission income	**3**	**11.292**	**9.067**
Dividend income	4	448	311
Gains less losses on derecognition of financial assets measured at amortised cost	5	(370)	265
Gains less losses on financial transactions	6	2.240	2.656
Other income	7	7.946	7.152
Total other income		**10.264**	**10.384**
Total income		**73.420**	**78.871**
Staff costs	8	(35.551)	(35.004)
Expenses for separation scheme	8	(26.214)	-
General administrative expenses	9a	(19.682)	(23.181)
Other expenses	9b	(2.727)	334
Depreciation and amortization	19-21	(3.855)	(3.898)
Total expenses before impairment losses and provisions to cover credit risk		**(88.029)**	**(61.749)**
Impairment losses and provisions to cover credit risk	10	(53.907)	(5.285)
Profit/ (Loss) before tax		(68.516)	11.837
Tax	12	(2.619)	(274)
Profit/ (Loss) after tax		**(71.135)**	**11.563**
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		10	567
Items that may be reclassified subsequently to the Income Statement			
Net change in securities reserves measured at fair value through other comprehensive income	33	896	6.176
Total of other comprehensive income recognized directly in equity		906	6.743
Total comprehensive income for the year attributable to equity owners of the bank		(70.229)	18.306
Basic and diluted earnings/(losses) per share (€ cents)	13	(33,5)	5,44

* Certain figures of the previous year have been restated as described in Note 45.

The notes on pages 43 to 262 form an integral part of the financial statements.

Consolidated Balance Sheet

	Note	31.12.2020 €´000	31.12.2019* €'000
ASSETS			
Cash and balances with central banks	14	271.846	230.830
Due from banks	15	159.254	327.966
Derivative financial assets	17	467	490
Loans and advances to customers	18	1.361.345	1.496.126
Investment securities	16		
- measured at fair value through other comprehensive income	16a	432.823	447.594
- measured at fair value through profit or loss	16c	3.949	3.463
- measured at amortised cost	16b	175.612	-
Investment property	19	17.178	18.505
Property, plant and equipment	20	27.600	29.524
Intangible assets	21	2.170	1.615
Deferred tax assets	22	6.237	8.250
Repossessed assets	23	24.500	24.966
Other assets	24	12.208	7.495
		2.495.189	2.596.824
Non current assets held for sale	25	2.881	3.739
Total assets		2.498.070	2.600.563
LIABILITIES			
Due to banks	26	61.918	54.941
Derivative financial liabilities	17	195	1.099
Due to customers	27	2.102.301	2.169.486
Subordinated bonds	28	5.276	10.151
Other liabilities	29a	49.733	43.887
Provisions	29b	5.572	4.432
		2.224.995	2.283.996
Liabilities related to non current assets held for sale	25	30	32
Total liabilities		2.225.025	2.284.028
EQUITY			
Funds and reserves attributable to the shareholders of the Bank			
Share capital	30	180.694	180.694
Share premium	32	102.661	102.661
Reserves	33	8.760	7.864
Retained earnings	34	(83.070)	(38.684)
Convertible capital securities	31	64.000	64.000
Total equity		273.045	316.535
Total liabilities and equity		2.498.070	2.600.563

The financial statements were approved and authorized for issue by the Board of Directors on 31 March 2021.

A.M.Michaelides	K. D. Koutentakis	Y.Tofarides
Chairman	Managing Director	Head of Financial Services Division

* Certain figures of the previous year have been restated as described in Note 45.

The notes on pages 43 to 262 form an integral part of these financial statements.

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 1.1.2020	**180.694**	**102.661**	**7.864**	**(38.684)**	**64.000**	**316.535**
Changes for the period 1.1 – 31.12.2020						
Loss for the year, after tax	-	-	-	(71.135)	-	(71.135)
Other comprehensive income recognized directly in equity	-	-	896	10	-	906
Total comprehensive income for the period, after tax	**-**	**-**	**896**	**(71.125)**	**-**	**(70.229)**
Contribution from a parent company[2]	-	-	-	26.739	-	26.739
31 December 2020	**180.694**	**102.661**	**8.760**	**(83.070)**	**64.000**	**273.045**
Balance 1.1.2019*	**180.694**	**102.661**	**1.688**	**(50.814)**	**64.000**	**298.229**
Changes for the period 1.1 – 31.12.2019						
Profit for the year, after tax	-	-	-	11.563*	-	11.563
Other comprehensive income recognized directly in equity	-	-	6.176	567*	-	6.743
Total comprehensive income for the period, after tax	**-**	**-**	**6.176**	**12.130**	**-**	**18.306**
31 December 2019	**180.694**	**102.661**	**7.864**	**(38.684)**	**64.000**	**316.535**

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

* Certain figures of the previous year have been restated as described in Note 45.
The notes on pages 43 to 262 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

		From 1 January to	
		31.12.2020	31.12.2019
	Note	€´000	€´000
Cash flow from operating activities			
Profit/(Loss) before tax		(68.516)	11.837
Adjustment for gain/(loss) before tax:			
(Gains) / losses from reclassification of securities with variable yield		(486)	(1.022)
Depreciation of property, plant and equipment	20	2.834	2.880
Losses from write-off of real estate property	9	72	-
Amortization of intangible assets	21	936	649
(Gains) / losses from disposal of property, plant and equipment	7	(221)	(17)
(Gains) / losses from disposal of financial assets	6	(82)	(7)
Impairment losses on stock of property		2.105	799
(Gains) / losses from derecognition of financial assets	5	370	(265)
(Gains) / losses from modification of the contractual terms of loans and advances to customers	10	4.582	(1.553)
Dividends received	4	(448)	(311)
Interest payable of subordinated loans	28	576	1.272
Reversal of provisions for litigation or arbitration disputes	9	-	(130)
Impairment losses and provisions to cover credit risk	10	52.867	10.800
Provision for off balance sheet assets	10	1.139	1.269
		(4.272)	**26.201**
Net (increase) / decrease in assets:			
Cash and balances with central banks		701	656
Loans and advances to customers		77.332	35.406
Derivative financial assets		23	(317)
Other assets		(9.075)	(18.070)
Net increase / (decrease) in liabilities:			
Due to banks		33.615	(16)
Derivative financial liabilities		(904)	(2.295)
Due to customers		(67.185)	(43.307)
Other liabilities		11.611	8.561
Net cash flows from continuing operations before taxes		**41.846**	**6.819**
Tax paid		-	-
Net cash flows from continuing operations		**41.846**	**6.819**
Net cash flows from investing activities:			
Investments in property		1.327	(11.235)
Purchase of investment securities available for sale		(375.961)	(584.218)
Disposal of investment securities available for sale		215.120	420.854
Acquisition of property, plant and equipment	20	(1.615)	(1.938)
Disposal of property, plant and equipment		244	-
Acquisition of intangible assets	21	(1.491)	(629)
Dividends received	4	448	311
Net cash flows from investing activities		**(161.928)**	**(176.855)**
Net cash flows from financing activities :			
Contribution to capital from the parent company		26.739	-
Leased payments	35	(1.563)	(1.120)
Repayments on subordinated loans	28	(5.451)	(6.869)
Net cash flows from financing activities		**19.725**	**(7.989)**
Net increase/(decrease) in cash and cash equivalents		(100.357)	(178.025)
Cash and cash equivalents at the beginning of the year	36	481.966	659.991
Cash and cash equivalents at the end of the year	36	381.609	481.966

The notes on pages 43 to 262 form an integral part of these financial statements.

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 the Bank and its subsidiaries.

The Bank considers Alpha Bank A.E. as its parent, which is registered in Greece and it's the Bank's main shareholder.

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

ACCOUNTING POLICIES APPLIED

1.1 Basis of presentation

These financial statements for the year 1.1 - 31.12.2020 have been prepared:

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

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

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

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

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

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

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

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

The accounting policies applied by the Group for the preparation of the annual financial statements are in line with those described in the published financial statements for the year ended 31.12.2019, 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 1.1.2020:

Adoption of new standards and amendments to existing standards

The amendments to standards implemented from 1.1.2020 are listed below:

‣ **Amendment to International Financial Reporting Standard 3** “Business Combinations”: Definition of Business (Regulation 2020/551/21.4.2020)

On 22.10.2018 the International Accounting Standards Board issued an amendment to IFRS 3 aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments:

- clarify the minimum requirements required in order a business to have been acquired,
- the assessment for the acquisition of either a business or a group of assets is simplified and it is based on current condition of acquired elements rather than on the market participant’s ability to integrate them into his own processes,
- the definition of outputs is amended so that apart from the revenue arising from ordinary activities falling within the scope of IFRS 15, it also includes other income from main activities such as income from investment services,
- guidance is added to assess whether a production process is substantive both in cases where a product is produced at the date of acquisition and in cases where there is no product produced,
- an optional exercise is introduced based on the fair value of the assets acquired to assess whether a business or group of assets has been acquired.

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

‣ **Amendment to International Financial Reporting Standard 9** “Financial Instruments”: to **International Accounting Standard 39** “Financial Instruments” and to **International Financial Reporting Standard 7** “Financial instruments: Disclosures”: Interest rate benchmark reform (Regulation 2020/34/15.1.2020)

On 26.9.2019 the International Accounting Standards Board issued amendments to IFRS 9, IAS 39 and IFRS 7, according to which temporary exceptions from the application of specific hedge accounting requirements are provided in the context of interest rate benchmark reform.
In accordance with the exceptions, entities applying those hedge accounting requirements may assume that the interest rate benchmark is not altered as a result of the interest rate benchmark reform.

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

Relief is provided regarding the following requirements:

- the highly probable requirement in cash flow hedge,
- prospective assessments,
- designating a component of an item as the hedged item only at the inception of the hedging relationship.

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

‣ **Amendment to International Financial Reporting Standard 16** "Leases": Covid-19 Related rent concessions (Regulation 2020/1434/9.10.2020)

On 28.10.2020 the International Accounting Standards Board issued amendment to IFRS16 in regards to the accounting treatment of rent concessions occurring as a direct consequence of the Covid-19 pandemic. According to this amendment, a lessee may elect (practical expedient) not to assess whether a rent concession is a lease modification. The practical expedient is applied for any reduction in lease payments that affects only payments due on or before 30 June 2021.
If the practical expedient is applied, it is assumed that no lease modification has occurred and the lessee may account for the concession as a negative variable lease payment, by recognizing the variable payment in the statement of profit loss and making a corresponding adjustment to the lease liability.

The aforementioned practical expedient is not applicable for the lessors, who continue to apply the existing requirements of the Standard.

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

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

- **Amendments to International Accounting Standard 1** "Presentation of Financial Statements" and **to International Accounting Standard 8** " Accounting Policies, Changes in Accounting Estimates and Errors: "Definition of material" (Regulation 2019/2104/29.11.2019)

On 31.10.2018 the International Accounting Standards Board, as part of the Disclosure Initiative, issued amendments to IAS 1 and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition.

The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments include examples of circumstances that may result in material information being obscured. The IASB has also amended the definition of material in the Conceptual Framework to align it with the revised definition of material in IAS 1 and IAS 8.

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

- **Amendments to references in the conceptual Framework in International Financial Reporting Standards** (Regulation 2019/2075/29.11.2019)

On 29.3.2018 the International Accounting Standards Board issued a revised Conceptual Framework for Financial Reporting, which has been used immediately by the Board and the Interpretations Committee in the issuance of new Standards and Interpretations and become effective for the preparation of Financial Statements for annual periods beginning 1 January 2020. The revised Conceptual Framework includes a) new chapters for adding guidance regarding measurement, derecognition, presentation and disclosure and the definition of the reporting entity, b) update of the definition for assets and liabilities and recognition criteria and c) clarifications regarding the necessity of information for management stewardship in order to meet the objective of financial reporting, as well as the roles of prudence, measurement uncertainty and substance over form in assessing whether information is useful.

Together with the revised Conceptual Framework the IASB has also issued Amendments to references to the Conceptual Framework in IFRS Standards in order to ensure the consistency of the related references with the revised Conceptual Framework. The Conceptual Framework does not override the requirements of the IFRS Standards but is used by the Company to assist for the development of consistent accounting policies for transactions or other events when no Standard applies.

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

Except for the standards mentioned above, the European Union has adopted the following amendments to standards which are effective for annual periods beginning after 1.1.2020 and have not been early adopted by the Group.

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

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

Effective for annual periods beginning on or after 1.1.2021.

On 25.6.2020 the International Accounting Standards Board issued an amendment to IFRS 4 with which extended the temporary exception from applying IFRS 9 by two years. In this context, companies that have used the temporary exception from applying IFRS 9 shall apply the standard by 1.1.2023.

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

- **Amendment to International Financial Reporting Standard 9** “Financial Instruments”, to **International Accounting Standard 39** “Financial Instruments: recognition and measurement”, to **International Financial Reporting Standard 7** “Financial instruments: Disclosures”, to **International Financial Reporting Standard 4** “Insurance Contracts” and to **International Financial Reporting Standard 16** “Leases”: Interest rate benchmark reform – Phase 2 (Regulation 2021/25/13.1.2021)

Effective for annual periods beginning on or after 1.1.2021.

On 27.10.2020 the International Accounting Standard Board issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in the context of Phase 2 of the IBOR project that address issues that arise following the reform of an interest rate benchmark rate, including the replacement of one benchmark rate with an alternative one. The key reliefs provided by the Phase 2 amendments are as follows:

- Changes to contractual cash flows. When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes that are required by an interest rate benchmark reform will not result in an immediate gain or loss in the income statement but in the recalculation of the interest rate. The same practical expedient applies for insurers that are applying the temporary exemption from IFRS 9.

- Hedge accounting: The hedge accounting reliefs ensure that changes to the hedge documentation do not result in thediscontinuation of hedge accounting nor the designation of a new hedge relationship, as long as the only changes are those permitted by the Phase 2 Amendments. Permitted changes include redefining the hedged risk to reference a risk-free rate and redefining the description of the hedging instruments and/or the hedged items to reflect the risk-free rate. However, additional ineffectiveness might need to be recorded in profit or loss statement.

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

ACCOUNTING POLICIES APPLIED (cont.)

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

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

- **Amendment to the International Financial Reporting Standard 3** “Business Combinations”: References to the Conceptual Framework

Effective for annual periods beginning on or after 1.1.2022.

On 14.5.2020 the International Accounting Standards Board amended IFRS 3 in order to update references to the Conceptual Framework. More specifically:

- amended IFRS 3 in order to refer to the latest version of the Conceptual Framework,

- added a requirement that for transactions within the scope of IAS 37 or IFRIC 21 an acquirer applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify liabilities it has assumed in a business combination,

- added an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination..

The adoption of the above amendment is not expected to have any impact on the financial statements of the Group.

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

Effective date: To be determined.

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

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

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

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

‣ **International Financial Reporting Standard 14** "Regulatory deferral accounts".

Effective for annual periods beginning on or after 1.1.2016

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

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

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

‣ **International Financial Reporting Standard 17** "Insurance Contracts" **Amendment to International Financial Reporting Standard 17** "Insurance Contracts"

Effective for annual periods beginning on or after 1.1.2023

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

An entity:

- identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder;
- separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;
- divides the contracts into groups that it will recognise and measure;

ACCOUNTING POLICIES APPLIED (cont.)

1.1 Basis of presentation (cont.)

‣ **International Financial Reporting Standard 17** "Insurance Contracts" **Amendment to International Financial Reporting Standard 17** "Insurance Contracts" **(cont.)**

- recognises and measures groups of insurance contracts at:
    1. a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset)
    2. an amount representing the unearned profit in the group of contracts (the contractual service margin);
- recognises the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognises the loss immediately;
- presents separately insurance revenue, insurance service expenses and insurance finance income or expenses; and
- discloses information to enable users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

On 25.6.2020 the International Accounting Standards Board adopted an amendment to IFRS 17 to help companies implement the new standard and explain their financial performance. In addition to the amendment, the date of its mandatory application was postponed to 1.1.2023.

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

‣ **Amendment to the International Accounting Standard 1** "Presentation of Financial Statements": Classification of liabilities as current or non-current

Effective for annual periods beginning on or after 1.1.2023.

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

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

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

The above amendment will have no impact on the financial statements of the Group since in Group's balance sheet liabilities are not classified as current and non-current.

ACCOUNTING POLICIES APPLIED (cont.)

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

‣ **Amendment to the International Accounting Standard 1** “Presentation of Financial Statements”: Accounting policy disclosures

Effective for annual periods beginning on or after 1.1.2023

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

- The definition of accounting policies is provided by paragraph 5 of IAS 8.

- An entity shall disclose material accounting policy information. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of financial statements make.

- Accounting policy information that relates to immaterial transactions is immaterial and need not be disclosed. Accounting policy information may nevertheless be material because of the nature of the related transactions even if the amounts are immaterial. However, not all accounting policy information relating to material transactions and other events is itself material.

- Accounting policy information is material if users of an entity’s financial statements would need it to understand other material information in the financial statements.

- Accounting policy information that focuses on how an entity has applied an accounting policy is more useful to users of financial statements than standardized information or information that only summarizes the requirements of IFRSs.

- If an entity discloses immaterial accounting policy information, such information shall not obscure material accountingpolicy information.

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

‣ **Amendments to International Accounting Standard 8** “Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

Effective for annual periods beginning on or after 1.1.2023

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

- Defined accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty.

- Clarified that an accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate. Developing accounting estimates involves the use of judgements and assumptions.

- An entity uses measurement techniques and inputs to develop an accounting estimate.

- An entity may need to change an accounting estimate. By its nature, a change in an accounting estimate does not relate to prior periods and is not the correction of an error. A change in an input or a change in a measurement technique are changes in accounting estimates unless they result from the correction of prior period errors.

ACCOUNTING POLICIES APPLIED (cont.)

1.1. Basis of presentation (cont.)

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

- **Amendments to International Accounting Standard 16** “Property, plant and equipment”: Proceeds before intended use

Effective for annual periods beginning on or after 1.1.2022

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

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

- **Amendments to International Accounting Standard 37** “Liabilities, Contingent Liabilities and Contingent Assets”: Onerous Contracts – Cost of fulfilling a contract

Effective for annual periods beginning on or after 1.1.2022

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

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

ACCOUNTING POLICIES APPLIED (cont.)

1.1. Basis of presentation (cont.)

‣ **Annual Improvements** – cycle 2018-2020

Effective for annual periods beginning on or after 1.1.2022

As part of the annual improvements project, the International Accounting Standards Board issued, on 14.5.2020, non-urgent but necessary amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 14.

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

1.2 Basis of consolidation

The consolidated financial statements include the parent company Alpha Bank Cyprus Ltd and its subsidiaries. The financial statements used to prepare the consolidated financial statements have been prepared as at 31.12.2020 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:
- power over the investee,
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect the amount of the investor's return.

1.3 Operating segments

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

Detailed sectoral analysis is provided in note 37.

1.4 Transactions in foreign currency

The items included in the consolidated financial statements are presented in Euro, which is the functional currency and the currency of the parent comapany'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.

ACCOUNTING POLICIES APPLIED (cont.)

1.4 <u>Transactions in foreign currency</u> (cont.)

Non-monetary assets and liabilities denominated in foreign currencies are translated into Euros using the currency rate at the date of their initial recognition.

1.5 <u>Cash and cash equivalents</u>

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.

<u>1.6 Classification and measurement of financial instruments</u>

1.6.1 Classification and measurement of financial instrument

Initial recognition

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

Subsequent measurement of financial assets

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

For each of the above categories the following apply:

a) Financial assets measured at amortised cost

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

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

ACCOUNTING POLICIES APPLIED (cont.)

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

1.6.1 Classification and measurement of financial instrument (cont.)

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

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

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

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

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

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

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

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

Financial assets included in this category are:

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

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

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

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

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Classification and measurement of financial instruments (cont.)

1.6.1 Classification and measurement of financial instrument (cont.)

Business Model assessment

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

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

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

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

a) The way the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group key management personnel.

b) The risks that affect the performance of the business model (and the financial assets held within that business model) and, specifically, the way those risks are managed.

c) The way the managers are evaluated (e.g., whether the evaluation is based on the fair value of the assets managed or the contractual cash flows collected).

d) Past and expected frequency and value of sales from the portfolio.

The Group, at each reporting date, reassesses its business models in order to confirm that there has been no change compared to the prior period or application of a new business model. In the context of the reassessment of the hold to collect business model past sales as well as expected future sales are taken into account. In this assessment, the following cases of sales are considered consistent with a hold to collect business model:

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

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

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

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

ACCOUNTING POLICIES APPLIED (cont.)

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

1.6.1 Classification and measurement of financial instrument (cont.)

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

For the purposes of applying the SPPI assessment:

− Principal is the fair value of the asset at initial recognition, which may change over the life of the financial asset (for example if there are repayments of principal).

− Interest is the consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks (i.e. liquidity risk) and costs, as well as a profit margin.

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

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

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

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

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

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

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Classification and measurement of financial instruments (cont.)

1.6.1 Classification and measurement of financial instrument (cont.)

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.

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

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

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

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

ACCOUNTING POLICIES APPLIED (cont.)

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

1.6.1 Classification and measurement of financial instrument (cont.)

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

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

Derecognition of financial assets

The Group derecognizes financial assets when:

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

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

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

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

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.

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Classification and measurement of financial instruments (cont.)

1.6.1 Classification and measurement of financial instrument (cont.)

Subsequent measurement of financial liabilities

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

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

i. This category includes financial liabilities held for trading, that is:

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

ii. this category also includes financial liabilities which are designated by the Group as at fair value through profit or loss upon initial recognition, when:

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

ACCOUNTING POLICIES APPLIED (cont.)

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

1.6.1 Classification and measurement of financial instrument (cont.)

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 payments 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 measured in such a way that the net carrying amount of the transferred asset and the associated liability is:

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

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

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

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

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.

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Classification and measurement of financial instruments (cont.)

1.6.1 Classification and measurement of financial instrument (cont.)

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

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

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

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

a) Default definition

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

ACCOUNTING POLICIES APPLIED (cont.)

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

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

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

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

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

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

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

c) Significant increase in credit risk

In determining significant increase in credit risk of an exposure since initial recognition and the recognition of lifetime expected credit losses instead of 12 months expected credit losses, the Group assesses, at each reporting date, the risk of default compared to the risk of default at initial recognition for all its performing exposures including those with no delinquencies. More details are provided in note 38.

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.

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Classification and measurement of financial instruments (cont.)

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

- 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 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.

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Classification and measurement of financial instruments (cont.)

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

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 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.

ACCOUNTING POLICIES APPLIED (cont.)

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

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

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
- 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.

ACCOUNTING POLICIES APPLIED (cont.)

1.6 Classification and measurement of financial instruments (cont.)

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

- 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.

d) Calculation of expected credit loss

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

(a) the contractual cash flows and

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

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

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

e) Presentation of expected credit losses in financial statements

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

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

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

ACCOUNTING POLICIES APPLIED (cont.)

1.7 Fair value measurement

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

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

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

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

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

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.

ACCOUNTING POLICIES APPLIED (cont.)

1.7 Fair value measurement (cont.)

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.

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.

ACCOUNTING POLICIES APPLIED (cont.)

1.7 Fair value measurement (cont.)

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.

1.9 Investment property

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

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

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

ACCOUNTING POLICIES APPLIED (cont.)

1.10 <u>Intangible assets</u>

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 <u>Leases</u>

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

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

A) When the Group acts as a lessee

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

ACCOUNTING POLICIES APPLIED (cont.)

1.11 Leases (cont.)

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.

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.

ACCOUNTING POLICIES APPLIED (cont.)

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 programme to locate a buyer has been initiated, the asset is actively marketed for sale at a price which is reasonable in relation to its current fair value and the sale is expected to be completed within one year. Non-current assets that are acquired exclusively with a view to their subsequent disposal are classified as held for sale at the acquisition date when the one-year requirement is met and it is highly probable that the remaining criteria will be met within a short period following the acquisition (usually within three months).
Before their classification as held for sale, the assets are remeasured in accordance with the respective accounting standard.
Non current assets held for sale are initially recognised and subsequently remeasured at each balance sheet date at the lower of their carrying amount and fair value less cost to sell.

1.17 Employee benefits

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

The Group does not operate a defined benefit plan.

ACCOUNTING POLICIES APPLIED (cont.)

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.

1.19 Subordinated bonds

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

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

ACCOUNTING POLICIES APPLIED (cont.)

1.20 Equity

Financial instruments issued by Group companies to raise funding are classified as equity when, based on the substance of the transaction, the Group does not undertake a contractual obligation to deliver cash or another financial asset or to exchange financial instruments under conditions that are potentially unfavorable 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 above mentioned assessment, convertible capital securities were classified within the equity of the Group.

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

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

1.21 Convertible Capital Securities

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

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

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

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.

ACCOUNTING POLICIES APPLIED (cont.)

1.22 Interest income and expense (cont.)

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.

1.25 Gains less losses on financial transactions

Gains less losses on financial transactions include:

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

ACCOUNTING POLICIES APPLIED (cont.)

1.26 Impairment losses on non-financial assets

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

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

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

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

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

1.28 Related parties definition

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

a) the parent company Alpha Bank A.E. 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 A.E. and as a consequence it is assumed that it exercises significant influence over them.

ACCOUNTING POLICIES APPLIED (cont.)

1.28 <u>Related parties definition</u> (cont.)

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:

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

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

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

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

ACCOUNTING POLICIES APPLIED (cont.)

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

- the determination of expected cash flows and flows from the realisation of collaterals for the financial instruments (including the estimation of the future market values of the collaterals), and
- the determination of the adjustments on the models of calculation of the parameters of the expected credit losses.

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.

1.29.1 Going concern

The Group Financial Statements for the year 31.12.2020 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.

ACCOUNTING POLICIES APPLIED (cont.)

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

1.29.1 Going concern (cont.)

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

The Group, in preparing the Financial Statements of 31.12.2020, took into account the following factors:

- **Capital Adequacy**

The total capital ratio of the Bank stood, with transitional provisions, at 19,5%. According to the requirements of ECB, the minimum Overall Capital Requirement is 13,75% for 2020. However, the said requirement remains the same in 2021 to 13,75%, due to relief provided by the European Central Bank, due to the Covid-19 pandemic. The Group's capital adequacy on 31 December 2020 exceeds the minimum capital requirements of Pillar I and Pillar II, providing the Group with significant capital buffer. It is noted that the Pillar II capital requirement assessment is performed annually by the supervisory authority, with a specific supervisory process that is dynamic as it is subject to change over time.

In relation to the impact from the application of IFRS 9, the Group has used the transitional provisions, according to which the impact from the implementation of the new standard will be absorbed within five years. The Group is sufficiently capitalized to meet the needs arising from the application of the new standard as the Common Equity Tier 1 ratio (CET1) stood at 15,4% as at 31.12.2020, under the transitional provisions, while the impact from full implementation is estimated at around 2,1% thus forming a ratio of 13,2% on 31.12.2020.

- **Liquidity**

During 2020, despite the decrease of interest rates and in some cases the granting of negative interest rates to deposits, the Group managed to maintain its deposit base at the same levels and has increased liquidity ratios that allows the Group to manage liquidity with more flexibility. The Bank also has the access to support mechanism funds through the Central Bank of Cyprus.

- **Cyprus economy**

Achievements
Cyprus economy had growth for five consecutive years until 2019. However, the pandemic caused by Covid-19 disease has led to a reduction in growth, resulting in adverse impact on GDP. A large contraction of -13,1% occurred in the second quarter of 2020, when the pandemic first appeared. The third and fourth quarters are recovering, limiting GDP losses according to the International Monetary Fund around to -6,4%. The contraction was the result of a long-term suspension of business aimed at limiting the spread of the virus.

Despite the estimate of an increase in unemployment, the index remained relatively stable. The mesarues taken by the Republic of Cyprus to support businesses and employees by paying allowances contributed in keeping the index low. The unemployment index for 2020 stood at 8% compared to 7% in 2019. The European Union’s corresponding index was 8,9%. Inflation for 2020 is expected to be at the level of -0,6% and is estimated to reach 1% by 2021. The public debt is expected to increase to Euro 24,8 billion due to the pandemic that forced the Republic of Cyprus to finance with Euro 1 billion the losses of the economy, and reached 118% of GDP. The Cypriot economy remains in the investment grade from the international credit rating agencies, except for Moodys. The losses of the economy, in addition to limiting private consumption, were affected by the loss of tourism which is traditionally one of the main contributors to GDP.

ACCOUNTING POLICIES APPLIED (cont.)

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

1.29.1 Going concern (cont.)

Forecasts
According to the European Commission's winter forecasts, the Cypriot economy after the losses in 2020 due to the pandemic, will grow by 3,2%. This is due to the fact that restrictive measures in the economy concerns a smaller proportion of economic activity and are now more targeted. At the same time, the start of vaccinations will allow for an increase in business activity, mainly the private consumption.

The measures taken to mitigate the effects of the pandemic such as the suspension of loan installments and the payment of allowances which will continue throught 2021, will assist in maintaining job positions, family income and the business activity.

Tourism which was shrunk by 85% in 2020, is expected to be one of the main factors in the recovery of the economy for 2021. Vaccinations are expected to begin both locally and in the main countries of origin of tourists such as United Kingdom, Israel and Russia, and are expected to cover the main portion of 2020 losses.

In 2022 it is estimated that GDP recovery will be at the level of 3,1%, reaching 2019 levels.

The construction sector is expected to be affected by the termination of the existing Cyprus Investment Programme (CIP) concerning the granting of passports to third-country residents which was abolished at the end of 2020.

Initially, according to the Ministry of Finance's macroeconomic and fiscal forecasts, the fiscal balance in 2020 was projected to present surplus and reach 2,7%, as a percentage of GDP, while the surplus of the primary balance was projected to be around 5,1% of GDP. However, the spread of the COVID-19 epidemic and the government's announced measures are expected to negatively affect both GDP growth and the surplus of the primary balance. As a result of the pandemic, the fiscal balance had suffered losses of 5% of GDP.

The Republic of Cyprus, in order to deal with the consequences of the pandemic, is expected to receive support from the European Union through various programs such as a) a grant of Euro 1,3 billion, b) a loan of Euro 1,4 billion, c) financial support of Euro 479 million through the SURE programme to support job retention programmes.

Inflation is expected to rise to 1% in 2021, mainly due to the increase in disposable income from the expected increase in business activity.

The risks that the Cypriot economy is expected to face in 2021 are directly related to the course of reducing the pandemic. The vaccination programme at both local and global level is the key factor that will enable uninterrupted business activity. Cyprus is expected to receive the first tourist wave in the second quarter of 2021, leading to the start of the reduction of tourism losses.

ACCOUNTING POLICIES APPLIED (cont.)

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

1.29.1 Going concern (cont.)

- **Cyprus economy (cont.)**

The termination of the Cyprus Investment Programme (CIP) which was one of the pillars of construction development, may cause further losses in GDP. Due to the United Kingdom's exit from the European Union (EU) at the end of 2020, economic activities between the two countries may be affected. However, it is not expected to substantially affect the tourist flow between the two countries.

The international environment of prolonged low interest rates has an impact on the profitability of the banking sector as it reduces the net income of banks.

