AstroBank Group

Annual Financial Report

For the year ended 31 December 2022

Contents

	Page
Board of Directors and Independent Auditors	1
Management Report	2
Independent Auditors' Report to the members of AstroBank Public Company Limited	16
Consolidated Income Statement	24
Consolidated Statement of Comprehensive Income	25
Consolidated Statement of Financial Position	26
Consolidated Statement of Changes in Equity	27
Consolidated Statement of Cash Flows	28
Notes to the Consolidated Financial Statements	30
Glossary and Definitions	139

Board of Directors and Independent Auditors as at 31 December 2022

Board of Directors AstroBank Public Company Limited	Michalis Sarris Independent Non-Executive Chairman
	Andreas Vassiliou Independent Non-Executive Vice Chairman
	Bassam Najib Diab Non-Executive Director
	Maria Dionyssiades Independent Non-Executive Director
	William J. Gallagher Independent Non-Executive Director
	Costas Partassides Independent Non-Executive Director
	Aristidis Vourakis Executive Director, Chief Executive Officer
	Evi Rossidou Antoniadou Executive Director
Company Secretary	Maria Venizelou Head of Legal Services and Corporate Governance
Independent Auditors	Ernst and Young Cyprus Ltd Jean Nouvel Tower 6 Stasinou Avenue 1060 Nicosia Cyprus
Legal advisors	Chrysostomides Advocates and Legal consultants L. Papaphilippou & Co. LLC
Headquarters/Registered office	1 Spyrou Kyprianou Avenue CY-1065 Nicosia P O Box 25700 CY-1393 Nicosia Cyprus

The Consolidated Financial Statements for the year ended 31 December 2022 relate to AstroBank Public Company Limited ("the Bank") together with its subsidiaries (together "the Group"). The Bank was the holding company of the Group as at 31 December 2022.

Incorporation, activities and branch network

The Bank was incorporated in Cyprus on 29 December 2006 as a private limited liability company (Reg. No. HE189515), in accordance with the provisions of the Cyprus Companies Law, Cap. 113. The registered office of the Bank is located at 1 Spyrou Kyprianou Avenue, CY-1065 Nicosia. The subsidiaries of the Group were incorporated in Cyprus in accordance with the provisions of the Cyprus Companies Law, Cap. 113.

The principal activities of the Bank during the year continued to be the provision of banking and financial services. The principal activities of the subsidiaries, which are unchanged from last year are the holding, administration and disposal of property acquired by the Bank in debt satisfaction. A separate subsidiary is used as an insurance broker. The Group companies are set out in Note 41 to the Consolidated Financial Statements.

The Bank provides banking and financial services through its branch network. As at 31 December 2022, the branch network included 14 branches. The operations of the Moscow Representative Office were terminated in March 2023.

Percentages of Major Shareholders

The table below indicates the percentages of the Shareholders holding more than 5% of the Bank's issued share capital as at 31 December 2022:

	31 December 2022		31 December 2021	
Shareholders	**# of ordinary shares**	**% held**	**# of ordinary shares**	**% held**
Holding M. Sehnaoui S.A.L.	4.938.061	20,90%	4.938.061	20,90%
Bassam Najib Diab	4.020.818	17,02%	3.018.694	12,78%
Piraeus Bank S.A.	2.362.000	10,00%	2.362.000	10,00%
WG Cyprus (Holding) SAL	2.263.337	9,58%	2.263.337	9,58%
Mar Takla Palace SAL	1.195.929	5,06%	1.195.929	5,06%

Remaining shareholding of 37,44% is held by 29 other shareholders comprising both of individuals and legal entities.

Financial results

Consolidated Income Statement

	2022 €	2021 €
Net interest income	51.236.880	48.095.976
Net fee and commission income	16.894.638	16.927.036
Other income	5.559.660	2.612.885
Net (loss)/gain on financial instrument transactions and disposal of subsidiaries and associates	(816.454)	4.505.193
(Loss)/gain on derecognition of financial assets measured at amortised cost	(192.714)	2.009.901
Operating income	**72.682.010**	**74.150.991**
Staff expenses	(25.849.717)	(25.643.595)
Other operating expenses	(15.875.758)	(21.946.652)
Depreciation and amortisation	(3.701.142)	(4.536.472)
Special levy on deposits and other levies/contributions	(4.120.264)	(4.018.434)
Total operating expenses	**(49.546.881)**	**(56.145.153)**
Profit from ordinary operations before impairment losses	**23.135.129**	**18.005.838**
Reversal of impairment/(impairment) on financial assets	33.172	(6.933.012)
Impairment on non-financial assets	(3.012.853)	(3.537.560)
Write-off of intangible assets	(710.505)	(2.932.411)
Profit before share of results of associate	**19.444.943**	**4.602.855**
Share of (loss)/profit of associate, net of taxation	(419.314)	802.166
Profit before tax	**19.025.629**	**5.405.021**
Income tax credit/(charge)	2.683.961	(1.470.811)
Profit for the year before non-recurring items	**21.709.590**	**3.934.210**
Non-recurring items	(9.527.508)	(667.696)
Profit for the year	**12.182.082**	**3.266.514**

Financial results (continued)

Consolidated Statement of Financial Position

	2022 €	2021 €
Assets		
Cash and balances with Central Banks	782.631.481	670.854.232
Placements with other banks	21.943.349	29.003.109
Derivative financial instruments	1.304.888	96.130
Financial assets at fair value through profit or loss	12.906.793	12.022.732
Financial assets at fair value through other comprehensive income	6.394.636	6.331.652
Debt securities	585.409.143	939.891.741
Loans and advances to customers	1.090.666.751	1.136.910.818
Investment in associate company	186.000	4.055.283
Other assets	17.730.362	30.755.351
Investment property	19.850.251	13.270.033
Stock of property	140.527.900	131.791.212
Property and equipment	32.898.135	37.726.594
Intangible assets	9.507.570	3.766.758
Deferred tax assets	4.192.346	1.435.647
Total assets	**2.726.149.605**	**3.017.911.292**
Liabilities		
Amounts due to other banks and deposits from banks	13.133.697	16.531.800
Funding from Central Banks	296.501.809	495.136.111
Derivative financial instruments	139.615	253.579
Deposits and other customer accounts	2.111.912.429	2.191.390.594
Subordinated liabilities	16.462.910	16.129.001
Debt securities in issue	21.379.468	3.055.124
Other liabilities	58.645.847	98.329.868
Deferred tax liabilities	4.297.106	3.554.124
Total liabilities	**2.522.472.881**	**2.824.380.201**
Total equity	**203.676.724**	**190.438.624**
Non-controlling interest	**-**	**3.092.467**
Total equity and liabilities	**2.726.149.605**	**3.017.911.292**

Financial results (continued)

Key Performance Indicators[1],[2]		2022	2021
Asset quality	NPE Ratio	19,5%	25,6%
	NPE Coverage Ratio	45,0%	44,9%
Capital	Common Equity Tier 1 (CET1) ratio (Transitional)	16,54%	15,31%
	Capital Adequacy Ratio (Transitional)	17,96%	16,58%
Balance Sheet	Total Assets	€2.726m	€3.018m
	Net Loans and advances to customers	€1.091m	€1.137m
	Accumulated expected credit losses on loans and advances to customers	€112m	€161m
	Deposits and other customer accounts	€2.112m	€2.191m
Liquidity	Liquid assets / Deposits	66,3%	75,0%
	Net Loans/Deposits	51,6%	51,9%
	Liquidity Coverage Ratio	281%	260%
Efficiency	Net interest margin	1,9%	1,8%
	Fee and commission income/ Total income	23,2%	22,8%
	Cost/ Income	68,0%	77,8%
Profitability	Return on Average Assets	0,4%	0,1%
	Return on Average Equity	6,2%	1,7%

The financial information presented above provides an overview of the Group's financial results for the year ended 31 December 2022 on the 'underlying basis' including separately the exceptional one-off (non-recurring) items regarding the settlement of Servicer's pre-existing contractual relationship ("Servicer's settlement fees") (Note 39) and the cost for the voluntary staff exit plan, as the management believes that this reflects better the true measurement of the performance of the Group. Certain figures in this Management report have been rounded in million to present them more clearly.

The financial performance of the Group for the year ended 31 December 2022 is set out on pages 24 to 29.

[1] The financial information is derived from and should be read in conjunction with the accompanied Consolidated Financial Statements.
[2] Definitions and explanations are stated on pages 139-140.

Financial performance overview

Income statement analysis

The Group's profit for the year ended 31 December 2022 amounted to €12,2 million (2021: €3,3 million).

Net Interest Income
Net interest income (NII) for the year ended 31 December 2022 was €51,2 million, up by 6,5% compared to €48,1 million for the year ended 31 December 2021, reflecting the impact of higher interest rates essentially since the second half of the year and to a lesser extent, the growth of the performing loan book.

The net interest margin for the year ended 31 December 2022 was 1,94% (31 December 2021: 1,79%) supported by the rising interest rate environment.

Non-interest income
Non-interest income for 2022 amounted to €21,4 million (2021: €26,1 million) down by 18% compared to 2021, comprising mainly net fee and commission income of €16,9 million (2021: €16,9 million), net loss on financial instrument transactions and disposal of subsidiaries and associates of €1,0 million (2021: gain €6,5 million) and other income of €5,6 million (2021: €2,6 million).

Net fee and commission income
Net fee and commission income for 2022 amounted to €16,9 million, (2021: €16,9 million) which remained fairly stable compared to 2021.

Net loss on financial instrument transactions and disposal of subsidiaries and associates
Net loss on financial instrument transactions and disposal of subsidiaries and associates amounted to €1,0 million, compared to a gain of €6,5 million in 2021. The loss in the current year is mainly driven from the fund participation revaluation loss of €3,1 million. The gain for year 2021, includes an amount of €2,2 million as a foreign exchange gain from the execution of two specific one-off transactions.

Other income
Other income for 2022 amounted to €5,6 million compared to €2,6 million in 2021 increased by 112,8%. The year-on-year increase is driven by the €4,0 million net gains from the disposal of stock of properties (REOs) and the revaluation of the investment properties (2021: €0,8 million).

Expenses
Total expenses for the year ended 31 December 2022 were €49,5 million, compared to €56,1 million for the year ended 31 December 2021 and decreased by 11,8%. 52,2% of total expenses related to staff costs (€25,8 million), 32,0% to other operating expenses (€15,9 million), 7,5% to depreciation and amortization expense (€3,7 million) and 8,3% (€4,1 million) to special levy, contributions to Single Resolution Fund and other levies. The annual decrease is driven mainly by the lower Servicer`s administration fees paid in the year following the settlement of the servicing agreement with Chrynoa Ltd (ex-Quant Master Servicer Cyprus Limited ('ex-Quant'). Further details are provided below.

Staff costs
Staff costs of €25,8 million for 2022 increased by 0,8%, compared to €25,6 million in 2021. Staff costs are slightly increased by €0,2 million reflecting the collective agreement's annual increments of 5% and the staff cost for the 29 permanent employees that were transferred to the Bank in October 2022, with the execution of the agreement for the acquisition of ex-Quant business (Note 39). The increase is offset by the saving from the voluntary staff exit plan.

During 2022, the Group completed a voluntary staff exit plan through which 16 full-time employees were approved to leave at a total cost of €1,9 million (2021: 4 full-time employees at a total cost of €0,7 million). In December 2021, the Group reached an agreement with the Cyprus Union of Bank employees for the renewal of the collective agreement for the year 2022. The agreement relates to certain changes including the introduction of a new performance related pay component as part of the annual salary increase.

The Group employed 465 persons as at 31 December 2022 (443 permanent and 22 temporary) (2021: 452; 416 permanent and 36 temporary).

Financial performance overview (continued)

Income statement analysis (continued)

Other operating expenses
Other operating expenses mainly consist of information technology expenses, professional and regulatory fees, buildings and other assets' maintenance costs and special levy on deposits and other levies/contributions.

Other operating expenses for 2022 were €15,9 million, down by 27,7% from €21,9 million in 2021 resulting from the lower Servicer`s administration fees paid in the year (€0,9 million compared to €8,6 million in 2021) following the settlement of the servicing agreement with ex-Quant. Other components partially offsetting this decrease are the CBC regulatory fine and the increased professional fees.

The cost to income ratio for the year ended 31 December 2022 was 68,0% compared to 77,8% for the year ended 31 December 2021 reflecting management's ongoing focus on efficiency and cost discipline.

Profit from ordinary operations before impairment losses
Pre-provisions income arising mainly from core banking activities is improved in 2022 at €23,1 million from €18,0 million in 2021, an increase of 28,5%, driven mainly by the significant increase in net interest income and the cost saving from the settlement of the servicing agreement with ex-Quant.

Impairment losses on financial and non-financial assets
The Group's impairment losses on financial instruments for the year ended 31 December 2022 amounted to a net credit of €33,2 thousand compared to €6,9 million charge for the year ended 31 December 2021.

The impairment of financial assets is the net effect of €6,2 million net credits from customer`s loan portfolio and €6,2 million losses on other financial assets. The key driver of the net credits in the customer`s loan portfolio are the recoveries from significant settlements implemented on the Non Performing Portfolio during the year.

The €6,2 million losses on other financial assets are mainly due to the fair value loss on remeasurement of previously held interest in investment in associate company of €2,3 million resulting from the buy-back and acquisition of control of ex-Quant recognised during 2022 and the increase in provisions for pending litigations and claims of €3,7 million.

The Group's impairment losses on non-financial assets for the year ended 31 December 2022 amounted to €3,0 million compared to €3,5 million for the year ended 31 December 2021, decreased by 14,8%. The impairment losses of 2022, relate to impairment of leasehold improvements while the impairment losses of 2021 relate to the decrease of the net realizable value (NRV) below their cost value of certain Real Estate Own Assets due to updated valuation reports and from the impairment of various leasehold improvements classified as property and equipment.

Taxation
The Group's taxation for the year ended 31 December 2022 amounted to a tax credit of €2,7 million (2021 €1,5 million charge), which is the net effect of a deferred tax credit of €2,9 million (2021: €1,4 million tax charge) and a current tax charge of €0,2 million (2021: €0,1 million charge). The deferred tax credit was mainly the result of the recognition of the carried forward losses that were transferred with the acquisition of ex-USB business and the subsequent absorption of the entity.

Statement of financial position analysis

The Group's total assets amounted to €2.726,1 million as at 31 December 2022 (31 December 2021: €3.017,9 million), presenting a decrease of 9,7%, mainly attributed to the partial repayment of the funding from Central Banks (TLTRO).

Funding from Central Banks
As at 31 December 2022, the funding from Central Banks amounted to €300 million, which relates to ECB funding, comprising solely of funding through the Targeted Longer-Term Refinancing Operations (TLTRO) III, compared to €500 million as at 31 December 2021.

Statement of financial position analysis (continued)

Funding from Central Banks(continued)
The Bank had borrowed an overall amount of €500 million under TLTRO III by March 2021, despite its comfortable liquidity position, given the favorable borrowing terms, in combination with the relaxation of collateral requirements. Following the changes in the terms of the TLTRO III announced by the ECB in October 2022, and given the strong liquidity position, the Bank proceeded with the repayment of €200 million TLTRO III funding in June 2022.

Deposits
Customer deposits totaled €2.111,9 million at 31 December 2022 (31 December 2021: €2.191,4 million), presenting a decrease of approximately 3,6%.They comprised deposits in Euro and foreign currencies, mostly US Dollars and British Pounds.

Deposits by type	31 December 2022	% of total deposits	31 December 2021	% of total deposits
Demand	€1.181,3m	55,9%	€1.358,5m	62,0%
Savings	€402,3m	19,0%	€387,1m	17,7%
Term	€528,3m	25,1%	€445,8m	20,3%
Total deposits	**2.111,9m**	**100,0%**	**€2.191,4m**	**100,0 %**

Customers deposits accounted for 83,7% of total liabilities at 31 December 2022, compared to 77,6% of total liabilities at 31 December 2021.

Subordinated liabilities
As at 31 December 2022, the carrying amount of the Group’s subordinated liabilities (including accrued interest) amounted to €16,5 million, and relate to unsecured subordinated Tier 2 bonds.

The Bond was priced at par with a coupon of 8% per annum, payable quarterly. The Bond matures in June 2030 (ten years from the issuance date). The Bank may redeem all of the Bonds on any Interest Payment Date following the fifth anniversary of the issuance date of the relevant Bond in December 2025, subject to applicable regulatory consents.

Debt securities in issue – MREL qualified
In December 2022, the Group issued €5.200.000 and US$9.800.000 senior preferred bonds. The Bonds were priced at par with a coupon of 6,50% and 8,50% per annum respectively, payable annually. The Bonds mature in December 2024 (two years from the issuance date). The Group has the option to redeem the bonds early in December 2023, subject to applicable regulatory consents. The bonds comply with the criteria for the minimum requirement for own funds and eligible liabilities (MREL) and contributes towards Group’s MREL requirements. The bonds were listed on the Cyprus Stock Exchange market.

In December 2021, the Group issued €1.200.000 and US$2.100.000 senior preferred bonds. The Bonds were priced at par with a coupon of 2,25% and 3,0% per annum respectively, payable annually. The Bonds mature in December 2023 (two years from the issuance date). The Group has proceeded with the exercise of the option to early redeem the bonds in December 2022.

Liquidity
As at and during the year ended 31 December 2022, the Bank was in compliance with the required prudential liquidity indicator of the European Central Bank. The Liquidity Coverage Ratio (LCR) stood at 281% compared to 260% at 31 December 2021, well above the minimum regulatory requirement of 100%. The liquidity surplus in LCR at 31 December 2022 amounted to €626 million (compared to €621 million at 31 December 2021)

At 31 December 2022, the Group Net Stable Funding Ratio (NSFR) stood at 165% (compared to 145% at 31 December 2021), well above the minimum regulatory requirement of 100%, enforced in June 2021 as per CRR II.

Loans and advances to customers
Gross loans totaled €1.203,1 million at 31 December 2022, compared to €1.297,7 million at 31 December 2021, decreased by 7,3%, with the Group’s net loans and advances to customers totaled €1.090,7 million (compared to €1.136,9 million at 31 December 2021). The decrease in gross and net loans reflects the significant resolutions in the non-performing portfolio and the controlled loan growth.

Statement of financial position analysis (continued)

Loans and advances to customers (continued)

Total new lending granted during 2022 reached approximately €165 million (2021: €234 million). The Group continued providing lending to creditworthy businesses and households, with focus on retail housing and secured lending to be capital efficient.

The net loans to deposits ratio stood at 51,6% as at 31 December 2022 (31 December 2021: 51,9%).

Gross loans balance by type:

	31 December 2022	31 December 2021	Variance %
Consumer	€54,1m	€57,6m	-6,1%
Housing	€192,6m	€157,9m	22,0%
Credit cards	€4,3m	€4,3m	0,0%
Corporate	€717,6m	€745,1m	-3,7%
NPEs	€234,5m	€332,8m	-29,5%
Gross loans	**€1.203,1m**	**€1.297,7m**	**-7,3%**

Loan Portfolio Quality
Improving the Group's loan portfolio quality remains high priority for Management. The Group's priorities include maintaining high quality new lending and normalising the cost of risk, reduce drastically the portfolio of NPEs whilst managing potential and new inflows during the inflationary period and the rising interest rate environment.

Non-Performing Exposures (NPEs) were reduced to €234,5 million as at 31 December 2022 compared to €332,8 million at 31 December 2021. NPEs account for 19,5% of gross loans as at 31 December 2022, compared to 25,6% at 31 December 2021, on the same basis.

The NPE coverage ratio fairly stable to 45,0% at 31 December 2022, compared to 44,9% at 31 December 2021 despite the reduction in the amount of the accumulated impairments due to approximately €62,7 million write-offs implemented in 2022 (2021: €49,8 million). When taking into account tangible collateral at fair value, NPEs are fully covered.

Further details on the loan portfolio of the Group are disclosed in Notes 22 and 42 to the consolidated financial statements for the year ended 31 December 2022.

Acquisition of Chrynoa Ltd Business ("ex-Quant")
On 5 October 2022, the Bank and Qualco Fin Ltd ("Qualco") entered into an agreement whereby the Group acquired back the 74,9% of the issued share capital of ex-Quant for a total consideration of €13.000.000.

On completion date 7 October 2022, the Group became the sole shareholder and from thereon the Bank consolidates 100% of the results and net assets of ex-Quant in its consolidated IFRS financial statements.

The acquisition's strategic rationale revolves around the following factors:

- the existence of substantial synergies relating to operating costs and better utilisation of employees
- taxes payable on the servicing fees, representing a significant opportunity cost for the Bank

Further details and the financial impact on the transaction are disclosed in Note 39 to the consolidated financial statements for the year ended 31 December 2022.

Investment Property
During the year ended 31 December 2022, the Group acquired the remaining 24,99% shareholding in Pandingmor in debt satisfaction becoming the sole shareholding (100% subsidiary company). As at 31 December 2022, the Bank performed an assessment of the carrying value of the investment in Pandingmor, resulting in an impairment loss of €110.708 which was recognised in the consolidated statement income statement.

Pandingmor holds a commercial property (shops and offices) under a long-term lease agreement. Initial duration of the lease agreement was 50 years with the residual duration of 42 years as at 31 December 2022.

Statement of financial position analysis (continued)

Investment Property (continued)
Up to December 2022 part of the building was used by the Group for Head office operations. In December 2022, all employees of the Bank have been relocated and the total building rented to third parties.

Stock of property (REOs)
During the year ended 31 December 2022, the Group on-boarded €43,1 million (31 December 2021: €19,6 million) of assets via the execution of debt for asset swaps and foreclosures.

The Group also focuses on the disposal of on-boarded properties. During the year ended 31 December 2022 the Group's completed disposals reached €33,4m (compared to €29m in the year ended 31 December 2021). Cumulative sales over the last two years amounted to €62.4m reaching approximately the value of properties on-boarded at the same period.

Most of the disposals of the Real Estate Owned Assets have been achieved close or above market values, with a gain of €2,9 million recognised in the consolidated income statement in 2022 (2021: €0,9 million). Property disposals are across all property classes, with over half of sales by value in the year ended 31 December 2022 relating to housing land plot and residential buildings.