- **Greek economy– Operating environment of the parent company**

During the first wave of the pandemic, Greece succeeded in containing the exponential spread of infections throughout March and April 2020 due to the early introduction of front-loaded containment measures. Following the gradual easing of the first generalized lockdown from May onwards, economic activity was progressively normalized in Q3 2020, which was reflected in the rise of real GDP by 2.3% on a quarterly basis. However, Greece witnessed a smaller q-o-q growth compared to the Euro area (+12.4%), as the weak performance of tourism-related activities in Q3 weighed on growth dynamics.

The European Commission, the International Monetary Fund (IMF) and the Greek Ministry of Finance foresee an incomplete rebound in 2021. More specifically, the European Commission (Economic Forecasts, Autumn 2020) projects an incomplete recovery in 2021 (5%). Similarly, the latest projections by the IMF included in the latest country report, (Country Report No. 20/308, November 2020) foresee a partial rebound in 2021 (5.7%). The projections provided by the Greek Ministry of Finance, included in the State Budget 2021, are now envisaging a mild rebound in 2021 by 4.8%. The sizeable fiscal stimulus enacted by the government is estimated to have partially offset the negative consequences of the recessionary shock. Furthermore, the progress being made in developing and distributing effective vaccines should improve the outlook and boost confidence, paving the way for a virtuous cycle that is expected to take effect next year.

At the beginning of the year, the international rating agency Fitch upgraded the debt of the Greek Economy to BB with positive prospects. Due to the pandemic crisis, however both Fitch and S&P adjusted in April 2020 Greece's outlook from positive to stable, maintaining, however, the country's rating at the same level (S&P: BB-). In addition, in November 2020 the rating agency Moody's maintained Greece's outlook stable, while adjusting, the country's rating to Ba3 from B1.

ACCOUNTING POLICIES APPLIED (cont.)

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

1.29.1 Going concern (cont.)

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

- the results of 2020
- the monitoring of cash inflows and outflows on a daily basis,
- the capital adequacy ratios of the Bank on 31.12.2020,
- the deleveraging of the Balance Sheet through actions such as:
    - the sale of a non-performing portfolio
    - the assignment to third-parties of the management of non-performing loans and repossessed properties,
- the ability of the Bank to access funding via the Central Bank of Cyprus,
- the strong capital adequacy of the Alpha Bank S.A. Group,
- the measures taken by the European Central Bank to ensure that banks will be able to continue to finance the economy,
- the measures taken by the Republic of Cyprus to support the economy from the consequences of the Covid-19 virus,
- the decisions of the Eurozone countries to take a series of fiscal and other measures to stimulate the economy as well as the decisions of the banks' supervisory authorities to provide liquidity and support their capital adequacy to the extent that it is affected by the spread of the coronavirus,
- the measures taken by the Group to protect its employees from coronavirus, the implementation of actions under the Business Continuity Plan and the activation of the ability for teleworking at a large scale whilst ensuring that execution of critical operations.

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

2. NET INTEREST INCOME

	Note	From 1 January to 31.12.2020 €´000	31.12.2019 €´000
Interest and similar income			
Due from banks measured at amortised cost		238	413
Loans and advances to customers where:			
-measured at amortised cost		51.241	66.522
-measured at fair value through profit or loss		134	-
Investment securities:			
-measured at amortised cost		391	
-measured at fair value through other comprehensive income		2.958	2.272
Other interest		630	-
Total		**55.592**	**69.207**
Interest expense and similar charges			
Deposits to Central Bank with negative interest rate		(72)	(45)
Due to banks		(66)	(607)
Due to customers		(2.290)	(6.877)
Subordinated bonds	28	(576)	(1.272)
Derivative financial instruments		(575)	(794)
Lease liabilities		(149)	(192)
Total		**(3.728)**	**(9.787)**
Net interest income		**51.864**	**59.420**

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

	From 1 January to 31.12.2020	31.12.2019
Financial assets measured at amortised cost	51.870	66.935
Financial assets measured at fair value through other comprehensive income	2.958	2.272
Financial assets measured at fair value through profit or loss	134	-
Financial liabilities measured at amortised cost	(1.798)	(8.801)

During 2020, compared to 2019, net interest income was decreased due to the sale of non-performing loans to a company of Alpha Bank AE Group (note 18). The decrease was partially offset by the purchase of up-to-day loans by Alpha Bank AE Group companies (note 18), as well as the provision of new lending. At the same time, there is a reduction in interest expense and similar charges due to a reduction in deposit rates which reduced interest expense and similar charged from deposits due to customers. It is noted that the line 'other interest' includes negative interest on deposits.

3. NET FEE AND COMMISSION INCOME

	From 1 January to	
	31.12.2020	31.12.2019
	€΄000	€΄000
Loans	153	113
Letters of guarantee	817	880
Imports – Exports	71	87
Credit cards	589	681
Transfers of funds	3.280	2.840
Foreign exchange	469	541
Insurance	1.992	782
Deposits	3.921	3.143
	11.292	**9.067**

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

2020	Retail Banking €'000	Corporate Banking €'000	Treasury €'000	Other €'000	Total €'000
Loans	13	140			153
Letters of guarantee	23	794			817
Imports – Exports	2	69			71
Credit cards	526	63			589
Transfers of funds	869	2.410			3.279
Foreign exchange	242	226			468
Other	4.640	1.510	11	(246)	5.915
Total	**6.315**	**5.212**	**11**	**(246)**	**11.292**

2019	Retail Banking €'000	Corporate Banking €'000	Treasury €'000	Other €'000	Total €'000
Loans	15	98			113
Letters of guarantee	66	814			880
Imports – Exports	2	85			87
Credit cards	603	78			681
Transfers of funds	817	2.023			2.840
Foreign exchange	298	243			541
Other	3.057	1.163		(295)	3.925
Total	**4.858**	**4.504**		**(295)**	**9.067**

It is noted that, of the loan commissions for the financial year 2020, an amount of €153 thousand (2019: €113 thousand) relates to loans measured at amortised cost.

4 . DIVIDEND INCOME

	From 1 January to	
	31.12.2020 €´000	31.12.2019* €´000
Other variable-performance securities measured at fair value through profit or loss	20	16
Shares of investing portfolio measured at fair value through other comprehensive income	428	295
	448	**311**

The amount represents dividends received by the Bank from its investment in JCC Payments Systems Limited and Visa Inc.
The amounts for the year 2019 have been reclassified to reflect the change in the classification of the investment in Visa International from securities at fair value through other comprehensive income recognized directly to equity, to securities valued at fair value through profit or loss. More detailed information on the reform is included in Note 45.

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

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

1.1.2019 – 31.12.2019	Carrying amount €´000	(Losses) from derecognition €´000	Gain from derecognition €´000	Gains less losses on derecognition €´000
Early repayments				
Loans	33.031	(352)	796	444
Significant modifications				
Loans	66.935	(953)	774	(179)
Total		**(1.305)**	**1.570**	**265**

* Certain figures of the previous year have been restated as described in Note 45.

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	
	31.12.2020	**31.12.2019**
	€΄000	€΄000
Foreign exchange differences	1.711	1.329
Financial assets measured at fair value through profit or loss:		
-Other variable yield securities	486	1.022
-Loans and advances to customers	(39)	-
Financial assets measured at fair value through other comprehensive income:		
-Bonds	16	308
-Derivative financial instruments	(16)	(2)
-Other financial instruments	-	(8)
-Sale of investments	82	7
Total	**2.240**	**2.656**

Class C securities were reclassified retrospectively from 1.1.2019 in the category 'securities valued at fair value through profit or loss' from the category 'securities valued at fair value through other comprehensive income recognised directly to equity', as detailed in note 45.
As a result of the above, the Group recognised in the results of gains less losses on financial transactions for the financial year 2019 a profit of €1,022 thousand, which is included in the "other variable return securities" item valued at fair value through profit or loss.
The corresponding amount for 2020 amounts to €486 thousand relates to the change in the fair value of Class C Visa Inc preference equity securities, which resulted mainly from the change in their conversion rate into common shares under the Release Process held on 24.9.2020.

7. OTHER INCOME

	From 1 January to	
	31.12.2020	31.12.2019
	€΄000	€΄000
Profit from sale of fixed assets	221	17
Income from services offered to group companies	7.272	6.873
Income from leases	442	262
Other income	11	-
	7.946	**7.152**

Income from Group companies 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	
	31.12.2020	31.12.2019
	€´000	€´000
Wages and salaries	31.111	30.507
Social security contributions	2.089	2.109
Other staff costs	(7)	78
Contributions to employee's provident fund	2.358	2.310
Cost of voluntary separation scheme of staff	26.214	-
	61.765	**35.004**

The total number of employees as at 31 December 2020 were 509 (2019: 683).

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

9. a) GENERAL ADMINISTRATIVE EXPENSES

	From 1 January to	
	31.12.2020 €΄000	31.12.2019* €΄000
Advertisement and promotion expenses	1.449	1.838
Lease expenses	-	10
Special tax levy on customer deposits	3.295	3.383
Contributions to the resolution fund	150	158
Repairs and maintenance	337	376
Professional expenses	1.130	1.434
Legal fees	277	92
Legal fees associated with NPLs management	736	1.366
Collection companies fees	369	654
Subscriptions for card use (VISA)	1.073	908
Computer maintenance and supplies	1.883	1.450
Insurance	286	263
Electricity	557	577
Telecommunication expenses	705	590
Stationery and printing	153	349
Value added tax	1.714	2.001
Consultancy services	641	361
Consultancy services relating to non performing loans management	1.188	3.937
Contribution to the deposit guarantee fund	926	-
Other	2.813	3.434
	19.682	23.181

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 2020, the Group contributed €150 thous., (2019: €158 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'.

The implementation of IFRS 16, effective from 1.1.2019, differentiates the accounting of leases, since the classification of leases for lessees as either operating or finance lease is not valid. For all leases with term of more than 12 months, the lessee is required to recognize the right-of-use asset, with the corresponding depreciation charge included in the caption “Depreciation and amortization” of the Income Statement, as well as the related lease liability for which interest expense is calculated and depicted in the relevant caption of Income Statement.

The reduction in expenses related to advisory services is due to the costs incurred in the process of finding an external service provider for the management of non-performing loans in 2019.

* Certain figures of the previous year have been restated as described in Note 45.

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	
	31.12.2020 €΄000	31.12.2019* €΄000
Impairment of repossessed real estate collateral properties	2.240	173
Impairment / (Reversal of Impairment) of repossessed real estate collateral properties classified as held-for-sale	(135)	626
Loss on write-off of property, plant and equipment	72	-
Impairment of investment property	550	542
Provisions for court cases	-	(1.675)
	2.727	(334)

Other expenses for 2019 include a reversal of Euro 1,545 thous. initially recognised in 2017 and relating to the imposition of a fine by the Commission for the Protection of Competition. The reversal was carried out following an annulment decision of the Administrative Court. In addition, it includes a reversal of a provision of Euro 130 thous. for disputed court cases.

The Group also amended the way in which impairments and losses on the sale of assets, as well as other provisions, are presented. In particular, these items have so far been included in the category 'General administrative expenses' of the Consolidated Statement of Comprehensive Income, and are now presented in the category 'Other Expenses'. This change is intended to a better representation of the nature of the Group's results, taking into account that the sale of assets is an ancillary rather than an operating activity, while at the same time being consistent with the presentation of the impairment losses, which are also included in the "Other Expenses".

* Certain figures of the previous year have been restated as described in Note 45.

10. IMPAIRMENT LOSSES AND PROVISIONS TO COVER CREDIT RISK

The amount of impairment loss to cover credit risk of €53.907 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	
	31.12.2020	31.12.2019
	€΄000	€΄000
Impairment losses on loans	52.867	10.800
Provisions to cover credit risk on off balance sheet items	1.139	1.269
Gains/(Losses) on modifications of contractual terms of loans and advances to customers	4.582	(1.553)
Recoveries	(5.181)	(5.538)
Total	**53.406**	**4.978**

For the year 2020, Impairment losses and provisions to cover credit risk amounted to €53.406 thous. and consist of the following:

- Impairment losses on loans and provision to cover credit risk relating to off balance sheet items, which resulted from the impairment assessment exercises that the Group performs on a quarterly basis. The methodology for the calculation of the expected credit losses as well as explanation regarding of how significant changes in the gross carrying amount contribute to the change in the expected credit losses and impairment losses of the year, are described in note 38, as well as explanations of how significant changes in the impairment balance contribute to the change in expected credit losses and losses for the year.
- Gain on modification of contractual terms of loans and advances to customers, which relate to cases for which the expected change in contractual cash flows is not substantial and does not result in a derecognition, the carrying amount of the loan will be adjusted to reflect the present value of the modified cash flows discounted with the original effective interest rate.

Impairment losses and provisions to cover the credit risk of loans and advances to customers for 2020 include an amount of €9,5 million which relates to the impact of the global economic crisis caused by the Covid-19 pandemic.

The amount of Euro 5.181 thous. "recoveries" is the result of the settlement / collection of non performing loans that have been written off.

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

(GAINS)/LOSSES ON MODIFICATIONS OF CONTRACTUAL TERMS OF LOANS AND ADVANCES TO CUSTOMERS

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 life time expected credit loss.

	From 1 January to 31.12.2020 €´000	From 1 January to 31.12.2019 €´000
Net carrying amount before the modification	352.672	428.084
Net profit or (loss) due to the modification	**(4.227)**	**1.553**

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 31.12.2020 €´000	From 1 January to 31.12.2019 €´000
Book value before provisions for impairment at reporting date	**361.805**	**26.677**

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

(ii) Impairment losses on other financial instruments

	From 1 January to	
	31.12.2020 €´000	31.12.2019 €´000
Impairment (gain) / loss on debt securites and other securities measured at fair value through other comprehensive income	342	91
Impairment (gain) / loss on debt securites and other securities measured at amortised cost	159	-
Impairment (gain) / loss on due from banks	-	216
Total	**501**	**307**

	From 1 January to	
	31.12.2020	31.12.2019
(Gain) / Loss (i) and (ii)	**53.907**	**5.285**

11. PROFIT / (LOSS) BEFORE TAX

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

	Note	From 1 January to 31.12.2020 €΄000	31.12.2019 €΄000
Directors' remuneration:			
Executive Directors	43(a)	504	509
Non-Executive Directors	43(a)	184	193
Independent auditors' remuneration for statutory audit of annual accounts		210	200
Independent auditors' remuneration for other non-audit services		27	56
Depreciation on investment property	19	85	374
Depreciation of property, plant and equipment	20	2.834	2.875
Amortization of intangible assets	21	936	649
Lease expenses	9	-	10

12. TAX

	Note	From 1 January to 31.12.2020 €΄000	31.12.2019 €΄000
Deferred tax - debit/(credit)	22	2.013	274
Tax for the year		606	-
Debit/(Credit) for the year		2.619	274

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.

This tax for the year relates to tax withheld abroad which cannot be recovered.

Additionally, tax losses incurred from 2006 onwards, can be carried forward and be offset against taxable profits for a period limited to five years. Group companies can offset losses against profits arising during the same tax year.

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

12. TAX (cont.)

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

	From 1 January to			
		31.12.2020		31.12.2019
	%	€´000	%	€´000
Accounting profit / (loss) before tax		(68.516)		11.837*
Tax calculated at applicable tax rates (nominal tax rate)	12,5	(8.565)	(12,5)	1.480
Tax effect of expenses not deductible for tax purposes	(8,2)	5.599	(27,1)	3.210
Tax effect of allowances and income not subject to tax	1,5	(1.011)	23,4	(2.777)
Utilisation of tax losses	-	-	16,2	(1.913)
Not recognized tax due to tax losses	(5,8)	3.977	-	-
Tax impact from deffered tax	(2,9)	2.013	(2,3)	274
Tax withheld abroad	(0,9)	606	-	-
Tax as per statement of comprehensive income (effective tax rate)	3,8	2.619	2,3	274

The Group has not recognized deferred tax assets amounting to €18.650 thous. as it is not likely that a future economic profit will be available against which the Bank may use the benefit in conjunction with the fact that they can only be transferred and offset against income in the next five years.

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	
	31.12.2020 €´000	31.12.2019* €´000
Profit / (Losses) attributable to the owners	(71.135)	11.563
Weighted average number of shares for the year	212.581.357	212.581.357
Basic and diluted earnings /(losses) per share (€ cent)	(33,5)	5,44

* Certain figures of the previous year have been restated as described in Note 45.

14. CASH AND BALANCES WITH CENTRAL BANKS

	31.12.2020 €´000	31.12.2019 €´000
Cash and cash equivalents	55.736	20.585
Balances with Central Bank of Cyprus	194.922	188.356
	250.658	208.941
Mandatory reserve deposits with Central Bank of Cyprus	21.188	21.889
	271.846	230.830

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.

The reduction in the balances are actions performed by the Group for better assets' management.

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 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

	31.12.2020 €´000	31.12.2019 €´000
Placements with Alpha Bank Group	141.398	125.135
Placements with other financial institutions	18.087	9.068
Reverse repos	-	193.995
Accumulated provisions	(231)	(232)
	159.254	327.966

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

	31.12.2020 €΄000	31.12.2019* €΄000
Government bonds and treasury bills	186.976	212.198
Corporate bonds	241.045	230.603
Shares	4.802	4.793
	432.823	447.594
Listed	428.021	442.801
Non Listed	4.802	4.793
	432.823	447.594
Geographical analysis based on issuer's region:		
- Cyprus	139.382	184.486
- Greece	89.027	32.850
- United Kingdom	22.180	98.153
- European Union	58.812	31.340
- United States of America	103.232	100.765
- Switzerland	20.190	-
	432.823	447.594

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

The Group retrospectively restated the preferred Class C shares held in Visa International from the category of securities valued at fair value through other comprehensive income to the category of securities valued at fair value through profit or loss. In particular, the classification of these shares was revised as the definition of "equity instrument" under IAS32 is not met and therefore there is no option to classify them in the portfolio of securities measured at fair value through other comprehensive income. Consequently, these shares were reclassified retrospectively from the date of first application of IFRS 9 to fair value through profit or loss category of the investment portfolio.

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

* Certain figures of the previous year have been restated as described in Note 45.

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

The following table shows, at 31.12.2020 and 31.12.2019, the shares of the investment portfolio measured at fair value through other comprehensive income.

	Fair value 31.12.2020 €΄000	Dividend income from 1.1.2020 – 31.12.2020 €΄000	Fair value 31.12.2019 €΄000	Dividend income from 1.1.2019 – 31.12.2019 €΄000
JCC Limited	4.802	428	4.793	295
Total	4.802	428	4.793	295

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

	31.12.2020 €΄000	31.12.2019 €΄000
Government bonds and treasury bills	144.855	-
Corporate bonds	30.757	-
	175.612	-
Listed	175.612	-
	175.612	-
Geographical analysis based on issuer’s region:		
- Cyprus	117.137	-
- Greece	8.146	-
- European Union	50.329	-
	175.612	-

The Group classified into the portfolio of securities measured at amortised cost, bond purchases in 2020 as the business model foresees their holding until maturity given the satisfactory level of yields.

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

	31.12.2020 €´000	31.12.2019* €´000
Variable yield securities	3.949	3.463
	3.949	3.463
Listed	3.949	3.463
	3.949	3.463
Geographical analysis based on issuer's region:		
- United States of America	3.949	3.463
	3.949	3.463

The analysis of the above assets at maturity date is reported in note 38 of the financial statements.

* Certain figures of the previous year have been restated as described in Note 45.

17. DERIVATIVE FINANCIAL INSTRUMENTS (Assets - Liabilities)

	31.12.2020 €´000		
		Fair value	
	Contractual Nominal amount	Assets	Liabilities
Derivatives for trading purposes			
Foreign Exchange Derivatives			
FX swaps	80.209	467	195
Total	80.209	467	195

	31.12.2019 €´000		
	Contractual Nominal amount	Fair value	
		Assets	Liabilities
Derivatives for trading purposes			
Foreign Exchange Derivatives			
FX swaps	219.094	490	1.099
Total	219.094	490	1.099

Derivatives are not held for hedge accounting purposes.

18. LOANS AND ADVANCES TO CUSTOMERS

	31.12.2020	31.12.2019
	€΄000	€΄000
Loans and advances to customers measured at amortised cost	1.498.722	2.013.570
Minus :		
Allowance for impairment losses	(153.897)	(517.444)
Total	**1.344.825**	**1.496.126**
Loans measured at fair value through profit or loss	16.520	-
Loans and advances to customers	**1.361.345**	**1.496.126**

Loans measured at amortised cost

	31.12.2020	31.12.2019
	€΄000	€΄000
Individuals:		
- Mortgages	641.707	923.405
- Consumer	145.806	193.613
- Credit cards	10.861	13.665
Total	**798.374**	**1.130.683**
Companies:		
Corporate loans	700.348	882.870
Total	**700.348**	**882.870**
Central government	-	17
Total	**-**	**17**
	1.498.722	**2.013.570**
Less : Allowances for impairment losses	(153.897)	(517.444)
Total	1.344.825	1.496.126

Loans measured at fair value through profit or loss

	31.12.2020	31.12.2019
	€΄000	€΄000
Companies:		
Corporate loans	16.520	-
Total	**16.520**	**-**

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

18. LOANS AND ADVANCES TO CUSTOMERS (cont.)

Accumulated allowance for impairment losses

Balance 1.1.2019	**598.035**
Changes in the period 1.1 – 31.12.2019	
Impairment losses for the year	18.571
Derecognizing due to significant modifications in loans' contractual terms	(4.221)
Change in the present value of the impairment losses	34.594
Foreign exchange differences	5.645
Amounts used to write-off loans during the year	(135.180)
Balance 31.12.2019	**517.444**
Changes in the period 1.1 – 31.12.2020	
Impairment losses for the year	53.479
Derecognizing due to significant modifications in loans' contractual terms	(612)
Change in the present value of the impairment losses	17.348
Foreign exchange differences	(2.866)
Amounts used to write-off loans during the year	(61.953)
Sales of loans	(368.943)
Balance 31.12.2020	**153.897**

In 2020, non-performing "Loans and advances to customers", with accounting balance before provisions for impairments of €649 million and a fair value of €280 million were sold to a company of Alpha Bank S.A. Group for the amount of €307 million. The difference of €27 million between the fair value and the amount received, was recognised in retained earnings as a capital contribution by a parent company. For these loans, all the risks and rewards of their ownership have been transferred and they have therefore been derecognised from the Balance Sheet of the Group.

For the calculation of the fair value of the loans sold, the Group took into account the expected cash flows from the loans, which have been discounted at market rates taking into account capital costs, financing costs and management costs.

In compensation for the sale of non-performing loans, the Group purchased loans worth Euro 251 million from Alpha Bank S.A.’s Group companies, with the aim of investing the excess liquidity and improving the interest margin.

Due to the pandemic that lasted most of 2020, measures were taken at both local and European level to support borrowers. In this context, the banking system in Cyprus has implemented the measure of suspension of loan instalments for the period March - December 2020 (Moratoria). 2,989 accounts participated in this scheme (moratoria) out of the 3,281 applications, with a balance of Euro 425,2 million.

Impairment losses and provisions to cover the credit risk of loans and advances to customers for 2020 include an amount of €9,5 million, on the impact of the global economic crisis caused by the Covid-19 pandemic.

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

The Group has reached an agreement with the international company doValue in October 2019 to assign the non-performing portfolio for management as well as the repossessed real estate properties estimated at Euro 435,4 million. The agreement includes the transfer of certain tangible and intangible assets as well as employees of the Arrears divisions involved in these operations. The agreement is expected to enter into force in 2021.
The exposure of the Group to credit risk and analysis of loans and advances to customers by industry sector, and by maturity is disclosed in note 38 of the financial statements.

19. INVESTMENT PROPERTY

	Land - Buildings €΄000
Balance 1.1.2019	
Cost	7.270
Accumulated depreciation and impairment losses	-
1.1.2019 - 31.12.2019	
Additions from companies consolidated in the year	16.068
Impairment	(542)
Depreciation	(374)
Disposals	(878)
Depreciation on disposals	20
Transfer to non current assets held for sale	(3.665)
Transfer of impairments to non current assets held for sale	606
Net Book value 31.12.2019	**18.505**
Balance 31.12.2019	
Cost	**18.790**
Accumulated depreciation and impairment losses	**(285)**
Balance 1.1.2020	
Cost	18.790
Accumulated depreciation and impairment losses	285
1.1.2020 - 31.12.2020	**18.505**
Additions from companies consolidated in the year	876
Impairment	(550)
Depreciation	(85)
Disposals	(1.968)
Depreciation on disposals	66
Transfer to non current assets held for sale	265
Transfer of impairments to non current assets held for sale	69
Net Book value 31.12. 2020	**17.178**
Balance 31.12. 2020	
Cost	**17.619**
Accumulated depreciation and impairment losses	**(441)**

19. INVESTMENT PROPERTY (cont.)

The fair value of investment property on 31.12.2020 amounted to €22,2 mil. (2019 : €23,5 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 2020, an impairment loss of €550 thous. was recognized (31.12.2019: €542 thous.), so that the net book value is reflecting the recoverable value on 31.12.2020, 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 2020 and 2019, 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.

The Group as a lessor had no material impact from the implementation of the lease concession measures in response to the Covid 19 pandemic.

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

20. PROPERTY, PLANT AND EQUIPMENT

Cost	Land (Note 1) €´000	Buildings and improvements on leasehold premises (Note 1) €´000	Plant and equipment €´000	Right of use - Buildings €´000	Right of use - Cars €´000	Total €´000
1 January 2020	3.089	34.687	18.134	7.953	115	63.978
Additions	-	250	1.266	99	-	1.615
Disposals	-	-	(32)			(32)
Write offs	-	-	-			-
Disposals / Terminations	-	(212)	67	(1.035)	-	(1.180)
31 December 2020	3.089	34.725	19.435	7.017	115	64.381
1 January 2019	3.089	33.935	17.375	8.254	69	62.722
Additions	-	752	1.186	-	46	1.984
Disposals	-	-	-			-
Write offs	-	-	(155)			(155)
Disposals / Terminations	-	-	(272)	(301)	-	(573)
31 December 2019	3.089	34.687	18.134	7.953	115	63.978

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 2020	-	17.471	15.763	1.182	38	34.454
Charge for the year	-	757	785	1.246	46	2.834
Disposals	-	-	-			-
Write offs	-	-	50			50
Disposals / Terminations	-	(141)	(31)	(385)	-	(557)
31 December 2020	-	18.087	16.567	2.043	84	36.781
1 January 2019	-	16.678	15.310	-	-	31.988
Charge for the year	-	793	792	1.252	38	2.875
Disposals	-	-	-			-
Write offs	-	-	(155)			(155)
Disposals / Terminations	-	-	(184)	(70)	-	(254)
31 December 2019	-	17.471	15.763	1.182	38	34.454
Net book value						
1 January 2019	3.089	17.257	2.065	8.254	69	30.734
31 December 2019	3.089	17.216	2.371	6.771	77	29.524
31 December 2020	3.089	16.638	2.868	4.974	31	27.600

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 2020	10.990
Additions	1.491
Disposals	-
31 December 2020	12.481
1 January 2019	10.361
Additions	629
Disposals	-
31 December 2019	10.990
Amortization	
1 January 2020	9.375
Charge for the year	936
Disposals	-
31 December 2020	10.311
1 January 2019	8.726
Charge for the year	649
Disposals	-
31 December 2019	9.375
Net book value	
1 January 2019	1.635
31 December 2019	1.615
31 December 2020	2.170

22. DEFERRED TAX ASSETS

	Tax Losses €´000	Difference between depreciation and capital allowances €´000	Total €´000
31.12.2020			
1 January	9.627	(1.377)	8.250
Credit / (Debit) in the statement of comprehensive income	(2.081)	68	(2.013)
31 December	7.546	(1.309)	6.237
31.12. 2019			
1 January	9.739	(1.215)	8.524
Credit / (Debit) in the statement of comprehensive income	(112)	(162)	(274)
31 December	9.627	(1.377)	8.250

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 2016- 2020.

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 1.1.2019	
Cost	13.245
Accumulated impairments	(367)
1.1.2019 – 31.12.2019	
Net book value 1.1.2019	12.878
Additions	13.582
Disposals	(679)
Impairment for the period	(333)
Transfer to non current assets held for sale	(641)
Impairment on assets transferred to non current assets held for sale	159
Net book value	24.966
Balance 31.12.2019	
Cost	25.507
Accumulated impairments	(541)
1.1.2020 -31.12.2020	
Net book value	24.966
Additions	1.816
Disposals	(440)
Impairment on sale of assets	47
Impairment for the period	(2.240)
Reclassification from non current assets held for sale	351
Net book value	24.500
Balance 31.12.2020	
Cost	27.392
Accumulated impairments	(2.892)

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 31.12.2020 amounted to Euro 25,351 thous.

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

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

24. OTHER ASSETS

	31.12.2020 €´000	31.12.2019 €´000
Receivables from Alpha Bank Group companies (Note 43)	2.709	1.646
Other receivables and prepayments	9.499	5.849
	12.208	7.495

25. NON CURRENT ASSETS HELD FOR SALE

	31.12.2020 €´000	31.12.2019 €´000
Non current assets held for sale		
ABC RE P2 Ltd	2.067	2.013
ABC RE P4 Ltd	743	765
Other non current assets held for sale	71	961
Total	2.881	3.739

	31.12.2020 €´000	31.12.2019 €´000
Liabilities related to assets classified as non current held for sale		
ABC RE P2 Ltd	17	22
ABC RE P4 Ltd	13	10
Total	30	32

The table below analyses the most important assets held for sale and related liabilities for the subsidiaries ABC RE P2 LTD and ABC RE P4 LTD:

	31.12.2020	**31.12.2019**
Assets	€´000	€´000
Investment property	2.709	2.778
Other	131	32
Total	2.768	2.823
Liabilities		
Other liabilities	30	32
Total	30	32

The sale of the subsidiary companies ABC RE P2 LTD and ABC RE P4 LTD was not completed during 2020 due to the pandemic caused by the COVID-19 disease. However, the companies are still classified as non current assets held for sale because offers have been received for the companies and their sale has been approved by the Group. Their sale is expected to be completed in the second quarter of 2021.

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

	31.12.2020 €΄000	31.12. 2019 €΄000
Amounts due to companies of Alpha Bank Group (Note 43)	27.199	29.159
Amounts due to other financial institutions	34.719	25.782
	61.918	54.941

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

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

27. DUE TO CUSTOMERS

	31.12.2020 €΄000	31.12.2019 €΄000
Deposits:		
Current	1.153.235	1.004.840
Savings	91.032	74.836
Fixed term or notice	858.034	1.089.810
	2.102.301	2.169.486

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. SUBORDINATED BONDS

Subordinated bonds at amortised cost

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

	Non - Listed	Total
	€΄000	€΄000
1 January 2019	15.748	15.748
Interest payable	1.272	1.272
Payments	(6.869)	(6.869)
31 December 2019	10.151	10.151

28. SUBORDINATED BONDS (cont.)
Subordinated bonds at amortised cost (cont.)

Non-Listed securities

Non-listed securities are secondary capital (Tier II) issued by Emporiki Bank Cyprus Ltd and held by companies of the Alpha Bank Group. These securities were recognised at their fair value at the acquisition date of Emporiki Bank Cyprus Ltd for the amount of € 15.936 thous. The difference between the nominal value and the fair value at the acquisition date (1.3.2015) will be amortized until the maturity of the securities. An amount of Euro 465 thous., in 2020 has been charged to the income statement. (2019 : Euro 1.046 thous.)