As at 31 December 2022, the Real Estate Owned Assets had a carrying value of €140,5 million compared to €131,8 million in 2021.

	31 December 2022	**31 December 2021**
Repossessed assets held by the Group	**€**	**€**
Opening balance	131.791.212	144.803.288
On boarded during the year	43.063.370	19.601.262
Disposals	(33.433.680)	(29.075.779)
Impairment	(893.002)	(3.537.559)
Closing balance	**140.527.900**	**131.791.212**

Share capital
There were no changes to the authorised or issued share capital during the year ended 31 December 2022.

As at 31 December 2022, there were 23,6 million (2021: 23,6 million) issued ordinary shares with a nominal value of €1 each.

The share capital and share premium amounted to €23,6 million and €155,4 million respectively. Share premium is net of capital raising costs of €0,8 million.

Dividend
No dividends were declared or paid during 2022. The Bank is required to prohibit dividend payments to its shareholders. Any dividend in 2023 will be assessed in due course.

Capital base
The primary objective of the Bank's capital management is to ensure compliance with the relevant regulatory capital requirements and maintenance of healthy capital adequacy ratios in order to support its growth and maximise the value for its shareholders.

As at and during 2022 the Bank's capital ratios were above the regulatory and as at 31 December 2022 the Bank maintains an overall capital adequacy ratio above the minimum required by the relevant regulatory authorities. The Overall Capital adequacy ratio (transitional) stood at 17,96% as at 31 December 2022 (16,58% as at 31 December 2021) and on a fully load basis stood at 17,79% (15,99% as at 31 December 2021).

The CBC requires the Bank to maintain as at 31 December 2022 a minimum CET1 ratio of 8,85% (8,85% 31 December 2021) and a minimum Overall Capital Requirement (OCR) of 13,60%, consisting of the Pillar I minimum 8%, the Pillar II Requirement of 2,85% plus the Capital Conservation Buffer of 2,50% and an O-SII buffer of 0,25%. Applicable Regulation allows banks to meet their Pillar II requirements using the same capital structure as for their Pillar I requirements (i.e. 56,25% CET1, 18,75% Additional Tier 1 (or 75% Tier1 Capital = 56,25%+18,75%) and up to 25% Tier 2).

Capital base (continued)
Following the 2021 SREP performed by the CBC and based on the final SREP decision received in February 2023, effective from 8 February 2023, the Pillar II requirement has been revised to 3,83%. The Bank is required to maintain as from 8 February 2023 a minimum CET1 ratio of 9,40% and a minimum Overall Capital Requirement (OCR) of 14,58%.

Furthermore, on 30 November 2022, the CBC, following the revised methodology described in its macroprudential policy, decided to increase the Countercyclical Buffer (CcyB) which is a component of the Capital Combined Buffer Requirement (CBR) from 0,00% to 0,50% of the total risk exposure amounts in Cyprus and this is applicable for each licensed credit institution incorporated in Cyprus. The new rate of 0,50% must be observed as from 30 November 2023, therefore the Bank's CBR is expected to increase.

The capital ratios as at the reporting date on a transitional basis are presented below:

	2022 %	2021 %
Common Equity Tier 1 ratio	16,54%	15,31%
Tier 1 ratio	16,54%	15,31%
Capital Adequacy Ratio	17,96%	16,58%
Minimum Requirement for Own Funds and Eligible Liabilities (MREL) Ratio	19,21%	16,82%

The ratio was positively affected by the profits of the year, as well as by the decrease in the risk weighted assets (due to the resolution of the non-performing portfolio and focus on retail housing and secured lending to be capital efficient); whereas it was negatively affected mainly by the phasing-in of IFRS 9 transitional adjustments on 1 January 2022 for the static and dynamic component of ECL as the relevant scaling factor decreased from 0,5% to 0,25% as well as by the increased intangible assets for 2022 due to the acquisition of Chrynoa Ltd Business (ex-Quant), which were deducted from Own Funds.

The Bank's risk weighted assets as at 31 December 2022 amounted to €1.156 million (€1.273 million as at 31 December 2021) and are calculated based on the stand-alone audited financial statements of the Bank for the same reference date. The Bank's subsidiary companies are not consolidated for regulatory purposes. The main activities of the Property subsidiary companies are the holding and administration of property acquired by the Bank in debt satisfaction. The relevant properties are taken into consideration in the Bank's risk weighted assets ("RWAs") through the Look-Through Approach.

Details of the capital management of the Bank are disclosed in Note 43 to the Consolidated financial statements.

Business Overview

Positive financial performance
During 2022 the Group delivered positive financial results confirming the sustainability of its business model. Overall, the Group achieved an increasing Return on Average Equity of 6,2% for the year with the positive performances expected to continue in 2023. Any dividend distributions from 2023 onwards, subject to regulatory approval and market conditions, will be considered in due course.

Favorable interest rate environment
Due to the structure of the Group's balance sheet higher interest rates facilitate growth in net interest income. As at 31 December 2022, cash balances, Central Bank Deposits and Bank Placements amounted to approximately €805 million, well positioned to benefit from further interest rate rises. The repricing of the reference rates gradually benefits the interest income on loans, as approximately 94% of the Group's non-terminated loan portfolio is variable rate as at 31 December 2022.

Growing revenues in a more capital efficient way
The Group remains committed on growing revenues in a more capital efficient way. The Group has continued to provide high quality new lending in 2022. During the year ended 31 December 2022, new lending amounted to €165 million. However, due to the continuing interest rate rises, demand for new loans is expected to slow down in 2023. In the short-term, net interest income is expected to be supported primarily by asset repricing and higher investments in securities.

As at 31 December 2022, the fixed income portfolio of the Group amounted to €585 million, which represents 21% of total assets. The portfolio comprises highly rated fixed rate bonds with low average duration, giving the Group the flexibility to take advantage of rising interest rates. The fixed income portfolio is mainly measured at amortised cost is held to maturity and therefore no fair value gains/losses are recognised in the Group's income statement or equity.

Business Overview (continued)

Lean operating model
Striving for a lean operating model is a key strategic pillar for the Group in order to deliver shareholder value.

The efficiency actions of the Group in 2022 to maintain operating expenses under control in an inflationary environment included the successful acquisition and integration of ex-Quant servicing Astrobank's Non-performing loans and the completion of a small scale voluntary staff exit plan. Through these successful initiatives, the Group has delivered for the year ended 31 December 2022 a cost to income ratio of 68% excluding special levy on deposits, other levies/contributions and non-recurring items.

Digital transformation
The Group remains focused to deepen the relationship with its customers. A transformation plan is already in progress aiming to modernise the day to day transactions of the customer with the Group while at the same time build efficiencies within the organisation. Despite however the digital transformation the Group remains focused on serving the customer by maintaining its human interaction.

In 2022 Balance sheet de-risking was accelerated. Overall, since the beginning of 2022, through organic NPE reductions of approximately €100 million, the Group reduced its NPEs by 29,5% and its NPE ratio from 25,6% to 19,5%. At the same time coverage remained stable at 45%.

Ukrainian crisis
In response to the war in Ukraine, the EU, the UK and the US, in a coordinated effort joined by several other countries imposed a variety of financial sanctions and export controls on Russia, Belarus and certain regions of Ukraine as well as various related entities and individuals.

The Group does not have any banking operations in Russia or Ukraine or any exposure to Russian bonds or banks. The Group has limited direct exposure to loans related to Russia. The loans to Russian residents as at 28 December 2022 decreased from €838K on 4 March 2022 to €651 thousand (0,05%). The portfolio is granular and secured mainly by cash and real estate properties in Cyprus.

Customer deposits related to Russians represent around 6,96% (0,22% based on Russian residence) of the customers of the Bank's Deposit base as at 31 December 2022. This exposure is not material, given the Group's strong liquidity position. The Group operates with a significant surplus liquidity of €626 million (LCR ratio of 281%) as at 31 December 2022.

Although the Group's direct exposure to Ukraine, Russia or Belarus is limited, the crisis in Ukraine had a negative impact on the Cypriot economy, mainly arising from the tourism and professional services sectors and increasing energy prices. During 2022 the performance of the tourism sector was strong despite the loss of tourist arrivals from Russia and Ukraine due to the easing of the Covid traveling restrictions. Additionally, Cyprus has no energy dependence on Russia as it imports oil from Greece, Italy and the Netherlands.

Overall, the Group expects limited impact from its direct exposure, while any indirect impact depends on the duration and severity of the crisis and its impact on the Cypriot economy.

Going concern
The Board of Directors and Management have made an assessment of the Group's ability to continue as a going concern for a period of 12 months from the date of approval of these consolidated financial statements.

The Board of Directors and Management, in making their assessment, have given particular attention to the regulatory requirements relating to capital and liquidity and the current economic developments in order to make projections for future economic conditions of the environment in which it operates taking also into consideration, the Group's Business Plan approved by the Board and the operating environment (as set out in Note 5 'Operating environment').

The main macroeconomic developments that could cause uncertainties regarding the application of this principle relate to the challenges from elevated inflation combined with the rising interest rate environment, the effects in the global economy from the failures of the banks in the United States and the absorption of Credit Suisse operations by UBS as well as the negative impact from the war in Ukraine. Management closely monitors the developments and the impact they may have on the Group's operations, businesses and financial performance, including liquidity and capital usage.

Going concern (continued)

Based on the above and taking into account:

- the strong capital position with Capital adequacy ratio and CET 1 ratio of 17,96% and 16,54%, respectively, above minimum capital requirements;
- the ample liquidity position of the Bank with significant liquidity buffer and LCR ratio at 281%;
- the efficient resolution of the Non-Performing loans and the drastic improvement of the NPL ratio;
- the close monitoring of the lending portfolio under the current operating environment.

The Bank concluded that there are no material uncertainties which could cast significant doubt over the Bank's ability to continue as a going concern for at least the next 12 months from the date of approval of the Consolidated Financial Statements for the year ended 31 December 2022.

Principal risks and uncertainties - Risk management and mitigation
The Group activities are mainly in Cyprus therefore its performance is impacted by changes in the Cyprus operating environment.

Like other financial organisations, the Group is exposed to a variety of risks, the most significant of which are credit risk, liquidity risk and market risk (including foreign exchange risk, interest rate risk and price risk). The Group monitors and manages these risks through various control mechanisms.

Additionally, the Group is exposed to the risk of changes in the fair value of property which is held either for own use or as stock of property. Stock of property is acquired in exchange of debt and is intended to be disposed in line with the Group's strategy.

The Group is also exposed to litigation risk, arising from claims on other matters. Further information is disclosed in Note 42 to these consolidated financial statements for the year ended 31 December 2022.

As explained in Note 42 to the consolidated financial statements, the Group's risk management program focuses on the unpredictability of the economic environment in which it operates and seeks to minimise potential adverse effects on the Group's financial performance. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, to monitor risks and to ensure adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors is assisted in this task by the Risk Committee and the Audit Committee which assess the adequacy of the risk management framework and the system of internal controls of the Group respectively.

Environmental, Social, Governance (ESG) considerations
The Group is committed to operate in an economically, socially and environmentally sustainable manner, and considers it of utmost importance to adopt the necessary changes in order to align its strategy and operations with the key areas of an ESG agenda.

In 2022 the Group has established an ESG working plan with purpose to address regulatory expectations and incorporate ESG factors on four key areas: Strategic Planning, Governance, Risk Management, and Data & Disclosures.

The working plan has been approved by the Board of Directors and its implementation is monitored jointly by the Board and the ESG Steering Committee.

Within 2022 the Group has also issued its second Corporate Sustainability Report for the year 2021, highlighting the principles of transparency regarding its actions. The Report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards (Core Option) and the aim of the Report is to present the strategy, activities, practices, and results that the Group has achieved during the reference year.

Environmental Pillar
The Group recognises climate change as the defining issue of our time. Consequently, the Group's environmental goal is to monitor a dashboard performance, including carbon footprint, by setting specific targets, raising awareness within its stakeholder groups, and designing and developing products to protect the environment and improve the use of natural resources. At the same time, the Group will be supporting and guiding the entities it finances through this transition.

Environmental, Social, Governance (ESG) considerations (continued)

In 2022 the Group designed and launched three environmentally-friendly loan products: the EcoLogic home (for house renovations with purpose to improve the energy efficiency of the primary or holiday home), the EcoLogic consumer (for the purchase of photovoltaic and other energy-saving systems), and the EcoLogic Business (addressed to companies that wish to upgrade the energy efficiency of their office buildings and supplementary to the relevant scheme under the Recovery and Resilience Plan of Cyprus). The Group also offers the EcoLogic FastAuto (launched in 2019) for the purchase of environmentally friendly electric or hybrid vehicles.

As part of its ESG working plan, the Group intends to estimate the Scope 1 and Scope 2 emissions of 2022 greenhouse gases (GHG) that relate to its own operations and design a strategy for their reduction. To that effect, the Group has come to an agreement for the purchase of electricity from Renewable Energy Sources and is also in the process of installing a photovoltaic system in its headquarters.

The Group also plans to estimate its Financed Scope 3 GHG emissions and design and implement a strategy for their reduction.

Moreover, the Group will integrate climate risk considerations in its risk management framework and procedures. Currently, the Group is in the process of incorporating the assessment of climate-related matters in its loan origination and credit assessment processes.

During 2022 and as part of the Group’s training strategy to increase awareness around ESG matters, it has facilitated attendance to external seminars and training courses as well as organised internal training sessions for the members of the Board of Directors, Senior Management, and employees. Moreover, the Group issued its first ESG newsletter, as well as a separate pamphlet, providing ecologic tips to reduce carbon footprint at work. In addition, a dedicated ESG section was created in the Group's internal portal.

The Group has also launched a new series of debit and credit cards, which are almost completely biodegradable, with the aim of removing significant quantities of plastic which would otherwise end up in the ecosystem, thereby reducing the environmental footprint. New cards feature delicate ecosystems, endangered species, and solutions that promote sustainability.

Social Pillar

The Group continues to actively support Europa Donna Cyprus as a strategic partner. For 14 consecutive years, the Group has been co-organizing the Pink Silhouettes March, an initiative that aims to raise public awareness on matters related to breast cancer and empower women to fight this disease. The Group also systematically sponsors and supports several non-governmental organisations and organizes social responsibility events with the participation of its employees.

Within the framework of supporting employees and stakeholders, the Group remains invested in the continuous learning and development of its employees, with high quality training sessions being offered across the Group via traditional and modern delivery methods.

The ‘We Care’ initiative was also introduced in 2022, as part of the Group’s actions to support a better work-life balance for its employees. The initiative provides, inter alia, 26 weeks fully paid maternity leave (the Group offered this prior to being officially passed as legislation by the Cyprus Parliament), 3 weeks fully paid paternity leave, educational leave, gift vouchers for new parents, access to a virtual wellness platform, paid care-leave, working from home arrangements and more. Moreover, the Group continues to offer the ‘Employee Assistance Programmes’, which provide free guidance and counselling to employees by trained professionals on a 24/7 basis.

Governance Pillar

Transparency, credibility, accountability, and security are the fundamental corporate governance principles in the contemporary corporate environment. These provide the framework for the achievement of the Group’s objectives, reflecting the Group’s values and safeguarding the interests of the shareholders.

An inclusive aim of the Group’s internal regulations is to provide transparency and efficiency to the current governance system and to determine the rules of sound and responsible administration, in order to strengthen the confidence of shareholders, employees, and customers towards the Group.

In support of the implementation of its ESG agenda, in 2022 the Group has established an ESG Steering Committee as well as an ESG Unit. The Committee’s main responsibility is to assist the Board of Directors in overseeing the development and implementation of the Group’s general strategy with respect to ESG matters. The Committee also recommends policies, practices, and disclosures that conform with the strategy

Environmental, Social, Governance (ESG) considerations (continued)

Governance Pillar (continued)

and advises the Board of Directors on the effective management of ESG risks. The Committee is composed of members of the Senior Management of the Group and is chaired by an Executive Director of the Board. The ESG Unit is responsible for the coordination and implementation of actions to achieve alignment with the Group's ESG strategy.

The Board of Directors is sufficiently diverse and reflects an adequately broad range of experiences to facilitate a variety of opinions and critical challenge, while also having adequate collective knowledge, skills and experience to be able to understand the institution's activities, including the main risks.

In 2022, the Group has increased women representation in the Board of Directors, with 25% of the Board members being female. The Group aims at achieving at least 33% women representation in the Board of Directors by 2026. At Senior Management level, there was a 38% representation of women, as at 31 December 2022.

Board of Directors

The members of the Board of Directors of the Bank during the year 2022 and on the date of this Management Report are listed on page 1. All Directors were members of the Board throughout the year and up to the date of this Management Report except as disclosed below.

On 15 June 2022, Mrs. Evi Rossidou Antoniadou was appointed as Executive Director.

On 19 July 2022, the Board of Directors accepted the resignation of Mr. Maurice Sehnaoui as Non-Executive Vice Chairman.

On 5 August 2022, Mr. William J. Gallagher was appointed as Independent Non-Executive Director.

On 20 October 2022, Mr. Andreas Vassiliou an Independent Non-Executive Director, was appointed as Non-Executive Vice Chairman.

On 21 February 2023, Mr. Konstantinos Ioannou was appointed as Independent Non-Executive Director. He resigned on 28 February 2023 following his appointment as a Minister of Interior.

The remuneration of the Board of Directors is disclosed in Note 47 to the consolidated financial statements.

Events after the reporting date

The events after the reporting date are disclosed in Note 48 to the consolidated financial statements for the year ended 31 December 2022.

Independent auditors

Ernst & Young Cyprus Limited, have signified their willingness to continue in office. A resolution proposing their re-appointment and authorising the Board to set their remuneration will be proposed at the Annual General Meeting.

By Order of the Board,

Aristidis Vourakis
Chief Executive Officer

28 April 2023

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Independent Auditor's Report

To the Members of AstroBank Public Company Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of AstroBank Public Company Limited (the "Bank"), and its subsidiaries (the "Group"), which are presented in pages 24 to 138 and comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the Bank for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We 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.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit losses on loans and advances to customers As at 31 December 2022, gross loans and advances to customers amounted to €1.203.112.659 and the related expected credit losses ("ECL") amounted to €112.445.908. Refer to Note 22 of the consolidated financial statements for the relevant disclosures. The relevant accounting policy is presented in the accounting policies and further analysed in Note 2 of the consolidated financial statements. Management exercises significant judgement, using subjective assumptions when determining the amounts of the ECL for loans and advances to customers. Refer to Note 6.2 of the consolidated financial statements for the critical accounting estimates and judgments used in the calculation of ECL. Management exercises significant level of judgement and estimates for the below areas: • The allocation of loans and advances to Stages 1, 2 or 3 using criteria in accordance with IFRS 9;	We have performed, among others, the following audit procedures: • Updated our understanding and performed walkthroughs of the processes relevant to the calculation of ECL to identify key systems, applications and controls within the processes. • Tested the design and operating effectiveness of key controls across the processes relevant to the calculation of ECL. • Analysed and evaluated the criteria used to allocate loans and advances to customers to Stage 1, 2 or 3 in accordance with IFRS 9. We selected a sample of loans and advances to customers in Stage 1, 2 or 3 to test whether they were allocated to the appropriate stage. • Engaged our financial risk specialists to perform an assessment as to whether the coding of the Bank's ECL and Macro tools used for the calculation of ECL is in line with the Bank's IFRS 9 provisioning methodology. • Engaged our financial risk specialists to assess whether the macroeconomic scenarios and the probability weights assigned are reasonable. • Engaged our financial risk specialists to perform the following: ○ Independently replicate the Bank's ECL calculation for a sample of accounts using the Bank's inputs;

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• The inputs, assumptions and probability weights assigned to multiple economic scenarios; • Management overlays used in the ECL calculation; • The identification and measurement of ECL for loans and advances to customers which were individually assessed; and • The accuracy and adequacy of the disclosures in the financial statements. We consider this to be a key audit matter due to the fact that a significant level of judgement is exercised by management in estimating the ECL on loans and advances to customers. Furthermore, we consider this to be a key audit matter, as loans and advances to customers are a significant part of the Group's total assets.	○ Assess the accuracy of the assigned risk parameters (PD, LGD and cure rate); and ○ Perform rank-ordering tests across different scenarios, stages and portfolios for PD, LGD, and ECL for all exposures. • Selected a sample of collateral valuations and engaged a property valuation specialist to assess whether the collateral valuations recognised by the Bank are reasonable. • For a sample of loans and advances to customers, we assessed whether the inputs used in the ECL calculation such as liquidation haircuts and liquidation date are determined in accordance with the Bank's policy and methodology. • Assessed whether any management overlays used in the ECL calculation are reasonable. • Performed analytical procedures on the ECL recognised to assess the reasonableness of the ECL recognised by the Bank. • For a sample of the individually assessed loan files, we assessed the measurement of the provisions by assessing the reasonableness of the main assumptions and inputs used such as collateral value, liquidation date and estimated cash flows. • Read the minutes of the Provisioning Committee meetings where the inputs, assumptions and ECL adequacy were discussed and approved. • Assessed the adequacy of the disclosures made against the relevant accounting standards.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report.

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

Responsibilities of the Board of Directors and those charged with governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

We communicate with those charged with governance 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 thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

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.

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Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Group on 12 June 2018 by the Annual General Meeting of the shareholders. Our appointment has been renewed annually by shareholder resolution. The total period of uninterrupted engagement appointment is 5 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 26 April 2023 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.

Other Matters

This report, including the opinion, has been prepared for and only for the Bank'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 Nicolas Pavlou.

Nicolas Pavlou
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited

Certified Public Accountants and Registered Auditors

Nicosia

28 April 2023

Consolidated financial statements

Consolidated Income Statement
for the year ended 31 December 2022

	Note	2022 €	2021 €
Interest income	7	54.739.527	52.374.969
Other interest income	7	874.842	464.010
Interest expense	7	(4.377.489)	(4.743.003)
Net interest income		**51.236.880**	**48.095.976**
Fee and commission income	8	19.602.255	19.607.712
Fee and commission expense	8	(2.707.617)	(2.680.676)
Net fee and commission income		**16.894.638**	**16.927.036**
Other income	9	5.559.660	2.612.885
Net (loss)/gain on financial instrument transactions and disposal of subsidiaries and associates	10	(816.454)	4.505.193
(Loss)/gain on derecognition of financial assets measured at amortised cost	21	(192.714)	2.009.901
Total net income		**72.682.010**	**74.150.991**
Staff expenses	11	(27.778.897)	(26.311.291)
Other operating expenses	12	(23.474.086)	(21.946.652)
Depreciation and amortisation	13	(3.701.142)	(4.536.472)
Special levy on deposits and other levies/contributions	12	(4.120.264)	(4.018.434)
Total operating expenses		**(59.074.389)**	**(56.812.849)**
Profit from ordinary operations before impairment losses		**13.607.621**	**17.338.142**
Reversal of impairment /(impairment) on financial assets	14	33.172	(6.933.012)
Impairment on non-financial assets	14	(3.012.853)	(3.537.560)
Write-off of intangible assets	28	(710.505)	(2.932.411)
Profit before share of results of associate		**9.917.435**	**3.935.159**
Share of (loss)/ profit of associate, net of taxation	23	(419.314)	802.166
Profit before tax		**9.498.121**	**4.737.325**
Income tax credit/ (charge)	15	2.683.961	(1.470.811)
Profit for the year		**12.182.082**	**3.266.514**
Attributable to:			
Owners of the Bank		12.042.562	3.235.551
Non-controlling interests		139.520	30.963
Profit for the year		**12.182.082**	**3.266.514**

The notes on pages 30-138 form an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2022

	2022 €	2021 €
Profit for the year after tax	**12.182.082**	**3.266.514**
Other comprehensive income:		
Items that will not be reclassified in the income statement		
Property revaluation reserve		
Revaluation gain on own use properties	1.054.471	205.016
Deferred tax on revaluation of own used properties (Note 30,37)	199.249	150.879
Fair value reserve (equity instruments)		
Equity investments at fair value through other comprehensive income (FVOCI) – net change in fair value (Note 37)	62.984	124.279
Other comprehensive gain for the year after tax	**1.316.704**	**480.174**
Total comprehensive income for the year	**13.498.786**	**3.746.688**
Attributable to:		
Owners of the Bank	13.232.067	3.709.729
Non-controlling interests	266.719	36.959
Total comprehensive income for the year	**13.498.786**	**3.746.688**

The notes on pages 30-138 form an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position
as at 31 December 2022

	Note	31 December 2022 €	31 December 2021 €
Assets			
Cash and balances with Central Banks	16	782.631.481	670.854.232
Placements with other banks	17	21.943.349	29.003.109
Derivative financial instruments	18	1.304.888	96.130
Financial assets at fair value through profit or loss	19	12.906.793	12.022.732
Financial assets at fair value through other comprehensive income	20	6.394.636	6.331.652
Debt securities	21	585.409.143	939.891.741
Loans and advances to customers	22	1.090.666.751	1.136.910.818
Investment in associate company	23	186.000	4.055.283
Other assets	24	17.730.362	30.755.351
Investment property	25	19.850.251	13.270.033
Stock of property	26	140.527.900	131.791.212
Property and equipment	27	32.898.135	37.726.594
Intangible assets	28	9.507.570	3.766.758
Deferred tax assets	30	4.192.346	1.435.647
Total assets		**2.726.149.605**	**3.017.911.292**
Liabilities			
Amounts due to other banks and deposits from banks	31	13.133.697	16.531.800
Funding from Central Banks	32	296.501.809	495.136.111
Derivative financial instruments	18	139.615	253.579
Deposits and other customer accounts	33	2.111.912.429	2.191.390.594
Subordinated liabilities	34	16.462.910	16.129.001
Debt securities in issue	34	21.379.468	3.055.124
Other liabilities	35	58.645.847	98.329.868
Deferred tax liabilities	30	4.297.106	3.554.124
Total liabilities		**2.522.472.881**	**2.824.380.201**
Equity			
Share capital	36	23.624.789	23.624.789
Share premium	36	155.383.361	155.383.361
Fair value reserve	37	2.270.233	1.080.728
Retained earnings and other reserves	37	22.398.341	10.349.746
Total equity		**203.676.724**	**190.438.624**
Non-controlling interests	25	-	**3.092.467**
Total equity and liabilities		**2.726.149.605**	**3.017.911.292**

The notes on pages 30-138 form an integral part of the consolidated financial statements.

On 28 April 2023, the Board of Directors of AstroBank Public Company Limited approved these consolidated financial statements for issue.

Mr. Michalis Sarris — Chairman

Mr. Aristidis Vourakis — Chief Executive Officer

Mr. Andreas Artemiou — Chief Financial Officer

Consolidated Statement of Changes in Equity
for the year ended 31 December 2022

	Share Capital (Note 36) €	Share Premium (Note 36) €	Fair value Reserve (Note 37) €	Retained earnings (Note 37) €	Total €	Non-controlling interests €	Total Equity €
Balance at 1 January 2021	**23.624.789**	**155.383.361**	**606.550**	**7.114.195**	**186.728.895**	**0**	**186.728.895**
Total comprehensive income for the year							
Profit for the year	-	-	-	3.235.551	3.235.551	30.963	3.266.514
Other comprehensive income for the year	-	-	474.178	-	474.178	5.996	480.174
Total comprehensive income for the year	**-**	**-**	**474.178**	**3.235.551**	**3.709.729**	**36.959**	**3.746.688**
Addition of non-controlling interests	-	-	-	-	-	3.055.508	3.055.508
Transactions with shareholders	**-**	**-**	**-**	**-**	**-**	**3.055.508**	**3.055.508**
Balance as at 31 December 2021	**23.624.789**	**155.383.361**	**1.080.728**	**10.349.746**	**190.438.624**	**3.092.467**	**193.531.091**
Balance at 1 January 2022	**23.624.789**	**155.383.361**	**1.080.728**	**10.349.746**	**190.438.624**	**3.092.467**	**193.531.091**
Total comprehensive income for the year							
Profit for the year	-	-	-	12.042.562	12.042.562	139.520	12.182.082
Other comprehensive income for the year	-	-	1.189.505	-	1.189.505	127.199	1.316.704
Total comprehensive income for the year	**-**	**-**	**1.189.505**	**12.042.562**	**13.232.067**	**266.719**	**13.498.786**
Reduction of non-controlling interests (Note 39)	-	-	-	139.520	139.520	(3.359.186)	(3.219.666)
Special defence contribution on deemed dividend distribution	-	-	-	(133.487)	(133.487)	-	(133.487)
Transactions with shareholders	**-**	**-**	**-**	**6.033**	**6.033**	**(3.359.186)**	**(3.353.153)**
Balance as at 31 December 2022	**23.624.789**	**155.383.361**	**2.270.233**	**22.398.341**	**203.676.724**	**-**	**203.676.724**

The notes on pages 30-138 form an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows
for the year ended 31 December 2022

	Notes	2022 €	2021 €
Cash flows from operating activities			
Profit for the year before tax		9.498.121	4.737.325
Adjustments for:			
Depreciation and amortisation	13	3.701.142	4.536.472
Profit on disposal of stock of property	9	(2.923.672)	(887.828)
Fair value loss/ (gain) on financial assets at fair value through profit or loss	19	1.966.764	(698.855)
Loss/(gain) on derecognition of financial assets measured at amortised cost	21	192.714	(2.009.901)
Share of loss/(gain) of associate company	23	419.314	(802.166)
Fair value (gain)/ loss on revaluation of investment property	9	(1.053.907)	48.799
Loss from revaluation of debt securities designated as fair value hedges	21	1.314.665	426.529
Effect of change in exchanges rates on acquisition of operations	10	-	(2.114.854)
Servicer's settlement fees	12	7.598.328	-
Finance lease interest	29	373.328	178.057
Impairment of stock of property	26	893.002	3.537.560
Write-off of intangibles	28	710.505	2.932.411
Foreign exchange difference on financial assets at fair value through profit or loss and at amortised cost	19,21	(9.405.213)	(8.073.990)
Amortisation of debt securities	21	4.622.555	8.565.253
Dividend income	9	(548.628)	(374.449)
Distribution from fund participation	9	(430.695)	(778.226)
Negative interest on funding from central banks	7	(2.159.389)	(4.277.777)
Interest on subordinated bond	7	1.312.000	1.312.000
(Reversal of)/ provision for expected credit loss to cover credit risk on loans and advances to customers	14	(5.744.414)	8.062.774
Reversal of expected credit loss to cover credit risk on contractual commitments and guarantees	14	(497.281)	(228.721)
(Provision for) /reversal of expected credit loss to cover credit risk on other financial instruments	14	6.208.524	(901.039)
		16.047.763	**13.189.374**
Changes in:			
Loans and advances to customers (note 1 below)		5.379.925	(63.053.905)
Deposits from and amounts due to other banks and customer accounts		(82.876.268)	52.319.908
Mandatory deposits with the Central Bank of Cyprus		1.601.948	(1.302.215)
Other assets		8.349.081	(1.794.070)
Net position in derivative financial instruments		(1.322.722)	(402.253)
Other liabilities		(35.767.019)	8.967.105
Net cash (used in)/generated from operations		**(88.587.292)**	**7.923.944**
Cash flows from investing activities			
Purchase of property and equipment	27	(2.000.288)	-
Purchase of intangible assets	28	(2.325.939)	(1.690.706)
Purchases of financial assets at fair value through profit and loss	19	(6.915.907)	(95.045.034)
Proceeds on disposal of financial assets at fair value through profit and loss		4.387.547	96.399.554
Purchases of debt securities at amortised cost	21	(549.685.075)	(1.267.029.985)
Proceeds from disposal of debt securities at amortised cost		907.321.004	1.187.433.011

Consolidated Statement of Cash Flows
for the year ended 31 December 2022

	Notes	2022 €	2021 €
Purchase of investments at FVOCI		-	(35.490)
Proceeds from disposal of stock of property	9,26	36.357.352	29.963.607
Proceeds from distribution from fund participation		353.461	546.457
Dividend received		548.628	803.934
Acquisition of branch operations (note 2 below)		-	(198.049)
Acquisition of subsidiary (note 3 below)		(13.000.000)	(9.171.415)
Net cash generated from/(used in) investing activities		**375.040.783**	**(58.024.116)**
Cash flows from financing activities			
(Repayment) /Proceeds of funding from central banks	32	(200.000.000)	100.000.000
Interest on funding from central banks		3.525.087	345.138
Issue of subordinated bond	34	21.379.468	3.055.124
Interest on subordinated bond		(866.186)	(1.304.385)
Repayment of debt securities in issue	34	(3.167.029)	-
Lease payments	29	(1.005.394)	(899.213)
Net cash(used in)/generated from financing activities		**(180.134.054)**	**101.196.664**
Net increase in cash and cash equivalents		**106.319.437**	**51.096.492**
Cash and cash equivalents			
At the beginning of the year	16	677.363.928	626.267.438
Net increase in cash and cash equivalents		106.319.437	51.096.490
At the end of the year	16	**783.683.365**	**677.363.928**

The notes on pages 30-138 form an integral part of the consolidated financial Statements.

(1) Non-cash transactions from operating activities

During the year the Group acquired property for the amount of €43,1 million (2021: €19,6 million) via the execution of debt for asset swaps as settlement for loan repayments. These are not included in cash flows from operating activities as they do not constitute cash movements.

(2) Acquisition of the banking business of the Byblos Bank S.A.L. Cyprus Branch ("the Branch") in 2021

The Group discloses in a separate line the total consideration paid and the amount of cash and cash equivalents for the subsidiary and the banking business of the branch acquired during the year.

(3) Acquisition of ex-Quant business in 2022

The Group discloses in a separate line the total consideration paid and the amount of cash and cash equivalents in the acquired business over which control is obtained during the year (Note 39).

1. CORPORATE INFORMATION

Country of incorporation

AstroBank Public Company Limited (the "Bank") was incorporated in Cyprus on 29 December 2006 as a private limited liability company (Reg. No. HE189515), in accordance with the provisions of the Cyprus Companies Law, Cap. 113. The registered office of the Bank is located at 1, Spyrou Kyprianou Street, CY-1065 Nicosia. AstroBank Group (the "Group") comprises the Bank and its subsidiaries.

The subsidiaries of the Group were incorporated in Cyprus in accordance with the provisions of the Cyprus Companies Law, Cap. 113.

Principal activities

The principal activities of the Bank during the year continued to be the provision of banking and financial services.

The principal activities of the subsidiaries, which are unchanged from last year are the holding, administration and disposal of property acquired by the Bank in debt satisfaction. A separate subsidiary is used as an insurance broker.

Consolidated financial statements

On 28 April 2023 the Board of Directors of the AstroBank Public Company Limited authorised for issue the Consolidated Financial Statements (the "Financial Statements") for the year ended 31 December 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Consolidated Financial Statements have been prepared on a historical cost basis, except for properties held for own use, investment properties, investments at fair value through other comprehensive income (FVOCI), financial assets at fair value through profit or loss (FVTPL) and derivative financial assets and derivative financial liabilities that have been measured at fair value and stock of property measured at net realisable value where this is lower than cost. The carrying values of recognized assets and liabilities that are hedged items in fair value hedges, and otherwise carried at cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

The Consolidated Financial Statements have been prepared on a going concern basis following Board of Directors and Management assessment of the Group's ability to continue as a going concern for a period of 12 months from the date of approval of these consolidated financial statements (Note 4).

The Group presents its assets and liabilities in order of liquidity. An analysis regarding expected recovery or settlement of assets and liabilities within twelve months after the reporting date and more than twelve months after the reporting is presented in Note 46.

Statement of compliance
The Consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

Presentation of the Consolidated Financial Statements
The financial statements are presented in Euro (€), which is the functional currency of the Bank and all amounts are rounded to the nearest thousand, except when otherwise indicated. A dot is used to separate thousands and a comma is used to separate decimals.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at 31 December 2022. The financial statements of the subsidiaries are prepared as of the same reporting date as that of the Bank, using consistent accounting policies except for the properties acquired in debt satisfaction. Properties acquired in debt satisfaction are presented as investment properties or stock of property in the financial statements of the subsidiaries and as stock of property in the consolidated financial statements of the Bank.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following elements:

- Power over an investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in income statement.

The details of the subsidiaries whose results are consolidated in these consolidated financial statements are disclosed in Note 41.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Accounting policies and changes in accounting policies and disclosures

The Consolidated Financial Statements contain a summary of the accounting policies adopted in the preparation of the Consolidated Financial Statements. The accounting policies adopted are consistent with those of the previous year. The adoption of new and amended standards and interpretations as explained in Note 2.3.1 did not have an impact on the Group.

2.3.1 New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 3 Business Combinations (amendments)

The IASB has published 'Reference to the Conceptual Framework (Amendments to IFRS 3) with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing the accounting requirements for business combinations.

IAS 16 Property, Plant and Equipment (Amendments)

The amendments to the standard prohibit an entity from 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, an entity recognises the proceeds from selling such items, and the cost of producing those items, in income statement.

IAS 37: Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract (amendments)

The changes in Onerous Contracts — Cost of Fulfilling a Contract specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Annual Improvements to IFRS Standards 2018–2020 Cycle

Annual Improvements to IFRS Standards 2018–2020 Cycle makes amendments to the following standards:

- IFRS 1 First time Adoption of International Financial Reporting Standards: the amendment permits a subsidiary that applies IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

- IFRS 9 Financial Instruments: the amendment clarifies which fees an entity includes when it applies the '10 per cent' test of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

- IFRS 16 Leases: the amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- IAS 41 Agriculture: the amendment removes the requirement of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique, which ensures consistency with the requirements in IFRS 13.

These amendments and the annual improvements to FRS Standard Cycle did not have a significant impact on the Group during the year ended 31 December 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Standards and Interpretations that are issued but not yet effective

2.4.1 Standards and Interpretations issued by the IASB and adopted by the EU

IFRS 17: Insurance Contracts

IFRS 17 'Insurance Contracts' (IFRS 17) became effective on 1 January 2023 and applies retrospectively. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features.

IFRS 17, is a comprehensive new accounting standard for insurance contracts which replaces IFRS 4 Insurance Contracts. In contrast to the requirements in IFRS 4, IFRS 17 provides a comprehensive model (the general measurement model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short duration insurance contracts. The main features of the new accounting standard for insurance contracts are the following:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- A Contractual Service Margin that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The Contractual Service Margin represents the unearned profitability of the insurance contracts and is recognised in income statement over the service period (i.e. the coverage period)
- Certain changes in the expected present value of future cash flows are adjusted against the Contractual Service Margin and thereby recognised in income statement over the remaining contractual service period
- The recognition of insurance revenue and insurance service expenses in the consolidated income statement based on the concept of services provided during the period
- Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of the risks arising from these contracts.

This standard is not relevant to the Group's operations therefore its application does not have an impact on the Group's financial performance, financial position or cash flows.

IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments)

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Group does not expect this amendment to have a material impact on its results and financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Standards and Interpretations that are issued but not yet effective (continued)

2.4.1 Standards and Interpretations issued by the IASB and adopted by the EU (continued)

IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments)

The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The Group does not expect this amendment to have a material impact on its results and financial position.

IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)

The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. The Group does not expect this amendment to have a material impact on its results and financial position.

2.4.2 Standards and Interpretations issued by the IASB but not yet adopted by the EU

IFRS 16 Leases: Lease Liability in a Sale and Leaseback (amendments) (issued on 22 September 2022)

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use it retains. Applying these requirements does not prevent the seller-lessee from recognising, in income statement, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. The Group does not expect this amendment to have a material impact on its results and financial position.

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Amendments)

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted, and will need to be applied retrospectively in accordance with IAS 8. The objective of the amendments is to clarify the principles in IAS 1 for the classification of liabilities as either current or non-current. The amendments clarify the meaning of a right to defer settlement, the requirement for this right to exist at the end of the reporting period, that management intent does not affect current or non-current classification, that options by the counterparty that could result in settlement by the transfer of the entity’s own equity instruments do not affect current or non-current classification. Also, the amendments specify that only covenants with which an entity must comply on or before the reporting date will affect a liability’s classification. Additional disclosures are also required for non-current liabilities arising from loan arrangements that are subject to covenants to be complied with within twelve months after the reporting period. The Group does not expect this amendment to have a material impact on its results and financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Standards and Interpretations that are issued but not yet effective (continued)

2.4.2 Standards and Interpretations issued by the IASB but not yet adopted by the EU (continued)

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The Group does not expect this amendment to have a material impact on its results and financial position.

2.5 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in operating expenses.

Any excess of the cost of acquisition over the Group’s share of the fair values of the identifiable net assets acquired, is recognised as goodwill on the consolidated balance sheet. Where the Group’s share of the fair values of the identifiable net assets are greater than the cost of acquisition (i.e. negative goodwill), the difference is recognised directly in the consolidated income statement in the year of acquisition. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

If the business combination is achieved in stages, the previously held equity interest is remeasured at fair value and any resulting gain or loss is recognised in the consolidated income statement. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the Group and acquiree were parties to a pre-existing contractual relationship, this is accounted for separately from the business combination and, if applicable, leads to the recognition of a gain or loss for the amount of the consideration transferred to the acquiree which effectively represents a 'settlement' of the pre-existing relationship. The amount of the gain or loss is measured at the lesser of (a) the favorable/ unfavorable contract position and (b) any stated settlement provisions in the contract available to the counterparty to whom the contract is unfavorable.

2.6 Investment in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. In the Consolidated Financial Statements, the Group’s investments in associates are accounted for using the equity method of accounting.

Under the equity method, the investment in an associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group’s share of the net assets of the associate. The Group’s share of the results of the associate is included in the consolidated income statement. Losses of the associate in excess of the Group’s cost of the investment are recognised as a liability only when the Group has incurred obligations on behalf of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not tested for impairment separately.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Investment in associate (continued)

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of income statement.

Any excess of the Group's share of the net fair value of the associate's identifiable assets over the cost of the investment (i.e. negative goodwill) is included as income in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired. The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated income statement outside operating profit and represents profit or loss before tax. The associated tax charge is disclosed in income tax.

The Group recognises its share of any changes in the equity of the associate through the consolidated statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate.

The Group applies equity accounting only up to the date an investment in associates meets the criteria for classification as held for sale. From then onwards, the investment in associates is measured at the lower of its carrying amount and fair value less costs to sell. The financial statements of the associates are prepared as of the same reporting date as that of the Company, using consistent accounting policies.

2.7 Foreign currency translation

Functional and presentation currency
The consolidated financial statements of the Group are presented in Euro (functional and presentation currency), which is the currency of the primary economic environment in which the Group operates.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate at the date when the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the consolidated income statement (in "Net (losses)/ gains on financial instrument transactions and disposal of subsidiaries and associates").

2.8 Turnover
Turnover comprises of interest income, fee and commission income, net gains or losses on disposal and revaluation of foreign currencies and financial instruments and other income. Group turnover also includes net insurance income.

2.8.1 Interest income and interest expense

2.8.1.1 Interest income and other interest income

Interest income is recognised in the consolidated income statement by applying the effective interest rate (EIR) to the gross carrying amount of financial asset other than credit-impaired assets.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, interest income is calculated by applying the effective interest rate to the net amortised cost of the financial asset, being the gross carrying amount less any allowance. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on the gross carrying amount.

Interest income on purchased or originated credit-impaired (POCI) financial assets is recognised using the Credit Adjusted Effective Interest Rate calculated at initial recognition. The Credit Adjusted Effective Interest Rate is applied on the amortised cost of the financial asset, being the gross carrying amount of the financial asset less any loss allowance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8.1 Interest income and interest expense (continued)

2.8.1.1 Interest income and other interest income (continued)

Any recoveries of interest from settled or cured exposures is recognised as a positive movement in expected credit losses. This is recognised through the in "impairment on financial assets" in the consolidated income statement.

Interest income from financial assets at amortised cost and financial assets at FVOCI is presented separately within the caption "interest income".

Interest income from debt securities classified at FVTPL calculated by applying the coupon rate to the notional amount of the financial asset. Interest income from financial assets at FVTPL is presented within the caption "other interest income".