The capital securities were issued with a floating interest rate plus margin, which is set at the beginning of each interest period and is applicable to that specific period.

The applicable rate for outstanding capital is shown in the table below:

Date of issue	Capital outstanding €000	Interest base	Margin
3.3.2011	5.334	Euribor 3m	2,16%
Total	5.334		

The capital securities are not secured and in case of liquidation, their repayment follows in priority the repayment of the Bank's depositors and other obligations.

The bonds are due by March 2021 and the repayment of the nominal value is shown below:

	31.12.2020 €´000
Within one year	5.334
Total	5.334

	31.12.2019 €´000
Within one year	5.333
1 to 3 years	5.334
Total	10.667

29. OTHER LIABILITIES AND PROVISIONS

A) Other liabilities

	31.12.2020 €´000	31.12. 2019 €´000
Accrued expenses	4.778	3.701
Other payables	24.937	30.622
Amounts due to Alpha Bank Group companies (Note 43)	9.398	2.230
Taxes payables on behalf of clients	34	123
Liabilities on voluntary separation scheme of staff	5.366	-
Liabilities on leases (Note i)	5.220	7.211
	49.733	43.887

(i) Lease liabilities

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

Balance 1.1.2019	Cash flows	Non cash flows			Balance 31.12.2019
	Payments	Debit interest	New leases	Termination	
€´000	€´000	€´000	€´000	€´000	€´000
8.323	(1.120)	192	46	(230)	7.211

Balance 1.1.2020	Cash flows	Non cash flows			Balance 31.12.2020
	Payments	Debit interest	New leases	Termination	
€´000	€´000	€´000	€´000	€´000	€´000
7.211	(1.563)	149	99	(676)	5.220

The Group has entered into lease contracts mainly for commercial properties, such as buildings for offices and branches. The application of IFRS 16 has led to the recognition of a right of use assets amounting to Eur 8,323 thous. recognised in "Property, plant and equipment" and an equivalent amount of lease obligations.

During the implementation of IFRS 16 estimates have been made for contract renewals based on extension rights and there are no lease contracts which include a variable element of lease payments based on the level of total earned revenue.

In addition, there are no short-term lease agreements that were signed at the end of the financial year 2020 and implemented from 1.1.2021.

29. OTHER LIABILITIES AND PROVISIONS (cont.)

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

At the end of 2020, the Group closed 5 branches and as a result terminated the lease agreements giving the required notice of termination.

B) Provisions

	31.12.2020 €΄000	31.12.2019 €΄000
Tax	410	409
Undrawn loans (**i**)	780	1.184
Letters of credit and letters of guarantees (**i**)	4.382	2.839
	5.572	4.432

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

Balance 1.1.2019	2.753
Changes in the period 1.1.2019 – 31.12.2019	
Provisions to cover credit risk relating to off-balance sheet items	1.270
Balance 31.12.2019	**4.023**

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

30. SHARE CAPITAL

	2020 Number of shares	2020 €´000	2019 Number of shares	2019 €´000
Authorised				
31 December				
(Ordinary shares of €0,85 each)	600.000.000	510.000	600.000.000	510.000
Issued and fully paid				
1 January	212.581.357	180.694	212.581.357	180.694
Shares issue	-	-	-	-
31 December				
(Ordinary shares of €0,85 each)	212.581.357	180.694	212.581.357	180.694

Shareholders Structure

	Shareholder	31.12.2020 Number of shares	31.12.2020 %	31.12.2019 Number of shares	31.12.2019 %
1	Alpha International Single Member S.A.	212.581.357	100%	-	-
2.	Alpha Bank S.A.	-	-	210.362.877	98,95%
3.	Emporiki Venture Capital Developed Markets Ltd	-	-	1.163.835	0,55%
4.	Emporiki Venture Capital Emerging Markets Ltd	-	-	1.054.645	0,50%
	Total	**212.581.357**	**100%**	**212.581.357**	**100%**

The acquisition of all shares of the existing shareholders of Alpha Bank Cyprus Ltd by Alpha International Single Member S.A. was completed on 30.12.2020. Alpha Bank S.A. owns 100% of Alpha International Single Member S.A..

31. CONVERTIBLE CAPITAL SECURITIES

	31.12.2020 €΄000	31.12.2019 €΄000
Issue of convertible capital securities	64.000	64.000

On the 1st 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 2019 and 2020.

The convertible capital securities may be redeemed, at the discretion of the Bank subject to the prior approval of the Central Bank of Cyprus, at their nominal value including any accrued interest but excluding any interest payment previously cancelled, at 30 September 2020 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

	2020 €΄000	2019 €΄000
Opening balance 1 January	**102.661**	**102.661**
Balance 31 December	**102.661**	**102.661**

33. RESERVES

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

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

	2020 €΄000	2019 €΄000
Balance 1 January	**7.264**	**1.088**
Changes in the period 1.1 – 31.12		
Revaluation of investment securities measured at fair value through other comprehensive income	896	6.176
Balance 31 December	**8.160**	**7.264**

b) Reserve from the conversion of share capital

	2020 €΄000	2019 €΄000
Balance 31 December	**600**	**600**

	2020 €΄000	**2019** €΄000
Reserves total (a + b)	**8.760**	**7.864**

34. RETAINED EARNINGS

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

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

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

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

A gain of Euro 10 thous. (2019: Euro 567 thous.) has been recognized in retained earnings from Securities measured at fair value through other comprehensive income. An amount of €1,022 thous. relating to 2019 has been reclassified from retained earnings to statement of comprehensive income as a result of the reclassification of Visa Inc's investment from the securities category valued at fair value through other comprehensive income to the investments at fair value through profit or loss (note 45).

35. CONTINGENT LIABILITIES AND COMMITMENTS

35.1 OFF BALANCE SHEET LIABILITIES

	31.12.2020 €´000	31.12. 2019 €´000
Contingent liabilities		
Bank guarantees	66.155	77.418
Commitments		
Letters of credit and letters of guarantees	3.777	6.769
Undrawn credit facilities	132.530	121.252
	136.307	128.021
Total off balance sheet liabilities	202.462	205.439

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

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

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

For off-balance-sheet liabilities, an impairment provision of Euro 5,2 million has been made for 2020 (2019: Euro 4,0 million).

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

35. CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

35.2 LEGAL

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

For cases where there is a significant probability of a negative outcome, and the result may be sufficiently estimated, the Group creates a provision that is included in the Balance Sheet under the caption "Other liabilities and provisions". On 31.12.2020 the amount of the provision stood at zero (31.12.2019: € nil).

For cases where according to their progress and the evaluation of the Legal department on December 31, 2020, a negative outcome is not probable or the potential outflow cannot be estimated reliably due to the complexity of the cases, the time period they will last and the uncertainty of their outcome, the Group has not recognized a provision. As of 31.12.2020 the legal claims against the Group for the above cases amount to € 15.655 thous. (31.12.2019: €26.215 thous.).
According to the legal department's estimation, the ultimate settlement of the claims and lawsuits is not expected to have a material effect on the financial position or the operations of the Group.

35.3 TAX

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

36. CASH AND CASH EQUIVALENTS

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

	Note	31.12.2020 €´000	31.12.2019 €´000
Cash and balances with Central Banks	14	250.658	208.941
Due from banks	15	159.254	327.966
Due to banks		(28.303)	(54.941)
		381.609	481.966

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.

	1.1-31.12.2020				
	Retail Banking €000	Corporate banking €000	Treasury €000	Other €000	Total €000
Net interest income	31.500	18.083	2.303	(22)	**51.864**
Net fee and commission income	6.315	5.212	(246)	11	**11.292**
Other income	(87)	(283)	2.221	8.413	**10.264**
Total income	**37.728**	**23.012**	**4.278**	**8.402**	**73.420**
Total expenses	**(25.929)**	**(10.443)**	**-**	**(51.657)**	**(88.029)**
Impairment losses and provisions to cover credit risk	**(41.461)**	**(11.945)**	**(501)**	**-**	**(53.907)**
Net profit / (loss) before tax	(29.662)	624	3.777	(43.255)	**(68.516)**
Tax	-	-	-	(2.619)	(2.619)
Profit / (loss) after tax	(29.662)	624	3.777	(45.874)	(71.135)
Total assets 31.12.2020	698.303	646.523	864.390	288.854	2.498.070
Total liabilities 31.12.2020	1.754.822	348.114	62.113	59.974	2.225.023
Capital expenditure	-	-	-	2.757	2.757
Depreciation and amortization	(3.036)	(602)	-	(217)	(3.855)

37. OPERATING SEGMENTS (cont.)

	1.1-31.12.2019*				
	Retail Banking €000	Corporate banking €000	Treasury €000	Other €000	Total €000
Net interest income	36.515	22.720	214	(29)	59.420
Net fee and commission income	4.858	4.504	(295)	-	9.067
Other income	495	(349)	1.995	8.243	10.384
Total income	41.868	26.875	1.914	8.214	78.871
Total expenses	(25.378)	(13.229)	-	(23.142)	(61.749)
Impairment losses and provisions to cover credit risk	13.023	(16.025)	(307)	(1.976)	(5.285)
Net profit / (loss) before tax	29.513	(2.379)	1.607	(16.904)	11.837
Tax	-	-	-	(274)	(274)
Profit / (loss) after tax	29.513	(2.379)	1.607	(17.178)	11.563
Total assets 31.12.2019	874.718	627.146	1.010.293	88.406	2.600.563
Total liabilities 31.12.2019	1.810.212	359.287	56.040	58.489	2.284.028
Capital expenditure	-	-	-	2.567	2.567
Depreciation and amortization	(2.133)	(1.529)	-	(236)	(3.898)

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

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

37. OPERATING SEGMENTS (cont.)

	31.12.2019*		
	Cyprus	Other countries	Total
	€000	€000	€000
Net interest income	43.956	15.464	59.420
Net fee and commission income	6.516	2.551	9.067
Other income	7.813	2.571	10.384
Total income	58.285	20.586	78.871
Total expenses	(47.540)	(14.209)	(61.749)
Impairment losses and provisions to cover credit risk	(5.555)	270	(5.285)
Net profit / (loss) before tax	5.190	6.647	11.837
Tax	(274)	-	(274)
Profit / (loss) after tax	4.916	6.647	11.563
Total assets 31.12.2019	1.545.674	1.054.889	2.600.563

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.

* Certain figures of the previous year have been restated as described in Note 45.

38. 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 the day-to-day business and to ensure the effectiveness of its corporate governance.

The Group's main focus in 2020 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.

RISK MANAGEMENT FRAMEWORK

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 Divisions

The General Manager Risk supervises the Bank's Risk Divisions and submits regular and exceptional ad hoc reports to the Committees at Executive Management level, the Board Risk Committee and the Board of Directors. The reports cover issues relating to the management of all types of risks under his supervision.

Organizational Structure

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

38. RISK MANAGEMENT (cont.)
38.1 Credit Risk

The Credit Risk Division constitutes of the following departments:

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

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

- Market and Liquidity department
- Operational department

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

WHOLESALE BANKING CREDIT FACILITIES

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

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

1. Credit Risk Approval

The Bank, following 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 management framework, in which the basic principles and guidelines, the procedures and actions followed and the responsibilities of all related Units and officers are clearly defined based on the 'four eyes principle'.

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

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

The limits of the Wholesale Banking Credit Committees are determined in accordance to 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
- Withdrawal limits from unclear deposits
- Letters of Credit/Letters of Guarantee limits
- Factoring limits
- Derivative transaction 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 Committees

The decisions of the Credit Committees are multidimensional, with the main evaluations carried out being as follows:

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

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

Board Structure:

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

Credit Limit Expiry/Renewal date:

The validity of credit limits' is determined by the relevant Wholesale Banking Credit Committees. A key factor in determining the timing for the validity of credit limits is the credit risk rating, which is not generally a criterion for approving or rejecting the request, but the basis for determining the amount and quality of collateral and the pricing of financing. 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 allowed only for justified proposals by the competent Business Units and following decision 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 Bank's borrowers are classified in credit risk scales with the usage of credit rating systems, which 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 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 that the borrowers will not meet their contractual obligations to the Bank.

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

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

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

Measuring credit risk and internal ratings (cont.)

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

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

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

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

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

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

The "Regular Credit Risk" perimeter includes rating scales AA, A+, A, A-, BB+, BB, BB-, B+, B, B-, CC+ and CC, the "Obligors Under Close Monitoring" perimeter includes rating scales CC- and C and the "Defaulted Obligors" perimeter includes rating scales D, D0, D1, D2 and 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).

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

Measuring credit risk and internal ratings (cont.)

For presentation purposes of table "Loans by credit quality and IFRS9 Stage", the "Strong" rating zone includes rating scales AA, A+, A, A-, BB+, BB and BB- and 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 B-, CC+, CC, CC-, C and Category 4. Lastly, "In default" category, includes rating scales D, D0, D1, D2, E and Class 5.

RETAIL BANKING CREDIT FACILITIES

Retail Banking credit facilities refer to loans granted by the Group that fall into one of the following categories:

- Housing loans/Mortgages
- Consumer Loans and Credit Cards
- Small Business and Professionals (SB): Individuals and Legal entities with a Turnover of up to Euro 500 thous. and credit limit up to Euro 150 thous.

Credit Risk Approval Process

The Bank monitors customer Total Credit Risk Exposure (For Individuals and Small Businesses), which refers to the sum of all revolving limits of an obligor, the outstanding balances of loans and especially for Small Enterprises, the amount of approved financing to stakeholders. Additionally, facilities for which the customer is guarantor or co-debtor are also taken into account.

The Bank has developed and implemented a strict framework for the conduct of credit policy (legislative and supervisory / regulatory) and 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.

The main principles and rules governing the credit-granting activities of Retail Banking credit facilities are:

- Sound credit management.
- Prudent client selection, based on specific criteria and via an in-depth assessment of both quantitative and qualitative information
- 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 granded by the Bank.

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

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 Group's Capital allocation. Specifically:

Individuals

The approval process of credit to individuals (individuals with earnings from salaries, pensions or other sources of income not related with business activities) is carried out on the basis of the classification of borrowers into risk groups, which represent a certain level of undertaken risk.

The level of risk undertaken by the Bank is adjusted, when deemed necessary, according to its credit policy.

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

• Application Fraud Investigation;
• Willingness to pay;
• Ability to pay;
• Collateral risk;

Small Enterprises

Small Enterprises is defined as the following:

• Legal Persons with a business limit of up to Euro 150 thous. and an annual turnover up to Euro 500 thous.

The creditworthiness of Retail Banking Small Enterprises is mainly related to the creditworthiness of the entities/competents in the business and vice versa. Therefore, the assessment of requests in this category is based on two dimensions:

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

• The assessment of the company's creditworthiness.

The assessment of the creditworthiness of the company's stakeholders or managers is based on the following pillars:

• The assessment of the willingness to pay.

• The assessment of the ability to pay.

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

Internal models

The key component in the measurement of Retail Banking credit risk are the evaluation models, developed and employed throughout the credit cycle. These models segment the population into homogenous risk groups (pools) and are categorized into:

• Behaviorial Credit Scoring Models, which assess the customer's behaviour and predict the probability of default within the following months;

• Application Credit Scoring Models, which assess data from the application which are mainly demographic, that predict the probability of default within the following months.

These models and the estimated probabilities of default that derive from them, have an essential role in risk management and decision-making in the Bank's operations. Specifically, the models are used in the following areas:

• In decision-making on the granting/renewal of a credit limit.

• Impairment assessments

• Predicting future repayment behavior of customers belonging to a group with common characteristics.

• Assessing the quality of the Bank's loan portfolio in terms of credit risk.

The factors taken into consideration vary depending on the type of the model and the product category it evaluates. Indicatively, some of the respective factors are:

- Personal/demographic data: the customer's age, occupation, marital status, state of residence;
- Loan characteristics such as the type of requested credit facility, the loan duration, the loan amount, the financing purpose;
- Behavioral information such as the payments in the last period, maximum delinquency, limit utilisation rate, type transaction type;
- Qualitative informations such as the activity sector, the number of employees, the type of enterprise.

Models are reviewed, validated and updated annually and are subject to continuous quality control in order to ensure their predictive capacity at all times.

With regards to the Retail Banking portfolio, the classification of accounts in these rating categories is based on on their Probability of Default and following the implementation of specific exercise which had as its ultimate purpose the optimization of the distinctiveness of the Probability of Default between the "strong", "satisfactory" and "watchlist" rating categories. Lastly, "in default" category includes the rating scales with 100% Probability of Default.

The average default rate is broken down in the table below:

	Average Default Rate			
Classification	**Mortgages**	**Consumer**	**Credit cards**	**SME etc.**
Strong	0,36%	0,46%	0,39%	0,46%
Satisfactory	1,63%	6,76%	1,70%	5,94%
Wathclist	13,60%	18,40%	7,65%	16,95%

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

Credit Control

According to the risk management framework, there are three "lines of defence" with distinct roles and responsibilities, the first being the Business and Operations Units, the second being the Risk Management Units and the third being the Internal Audit Unit.

In the context of the second line of defence, credit controls are carried out in order to optimise Credit Risk management framework, to assess the quality of the loan portfolio and to ensure that the first "line of defence" operates within the framework set out for effective Credit Risk management.
This 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 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.

Collaterals include all kind of assets and rights which are made available to the Bank either by their debtors or by third parties, in order to be used as complementary liquidity sources of relative loans.

In any case, the necessary legal control of the offered collaterals is carried out, in order to ensure their validity, as well as the possibility to be liquidated or to come into possession of the Group.

The mitigation tools applied by the Bank include two broad categories: intangible and tangible collaterals.

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

Intangible Collaterals - Guarantees

Contractual 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 that the debt will be paid. It is drafted in writing and presuppose the existence of a basic legal relationship between the Bank and the borrower (principal debt), i.e. it is a relationship of principla to ancillary.

The guarantor may be a Natural or Legal Person 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 or third party, 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.

In order to better secure credit facilities granted, all mortgage and pledged assets are covered by an insurance contract, with assignment of the relevant insurance contract 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.)

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

- **Pledges**

Pledges provide seniority rights over liquidation proceeds from a movable asset.

Pledges can be registered on movable assets, rights, claims or titles which have not been excluded or banned from exchanges and are liquid.

The Bank calculates the value of the securities/ collaterals received based on the potential proceeds that could arise in case of liquidation.

Therefore, the following are taken into consideration:

- the quality of the collateral
- market / commercial value
- any difficulties in the liquidation process
- the time required for the liquidation
- the costs associated with liquidation
- any encumbrances on the property (eg mortgages, foreclosures, memos)
- any preferential claims that may arise during the liquidation of corporate assets (from government agencies, employees)

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:

- contract foresees something different,
- there are perceptible changes on the property or the business process or
- urban planning changes occur or other factors.

The initial valuations of a real estate property, provided as collateral are undertaken by the valuer's on site visit and internal inspection.

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

Revaluations of properties, which are collaterals to performing exposures should be carried out for:

- Residential Real Estate: on an annual basis, based on the CBC Property price Index or an on-site visit where deemed necessary
- Commercial Real Estate and agricultural land: on an annual basis, for exposures:
  - of up to Euro 1 million, with Desktop appraisal or an on-site visit where deemed necessary.
  - Exceeding € 1m with on-site visit.

Revaluations of property used as collateral on non-performing exposures is carried out at least once a year for:

- Residential Real Estate
  - exposures of up to Euro 300 thousand, based on the CBC's property price index or an on-site visit where deemed necessary.
  - exposures exceeding Euro 300 thousand with Desktop appraisal or an on-site visit where deemed necessary.
- Commercial Real Estate and Agricultural Land:
  - Exposures of up to Euro 300 thousand, with Desktop appraisal
  - Exposures between Euro 300 thousand and Euro 1 million with Desktop appraisal or on-site visit where deemed necessary
  - Exposures exceeding Euro 1 million on-site visit or Desktop appraisal if the borrower is not cooperative, as defined in the relevant policies.

In the context of the credit control process, the Bank performs, at least annually and through proper sampling, credit controls on the implementation of the Loan Collateral Policy, the verification of property valuations that are based on indices, as well as other controls in order to ensure that the respective collateral values in the Bank's core systems represent the values referred in the relevant Committee approvals.

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

Credit Risk Early Warning Policy

In order to optimise the management of Lending and , in particular, limit the loans whose status changes from Performing Loans (PLs) to Non-Performing Loans (NPLs), the Group has developed the Credit Risk Early Warning System, which is defined as the aggregation of actions, processes and reports required to ensure the early identification of events, at borrower (corporate and individuals) and portfolio level, which may possibly lead to either an increase in NPLs due to the debtor's negligence or financial difficulty of a temporary or permanent nature or an increase in exposures with significant increase in credit risk, 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 perimeter to which the Credit Risk Early Warning System is implemented 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 Bank's Divisions that participate in the process.
- The second "line of defence", i.e. Credit Risk Division, is responsible for ensuring on an ongoing basis, at least once per year, that the controls of the "first line of defence" are applied effectively, through the Credit Control mechanism.
- The third "line of defence" is the internal audit function that carries out regular evaluations and proposes potential improvements.

Environmental & Social Risk

Within the Credit Risk Management Framework and the Credit Policy, it has been integrated the assessment of the strict compliance of the principles of an environmentally and socially responsible financing towards legal entities.

The main purpose is the management of potential risk arising from the operations of obligors that may be connected with a damage to the environment or the society or with any direct threat of such a damage, having as a result a negative impact on the business operations and financial results of the Bank.

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

Concentration risk

Concentration Risk is a specific form of credit risk which arises due to the low degree of diversification between counterparties, products or group of counterparties, sectors, geographic regions, products or collaterals.

The Bank monitors concentration risk on a regural basis both at the level of obligor/group of connected entities as well as at the business sector level, through detailed reporting to the Senior Management and the Board of Directors. According to the supervisory framework, the Bank adopts 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 II.

In relation to concentration risk at the level of obligor/group of connected entities, the supervisory limits are defined as follows:

• Supervisory limit of 25% on Total Capital, on which no excess is allowed.

• Supervisory limit of 10% on Total Capital, breaches of which shall be notified to the Central Bank of Cyprus.

Additionally the Bank has included in its Risk Appetite Framework relevant concentration risk limits that are regularly monitored by the appropriate Bank Committees in order to take corrective actions where deemed necessary.

DEFINITIONS:

Past Due Exposures

Past due exposures are defined as exposures that are more than one (1) day past due. The amount due is considered as the sum of the principal, interests and charges/commissions that is over one day due at the account level.

Non Performing Exposures

An exposure is considered as non-performing when at least one of the following criteria apply at the time of the credit risk rating assessment:

- The exposure is materially more than 90 days past due (NPL):, The amount due exceeds Euro 100 - for retail exposures - or Euro 500 - for wholesale exposures and 1% of the total - on balance sheet - debt.
- Legal actions have been undertaken by the Bank – Legal (NPL).
- The exposure is classified as Forborne Non-Performing Exposure,.
- It is assessed as Unlikely to Pay (UTP).

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

When a Wholesale Banking borrower has an exposure that is more than 90 days past due and the amount of this exposure exceeds 20% of the Total Exposures of the borrower, then all exposures of the borrower are considered as Non-Performing (Pulling Effect).

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 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 client's review of the Customer's limits, based on its rating, as defined in the Wholesale Banking Credit Policy. 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 graded with Slotting models. It is noted that if a creditor belongs to a group of companies and is considered UTP, then the competent Credit Committee should additionally assess the group to which the borrower belongs as to the existence of UTP or not.

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

The Group assesses the impact of the COVID-19 crisis on each Creditor's ability to pay taking into consideration the deterioration of financial data/revenues, market information (e.g. Industry forecasts, loans with other banks), the occurrence of early warning triggers, etc.

According to the EBA guidelines "on the legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis" (EBA/GL/2020/15 and EBA/GL/2020/02), the identification of past due amounts is based on the revised payment schedule.
Institutions shall perform a UTP assessment, prioritizing exposures with past due balances in relation to the revised payment schedule.

In this context, the UTP assessment for the perimeter of the Covid-19 affected creditors is based on the following principles:

- If an exposure is already categorized as Non-Performing when measures are applied (e.g. suspension of payments), the categorization remains.

- The application of Hard UTP triggers (automatic categorization as Non-Performing exposure) and Soft UTP triggers (under evaluation by a competent Credit Committee) is carried out on the basis of the existing guidelines, with the evaluation based on the revised payment plan. The evaluation of soft UTP criteria is based on reasonable and supportive information, focusing on the period after the expiry of payment deferrals, considering all measures taken that may affect the creditworthiness of the borrowers.

- The probation period of exposures classified as forborne before the pandemic that are part of the Covid-19 moratoria shall be adjusted based on the duration of the enacted measures. Also, for the Covid-19 moratoria perimeter, the probation period of exposures already classified as NPE before the pandemic freezes (i.e. no curing from Stage 3 to Stage 2) over the duration of the moratoria period.

For Wholesale Banking Exposures the following Hard UTP Trigger exist:

1. Denouncement of loan agreement

2. Liquidation of collaterals and initiation of foreclosure measures by the Bank when the borrower does not have operating flows for the repayment of his debt obligations (excluding e.g. cheques).

3. Legal actions, sale or judicial sale in order to collect the claim (e.g. foreclosure instead of debt collection).

4. 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, pharmaceuticals, mining, transport, food, chemicals, petroleum products, recycling, media etc.

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

5. Refinancing/Extensions of loans whose lifetime exceeds the useful economic lifetime of the funded investment.

6. There are strong indications that the borrower is unable to meet his or her loan obligations (e.g. termination of business).

7. Fraud cases.

8. Excess of the minimum accepted Loan to Value (LTV), as depicted conventionally, for asset based loans (asset based financing).

9. Companies that are unable to raise liquidity without bank financing (e.g. share capital increase failure, bond issues).

10. Write-off due to default.

11. Debt forgiveness with or without forbearance (conditional or not), at least for the first 12 months since the debt forgiveness.

12. The credit institution or the leader of consortium initiates bankruptcy or insolvency proceedings.

13. A credit event is declared under the International Swaps and Derivatives Association - ISDA).

14. Out-of-court settlement/negotiation between banks and the creditor for settlement or repayment of debts that are under bankruptcy proceedings.

15. The borrower has applied for bankruptcy or insolvency status.

16. A bank has initiated bankruptcy or insolvency proceedings.

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 installment.

2. Multiple modifications in the same exposure.

3. Deterioration of the leverage ratio (Debt to Equity).

4. An exposure was purchased or sold with deep discount that reflects the low credit quality of the borrower.

5. The debt service coverage ratio indicates that debt is not viable.

6. 5 Years Credit Default Swaps (CDS) above 1.000 bps in the last 12 months.

7. Loss of an important customer or lessee representing at least 20% of entity's turnover or the total property income, respectively.

8. A turnover decrease resulting in a significant reduction of cash flows of at least 30%.

9. An affiliated customer, who represents at least 20% of entity's turnover, has applied for bankruptcy.

10. 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.

11. It is expected that an exposure with repayment at maturity or a due installment cannot be refinanced under current market conditions.

12. There are no refinancing options.

13. The borrower has breached the financial terms of the loan agreement.

14. There is significant deterioration of the borrower's sector activity prospects.

15. Adverse changes in the ownership structure or the management of the company or serious administrative problems.

16. A third party (excluding Banks) has started bankruptcy or insolvency proceedings (application for Bankruptcy).

17. Over due payments to Tax Authorities and Social Security Funds.

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

For Retail Banking, the procedure is the following:

(a) Identification of events which when occur lead to the transfer of the exposure to Non-Performing status without requiring an assessment by any Credit Committee (Hard UTP Triggers),

(b) Identification of triggers which when occur, lead to borrower’s credit assessment by the relevant Retail Banking Credit Committee in order to determine whether borrower’s exposures should be classified as Non-Performing or not (Soft UTP Triggers). This assessment takes place at the date of a forbearance request. If an exposure is flagged as UTP, then it should be classified as Non-Performing in the Bank’s systems.

Covid-19 modifications, either public or private moratoria, should not be considered as a UTP trigger event. However, where the moratorium applies to exposures that were already classified as defaulted at the moment of the application of the moratorium, this classification will be maintained.

For exposures of the Covid-19 moratoria perimeter both Hard UTP and Soft criteria are assessed according to the existing process.
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. At least 3 forbearances for the same exposure within a 12 months’ time period.
5. An out-of-court settlement / negotiation is underway between banks and borrower for settlement / repayment of debts of borrowers who are under bankruptcy proceedings.
6. Denouncement of loan agreement.
7. Collaterals liquidation and foreclosure procedures have been initiated by the Bank in case the borrower does not have operational cash flows to repay debt obligations (excluding e.g. checks).
8. Legal actions, sale or forced sale have been initiated in order to collect the debt (e.g. foreclosure measures against debt collection).
9. Debt Forgiveness with or without forbearance (conditional or not), at least for the first 12 months since the debt forgiveness.

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

Additionally, for Retail Banking exposures the following Soft UTP Triggers exist:

1. Multiple forbearances in the same exposure
2. The borrower has other exposures in the Bank in default.
3. The borrower is unemployed.
4. The borrower has applied for bankruptcy or insolvency.
5. The borrower is the sole owner of a company with exposures in default and for which he has provided personal guarantees.

It is noted that the Group has adopted the new Definition of Default that applies from 1.1.2021, according to the EBA guideline (Article 178 of Regulation (EU) No 575/2013), adjusting its Policies and updating the Hard and Soft UTP triggers by implementing new ones (see par. "New Definition Of Default"), for both the Retail and Wholesale Banking Portfolios.

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.

Provision for impairment

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. It is noted that the credit risk tables do not include the balances and allowance for expected credit losses that have been classified as assets held for sale.

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

EXPECTED CREDIT LOSS ESTIMATION METHODOLOGY

The Bank, on a quarterly basis, 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 adopted, as default definition for accounting purposes non-performing exposures (NPE), as defined in the Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014.

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).

In addition, 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 that as per accounting rules are derecognized and a new exposure is recognized and for which the following apply (Originated): if the exposure was classified as impaired (hence NPE) prior to derecognition, the new exposure will continue to maintain this classification and it will be classified as POCI.

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

For exposures not classified as POCI, the classification in stages is performed as follows:

- Stage 1 includes performing credit exposures which have no significant increase in credit risk since initial recognition. The expected credit losses are recognised based on the probability of default within the next twelve months, and the assessment is carried out on a collective basis, with the exception of borrowers assessed on an individual basis.

- Stage 2 includes credit exposures which have had significant increase in credit risk since initial recognition but which are not non-performing. The expected credit losses calculated are the lifetime losses and the assessment is performed on a collective basis, with the exception of borrowers assessed on an individual basis.

- Stage 3 includes the non-performing / defaulted credit exposures. The expected credit losses calculated are the lifetime losses and the assessment is performed on a collective or individual basis.

With regards to POCI exposures, the expected credit losses calculated are the lifetime losses.

All possible movements between Stages of credit risk are presented below:

• An exposure which has been classified in Stage 1 in previous quarter of reference could be classified either in Stage 1 in the next reporting quarter, if the credit risk has not deteriorated and the exposure is still performing, or in Stage 2, if the exposure is still performing but the credit risk has deteriorated, or in Stage 3 if the exposure is non-performing/default.