The Group has funding from central banks with negative interest rates. The Group classifies the interest on these liabilities within interest income. Negative interest on funding from Central Banks is disclosed in Note 7.

The Group holds loans and advances to banks and central banks with negative interest rates. Negative interest income relating to these other assets is recorded in "interest expense" in the consolidated income statement.

The effective interest rate method
Interest income and expense are recognised in the consolidated income statement by applying the effective interest rate (EIR) for all financial instruments measured at amortised cost and debt instruments at fair value through other comprehensive income.

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

2.8.1.2 Interest expense

Interest expense is recognised in the consolidated income statement for all interest bearing assets and liabilities on an accrual basis using the effective interest method.

2.8.2 Fee and commission income and expense

2.8.2.1 Fee and commission income

Fee and commission income relates to loans and advances, credit cards, letters of guarantee documentary credits and transfers of money and other banking services as well as through insurance intermediation activities.

The Group earns fee income from a range of services it provides to its clients. Fee income can be divided into two categories:

- fees earned from services that are provided over a certain period of time, such as asset management and custody services
- fees earned from point in time services such as executing transactions and brokerage fees.

Over time services
Fees earned from services that are provided over a certain period of time are recognised pro-rata over the service period.

Point in time services
Fees earned from providing transaction-type services are recognised when the service has been completed provided such fees are not subject to refund or another contingency beyond the control of the Group.

Fee and commission income is measured based on consideration specified in a legally enforceable contract with a customer, excluding amounts such as taxes collected on behalf of third parties. Consideration can include both fixed and variable amounts. Variable consideration includes refunds, discounts and other amounts that are contingent on the occurrence or non-occurrence of a future event. Variable consideration that is contingent on an uncertain event can only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue for a contract will not occur.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8.2 Fee and commission income and expense (continued)

2.8.2.2 Fee and commission expense

The Group applies a five-step revenue recognition model to recognise commissions and fee income, under which the performance obligations as well as the timing of their satisfaction are identified and income is recognised when control of goods and services is transferred, i.e. the contractual performance obligation to the client has been satisfied. The amount of income is measured on the basis of the contractually agreed transaction price and is allocated to the performance obligations defined in the contract.

Fees and commission expense are generally recognised in the year when the service has been provided to the clients or to the Group respectively. Fees and commission expense relate to loans and advances, credit cards, letters of guarantee documentary credits and transfers of money and other banking services as well as through insurance intermediation activities.

2.8.3 Rental income

Rental income from investment properties or stock of properties is accounted for on a straight-line basis over the period of the lease and is recognised in the consolidated income statement in 'Other income'.

2.8.4 Dividend income

Dividend income is recognised in the consolidated income statement in "Other income" when the Group's right to receive payment is established.

2.8.5 Gains from the disposal of investment property and stock of property

Net gains on disposal of investment property or stock of property are recognised in the consolidated income statement in "Other income" when the buyer accepts ownership of the property and the control of the property to the buyer is completed.

2.9 Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in consolidated other comprehensive income or directly in equity. In this case, the tax is also recognised in consolidated other comprehensive income or directly in equity, respectively.

Current income tax
The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the Bank operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, the Bank establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax
Deferred tax liabilities are recognised for all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the Group where there is an intention to settle the balances on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Tax (continued)

Indirect Tax Value Added Tax (VAT)

Expenses and assets are recognised net of the amount of VAT, except:

- when the VAT incurred on a purchase of assets or services is not recoverable from the tax authorities, in which case, the VAT suffered is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- when receivables and payables are stated with the amount of VAT charged. The amount of VAT recoverable from, or payable to the tax authorities is included as part of receivables or payables in the consolidated statement of financial position.

2.10 Special levy

According to the "Special Levy on Credit Institutions Law of 2011 to 2017", special levy is imposed on credit institutions on a quarterly basis, at the rate of 0,0375% on qualifying deposits held by each credit institution on 31 December of the previous year for the quarter ending on 31 March, on 31 March of the same year for the quarter ending on 30 June, on 30 June of the same year for the quarter ending on 30 September and on 30 September of the same year for the quarter ending on 31 December. Based on an amendment to the Law effective as from 6 October 2017, an amount corresponding to the annual contribution of each credit institution to the Resolution Fund or to the Single Resolution Fund as the case may be, is deducted from the balance of special levy payable, up to the maximum amount of special levy for the same year.

Special levy is recognised in the consolidated income statement in "Other operating expenses".

2.11 Financial instruments - initial recognition

2.11.1 Date of recognition

"Balances with central banks", "Funding from central banks", "Placements with other banks", "Deposits from banks", "Loans and advances to customers", "Deposits and other customer accounts", are recognised when cash is received by the Group or advanced to the borrowers. All other financial assets and liabilities are initially recognised on the trade date. Purchases or sales of financial assets, where delivery is required within a time frame established by regulations or by market convention, are also recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Derivatives are also recognised on a trade date basis.

2.11.2 Initial recognition and measurement of financial instruments

The classification of financial assets on initial recognition depends on their contractual terms and the business model for managing the instruments, as described in" Classification and measurement of financial assets and liabilities" section below.

All financial instruments are measured initially at their fair value plus, in the case of financial assets and liabilities not measured at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in "Net gains on financial instrument transactions and disposal of subsidiaries and associates " caption. In the cases, where the fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial instruments - initial recognition (continued)

2.11.3 Measurement categories of financial assets and liabilities

Financial assets are measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL).

The Group classifies and measures its derivatives and trading portfolios at FVTPL.

Financial liabilities, other than loan commitments and financial guarantees are measured at amortised cost or at FVTPL when they are held for trading or relate to derivative instruments.

2.12 Classification and measurement of financial assets and liabilities

The classification and measurement of financial assets depends on how these are managed as part of the Business Models the Group operates under and their contractual cash flow characteristics (whether the cash flows represent solely payments of principle and interest (SPPI)).

Business model assessment
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Contractual cash flows characteristics test (SPPI assessment)

The Group assesses whether the individual financial assets' cash flows represent solely payments of principal and interest on the principal amount outstanding (SPPI criteria).

For the purpose of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as 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 the other basic lending risks and costs (i.e. liquidity risk and administrative costs), as well as a reasonable profit margin.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Classification and measurement of financial assets and liabilities (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change contractual cash flows such that it would not meet the SPPI criteria and be inconsistent with a basic lending arrangement. In making the assessment, the Group considers:

- contingent features;
- leverage features;
- prepayment and extension terms;
- convertible features;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money

In addition, where the contractual terms of a financial asset introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset will be measured at FVTPL.

2.12.1 Derivative financial instruments

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.

- It is settled at a future date.

Derivatives are recorded at fair value and classified as assets when their fair value is positive and as liabilities when their fair value is negative. Subsequently, derivatives are measured at fair value.

Revaluations of currency derivatives are included in the consolidated income statement in "Net (loss)/ gain on financial instrument transactions and disposal of subsidiaries and associates ".

Interest income and expense on swap transactions are included in the "Other interest income" captions respectively in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Classification and measurement of financial assets and liabilities (continued)

2.12.2 Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions:

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

This classification relates to cash and balances with central banks, placements with other banks, loans and advances to customers that pass the SPPI test, debt securities held under the 'Hold to collect' business model. These financial assets are measured at amortised cost using the effective interest rate method (EIR) less allowances for expected credit losses (ECL).

Amortised cost is calculated by taking into account any discount or premium on acquisition that are an integral part of the effective interest rate. The amortisation is included in "Interest income" in the consolidated income statement. The losses arising from impairment are recognised in the consolidated income statement in "impairment on financial assets".

2.12.3 Debt instruments measured at FVOCI

The Group applies the category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in consolidated income statement in "Interest income" and "Net gains on financial instrument transactions and disposal of subsidiaries and associates" respectively . Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to income statement.

2.12.4 Financial assets or financial liabilities held for trading

Financial assets held for trading represent assets acquired or incurred principally for the purpose of selling or repurchasing them in the near term and are recognised in the consolidated statement of financial position at fair value. Changes in the fair value are recognised in "Net gains on financial instrument transactions and disposal of subsidiaries and associates" in the consolidated income statement. Interest income is included in the caption "Net interest income".

This classification relates to debt instruments that have been acquired principally for the purposes of selling or repurchase in the near term.

2.12.5 Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by Management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.12 Classification and measurement of financial assets and liabilities (continued)

2.12.5 Financial assets and financial liabilities at fair value through profit or loss (continued)

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis;
- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy;
- The liabilities contain one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Such designation is determined on an instrument-by-instrument basis.

Financial assets and financial liabilities at FVTPL are recorded in the consolidated balance sheet at fair value. Changes in the fair value are recognised in "Net (loss)/ gain on financial instrument transactions and disposal of subsidiaries and associates" in the income statement.

Interest income is included in the caption 'Interest income' in the consolidated income statement according to the terms of the relevant contract.

Dividend income is recognised in 'Other income' in the consolidated income statement when the right to receive payment has been established.

Financial assets mandatorily classified at FVTPL include certain investment fund holdings for which the contractual cash flows do not meet the SPPI test, or the financial assets are part of a portfolio under a business model that is to manage and whose performance is evaluated on a fair value basis.

2.12.6 Equity instruments measured at FVOCI

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by instrument basis.

Gains and losses on these equity instruments are never recycled to income statement. Dividends are recognised in consolidated income statement in "Other income" when the right of the payment has been established. Equity instruments at FVOCI are not subject to an impairment assessment.

2.12.7 Other financial liabilities

Other financial liabilities include "Deposits and other customer accounts", "Amounts due to other banks and deposits from banks", "Funding from central banks", "Debt securities in issue and subordinated liabilities" and "Other liabilities".

Financial liabilities are recognised when the Group enters into the contractual provisions of the arrangements with counterparties, which is generally on trade date, and initially measured at fair value, which is normally the consideration received, net of directly attributable transaction costs incurred. Subsequent measurement of deposits by customers and deposits by banks is at amortised cost, using the effective interest method.

2.13 Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition apart from exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Derecognition of financial assets and financial liabilities

2.14.1 Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group transfers a financial asset if, and only if, either:

- The Group transfers its contractual rights to receive cash flows from the financial asset; or
- The Group retains the rights to the cash flows, but assumes an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

A transfer only qualifies for derecognition if either:

- The Group transfers substantially all the risks and rewards of the asset; or
- The Group neither transfers nor retains substantially all the risks and rewards of the asset, but it transfers control of the asset.

2.14.2 Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Modifications to, and exchanges of, financial liabilities are treated as extinguishments and derecognised, when the revised terms are substantially different to the original term. The difference between the carrying amount of the original financial liability and the consideration paid is recognised in income statement.

2.15 Forborne and modified loans

The contractual terms of a financial asset may be modified due to various reasons, either due to commercial renegotiations or due to distressed restructurings with a view to maximise recovery.

In the event that the terms and conditions of a financial asset are renegotiated or otherwise modified, the Group considers whether the modification results in derecognition of the existing financial asset and the recognition of a new financial asset. A derecognition of a financial asset (or part of a financial asset) and a recognition of a new financial asset would occur where there has been a substantial modification on the revised terms to the original cash flows.

Where the modification does not result in derecognition, the Group recognises a modification gain or loss, based on the modified cash flows discounted at the original effective interest rate and the existing gross carrying value of the financial asset. The financial asset continues to be subject to the same assessments for significant increase in credit risk relative to initial recognition and credit-impairment. A modified financial asset will transfer out of Stage 3 if the conditions that led to it being identified as credit-impaired as defined are no longer present. A modified financial asset will transfer out of Stage 2 when it no longer satisfies relative thresholds set to identify significant increases in credit risk, which are based on changes days past due and other considerations. The financial asset continues to be monitored for significant increases in credit risk and credit-impairment.

In the case of a new financial asset classified at amortised cost or FVOCI, an assessment is performed on whether it should be classified as Stage 1 or POCI for ECL measurement. For the purposes of assessing for significant increases in credit risk, the date of initial recognition for the new financial asset is the date of the modification.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Impairment of financial assets

2.16.1 Overview of ECL principle

The Group uses a forward looking ECL model, requiring judgement, estimates and assumptions in determining the level of ECLs. The ECL model applies to the following financial instruments that are not measured at FVTPL:

- financial assets that are measured at amortised cost or FVOCI ;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

Equity instruments are not subject to impairment assessment.

At initial recognition, impairment allowance (or provision in the case of commitments and guarantees) is required for ECL resulting from default events that are possible within the next 12 months (12-month ECL), unless assets are deemed as POCI. In the event of a significant increase in credit risk since initial recognition, impairment allowance is required resulting from all possible default events over the expected life of the financial instrument (lifetime ECL).

The Group categorises its financial assets into Stage 1, Stage 2, Stage 3 and POCI for ECL measurement as described below:

Stage 1: Financial assets which have not had a significant increase in credit risk since initial recognition are considered to be Stage 1 and 12-month ECL is recognised.

Stage 2: Financial assets that are considered to have experienced a significant increase in credit risk since initial recognition are considered to be Stage 2 and lifetime losses are recognised.

Stage 3: Financial assets which are considered to be credit-impaired (refer to following section of the note on how the Group defines credit-impaired and default) and lifetime losses are recognised.

POCI: Purchased or originated financial assets are financial assets that are credit-impaired on initial recognition. POCI assets include loans purchased or originated at a deep discount that reflect incurred credit losses. The Group only recognises the cumulative changes in lifetime ECLs since initial recognition.

ECL is recognised in income statement with a corresponding ECL allowance reported as a decrease in the carrying value of financial assets measured at amortised cost on the balance sheet. For financial assets measured at fair value through other comprehensive income (OCI) the carrying value is not reduced, but the accumulated amount of impairment allowance is recognised in OCI. For off-balance sheet instruments, accumulated provisions for ECL are reported in 'Other liabilities', except in the case of loan commitments where ECL on the loan commitment is recognised together with the loss allowance of the relevant on balance-sheet exposure, as the Group cannot separately identify the ECL on the loan commitment from those on the on-balance sheet exposure component. ECL for the year is recognised within the consolidated income statement in "impairment on financial assets" .

The Group calculates 12-month ECLs and lifetime ECLs either on an individual basis or collective basis.

Individually assessed loans
The individual assessment is performed for individually significant stage 3 and POCI assets. A risk based approach is used on the selection criteria of the individually assessed population of NPE or forborne NPE exposures above a certain amount. The ECL is calculated on an individually assessed basis and all relevant considerations of the expected future cash flows are taken into account (i.e. the realisable value of the collateral, the business prospects of the customer etc.).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Impairment of financial assets (continued)

2.16.1 Overview of ECL principle (continued)

Collectively assessed loans
All customer exposures that are not individually assessed, are assessed on a collective basis. For the purposes of calculating ECL, exposures are grouped into granular portfolios/ segments with shared risk characteristics. The granularity is based on different levels of segmentation which, among other factors include customer type, exposure class ,portfolio type and industry sector.

2.16.2 Significant increase in credit risk

Significant credit risk increase for loans and advances to customers

The Group uses staging criteria to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The criteria for determining whether credit risk has increased significantly include delinquency and forbearance measures and are in line with Stage 2 criteria as follows:

- Days in Arrears: Exposures with more than 30 days in arrears
- Forbearance flag: A performing account with an active forbearance flag in line with the European Banking Authority (EBA) definition
- Facilities with at least two instances of 30 days past due in the last 12 months
- Facilities with at least one recent instance of forbearance in the last 12 months
- Facilities with higher than a specific internal credit rating level as developed by the Bank for assessing the credit quality of the customers
- For legal entities: Deterioration by 3 notches or more in the customers' rating compared to the latest of a) customers' rating at the inception of the loan or b) 1 January 2018 rating and the final rating is greater than a specific level based on the internal credit rating of the Bank.
- The probation period for transferring exposures from Stage 3 to Stage 1 is two quarters. During the probation period the exposures are classified as Stage 2.

Significant credit risk increase for financial instruments other than loans and advances to customers

Low credit risk simplification is adopted for debt security instruments, loans and advances to banks and balances with central banks with external credit ratings that are rated as investment grade. For debt security instruments and balances with Central banks and placements with other banks with external credit ratings that are rated as investment grade, the assessment of low credit risk is based on the external credit rating. For debt securities and balances with Central banks and placements with other banks which are below investment grade, the low credit risk simplification does not apply and therefore an assessment of significant credit deterioration takes place, by comparing their credit rating at origination with the credit rating on the reporting date. Significant deterioration in credit risk is considered to have occurred when the rating of the exposures drops to such an extent that the new rating relates to a riskier category (i.e. from a non-investment grade to speculative and then to highly speculative).

All financial assets are transferred out of Stage 2 into Stage 1, if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Impairment of financial assets (continued)

2.16.3 Credit impaired and definition of default

The Group considers loans and advances to customers that meet the non-performing exposure (NPE) definition as per the European Banking Authority (EBA) standards to be in default and hence Stage 3 (credit-impaired). Therefore such loans have ECL calculated on a lifetime basis and are considered to be in default for credit risk management purposes.

As per the EBA standards and European Central Bank's (ECB) Guidance to Banks on Non-Performing Loans (which was published in March 2017), NPEs are defined as those exposures that satisfy one of the following conditions:

(i) The borrower is assessed as unlikely to pay its credit obligations in full without the realisation of the collateral, regardless of the existence of any past due amount or of the number of days past due.

(ii) Defaulted or impaired exposures as per the approach provided in the Capital Requirement Regulation (CRR), which would also trigger a default under specific credit adjustment, distress restructuring and obligor bankruptcy.

(iii) Material exposures as set by the Central Bank of Cyprus (CBC), which are more than 90 days past due.

(iv) Performing forborne exposures under probation for which additional forbearance measures are extended.

(v) Performing forborne exposures under probation that present more than 30 days past due within the probation period.

When a specific part of the exposures of a customer that fulfils the NPE criteria set out above is greater than 20% of the gross carrying amount of all on balance sheet exposures of that customer, then the total customer exposure is classified as non-performing; otherwise only the problematic part of the exposure is classified as non-performing.

Non performing forborne exposures cease to be considered as NPEs and in such case are transferred out of Stage 3, only when all of the following conditions are met:

- The extension of forbearance measures does not lead to the recognition of impairment or default.
- One year has passed since the forbearance measures were extended. In case of grace period loans, the exposure can exit the NPE status one year after the end of the grace period.
- Following the forbearance measures and according to the post-forbearance conditions, there is no past due amount or concerns regarding the full repayment of the exposure.
- No unlikely-to-pay criteria exist for the debtor.
- The debtor has made post-forbearance payments of a not-insignificant amount of capital (different capital thresholds apply according to the restructuring type).

When an account exits Stage 3, it is transferred to Stage 2 for a probationary period of 6 months. At the end of this period, the significant increase in credit risk (SICR) trigger is activated as described in Note 2.19.2 and the loan is either transferred to Stage 1 or remains in Stage 2. The reversal of previous unrecognised interest on loans and advances to customers that no longer meet Stage 3 criteria is presented in 'impairment on financial assets'.

Debt securities, placements with other banks and balances with central banks are considered defaulted and transferred to Stage 3 if the issuers have failed to pay either interest or principal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Impairment of financial assets (continued)

2.16.3 Credit impaired and definition of default (continued)

New default definition effective from 1 January 2021

As of 1 January 2021, the Bank has implemented the new default definition under Article 178 of the Capital Requirements Directive as per the new EBA Guidelines (EBA/GL/2016/07) and the Regulatory Technical Standards on the materiality threshold for past due credit obligations (EBA/RTS/2016/06). Based on the new EBA guidelines the following apply:

- A new counter for the days past due "DPD" based on new regulatory materiality thresholds is introduced whenever these thresholds are breached for more than 90 consecutive days. The counter stops counting days past due only when the arrears/excesses are reduced below the materiality thresholds.

- If a material forgiveness or postponement of principal, interest or fees results in a diminished financial obligation that exceeds the materiality threshold as defined in the relevant EBA/GL/2016/07 then the "Unlikeliness to Pay" criterion is triggered regardless of the days past due, resulting in a non-performing forborne classification.

- All non-performing exposures are subject to a three month probation period whereby, no default entry criteria are met. Once the probation period ends, exposures are re-classified to performing with the exception of non-performing forborne that continue to undergo a twelve month probation period."

As at 31 December 2021, the impact of this change on the Group was not significant for either the default balances or expected credit losses.

2.16.4 Scenarios and forward-looking inputs

The Group uses reasonable and supportable information, including forward-looking information, in the calculation of ECLs. ECLs are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. ECLs are calculated for three macroeconomic scenarios, baseline, pessimistic and optimistic and the output is the weighted average ECL based on the assigned probability of each scenario.

Macroeconomic scenarios impact both the probability of default (PD) and the loss given default (LGD). Specifically, forward looking information is embedded in the PDs based on regression equations derived on the basis of historical data. Forward looking information embedded in the PDs relates to GDP growth, unemployment rates, industrial production, commercial price indices and residential price indices. This process involves consideration of external actual and forecast information provided by the Central Bank of Cyprus, Moody's Analytics and other providers of macroeconomic forecasts.

Predicted relationships between the key indicators and default and loss rates on the portfolios of financial assets have been developed based on an analysis of historical data over the past 10 years.

Qualitative adjustments or overlays are occasionally made when inputs calculated do not capture all the characteristics of the market at the reporting date. Overlays performed are set out in Note 6.

2.16.5 Inputs into measurement of ECLs

The key inputs into the measurement of ECLs are the term structures of the following variables:

a) exposure at default (EAD).
b) Probability of default (PD);
c) loss given default (LGD); and

These parameters are derived from statistical models and other historical data. They are adjusted to reflect forward-looking information.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Impairment of financial assets (continued)

2.16.5 Inputs into measurement of ECLs (continued)

a. *Exposure at default (EAD)*

EAD represents the expected exposure in the event of a default during the life of a financial instrument. EAD methodology is differentiated in the following categories: revolving and non-revolving exposures. In case of revolving exposures all future EAD changes are recognised by a credit conversion factor parameter. The credit conversion factor model is derived based on historical data from the last 6 years. For non-revolving exposures the term is based on the contractual term of the exposure and both on-balance sheet and off-balance sheet exposures are amortised in accordance with the principal contractual payment schedule of each exposure. In regards to the credit-impaired exposures, the EAD is equal to the on balance sheet amount as at the reporting date. ECL is discounted at the effective interest rate at initial recognition or an approximation thereof.

b. *Probability of default (PD)*

PD represents the probability an exposure has to default and is calculated based on statistical models using a combination of Division, customer type and product type criteria and taking into consideration the Group's historical default rates and forward looking information based on macroeconomic inputs. For the purposes of the PD estimation the Group uses the EBA definition of NPE as its definition of default. As a result the Group has applied a methodology that suits the Group's portfolio, complexity and data availability.