• An exposure which has been classified in Stage 2 in previous quarter of reference could be classified either in Stage 1 in the next reporting quarter, if the exposure is performing and does not meet any of the criteria of "Significant increase in credit risk" and in particular, for case of Forborne Performing exposure, if the exit criteria from the 2-years probation period are met. It could also remain in Stage 2, if the credit risk has not substantially changed, or be transferred to Stage 3, if the exposure is non-performing/default.

• An exposure which has been classified in Stage 3 in previous quarter of reference could be classified either in Stage 1 in the next reporting quarter, if the exposure is performing and does not meet any of the criteria of "Significant increase in credit risk", or transferred in Stage 2, if it is no longer considered as non-performing, or remain in Stage 3, if it is still nonperforming/ default.

The Bank does not make use of the exemption provided by the standard for low credit risk exposures.

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

Especially for exposures affected by Covid-19, post model adjustments (PMAs) may be adjusted to reflect risks and other uncertainties not included in the underlying expected credit loss measurement model (ECL models), taking into consideration that:

• Probability of Default is the primary indicator in order to determine deterioration since initial recognition.

• PD Models are not designed to cater for the economic circumstances that currently exist.

The Bank implements a robust governance framework to review and support the management, calculation and application of these adjustments on the modelled results. The Bank's governance framework requires such adjustments to be well documented, controlled and appropriately approved.

Significant increase in credit risk
For the timely identification of significant increase in credit risk for an Exposure after the initial recognition (SICR) leading to the calculation of lifetime credit losses of the exposure instead of twelve months credit losses, the risk of default at the reference date is compared to the risk of default at the initial recognition date for all Performing Exposures, including those with no days past due (Delinquencies).

The assessment to determine whether an exposure shows significant increase in credit risk or not is based on the following three types of Indicators:

- Quantitative Indicators: They refer to the use of quantitative information and more specifically to the comparison between the probability of default ("PD") at the reference date and the probability of default at the initial recognition date. The assessment of significant increase in credit risk takes into consideration both the absolute increase of PD between the reporting date and the initial recognition date (established absolute threshold of increase in PD by 4 percentage points), as well as the relative increase of PD between the reporting date and the initial recognition date (established relative threshold of doubling of PD). In relation with the Exposures transferred from the Alpha Bank S.A. Group, the assessment of significant increase in credit risk takes into consideration both the absolute increase of PD between the reporting date and the initial recognition date (Alpha Bank S.A.: 5 percentage points, Alpha Bank Romania: 0,5-1 percentage point depending on the type of the exposure), as well as the relative increase of PD between the reporting date and the initial recognition date (Alpha Bank S.A.: doubling of PD, Alpha Bank Romania: 25-50%). It is noted that the critical areas – both for the absolute and the relevant increase in PD between the reporting date and the initial recognition date – are assessed on an annual basis, in order to validate the importance of the statistical separation. In addition, for specialized lending portfolios (complex finance and Shipping Finance), a deterioration of the respective slotting grade since initial recognition to Category 4 ("weak" category), is considered to be an indication of significant increase in credit risk.

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

- Qualitative Indicators: They refer to use of qualitative information which is not necessarily depicted in the probability of default, such as the assessment of an exposure as performing forborne ("FPL" within 2 years probation period according to EBA ITS) or as exposure with Financial Difficulty. Additional qualitative indicators for the Wholesale Banking portfolios and the Retail Banking portfolios are included in Early Warning Policy. According to the abovementioned policy and as per the assessment performed, an exposure may be considered to show significant increase in credit risk.
- Other indicators (Backstop Indicator): In addition to the above, in order to ensure that cases with no indication of significant credit risk deterioration based on the quantitative and qualitative indicators are addressed, the Bank also considers, by definition, that a significant increase in credit risk occurs for exposures with more than 30 days past due.

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.

<u>The following Exposures to Companies are assessed on an individual basis:</u>

- 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.

<u>The following Exposures to Individuals are assessed on an individual basis:</u>

- 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 indicative attributes 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)

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

Grouping shall be re-evaluated regularly to ensure that each group consists of loans with similar credit risk characteristics.

Calculation of expected credit loss

The amount of expected credit losses is updated on a calendar quarterly basis so as to reflect the changes in credit risk since initial recognition and thus provide timely information on expected credit losses.

The measurement of expected credit losses is performed as follows:

- For financial assets, the credit loss is equal to the present value of the difference between:
  a. the contractual cash flows and
  b. the cash flows that the Bank expects to receive

- For undrawn revolving loan commitments, the credit loss is equal to the present value of the difference between:
  a. the contractual cash flows that are due if the holder of the loan commitment draws down the loan; and
  b. the cash flows that the Bank expects to receive if the loan is drawn down.

- For letters of guarantee and letters of credit, the loss is equal to the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Bank expects to receive from the holder.

The Bank calculates expected credit lossess 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 also produces the cumulative probabilities associated with these scenarios.

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

Incorporation of forward-looking information

The macroeconomic variables affecting the level of allowance for expected credit losses are Gross Domestic Product (GDP), unemployment rate, as well as forward looking prices of residential and commercial real estates.

The yearly average for the period 2021-2023 of macroeconomic variables for the Cypriot economy, affecting both the estimation of the probability of default and the expected loss given default for the calculation of allowance for expected credit losses as at 31.12.2020, are the following:

Cypriot Economy	2021 – 2023		
	Adverse Scenario	Base Scenario	Upside Scenario
Change in Real GDP (%)	1,6%	3,6%	5,5%
Unemployment rate (%)	8,5%	6,7%	4,7%
Change in Residential Real Estate prices (%)	1,4%	3,6%	5,7%
Change in Commercial Real Estate prices (%)	0,9%	2,7%	4,5%

Respectively, the yearly average for the period 2020 - 2022 of macroeconomic variables affecting the expected credit losses as at 31.12.2019, are the following:

Cypriot Economy	2020 – 2022		
	Adverse Scenario	Base Scenario	Upside Scenario
Change in Real GDP (%)	0,6%	2,7%	4,8%
Unemployment rate (%)	7,7%	5,6%	3,5%
Change in Residential Real Estate prices (%)	2,0%	2,9%	3,9%
Change in Commercial Real Estate prices (%)	0,6%	2,2%	4,0%

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

Respectively, the yearly average for the period 2021-2023 of macroeconomic variables for the Greek and Romanian economies, in consideration for exposures transferred from Alpha Bank S.A. and Alpha Bank Romania, are the following:

Greek Economy	2021 – 2023		
	Adverse Scenario	Base Scenario	Upside Scenario
Change in Real GDP (%)	2,2%	4,1%	6,2%
Unemployment rate (%)	16,6%	15,0%	13,4%
Change in Residential Real Estate prices (%)	0,8%	3,0%	5,4%
Change in Commercial Real Estate prices (%)	2,2%	3,9%	5,8%

Romanian Economy	2021 – 2023		
	Adverse Scenario	Base Scenario	Upside Scenario
Change in Real GDP (%)	1,2%	3,8%	4,9%
Unemployment rate (%)	6,5%	5,5%	4,8%
Change in Residential Real Estate prices (%)	1,3%	2,0%	4,0%
Change in Commercial Real Estate prices (%)	-1,7%	-0,3%	3,0%

The production of the baseline scenario, supported by a consistent economic description, serve as the starting point and constitutes the most likely scenario according to the current economic conditions and the Bank's basic assessment of the course of the economy.

The cumulative probabilities attached to the macroeconomic scenarios indicate that the economy performs better or worse than forecasts of the baseline scenario and the alternative scenarios, that is the upside and the adverse scenarios. For each of the alternative scenarios, the expected credit loss is calculated and weighted against the probability of each scenario in order to calculate the weighted expected credit loss.

The cumulative probability assigned to the baseline scenario for the Cypriot economy is 70%, while the cumulative probability assigned to the adverse and upside scenarios is 15% for each scenario.

Respectively, the cumulative probability assigned to the baseline scenario for the Greek and Romanian economies is 60% and 50% respectively, while the cumulative probability assigned to the adverse and upside scenarios is 20% and 40% respectively.

More specifically for the future prices of residential and commercial real estates, for the year 2020, the Bank used forecasts that were based on statistical models and that were provided by a third party that specialises in the real estate.

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 exposure 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.

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.)

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 (5 years for collectively assessed exposures, whilst for individually assessed exposures the respective time horizon varies according to the status of actions, as well as the specific facts and circumstances of each case), expected market value of tangible collateral at the time of liquidation/sale based on the expected evolution of property prices in future years and the expected sale price.

Specifically for Exposures which have been transferred from Alpha Bank S.A., the estimated time required for the liquidation or sale of the collateral is 4 years for collectively assessed exposures.

Respectively, for Exposures which have been transferred from Alpha Bank Romania, the estimated time required for the liquidation or sale of the collateral is 4,2 years for the three macroeconomic scenarios used for collectively assessed exposures.

The weighted average liquidation haircut on the value of real estate collaterals used in the calculation of the collective impairments amounts to 25% (including costs to sell), whilst the respective haircut used in the individual assessment varies according to the specific characteristics and circumstances of each case.

Specifically, the weighted average liquidation haircut on the value of real estate collaterals used in the calculation of the collective impairments for the Cyprus Exposures is 24%, for the exposures transferred from Alpha Bank S.A amounts to 34% and for the exposures transferred from Alpha Bank Romania amounts to 45%.

The expected cash flows are discounted using the original effective interest rate of the exposures.

Last, it is noted that for exposures secured with tangible collateral, the LGD may vary under each macroeconomic scenario.

Any changes to the assumptions used, or differences between the assumptions used and actual results could lead to significant changes in the amount of the required impairments.

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:

- If the assigned cumulative probability of the adverse scenario was increased from 15% to 30%, expected credit losses would increase by €1,8 million at 31.12.2020 (31.12.2019: €3,2 million).

- If the assigned cumulative probability of the upside scenario was increased from 15% to 30%, expected credit losses would decrease by €1,8 million at 31.12.2020 (31.12.2019: €3,2 million).

- If the expected recovery period for tangible collateral was increased by 1 year, expected credit losses would increase by €2,3 million at 31.12.2020 (31.12.2019: €8,4 million).

- If the expected recovery period for tangible collateral was decreased by 1 year, expected credit losses would decrease by €2,4 million at 31.12.2020 (31.12.2019: €8,7 million).

- If the haircut for the sale/realization of tangible collateral was increased by 5%, expected credit losses would increase by €4,8 million at 31.12.2020 (31.12.2019: €15,2 million).

- If the haircut for the sale/realization of tangible collateral was decreased by 5%, expected credit losses would decrease by €4,7 million at 31.12.2020 (31.12.2019: €14,4 million).

Inherent Model Risk

The Bank recognizing the inherent model risk, derived from the model complexity and aggregated model risk, has adopted a Model Risk management framework of the Group which includes the principles of credit risk models development policy and risk models validation framework. Specifically, the relevant Divisions/ Credit Risk Management Model Validation Departments, of the Group and the Bank, validate independently all models used for the calculation of expected credit loss.

Governance

The Credit Risk Committee is responsible for the initial approval of the Expected Credit Losses as well as the approval of the methodologies developed by the Bank for calculating the expected credit losses (ECL Methodology) for loan portfolio.

The Board of Directors provides a final approval of the Expected Credit Losses level and the Bank’s Loan Impairment Policy through the Risk Committee.

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

EFFECT FROM THE COVID-19 PANDEMIC

The Bank in order to support its customers who are affected or expected to be affected by the crisis due to Covid-19 pandemic, has taken, and will continue to take, a series of measures. Support measures are provided to affected businesses and individuals, facing temporary payment difficulties and liquidity shortages, through both legislative and non-legislative support measures.

The measures concern either new loans, in the context of strengthening the liquidity of small, medium and large businesses, as well as the self-employed, or modifications in the repayment schedules of existing loan of both businesses and individuals. Moreover, the Bank actively participates in every effort planned and coordinated by the Government of Cyprus, either through the competent Ministries or the Cyprus Banking Association.

The modifications granted to existing loans were treated by the Bank in line with the Guidelines issued by the European Banking Authority (hereinafter “EBA”) “on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis” (EBA/GL/2020/02, EBA/GL/2020/08 and EBA/GL/2020/15) that aim to provide clarity to the EU banking sector on how to handle in a consistent manner, aspects related to (i) the classification of loans in default and (ii) the identification of forborne exposures.

In this respect, provided that those measures are not borrower-specific, the payment moratorium is fixed for every borrower irrespective of the borrowers’ specific financial circumstances and the Net Present Value (“NPV”) loss is immaterial, modifications in payment schedules are not automatically classified as Distressed Restructuring (Forbearance) both under IFRS 9 and the definition of default.

In accordance with the Bank’s accounting policy, these modifications are not considered significant and therefore no derecognition occurs.

The measure of temporary payment holidays is offered to customers operating or employed in sectors affected by the Covid-19 pandemic, which is assessed by the Bank, through the submission of a relevant request from the customer.

It is noted that this measure, based on relevant guidelines by the EBA as amended on 2.12.2020 (EBA/GL/2020/15), is applicable until 31.3.2021, meaning that approvals of customer requests for payment holidays are accepted until that date and for an overall length of the payment holiday up to 9 months.

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

Characteristics of private and public Moratoria

In order to support affected businesses and individuals, both legislative and non-legislative measures / actions have been undertaken by the Cyprus Government and the Bank, according to the above guidelines by EBA.

The **supportive measures provided by the Bank ("Covid measures")** were the following:

For **Medium and Large corporates** operating in sectors affected by the Covid-19 crisis and provided they were performing (less than 30 days past due) as at 29.2.2020:

- Payment holiday for capital installments due from 30.3.2020 to 31.12.2020 to the end of the loan.
- Extension of existing payment moratoria after 31.12.2020 and up to an overall length of 9 months, applicable before 30.06.2021.
- For businesses with no payment moratoria during 2020, that were performing (less than 30 days past due) as at 31.12.2020, new payment holiday, applicable before 30.6.2021.

For **Small businesses** and self-employed operating in sectors or areas affected by the Covid-19 crises and provide that they were performing (less than 30 days past due) as at 29.2.2020:

- Payment holiday for capital installments due from 30.3.2020 to 31.12.2020, at the end of the loan.
- For businesses with no payment moratoria due to Covid-19 during 2020, that were performing (less than 30 days past due) as at 31.12.2020, new payment holiday limited to a total period of 9 months, may be offered, applicable before 31.1.2021.

For **individuals** that faced limitation or decrease in their income because they belong to sectors that are affected, and which have fixed term loans (consumer and mortgage), credit cards and open personal loans with less than 30 days past due as at 29.2.2020:

- Payment holiday of the installments due or the minimum amount due for cards and open personal loans until 31.12.2020.
- For individuals with no payment moratoria during 2020, that were performing (less than 30 days past due) as at 31.12.2020, new payment holiday limited to a total period of 9 months, may be offered, applicable before 31.1.2021.
- Capitalization of the contractual interest, during the suspension period, as well as any expenses (e.g. insurance premiums), in the balance of the loan on due dates.

All loan modifications are flagged in the Bank's systems, so that the Bank is able to monitor them.

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

The table below presents the loans for which the Group proceeded during 2020 in the above mentioned suspension of payments measures:

(Amounts in thousands)	**Loans measured at amortised cost**			**Total**
	Stage 1	**Stage 2**	**Stage 3**	
Retail lending	114.346	106.531	36.970	257.847
Corporate lending	43.341	122.959	1.018	167.318
Total loans	157.687	229.490	37.988	425.165

There are no active private moratoria as of 31.12.2020.

‣ Further, **supportive measures provided by the Government of Cyprus and the Bank** are as follows:

- Interest Rate Grant Scheme for New Business Loans to provide support to self-employed, small, medium, and large businesses.
- Interest Rate Grant Scheme for new mortgage loans for the provision of support to households for mortgage loans with the purpose of home ownership.
- For borrowers falling within the subsidy plan for new mortgage loans, the Bank has decided to provide further support by offering them a subsidy of the remaining interest rate for the first year of their loan.

Amendments in the loan impairment policy due to Covid-19 pandemic

The Bank Loan Impairment Policy has been amended, in line with the EBA Guidelines “on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis” (EBA/GL/2020/08), to incorporate the distinct treatment of the exposures which are affected by the Covid-19 pandemic. The Bank, for these exposures, has included in its Policy the criteria for the the Forbearance Classification, the Unlikeliness-to-pay (UTP) assessment, the identification of Default and the Significant Increase in Credit Risk treatment.

According to the EBA Guidelines, the public and private moratoria, as a response to Covid-19 pandemic to the extent they are not borrower specific but rather addressed to broad ranges of product classes or customers, should not be automatically classified as forbearance measures, or lead to default status. This type of restructuring should not be automatically considered as a distressed restructuring, on the contrary it has to be considered a suitable measure to give relief to borrowers, which are temporarily not able to serve their loan obligations due to Covid-19 disruptions. Furthermore, the Bank rates at regular intervals if the creditworthiness of the borrower in the long term will not be significantly affected by the Covid-19 crisis.

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

Adjustments in the calculation of allowance for expected credit losses

In order the Bank to cope with obligors who face temporary liquidity problems due to the Covid-19 crisis, established the following adjustments to the calculation of expected credit losses.

The Bank has enhanced its credit rating assessment and risk parameter quantification processes to ensure they remain appropriate in the Covid-19 environment. More specifically, the Group conducted an extensive sectoral analysis in order to inform its Covid-19-adjusted segmentation framework. The segmentation was used to identify high-risk segments for prioritisation in terms of the customer outreach. The feedback from the borrower campaign fed the Bank's:

- Rating assessments for Wholesale Banking clients' abilities, which brought rating downgrades which informed the SICR triggers and Stage 2 classification as well as the frequency of review based on the revised Risk Zone. (Effect Euro1,5 mil.).
- Mitigating actions: Following customer feedback, the Group offered appropriate credit mitigation strategies to viable borrowers, where necessary. In turn, this informed the Forbearance classification and eventually Stage 2 migration.

Moreover, necessary adjustments were applied to the results of the models used to calculate the expected credit loss *(post model adjustments)*. These adjustments reflect the risks and other uncertainties that are not included in the underlying credit risk models. The adjustments to the results of the existing models are approved by the credit risk committee. More specifically:

- Retail exposures under payment moratoria and based on their personalized rating may be part of a regulatory program/restructuring, classified as Stage 2 and calculate the expected loss for the remaining duration of the exposure. (effect Euro 0,3 mil.).

- For all loans that were already under modification terms and for which a Covid modification has been provided, based on the above mentioned measures that the Group applied, the cure rate remained unchanged for the period of the Covid modification.

For the purposes of determining the expected credit losses, the Bank calculates the expected cash flows based on the weighted probability of three scenarios. More specifically, the Bank produces forecasts for the possible evolution of macroeconomic variables that affect the level of expected credit losses of loan portfolios under a baseline and under two alternative macroeconomic scenarios (an upside and a downside) and produces the cumulative probabilities associated with these scenarios.

The macroeconomic variables affecting the level of expected credit losses are the Gross Domestic product (hereinafter "GDP"), the unemployment rate and forward-looking prices of residential and commercial real estates.

The rapid spread of the Covid-19 pandemic has caused disruptions to international supply chains, instability to financial markets, consumer demand shocks and negative effects in key areas such as travelling and tourism. The recent increase of Covid-19 cases worldwide, as well as the reinstatement of restrictive measures in many countries have extended the uncertainty and further burdens the weak service sector. Given the size of the direct and indirect contribution of tourism to the GDP (20%) of Cyprus, the negative impact of Covid-19 disease on economic activity is particularly significant.

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

Due to the prevailing uncertainty, the Bank has prepared a series of scenarios that predict the course of two key macroeconomic figures (Gross Domestic Product and Unemployment).

Gross Domestic Product (GDP)

The growth rate for 2020 in Cyprus, ranges from -5,5% (upside scenario) up to -6,7% (downside scenario), whereas for baseline scenario it is estimated at -6,1%. The negative estimate for 2020 includes the cessation of the smooth operation of economic activity, due to the restrictive measures taken during the year to deal with the pandemic.

This approach is due to the current situation where increased uncertainty surrounds the domestic economic outlook. The negative impact of the Covid-19 pandemic on domestic growth is expected to be determined, inter alia, by:

(a) the intensity and duration of the pandemic;

(b) the vaccination programs speed in Cyprus and the EU;

(c) the successful absorption of EU funds and the utilization of available EU tools;

(d) the effect on spending and personal consumption due to lockdown.

The recovery is projected to begin in 2021 due to the expected improvement in domestic and international demand, but also the boost from EU funding and the ECB's monetary policy. The growth rate for 2021 is projected at 2.5% and 6.0% in the adverse and upside scenarios respectively, while in the baseline scenario at 4.3%. The forecast for 2021 reflects the gradual resumption of economic activity after the outbreak of the pandemic observed in the last months of 2020 and the tightening of restrictive measures. For the years 2022-23 the baseline scenario foresees positive economic growth rates of 3.4% and 3.0%, respectively.

Unemployement

The baseline scenario predicts an increase in unemployment rate only during 2020, before it returns to its declining route.

In the upside scenario the unemployment rate is considered to be increased marginally in 2020, accompanied by a medium-term sharp decrease due to the stronger economic activity.
In the downside scenario, the unemployment rate does not fall to the pre-covid level up until 2023.

Regarding the Greek economy, the growth rate for 2020 ranges from -9% (upside scenario) to -11% (downside scenario), while for Alpha Bank Romania it ranges from -3.8% (upside scenario) to -6.8% (downside scenario).

In total, the expected credit loss due to the above adjustments in Group’s models results, incorporate at 31.12.2020 € 9,5 million impact due to Covid-19.

(In millions of Euro)	**Retail lending**	**Corporate lending**	**Total**
Total	**4,9**	**4,6**	**9,5**

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

This result is mainly due to the adjustment of the parameters for calculating expected credit risk losses (probability of default and estimated loss on default) due to the incorporation of the deteriorating macroeconomic outlook s well as the immediate increase in the probability of default due to the downgrading of credit rating of borrowers affected by the pandemic.

After the end of year 2020, loans to customers with balances of €20,5mil. have been classified as non performing loans whereas loans to customers with balances of €5,3mil. which were non performing have been moved out from the non performing perimeter. This change in impairment terms is estimated at approximately €0,8mil.

NEW DEFINITION OF DEFAULT

In the context of alignment with the regulatory guidelines, the Bank adopts the new Definition of Default that applies from 1 January 2021.

The main changes introduced by the new Definition of Default are presented as follows:

- Additional “Unlikeliness To Pay” trigger events such as Diminished Financial obligations (NPV Loss), Sale of Credit obligations, Default to Group.
- Change on the way of counting of Days Past Due meaning that hereafter the counting will be based on the existence of concecutive 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. Additionally, the adoption of the new Definition of Default as at the time of the first implementation, namely at 1.1.2021, did not induce any material impact on the Bank’s financial figures.

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 the Borrower is unlikely to pay its credit obligations without recourse by the Bank to actions such as realizing security.

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

Additionally the Default classification and the EBA classification should be aligned and thus any FNPL or NPL exposure is considered as Defaulted.

For Retail exposures, the above specified definition of Default is applied at the level of an individual credit facility.

For Non-Retail exposures, the definition of Default is applied at the obligor level meaning that when at least one of the above specified criteria are met, the Obligor is considered as Defaulted. The Past Due Criterion is applied both at facility and at obligor level for exposures classified as Non-Retail, in order to be able to identify exposures for which the Past Due Criterion is satisfied at facility level, but not at obligor level.

Forbearance

Maintaining a healthy loan portfolio depends on the constant monitoring and assessment of the borrowers in order to allow early detection of future liquidity problems, which could affect the normal repayment of their obligations to the Bank.

The credit tools which are normally used by the Bank for managing the liquidity problems that borrowers are facing for repaying their obligations are the restructuring of debt through the renegotiation of the original terms and conditions of the loan agreement they have entered into.

EU Regulation No. 575/2013 established the framework for prudential requirements on the management by credit institutions of loans in arrears and non-performing loans .

Also, based on the European Commission Regulation EU 2015/227 of 9 January 2015 and the technical standards implementation of the European Banking Authority, the Bank undertakes the resulting obligations in relation to restructured loans.

Restructurings are proposed to cooperative borrowers, on the condition that the restructuring will be effective and viable in the long term, taking into cosideration the causes which resulted in financial difficulties as well as the repayment capability of the borrower.

The existence of more favourable terms for renegotiating and modifying the terms and conditions of the bilateral arrangement between the Bank and the debtor (concession), who is facing or is about to face difficulties in meeting his financial commitments (“financial difficulty”), are defined with respect to:

- Respective existing terms that apply to customers with no financial difficulty; and
- Corresponding terms existing in market for debtors with similar credit rik profile.

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

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.
According to the EBA guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis (EBA/GL/2020/15 and EBA/GL/2020/02), exposures that have received payment holidays as a result of COVID-19 are not subject to automatic classification to forborne to the extent that the measures provided are applied to a wide range of product and/or customer categories (as opposed to being tailored to the specific situations of individual debtors). This type of restructuring should not be considered a regulation, instead it should be considered an appropriate measure to relieve borrowers who are temporarily unable to meet their loan obligations due to the effects of the COVID-19 crisis.

In this context, the Bank has adjusted the classification of open exposures as Forborne due to Covid-19 as follows:

- Modifications to the contract terms due to COVID-19, in the context of either public or private support measures, are not automatically categorized as Forborne.

- Modifications due to COVID-19 in existing Forborne Exposures are not considered new restructurings and do not affect the restart of the propation period or their categorization into non-performing / at Default exposures (NPE). More specifically, existing Forborne exposures remain forborne under suspension of loan repayments due to Covid-19, while the propation period is adjusted accordingly to take into account the duration of support measures.

The aforementioned treatment of forbearance is – in consistence with the regulatory guidance – applied only when the following conditions are met:

- The moratoria are general, i.e. they are not creditor-specific, as the duration of the conditions are standardized for all debtors. That said, specific products may be provided to broader borrower categories. Similar payment relief measures are taken by other banks.

- The measures provide solely for amendments to the payment schedule over a pre-determined, limited period of time, and do not alter other loan terms and conditions, such as interest rates.

- There is no material loss on the exposure in Net Present Value terms (e.g. due to deferral of payment for up to 9 months, capitalization of interest, loan extension without change of the contractual interest rate, etc.).

- The moratoria do not apply to new loan contracts granted after the date the moratoria were announced.

- The moratoria were launched in response to the Covid-19 pandemic apply until 31.12.2020.

- The creditworthiness of the borrower is not estimated to be significantly affected by the Covid-19 crisis in long term.

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

Write-offs and write-downs of bad debts

Bad Debt Write-off is defined as the reduction of the gross carrying amount of a financial asset, using accrued impairment when there is no probability of material further recoveries. The write-off refers to the accounting write-off of a debt or a portion of it, i.e. the removal of the financial asset or part of it from the balance sheet, which does not necessarily entail the waiver of the legal right to recover the debt. In the event that the Bank decides to waive its legal right to recover the debt, this is called **Debt Forgiveness** and this waiver may include either on or off-balance sheet items as well.

Bad Debt Write-down is defined as the definitive reduction of a debt or portion of it, as a result of a legally binding decision or agreement (court judgment, contractual agreement etc.), which is not further claimable. It is noted that this category encompasses **Definitive write-downs** which are unconditional and **Conditional Write-Downs** (Contingent Write-Down) subject to the achievement by the Customer of a specific performance (usually, upon the successful implementation of a specific repayment program). In the case of Definitive Write-downs, both the accounting and the legal reduction (Debt Forgiveness) take place immediately and simultaneously, whereas in the case of Contingent Write-downs, the accounting reduction takes place when the relevant decision is taken or when the agreement is concluded, while the legal reduction (Debt Forgiveness) takes place either simultaneously with the relevant decision or at a later (future) time, depending on the type of the condition.

Contingent Write-downs of debts are in turn classified into:

(a) **Resolutive Condition**, i.e. the debt is accounting and legal write down at the time of reaching the agreement with the Debtor and is revived only in the event that the debtor does not pay the remaining amount and

(b) **Condition Precedent**, i.e. the debt is legally written down if the Debtor repays the debt in accordance with the relevant agreement.

Indicative conditions for the submission of proposals for writing-off a part or total amount of the exposure include, but are not limited to, the following:

• The relevant Agreements with the Customers have been terminated.

• Payment Orders have been issued against all liable parties to such Agreements.

• The actions regarding the investigation of immovable property have been completed without any results.

• The procedure for the registration of encumbrances has been completed.

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

- 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.

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, limits 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 Bank 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 Bank 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 MANGEMENT (cont.)
38.1 Credit risk (cont.)

DUE FROM BANKS (cont.)

For counterparties which do not meet the criteria of investment grade, the assessment of the significant increase in credit risk for which calculation of lifetime expected credit losses is required (Stage 2), is based on the two following conditions:

- Downgrade by at least two notches of the counterparty credit rating between the reporting date and the initial recognition date
- The 12-month PD at reporting date is above 5% in absolute terms and has increased more than 50% compared to the respective PD existing at initial recognition date.

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.

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.

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 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.

Credit risk of investment in debt securities is assessed based on credit ratings of rating agencies or internal credit rating in case of corporate issuers for which loan exposure exists.

The Group defines as low credit risk all investment grade securities, for which it calculates a credit allowance equal to a 12-month expected credit loss (Stage 1).

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

INVESTMENT IN DEBT SECURITIES (cont.)

For debt securities, which do not meet the criteria of investment grade, the assessment of the significant increase in credit risk for which calculation of lifetime expected credit losses is required (Stage 2), is based on the two following conditions:

- Downgrade by at least two notches of the counterparty credit rating between the reporting date and the initial recognition date

- The 12-month PD at reporting date is above 5% in absolute terms and has increased more than 50% compared to the respective PD existing at initial recognition date .

In addition, the Group is monitoring, the change in credit spreads since the initial recognition date. A change in the credit spread of the issue of more than 500bps since the initial recognition date is a trigger for the review of the debt instrument staging.

Depending on the outcome of the above review the debt instrument will remain at Stage 1 or be allocated at Stage 2, regardless of whether the primary staging criteria for allocation to Stage 2 have been triggered or not.

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

FINANCIAL INSTRUMENTS CREDIT RISK

For credit risk disclosure purposes, the accumulated provision for impairment losses of loans to customers measured at amortised cost (i.e. Expected Credit Loss) include the accumulated allowance for impairment losses and the fair value adjustment for the contractual balance of loans which were impaired at their acquisition or origination (POCI) since the Group, from credit risk perspective, monitors the respective adjustment as part of the provisions.

The maximum credit risk per category, in which the Group is exposed, is depicted in the "Net exposure to credit risk".

		2020	
	Exposure before impairment	**Provision for impairment losses**	**Net exposure to credit risk**
	€΄000	€΄000	€΄000
A. Credit risk exposure relating to on balance sheet items			
Balance with central banks	216.110	-	216.110
Due from banks	159.485	231	159.254
Loans and advances to customers measured at amortised cost	1.526.740	181.915	1.344.825
Loans measured at fair value through profit or loss	16.520	-	16.520
Derivative financial assets	467	-	467
Securities measured at fair value through other comprehensive income	433.689	866	432.823
Securities measured at amortised cost	175.771	159	175.612
Other assets	12.208	-	12.208
Total amount of balance sheet items exposed to credit risk (a)	**2.540.990**	**183.171**	**2.357.819**
Other balance sheet items not exposed to credit risk	140.251		140.251
Total assets	**2.681.241**	**183.171**	**2.498.070**
B. Credit risk exposure relating to off balance sheet items:	.		
Letters of guarantee, letters of credit and other guarantees	69.932	4.382	65.550
Undrawn loan agreements and credit limits	132.530	780	131.750
Total amount of off balance sheet items exposed to credit risk (b)	**202.462**	**5.162**	**197.300**
Total credit risk exposure (a+b)	**2.743.452**	**188.333**	**2.555.119**

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

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".