The Group's IFRS 9 PD estimation approach consists of the following key steps:

- Step 1: Use historic default rates to estimate the through the cycle probabilities of default;
- Step 2: Establish a model linking the default rates to macroeconomic variables thus, mapping external market dynamics onto Group's internal credit risk parameters i.e. to fit a distribution function to the observed cumulative default rates using a transformation of the Weibull distribution;
- Step 3: Obtain the point in time (PIT) PDs by adjusting the Through the Cycle (TTC) conditional PD profile from step 1 using the forecasted default rate established in step 2 for years 1-3 and forecasted for the default rates based on appropriate long term assumptions with regards to economic activity.

PDs are estimated on a number of observation basis in light of the limited number of observations. For Legal Entities the PDs are estimated at a debtor level and at a facility level for all other segments.

c. *Loss given default (LGD)*

LGD represents an estimate of the loss if default occurs at a given time. It is usually expressed as a percentage of the EAD. It takes into account parameters such as the collateral value which is discounted to the present value determining the amount of the expected shortfall.

The structure of the LGD model considers

- Curing where the probability of cure model was derived based on historical observations.
- Non-curing including cash recovery or realisation of collaterals either voluntarily i.e. debt for asset swap or through forced sale, auctions and foreclosure and receivership.

2.16.6 ECL measurement period

The period for which lifetime losses are determined is based on the contractual life of a financial instrument. For revolving loans, the period for which lifetime losses are determined is set at 12 months representing the next review date of the facility, at which the Group has the right to limit or to cancel the exposure. For irrevocable loan commitments and financial guarantee contracts, the measurement period is determined similar to the period of the revolving facilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16.7 Purchased or originated credit impaired financial assets (POCI)

POCI financial assets are recorded at fair value on initial recognition. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses. For POCI financial assets, the Group only recognises the cumulative changes in lifetime ECL since initial recognition in the loss allowance. POCI remain a separate category until derecognition.

2.19 Write-offs

The Group reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering it. In such cases, financial assets are written off either partially or in full. Write off refers to both contractual and non-contractual write offs. Write-offs and partial write-offs represent derecognition/ partial derecognition events. If the amount of write-offs is greater than the amount of accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Recoveries, in part or in full, of amounts previously written-off are credited to the consolidated income statement in "Impairment on financial assets".

2.20 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.21 Hedge accounting

IFRS 9 requires the Bank to ensure that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assess hedge effectiveness. IFRS 9 also introduced new requirements on rebalancing hedge relationships and prohibiting voluntary discontinuation of hedge accounting.

The Bank designated certain interest rate swaps as hedging instruments in respect of interest rate risk in a fair value hedges. The hedged items are certain fixed rate Cyprus Government Bonds (CGBs) measured at amortised cost. The Bank ensures that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and applies a qualitative and forward looking approach to assess hedge effectiveness in accordance with IFRS9 requirements.

In the case of fair value hedges that meet the criteria for hedge accounting, the change in the fair value of a hedging instrument is recognised in the consolidated income statement in 'Net gains on financial instrument transactions and disposal of subsidiaries and associates'. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the consolidated income statement in 'Net gains on financial instrument transactions and disposal of subsidiaries and associates'.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedging relationship is discontinued prospectively. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised to the consolidated income statement, over the remaining term of the original hedge. If the hedged item is derecognised, the unamortised fair value adjustment is recognized immediately in the consolidated income statement.

2.22 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase (repos) at a specific future date are not derecognised from the consolidated balance sheet. The corresponding cash received, including accrued interest, is recognised on the consolidated balance sheet, reflecting its economic substance as a loan to the Group. The difference between the sale price and repurchase price is treated as interest expense and is accrued over the life of the agreement using the effective interest method. Repos outstanding at the reporting date relate to agreements with financial institutions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Repurchase and reverse repurchase agreements (continued)

Securities purchased under agreements to resell (reverse repos) at a specific future date, are recorded as reverse repo transactions. The difference between the purchase and the resale price is treated as interest income and is accrued over the life of the agreement using the effective interest method.

2.23 Leases - The Group as a lessee

The Group recognises Right-of-use assets and lease liabilities for contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has the right to direct the use of an identified asset throughout the period of use when it has the right to direct how and for what purpose the asset is used and has the right to change the purpose, throughout the period of use (i.e. the decision-making rights that most significantly affect the economic benefits that can be derived from the use of the underlying asset). Essentially, this right permits the Group to change its decisions throughout the contract term without approval from the lessor.

Right-of-use assets

The right-of-use is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received. The right of use asset should also be adjusted to reflect the favorable terms of the lease when compared with market terms.

The right-of-use asset is subsequently depreciated using the straight line method 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. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group uses its incremental borrowing rate (IBR) as the discount rate given that the interest rate implicit in the lease cannot be readily determined.

The lease liability is subsequently increased with the accrual of interest throughout the life of the lease and is reduced when payments are made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in income statement if the carrying amount of the right-of-use asset has been reduced to zero.

The IBR used was based on the yield of covered bonds issued by comparable European banks and which was adjusted upwards for difference in country risk, the lack of liquidity in the Cypriot market (and hence low marketability of any covered bonds that the Group may issue), the relatively small size of the Bank, as well as the potentially lower credit rating that agencies would assign to the Group's issued debt compared to the credit rating associated with the selected covered bonds. The resulting yield curve was considered to reflect the Group's incremental borrowing rate.

Short-term leases and leases of low-value assets

The Group elected to use the recognition exemption for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short term leases'), and lease contracts for which the underlying asset is of low value ('low value assets'). Payments associated with short term leases and leases of low value assets are recognised on a straight line basis as an expense in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Leases - The Group as a lessee (continued)

Lease term

Leases are monitored for significant changes that could trigger a change in the lease term and at the end of each reporting period and the impact on the lease liability and the RoU asset is reassessed. Lease liability is remeasured if there is a change in future lease payments, a change in the lease term, or as appropriate, a change in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. When the lease liability is remeasured a corresponding adjustment is made to the RoU asset and / or income statement, as appropriate.

The lease term is calculated as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease (if reasonably certain to be exercised), or any periods covered by an option to terminate the lease (if reasonably certain not to be exercised).

When a lease contains an extension or termination option that the Group considers reasonably certain to be exercised, the expected lease payments or costs of termination are included within the lease payments in determining the lease liability.

2.24 Leases - The Group as lessor

2.24.1 Finance leases

Finance leases, where the Group transfers substantially all the risks and rewards incidental to ownership of the leased item to the lessee, are included in the consolidated statement of financial position as an amount equal to the present value of the lease payments using the implicit rate of interest and including any guaranteed residual value. Finance income is recognised in 'Interest income' in the consolidated income statement.

2.24.2 Operating leases

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight line basis over the period of the lease. Rental income is recognised in “Other income” in the consolidated income statement.

2.25 Intangible assets

An intangible asset is recognised when it is probable that future economic benefits will arise through its use.

The acquisition cost of an intangible which will generate future economic benefits for the Group is recognised as an intangible asset. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight line basis over a period of 3-8 years.

For intangible assets identified in a business combination that represent a reacquired right, an intangible asset is recognised and measured on the basis of the remaining contractual term of the related contract excluding any renewals.

Intangible assets are reviewed for impairment when events relating to changes in circumstances indicate that the carrying value may not be recoverable. If the carrying amount exceeds the recoverable amount then the intangible assets are written down to their recoverable amount.

2.26 Property and equipment

Property and equipment are initially measured at cost.

Land and buildings are subsequently measured at fair value, based on periodic valuations by external independent professional valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net carrying amount is restated to the revalued amount of the asset. Revaluations are carried out every year to ensure that the carrying amount does not differ materially from the fair value determined at the reporting date. A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Property and equipment (continued)

However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in income statement, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation surplus. All other property and equipment items are stated at cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of property and equipment.

Property and equipment are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying amount exceeds the recoverable amount then the property and equipment items are written down to their recoverable amount. The recoverable amount is the higher of fair value of the assets less cost to sell and its value in use.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset of property and equipment, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other property and equipment is calculated using the straight-line method, over their estimated useful lives. The annual depreciation rates are as follows:

- Buildings 2%
- Leasehold improvements 10%
- Furniture, fittings and equipment 10%-20%

The residual values and useful lives of the property and equipment are reviewed and adjusted, if appropriate, at each reporting date. Any gains or losses on disposals of property and equipment are included in the consolidated income statement in "Other income" and are determined by the difference between the selling price and the carrying amount. When revalued assets are disposed, the amounts included in the fair value reserves are transferred to retained earnings/accumulated losses.

2.27 Impairment of non-financial assets

Intangibles that have an indefinite useful life, are not subject to amortisation and are tested annually for impairment or more frequently if events and changes in circumstances indicate that they might be impaired. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.28 Investment property

Investment property comprises land and buildings that are not occupied for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily for capital appreciation or earning rental income.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, as at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in "Other income". Valuations are carried out by independent qualified valuers applying valuation models recommended by the International Valuation Standards Council.

When the use of the property changes such that it is reclassified as property and equipment or stock of property, its fair value at the date of reclassification becomes its cost for subsequent reporting.

Investment properties held under operating leases by third parties are classified as investment properties in the consolidated statement of financial position. The rental income arising from operating leases is recognised on a straight-line basis over the duration of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.29 Stock of property

The Group in its normal course of business acquires properties in exchange of debt, which are held either directly by the Bank or by entities set up and controlled by the Group for the sole purpose of managing these properties with an intention to be disposed of. These properties are recognised in the Consolidated Financial Statements as 'Stock of property', reflecting the substance of these transactions.

Stock of property is initially measured at cost and subsequently measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price, less the estimated costs necessary to make the sale.

If net realisable value is below the cost of the stock of property, impairment is recognised in "impairment of non-financial assets" in the consolidated income statement.

2.30 Mandatory cash balances with Central Bank of Cyprus (minimum reserve account)

The mandatory cash balances with the Central Bank of Cyprus are carried at amortised cost and are not available for financing the daily operations of the Bank, and as a result, are not considered part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

2.31 Cash and cash equivalents

Cash and cash equivalents comprise balances with maturity of less than three months since acquired. Specifically they include cash in hand, deposits with other banks and other placements with original maturities of less than three months.

2.32 Due to Banks and customers

Due to Banks and due to customers are recognised initially at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in interest expense in the consolidated income statement using the effective interest method. Due to banks and due to customers are derecognised when they are extinguished, that is, when the obligation is discharged.

2.33 Financial guarantees, letters of credits and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and ECL allowance. ECL resulting from financial guarantees is recorded in 'impairment on financial assets'.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment the Group is required to provide a loan with pre-specified terms to the customer.

Corresponding ECL is presented together with the loss allowance of the relevant on balance-sheet exposure as the Group cannot separately identify the ECL on the loan commitment from those on the on-balance sheet exposure component. ECL relating to these other loan commitments is recorded in 'impairment on financial assets' in the consolidated income statement.

When a customer draws on a commitment, the resulting loan is presented within loans and advances to customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.34 Provisions for pending litigation, claims, regulatory and other matters

Provisions in respect and legal obligations are recognised when: a) the Group has a present legal or constructive obligation as a result of past events, b) it is probable that an outflow of resources will be required to settle the obligation and c) the amount has been reliably estimated. Provisions are not recognised for future operating losses.

When there is a number of similar obligations, the probability that an outflow will be required to settle the obligation is determined by taking into consideration the classification of the obligations as a total. The provision is included even if the probability of an outflow due to an obligation included within the total obligations is small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.35 Employee Benefits

The Group operates a defined contributions pension plan. A defined contributions plan is a pension plan under which the Bank and its employees pay fixed contributions into a separate fund. The Group's contributions are recognised in the period they relate to and are included in staff expenses. For a defined contributions plan the Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits that correspond to their service in the current and prior periods.

Contributions are recognised as staff retirement expenditure in the period in which they are due. Prepaid contributions are recognised as an asset to the extent there will be cash refund or reduction in the future payments.

The Group and the employees contribute to the Government Social Insurance Fund based on employees' salaries in accordance with legal requirements.

2.36 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are deducted from share premium.

Share premium is the difference between the fair value of the consideration receivable for the issue of the shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

Preference shares are classified as equity, as distributions to holders of the preference shares whether cumulative or non-cumulative are at the discretion of the issuer.

The dividend distribution to the Bank's ordinary shareholders is recognised as a liability in the period in which the dividend is approved by the Annual General Meeting of the Bank's shareholders or, in the case of an interim dividend, by the Bank's Board of Directors.

3. COMPARATIVES

Comparatives presented in the financial statements are restated, where considered necessary, to conform with changes in the presentation of the current year.

4. GOING CONCERN

The Board of Directors and Management have made an assessment of the Group's ability to continue as a going concern for a period of 12 months from the date of approval of these consolidated financial statements.

The Board of Directors and Management, in making their assessment, have given particular attention to the regulatory requirements relating to capital and liquidity and the current economic developments in order to make projections for future economic conditions of the environment in which it operates taking also into consideration, the Group's Business Plan approved by the Board and the operating environment (as set out in Note 5 'Operating environment').

The main macroeconomic developments that could cause uncertainties regarding the application of this principle relate to the challenges from elevated inflation combined with the rising interest rate environment, the effects in the global economy from the failures of the banks in the United States and the absorption of Credit Suisse operations by UBS as well as the negative impact from the war in Ukraine. Management closely monitors the developments and the impact they may have on the Group's operations, businesses and financial performance, including liquidity and capital usage.

Based on the above and taking into account:

- the strong capital position with Capital adequacy ratio and CET 1 ratio of 17,96% and 16,54%, respectively, above minimum capital requirements;
- the ample liquidity position of the Bank with significant liquidity buffer and LCR ratio at 281%;
- the efficient resolution of the Non-Performing loans and the drastic improvement of the NPL ratio;
- the close monitoring of the lending portfolio under the current operating environment.

The Bank concluded that there are no material uncertainties which could cast significant doubt over the Bank's ability to continue as a going concern for at least the next 12 months from the date of approval of the Consolidated Financial Statements for the year ended 31 December 2022.

5. OPERATING ENVIRONMENT

As per the IMF's World Outlook Update issued in January 2023, the global fight against inflation, Russia's war in Ukraine, and a resurgence of COVID-19 in China weighed on global economic activity in 2022, while the first two factors will continue to do so in 2023. Global growth is projected to fall from an estimated 3,4% in 2022 to 2,9% in 2023, before recovering to 3,1%in 2024. Tight monetary policy is reducing demand and inflation, with Global inflation peaking in the third quarter of 2022. Prices of commodities have declined, lowering headline inflation, mainly in the United States, the euro area, and Latin America. However, Core Inflation has not yet peaked in most economies and remains well above pre-pandemic levels.

The ECB continued to raise interest rates at the start of 2023 (twice in 2023). At the most recent Governing Council meeting on 22nd March 2023, the ECB raised its main refinancing operations rate by 50 basis points to 3,50%. The ECB raised its marginal lending facility to 3,75% and its deposit facility to 3,00%. The ECB began raising interest rates in July 2022, when the main refinancing operations rate was zero and the deposit facility was at -0,5%.

Harmonised index on consumer prices in Cyprus fell from 10,6% in July 2022 to 7,6% in December 2022 with further reduction to 6,7% in February 2023. As at December 2022 the corresponding Euro area rate was 9,2%. The annual average was 8,1% in Cyprus and 8,4% in the euro area. Average inflation was higher in the EU, reflecting strong inflation increases in some Member States, mainly in Central and Eastern Europe.

The Cypriot economy has proved to be resilient despite the challenging international environment. GDP grew by 4.4% in the last quarter of the year outperforming the Euro area average, while Unemployment remained stable. Tourist arrivals reached 110.041 in December 2022 compared to 96.928 in the corresponding period of 2021 (+13,5%), while it is expected that tourist arrivals in 2023 will reach the levels of 2019.

In September 2021 following the approval of the National Recovery Plan, Cyprus received the first disbursement from the European Commission's Recovery and Resilience Facility of €157 million. Additionally in December 2022 following the approval of the relevant legislation, the European Commission disbursed the first payment of €85 million under the Recovery and Resilience Facility.

5. OPERATING ENVIRONMENT (continued)

Recent developments
The failures of the two banks in the United States, the California-based Silicon Valley Bank and the New York-based Signature Bank, prompted the forceful intervention of the authorities to pre-empt the risk of financial instability in the banking system. In Switzerland, Credit Suisse was bought by UBS, which included liquidity assistance from the Swiss National Bank and partial losses guarantees from the government.

Sovereign ratings
The sovereign risk ratings of the Cyprus Government improved considerably in recent years reflecting reduced banking sector risks, improvements in economic resilience and consistent fiscal outperformance after 2013. Most recently, in March 2023, Fitch Ratings upgraded Cyprus' Long-Term Issuer Default rating at investment grade BBB and stable outlook. The upgrade reflects, amongst others, the country's fiscal outperformance, improvement in government indebtedness and macroeconomic resilience.

In September 2022, S&P Global Ratings upgraded Cyprus' investment grade rating of BBB/A-2 and has changed the outlook from positive to stable. The upgrade reflects the resilience of the Cypriot economy to recent external shock (including the COVID-19 pandemic).

In August 2022, Moody's Investors Service affirmed the Government of Cyprus' long-term issuer and senior unsecured ratings to Ba1 and changed the outlook from stable to positive. The key drivers reflecting the affirmation are the strong reduction in Cyprus' public debt ratio in 2022, stronger-than expected economic resilience to Russia's invasion of Ukraine and the COVID-19 pandemic as well the ongoing strengthening of the banking sector.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent obligations and liabilities at balance sheet date and the reported amounts of income and expenses during the year of reporting. Despite the fact that these assumptions are based on the best possible knowledge of the Group's Management and the Board of Directors regarding current conditions and activities, actual results may eventually differ from those estimates.

Accounting estimates and judgments are reviewed and evaluated on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The assessment of these factors determine the basis under which judgement is being applied in connection with accounting principles affecting the value of assets and liabilities which are not immediately apparent from other sources.

6.1 Classification of financial assets

The Group exercises judgement upon determining the classification of loans and advances to customers, which relate to business models and future cash flows.

Judgement is also required to determine the appropriate level at which the assessment of business models needs to be performed. Further, the Group exercises judgement in determining the effect of sales of financial assets on its business model assessment.

In the event of disposals, the Group considers information about past sales and expectations about future sales, including the frequency, value and nature of such sales, when determining the objective of the business model. Sales or expected sales of financial assets may be consistent with a held-to-collect business model if those sales are incidental to the business model.

The following are examples of sales which are incidental to the held-to-collect business model:

- The sales are due to an increase in the credit risk of a financial asset. Irrespective of their frequency and value, sales due to an increase in the assets' credit risk are not inconsistent with a held-to-collect objective. This is because the credit quality of financial assets is relevant to the entity's ability to collect contractual cash flows.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.1 Classification of financial assets (continued)

- The sales are infrequent (even if they are significant), or are insignificant individually and in aggregate (even if they are frequent).

- The sales take place close to the maturity of the financial assets and the proceeds from the sales approximate the collection of the remaining contractual cash flows.

The Group is assessing the significance of the amount of sales by comparing the portion sold with the overall size of the portfolio subject to the business model assessment.

The Group also applies judgement upon considering whether contractual features including interest rates could significantly affect future cash flows.

6.2 Calculation of expected credit losses

The calculation of ECLs requires management to apply significant judgement and make estimates and assumptions. Changes to these estimates and assumptions can result in significant changes to the timing and amount of ECLs to be recognised. The Group's calculations are outputs of models, of underlying assumptions on the choice of variable inputs and their interdependencies. Elements of ECL models that are considered accounting judgements and estimates include:

Assessment of significant increase in credit risk (SICR)
The Group assesses whether significant increase in credit risk has occurred since initial recognition using staging criteria and qualitative information in certain cases. The determination of the relevant thresholds to determine whether the significant increase in credit risk has occurred, involves management judgement. The relevant thresholds are set, monitored and updated by the Group's Management and endorsed by the Group Provisions Committee.

Determination of probability of default (PD)
Determining the probability of default (PD) includes estimates and the use of Management judgment in order to assess and adjust accordingly the historical information which determine the parameters and the measurement of ECL as at the reporting date.

Scenarios and macroeconomic factors
The Group determines the ECL, which is a probability-weighted amount, by evaluating a range of possible outcomes. Management uses forward-looking scenarios and assesses the suitability of weights used. These are based on Management's assumptions taking into account macroeconomic, market and other factors. Changes in these assumptions and in the external factors could significantly impact ECL. Qualitative adjustments or overlays are occasionally made when inputs calculated do not capture all the characteristics of the market or when macroeconomic variables have extreme values that do not correspond to those applied by other Banks in the market. These are reviewed and adjusted if considered necessary by the Group's Management and endorsed by the Group Provisions Committee.

During 2022, the Cypriot economy has proved to be resilient despite the challenging international environment. Growth remained strong as GDP grew by 4,4% in the last quarter of 2022, while unemployment remained stable. The positive GDP growth rate was mainly attributed to the sectors of Hotels and Restaurants, Transport & Storage, Information & Communication and Wholesale & Retail Trade. Tourism which was affected by the pandemic and the Russian-Ukraine war has regained lost ground as for the period of January-November 2022, arrivals of tourists totaled 3.091.039 compared to 1.840.003 in the corresponding period of 2021, 621.927 in the period of January-November 2020 and 3.866.447 arrivals in the period of January-November 2019. The uptick of the lending interest rates in the Euro area and the rising electricity prices in Cyprus due to the island's heavy reliance on oil imports for power generation will continue to have a negative impact on the Cyprus economy and the government has taken initial steps to mitigate the impact. A further escalation of the Russian–Ukraine war could prolong inflation and deepen the energy crisis in Europe resulting to increasing living costs that will negatively affect growth.

During 2022, the Group updated its forward-looking scenarios, factoring in updated macroeconomic assumptions and other monetary and fiscal developments at the national and the EU level.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.2 Calculation of expected credit losses (continued)

Scenarios and macroeconomic factors (continued)
The Group uses three different economic scenarios. For Stage 3 customers, the calculation of individually assessed provisions is the weighted average of three scenarios; base (50% weight), pessimistic (25% weight) and optimistic (25% weight). For collectively assessed customers the calculation is also the weighted average of three scenarios: base, adverse and optimistic.

Under the pessimistic scenario operational cash flows are decreased by 25%, applied haircuts on real estate collaterals are increased by 10% and the timing of recovery of collaterals is increased by 1 year. Under the optimistic scenario no increase was applied to operational cash flows, applied haircuts are decreased by 5% and the timing of recovery of collaterals is decreased by 1 year. Assumptions used in estimating expected future cash flows (including cash flows that may result from the realisation of collateral) reflect current and expected future economic conditions.

Under all scenarios, selling costs are assumed to be 4% of the recoverable amount of real estate collaterals and are additional to the liquidation haircuts applied to collateral values.

For cases that the foreclosure or debt to asset swap ("DFAS") process is assessed to be the most relevant strategy, no haircut is applied as the Bank uses the expected foreclosure/DFAS value based on the specific facts of each case The corresponding haircuts for the pessimistic scenario are increased by 10% and for the optimistic scenario are decreased by 5%.

The open market values of real estate collaterals are indexed from the valuation report date to the impairment test reference date, using the latest available property price indices by the CBC.

In addition, a forward looking indexation is applied in the collateral prices for estimating the future open market value at the time of liquidation and are capped to 0% in case of any future projected increase for all scenarios and to all loans and advances to customers, whereas any future projected decrease is taken into account.

For all real estate collaterals, the following haircuts were applied to the indexed open market values as at 31 December 2022 and 31 December 2021:

31 December 2022	Average haircut for urban locations	Average haircut for rural locations
Residential Real Estate (Completed)	7%	13%
Residential Land	14%	19%
Commercial Real Estate (Completed)	14%	21%
Commercial Land	16%	21%
Other Land, Agriculture & Protection Zone Real Estate	31%	31%
Semi-completed Real Estate (residential & commercial)	18%	21%
Special-use Real Estate (i.e. Hotels, shopping malls)	9%	15%

31 December 2021	Average haircut for urban locations	Average haircut for rural locations
Residential Real Estate (Completed)	8%	13%
Residential Land	14%	20%
Commercial Real Estate (Completed)	14%	22%
Commercial Land	16%	22%
Other Land, Agriculture & Protection Zone Real Estate	29%	31%
Semi-completed Real Estate (residential & commercial)	18%	21%
Special-use Real Estate (i.e. Hotels, shopping malls)	9%	16%

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.2 Calculation of expected credit losses (continued)

Scenarios and macroeconomic factors (continued)

The above average haircuts are applied by reference to the location of each collateral.

The table below indicates the most significant macroeconomic variables as well as the scenario weights used by the Group as at 31 December 2022 and 31 December 2021 respectively.

31 December 2022

Year	Scenario	Weight	Real GDP (% change)	Unemployment-rate (% of labour force)	Industrial production (% change)	Residential Price Index (average change %)	Consumer Price Index (average change %)
2023	Baseline	50%	2,05%	7,75%	-0,48%	6,06%	4,21%
	Optimistic	25%	3,38%	7,75%	1,17%	7,39%	4,27%
	Pessimistic	25%	-2,44%	10,47%	-6,16%	2,96%	1,69%
2024	Baseline	50%	3.07%	7,29%	3,04%	5,94%	2,24%
	Optimistic	25%	3,43%	7,14%	3,21%	8,21%	2,13%
	Pessimistic	25%	0,36%	11,54%	0,55%	-1,41%	0,05%
2025	Baseline	50%	2,72%	6,91%	2,50%	8,62%	2,02%
	Optimistic	25%	2,52%	6,66%	2,14%	8,96%	2,02%
	Pessimistic	25%	4,69%	10,18%	5,69%	2,77%	1,60%
2026	Baseline	50%	1,42%	6,65%	1,22%	10,57%	2,08%
	Optimistic	25%	1,40%	6,44%	1,17%	10,43%	2,07%
	Pessimistic	25%	3,29%	8,92%	3,56%	7,33%	1,83%

31 December 2021

Year	Scenario	Weight	Real GDP (% change)	Unemployment rate (% of labour force)	Industrial production (% change)	Residential Price Index (average change %)	Consumer Price Index (average change %)
2022	Baseline	50%	4,01%	5,83%	5,00%	2,60%	3,40%
	Optimistic	25%	5,74%	5,25%	9,70%	3,10%	3,90%
	Pessimistic	25%	-0,80%	7,07%	3,30%	-3,70%	2,60%
2023	Baseline	50%	3,40%	5,63%	2,90%	-3,30%	1,80%
	Optimistic	25%	3,49%	4,69%	3,00%	4,00%	2,30%
	Pessimistic	25%	2,17%	9,71%	1,60%	-1,00%	-0,10%
2024	Baseline	50%	2,50%	5,65%	2,30%	3,10%	2,00%
	Optimistic	25%	2,33%	4,91%	2,20%	3,20%	2,20%
	Pessimistic	25%	3,57%	9,07%	3,10%	3,00%	0,70%
2025	Baseline	50%	1,80%	5,66%	1,60%	3,00%	2,30%
	Optimistic	25%	1,80%	5,03%	1,70%	2,90%	2,40%
	Pessimistic	25%	2,51%	8,07%	2,30%	3,30%	1,50%

Assessment of loss given default
A factor for the estimation of LGD is the timing and net recoverable amount from repossession or realisation of collaterals which mainly comprise real estate assets.

Assumptions have been made about the future changes in property values, as well as the timing for the realisation of collateral, taxes and expenses on the repossession and subsequent sale of the collateral as well as any other applicable haircuts. Indexation has been used to estimate updated market values of properties, while assumptions were made on the basis of a macroeconomic scenario for future changes in property prices and are capped accordingly in case of any future projected increase, whereas any future projected decrease is taken into consideration.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.2 Calculation of expected credit losses (continued)

Assessment of loss given default (continued)
The timing of recovery from real estate collaterals used in the collectively assessed provisions calculation for loans and advances to customers has been estimated to be on average six years under the baseline scenario (31 December 2021: average of six years).

For the calculation of individually assessed provisions, the timing of recovery of collaterals as well as the haircuts used are based on the specific facts and circumstances of each case. Judgement may also be exercised over staging during the individual assessment. Any changes in these assumptions or difference between assumptions made and actual results could result in significant changes in the amount of required credit losses on loans and advances.

Sensitivity analysis
For the purposes of providing an indication of the change in accumulated impairment losses on loans and advances, the Bank has performed sensitivity analysis on certain assumptions used in the loan provisioning methodology. The impact on the provisions for impairment of loans and advances is presented below:

Change in key assumptions	Increase/(decrease) on provisions for impairment of loans and advances €million
Increase in liquidation period by 1 year	4,2
Decrease in liquidation period by 1 year	(3,4)
Increase in collateral liquidation haircut by 5%	3,7
Decrease in collateral liquidation haircut by 5%	(2,2)
Change in the scenario weights (50% base/30% pess. /20% opti.)	1,5
Change in the scenario weights (50% base/20% pess. /30% opti.)	(1,5)

Overlays
The management overlay applied in year 2021 to replace the Moody`s Housing price index for years 2022-2026 with the corresponding RICS index as of 31 December 2021 were removed in 2022 following the elimination of the significant year on year % increase in the revised Moody`s index. The impact on the ECL, from the removal of the overlay, was a release of €1,4 million for the year ended 31 December 2022.

For the calculation of expected credit loss on the value of loans and advances to customers, judgment is involved regarding the amount and timing of estimated future cash flows. The estimated future cash flows include any expected cash flows from the borrower’s operations, any other sources of funds and the expected proceeds from the liquidation of collateral, where applicable. The timing of these cash flows is estimated on a case by case basis.

6.3 Fair value of bonds, shares and other financial instruments

The best evidence of fair value is a quoted price in an actively traded market. The fair value of bonds, shares and other financial instruments that are not traded in an active market is determined by using valuation techniques. The majority of valuation techniques employed by the Group use only observable market data and so the reliability of the fair value measurement is relatively high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant inputs that are not observable. Valuation techniques that rely on non-observable inputs require a higher level of management judgement to calculate a fair value than those based wholly on observable inputs (Notes 19 and 20). Changes in these estimates and assumptions could affect the fair value of the relevant financial instruments.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.4 Deferred tax assets

Deferred tax assets are recognised by the Group in respect of tax losses to the extent that is probable that future taxable profits will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits as supported by the Group's Business plans, together with future tax planning strategies. These variables have been established on the basis of significant management judgement and are subject to uncertainty. It is possible that the actual future events could be different from the assumptions made resulting in a material adjustment to the carrying amount of deferred tax assets.

6.5 Income taxes

Significant estimates are required in determining the provision for income tax. For specific transactions and calculations the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes may become due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the current tax and deferred tax provisions in the affected period.

Judgment is required to assess the expected value of uncertain tax positions that are incorporated into the estimate of income and deferred tax and the assessment of the related probabilities, including in relation to the interpretation of tax laws and the assessment of the related probabilities. Where the final tax is different from the amounts initially recognised in the consolidated income statement, such differences will impact the income tax expense, the tax liabilities and deferred tax assets or liabilities of the period in which the final tax is agreed with the relevant tax authorities.

6.6 Fair value of property held for own use

Valuations are carried out by independent qualified valuers by applying valuation models recommended by the Royal Institution of Chartered Surveyors and the International Valuation Standards Council. In arriving at their estimates of the fair values of properties, the valuers use their market knowledge and professional judgement. Depending on the nature of the underlying asset and available market information, the determination of the fair value of property may require the use of estimates such as future cash flows from assets and discount rates applicable to those assets. All these estimates are based on local market conditions existing at the reporting date and require significant amount of judgement.

6.7 Net realisable value of stock of property

Stock of property is measured at the lower of cost and net realisable value. The net realisable value is determined through valuation techniques, requiring significant judgement, which take into account all available reference points such as, expert valuation reports, current market conditions, the holding period of the asset applying an appropriate illiquidity discount and any other relevant parameters. Selling expenses are always considered and deducted from the realisable value. Depending on the value of the underlying asset and available market information, the determination of costs to sell may require professional judgement which involves a large degree of uncertainty due to the relatively low level of market activity.

Valuations are carried out every year end for both property held for own use and stock of property.

6.8 Classification of property

The Group determines whether a property should be classified as stock of property, investment property or own use property. The determination of the classification is based on the use of each property and is driven by the business model within such property is being held. Stock of property comprises land and buildings held with an intention to be disposed of. This principally relates to repossessed properties and properties acquired through the acquisition of the USB Bank business.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.9 Exercise of significant influence or control

The Group determines whether it exercises significant influence or control on companies in which it has shareholdings. In performing this assessment it considers its representation in the Board of Directors, the participation in policy-making processes including participation in decisions about dividends and other distributions, the execution of material transactions between the investor and the investee, the interchange of managerial personnel or the provision of essential technical information.

6.10 Leases

Determination of the lease term
The Group applies judgement in evaluating whether it is reasonably certain to exercise options to renew. In determining the lease term, Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. A re-assessment is performed if a significant event or a significant change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

Determination of the incremental borrowing rate
For the measurement of the present value of the future lease payments, the Group estimates the incremental borrowing rate specific to each leased asset or portfolio of lease assets given that the interest rate implicit in the lease cannot be readily determined.

The incremental borrowing rate is based on the yield of covered bonds issued by comparable European banks and which was adjusted upwards for difference in country risk, the lack of liquidity in the Cypriot market (and hence low marketability of any covered bonds that the Group may issue), the relatively small size of the Bank, as well as the potentially lower credit rating that agencies would assign to the Group's issued debt, compared to the credit rating associated with the selected covered bonds. The resulting yield curve was considered to reflect the Group's incremental borrowing rate.

6.11 Provisions for pending litigation, claims, regulatory and other matters

The accounting policy for provisions for pending litigation, claims, regulatory and other matters is described in Note 2.35. Judgement is required in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. Provisions for pending litigation, claims, regulatory and other matters usually require a higher degree of judgement than other types of provisions. For a detailed description of the nature of uncertainties and assumptions and the effect on the amount and timing of pending litigation, claims, regulatory and other matters refer to Note 38.

6.12 Recognition of other intangible assets on acquisition of a business

The Group accounted for the acquisition of a business from ex-Quant (refer to Note 39) using the acquisition method. In accordance with IFRS 3, all identifiable assets and liabilities acquired have to be measured at their fair value at the time of acquisition. These fair values also represent the amounts upon initial consolidation. IFRS 3 specifies that as part of a business combination, an acquirer may reacquire a right that it had previously granted to the acquiree to use one or more of the acquirer's recognised or unrecognised assets.

A pre-existing relationship may be a contract that the acquirer recognises as a reacquired right. If the contract includes terms that are favourable or unfavourable when compared with pricing for current market transactions for the same or similar items, the acquirer recognises, separately from the business combination, a gain or loss for the effective settlement of the contract. If the business combination in effect settles a contractual pre-existing relationship, the acquirer recognises a gain or loss, measured as the lesser of (i) the amount by which the contract is favourable or unfavourable from the perspective of the acquirer when compared with terms for current market transactions for the same or similar items and (ii) the amount of any stated settlement provisions in the contract available to the counterparty to whom the contract is unfavourable. The determination of the fair value for the reacquired rights and the settlement of the pre-existing relationship, is subject to judgements, including among others, the determination to future cash flows for the remaining term of the contract from the perspective of the average market participant based on proprietary knowledge of other similar contracts, the projected disposals of REOs timeframe and discount rates.

7. NET INTEREST INCOME

	2022 €	2021 €
Interest income		
Financial assets at amortised cost:		
Loans and advances to customers	42.281.983	39.732.738
Debt securities	5.615.358	5.614.281
Placements with banks and central banks	2.858.970	261.229
Negative interest rates on customer deposits	1.823.827	2.377.779
Other receivables	-	111.165
Negative interest on funding from central banks	2.159.389	4.277.777
Total interest income	**54.739.527**	**52.374.969**
Income similar to interest income		
Debt securities at fair value through profit or loss	368.847	8.378
Derivative financial instruments	505.995	455.632
Total other interest income	**874.842**	**464.010**
Interest expense		
Customer deposits	(1.418.328)	(975.092)
Due to other banks	(159.544)	(266.715)
Lease liabilities	(373.328)	(178.055)
Negative interest on placements with Central Bank and other banks	(1.025.247)	(2.011.141)
Subordinated liabilities	(1.312.000)	(1.312.000)
Debt securities in issue	(89.042)	-
Total interest expense	**(4.377.489)**	**(4.743.003)**
Net interest income	**51.236.880**	**48.095.976**

8. NET FEE AND COMMISSION INCOME

	2022 €	2021 €
Fee and commission income		
Credit-related fees and commissions	5.164.998	5.091.466
Money transfer fees and commissions	5.430.865	6.865.445
Maintenance and administration fees	8.118.990	6.698.201
Private banking asset management fees	887.402	952.600
Total fee and commission income	**19.602.255**	**19.607.712**
Fee and commission expense		
Fees and commissions from banking operations	(2.325.898)	(2.361.101)
Private banking asset management fees	(381.719)	(319.575)
Total fee and commission expense	**(2.707.617)**	**(2.680.676)**
Net fee and commission income	**16.894.638**	**16.927.036**

9. OTHER INCOME

	2022 €	2021 €
Dividend from equity investments (Note 20)	548.628	374.449
Distribution from fund participation (Note 19)	430.695	778.226
Profit from disposal of stock of properties (Note 26)	2.923.672	887.828
Fair value gain/ (loss) on revaluation of investment property (Note 25)	1.053.907	(48.799)
Other income	602.758	621.181
Total	**5.559.660**	**2.612.885**

Other income relates primarily to rental income from the properties acquired in debt satisfaction as part of loan restructuring activity.

10. NET (LOSSES)/ GAINS ON FINANCIAL INSTRUMENT TRANSACTIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

	2022 €	2021 €
Gain from foreign exchange	1.391.780	3.806.590
Gain from financial assets at FVTPL (Note 19)	833.871	658.463
Fair value gain on revaluation of shares classified at FVTPL (Note 19)	75.983	37.884
Fair value loss on fund participation classified at FVTPL (Note 19)	(3.130.633)	-
Revaluation of financial instruments designated as fair value hedges:		
Hedging instruments (Note 40)	1.315.197	428.785
Hedged items (Note 40)	(1.302.652)	(426.529)
Total	**(816.454)**	**4.505.193**

Included in “Gain from foreign exchange” in 2021 is an amount of €2.114.854 arising from the funding of one-off transactions for the acquisition of a financial asset and the acquisition of the branch business of Byblos Bank S.A.L. in Cyprus.

11. STAFF EXPENSES

	2022 €	2021 €
Salaries	22.851.876	22.058.294
Social insurance and other contributions	1.396.642	1.458.774
Retirement benefit cost for defined contributions plans	1.376.723	1.638.020
Other staff expenses	224.476	488.507
	25.849.717	**25.643.595**
Voluntary redundancy costs	1.929.180	667.696
Total	**27.778.897**	**26.311.291**

During 2022, the Group completed a voluntary staff exit plan through which 16 full-time employees were approved to leave at a total cost of €1.929.180 (2021: 4 full-time employees at a total cost of €667.696).

In October 2022, with the execution of the agreement for the acquisition of ex-Quant business (Note 39) 29 permanent employees were transferred to the Bank.

In December 2021, the Group reached an agreement with the Cyprus Union of Bank employees for the renewal of the collective agreement for the year 2022. The agreement relates to certain changes including the introduction of a new performance related pay component as part of the annual salary increase.

The Group operates a defined contribution plan which provides for employer contributions on the employee gross salary and employee contributions of 3%-10% of their gross salary. The Company's contributions are expensed as incurred and are included in staff expenses. The Company has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

11. STAFF EXPENSES (continued)

Based on the Collective Agreement, the employers' contributions to the Provident Fund for 2022 was set at 8% for year 2022 (2021:9%) of the employees' gross salaries. This plan is managed by an Administrative Committee appointed by the members.

The number of persons employed by the Group as at 31 December 2022 was 465 (443 permanent and 22 temporary) (2021: 452; 416 permanent and 36 temporary).

12. OTHER OPERATING EXPENSES

	2022 €	2021 €
IT expenditure	3.433.864	3.345.338
Professional fees	2.539.248	1.824.945
Regulatory fees	1.749.079	765.415
Premises related expenses	1.742.718	1.436.553
Operational expenses	1.563.562	1.896.383
Buildings and other assets' maintenance cost	1.058.619	838.855
Insurance expenses	726.746	495.061
Other expenses	597.700	781.054
Marketing expenses	525.670	515.081
Directors fees (Note 47)	453.805	907.780
Legal fees	402.720	447.072
Staff Related expenses	179.698	115.239
	14.973.429	**13.368.776**
Servicer's administration fees	902.329	8.577.876
Servicer's settlement fees (Note 39)	7.598.328	-
Total operating expenses	**23.474.086**	**21.946.652**
Special levy on deposits on credit institutions in Cyprus	2.190.625	2.587.131
Contribution to Single Resolution Fund and other levies	999.824	677.889
Deposit Guarantee Fund (DGF)	929.815	753.414
Total Special levy on deposits and other levies/contributions	**4.120.264**	**4.018.434**

Other expenses include credit card expenses, file storage expense, donations, municipality and stamp duties.

Servicer's administration fees

As at 31 December 2021, non performing exposures with a contractual gross value of approximately €491m and REO portfolio with a net book value of approximately €131,8m were managed by ex-Quant in consideration for an administration fee payable by the Group. The administration fee paid to ex-Quant comprises both a fixed and a variable element. The level of fees payable to ex-Quant varies according to the size of the portfolio under management and the progress of collections, successful resolutions of the loan portfolio and the sale of real estate assets owned assets.

With the execution of the agreement on 7 October 2022, for the acquisition of ex-Quant business the Servicing Agreement ("SLA") and the Business Services Agreement ("RSLA") were terminated.

12. OTHER OPERATING EXPENSES (continued)

Deposit Guarantee Fund (DGF)

Special levy on deposits on credit institutions in Cyprus and contribution to Single Resolution Fund (SRF)

The special tax levy on credit institutions in Cyprus (the Special Levy) is imposed on the level of deposits as at the end of the previous quarter, at the rate of 0,0375% per quarter. Following an amendment of the Imposition of Special Credit Institution Tax Law in 2017, the Single Resolution Fund contribution, which is charged annually by the Single Resolution Board, is offset by the Special Levy up to the level of the total annual Special Levy charge. The Special levy on deposits on credit institutions in Cyprus and contribution to Single Resolution Fund amounted to €3.190.449 (2021: €3.265.020).

As from 1 January 2020 and until 3 July 2024 the Bank is subject to contribution to the Deposit Guarantee Fund (DGF) on a semi-annual basis. The contributions are calculated based on the Risk Based Methodology (RBM) as approved by the management committee of the Deposit Guarantee and Resolution of Credit and Other Institutions Schemes (DGS) and is publicly available on the CBC's website. In line with the RBM, the contributions are broadly calculated on the covered deposits of all authorised institutions and the target level is to reach at 0,8% of covered deposits by 3 July 2024. The contribution to the Deposit Guarantee Fund amounted to €929.815 (2021: €753.414).