		2019*	
	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			
Balances with central bank	210.245	-	210.245
Due from banks	328.198	232	327.966
Loans and advances to customers measured at amortised cost	2.106.690	610.564	1.496.126
Derivative financial assets	490	-	490
Securities measured at fair value through other comprehensive income	448.118	524	447.594
Other assets	7.495	-	7.495
Total amount of balance sheet items exposed to credit risk (a)	**3.101.236**	**611.320**	**2.489.916**
Other balance sheet items not exposed to credit risk	110.647		110.647
Total assets	**3.211.883**	**611.320**	**2.600.563**
B. Credit risk exposure relating to off balance sheet items:			
Letters of guarantee, letters of credit and other guarantees	84.187	2.839	81.348
Undrawn loan agreements and credit limits	121.252	1.184	120.068
Total amount of off balance sheet items exposed to credit risk (b)	**205.439**	**4.023**	**201.416**
Total credit risk exposure (a+b)	**3.306.675**	**615.343**	**2.691.332**

* Certain figures of the previous year have been restated as described in Note 45.

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 :

	31.12.2020									
	Loans measured at amortised cost									
	Stage 1					Stage 2				
	Not past due	Past due	Carrying amount (before provision for impairment losses)	Expected credit losses	Net carrying amount	Not past due	Past due	Carrying amount (before provision for impairment losses)	Expected credit losses	Net carrying amount
	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000
Retail lending	333.438	11.397	344.835	(362)	344.473	94.465	22.008	116.473	(3.743)	112.730
Mortgage	274.126	9.809	283.935	(214)	283.721	77.077	17600	94.677	(2.806)	91.871
Consumer	41.038	1.118	42.156	(103)	42.053	13.173	3.338	16.511	(744)	15.767
Credit cards	6.603	85	6.688	(14)	6.674	86	215	301	(20)	281
Small Business loans	11.671	385	12.056	(31)	12.025	4.129	855	4.984	(173)	4.811
Corporate lending	479.020	637	479.657	(2.665)	476.992	153.087	12.446	165.533	(3.183)	162.350
Large	473.361	637	473.998	(2.584)	471.414	150.285	12.365	162.650	(3.153)	159.497
SME's	5.659	0	5.659	(81)	5.578	2.802	81	2.883	(30)	2.853
Public sector	0	0	0	0	0	0	0	0	0	0
Cyprus	0	0	0	0	0	0	0	0	0	0
Other countries	0	0	0	0	0	0	0	0	0	0
Total	812.458	12.034	824.492	(3.027)	821.465	247.552	34.454	282.006	(6.926)	275.080

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

LOANS AND ADVANCES TO CUSTOMERS (cont.)

	31.12.2020											
	Loans measured at amortised cost											
	Stage 3					Purchased or originated credit impaired loans (POCI)					Total net carrying amount at amortised cost	Value of collateral
	Not past due	Past due	Carrying amount (before provision for impairment losses)	Expected credit losses	Net carrying amount	Not past due	Past due	Carrying amount (before provision for impairment losses)	Expected credit losses	Net carrying amount		
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Retail lending	42.226	239.898	282.124	(115.438)	166.686	44.160	92.746	136.906	(56.487)	80.419	704.308	594.233
Mortgage	30.256	159.051	189.307	(67.616)	121.691	35.794	53.430	89.225	(29.482)	59.743	557.026	500.158
Consumer	7.961	52.650	60.611	(30.988)	29.623	6.930	28.991	35.921	(19.485)	16.436	103.879	65.570
Credit cards	2	3.345	3.347	(2.918)	429	1	718	718	(660)	58	7.442	1.528
Small Business Loans	4.007	24.852	28.859	(13.916)	14.943	1.435	9.607	11.042	(6.860)	4.182	35.961	26.977
Corporate lending	1.203	9	1.212	(37)	1.175	0	0	0	0	0	640.517	470.907
Large	1.200	9	1.209	(34)	1.175	0	0	0	0	0	632.086	464.476
SME's	3	0	3	(3)	0	0	0	0	0	0	8.431	6.431
Public sector	0	0	0	0	0	0	0	0	0	0	0	0
Cyprus	0	0	0	0	0	0	0	0	0	0	0	0
Other countries	0	0	0	0	0	0	0	0	0	0	0	0
Total	43.429	239.907	283.336	(115.475)	167.861	44.160	92.746	136.906	(56.487)	80.419	1.344.825	1.065.140

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

LOANS AND ADVANCES TO CUSTOMERS (cont.)

	31.12.2019									
	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	260.216	82.687	342.903	(1.313)	341.590	64.494	42.195	106.689	(4.123)	102.566
Mortgage	211.194	66.869	278.063	(819)	277.244	51.733	33.910	85.643	(2.964)	82.679
Consumer	32.262	11.330	43.592	(423)	43.169	8.815	5.637	14.452	(979)	13.473
Credit cards	7.034	1.033	8.067	(15)	8.052	176	18	194	(13)	181
Small Business Loans	9.726	3.455	13.181	(56)	13.125	3.770	2.630	6.400	(167)	6.233
Corporate lending	240.874	181.261	422.135	(3.254)	418.881	64.145	4.001	68.146	(1.514)	66.632
Large	237.511	178.425	415.936	(3.244)	412.692	62.788	3.664	66.452	(1.472)	64.980
SME's	3.363	2.836	6.199	(10)	6.189	1.357	337	1.694	(42)	1.652
Public sector	2	0	2	0	2	15	0	15	0	15
Cyprus	2	0	2	0	2	15	-	15	0	15
Other countries	0	0	0	0	0	0	0	0	0	0
Total	501.092	263.948	765.040	(4.567)	760.473	128.654	46.196	174.850	(5.637)	169.213

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

LOANS AND ADVANCES TO CUSTOMERS (cont.)

	31.12.2019											
	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	144.268	436.171	580.439	(273.393)	307.046	57.045	162.576	219.621	(101.031)	118.590	869.792	719.466
Mortgage	101.625	342.044	443.669	(203.377)	240.292	40.347	119.579	159.926	(69.539)	90.387	690.602	615.590
Consumer	29.329	73.514	102.843	(53.521)	49.322	12.573	35.356	47.929	(24.521)	23.408	129.372	73.011
Credit cards	3.374	1.455	4.829	(3.463)	1.366	741	76	817	(559)	258	9.857	1.396
Small Business Loans	9.940	19.158	29.098	(13.032)	16.066	3.384	7.565	10.949	(6.412)	4.537	39.961	29.469
Corporate lending	67.762	221.278	289.040	(173.297)	115.743	24.632	53.068	77.700	(52.639)	25.061	626.317	406.418
Large	44.769	130.037	174.806	(101.304)	73.502	12.433	12.669	25.102	(13.780)	11.322	562.496	341.161
SME’s	22.993	91.241	114.234	(71.993)	42.241	12.199	40.399	52.598	(38.859)	13.739	63.821	65.257
Public sector	0	0	0	0	0	0	0	0	0	0	17	15
Cyprus	0	0	0	0	0	0	0	0	0	0	17	15
Other countries	0	0	0	0	0	0	0	0	0	0	0	0
Total	212.030	657.449	869.479	(446.690)	422.789	81.677	215.644	297.321	(153.670)	143.651	1.496.126	1.125.899

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:

	31.12.2020				31.12.2019			
	Loans measured at fair value through profit or loss (FVPL)				Loans measured at fair value through profit or loss (FVPL)			
	Not past due	Past due	Net carrying amount	Value of collaterals	Not past due	Past due	Net carrying amount	Value of collaterals
Retail lending					-	-	-	-
Mortgage	-	-	-	-	-	-	-	-
Consumer	-	-	-	-	-	-	-	-
Credit cards	-	-	-	-	-	-	-	-
Small Business Loans	-	-	-	-	-	-	-	-
Corporate lending	-	-	-	-	-	-	-	-
Large	16.520	-	16.520	15.913	-	-	-	-
SME's	-	-	-	-	-	-	-	-
Public sector	-	-	-	-	-	-	-	-
Greece	-	-	-	-	-	-	-	-
Other countries	-	-	-	-	-	-	-	-
Total	**16.520**		**16.520**	**15.913**	-	-	-	-

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

Loans 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:

2020					
Loans measured at amortised cost					
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000
Mortgage					
Strong credit quality	129.248	0	0	0	129.248
Satisfactory credit quality	154.687	0	0	0	154.687
Watch list (higher risk)	0	94.677	0	25.480	120.157
Default	0	0	189.307	63.745	253.052
Carrying amount (before provision for impairment losses)	283.935	94.677	189.307	89.225	657.144
Expected credit losses	(214)	(2.806)	(67.616)	(29.482)	(100.118)
Net carrying amount	283.721	91.871	121.691	59.743	557.026
Value of collateral			106.818	48.062	154.880
	Stage 1	Stage 2	Stage 3	Purchased or originates credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000
Consumer					
Strong credit quality	25.848	0	0	0	25.848
Satisfactory credit quality	16.308	0	0	0	16.308
Watch list (higher risk)	0	16.511	0	4.658	21.169
Default	0	0	60.611	31.263	91.874
Carrying amount (before provision for impairment losses)	42.156	16.511	60.611	35.921	155.199
Expected credit losses	(103)	(744)	(30.988)	(19.485)	(51.320)
Net carrying amount	42.053	15.767	29.623	16.436	103.879
Value of collateral			23.201	10.468	33.669

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

Loans by credit quality and IFRS 9 Stage (cont.)

2020					
Loans measured at amortised cost					
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000
Credit cards					
Strong credit quality	5.275	0	0	0	5.275
Satisfactory credit quality	1.414	0	0	0	1.414
Watch list (higher risk)	0	301	0	2	303
Default	0	0	3.346	717	4.063
Carrying amount (before provision for impairment losses)	6.688	301	3.347	718	11.054
Expected credit losses	(15)	(20)	(2.917)	(660)	(3.612)
Net carrying amount	6.673	281	430	58	7.442
Value of collateral			211	1	212

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

Loans by credit quality and IFRS 9 Stage (cont.)

2020					
Loans measured at amortised cost					
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000
Small Business					
Strong credit quality	6.961	0	0	0	6.961
Satisfactory credit quality	5.094	0	0	0	5.094
Watch list (higher risk)	0	4.984	0	1.380	6.364
Default	0	0	28.860	9.662	38.522
Carrying amount (before provision for impairment losses)	12.055	4.984	28.860	11.042	56.941
Expected credit losses	(31)	(173)	(13.916)	(6.860)	(20.980)
Net carrying amount	12.024	4.811	14.944	4.182	35.961
Value of collateral			12.365	3.086	15.451
Large Corporate					
Strong credit quality	344.522	25.306	1	0	369.829
Satisfactory credit quality	86.463	903	0	0	87.366
Watch list (higher risk)	43.013	136.441	1.208	0	180.662
Default	0	0	0	0	0
Carrying amount (before provision for impairment losses)	473.998	162.650	1.209	0	637.857
Expected credit losses	(2.584)	(3.153)	(34)	-	(5.771)
Net carrying amount	471.414	159.497	1.175	0	632.086
Value of collateral			397	0	397

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

Loans by credit quality and IFRS 9 Stage (cont.)

2020					
Loans measured at amortised cost					
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000
SME's					
Strong credit quality	663	0	0	0	663
Satisfactory credit quality	3.148	1.503	0	0	4.651
Watch list (higher risk)	1.848	1.380	3	0	3.231
Default	0	0	0	0	0
Carrying amount (before provision for impairment losses)	5.659	2.883	3	0	8.545
Expected credit losses	(81)	(30)	(3)	-	(114)
Net carrying amount	5.578	2.853	0	0	8.431
Value of collateral			3	0	3
Public Sector – Cyprus					
Strong credit quality	0	0	0	0	0
Satisfactory credit quality	0	0	0	0	0
Watch list (higher risk)	0	0	0	0	0
Default	0	0	0	0	0
Carrying amount (before provision for impairment losses)	0	0	0	0	0
Expected credit losses	0	0	0	0	0
Net carrying amount	0	0	0	0	0
Value of collateral			0	0	0

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

Loans by credit quality and IFRS 9 Stage (cont.)

2020					
Loans measured at amortised cost					
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000
Letters of guarantee, letters of credit and other guarantees					-
Strong credit quality	27.538	0	0	0	27.538
Satisfactory credit quality	30.936	0	0	0	30.936
Watch list (higher risk)	0	11.355	0	0	11.355
Default	0	0	103	0	103
Carrying amount (before provision for impairment losses)	58.474	11.355	103	0	69.932
Expected credit losses	(848)	(3.526)	(8)	-	(4.382)
Net Carrying Amount	57.626	7.829	95	0	65.550
Value of collateral			0	0	0
Undrawn loan agreements and credit limits	-	-	-	-	-
Strong credit quality	77.470	5	0	0	77.475
Satisfactory credit quality	48.216	123	0	0	48.339
Watch list (higher risk)	2.132	3.671	629	26	6.458
Default	0	0	253	4	257
Carrying amount (before provision for impairment losses)	127.819	3.799	882	30	132.530
Expected credit losses	(225)	(7)	(548)	-	(780)
Net Carrying Amount	127.594	3.792	334	30	131.750
Value of collateral			0	0	0

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

Loans 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.

2019					
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	121.323	6.947	-	5.344	133.614
Satisfactory credit quality	138.549	25.570	-	11.984	176.103
Watch list (higher risk)	18.191	53.126	177	5.211	76.705
Default	-	-	443.492	137.387	580.879
Carrying amount (before provision for impairment losses)	278.063	85.643	443.669	159.926	967.301
Expected credit losses	(819)	(2.964)	(203.377)	(69.539)	(276.699)
Net Carrying Amount	277.244	82.679	240.292	90.387	690.602
Value of collateral			216.607	76.536	293.143
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000
Consumer					
Strong credit quality	23.321	3.009	-	531	26.861
Satisfactory credit quality	16.537	4.474	-	1.011	22.022
Watch list (higher risk)	3.733	6.969	-	2.238	12.940
Default	-	-	102.843	44.150	146.993
Carrying amount (before provision for impairment losses)	43.592	14.452	102.843	47.929	208.816
Expected credit losses	(423)	(979)	(53.521)	(24.521)	(79.444)
Net Carrying Amount	43.169	13.473	49.322	23.408	129.372
Value of collateral			31.701	14.876	46.577

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

Loans by credit quality and IFRS 9 Stage

2019					
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	7.981	16	-	6	8.003
Staisfactory credit quality	86	126	-	1	213
Watch list (higher risk)	-	52	-	-	52
Default	-	-	4.829	810	5.639
Carrying amount (before provision for impairment losses)	8.067	194	4.829	817	13.907
Expected credit losses	(15)	(13)	(3.463)	(559)	(4.050)
Net Carrying Amount	8.052	181	1.366	258	9.857
Value of collateral			160	-	160

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

Loans by credit quality and IFRS 9 (cont.)

2019					
Loans measured at amortised cost					
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000
Small Business					
Strong credit quality	8.369	258	-	52	8.679
Satisfactory credit quality	3.964	1.572	-	235	5.771
Watch list (higher risk)	848	4.570	-	838	6.256
Default	-	-	29.098	9.824	38.922
Carrying amount (before provision for impairment losses)	13.179	6.400	29.099	10.950	59.628
Expected credit losses	(56)	(167)	(13.032)	(6.412)	(19.667)
Net Carrying Amount	13.125	6.233	16.066	4.537	39.961
Value of collateral			13.423	3.108	16.531
Large Corporate					
Strong credit quality	232.586	95	-	-	232.681
Satisfactory credit quality	166.570	14.222	-	-	180.792
Watch list (higher risk)	16.780	52.135	-	-	68.915
Deafault	-	-	174.806	25.102	199.908
Carrying amount (before provision for impairment losses)	415.936	66.452	174.806	25.102	682.296
Expected credit losses	(3.244)	(1.472)	(101.304)	(13.780)	(119.800)
Net Carrying Amount	412.692	64.980	73.502	11.322	562.496
Value of collateral			76.077	9.803	85.880

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

Loans by credit quality and IFRS 9 (cont.)

2019					
Loans measured at amortised cost					
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000
SME's					
Strong credit quality	1.987	18	-	-	2.005
Satisfactory credit quality	3.317	0	-	-	3.317
Watch list (higher risk)	895	1.676	-	-	2.571
Default	-	-	114.234	52.598	166.832
Carrying amount (before provision for impairment losses)	6.199	1.694	114.234	52.598	174.725
Expected credit losses	(10)	(42)	(71.993)	(38.859)	(110.904)
Net Carrying Amount	6.189	1.652	42.241	13.739	63.821
Value of collateral			46.819	12.826	59.645
Public Sector – Cyprus					
Strong credit quality	**2**	-	**-**	**-**	**2**
Satisfactory credit quality	**-**	15	**-**	**-**	**15**
Watch list (higher risk)	**-**	-	**-**	**-**	**-**
Default	**-**	-	**-**	**-**	**-**
Carrying amount (before provision for impairment losses)	**2**	**15**	**-**	**-**	**17**
Expected credit losses	**-**	-	**-**	**-**	**-**
Net Carrying Amount	**2**	**15**	**-**	**-**	**17**
Value of collateral	**-**	**-**	**-**	**-**	**-**

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

Loans by credit quality and IFRS 9 Stage (cont.)

2019					
Loans measured at amortised cost					
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000
Letters of guarantee, letters of credit and other guarantees					-
Strong credit quality	20.181	-	-	-	20.181
Satisfactory credit quality	25.377	-	-	-	25.377
Watch list (higher risk))	28.405	3.989	-	-	32.394
Default	-	-	6.235	-	6.235
Carrying amount (before provision for impairment losses)	73.963	3.989	6.235	-	84.187
Expected credit losses	(2.472)	(9)	(358)	-	(2.839)
Net Carrying Amount	71.491	3.980	5.877	-	81.348
Value of collateral			-	-	-
Undrawn loan agreements and credit limits	-	-	-	-	-
Strong credit quality	92.897	516	-	17	93.430
Satisfactory credit quality	15.096	986	-	10	16.092
Watch list (higher risk)	6.972	2.930	-	1	9.903
Default	-	-	1.811	16	1.827
Carrying amount (before provision for impairment losses)	114.965	4.432	1.811	44	121.252
Expected credit losses	(449)	(7)	(727)	(1)	(1.184)
Net Carrying Amount	114.516	4.425	1.084	43	120.068
Value of collateral			-	-	-

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

Loans by credit quality and IFRS 9 Stage (cont.)

	Loans measured at fair value through profit or loss (FVPL)	
	31.12.2020	**31.12.2019**
Large Corporate		
Strong credit quality	-	-
Satisfactory credit quality	16.520	-
Watch list (higher risk)	-	-
Default	-	-
Carrying amount (before provision for impairment losses)	16.520	-
Expected credit losses	-	-
Carrying amount	16.520	-
Value of collaterals	15.913	-

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

Ageing analysis by IFRS 9 Stage and product line of loans

	2020																			
	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	273.939	74.994	27.660	33.088	409.681	40.948	12.704	6.028	6.288	65.968	6.590	84	0	0	6.674	11.642	3.986	3.359	1.359	20.346
1 - 30 days	9.782	9.873	6.142	4.285	30.082	1.105	2.354	1.483	1.220	6.162	84	39	0	1	124	383	436	678	384	1.881
31 -60 days	0	4.836	4.678	1.683	11.197	0	359	1.617	1.725	3.701	0	62	0	0	62	0	327	336	59	722
61 -90 days	0	2.168	2.251	409	4.828	0	269	528	219	1.016	0	96	0	0	96	0	49	77	100	226
91 - 180 days	0	0	3.572	729	4.301	0	32	750	59	841	0	0	22	0	22	0	5	166	32	203
181 - 360 days	0	0	3.071	220	3.291	0	14	1.384	13	1.411	0	0	6	2	8	0	0	162	7	169
> 360 days	0	0	74.317	19.329	93.646	0	35	17.833	6.912	24.780	0	0	401	55	456	0	8	10.165	2.241	12.414
Total	283.721	91.871	121.691	59.743	557.026	42.053	15.767	29.623	16.436	103.879	6.674	281	429	58	7.442	12.025	4.811	14.943	4.182	35.961
Value of collaterals	265.391	79.887	106.818	48.062	500.158	22.594	9.307	23.201	10.468	65.570	1.268	49	211	0	1.528	8.444	3.082	12.365	3.086	26.977

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

Ageing analysis by IFRS 9 Stage and product line of loans (cont.)

2020																				
	Loans neasured at amortised cost										Loans measured at amortised cost									
	Corporate lending										Public sector									
	Large					SME's					Cyprus					Other countries				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Current	470.778	147.132	1.171	0	619.081	5.578	2.772	0	0	8.350	0	0	0	0	0	0	0	0	0	0
1 - 30 days	636	0	0	0	636	0	81	0	0	81	0	0	0	0	0	0	0	0	0	0
31 -60 days	0	12.365	0	0	12.365	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
61 -909 days	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
91 - 180 days	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
181 - 360 days	0	0	4	0	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
> 360 days	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	471.414	159.497	1.175	0	632.086	5.578	2.853	0	0	8.431	0	0	0	0	0	0	0	0	0	0
Value of collaterals	320.241	143.838	397	0	464.476	3.806	2.622	3	0	6.431	0	0	0	0	0	0	0	0	0	0

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Ageing analysis by IFRS 9 Stage and product line of loans (cont.)

2019																				
	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	253.466	43.174	18.943	24.415	339.798	40.687	9.077	6.700	5.049	61.513	7.876	0	2	6	7.884	12.994	3.103	1.347	788	18.232
1 - 30 days	23.777	20.157	9.171	10.741	63.846	2.481	3.272	2.154	2.392	10.299	176	1	0	0	177	131	2.458	642	902	4.133
31 -60 days	-	9.319	5.497	2.382	17.198	0	598	1.862	335	2.795	0	89	0	0	89	0	503	162	35	700
61 -90 days	-	9.885	3.507	815	14.207	0	440	1.328	252	2.020	0	50	2	0	52	0	168	167	89	424
91 - 180 days	-	145	12.139	2.433	14.717	0	24	2.071	1.220	3.315	0	1	20	0	20	0	0	1.140	92	1.232
181 - 360 days	-	-	12.403	820	13.223	0	39	4.512	838	5.389	0	0	20	0	20	0	1	534	89	624
> 360 days	-	-	178.639	48.974	227.613	1	23	30.695	13.322	44.041	0	40	1.322	252	1.612	0	0	12.074	2.542	14.616
Total	277.243	82.680	240.299	90.380	690.602	43.169	13.473	49.322	23.408	129.372	8.052	181	1.366	258	9.856	13.125	6.233	16.065	4.537	39.961
Value of collaterals	254.113	68.334	216.607	76.536	615.590	20.383	6.051	31.701	14.876	73.011	1.213	22	160	-	1.396	8.470	4.468	13.423	3.108	29.469

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

Ageing analysis by IFRS 9 Stage and product line of loans (cont.)

	2019																			
	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	391.934	63.900	25.139	2.743	483.716	6.171	1.420	2.832	2.058	12.482	2	15	0	0	17	0	0	0	0	0
1 - 30 days	20.758	1.078	1.121	620	23.577	18	232	201	163	613	0	0	0	0	0	0	0	0	0	0
31 -60 days	0	0	224	0	224	0	0	250	345	595	0	0	0	0	0	0	0	0	0	0
61 -909 days	0	2	1.995	0	1.997	0	0	82	0	82	0	0	0	0	0	0	0	0	0	0
91 - 180 days	0	0	1.121	0	1.121	0	0	639	38	678	0	0	0	0	0	0	0	0	0	0
181 - 360 days	0	0	7.537	0	7.537	0	0	641	0	641	0	0	0	0	0	0	0	0	0	0
> 360 days	0	0	36.365	7.959	44.324	0	0	37.596	11.135	48.731	0	0	0	0	0	0	0	0	0	0
Total	412.692	64.980	73.502	11.322	562.496	6.189	1.652	42.241	13.739	63.821	2	15	0	0	17	0	0	0	0	0
Value of collaterals	199.971	55.310	76.077	9.803	341.161	4.134	1.478	46.819	12.826	65.257	0	15	0	0	15	0	0	0	0	0

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)

31.12.2020			
	Loans measured at fair value through profit or loss (FVPL)		
	Corporate lending		Total
	Large	SME's	
Current	16.520	-	16.520
1 - 30 days	-	-	-
31 - 60 days	-	-	-
61 - 90 days	-	-	-
91 - 180 days	-	-	-
181 - 360 days	-	-	-
> 360 days	-	-	-
Total	16.520	-	16.520
Value of collaterals	15.913	-	15.913

31.12.2019			
	Loans measured at fair value through profit or loss (FVPL)		
	Corporate lending		Total
	Large	SME's	
Current	-	-	-
1 - 30 days	-	-	-
31 - 60 days	-	-	-
61 - 90 days	-	-	-
91 - 180 days	-	-	-
181 - 360 days	-	-	-
> 360 days	-	-	-
Total	-	-	-
Value of collaterals	-	-	-

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Reconciliation of loans by IFRS 9 Stage

The following table presents the movement in the loans measured at amortised cost by IFRS 9 Stage:

	2020									
	Retail lending					Corporate lending				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Balance 1.1.2020	342.903	106.689	580.439	219.621	1.249.652	422.135	68.146	289.040	77.700	857.021
Transfers to Stage 1 from Stage 2 or 3	36.684	(35.978)	(706)	0	0	28.849	(28.849)	0	0	0
Transfers to Stage 2 from Stage 1 or 3	(57.586)	80.589	(23.003)	0	0	(113.267)	113.548	(281)	0	0
Transfers to Stage 3 from Stage 1 or 2	(1.508)	(21.064)	22.572	0	0	(553)	0	553	0	0
New loans originated or purchased	47.772	169	30	5.535	53.506	278.015	13.388	0	(1)	291.402
Derecognition of loans	(3)	(604)	(5.070)	(712)	(6.389)	(21.204)	(13.356)	(610)	0	(35.170)
Interest on loans before impairment	10.140	3.073	22.483	10.374	46.070	13.483	4.212	8.693	2.451	28.839
Changes due to modifications that did not result in loans' derecognition	312	(150)	(2.859)	(606)	(3.303)	(566)	(712)	(1)	0	(1.279)
Write-offs	(9)	(185)	(23.850)	(14.885)	(38.929)	0	0	(30.851)	(8.952)	(39.803)
Repayments and other movements	(32.070)	(14.072)	(1.418)	(4.173)	(51.733)	(127.231)	9.156	(4.404)	(385)	(122.864)
Disposal of assets	(1.800)	(1.996)	(286.494)	(78.247)	(368.537)	(3)	0	(260.927)	(70.813)	(331.743)
Balance 31.12.2020	344.835	116.471	282.124	136.907	880.337	479.658	165.533	1.212	0	646.403
Accumulated provision for impairment losses	(362)	(3.743)	(115.438)	(56.487)	(176.030)	(2.665)	(3.183)	(37)	0	(5.885)
Balance of loans 31.12.2020	344.473	112.728	166.686	80.420	704.307	476.993	162.350	1.175	0	640.518

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

				2020						
	Public Sector					Off Balance items				
	Stage 1	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 1.1.2020	2	15	0	0	17	188.928	8.421	8.047	43	205.439
Transfers to Stage 1 from Stage 2 or 3	0	0	0	0	0	0	0	0	0	0
Transfers to Stage 2 from Stage 1 or 3	0	0	0	0	0	0	0	0	0	0
Transfers to Stage 3 from Stage 1 or 2	0	0	0	0	0	0	0	0	0	0
New loans originated or purchased	0	0	0	0	0	0	0	0	0	0
Derecognition of loans	0	0	0	0	0	0	0	0	0	0
Interest on loans before impairment	0	0	0	0	0	0	0	0	0	0
Changes due to modifications that did not result in loans' derecognition	0	0	0	0	0	0	0	0	0	0
Write-offs	0	0	0	0	0	0	0	0	0	0
Repayments and other movements	(2)	(15)	0	0	(17)	(2.635)	6.733	(895)	(13)	3.190
Disposal of assets	0	0	0	0	0	0	0	(6.168)	0	(6.168)
Disposal of assets	0	0	0	0	0	186.293	15.154	984	30	202.461
Accumulated provision for impairment losses	0	0	0	0	0	(1.073)	(3.534)	(555)	0	(5.162)
Balance of loans 31.12.2020	0	0	0	0	0	185.220	11.620	429	30	197.299

During the year 2020, the Group sold to a company of the Group Alpha Bank S.A. non-performing loans with carrying amount before provision of impairment losses of Euro 649 million. In addition, the Group purchased from companies of the same Group loans with a carrying amount of Euro 251 million.

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

The following table presents the movement of the loans measured at amortised cost by IFRS 9 Stage:

	2019									
	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 1.1.2019	302.037	133.439	628.502	228.084	1.292.060	404.512	111.743	353.491	92.637	962.384
Transfers to Stage 1 from Stage 2 or 3	51.510	(50.538)	(972)	-	-	22.113	(21.549)	(564)	-	-
Transfers to Stage 2 from Stage 1 or 3	(39.884)	83.218	(43.334)	-	-	(16.364)	20.443	(4.080)	-	-
Transfers to Stage 3 from Stage 1 or 2	(1.484)	(41.099)	42.583	-	-	(693)	(14.649)	15.342	-	-
New loans originated or purchased	61.584	-	-	15.770	77.354	106.506	-	-	972	107.478
Derecognition of loans	(449)	(1.119)	(11.836)	(2.309)	(15.712)	(48.565)	-	(988)	-	(49.553)
Interest on loans before impairment	10.686	3.893	33.841	13.785	62.206	15.304	4.219	21.221	5.295	46.668
Changes due to modifications that did not result in loans' derecognition	1.066	2.017	2.357	(1.655)	3.785	(441)	(1.466)	(578)	255	(2.230)
Write-offs	(89)	(719)	(67.315)	(29.429)	(97.552)	-	-	(52.583)	(13.118)	(65.702)
Repayments and other movements	(42.074)	(22.403)	(3.387)	(4.625)	(72.489)	(60.237)	(30.595)	(42.221)	(8.971)	(142.024)
Disposal of assets	-	-	-	-	-	-	-	-	-	-
Balance 31.12.2019	342.903	106.689	580.439	219.621	1.249.652	422.135	68.146	289.040	77.700	857.021
Accumulated provision for impairment losses	(1.313)	(4.123)	(273.393)	(101.031)	(379.860)	(3.254)	(1.514)	(173.296)	(52.640)	(230.704)
Balance of loans 31.12.2019	341.590	102.566	307.046	118.590	869.792	418.881	66.632	115.744	25.060	626.317

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

Reconciliation of loans by IFRS 9 Stage (cont.)

				2019						
	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 1.1.2019	-	28	-	-	28	182.970	4.212	8.980	611	196.773
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	2	-	-	-	2	-	-	-	-	-
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	-	(13)	-	-	(13)	5.958	4.209	(934)	(567)	8.666
Disposal of assets	-	-	-	-	-	-	-	-	-	-
Balance 31.12.2019	2	15	-	-	17	188.928	8.421	8.046	44	205.439
Accumulated provision for impairment losses	-	-	-	-	-	(2.921)	(16)	(1.085)	(1)	(4.023)
Balance of loans 31.12.2019	2	15	-	-	17	186.007	8.405	6.961	43	201.416

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 1.1.2020	1.313	4.123	273.393	101.031	379.860	3.254	1.514	173.296	52.639	230.703
Transfers to Stage 1 from Stage 2 or 3	1.583	(1.486)	(97)	0	0	98	(85)	(13)	0	0
Transfers to Stage 2 from Stage 1 or 3	(556)	2.431	(1.875)	0	0	(745)	745	0	0	0
Transfers to Stage 3 from Stage 1 or 2	(22)	(1.110)	1.132	0	0	0	0	0	0	0
Net remeasurement of loss allowance	(725)	38	774	405	492	(11)	411	0	0	400
Impairment losses on new loans	28	0	0	(95)	(67)	1.116	0	0	(87)	1.029
Derecognition of loans	0	(33)	(209)	(137)	(379)	0	0	(276)	0	(276)
Loans initial recognition	0	0	0	477	477	0	0	0	0	0
Write-offs	0	0	(24.044)	(14.885)	(38.929)	0	0	(30.851)	(8.952)	(39.803)
Changes in risk parameters	682	2.733	11.381	7.470	22.266	(1.124)	921	2.409	2.167	4.373
Changes in methodology	(1.789)	(2.486)	22.512	3.914	22.151	(91)	(324)	2.378	260	2.223
Foreign exchange and other movements	(93)	(336)	(5.187)	653	(4.963)	168	1	1636	(86)	1719
Change in present value of the allowance	0	4	8.957	4.310	13.271	0	0	5.513	1.727	7.240
Sale of financial assets – accumulated impairments	(59)	(135)	(171.299)	(46.656)	(218.149)	0	0	(154.055)	(47.668)	(201.723)
Balance 31.12.2020	362	3.743	115.438	56.487	176.030	2.665	3.183	37	0	5.885

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 1.1.2019	1.156	8.387	315.202	122.283	447.028	1.421	2.016	202.038	61.190	266.665
Transfers to Stage 1 from Stage 2 or 3	1.917	(1.645)	(272)	-	-	554	(554)	-	-	-
Transfers to Stage 2 from Stage 1 or 3	(673)	6.532	(5.859)	-	-	(142)	206	(65)	-	-
Transfers to Stage 3 from Stage 1 or 2	35	(4.064)	4.029	-	-	(8)	(243)	250	-	-
Net measurement of loss allowance	(1.023)	(2.653)	4.915	(1.482)	(243)	(281)	331	187	-	238
Impairment losses on new loans	100	-	-	(1.649)	(1.549)	767	-	-	-	767
Derecognition of new loans	(14)	(19)	(3.497)	(1.035)	(4.565)	-	-	-	-	-
Loan initial recognition	-	-	-	4.917	4.917	-	-	-	-	-
Write-offs	(89)	(719)	(67.186)	(29.429)	(97.423)	-	-	(52.713)	(13.118)	(65.831)
Change in risk parameters	(407)	(246)	1.961	1.572	2.880	1.857	676	10.622	1.125	14.280
Change in methodology	214	(1.639)	2.404	(4.237)	(3.258)	(712)	(972)	(986)	(1.055)	(3.726)
Other reasons	-	-	1	100	101	-	-	1.054	410	1.464
Foreign exchange and other movements	97	173	4.661	2.084	7.015	(202)	53	(155)	(96)	(400)
Chang in present value of the allowance	-	16	17.034	7.907	24.957	-	1	13.063	4.185	17.249
Sale of financial assets – accumulated impairments	-	-	-	-	-	-	-	-	-	-
Balance 31.12.2019	1.313	4.123	273.393	101.031	379.860	3.254	1.514	173.296	52.639	230.703

38. RISK MANAGEMENT (cont.)

38.1 Credit risk (cont.)

Reconciliation of off-balance sheet items by IFRS 9 Stage

Off-Balance Sheet items include undrawn loan commitments and letters of credit/letters of guarantee, the movement of which is shown below:

	2020				
	Credit risk exposures associated with off balance sheet items				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired loans (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000
Balance 1.1.2020	188.928	8.421	8.047	43	205.439
Transfers to Stage 1 from Stage 2 or 3	-	-	-	-	-
Transfers to Stage 2 from Stage 1 or 3	-	-	-	-	-
Transfers to Stage 3 from Stage 1 or 2	-	-	-	-	-
New off -balance sheet items originated or purchased	-	-	-	-	-
Derecognition	-	-	-	-	-
Interest on carrying values before impairments	-	-	-	-	-
Modification gain / losses	-	-	-	-	-
Write-offs	-	-	-	-	-
Other movements	(2.635)	6.733	(895)	(13)	3.190
Sale of financial assets – accumulated impairments	0	0	(6.168)	0	(6.168)
Balance 31.12.2020	186.293	15.154	984	30	202.461
Accumulated impairments	(1.073)	(3.534)	(555)	0	(5.162)
Balance 31.12.2020	185.220	11.620	429	30	197.299

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

Reconciliation of 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:

	2019				
	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 1.1.2019	182.969	4.213	8.980	611	196.773
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	5.959	4.208	(933)	(568)	8.666
Sale of financial assets – accumulated impairments	-	-	-	-	-
Balance 31.12.2019	188.928	8.421	8.047	43	205.439
Accumulated impairments	(2.921)	(16)	(1.011)	(1)	(4.023)
Balance 31.12.2019	186.007	8.405	7.036	42	201.416

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 1.1.2020	2.995	16	1.011	1	4.023
Change in risk parameters	(1.922)	3.518	(456)	(1)	1.139
Balance 31.12.2020	1.073	3.534	555	0	5.162

	Off balance sheet items				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired loans (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000
Balance 1.1.2019	1.681	62	839	171	2.753
Change in risk parameters	1.240	(46)	246	(170)	1.270
Balance 31.12.2019	2.921	16	1.085	1	4.023

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

Credit Risk mitigation techniques (cont.)

Analysis of received guarantees and collaterals

31.12.2020						
	Value of collateral					
	Loans measured at amortised cost					Loans measured at fair value through profit or loss
	Real estate collateral	Financial collateral	Other collateral	Total value of collateral	Value of Guarantee	Real estate collateral
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Retail lending	564.210	29.011	1.012	594.233	-	-
Corporate lending	293.033	9.683	161.760	464.476	-	15.913
Public sector	-	0	-	0	-	-
Total	857.243	38.964	162.772	1.058.709	-	**15.913**

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

Credit Risk mitigation techniques (cont.)

Analysis of received guarantees and collaterals

31.12.2019					
Value of collateral					
Loans measured at amortised cost					
	Real estate collateral	**Financial collateral**	**Other collateral**	**Total value of collateral**	**Value of Guarantees**
	€΄000	€΄000	€΄000	€΄000	€΄000
Retail lending	690.788	27.284	1.394	719.466	-
Corporate lending	367.759	7.225	31.434	406.418	-
Public sector	-	15	-	15	-
Total	1.058.547	34.524	32.828	1.125.899	-

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:

	31.12.2020	31.12.2019
	Loans measured at amortised cost	
	€΄000	€΄000
< 50%	137.467	120.053
50% - 70%	115.888	106.239
71% - 80%	55.343	60.626
81% - 90%	33.294	39.862
91% - 100%	40.127	47.156
101% - 120%	64.750	92.796
121% - 150%	51.334	98.652
> 150%	158.940	401.918
Total exposure	657.143	967.302
Simple average LTV (%)	133.46%	158,0%

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

Credit Risk mitigation techniques (cont.)

REPOSSESSED ASSETS

	31.12.2020						
	Balance					Disposals during the year	
	Value of collaterals repossessed 31.12.2020	Of which in 2020	Accumulated impairment allowance 31.12.2020	Of which in 2020	Carrying amount of collaterals repossessed 31.12.2020	Net disposal value	Net gain/(loss) on disposal
	€´000	€´000	€´000	€´000	€´000	€´000	€´000
Real estate	27.391	1.815	2.892	2.240	24.499	465	46

	31.12.2019						
	Balance					Disposals during the year	
	Value of collaterals repossessed 31.12.2019	Of which in 2019	Accumulated impairment allowance 31.12. 2019	Of which in 2019	Carrying amount of collaterals repossessed 31.12.2019	Net disposal value	Net gain/(loss) on disposal
	€´000	€´000	€´000	€´000	€´000	€´000	€´000
Real estate	25.507	13.582	541	333	24.966	638	(3)

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

Credit Risk mitigation techniques (cont.)

REPOSSESSED ASSETS (cont.)

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.

Depending on the assigned strategy, the property is classified to the appropriate category for accounting purposes. The classification process is repeated periodically so that classification of each property is updated based on its current status. Finally, there is continuous supervision and coordination of the collaborating management channels for the implementation of specific strategies such as promotion/sale of repossessed properties in accordance with the respective Group's policy, as well as the supervision of their performance through key performance indicators (KPIs).

On the above table the purchased properties by the companies of the Group are not included and have been classified in investment properties amounting Euro 17.178 thousands (2019 : Euro 18.505 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

	31.12.2020							
		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		**271.807**	**87.972**	**245.960**	**126.641**	**732.380**	**156.099**	**576.281**
Mortgage		211.202	66.300	153.998	79.446	510.946	81.066	429.880
Consumer		41.916	16.460	59.828	35.435	153.639	50.503	103.136
Credit cards		6.633	299	3.274	719	10.925	3.549	7.376
Small Business Loans		12.056	4.913	28.860	11.041	56.870	20.981	35.889
Corporate lending		**161.660**	**140.081**	**1.161**	**0**	**302.902**	**3.644**	**299.258**
Financial institutions		30.186	0	0	0	30.186	23	30.163
Manufacturing		10.379	422	0	0	10.801	79	10.722
Construction and real estate		29.372	109.702	1.161	0	140.235	820	139.415
Wholesale and retail trade		53.842	7.686	0	0	61.528	1.086	60.442
Transportation		13.772	369	0	0	14.141	59	14.082
Shipping		140	0	0	0	140	0	140
Hotels - Tourism		2.579	21.287	0	0	23.866	1.356	22.510
Services and other sectors		21.390	615	0	0	22.005	221	21.784
Public sector		**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total		**433.467**	**228.053**	**247.121**	**126.641**	**1.035.282**	**159.743**	**875.539**

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

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

	31.12.2020							
		Greece						
	Loans measured at fair value through profit or loss (FVPL)	Loans measured at amortised cost						
	Carrying amount	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired loans (POCI)	Carrying amount (before provision for impairment losses)	Expected credit losses	Net carrying amount
Retail lending		**36**	**363**	**542**	**47**	**988**	**252**	**736**
Mortgage		0	360	428	47	835	195	640
Consumer		28	2	102	0	132	45	87
Credit cards		8	1	12	0	21	12	9
Small Business Loans		0	0	0	0	0	0	0
Corporate lending	**16.520**	**178.158**	**21.344**	**51**	**0**	**199.553**	**2.212**	**197.341**
Financial institutions		0	0	0	0	0	0	0
Manufacturing	16.520	34.256	160	0	0	34.416	161	34.255
Construction and real estate		14.356	0	0	0	14.356	0	14.356
Wholesale and retail trade		35.301	249	48	0	35.598	357	35.241
Transportation		19.043	0	0	0	19.043	14	19.029
Shipping		21.756	0	0	0	21.756	0	21.756
Hotels - Tourism		26.619	20.836	3	0	47.458	1.381	46.077
Services and other sectors		26.827	99	0	0	26.926	299	26.627
Public sector		**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total	**16.520**	**178.194**	**21.707**	**593**	**47**	**200.541**	**2.464**	**198.077**

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

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

	31.12.2020							
		Other countries						
	Loans measured at fair value through profit or loss (FVPL)	Loans measured at amortised cost						
	Carrying amount	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired loans (POCI)	Carrying amount (before provision for impairment losses)	Expected credit losses	Net carrying amount
Retail lending		**72.993**	**28.136**	**35.622**	**10.218**	**146.969**	**19.679**	**127.290**
Mortgage		72.733	28.017	34.881	9.731	145.362	18.856	126.506
Consumer		212	48	681	487	1.428	771	657
Credit cards		48	0	60	0	108	52	56
Small Business Loans		0	71	0	0	71	0	71
Corporate lending		**139.840**	**4.108**	**0**	**0**	**143.948**	**29**	**143.919**
Financial institutions		0	0	0	0	0	0	0
Manufacturing		0	0	0	0	0	0	0
Construction and real estate		45.935	4.108	0	0	50.043	28	50.015
Wholesale and retail trade		0	0	0	0	0	0	0
Transportation		0	0	0	0	0	0	0
Shipping		93.905	0	0	0	93.905	1	93.904
Hotels - Tourism		0	0	0	0	0	0	0
Services and other sectors		0	0	0	0	0	0	0
Public sector		**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total		**212.833**	**32.244**	**35.622**	**10.218**	**290.917**	**19.708**	**271.209**

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

Loans and Expected credit risk losses by IFRS 9 Stage, industry and geographical region

	31.12.2019						
	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	**253.995**	**74.702**	**347.028**	**156.856**	**832.581**	**222.456**	**610.125**
Mortgage	189.593	53.783	216.798	99.212	**559.386**	**124.524**	**434.862**
Consumer	43.291	14.325	96.597	45.883	**200.096**	**74.433**	**125.663**
Credit cards	8.007	194	4.535	812	**13.548**	**3.832**	**9.716**
Small Business Loans	13.104	6.400	29.098	10.949	**59.551**	**19.667**	**39.884**
Corporate lending	**224.014**	**68.008**	**287.066**	**77.700**	**656.788**	**228.389**	**428.399**
Financial institutions	35.184	1.973	1.218	1.341	**39.716**	**2.387**	**37.329**
Manufacturing	10.594	596	16.137	1.237	**28.564**	**12.344**	**16.220**
Construction and real estate	100.314	46.821	194.696	48.283	**390.114**	**151.105**	**239.009**
Wholesale and retail trade	49.380	2.053	33.994	13.759	**99.186**	**31.085**	**68.101**
Transportation	354	50	1.792	161	**2.357**	**1.063**	**1.294**
Shipping	4.131	0	0	0	**4.131**	**11**	**4.120**
Hotels - Tourism	6.431	16.096	11.461	1.886	**35.874**	**9.317**	**26.557**
Services and other sectors	17.626	419	27.768	11.033	**56.846**	**21.077**	**35.769**
Public sector	2	15	-	-	**17**	**-**	**17**
Total	**478.011**	**142.725**	**634.094**	**234.556**	**1.489.386**	**450.845**	**1.038.541**

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

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

	31.12.2019						
	Greece						
	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	**42**	**357**	**670**	**56**	**1.125**	**408**	**717**
Mortgage	-	357	565	49	**971**	**354**	**617**
Consumer	34	-	95	7	**137**	**46**	**90**
Credit cards	8	-	10	-	**18**	**8**	**10**
Small Business Loans	-	-	-	-	-	-	-
Corporate lending	**118.241**	**138**	**541**	-	**118.920**	**1.432**	**117.488**
Financial institutions	-	-	-	-	-	-	-
Manufacturing	28.647	2	129	-	**28.778**	**430**	**28.348**
Construction and real estate	164	-	94	-	**258**	**-**	**258**
Wholesale and retail trade	1.509	31	95	-	**1.635**	**12**	**1.623**
Transportation	20.226	-	-	-	**20.226**		**20.226**
Shipping	-	-	-	-	-	-	-
Hotels - Tourism	48.850	4	92	-	**48.946**	**768**	**48.178**
Services and other sectors	18.845	100	131	-	**19.076**	**222**	**18.854**
Public sector	-	-	-	-	-	-	-
Total	**118.283**	**495**	**1.211**	**56**	**120.045**	**1.840**	**118.205**

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

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

	31.12.2019						
	Other countries						
	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	**88.866**	**31.630**	**232.741**	**62.709**	**415.946**	**156.996**	**258.950**
Mortgage	88.470	31.503	226.306	60.665	**406.944**	**151.821**	**255.123**
Consumer	267	127	6.151	2.039	**8.584**	**4.965**	**3.619**
Credit cards	52	-	284	5	**341**	**210**	**131**
Small Business Loans	77	-	-	-	**77**	**--**	**77**
Corporate lending	**79.880**	**-**	**1.433**	-	**81.313**	**883**	**80.430**
Financial institutions	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-
Construction and real estate	17.666	-	1.433	-	**19.099**	**883**	**18.216**
Wholesale and retail trade	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-
Shipping	62.214	-	-	-	**62.214**	-	**62.214**
Hotels - Tourism	-	-	-	-	-	-	-
Services and other sectors	-	-	-	-	-	-	-
Public sector	-	-	-	-	-	-	-
Total	**168.746**	**31.630**	**234.174**	**62.709**	**497.259**	**157.879**	**339.380**

At the end of 31.12.2019 there were no loans measured through profit or loss.

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.

		31.12.2020				
	Loans measured at amortised cost					Loans measured at fair value through profit or loss (FVPL)
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired loans (POCI)	Total interest income	
	€´000	€´000	€´000	€´000	€´000	
Retail lending	9.604	3.600	11.607	4.858	29.669	0
Corporate lending	11.934	5.738	3.178	722	21.572	134
Total interest income	**21.538**	**9.338**	**14.785**	**5.580**	**51.241**	**134**

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

Interest income from loans by loan category and IFRS 9 Stage

		31.12.2019				
	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	10.940	3.825	16.599	5.733	37.097	-
Corporate lending	15.230	4.294	8.161	1.740	29.425	-
Total interest income	**26.170**	**8.119**	**24.760**	**7.473**	**66.522**	-

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

FORBORNE LOANS
Analysis of forborne loans by type of forbearance measure

	31.12.2020	
	Loans measured at fair value through profit or loss (FVPL)	**Loans measured at amortised cost**
	€΄000	€΄000
Interest only payment	-	435
Reduce payments scheme	-	33.805
Grace period	-	5.470
Loan term extension	-	25.402
Arrears capitalization	-	88.866
Partial write-off in borrowers's obligations	-	67.186
Other	-	19.099
Total net amount	-	**240.263**

	31.12.2019	
	Loans measured at fair value through profit or loss (FVPL)	**Loans measured at amortised cost**
	€΄000	€΄000
Interest only payment	-	734
Reduce payments scheme	-	40.725
Grace period	-	8.828
Loan term extension	-	36.987
Arrears capitalization	-	128.076
Partial write-off in borrowers's obligations	-	98.431
Other	-	48.996
Total net amount	-	362.777

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

Forborne loans by geographical region

Loans measured at amortised cost		
	31.12.2020	**31.12.2019**
	€´000	€´000
Cyprus	211.471	275.024
Other countries	28.792	87.753
Total net amount	**240.263**	**362.777**

At 31.12.2019 there were no loans measured at fair value through profit or loss. During the year 2020, there were no forbearance measures for loans 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 measures at amortised cost
		€΄000
Balance 1.1.2020	-	**362.777**
Forbearance measures during the year	-	19.057
Interest income	-	9.482
Repayment of loans (partial or total)	-	(15.927)
Loans that exited forbearance status during the year	-	(13.375)
Impairment losses	-	(15.769)
Remeasurement of fair value	-	
Loans that exited forbeaerance status during the year due to disposal	-	(107.572)
Other movements	-	1.590
Balance 31.12.2020	-	**240.263**

	Forborne loans (Net Value)	
	Loans measured at fair value through profit or loss (FVPL)	Loans measures at amortised cost
		€΄000
Balance 1.1.2019	-	**400.396**
Forbearance measures during the year	-	26.865
Interest income	-	13.602
Repayment of loans (partial or total)	-	(65.524)
Loans that exited forbearance status during the year	-	(37.936)
Impairment losses	-	15.444
Remeasurement of fair value	-	
Loans that exited forbeaerance status during the year due to disposal	-	-
Other movements	-	9.930
Balance 31.12.2019	-	**362.777**

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

Forborne loans according to their credit quality

	31.12.2020		
	Total amount of Loans	**Total amount of Forborne Loans**	**Percentage of Forborne Loans (%)**
	€΄000	€΄000	
Loans measured at fair value through profit or loss (FVPL)	-	-	-
Past due	-	-	-
Not past due	-	-	-
Total carrying amount	-	-	-
Value of collaterals	-	-	-
Loans measured at amortised cost			
Stage 1	824.492	-	0%
Stage 2	282.005	68.905	24%
Stage 3	283.336	175.790	62%
Purchased or originated credit impaired loans (POCI)	136.907	64.200	47%
Carrying amount (before provision for impairment losses)	**1.526.740**	**308.895**	**20%**
Stage 1- Accumulated provision for impairment losses	3.028	-	0%
Stage 2- Accumulated provision for impairment losses	6.926	2.691	39%
Stage 3- Accumulated provision for impairment losses	115.474	52.834	46%
Accumulated provision for impairment losses for purchased or originated credit impaired loans (POCI)	56.487	13.107	23%
Total net carrying amount	**1.344.825**	**240.263**	**18%**
Value of collaterals	1.064.845	194.621	18%

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

Forborne loans according to their credit quality

	31.12.2019		
	Total amount of loans	Total amount of Forborne Loans	Percentage of Forborne Loans (%)
	€΄000	€΄000	
Loans measured at fair value through profit or loss (FVPL)			
Past due			
Not past due			
Total carrying amount			
Value of Collaterals			
Loans measured at amortised cost			
Stage 1	765.039	-	-
Stage 2	174.851	78.441	45%
Stage 3	869.479	356.369	41%
Purchased or originated credit impaired loans (POCI)	297.321	82.670	28%
Carrying amount (before provision for impairment losses)	**2.106.690**	**517.480**	**25%**
Stage 1- Accumulated provision for impairment losses	4.566	0	0%
Stage 2- Accumulated provision for impairment losses	5.637	2.897	51%
Stage 3- Accumulated provision for impairment losses	446.690	132.751	30%
Accumulated provision for impairment losses for purchased or originated credit impaired loans (POCI)	153.671	19.055	12%
Total net carrying amount	**1.496.126**	**362.777**	**24%**
Value of collaterals	1.125.899	300.184	27%

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

Financial instruments credit risk – Analysis by industry sector

31.12.2020											
	Financial Institution and other financial services	Manufacturing	Construction and Real Estate	Wholesale and retail trade	Public sector Government securities	Transportation	Shipping	Hotels-Tourism	Services and other sectors	Retail and small businesses	Total
Credit risk exposure relating to balance sheet items:											
Balances with Central Bank	216.110	-	-	-	-	-	-	-	-	-	**216.110**
Due from banks	159.485	-	-	-	-	-	-	-	-	-	**159.485**
Loans and advances to customers measured at amortised cost	30.186	45.217	204.633	97.126	-	33.184	115.802	71.324	48.931	880.337	**1.526.740**
Loans and advances to customers measdured at fair value through profit or loss		16.520									**16.520**
Derivative financial assets	467	-	-	-	-	-	-	-	-	-	**467**
Investment securities – measured at fair value through other comprehensive income	227.231	12.796	-	-	187.225	-	-	-	1.634	-	**433.689**
Investment securities – measured at fair value through profit or loss	3.949										**3.949**
Investment securities – measured at amortised cost	14.542	-	-	-	144.939	-	-	-	16.290	-	**175.771**
Other balance sheet items not exposed to credit risk	136.302	-	-	-	-	-	-	-	-	-	**136.302**
Credit risk exposure relating to off-balance sheet items:											
Letters of guarantee, letters of credit and other guarantees	583	56	29.415	31.591	-	111	43	953	4.867	2.313	69.932
Undrawn loan agreements and credit limits	4.078	12.615	4.319	29.784	-	42	1.203	1.155	14.776	64.558	132.530
Total amount of off-balance sheet items exposed to credit risk	4.661	12.671	33.734	61.375	-	153	1.246	2.108	19.643	66.871	202.462

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

31.12.2019											
	Financial Institution and other financial services	Manufacturing	Construction and Real Estate	Wholesale and retail trade	Public sector Government securities	Transportation	Shipping	Hotels-Tourism	Services and other sectors	Retail and small businesses	Total
Credit risk exposure relating to balance sheet items:											
Balances with Central Banks	210.244	-	-	-	-	-	-	-	-	-	**210.244**
Due from banks	328.198	-	-	-	-	-	-	-	-	-	**328.198**
Loans and advances to customers	39.714	57.342	409.470	100.821	17	22.583	66.345	84.820	75.924	1.249.654	**2.106.690**
Derivative financial assets	490	-	-	-	-	-	-	-	-	-	**490**
Investment securities – measured at fair value through other comprehensive income	235.616	-	-	-	212.502	-	-	-	-	-	**448.118**
Investment securities – measured at fair value through profit or loss	3.463										**3.463**
Investment securities – measured at amortised cost											
Other balance sheet items not exposed to credit risk	32.692	-	-	-	-	-	-	-	-	-	**32.692**
Credit risk exposure relating to off-balance sheet items:											
Letters of guarantee, letters of credit and other guarantees	3.723	137	35.735	31.108	-	111	42	2.055	8.636	2.641	84.187
Undrawn loan agreements and credit limits	262	10.359	5.099	30.783	500	58	1.454	1.720	13.934	57.083	121.252
Total amount of off-balance sheet items exposed to credit risk	3.985	10.496	40.834	61.891	500	169	1.496	3.775	22.569	59.723	205.439

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 31.12.2020 per IFRS 9 Stage and credit rating.

	31.12.2020				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000
Balances with Central Banks					
AAA	-	-	-	-	-
AA+ to AA-	-	-	-	-	-
A+ to A-	-	-	-	-	-
BBB+ to BBB-	-	-	-	-	-
Lower than BBB-	216.110	-	-	-	216.110
Unrated	-	-	-	-	-
Carrying amount (before allowance for impairment losses)	216.110	-	-	-	216.110
Expected credit losses	-	-	-	-	-
Net carrying amount	216.110	-	-	-	216.110
Value of collateral	-	-	-	-	-
Due from banks					
AAA	-	-	-	-	-
AA+ to AA-	7.306	-	-	-	7.306
A+ to A-	3.005	-	-	-	3.005
BBB+ to BBB-	1.658	-	-	-	1.658
Lower than BBB-	141.415	-	-	-	141.415
Unrated	6.101	-	-	-	6.101
Carrying amount (before allowance for impairment losses)	159.485	-	-	-	159.485
Expected credit losses	(231)	-	-	-	(231)
Net carrying amount	159.254	-	-	-	159.254
Value of collateral	-	-	-	-	-
Securities measured at fair value through other comprehensive income					
AAA	-	-	-	-	-
AA+ to AA-	30.577	-	-	-	30.577
A+ to A-	146.555	-	-	-	146.555
BBB+ to BBB-	36.227	-	-	-	36.227
Lower than BBB-	186.152	-	-	-	186.152
Unrated	34.178	-	-	-	34.178
Carrying amount (before allowance for impairment losses)	428.888	-	-	-	428.888
Expected credit losses	(866)	-	-	-	(866)
Net carrying amount	428.022	-	-	-	428.022
Value of collateral	-	-	-	-	-

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

Other financial instruments subject to credit risk – analysis per rating

	31.12.2020				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000
Securities measured at amortised cost					
AAA	-	-	-	-	-
AA+ to AA-					
A+ to A-	5.622	-	-	-	5.622
BBB+ to BBB-					
Lower than BBB-	147.998	-	-	-	147.998
Unrated	22.151	-	-	-	22.151
Carrying amount (before allowance for impairment losses)	175.771	-	-	-	175.771
Expected credit losses	(159)	-	-	-	(159)
Net carrying amount	175.612	-	-	-	175.612
Value of collateral	-	-	-	-	-

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

Other financial instruments subject to credit risk – analysis per rating

	31.12.2019				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000
Balances with Central Banks					
AAA	-	-	-	-	-
AA+ to AA-	-	-	-	-	-
A+ to A-	-	-	-	-	-
BBB+ to BBB-	-	-	-	-	-
Lower than BBB-	210.245	-	-	-	210.245
Unrated	-	-	-	-	-
Carrying amount (before allowance for impairment losses)	210.245	-	-	-	210.245
Expected credit losses	-	-	-	-	-
Net carrying amount	210.245	-	-	-	210.245
Value of collateral	-	-	-	-	-
Due from banks					
AAA	-	-	-	-	-
AA+ to AA-	2.968	-	-	-	2.968
A+ to A-	5.800	-	-	-	5.800
BBB+ to BBB-	262	-	-	-	262
Lower than BBB-	319.168	-	-	-	319.168
Unrated		-	-	-	
Carrying amount (before allowance for impairment losses)	328.198	-	-	-	328.198
Excpected credit losses	(232)	-	-	-	(232)
Net carrying amount	327.966	-	-	-	327.966
Value of collateral	-	-	-	-	-
Securities measured at fair value through other comprehensive income					
AAA	-	-	-	-	-
AA+ to AA-	23.093	-	-	-	23.093
A+ to A-	153.197	-	-	-	153.197
BBB+ to BBB-	55.072	-	-	-	55.072
Lower than BBB-	211.963	-	-	-	211.963
Unrated	4.793	-	-	-	4.793
Carrying amount (before allowance for impairment losses)	448.118	-	-	-	448.118
Expected credit losses	(524)	-	-	-	(524)
Net carrying amount	447.594	-	-	-	447.594
Value of collateral	-	-	-	-	-

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

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

	2020	2019
	€΄000	€΄000
Derivative financial assets		
AAA		
AA+ to AA-		
A+ to A-		
BBB+ to BBB-		
Lower than BBB-	467	490
Unrated		
Carrying amount (before allowance for impairment losses)	**467**	**490**
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:

	31.12.2020				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000
Balance 31.12.2020					
Carrying amount (before allowance for impairment losses)	159.485				159.485
Expected credit losses	(231)				(231)
Net carrying amount	**159.254**				**159.254**

	31.12.2019				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000
Balance 31.12.2019					
Carrying amount (before allowance for impairment losses)	328.198				328.198
Expected credit losses	(232)				(232)
Net carrying amount	**327.966**				**327.966**

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.

	31.12.2020									
	Due from banks					Investment securities measured at fair value through other comprehensive income				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Balance 1.1.2020	**328.198**	**-**	**-**	**-**	**328.198**	**451.581**	**-**	**-**	**-**	**451.581**
Transfers to Stage 1 from Stage 2 or 3	-	-	-	-	-	-	-	-	-	-
Transfers to Stage 2 from Stage 1 or 3	-	-	-	-	-	-	-	-	-	-
Transfers to Stage 3 from Stage 1 or 2	-	-	-	-	-	-	-	-	-	-
New financial assets originated or purchased	7.023.650	-	-	-	7.023.650	200.835	-	-	-	200.835
Derecognition of financial assets	(7.192.541)	-	-	-	(7.192.541)	(44.555)	-	-	-	(44.555)
Interest on carrying amount before impairment	178	-	-	-	178	(5.007)	-	-	-	(5.007)
Changes due to modifications that did not result in derecognition	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	-	-
Repayments foreign exchange and other movements		-	-	-		(165.240)	-	-	-	(165.240)
Balance 31.12.2020	**159.485**	**-**	**-**	**-**	**159.485**	**428.887**	**-**	**-**	**-**	**428.887**

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

	31.12.2019*									
	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 1.1.2019	**177.735**	-	-	-	**177.735**	**277.875**	-	-	-	**277.875**
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	16.853.496	-	-	-	16.853.496	581.872	-	-	-	581.872
Derecognition of financial assets	(16.703.446)	-	-	-	(16.703.446)	-	-	-	-	-
Interest on carrying amount before impairment	413	-	-	-	413	(3.030)	-	-	-	(3.030)
Changes due to modifications that did not result in derecognition	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	-	-
Repayments foreign exchange and other movements		-	-	-		(405.136)	-	-	-	(405.136)
Balance 31.12.2019	**328.198**	-	-	-	**328.198**	**451.581**	-	-	-	**451.581**

* Certain figures of the previous year have been restated as described in Note 45.