Professional fees include fees (including taxes) to the independent auditors of the Group, for audit and other professional services as follows:

	2022 **€**	**2021** **€**
Audit of the financial statements of the Group and its subsidiaries	477.430	312.250
Tax compliance and advisory services	42.477	49.358
Other non-audit services	74.940	14.460
Total	**594.847**	**376.068**

13. DEPRECIATION AND AMORTISATION

	2022 **€**	**2021** **€**
Depreciation of property and equipment (Note 27)	1.434.098	1.643.547
Depreciation of right of use assets (Note 27)	968.543	885.000
Amortisation of intangible assets (Note 28)	1.298.501	2.007.925
Total	**3.701.142**	**4.536.472**

14. IMPAIRMENT LOSSES ON FINANCIAL ASSETS AND IMPAIRMENT OF NON-FINANCIAL ASSETS

	2022 €	2021 €
Impairment on financial assets		
Credit losses to cover credit risk on loans and advances		
Reversal of /(provision for) expected credit loss to cover credit risk on loans and advances to customers	4.457.822	(7.991.031)
Reversal of /(provision for) expected credit loss on loans and advances to customers due to write offs	779.857	(81.903)
Recoveries of loans and advances to customers previously written off	506.735	10.160
Reversal of expected credit loss to cover credit risk on contractual commitments and guarantees (Note 42.1.5)	497.281	228.721
Credit losses of other financial instruments		
Reversal of expected credit losses to cover credit risk on other financial assets (Note 21)	200.517	964.994
Fair value loss on remeasurement of previously held interest (Note 39)	(2.285.464)	-
Provision for expected credit losses to cover credit risk on other receivables	(4.123.576)	(63.955)
Total impairment on financial assets	**33.172**	**(6.933.014)**
Impairment of non-financial assets		
Stock of property (Note 26)	(893.002)	(3.537.560)
Impairment of leasehold improvement	(2.119.851)	-
	(3.012.853)	**(3.537.560)**

15. INCOME TAX

	2022 €	2021 €
Corporation tax	220.764	116.465
Deferred tax (credit)/charge (Note 30)	(2.904.725)	1.354.346
	(2.683.961)	**1.470.811**

The Group is subject to income tax in Cyprus on taxable profits at the rate of 12,5% (2021: 12,5%).

Brought forward tax losses may be utilised over five years.

The reconciliation between the income tax expense and the loss before tax as estimated using the current income tax rates is set out below:

	2022 €	2021 €
Profit/ (loss) before tax	9.917.435	3.935.159
Tax calculated at the applicable tax rates	1.239.679	491.895
Income tax effect of:		
Expenses and other losses not deductible for tax purposes	2.957.143	2.027.458
Income and deductions not subject to tax	(2.070.225)	(2.396.988)
Tax losses utilised	(1.905.833)	(5.900)
Deferred tax (credit)/ charge	(2.904.725)	1.354.346
	(2.683.961)	**1.470.811**

16. CASH AND BALANCES WITH CENTRAL BANKS

	2022 €	2021 €
Cash	6.801.664	12.615.552
Mandatory deposits with Central Bank of Cyprus	20.891.465	22.493.413
Other balances with the Central Bank of Cyprus	747.716.399	634.532.500
Cheques to be cleared	7.221.953	1.212.767
Total	**782.631.481**	**670.854.232**

The following table presents the Mandatory deposits and other balances with Central Bank of Cyprus categorised according to their credit rating as per Moody's, the international credit rating agency as at 31 December 2022 and 31 December 2021.

	2022 €	2021 €
Ba1	**768.607.864**	**657.025.913**

The placements with central banks are classified as Stage 1.

There was no ECL allowance on balances with central banks for the years 2022 and 2021.

Cash and cash equivalents comprise:

	2022 €	2021 €
Cash	6.801.664	12.615.552
Other non-obligatory balances	747.716.399	634.532.500
Cheques to be cleared	7.221.953	1.212.767
Current accounts (Note 17)	21.943.349	29.003.109
	783.683.365	**677.363.928**

17. PLACEMENTS WITH OTHER BANKS

	2022 €	2021 €
Current accounts	21.943.349	29.003.109
Total	**21.943.349**	**29.003.109**

The following table presents the placements with other banks categorised according to their credit rating as per Moody's, the international credit rating agency, apart from (i) which were categorised as per Standard and Poor's as at 31 December 2022 and 31 December 2021.

	2022 €	2021 €
Credit rating Aa2(i)	-	557.288
Credit rating A1	6.355.890	5.885.437
Credit rating A2	7.380.105	4.382.634
Credit rating B2	586.500	-
Credit rating Baa1	7.389.327	14.918.079
Credit rating Baa3	-	50.985
Credit rating Caa2	-	79.911
Unrated	231.526	3.128.775
	21.943.349	**29.003.109**

The placements with other Banks earn interest based on the interbank rate of the relevant term and currency and are classified at Stage 1.

18. DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses the following derivative financial instruments:

- Foreign currency forwards: represent agreements for the purchase or sale of foreign currencies settled at a future date.
- Foreign currency swaps: represent agreements for the exchange of cash flows of different currencies.
- Interest rate swaps: represent agreements where one stream of future interest payments is exchanged for another based on a predetermined notional amount and time periods.

The notional and fair values of derivative financial instruments were as follows:

	Notional contract amount	Fair Value	
		Assets	Liabilities
	€	€	€
31 December 2022			
Derivatives held for trading:			
Foreign exchange derivatives			
Forward contracts	5.729.265	28.440	7.164
Currency swaps	89.092.539	50.397	132.451
Derivatives qualifying for hedge accounting			
Fair value hedges - interest rate swaps (Note 40)	5.000.000	1.226.051	-
Total derivative financial instruments		**1.304.888**	**139.615**
31 December 2021			
Derivatives held for trading:			
Foreign exchange derivatives			
Forward contracts	16.004.772	25.399	13.878
Currency swaps	82.746.604	70.731	150.555
Derivatives qualifying for hedge accounting			
Fair value hedges - interest rate swaps (Note 40)	5.000.000	-	89.146
Total derivative financial instruments		**96.130**	**253.579**

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 €	2021 €
Trading debt securities (1)	9.999.718	2.915.536
Fund participation (2)	2.214.976	8.491.080
Other investments (3)	692.099	616.116
	12.906.793	**12.022.732**
Movement:		
1 January	12.022.732	12.020.340
New assets acquired in the year	6.915.907	95.045.034
Assets derecognised or redeemed in the year	(4.387.546)	(96.399.554)
Changes in fair value/ gain or loss on disposal	(2.220.779)	696.347
Interest accrued	254.015	2.508
Foreign exchange gain	322.464	658.057
Closing balance	**12.906.793**	**12.022.732**

(1) Trading debt securities comprise of corporate bonds acquired principally for the purpose of selling or repurchasing them in the near term. The net gain on disposal of the trading debt securities for the year amounts to €833.871 (2021: €658.463) (Note 10).

(2) Fund participation relates to an investment of US$10m in PMOF Special Situations Private Credit Fund. During 2022, the Group received capital repayments amounting to €3,5 million. The fund participation is classified at FVTPL as it failed to meet the SPPI criteria. Distribution income amounting to €430.695 has been received and recognised for 2022 in other income (2021: €778.226) (Note 9). Fair value loss of €3.130.633 has been recognised in the income statement following the performance assessment regarding the recoverability of the underlying assets of the fund as assessed on 31 December 2022 (Note 10).

3) Other investments relate to 672 shares in VISA Inc. Series C Convertible participating preferred stock and 21 shares of Series A Convertible participating preferred Stock. Fair value gain of €75.983 has been recognised in the income statement (Note 10).

Risk of fluctuations in bond prices

As at 31 December 2022 the trading debt securities are exposed to price fluctuations of bond instruments. A decrease/ increase in the market price of the bonds by 5% as at 31 December 2022 would result in a decrease/ increase in net equity by €499.986 (2021: €145.777).

Risk of fluctuations in equity prices and conversion rates

VISA Inc. Series C Convertible participating preferred stock

As at 31 December 2022 the investment is exposed to price fluctuations of the VISA Inc. Common Stock A shares and to changes in the conversion rate. A decrease/ increase in the market price of the shares and the conversion rate by 5% as at 31 December 2022 would result in a decrease/increase in net equity by €74.928 in each case.

There were no reclassifications of investments during the years 2022 and 2021.

The maximum exposure to credit risk for debt securities is disclosed in Note 42.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 €	2021 €
Equity shares		
Listed	5.917.289	5.917.289
Unlisted	477.347	414.363
	6.394.636	**6.331.652**

The Company irrevocably made the election to classify its equity investments as equity investments at FVOCI on the basis that these are not held for trading. Their carrying value at 31 December 2022 and 31 December 2021 is equal to their fair value.

Listed equity investments at FVOCI comprise of the investment in the share capital of Atlantic Insurance Company Limited (ATL) which is listed in the Cyprus Stock Exchange. The Group's Management believes that the price of the share is not representative as the shares of the company are not traded in an active market and therefore at 31 December 2022 and 31 December 2021 valued this investment using alternative valuation methods. The Bank has obtained an external independent professional valuation report based on a discounted cash flow methodology.

Dividend income for 2022 amounting to €548.628 (2021: €374.449) has been recognised in other income (Note 9).

21. DEBT SECURITIES

	2022 €	2021 €
Securities classified at amortised cost		
Listed	585.533.840	940.216.954
12 month expected credit losses	(124.697)	(325.213)
	585.409.143	**939.891.741**
Listed on the Cyprus Stock Exchange	28.963.740	136.592.491
Listed on other stock exchanges	556.445.403	803.299.250
	585.409.143	**939.891.741**

The Group has proceeded to invest in debt securities, as part of its investing strategy which mainly related to the acquisition of Eurozone Sovereigns and supranational and Cyprus Government bonds.

During 2022, the Group recognised in the consolidated income statement a loss of €192.714 (2021: gain €2.009.901) from the disposal of €34,0m debt securities held at amortised cost. The Bank proceeded to the disposal as a measure for the management mainly of the credit risk on the debt securities portfolio.

On 31 December 2022, the debt securities at amortised cost mainly comprised of Cyprus Government bonds and Cyprus Treasury Bills of €263.657.079 (2021: €394.293.449) with short and long term maturity, Greek Government Bonds of €43.349.892 (2021: €66.691.020), European sovereign bonds with short and long term maturity of €153.459.918 (2021: €284.406.752) and non-Eurozone sovereign and supranational bonds of €124.942.254 (2021: €134.444.628) with short and long term maturity. The Bank did not hold any portfolio of Greek Treasury Bills as at 31 December 2022 (2021: €60.055.892).

21. DEBT SECURITIES (continued)

Certain debt securities classified at amortised cost are pledged as collateral for funding from Central Banks. Details for encumbered assets are disclosed in Note 42.9.

There were no reclassifications of investments during the years 2022 and 2021.

The maximum exposure to credit risk for debt securities is disclosed in Note 42.1.

An analysis of changes in the gross carrying amount and the corresponding ECLs for the year ended 31 December 2022 is, as follows:

	Stage 1 €	Stage 2 €	Stage 3 €	Total €
Gross carrying amount as at 1 January 2022	940.216.954	-	-	940.216.954
New assets acquired in the year	549.685.075	-	-	549.685.075
Assets derecognised or redeemed in the year	(907.513.718)	-	-	(907.513.718)
Accrued interest	5.615.358	-	-	5.615.358
Fair value due to hedging relationship (Note 40)	(1.314.665)	-	-	(1.314.665)
Foreign exchange adjustments	9.082.749	-	-	9.082.749
Interest received	(10.237.913)	-	-	(10.237.913)
Debt securities at amortised cost as at 31 December 2022	**585.533.840**	**-**	**-**	**585.533.840**

	Stage 1 €	Stage 2 €	Stage 3 €	Total €
ECL allowance as at 1 January 2022	325.213	-	-	325.213
Increase in the ECL during the year	107.490	-	-	107.490
Assets derecognised or matured	(308.006)	-	-	(308.006)
ECL allowance as at 31 December 2022	**124.697**	**-**	**-**	**124.697**

An analysis of changes in the gross carrying amount and the corresponding ECLs for the year ended 31 December 2021 is as follows:

	Stage 1 €	Stage 2 €	Stage 3 €	Total €
Gross carrying amount as at 1 January 2021	860.185.930	-	-	860.185.930
New assets acquired in the year	1.267.029.983	-	-	1.267.029.983
Assets derecognised or redeemed in the year	(1.185.423.110)	-	-	(1.185.423.110)
Accrued interest	5.614.278	-	-	5.614.278
Fair value due to hedging relationship (Note 40)	(426.529)	-	-	(426.529)
Foreign exchange adjustments	7.415.933	-	-	7.415.933
Interest received	(14.179.531)	-	-	(14.179.531)
Debt securities at amortised cost as at 31 December 2021	**940.216.954**	-	-	**940.216.954**

	Stage 1 €	Stage 2 €	Stage 3 €	Total €
ECL allowance as at 1 January 2021	**1.290.209**	-	-	**1.290.209**
Decrease in the ECL during the year	(600.730)	-	-	(600.730)
Assets derecognised or matured	(364.266)	-	-	(364.266)
ECL allowance as at 31 December 2021	**325.213**	**-**	**-**	**325.213**

21. DEBT SECURITIES (continued)

The following table presents investments in bond securities categorised according to the issuer's or country's rating for government guaranteed securities, as per the international credit rating agency, Moody's, as at 31 December 2022 and 31 December 2021:

	2022 €			2021 €		
	EUR	**USD**	**TOTAL**	**EUR**	**USD**	**TOTAL**
Credit rating Aaa	4.813.648	42.623.201	47.436.849	-	53.673.605	53.673.605
Credit rating Aa1	-	-	-	1.978.459	-	1.978.459
Credit rating Aa2	-	40.165.051	40.165.051	-	34.889.749	34.889.749
Credit rating Aa3	-	42.049.164	42.049.164	-	44.881.984	44.881.984
Credit rating A1	999.563	-	999.563	999.290	4.419.198	5.418.488
Credit rating A2	26.732.429	-	26.732.429	203.224	1.802.783	2.006.007
Credit rating A3	23.063.312	-	23.063.312	22.492.355	1.207.925	23.700.278
Credit rating Baa1	15.041.429	-	15.041.429	10.428.228	-	10.428.228
Credit rating Baa2	-	-	-	8.024.081	-	8.024.081
Credit rating Baa3	74.986.265	-	74.986.265	189.929.086	12.592.562	202.521.648
Credit rating Ba1	292.323.314	-	292.323.314	420.923.432	-	420.923.432
Credit rating Ba2	-	-	-	31.631.941	-	31.631.941
Credit rating Ba3	17.286.653	-	17.286.653	99.813.839	-	99.813.839
Credit rating B1	5.325.114	-	5.325.114	-	-	-
	460.571.727	**124.837.416**	**585.409.143**	**786.423.935**	**153.467.806**	**939.891.741**

The following table presents investments in bond securities by type of issuer as at 31 December 2022 and 31 December 2021:

	2022 €	2021 €
Investments amortised cost:		
Sovereign	567.978.108	903.365.671
Non-sovereign	17.431.035	36.526.070
	585.409.143	**939.891.741**

The following table presents investments in bond securities by country of issuer as at 31 December 2022 and 31 December 2021:

	2022 €	2021 €
Investments at amortised cost:		
Cyprus	268.982.193	394.293.449
Greece	43.349.892	141.729.489
Other Eurozone countries	161.701.539	263.026.518
Non-Eurozone countries	111.375.519	140.842.285
	585.409.143	**939.891.741**

22. LOANS AND ADVANCES TO CUSTOMERS

	2022 €	2021 €
Advances to individuals	355.666.545	363.991.083
Advances to legal entities:		
Large corporate entities and organisations	200.940.982	215.844.439
Small and medium size enterprises (SMEs)	646.505.132	717.890.004
Advances to customers – gross	**1.203.112.659**	**1.297.725.526**
Allowance for ECL	**(112.445.908)**	**(160.814.708)**
Advances to customers – net	**1.090.666.751**	**1.136.910.818**

Gross loans comprise of gross loans and advances to customers measured at amortised cost. The amount of new originations in the year net of derecognitions and other movements is €126,8m (2021: €235,4m). The contractual write-offs of loans and advances during the year are €100,7m (2021: €56,9m). The equivalent write-off amount excluding the residual fair value adjustment on initial recognition is €62,9m (2021: €48,1m).

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is presented below.

	Stage 1 €	Stage 2 €	Stage 3 €	POCI €	Total €
Gross carrying amount					
1 January 2022	790.564.790	169.284.643	194.730.608	143.145.485	1.297.725.526
New assets originated or purchased	126.815.822	-	-	6.029.817	132.845.639
Transfer to Stage 1	22.154.030	(21.024.489)	(1.129.541)	-	-
Transfer to Stage 2	(28.414.847)	32.421.006	(4.006.159)	-	-
Transfer to Stage 3	(12.925.262)	(2.248.399)	15.173.661	-	-
Net movement during the year	(26.115.825)	(13.779.815)	5.780.622	(7.788.814)	(41.903.832)
Gross loans derecognised	(69.202.985)	(4.798.402)	(22.395.881)	(26.298.554)	(122.695.822)
Write-offs	(183.880)	(6.285)	(49.915.087)	(12.753.600)	(62.858.852)
At 31 December 2022	**802.691.843**	**159.848.259**	**138.238.223**	**102.334.334**	**1.203.112.659**

	Stage 1 €	Stage 2 €	Stage 3 €	POCI €	Total €
Gross carrying amount					
1 January 2021	743.942.809	144.063.925	233.653.829	161.292.139	1.282.952.702
New assets originated or purchased	235.432.284	-	-	10.052.228	245.484.512
Transfer to Stage 1	10.110.472	(9.937.468)	(173.004)	-	-
Transfer to Stage 2	(60.267.702)	62.085.482	(1.817.780)	-	-
Transfer to Stage 3	(2.140.775)	(5.453.728)	7.594.503	-	-
Net movement during the year	(25.315.023)	142.351	8.869.549	(7.194.325)	(23.497.448)
Gross loans derecognised	(111.012.411)	(21.557.294)	(17.984.845)	(8.550.100)	(159.104.650)
Write-offs	(184.864)	(58.625)	(35.411.644)	(12.454.457)	(48.109.590)
At 31 December 2021	**790.564.790**	**169.284.643**	**194.730.608**	**143.145.485**	**1.297.725.526**

22. LOANS AND ADVANCES TO CUSTOMERS (continued)

The allowance for ECL is decreased from €160,8m at 31 December 2021 to €112,5m at 31 December 2022.The decrease is primarily driven by the €62,7m write offs (2021: €49,8m) and to successful resolutions implemented during the year resulting in recoveries of expected credit losses. The decrease is partially offset by the increase due to the discount unwinding relating to Stage 3 and the revaluation of underlying real estate collaterals.

31 December 2022

	Stage 1 €	Stage 2 €	Stage 3 €	POCI €	Total €
ECL allowance					
1 January 2022	6.161.118	4.713.256	116.948.922	32.991.412	160.814.708
Interest not recognised in the income statement	-	-	7.953.974	1.898.277	9.852.251
Write-offs	-	-	(50.615.724)	(12.046.088)	(62.661.812)
Provision on new exposures granted	741.356	-	-	539.676	1.281.032
Derecognition	(226.417)	(30.497)	(2.541.205)	1.508.682	(1.289.437)
Transfer to Stage 1	1.471.036	(1.343.082)	(127.954)	-	-
Transfer to Stage 2	(322.667)	608.066	(285.399)	-	-
Transfer to Stage 3	(66.946)	(988.245)	1.055.191	-	-
Change due to models and inputs	(3.352.595)	(716.290)	5.676.616	2.404.214	4.011.945
Foreign exchange difference and other movement	9.857	-	444.368	(17.004)	437.221
31 December 2022	**4.414.742**	**2.243.208**	**78.508.789**	**27.279.169**	**112.445.908**

31 December 2021

	Stage 1 €	Stage 2 €	Stage 3 €	POCI €	Total €
ECL allowance					
1 January 2021	7.121.875	4.795.629	139.010.079	31.631.633	182.559.216
Interest not recognised in the income statement	-	-	11.227.104	2.421.848	13.648.952
Write-offs	-	-	(36.673.057)	(13.129.460)	(49.802.517)
Provision on new exposures granted	4.748.128	-	-	2.916.261	7.664.389
Derecognition	(979.397)	(503.918)	(5.256.700)	(43.620)	(6.783.635)
Transfer to Stage 1	549.210	(526.066)	(23.144)	-	-
Transfer to Stage 2	(548.215)	799.600	(251.385)	-	-
Transfer to Stage 3	(2.741.929)	(310.217)	3.052.146	-	-
Change due to models and inputs	(2.009.186)	458.228	5.313.805	9.199.012	12.961.859
Foreign exchange difference and other movement	20.632	-	550.074	(4.262)	566.444
31 December 2021	**6.161.118**	**4.713.256**	**116.948.922**	**32.991.412**	**160.814.708**

In 2021, the change due to credit risk contains expected credit loss recognised from the updated macroeconomic scenarios and overlays performed in the context of COVID-19 and PD calibration.

22. LOANS AND ADVANCES TO CUSTOMERS (continued)

Table below presents a breakdown of Loans and Advances to Customers as at 31 December 2022 in accordance with the EBA standards.

	Gross Loans and Advances to Customers				Accumulated Impairment, accumulated changes in fair value due to credit risk and provisions			
			Of which with Forbearance measures				Of which with Forbearance measures	
	Gross carrying amount	Of which Non-Performing	Gross carrying amount of Loans with Forbearance measures	Of which Non-Performing	Cumulative Impairment Losses	Of which Non-Performing	Cumulative Impairment Losses of Loans with Forbearance measures	Of which Non-Performing
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
General Governments	**12.513**	**-**	**-**	**-**	**40**	**-**	**-**	**-**
Other Financial Corporations	**64.176**	**2.270**	**-**	**-**	**1.855**	**1.424**	**-**	**-**
Non-financial Corporations	**763.837**	**124.274**	**143.801**	**46.480**	**52.718**	**47.342**	**9.516**	**8.156**
of which: Small and Medium-sized enterprises	576.627	123.962	129.461	46.168	50.753	47.335	9.348	8.149
of which: Loans collateralized by commercial Immovable property	398.815	65.085	104.538	33.500	19.082	16.265	5.344	4.324
Non-financial Corporations by sector								
Construction	101.407	47.832	44.147	16.469	19.711	19.128	2.372	2.335
Wholesale and retail trade	108.116	18.553	7.260	4.659	10.692	9.902	1.568	768
Accommodation and food service activities	124.502	12.191	68.179	8.781	2.182	1.259	644	119
Real estate activities	113.637	19.592	8.321	4.658	4.664	4.211	888	768
Water supply, sewerage and waste management	54.975	47	-	-	45	45	-	-
Other Sectors	261.200	26.059	15.894	11.913	15.424	12.797	4.044	4.166
Households	**362.586**	**107.935**	**29.585**	**23.730**	**57.833**	**56.779**	**6.765**	**6.635**
of which: Loans collateralized by residential Immovable property	256.360	66.622	24.487	19.427	28.376	28.156	4.567	4.498
of which: Credit for consumption	75.882	34.938	5.647	4.827	19.141	18.498	624	737
Total	**1.203.113**	**234.479**	**173.386**	**70.210**	**112.446**	**105.545**	**16.281**	**14.791**

(1) Non-including loans and advances to central banks and credit institution
(2) The analysis shown in lines 'non-financial corporations' and 'households' is non-additive across all categories as certain customers could be in both categories.