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:

	31.12.2020				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000
Cyprus Government Bonds	187.225	-	-	-	187.225
Expected credit losses	(249)	-	-	-	(249)
Fair value	186.976	-	-	-	186.976
Othe bonds	241.662				241.662
Expected credit losses	(617)				(617)
Fair value	241.045				241.045
Other securities	4.802	-	-	-	4.802
Expected credit losses	-	-	-	-	-
Fair value	4.802	-	-	-	4.802
Total securities measured at fair value through other comprehensive income	433.689	-	-	-	433.689
Expected credit losses	**(866)**	-	-	-	**(866)**
Fair value	**432.823**	-	-	-	**432.823**

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

Investment securities measured at fair value through other comprehensive income

	31.12.2019*				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000
Cyprus Government Bonds	200.758	-	-	-	200.758
Expected credit losses	(228)	-	-	-	(228)
Fair value	200.530	-	-	-	200.530
Other Government Bonds	11.744	-	-	-	11.744
Expected credit losses	(76)	-	-	-	(76)
Fair value	11.668	-	-	-	11.668
Other securities	230.824				230.824
Expected credit losses	(220)				(220)
Fair value	230.604				230.604
Other securities	8.255	-	-	-	8.255
Expected credit losses	-	-	-	-	-
Fair value	8.255	-	-	-	8.255
Reclassification to FVPL	(3.463)				(3.463)
Total securities measured at fair value through other comprehensive income	448.118	-	-	-	448.118
Expected credit losses	**(524)**	-	-	-	**(524)**
Fair value	**447.594**	-	-	-	**447.594**

* Certain figures of the previous year have been restated as described in Note 45.

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

Reconciliation of the accumulated impairment allowance

	31.12.2020									
	Due from banks					Investment securities measured at fair value through other comprehensive income				
	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impaired (POCI)	Total
	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000	€΄000
Balance 1.1.2020	**(232)**	-	-	-	**(232)**	**(524)**	-	-	-	**(524)**
Transfers to Stage 1 from Stage 2 or 3	-	-	-	-	-	-	-	-	-	-
Transfers to Stage 2 from Stage 1 or 3	-	-	-	-	-	-	-	-	-	-
Transfers to Stage 3 from Stage 1 or 2	-	-	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-	-	-	-	-	-	-
Impairment losses on new receivables/securities	-	-	-	-	-	-	-	-	-	-
Change in credit risk parameters	-	-	-	-	-	(342)	-	-	-	(342)
Derecognition of financial assets	-	-	-	-	-	-	-	-	-	-
Foreign exchange and other movements	1	-	-	-	1		-	-	-	
Balance 31.12.2020	**(231)**	-	-	-	**(231)**	**(866)**	-	-	-	**(866)**

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

Reconciliation of the accumulated impairment allowance

	31.12.2019									
	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 1.1.2019	**(15)**	-	-	-	**(15)**	**(432)**	-	-	-	**(432)**
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	-	-	-	-	-	(414)	-	-	-	(414)
Impairment losses on new receivables/securities	-	-	-	-	-	-	-	-	-	-
Change in credit risk parameters	-	-	-	-	-	322	-	-	-	322
Derecognition of financial assets	-	-	-	-	-	-	-	-	-	-
Foreign exchange and other movements	(217)	-	-	-	(217)		-	-	-	
Balance 31.12.2019	**(232)**	-	-	-	**(232)**	**(524)**	-	-	-	**(524)**

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:

	31.12.2020				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000
Cyprus Government Bonds	117.216	-	-	-	117.216
Expected credit losses	(84)	-	-	-	(79)
Fair value	117.132	-	-	-	117.137
Other bonds	58.555				58.555
Expected credit losses	(75)				(80)
Fair value	58.480				58.475
Total securities measured at amortised cost	175.771	-	-	-	175.771
Expected credit losses	**(159)**	-	-	-	**(159)**
Fair value	**175.612**	-	-	-	**175.612**

	31.12.2019				
	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	-	-	-	-	-
Total securities measured at amortised cost	-	-	-	-	-
Expected credit losses	-	-	-	-	-
Fair value	-	-	-	-	-

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

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

	31.12.2020				
	Due from banks				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000
Balance 1.1.2020	-	-	-	-	-
Transfers to Stage 1 from Stage 2 or 3	-	-	-	-	-
Transfers to Stage 2 from Stage 1 or 3	-	-	-	-	-
Transfers to Stage 3 from Stage 1 or 2	-	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-	-
Impairment losses on new receivables/securities	(159)	-	-	-	(159)
Change in credit risk parameters	-	-	-	-	-
Derecognition of financial assets	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	-
Balance 31.12.2020	**(159)**	-	-	-	**(159)**

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

Reconciliation of the accumulated impairment loss

	31.12.2019				
	Due from banks				
	Stage 1	**Stage 2**	**Stage 3**	**Purchased or originated credit impaired (POCI)**	**Total**
	€΄000	€΄000	€΄000	€΄000	€΄000
Balance 1.1.2019	-	-	-	-	-
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	-	-	-	-	-
Derecognition of financial assets	-	-	-	-	-
Foreign exchange and other movements	-	-	-	-	-
Balance 31.12.2019	-	-	-	-	-

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

Exposure to Cyprus Government

	31.12.2020	
	€´000	€´000
Portfolio type	**Nominal value**	**Carrying value**
Investment securities measured at fair value through other comprehensive income	118.742	133.404
Total		

	31.12.2019	
	€´000	€´000
Portfolio type	**Nominal value**	**Carrying value**
Investment securities measured at fair value through other comprehensive income	161.453	177.075
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 Market risk Management policy 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 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 in the banking book relates to the volatility of the Bank's capital and interest income, which is due to the mismatch of the interest rate gap between the interest-bearing traded assets and the portfolio measured at fair value through other comprehensive income.

Interest rate risk management is carried out on a monthly basis and in accordance with the Interest Rate Risk in the Banking Book (IRRBB) Policy.

The interest rate risk management framework is defined from the Interest Rate Risk in the Banking Book (IRRBB) Policy. Based on this framework, the risk analysis of the Banking Portfolio is analyzed through the Interest Rate Gap Analysis. Particularly, interest-bearing assets and liabilities are classified in Gaps depending on their reprising date for floating-rate items, or maturity date for fixed rate items. For those assets and liabilities with no maturity date, the distribution of flows is based on models of their behavior analysis. 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 at least 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 limits 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 and equity relating to securities measured at fair value through other comprehensive income posted directly in equity. In the interest rate gap scenarios, the variance is applicable up to the point it is 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.	16.071	-7.195
-200 b.p.	-2.647	30.485

38. RISK MANAGEMENT (cont.)

38.2 Market risk (cont.)

38.2.1 INTEREST RATE RISK AS AT 31 DECEMBER 2020 (cont.)

31.12.2020	1 to 30 days	1 month to 3 months	4 to 6 months	7 to 12 months	1 year to 5 years	Over 5 years	Non interest bearings	Total
ASSETS	€´000	€´000	€´000	€´000	€´000	€´000	€´000	€´000
Cash and balances with Central Banks	216.110	-	-	-	-	-	55.736	271.846
Due from banks	39.254	120.000	-	-	-	-	-	159.254
Investment securities measured at fair value through other comprehensive income	34.640	68.296	17.260	83.523	166.200	58.000	4.904	432.823
Investment securities measured at fair value through profit or loss							3.949	3.949
Investment securities measured at amortised cost	4.312	-	100.000	-	7.300	64.000	-	175.612
Derivative financial assets	467							467
Loan and advances to corporates	195.721	380.908	88.120	1.854	11.780	1.374	-	679.757
Loans and advances to individuals	191.900	277.496	25.144	27.034	156.064	3.950	-	681.588
Property, plant and equipment, Intangible assets and investment property	-	-	-	-	-	-	46.948	46.948
Deferred tax assets, other assets and repossessed assets	-	-	-	-	-	-	42.945	42.945
Non current assets held for sale	-	-	-	-	-	-	2.881	2.881
TOTAL ASSETS	**682.404**	**846.700**	**230.524**	**112.411**	**341.344**	**127.324**	**157.363**	**2.498.070**
Due to banks	24.658	3.645	9	9	27.200	6.397	-	61.918
Due to customers	296.983	182.453	247.836	426.303	656.473	292.253	-	2.102.301
Subordinated bonds	-	5.276	-	-	-	-	-	5.276
Derivative financial liabilities	195							195
Other liabilities and provisions	0	0	0	0	0	0	55.305	55.305
Liabilities related to non current assets held for sale	0	0	0	0	0	0	30	30
TOTAL LIABILITIES	**321.836**	**191.374**	**247.845**	**426.312**	**683.673**	**298.650**	**55.335**	**2.225.025**
EQUITY								
Share capital							180.694	180.694
Convertible capital securities							64.000	64.000
Share premium							102.661	102.661
Reserved							8.760	8.760
Retained earnings							-83.070	-83.070
Total Equity							**273.045**	**273.045**
Total Liabilities and Equity	**321.836**	**191.374**	**247.845**	**426.312**	**683.673**	**298.650**	**328.380**	**2.498.070**
OPEN EXPOSURE	**360.568**	**655.326**	**-17.321**	**-313.901**	**-342.329**	**-171.326**	**-171.017**	**0**
CUMULATIVE EXPOSURE	**360.568**	**1.015.894**	**998.573**	**684.672**	**342.343**	**171.017**	**0**	**0**

38. RISK MANAGEMENT (cont.)

38.2 Market risk (cont.)

38.2.1 INTEREST RATE RISK AS AT 31 DECEMBER 2019 (cont.)

31.12.2019*	1 to 30 days	1 month to 3 months	4 to 6 months	7 to 12 months	1 year to 5 years	Over 5 years	Non interest bearing	Total
ASSETS	**€΄000**	**€΄000**	**€΄000**	**€΄000**	**€΄000**	**€΄000**	**€΄000**	**€΄000**
Cash and balances with Central Banks	210.244	-	-	-	-	-	20.586	230.830
Due from banks	217.928	110.038	-	-	-	-	-	327.966
Investment securities measured at fair value through other comprehensive income	50.938	95.337	1.995	12.031	204.500	78.000	4.793	447.594
Investment securities measured at fair value through profit or loss							3.463	3.463
Derivative financial assets	490							490
Loan and advances to corporates	228.218	307.156	60.201	7.768	47.532	1.918	-	652.793
Loans and advances to individuals	227.901	253.752	31.999	47.343	277.585	4.753	-	843.333
Property, plant and equipment, Intangible assets and investment property	-	-	-	-	-	-	49.644	49.644
Deferred tax assets, other assets and repossessed assets	-	-	-	-	-	-	40.711	40.711
Non current assets held for sale	-	-	-	-	-	-	3.739	3.739
TOTAL ASSETS	**935.720**	**766.283**	**94.195**	**67.142**	**529.617**	**84.671**	**122.935**	**2.600.563**
Due to banks	16.013	3.147	0	0	28.380	7.401	0	54.941
Due to customers	335.172	220.090	308.871	485.544	572.517	247.292	0	2.169.486
Subordinated bonds	0	10.151	0	0	0	0	0	10.151
Derivative financial liabilities	1.099							1.099
Other liabilities and provisions	0	0	0	0	0	0	48.319	48.319
Liabilities related to non current assets held for sale	0	0	0	0	0	0	32	32
TOTAL LIABILITIES	**352.284**	**233.388**	**308.871**	**485.544**	**600.897**	**254.693**	**48.351**	**2.284.028**
EQUITY								
Share capital							180.694	180.694
Convertible capital securities							64.000	64.000
Share premium							102.661	102.661
Reserves							7.864	7.864
Retained earnings							-38.684	-38.684
Total Equity							**316.535**	**316.535**
Total Liabilities and Equity	**352.284**	**233.388**	**308.871**	**485.544**	**600.897**	**254.693**	**364.886**	**2.600.563**
OPEN EXPOSURE	**583.435**	**532.895**	**-214.676**	**-418.402**	**-71.280**	**-170.022**	**-241.950**	**0**
CUMULATIVE EXPOSURE	**583.435**	**1.116.330**	**901.654**	**483.252**	**411.972**	**241.950**	**0**	**0**

* Certain figures of the previous year have been restated as described in Note 45.

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 2020 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) 31.12.2020						
	USD	**GBP**	**JPY**	**CHF**	**Other**	**Euro**	**Total**
Total assets	133.731	50.067	17.701	194.756	14.711	2.090.729	2.501.696
Total lianilities and equity	85.970	22.267	13.204	217.980	14.531	2.147.744	2.501.696
On balance sheet fx position	47.761	27.800	4.498	(23.224)	180	(57.014)	
Derivative forward foreign exchange position	(47.755)	(27.808)	(4.427)	23.193		56.796	
Total Foreign exchange position	**6**	**(7)**	**70**	**(31)**	**180**	**(218)**	

	Foreign currency position (€'000) 31.12.2019						
	USD	**GBP**	**JPY**	**CHF**	**Other**	**Euro**	**Total**
Total assets	113.154	62.473	22.535	409.140	8.463	1.984.798	2.600.563
Total lianilities and equity	(74.407)	(24.904)	(13.682)	(274.656)	(8.324)	(2.204.590)	(2.600.563)
On balance sheet fx position	38.747	37.569	8.853	134.484	139	(219.792)	
Derivative forward foreign exchange position	(38.722)	(37.612)	(8.857)	(134.513)	-	219.704	
Total Foreign exchange position	**25**	**(43)**	**(4)**	**(29)**	**139**	**(88)**	

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 Asset – Liability 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 Market and Operational Risk Division and Treasury Division.

Executives and senior management are updated daily on current liquidity risk exposure levels to ensure that the Group's liquidity risk profile remains within the approved limits. In addition, they receive a daily liquidity report detailing cash and deposit changes. Among others, for the purpose of proper management of liquidity risk and in line with supervisory requirements, the Bank monitors and manages on a monthly basis, the amount, quality and concentration of counterbalancing capacity, the cash flows arising from assets and liabilities (inflows, outflows – maturity ladder) over time, the concentration and cost of funding, and the roll over of funding.

38. RISK MANAGEMENT (cont.)
38.3 Liquidity risk (cont.)

The reports that are prepared on a periodic basis for the information of the Group's executive and senior management as well as for the decision making of the Assets-Liabilities Management Committee, concern the Static Liquidity Gap Analysis, the monitoring of the liquidity regulatory ratios, the monitoring of the change of the customer deposits, the ratio "Loans to Deposits", the monitoring of the limits of the liquidity ratios of the recovery plan, the Risk appetite Framework and the Contingency Funding Plan, the stress test exercises that assess the risk of systemic, idiosyncratic and combined stress scenarios in the Bank's liquidity position.

In addition, for Internal Liquidity Adequacy Assessment Procees (ILAAP), the Bank uses Reverse Stress Test in order to assess its impact on liquidity.

Furthermore, the Bank monitors the maturity of assets and liabilities through the Liquidity Gap Analysis, and takes measures to manage liquidity risk in the current economic conditions. At the same time, it is ensured that the regulatory liquidity ratios are met.

Based on the Liquidity Gap Analysis, the cash flows arising from balance sheet items are calculated and classified into time periods in accordance with the contractual maturity date or the estimated date based on a statistical analysis (convention). Exceptions to the above are securities portfolios, which can contribute immediately to liquidity raising, and are allocated in the first period provided they have not been used to raise liquidity either by the Central Bank or in interbank repos transactions.

During 2020 all regulatory liquidity ratios fluctuated above the minimum regulatory limit.

38. RISK MANAGEMENT (cont.)
38.3 Liquidity risk (cont.)

The Group calculates and monitors the Liquidity Coverage Ratio (LCR) in accordance with the relevant instructions of the Central Bank of Cyprus and the European Banking Authority.

The liquidity coverage ratio (LCR) examines the adequacy of high quality liquid assets 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.

2020	**31/12/2020 %**	**Year highest %**	**Year lowest %**	**Year average %**	**Regulatory limit 31.12.2020 %**
Liquidity coverage ratio (LCR)	186,97	320,44	152,69	205,35	100,00

2019	**31/12/2019 %**	**Year highest %**	**Year lowest %**	**Year average %**	**Regulatory limit 31.12.2019 %**
Liquidity coverage ratio (LCR)	189,61	904,18	189,61	590,16	100,00

38. RISK MANAGEMENT (cont.)
38.3 Liquidity risk (cont.)

	Balance sheet total	On demald less than 30 days	1 to 3 months	4 to 6 months	7 to 12 months	Over 1 year	Total
31.12.2020							
Assets	**€΄000**	**€΄000**	**€΄000**	**€΄000**	**€΄000**	**€΄000**	
Cash and balances with Central Banks	271.846	205.723	3.173	4.500	8.307	50.143	
Due from banks	159.254	39.254	120.000	-	-	-	
Investment securities measured at fair value through other comprehensive income	432.823	428.022	-	-	-	4.801	
Investment securities measured at fair value through profit or loss	3.949					3.949	
Investment securities measured at amortised cost	175.612	3.999	105	100.084	124	71.300	
Derivative financial assets	467	467					
Loans and advances to customers net of impairments	1.361.345	30.964	33.825	40.200	128.755	1.127.601	
Investment properties	17.178	6	11	17	34	17.110	
Property, plant and equipment	27.600	77	153	230	460	26.680	
Intangible assets	2.170	6	12	18	36	2.098	
Deferred tax asset	6.237	17	35	52	104	6.029	
Other assets and repossessed assets	36.708	1.659	3.319	3.420	8.399	19.911	
Non current assets held for sale	2.881	-	-	2.881	-	-	
	2.498.070	**710.194**	**160.633**	**151.402**	**146.219**	**1.329.622**	
Liabilities							
Subordinated bonds	5.276	-	5.276	-	-	-	5.276
Due to banks	61.918	24.653	3.650	9	9	33.597	62.057
Due to customers	2.102.301	282.629	183.188	249.049	428.732	958.703	2.103.265
Derivative financial liabilities	195						-
Inflows		44.082	36.128	-	-	-	80.209
Outflows		-44.084	-35.906	-	-	-	-79.990
Other liabilities	50.085	50.085					50.085
Lease liabilities	5.220					5.220	5.220
Liabilities related to non current assets held for sale	30	-	-	30	-	-	30
Total liabilities	**2.225.025**	**357.365**	**192.336**	**249.088**	**428.741**	**997.520**	**2.220.932**
Off Balance Sheet items							
Letter of guarantees	69.932	21.556	7.037	7.222	26.960	3.382	66.158
Undrawn Credit facilities	132.530	26.506	-	-	-	106.024	132.530
	202.461	**48.062**	**7.037**	**7.222**	**26.960**	**109.406**	**198.688**

1: Liabilities are presented based on there estimated maturity payment date.

38. RISK MANAGEMENT (cont.)
38.3 Liquidity risk (cont.)

	Balance Sheet total	On demand less than 30 days	1 to 3 months	4 to 6 months	7 to 12 months	Over 1 year	Total[1]
31.12.2019*							
Assets	**€΄000**	**€΄000**	**€΄000**	**€΄000**	**€΄000**	**€΄000**	
Cash and balances with Central Banks	230.830	194.847	2.712	3.855	6.388	23.028	
Due from banks	327.966	217.928	110.038	0	0	0	
Investment securities measured at fair value through other comprehensive income	447.594	38.939	47.337	1.995	12.031	347.292	
Investment securities measured at fair value through profit or loss	3.463					3.463	
Derivative financial assets	490	490	-	-	-	-	
Loans and advances to customers net of impairments	1.496.126	42.663	42.236	54.384	116.661	1.240.182	
Investment properties	18.505	6	11	17	34	18.437	
Property, plant and equipment	29.524	82	164	246	492	28.540	
Intangible assets	1.615	4	9	13	27	1.562	
Deferred tax assets	8.250	23	46	69	137	7.975	
Other assets and repossessed assets	32.461	1.353	2.705	4.058	8.116	16.229	
Non current assets held for sale	3.739	-	-	-	3.739	-	
	2.600.563	**496.335**	**205.258**	**64.637**	**147.625**	**1.686.708**	
Liabilities							
Subordinated bonds	10.151	0	5.381	24	48	5.359	10.812
Due to banks	54.941	16.277	3.147	5	13	35.980	55.422
Due to customers	2.169.486	322.211	220.765	309.993	487.792	829.689	2.170.450
Derivatives financial liabilities	1.099						
Inflows		140.045	79.050	0	0	0	219.095
Outflows		(139.847)	(79.856)	0	0	0	(219.703)
Other liabilities	41.108	41.108					41.108
Lease liabilities	7.211	319	214	320	641	6.578	8.072
Liabilities related to non current assets held for sale	32				32		32
Total liabilities	**2.284.028**	**380.113**	**228.701**	**310.342**	**488.494**	**877.606**	**2.285.288**
Off Balance Sheet items							
Letter of guarantees	84.187	29.199	10.884	26.297	4.931	8.712	80.023
Undrawn credit facilities	121.252	24.250				97.002	121.252
	205.439	**53.449**	**10.884**	**26.297**	**4.931**	**105.714**	**201.275**

1: Liabilities are presented based on their estimated maturity payment date.
* Certain figures of the previous year have been restated as described in Note 45.

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 which 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.
- Operational Risk 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 legal claims against the Bank.
- Establish 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 insurance coverage 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 for operational risks The Bank has adopted the Standardized Approach for the calculation of the capital requirements.

The Framework is reviewed by the Group's competent Division in cooperation with the relevant Division of the Group of Alpha Bank S.A. where deemed necessary.

During 2020, as part of its ongoing effort to strengthen its Operational Risk Management framework, the Bank has revised its Operational Risk Management Policy to further align it with the Bank’s and the Group’s strategy in relation to the need to identify, assess, monitor and reduce Operational Risk inherent from its operations, as well as the need to maintain sufficient capitals to address operational risk.

38. RISK MANAGEMENT (cont.)
38.4 Operational risk (cont.)

In addition, taking into consideration the increased supervisory requirements for the management of model risk, the Bank created a strong and structured Framework to effectively address the risks arising from the increased use of models by the Bank. The Framework has been adopted taking into consideration Regulations and Guidelines issued throughout the years by Supervisory Authorities, and sets out the principles, standards, fundamental procedures and the governance elements which will be used by the Bank for the effective management of model risk and being the foundation of the overall model risk management.

As per the common practice of the Bank, the Risk Control Self-Assessment method was implemented during the year according to the programme. The method identifies and assessses operational risks involved and adopts corrective actions. Operational Risk events, Self-Assessement results as well as other current operational risk issues are regularly monitored by the Operational Risk Management Committees, which have increased responsibilities in reviewing relevant information and adopting measures for the limitation of Operational Risk.

At the same time, the process of replacing the existing operational risk system with a more advanced, user-friendly and multifunctional infrastructure is underway. The replacement process is expected to be completed within 2021.

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) that may arise from the business activity of the Bank. This can be achieved through the establishment of adequate policies and processes, the implementation of appropriate information systems and the adoption of recognition control, monitoring mechanism of relevant controls, aiming at the preservation of the integrity and reputation of the Bank.

Additionally, through the Compliance officer and his deputy, as defined in the Central Bank for the “Prevention of money laundering and terrorism financing”, it implements appropriate procedures to ensure timely and on-going compliance of the Bank with the supervisory framework, in relation to the prevention of the financial system being used for money laundering and terrorism financing.

38. RISK MANAGEMENT (cont.)

38.6 Pledge of financial assets

On 31.12.2020, the Group had encumbered "Loans and advances to customers"of net book value €113 mil. to Alpha Bank S.A. to obtain liquidity (31.12.2019: €134 mil.)
The Group maintains mandatory placements with Central Bank of Cyprus amounting to €21.188 thous. (2019 : €21.889) for liquidity purposes.

38.7 Offsetting financial assets / liabilities

At 31 December 2020 there were derivative transactions of receivables of €467 thous. (2019 : € 490 thous.) and payables of €195 thous. (2019 : € 1.099 thous.), which are governed by ISDA, of the International Swap and Derivatives Association, signed with Alpha Bank S.A.. Under the contract, the Group may offset claims against its counterparty liabilities in the event of a credit event. In addition to the provisions of the above set-off transaction, the Group during 2020 has received cash collateral which covered the exposure whereas for 2019 the Group had provided a cash collateral.

39. ECONOMIC ENVIRONMENT

Cyprus economy

Achievements

Cyprus economy had growth for five consecutive years until 2019. However, the pandemic caused by Covid-19 disease has led to a reduction in growth, resulting in adverse impact on GDP. A large contraction of -13,1% occurred in the second quarter of 2020, when the pandemic first appeared. The third and fourth quarters are recovering, limiting GDP losses according to the International Monetary Fund around to -6,4%. The contraction was the result of a long-term suspension of business aimed at limiting the spread of the virus.

Despite the estimate of an increase in unemployment, the index remained relatively stable. The mesarues taken by the Republic of Cyprus to support businesses and employees by paying allowances contributed in keeping the index low. The unemployment index for 2020 stood at 8% compared to 7% in 2019. The European Union's corresponding index was 8,9%. Inflation for 2020 is expected to be at the level of -0,6% and is estimated to reach 1% by 2021. The public debt is expected to increase to Euro 24,8 billion due to the pandemic that forced the Republic of Cyprus to finance with Euro 1 billion the losses of the economy, and reached 118% of GDP. The Cypriot economy remains in the investment grade from the international credit rating agencies, except for Moodys. The losses of the economy, in addition to limiting private consumption, were affected by the loss of tourism which is traditionally one of the main contributors to GDP.

39. ECONOMIC ENVIRONMENT (cont.)

Cyprus Economy (cont.)

Forecasts

According to the European Commission's winter forecasts, the Cypriot economy after the losses in 2020 due to the pandemic, will grow by 3,2%. This is due to the fact that restrictive measures in the economy concerns a smaller proportion of economic activity and are now more targeted. At the same time, the start of vaccinations will allow for an increase in business activity, mainly the private consumption.

The measures taken to mitigate the effects of the pandemic such as the suspension of loan installments and the payment of allowances which will continue throught 2021, will assist in maintaining job positions, family income and the business activity.

Tourism which was shrunk by 85% in 2020, is expected to be one of the main factors in the recovery of the economy for 2021. Vaccinations are expected to begin both locally and in the main countries of origin of tourists such as United Kingdom, Israel and Russia, are expected to cover the main portion of 2020 losses.

In 2022 it is estimated that GDP recovery will be at the level of 3,1%, reaching 2019 levels.

The construction sector is expected to be affected by the termination of the existing Cyprus Investment Programme (CIP) concerning the granting of passports to third-country residents which was abolished at the end of 2020.

Initially, according to the Ministry of Finance's macroeconomic and fiscal forecasts, the fiscal balance in 2020 was projected to present surplus and reach 2,7%, as a percentage of GDP, while the surplus of the primary balance was projected to be around 5,1% of GDP. However, the spread of the COVID-19 epidemic and the government's announced measures are expected to negatively affect both GDP growth and the surplus of the primary balance. As a result of the pandemic, the fiscal balance had suffered losses of 5% of GDP.

The Republic of Cyprus, in order to deal with the consequences of the pandemic, is expected to receive support from the European Union through various programs such as a) a grant of Euro 1,3 billion, b) a loan of Euro 1,4 billion, c) financial support of Euro 479 million through the SURE programme to support job retention programmes.

Inflation is expected to rise to 1% in 2021, mainly due to the increase in disposable income from the expected increase in business activity.

The risks that the Cypriot economy is expected to face in 2021 are directly related to the course of reducing the pandemic. The vaccination programme at both local and global level is the key factor that will enable uninterrupted business activity. Cyprus is expected to receive the first tourist wave in the second quarter of 2021, leading to the start of the reduction of tourism losses.

39. ECONOMIC ENVIRONMENT (cont.)

Cyprus economy (cont.)

The termination of the Cyprus Investment Programme (CIP) which was one of the pillars of construction development, may cause further losses in GDP. Due to the United Kingdom's exit from the European Union (EU) at the end of 2020, economic activities between the two countries may be affected. However, it is not expected to substantially affect the tourist flow between the two countries.

The international environment of prolonged low interest rates has an impact on the profitability of the banking sector as it reduces the net income of banks.

Banking environment

The year 2020 has been a challenge for the Bank as it had to face particular difficulties caused by the Covid 19 pandemic.
For this reason the banking system has quickly adapted to the requirements of the new challenge and actively participated to address the problems by offering new solutions to the restructuring of customer' loans, the suspension of loan payments, the suspension of foreclosures for collaterals and the participation in the governmental programs for interest rate subsidies for new loans.

Measures were taken for increased distance working for the security of staff.

Services offered to customers for the digital processing of transactions have increased. The digital transformation of the banking system is one of its growth pillars.

The banking system in Cyprus now enjoys the confidence of depositors. The excess liquidity held by the banks is indicative of the credibility of all banks. This confidence has not changed despite the zero interest rates that apply. In some instances, negative interest rates are applied.

Banks continue their deleveraging efforts, resulting in a sharp decline in lending in the banking system. The main reasons for the reduction are:

a. the sales of loans to companies that manage non-performing loans
b. the management of non-performing loans by specialized companies
c. the intensive efforts of banks to resolve non-performing loans with the method of debt-for-assets swap.

As a result of the actions of the banking system, the non-performing exposures ratio decreased to 19% compared to 45% 3 years ago.

Despite the decline in non-performing loans, the challenges of the financial sector remain, as both high proportion of non-performing loans and high private debt persist.

The excess liquidity in an environment with negative interest rates impacts negatively the results of the banks.

39. ECONOMIC ENVIRONMENT (cont.)

Banking environment (cont.)

Challenges and uncertainties

The gradual implementation by 2025 of the new European requirement for compliance with the Minimum Requirement for own funds and Eligible Liabilities (MREL) may exert pressure on banks' balance sheets.

Non-performing exposures and private debt remain the main factor of instability for banking sector and the economy. Increasing public debt is also a challenge to be addressed due to the pandemic.

It is still important to retain job positions through government support schemes for employees and businesses, to support business activity and to increase private consumption.

The uncertainty caused to constructions by the abolishment of the Cyprus Investment Fund is a serious risk for the particular sector and the economy in general.

Debates at European level on review of tax system in Europe may create imbalances that Cyprus will be called to address.

The exit of the United Kingdom (UK) from the European Union (EU) on 31.12.2020 is expected to change the way economic transactions between the two countries. However, it is not expected to affect drastically the wave of tourists between the two countries.

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

- **Greek economy – Operating environment of the parent company**

During the first wave of the pandemic, Greece succeeded in containing the exponential spread of infections throughout March and April 2020 due to the early introduction of front-loaded containment measures. Following the gradual easing of the first generalized lockdown from May onwards, economic activity was progressively normalized in Q3 2020, which was reflected in the rise of real GDP by 2.3% on a quarterly basis. However, Greece witnessed a smaller q-o-q growth compared to the Euro area (+12.4%), as the weak performance of tourism-related activities in Q3 weighed on growth dynamics.

The European Commission, the International Monetary Fund (IMF) and the Greek Ministry of Finance foresee an incomplete rebound in 2021. More specifically, the European Commission (Economic Forecasts, Autumn 2020) projects an incomplete recovery in 2021 (5%). Similarly, the latest projections by the IMF included in the latest country report, (Country Report No. 20/308, November 2020) foresee a partial rebound in 2021 (5.7%). The projections provided by the Greek Ministry of Finance, included in the State Budget 2021, are now envisaging a mild rebound in 2021 by 4.8%. The sizeable fiscal stimulus enacted by the government is estimated to have partially offset the negative consequences of the recessionary shock. Furthermore, the progress being made in developing and distributing effective vaccines should improve the outlook and boost confidence, paving the way for a virtuous cycle that is expected to take effect next year.

At the beginning of the year, the international rating agency Fitch upgraded the debt of the Greek Economy to BB with positive prospects. Due to the pandemic crisis, however both Fitch and S&P adjusted in April 2020 Greece’s outlook from positive to stable, maintaining, however, the country’s rating at the same level (S&P: BB-). In addition, in November 2020 the rating agency Moody’s maintained Greece’s outlook stable, while adjusting, the country’s rating to Ba3 from B1.

40. FAIR VALUE

Financial assets and liabilities not measured at fair value

	2020		2019	
	Fair value €΄000	Carrying amount €΄000	Fair value €΄000	Carrying amount €΄000
Cash and balances with central banks	271.461	271.846	230.714	230.830
Due from banks	158.980	159.254	327.232	327.966
Securities measured at amortised cost	176.997	175.612	-	-
Loans and advances to customers	1.376.596	1.344.825	1.609.078	1.501.863
Due to customers	2.010.046	2.102.301	2.149.364	2.169.486
Subordinated bonds	5.248	5.276	10.096	10.151
Due to banks	58.198	61.918	55.102	54.941

The table above presents the fair value of the financial assets and liabilities measured at amortized cost and their carrying amount.

The fair value of loans to customers measured at amortized cost is estimated using the discount model of contractual future cash flows. The components of the discount rate are the interbank market yield curve, the liquidity premium, the cost of capital, the operational cost as well as the expected loss rate. More specifically, for the loans that for credit risk purposes are considered impaired and are individually assessed for impairment, the model uses the expected future cash flows excluding expected credit losses. In this case, the discount rate consist 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 are the interbank market yield curve, the liquidity premium, the cost of capital and the operational cost.

The fair value of deposits is estimated based on the interbank market yield curve and the liquidity premium until their maturity.

The fair value of bonds is calculated on the basis of market prices as long as there is an active market. In other cases, the cash flow discounting method is applied where all significant variables are based on either observable data or a combination of observable and unobservable market data.

The fair value of all other financial assets and liabilities measured at amortized cost does not materially differ from the respective carrying amount.

The fair value of loans to customers measured at fair value through profit or loss is estimated based on the valuation methodology as described above regarding the disclosure of the estimated fair value of loans measured at amortized cost.

40. FAIR VALUE (cont.)

Hierarchy of financial instruments measured at fair value

	2020			
	Level 1 €´000	Level 2 €´000	Level 3 €´000	Total fair value €´000
Loans and advances to customers			16.520	16.520
Derivative financial assets		467		467
Securities measured at fair value through profit or loss – Shares		3.949		3.949
Securities measured at fair value through other comprehensive income				
-Bonds and treasure bills	288.639	139.382		428.021
-Shares			4.802	4.802
Derivative financial liabilities		195		195

	2019*			
	Level 1 €´000	Level 2 €´000	Level 3 €´000	Total fair value €´000
Derivative financial assets		490		490
Securities measured at fair value through profit or loss – Shares		3.463		3.463
Securities measured at fair value through other comprehensive income				
-Bonds and treasure bills	413.388	29.414		442.802
-Shares			4.793	4.793
Derivative financial liabilities		1.099		1.099

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.

* Certain figures of the previous year have been restated as described in Note 45.

40. FAIR VALUE (cont.)

Hierarchy of financial instruments not measured at fair value

	2020			
	Level 1	Level 2	Level 3	Total fair value
	€΄000	€΄000	€΄000	€΄000
Securities measured at amortised cost	77.500	99.849	-	177.349

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.

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.

40. FAIR VALUE (cont.)

A valuation method based on the Company's equity has been used to determine the fair value of the Bank's investment in JCC Payments Systems Limited at Level 3. In the scenario that the equity of JCC Payments Systems Limited is changed by Euro10mil. the impact on the Group's equity is expected to amount to Euro1 million.

For loans measured at fair value through profit or loss, in the scenario of a decrease in expected cash flows of 10% for individually assessed loans, the adverse impact in profit or loss is estimated at Euro 1.652 thousand.

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:

2020	Loans measured at fair value through profit or loss	Securities measured at fair value through other comprehensive income
	€΄000	€΄000
Opening Balance	**-**	**4.792**
Disbursements	**16.425**	**-**
Interest income	**134**	**-**
Total gain or loss recognized in Income Statement	**(39)**	**-**
Total gain or loss recognized in directly in Equity	-	10
Balance 31.12.2020	**16.520**	**4.802**

2019	Loans measured at fair value through profit or loss	Securities measured at fair value through other comprehensive income
		€΄000
Opening Balance 1.1.2019	**-**	**4.225**
Total gain or loss recognized in directly in Equity	-	567
Balance 31.12.2019	**-**	**4.792**

41. CAPITAL ADEQUACY

The policy of the Group of Alpha Bank S.A. is to maintain a strong capital base, in order to ensure the Group's development, and the trust of depositors, shareholders, markets and business partners.

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 in force are followed:

- Besides the 8% capital adequacy limit, there are applicable limits for Common Equity Ratio and Tier I ratio of 4,5% and 6%, respectively
- The maintenance of capital buffers (Capital Conservation Buffer-CCB),additional to the Common Equity Capital, from 1.1.2019 of 2,5% is maintained.
- The maintenance of capital buffers, from 1.1.2019 and gradually until 1.1.2023, additional to the Common Equity Capital, are expected to be maintained. In particular:
    - Other systematically important institutions' (O-SII) buffer 0,5%, where for the year 2019 it was 0,125% and will increase gradually to 0,5% at 01.01.2023.
- Central Bank of Cyprus, set the following capital buffers 2019:
    - Counter Cyclical Buffer (CCyB) equal to «zero percent» (0%) for the year 2020.

41. CAPITAL ADEQUACY (cont.)

In December 2020, the ECB informed the Group that for the year 2020 the minimum limit for Overall Capital Requirement (OCR) is 13,75%. The OCR is composed by the minimum own funds requirements (8%), according to article 92(1) of the CRR, the additional Pillar II own funds requirements (P2R), according to article 16(2) (a) of the Regulation 1024/2013/EU which corresponds to 3%, and the combined buffer requirements (CBR), according to article 128(6) of the Directive 2013/36/EU which correspond to 2,75%. (Capital Conservation Buffer-CCB 2,5% and O-SII 0,25%. The above minimum ratio should be maintained on a phase-in basis under applicable transitional rules of the CRR / CRD IV, at all times.

For the year 2021, the requirement remains at 13,75% based on the relevant ECB's decision, due to the change adopted by the Central Bank of Cyprus, where the gradual increase of the O-SII buffer reserve will be expanded from 4 to 5 years and will remain constant for 2021.

Measures taken for the banks in order to tackle Covid-19 pandemic

As per the announced regulatory measures by European Banking Authority (EBA) and ECB, in view of the Covid-19 outbreak, decided that European banking institutions can temporarily deviate from the minimum capital regulatory thresholds.

Both ECB and SSM took measures, to tackle the Covid-19 pandemic, in order for them to continue finance the economy and fulfil their role.

Specifically, on 12 March, the ECB and the EBA announced the following relaxation measures for the minimum capital regulatory requirements for Banks in the Eurozone:

- Banks are temporarily allowed to operate below the level of capital defined by the Capital Conservation Buffer and the Countercyclical Buffer. In addition, on 28 July 2020, the ECB announced through a press release that financial institutions are allowed to operate below the aforementioned thresholds at least up to the end of 2022.
- Furthermore, the upcoming change under CRD V regarding the P2R buffer was brought forward allowing the Pillar 2 requirement (P2R) to be covered by Additional Tier 1 (AT1) capital by 18,75% and Tier 2 (T2) capital by 25% and not only by CET 1.

The European Commission decided to revise the existing regulatory framework by bringing forward regulations that would normally come with the CRR2/CRDV framework as well as provide a greater flexibility to the phase-in of the impact of the IFRS 9 on capital. The revised framework was published in the Official Journal of the European Union as at June 22, 2020.

On 22 December 2020, EU Regulation 2176/2020 of the Council of 12 November 2020, amending EU Regulation 241/2014 concerning the deduction of software assets from CET1 capital, was published in the Official Journal of the European Union.

In 6 April 2020, the Central Bank of Cyprus determined the capital buffer of systematically important institutions (O-SII) and the timetable for its gradual implementation. The third and fourth phases have been delayed by 12 months each and will apply starting from 1 January 2022 and 1 January 2023 respectively. This decision is in the context of the response to Covid-19 pandemic in order to mitigate the subsequent financial impact.

EU-wide stress test is primarily focused on the assessment of the impact of risk drivers on the solvency of banks. Banks are required to stress a common set of risks (credit risk – including securitisations – market risk and counterparty credit risk, operational risk – including conduct risk). The EU – Stress Test is a biannual exercise. However due to the outbreak of Covid-19 (Coronavirus) and its global spread, EBA decided to postpone until 2021 the EU-wide Stress Test Exercise of 2020 to allow banks to focus on and ensure continuity of their core operations.

41. CAPITAL ADEQUACY (cont.)

For 2020, the EBA carried out additional EU-wide transparency exercise in order to provide updated information on banks' exposures and asset quality to market participants. On 21.12.2020, SSM announced that the EU-wide Stress Test is to be launched in 29 January 2021 and its results will be published at the end of July 2021.

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

	31.12.2020 €΄000	31.12.2019 €΄000
Regulatory Capital		
Transitional Common Equity Tier I	**239.210**	**289.449**
Additional Tier I	64.000	64.000
Total Tier I	**303.210**	**353.449**
Tier II	-	1.068
Total transitional capital	**303.210**	**354.517**
Total risk weighted assets	**1.556.580**	**1.752.681**
Transitional Common Equity Tier I ratio	**15,4%**	**16,5%**
Transitional Tier I ratio	**19,5%**	**20,2%**
Transitional total capital adequacy ratio	**19,5%**	**20,2%**

Regarding the impact of the application of IFRS 9, the Group will make use of the transitional provisions under which the impact of the application of the new standard will be absorbed within five years. The Group is adequately capitalised to meet the requirements arising from the application of the new standard as the CET1 ratio stands at 15,4% as of 31.12.2020 according to the transitional provisions. The impact from full implementation is estimated at around 2,1% % with the index reaching 13,2% with reference date 31.12.2020.

Under CRR provisions a leverage ratio has been adopted, which is calculated as the relation between total assets plus the off balance sheet assets to the Tier I capital. The leverage ratio for 2020 stands at 11,7% (with transitional provisions) compared to 13,1% for 2019. The minimum leverage ratio of 3%, which becomes effective 1.1.2018, means that the Group does not undertake excessive leverage risk. For the purpose of calculation of leverage ratio, the Group did not utilize any temporary exceptions which are in place for certain exposures with central banks due to COVID-19 pandemic.

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 2020.

During the period covering from 31 December 2020 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

	31.12.2020 €´000	31.12.2019 €´000
Loans and advances to Board of Directors members and related parties	72	40
Deposits by Board of Directors members and related parties	998	471

	From 1 January to 31.12.2020	 31.12.2019
Non executive Directors		
Board members fees	184	193
Executive Directors		
Salaries and benefits	468	468
Social insurance contributions by employer etc.	23	29
Retirement benefits	13	12
Total remuneration for executive directors	504	509

Credit facilities to executive and non-executive directors, per director, do not exceed 1% of the Bank's net assets.

43. RELATED PARTY TRANSACTIONS (contin.)

(b) Transactions with Key Management Personnel

The Bank considers the members of the Executive committee as key management personnel.

	31.12.2020 €΄000	31.12.2019 €΄000
Loans and advance to key management personnel and related parties	381	402
Deposits by key management personnel and related parties	499	394
	From 1 January to	
	31.12.2020	31.12.2019
Key Management Personnel		
Salaries and benefits	367	366
Social insurance contributions by employer etc.	30	27
Retirement benefits	13	12
Total remuneration to key management personnel	410	405

One of the key management personnel participated in the voluntary separation scheme which was implemented in 2020 and received the maximum compensation amount foreseen by the scheme.

(c) Transactions with the parent company

During the year, the parent company (ultimate beneficial owner) Alpha Bank S.A. has granted guarantees totaling €21.339 thous. (2019: €22.631 thous.) in relation to loans and advances granted to specific clients.

	31.12.2020 €΄000	31.12.2019 €΄000
Assets		
Due from banks	141.158	124.903
Reverse Repos	-	193.995
Derivative financial assets	467	490
	141.625	319.388
Liabilities		
Due to banks (Note 26)	27.199	29.159
Derivative financial liabilities	195	1.099
Subordinated bonds	-	-
Convertible capital securities	64.000	64.000
Other liabilities	120	700
	91.514	94.958

43. RELATED PARTY TRANSACTIONS (cont.)

	From 1 January to	
	31.12.2020	31.12.2019
	€´000	€´000
Income		
Interest and similar income	202	168
Gain on financial transactions	1.694	1.328
	1.896	1.496
Expenses		
Interest expense and similar charges	579	813
Staff costs	583	369
Other expenses	120	2
Provision for other financial assets	-	217
	1.282	1.401

On 14.5.2015 the Group pledged in favor of Alpha Bank S.A., “Loans and advances to customers” as collateral for liquidity obtained. On 31.12.2020, the book value of the collateral amounted to €113 mil.

In 2020 the Group purchased loans from Alpha Bank S.A. amounting to Euro 204 mil. of which their fair value was Euro 204 mil. as well as bonds amounting to Euro 60 mil.

43. RELATED PARTY TRANSACTIONS (cont.)

(d) Transactions with Alpha Bank Group companies

	31.12.2020 €΄000	31.12.2019 €΄000
Assets		
Due from banks	8	32
Loan and advances to customers	20	2
Property, plant and equipment	3.478	3.874
Other assets	2.709	1.646
	6.215	5.554
Liabilities		
Due to customers	40.570	28.379
Subordinate bonds	5.276	10.151
Other liabilities	9.278	1.530
Lease liabilities	3.645	4.179
	58.769	44.239

	From 1 January to	
	31.12.2020 €΄000	31.12.2019 €΄000
Income		
Interest and similar income	71	2
Fees and commission income	54	453
Income from staff loans	1.075	
Other income	7.272	6.873
	8.472	7.328
Expenses		
Interest expense and similar charges	223	273
Fees and commission expense	-	-
Depreciation and amortization	396	198
Other expenses	310	1.540
	929	2.011

During 2020, “Loans and advances to customers” with accounting amount before provision for impairment losses of €649 mil. and fair value of €280 mil. were sold to a company of the Alpha Bank S.A. Group for the amount of €307 million. The amount of €307 mil. was paid fully in cash during 2020. The difference between the fair value and the sale price was recorded in retained earnings as equity contribution from the parent company. For these loans all risks and rewards of ownership have been transferred and therefore their recognition in the Balance Sheet has been terminated.

In calculating the fair value of the loans sold, the expected cash flows from the loans have been taken into account, discounted at market rates that take into account cost of capital, liquidity cost and management costs.

In 2020, the Group purchased loans from companies of the Alpha Bank S.A. Group of Euro 47 mil. with fair value Euro 47 mil.

Other income relates to income from management of loans of related companies.

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 2020 and 2019.

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**	**31.12.2020**	**31.12.2019**
Real estate			
ABC RE L1 LTD	Cyprus	-	100
ABC RE P1 LTD	Cyprus	100	100
ABC RE P2 LTD	Cyprus	100	100
ABC RE P3 LTD	Cyprus	100	100
ABC RE P4 LTD	Cyprus	100	100
ABC RE L2 LTD	Cyprus	100	100
ABC RE P&F LIMASSOL LTD	Cyprus	100	100
ABC RE L3 LTD	Cyprus	100	100
ABC RE COM PAFOS LTD	Cyprus	100	100
ABC RE RES LARNACA LTD	Cyprus	100	100
ABC RE L4 LTD	Cyprus	100	100
ABC RE L5 LTD	Cyprus	100	100
ABC RE P&F PAFOS LTD	Cyprus	100	100
ABC RE P&F NICOSIA LTD	Cyprus	100	100
ABC RE RES NICOSIA LTD	Cyprus	100	100
ABC RE RES P6 LTD	Cyprus	100	100
ABC RE RES P7 LTD	Cyprus	100	100
ABC RE P&F LARNACA LTD	Cyprus	100	100
ABC RE RES PAFOS LTD	Cyprus	100	-
ABC RE RES AMMOCHOSTOS LTD	Cyprus	100	-

The Bank and its subsidiaries have an obligation to dispose properties acquired through the debt for assets swap process, within three years of the date of recovery. The period of three years may be extended with the approval of the Central Bank of Cyprus.
The subsidiary ABC RE L1 LTD was disposed in August 2020 for the amount of Euro 950 thousand.

44. GROUP CONSOLIDATED COMPANIES (cont.)

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

	2020 Profit / (loss)	2019 Profit / (loss) €΄000
Real estate		
ABC RE L1 LTD	-	(15)
ABC RE P1 LTD	(57)	(65)
ABC RE P2 LTD	14	(254)
ABC RE P3 LTD	41	(32)
ABC RE P4 LTD	(23)	(252)
ABC RE L2 LTD	(70)	(149)
ABC RE P5 LTD	-	-
ABC RE P&F LIMASSOL LTD	(26)	(14)
ABC RE L3 LTD	(12)	(17)
ABC RE COM PAFOS LTD	68	(78)
ABC RE RES LARNACA LTD	9	(11)
ABC RE L4 LTD	(536)	(15)
ABC RE L5 LTD	(13)	(10)
ABC RE P&F PAFOS LTD	(4)	(5)
ABC RE P&F NICOSIA LTD	(42)	(5)
ABC RE RES NICOSIA LTD	(16)	(5)
ABC RE RES P6 LTD	44	(12)
ABC RE RES P7 LTD	(13)	(3)
ABC RE P&F LARNACA LTD	(18)	(1)
ABC RE RES PAFOS LTD	(13)	-
ABC RE RES AMMOCHOSTOS LTD	(12)	-
Total	**(679)**	**(943)**

45. RESTATEMENT OF FINANCIAL STATEMENTS

The Group retrospectively restated the preferred Class C shares held in Visa International from the category of securities valued at fair value through other comprehensive income to the category of securities valued at fair value through profit or loss. In particular, the classification of these shares was revised as the definition of “equity instrument” under IAS32 is not met and therefore there is no option to classify them in the portfolio of securities measured at fair value through other comprehensive income. Consequently, these shares were reclassified retrospectively from the date of first application of IFRS 9 to fair value through profit or loss category of the investment portfolio as “Other variable yield securities”.

The Group has amended the presentation of the loss resulting from sale of fixed assets, as well as the expenses of other provisions. In particular, these amounts, that were hitherto been included in “General administrative expenses”category in the consolidated statement of comprehensive income, are now presented in “Other Expenses”category. This change aims to reflect more accurately tha nature of the Group’s results.

As a result of the above changes, Income Statement, Statement of Comprehensive Income and Balance Sheet of the previous year were restated.

The restated Income Statement from 1.1 to 31.12.2019 is presented below:

Restated Consolidated Income Statement and Other Comprehensive Income 2019

	From 1 January to 31.12.2019		
	Published amounts €'000	Restatement €'000	Restated amounts €'000
Interest and similar income	69.207		69.207
Interest expense and similar charges	(9.787)		(9.787)
Net interest income	**59.420**		**59.420**
Fee and commission income	10.471		10.471
Commission expense	(1.404)		(1.404)
Net fee and commission income	**9.067**		**9.067**
Dividend income	311		311
Gains less losses on derecognition of financial assets measured at amortized cost	265		265
Gains less losses on financial transactions	1.634	1.022	2.656
Other income	7.152		7.152
Total other income	**9.362**		**10.384**
Total income	**77.849**		**78.871**
Staff costs	(35.004)		(35.004)
General administrative expenses	(22.847)	(334)	(23.181)
Other expenses	-	334	334
Depreciation and amortisation	(3.898)		(3.898)
Total expenses before impairment losses and provisions to cover credit risk	**(61.749)**		**(61.749)**
Impairment losses and provisions to cover credit risk	(5.285)		(5.285)
Profit/(loss) before income tax	10.815		11.837
Income tax	(274)		(274)
Profit/(loss) for the year	**10.541**		**11.563**
Other comprehensive income			
Gains/(losses) from equity securities measured at fair value through other comprehensive income	1.589	(1.022)	567
Net change in investment securities'reserve measured at fair value through other comprehensive income	6.176		6.176
Other comprehensive income for the year, after income tax	7.765		6.743
Total comprehensive income for the year attributable to the shareholders of the Bank	18.306		18.306
Basic and diluted earnings /(losses) per share (€ cent)	4,96	48 cent	5,44

45. RESTATEMENT OF FINANCIAL STATEMENTS (cont.)

The restated balance sheet as of 1.1.2019 and 31.12.2019, is presented below:

	1.1.2019		
	Published amounts €'000	Restatement €'000	Restated amounts €'000
Investment securities			
-measured at fair value through other comprehensive income	277.443	(2.441)	275.002
- measured at fair value through profit or loss-Other variable yield securities	**-**	**2.441**	**2.441**
Total Impact on Total Assets	**277.443**	**-**	**277.443**

	31.12.2019		
	Published amounts €'000	Restatement €'000	Restated amounts €'000
Investment securities			
-measured at fair value through other comprehensive income	451.057	(3.463)	447.594
- measured at fair value through profit or loss – Other variable yield securities	**-**	**3.463**	**3.463**
Total Impact on Total Assets	**451.057**	**-**	**451.057**

From the related changes in the comparative amounts, the consolidated cash flow statement and equity have not been affected for the year 2019.

46. EVENTS AFTER THE BALANCE SHEET DATE

There are no further siginifant events after the balance sheet date affecting the financial statements at 31 December 2020.

The Annual Financial Report was approved for issue by the Board of Directors of the Bank on 31 March 2021.

Additional Risk Disclosures 2020

Additional Risk Disclosures
(Unaudited)

According to the Central Bank of Cyprus Directive which came into force on 21 February 2014, “Loan Impairment and Provisioning Procedures” financial institutions should disclose specific information regarding the quality of their loan portfolio. Tables A and B below depict non performing loans according to the reporting standards of European Banking Authority (EBA) as these have been adopted by Central Bank of Cyprus since February 2015.

Tables A and B have been prepared using different definitions to those used for the preparation of note 38 “Risk Management”and therefore these figures are not comparable.

According to the EBA technical standards on Forbearance and Non Performing exposures the following definitions were used:

Definition of non-performing exposure

An exposure is considered non-performing when one of the following criteria is satisfied:

- The exposure is more than 90 days past due
- An exposure against which legal actions have been undertaken by the bank
- The debtor is assessed as unlikely to pay its credit obligations in full without realization of collateral
- The exposure has been impaired
- The exposure is classified as forborne non-performing exposure, as defined in the Implementing Regulation (EU) 2015/227 of January 9, 2015.

A non-performing exposure with forbearance measures include the following:

- Exposures which were non-performing prior to the extension of forbearance measures; and
- Forborne exposures which have been reclassified from the performing exposures category, including exposures under probation (forborne performing having been reclassified out of the Forborne Non Performing Loan (FNPL) status) having been re-forborne or that are more than 30 days past-due.

Exposures include all on and off balance sheet exposures without the use of collaterals, excluding held for trading exposures

Definition of forborne exposure

An exposure is considered forborne when:

- the forbearance measure includes concessions towards a debtor facing or about to face financial difficulties.

Additional risks disclosures (cont.)
(Unaudited)

Loan portfolio analysis by industry (unaudited)
31 December 2020

	Total Credit Facilities				Provision for impairment			
			Of which exposures with forbearance measures				Of which exposures with forbearance measures	
	Gross Loans and advances[1]	Of which non performing	Exposures with forbearance measures	Of wich non performing	Total provision for impairment[2]	Of which non performing	Exposures with forbearance measures	Of which non performing
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
General Governements	-	-	-	-	-	-	-	-
Other financial corporations	**30.696**	**280**	**30.696**	**-**	**172**	**148**	**172**	**-**
Non-financial corporations	**676.092**	**30.297**	**676.092**	**11.391**	**23.380**	**17.299**	**23.380**	**4.337**
of which: Small and medium-sized enterprises	513.051	30.297	513.051	11.391	22.045	17.299	22.045	4.337
of which: Commercial real estate	694	603	694	443	122	122	122	104
Non-financial corporations per sector	**676.092**	**30.297**			**23.380**			
Construction	127.531	9.685			6.476			
Wholesale and retail trade	109.276	7.667			6.426			
Hotel and restaurants	73.472	1.217			3.697			
Real estate	90.545	2.320			1.331			
Manufacturing	66.628	3.266			2.023			
Other	208.640	6.142			3.426			
Households	**836.511**	**358.146**	**836.511**	**206.548**	**158.401**	**153.255**	**158.401**	**60.424**
of which: Residential mortgage loans	1.046.690	657.288	29.561	11.813	303.280	299.310	12.868	4.507
of which: credit for consumption	91.010	50.645	836.511	206.548	28.389	27.743	158.401	60.424
Total	**1.543.299**	**388.723**	**1.543.299**	**217.939**	**181.954**	**170.703**	**181.954**	**64.760**

(1) Excluding loans and advances to central banks and credit institutions.
(2) For the purposes of the presentation of above disclosures , the accumulated provision for impairment, includes the fair value adjustment for the loans and advances of Emporiki Bank Cyprus Ltd portfolio which was acquired on its 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 2019

	Total Credit Facilities				Provision for impairment			
			Of which exposures with forbearance measures				Of which exposures with forbearance measures	
	Gross Loans and advances[1]	Of which non performing	Exposures with forbearance measures	Of which non performing	Total provision for impairment[2]	Of which non performing	Exposures with forbearance measures	Of which non performing
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
General Governements	-	-	-	-	-	-	-	-
Other financial corporations	**17**	-	**0**	**0**	**0**	-	**0**	**0**
Non-financial corporations	**40.321**	**2.913**	**1.659**	**532**	**2.524**	**2.050**	**555**	**181**
of which: Small and medium-sized enterprises	**863.683**	**395.666**	**74.137**	**68.064**	**245.942**	**241.437**	**21.483**	**21.326**
of which: Commercial real estate	613.503	366.755	68.775	63.513	219.085	217.759	18.276	18.185
Non-financial corporations per sector	**863.684**	**395.666**			**245.942**			
Construction	333.459	210.062			151.987			
Wholesale and retail trade	100.821	47.848			31.097			
Hotel and restaurants	84.820	13.438			10.086			
Real estate	76.013	34.444			13.801			
Manufacturing	57.342	17.503			12.774			
Other	211.229	72.370			26.197			
Households	**1.202.668**	**740.769**	**441.685**	**352.355**	**362.098**	**356.224**	**132.666**	**129.919**
of which: Residential mortgage loans	1.046.690	657.288	408.166	325.442	303.280	299.310	116.933	114.995
of which: credit for consumption	129.475	85.553	28.288	20.865	45.209	44.682	5.735	5.607
Total	**2.106.690**	**1.139.348**	**517.480**	**420.951**	**610.564**	**599.711**	**154.703**	**151.426**

(1) Excluding loans and advances to central banks and credit institutions.
(2) For the purposes of the presentation of above disclosures , the accumulated provision for impairment, includes the fair value adjustment for the loans and advances of Emporiki Bank Cyprus Ltd portfolio which was acquired on its fair value balance. For the purpose of credit risk monitoring this adjustment is considered as part of the provisions. In note 18 «Loans and advances to customers» this adjustment has been deducted from the balances before provision.

Loan portfolio analysis per loan origination date (unaudited)
31 December 2020

Loan origination date	Total loans portfolio			Loans to non-financial corporations			Loans to other financial corporations			Loans to households		
	Gross loans and advances	Non performing exposures	Provisions	Gross loans and advances	Non performing exposures	Provisions	Gross loans and advances	Non performing exposures	Provisions	Gross loans and advances	Non performing exposures	Provisions
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Within 1 year	308.536	25	1.044	254.925	25	983	1.184	-	23	52.427	-	38
1 - 2 years	90.073	141	322	25.240	59	250	34	-	0	64.799	82	72
2 - 3 years	146.735	522	1.750	116.330	78	1.560	64	-	0	30.341	444	190
3 - 5 years	134.279	37.962	17.866	41.943	2.516	1.838	28.233	-	0	64.103	35.446	16.028
5 - 7 years	152.487	67.341	34.305	13.271	3.608	2.189	8	4	4	139.208	63.729	32.112
7 - 10 years	123.549	43.783	22.082	38.259	3.916	3.139	43	42	24	85.247	39.825	18.919
Over 10 years	587.640	238.967	104.585	186.124	20.095	13.421	1.130	233	122	400.386	218.639	91.043
Total	1.543.299	388.741	181.954	676.092	30.297	23.380	30.696	280	172	836.529	358.165	158.402
General Governments	-	-	-					-	-	-		
Total	**1.543.299**	**388.741**	**181.954**									

For the purposes of the presentation of above disclosures, accumulated provision for impairment, includes the fair value adjustment for the loans and advances of Emporiki Bank Cyprus Ltd portfolio which was acquired on its 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 2019

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	103.909	544	928	36.430	244	490	5.042	-	98	62.437	300	340
1 - 2 years	197.029	3.498	4.675	162.628	2.874	4.253	77	-	0	34.324	624	422
2 - 3 years	90.552	33.855	17.293	48.213	10.888	5.683	2	-	0	42.337	22.967	11.610
3 - 5 years	243.757	165.404	97.469	58.583	47.128	31.713	31.582	1.371	1.064	153.592	116.905	64.692
5 - 7 years	178.903	91.859	50.118	28.373	21.081	12.807	1.914	788	1.069	148.616	69.990	36.242
7 - 10 years	312.529	207.343	114.896	133.584	89.392	51.968	16	-	-	178.929	117.951	62.928
Over 10 years	979.994	636.844	325.185	395.871	224.058	139.029	1.688	754	292	582.435	412.032	185.864
Total	2.106.673	1.139.347	610.564	863.682	395.665	245.943	40.321	2.913	2.523	1.202.670	740.769	362.098
General Governments	17	-	-									
Total	**2.106.690**	**1.139.348**	**610.564**									

For the purposes of the presentation of above disclosures, accumulated provision for impairment, includes the fair value adjustment for the loans and advances of Emporiki Bank Cyprus Ltd portfolio which was acquired on its 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.