22. LOANS AND ADVANCES TO CUSTOMERS (continued)

Table below presents a breakdown of Loans and Advances to Customers as at 31 December 2021 in accordance with the EBA standards.

	Gross Loans and Advances to Customers				Accumulated Impairment, accumulated changes in fair value due to credit risk and provisions			
			Of which with Forbearance measures				Of which with Forbearance measures	
	Gross carrying amount	Of which Non-Performing	Gross carrying amount of Loans with Forbearance measures	Of which Non-Performing	Cumulative Impairment Losses	Of which Non-Performing	Cumulative Impairment Losses of Loans with Forbearance measures	Of which Non-Performing
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
General Governments	**9.156**	**-**	**-**	**-**	**44**	**-**	**-**	**-**
Other Financial Corporations	**60.872**	**2.298**	**11.445**	**-**	**2.031**	**1.342**	**120**	**-**
Non-financial Corporations	**859.926**	**186.065**	**178.160**	**68.538**	**87.985**	**78.589**	**12.997**	**9.964**
of which: Small and Medium-sized enterprises	658.928	182.134	159.237	64.606	84.952	78.278	12.524	9.655
of which: Loans collateralized by commercial Immovable property	384.450	78.661	122.101	42.539	27.843	24.260	8.048	5.865
Non-financial Corporations by sector								
Construction	153.298	96.198	64.580	29.757	46.208	44.922	4.668	4.074
Wholesale and retail trade	114.166	23.286	14.415	8.929	13.581	11.949	2.749	2.213
Accommodation and food service activities	129.585	14.030	65.205	8.349	4.556	3.770	957	565
Real estate activities	143.406	22.438	21.196	11.970	7.341	4.860	1.708	619
Water supply, sewerage and waste management	55.895	42	-	-	43	42	-	-
Other Sectors	263.576	30.071	12.764	9.533	16.256	13.044	2.915	2.493
Households	**367.772**	**144.406**	**36.488**	**31.654**	**70.755**	**69.611**	**6.796**	**6.812**
of which: Loans collateralized by residential Immovable property	222.581	82.252	29.308	25.380	29.330	29.217	4.132	4.185
of which: Credit for consumption	90.398	46.208	8.120	7.400	25.200	24.422	1.334	1.454
Total	**1.297.726**	**332.769**	**226.093**	**100.192**	**160.815**	**149.542**	**19.913**	**16.776**

(1) Non-including loans and advances to central banks and credit institutions
(2) The analysis shown in lines 'non-financial corporations' and 'households' is non-additive across all categories as certain customers could be in both categories.

23. INVESTMENT IN ASSOCIATE COMPANY

	2022 €	2021 €
Chrynoa Limited ('ex-Quant')	-	4.055.283
Perfoto Developers Limited	186.000	-
	186.000	**4.055.283**

During the year ended 31 December 2022 the Group acquired 33,3% holding in associate company Perfoto Developers Limited in debt satisfaction. The company is the owner of plots of land in Pafos District and has no operations.

Following the sale to Qualco Fin Ltd ("Qualco") of 74,9% of ex-Quant during the year 2020, a newly formed company, an agreement was signed for the servicing of the Bank's portfolio of Non-Performing Exposures and Real Estate Owned Assets, while the ownership of the real estate and loan portfolio remained with the Bank. As of 21 August 2020 (completion of the transaction), the Bank recognised an investment in associate based on the fair value of its retained 25,1% interest in ex-Quant.

As described in (Note 39), until 7 October 2022 investment in ex-Quant was accounted for as an investment in associate using the equity method. The following tables illustrate the summarized financial information of the Bank's investment in ex-Quant up to 7 October 2022 and the comparative figures for the twelve-month period ended 31 December 2021.

	2022 €	2021 €
1 January	4.055.283	3.682.602
Share of (loss)/profit from investment in associate	(419.314)	802.166
Dividend received	-	(429.485)
Carrying amount as of 7 October 2022/31 December 2021	**3.635.969**	**4.055.283**

Transactions between the associate company ex-Quant and the Group recognised in the income statement for the year ended:

	2022 €	2021 €
Servicer`s administration fees (Note 12)	(902.329)	(8.577.876)
Interest income on deferred cash consideration receivable	-	111.165
Other income and recharges	217.943	275.592

Balances between associate company and the Group:

Amounts payable	2021 €
Servicer's administration fees payable by the Group	(4.185.462)

Refer to Note 39 for the balances between the subsidiary company and the Group as at 31 December 2022.

24. OTHER ASSETS

	2022 €	2021 €
Prepaid expenses	1.392.916	1.676.871
Funds pledged as collateral	4.936.092	5.714.055
Receivable from Byblos transaction	-	13.508.940
Other receivables	11.401.354	9.855.485
	17.730.362	**30.755.351**

Funds pledged as collateral correspond to block funds for the execution of the credit cards operations.

24. OTHER ASSETS (continued)

During the year 2021, the Bank entered into two share purchase agreements whereby it was agreed that the Bank will acquire the residual assets held by USB Holdings Plc for a total consideration of €12,1 million. A total amount of €10 million was paid by the Bank during the year, of which €9,2 million relates to the acquisition of Pandingmor Limited (Note 25) and €828 thousand is included in other assets as a prepayment for the acquisition of the remaining assets.

Other receivables include the receivable from National Bank of Greece (Cyprus) Ltd of €3.800.000 relating to the amount deposited per the Share and Purchase Agreement ("SPA"), which was signed on 26 November 2019 between AstroBank and National Bank of Greece.

As at 31 December 2022, expected credit losses amounted to €3.940.000 (2021: €129.653) are recognised in other receivables.

25. INVESTMENT PROPERTY

	2022 €	2021 €
1 January	13.270.033	-
Additions	-	13.318.832
Transfer from property and equipment (Note 27)	5.526.311	-
Fair value adjustment (Note 9)	1.053.907	(48.799)
Closing balance	**19.850.251**	**13.270.033**

During the year ended 31 December 2021, the Group acquired the 75,01% shareholding in Pandingmor Limited ("Pandingmor") for a total consideration of €9,2 million. As at the acquisition date, the fair value of the net assets acquired was equal to the purchase price. The amount of €3,1 million non-controlling interest in year 2021 represents the value of the remaining 24,99% shareholding held by a third party.

During the year ended 31 December 2022, the Group acquired the remaining 24,99% shareholding in Pandingmor in debt satisfaction becoming the sole shareholding in Pandingmor. As at 31 December 2022, the Company performed an assessment of the carrying value of the investment in Pandingmor, resulting in an impairment loss of €110.708 which was recognised in the consolidated statement of profit and loss.

Pandingmor holds a commercial property (shops and offices) under a long-term lease agreement. Initial duration of the lease agreement was 50 years with the residual duration of 42 years as at 31 December 2022. Up to December 2022 part of the building was used by the Group for Head office operations. The specific part of the property which was used by the Bank has been classified as 'Property and equipment' (Note 27) whilst the remaining part which is sub-leased to third parties has been classified as 'Investment property' in the consolidated statement of financial position. In December 2022, all employees of the Bank have been relocated and the total building rented to third parties. The value of the building which was previously used by the Bank has been re-classified from 'Property and equipment' to 'Investment property'.

Determination of the Fair Value
The fair value of the investment in the Finance Lease Property was determined using an external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The valuation has been performed by taking into account the future cash inflows from the sub-lease of the building and the cash outflows due to the lease liability from land, discounting those net cash flows using a selected discount rate.

The value of the investment as per the valuation of €15.200.000 represents the net market value of the Lease Property and the Lease liability which are presented in the statement of financial position as an asset Investment Property (€19.850.251) and lease liability (€4.650.251 included in other liabilities) respectively.

The policy of the Group is to carry out valuations of its property every year.

25. INVESTMENT PROPERTY (continued)

Information about the fair value measurements using significant unobservable inputs (Level 3)

The Group uses model of unobservable inputs for valuation of investment property. The fair value measurement has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

Description	2022 €	Valuation techniques	Unobservable inputs	Yield
Property held under a long-term lease	**15.200.000**	Discounted cash flow	Annual investors' required rate of return (discount rate)	5,0%-6,50%

Description	2021 €	Valuation techniques	Unobservable inputs	Yield
Property held under a long-term lease	**13.836.000**	Discounted cash flow	Annual investors' required rate of return (discount rate)	5,0%-6,50%

Sensitivity analysis
Significant increases/decreases in estimated in yield values could result in a significantly higher/lower fair value of the property.

26. STOCK OF PROPERTY

	2022 €	2021 €
1 January	131.791.212	144.803.288
Additions	43.063.370	19.601.263
Disposals	(33.433.680)	(29.075.779)
Impairment (Note 14)	(893.002)	(3.537.560)
Closing balance	**140.527.900**	**131.791.212**

The Group in its normal course of business acquires properties in debt satisfaction ("REOs"), which are held either directly or by entities set up and controlled by the Group for the sole purpose of managing these properties with an intention to be disposed of. These properties are recognised in the Group's consolidated financial statements as stock of property, reflecting the substance of these transactions.

The carrying amount of stock of property is determined as the lower of cost and net realisable value. Impairment is recognised if the net realisable value is below the cost of the stock of property. During 2022 an impairment loss of €893.002 (2021: €3.537.560 loss) was recognised in 'Impairment of non-financial assets' in the consolidated income statement (Note 14).

At 31 December 2022 stock of property with a carrying amount of €113.300.502 (2021: €112.742.524) is carried at approximately its fair value less costs to sell.

The stock of properties include residential, offices and other commercial properties and industrial buildings and land (fields and plots).

During the year ended 31 December 2022, the Group disposed repossessed assets of a total amount of €33.433.680 (2021: €29.075.779) at a gain of €2.923.672 (2021: €887.828 gain) (Note 9).

27. PROPERTY AND EQUIPMENT

	Right of use assets	Property €	Equipment €	Total €
2022				
Net book value at 1 January	10.811.424	22.910.000	4.005.170	37.726.594
Additions	367.741	3.602.000	275.106	4.244.847
Write off/Disposals	(2.167.428)	-	(31.397)	(2.198.825)
Depreciation (Note 13)	(968.543)	(243.670)	(1.190.428)	(2.402.641)
Property revaluation	509.002	545.470	-	1.054.471
Transfer to investment property (Note 25)	(5.526.311)	-	-	(5.526.311)
Net book value at 31 December	**3.025.884**	**26.813.800**	**3.058.451**	**32.898.135**
1 January 2022				
Cost or valuation	14.187.534	22.910.000	14.550.403	51.647.937
Accumulated depreciation	(3.376.110)	-	(10.545.233)	(13.921.343)
Net book value	**10.811.424**	**22.910.000**	**4.005.170**	**37.726.594**
31 December 2022				
Cost or valuation	7.370.537	26.817.000	14.794.112	48.981.649
Accumulated depreciation	(4.344.653)	(3.200)	(11.735.661)	(16.083.514)
Net book value	**3.025.884**	**26.813.800**	**3.058.451**	**32.898.135**
2021				
Net book value at 1 January	7.066.883	22.910.000	4.722.185	34.699.068
Additions	5.850.679	60.424	723.506	6.634.609
Contract modification	(1.245.132)	-	-	(1.245.132)
Write off/Disposals	-	-	(38.420)	(38.420)
Depreciation (Note 13)	(885.000)	(241.446)	(1.402.101)	(2.528.547)
Property revaluation	23.994	181.022	-	205.016
Net book value at 31 December	**10.811.424**	**22.910.000**	**4.005.170**	**37.726.594**
1 January 2021				
Cost or valuation	9.557.993	22.910.000	13.865.317	46.333.310
Accumulated depreciation	(2.491.110)	-	(9.143.132)	(11.634.242)
Net book value	**7.066.883**	**22.910.000**	**4.722.185**	**34.699.068**
31 December 2021				
Cost or valuation	14.187.534	22.910.000	14.550.403	51.647.937
Accumulated depreciation	(3.376.110)	-	(10.545.233)	(13.921.343)
Net book value	**10.811.424**	**22.910.000**	**4.005.170**	**37.726.594**

Property includes land of €13.528.500 (2021: €10.886.500) for which no depreciation is charged. The latest property revaluation was performed in December 2022.

The net book value of property at 31 December 2022 based on cost less accumulated depreciation is €21.680.431 (2021: €18.078.430).

The policy of the Group is to carry out valuations of its property every year. The Group performed revaluations in December 2022 and in December 2021.

A total revaluation gain of €1.054.471 was recognised during the year ended 31 December 2022 (€927.272 recognised in the revaluation reserve was recognised in the revaluation reserve in equity and a revaluation gain of €127.199 recognised in Non-controlling interest in equity) ,(2021: €205.016, €199.020 recognised in the revaluation reserve and a revaluation gain of €5.996 recognised in Non-controlling interest in equity).

27. PROPERTY AND EQUIPMENT (continued)

Fair value of land and buildings
The valuation of the Group's land and buildings was performed by two independent valuers to determine the fair value of the land and buildings as at 31 December 2022 and 2021. The loss on revaluation was charged to the consolidated income statement in accordance with the relevant accounting policy. The following table analyses the property carried at fair value, by method of valuation. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset that are not based on observable market data (that is unobservable inputs) (Level 3).

The Group uses model of unobservable inputs for valuation of land and buildings and right of use assets. The fair value measurement has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

	Right of use asset		Office building	
	2022	**2021**	**2022**	**2021**
	€	**€**	**€**	**€**
Opening balance	5.119.702	-	22.910.000	22.910.000
Additions	-	5.138.529	3.602.000	60.424
Transfers to investment property (Note 25)	(5.526.311)	-	-	-
Depreciation charge	(102.392)	(42.822)	(243.670)	(241.446)
Revaluation gain	509.001	23.994	545.470	181.022
Closing balance	**-**	**5.119.702**	**26.813.800**	**22.910.000**

There were no transfers between fair value hierarchy levels during year 2022 and 2021.

During the years 2022 and 2021, there have been a limited number of similar sales in the local market and as a result, the Group had to adopt a valuation technique using unobservable inputs. Accordingly, the fair value was classified to Level 3.

The comparable method was used in combination with the replacement cost method and the investment method.

Valuation processes of the Group
On an annual basis, the Group engages external and qualified valuers to determine the fair value of land and buildings. As at 31 December 2022 and 2021, the fair value of the land and buildings has been determined as the average value based on the valuations.

The Level 3 valuations for land and buildings have been performed using the average of a sales comparison method and the replacement cost method. As there have been a limited number of similar sales for office buildings in Nicosia the valuations have been performed using unobservable inputs. The external valuers, have determined these inputs based on the size, age and condition of the land and buildings, the state of the local economy and comparable prices in the area.

27. PROPERTY AND EQUIPMENT (continued)

Information on fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 December 2022 €	Valuation techniques	Unobservable inputs	Estimated fair value per m²
Head Office building – Nicosia	**23.215.000**	Land cost	Price per square metre	Approximately €5.024/m ²
		Approximation of building construction	Price per square metre	Approximately €1.792/m² for ground floor and other floors and average €686/m² for basements
Branch Buildings – Nicosia	**1.043.000**	Approximation of land and building construction	Price per square metre	Approximately €5.250/m ²
Office Buildings – Nicosia	**2.433.000**	Approximation of land and building construction	Price per square metre	Approximately €3.819/m ²
Commercial building	**126.000**	Approximation of land and building construction	Price per square metre	Approximately €2.400/m ²
Total	**26.817.000**			

Description	Fair value at 31 December 2021 €	Valuation techniques	Unobservable inputs	Estimated fair value per m²
Head Office building - Nicosia	**22.910.000**	Land cost	Price per square metre	Approximately €5.024m²
		Approximation of building construction	Price per square metre	Approximately €1.792m² for ground floor and other floors and average €670m² for basements

Sensitivity analysis
Significant increases/decreases in estimated fair values per square meter could result in a significantly higher/lower fair value of the property.

28. INTANGIBLE ASSETS

	Software under development €	Computer Software €	Other Intangibles €	Total €
2022				
Net book value at 1 January	710.505	3.056.253	-	3.766.758
Additions (Note 39)	427.915	1.427.958	5.893.945	7.749.818
Amortisation (Note 13)	-	(1.298.501)	-	(1.298.501)
Write offs	(710.505)	-	-	(710.505)
Net book value at 31 December	**427.915**	**3.185.710**	**5.893.945**	**9.507.570**
1 January 2022				
Cost	710.505	15.153.413	2.832.994	18.696.912
Accumulated amortisation	-	(12.097.160)	(2.832.994)	(14.930.154)
Net book value	**710.505**	**3.056.253**	**-**	**3.766.758**
31 December 2022				
Cost	427.915	16.581.371	8.726.939	25.736.225
Accumulated amortisation	-	(13.395.661)	(2.832.994)	(16.228.655)
Net book value	**427.915**	**3.185.710**	**5.893.945**	**9.507.570**
2021				
Net book value at 1 January	4.490.926	1.580.942	944.520	7.016.388
Additions	168.782	1.521.924	-	1.690.706
Amortisation (Note 13)	-	(1.063.405)	(944.520)	(2.007.925)
Write offs	(2.932.411)	-	-	(2.932.411)
Transfers	(1.016.792)	1.016.792	-	-
Net book value at 31 December	**710.505**	**3.056.253**	**-**	**3.766.758**
1 January 2021				
Cost	4.490.926	12.614.697	2.832.994	19.938.617
Accumulated amortisation	-	(11.033.755)	(1.888.474)	(12.922.229)
Net book value	**4.490.926**	**1.580.942**	**944.520**	**7.016.388**
31 December 2021				
Cost	710.505	15.153.413	2.832.994	18.696.912
Accumulated amortisation	-	(12.097.160)	(2.832.994)	(14.930.154)
Net book value	**710.505**	**3.056.253**	**-**	**3.766.758**

Following the acquisition of ex-Quant business (Note 39), other intangible assets of €5.893.945 were recognised on the consolidated statement of financial position, as part of the purchase price allocation assessment, in line with the estimation of the fair value of the acquired business. The fair value of "Other intangibles assets" primarily reflects i) the value of identified reacquired rights for the administration and servicing of Assets under management and ii) the procedures performed by ex-Quant in relation to the strategic planning and analysis of the Assets Under Management ("AUM") (both portfolios of NPEs and REOs), the assignment of the optimal resolution strategy for each case and the expected monetary value to be generated from the servicing of the AUM over the projected period.

28. INTANGIBLE ASSETS (continued)

During 2022, the Group proceeded with the write-off of software under development relating to the treasury system, amounting to €710.505.

During 2021, the Group has performed a cost benefit analysis over the feasibility of completion of the internet banking project either with the existing provider or proceeding with alternative providers. Based on the outcome of the assessment, the latter has been concluded as the most beneficial option both in terms of efficiency and cost effectiveness. To this effect, the Group proceeded with the write-off of Software under development relating to the internet banking project, amounting to €2.932.411.

29. LEASES

The Group is a lessee for commercial properties such as office buildings and branches. The basic terms for lease contracts relating to the branch network are uniform irrespective of lessors, with the non-cancellable rental period usually being two years with an option to extend the tenancy. The Group has the right at any time after the expiry of the initial term to terminate the present rental agreement by providing notice (usually 3 or 6 months' notice) to the lessor. Depending on the terms agreed, the rent is adjusted at the end of each renewal period, according to the current rates of the area and considering the relevant legislation.

Low value assets
The Bank has exercised judgement in determining the threshold of low value asset which was set at €5.000.

During the year ended 31 December 2021, the Group acquired the 75% shareholding in Pandingmor Limited ("Pandingmor"). During the year ended 31 December 2022, the Group acquired the remaining 24,99% shareholding in Pandingmor in debt satisfaction becoming the sole shareholding in Pandingmor.

Pandingmor holds a commercial property (shops and offices) under a long-term lease agreement. Initial duration of the lease agreement was 50 years with the residual duration of 42 years as at 31 December 2022. Up to December 2022 part of the building was used by the Group for Head office operations. The specific part of the property which was used by the Bank has been classified as "Property and equipment" (Note 27) whilst the remaining part which is sub-leased to third parties has been classified as "Investment property" in the consolidated statement of financial position. In December 2022, all employees of the Bank have been relocated and the total building rented to third parties. The value of the building which was previously used by the Bank for a total value of €5.526.311 has been re-classified from "Property and equipment" to "Investment property". As at 31 December 2022, the total value of the building is classified as "Investment property".

The carrying amounts of the Group's right of use "RoU" assets and lease liabilities and the movement during the year is presented in the table below:

2022	Right of use Assets – Property and Equipment (Note 27) €	Right of use Assets – Investment Property (Note 25) €	Total Right of use Assets	Lease Liabilities (Note 35) €
1 January	10.811.424	13.270.033	24.081.457	(8.031.596)
Additions	367.741	-	367.741	(367.741)
Transfer between categories	(5.526.311)	5.526.311	-	-
Assets derecognised	(2.167.428)	-	(2.167.428)	69.730
Fair value adjustment	509.001	1.053.907	1.562.908	-
Depreciation charge for the year (Note 13)	(968.543)	-	(968.543)	-
Interest expense	-	-	-	(373.329)
Cash outflows	-	-	-	1.005.394
Closing balance	**3.025.884**	**19.850.251**	**22.876.135**	**(7.697.542)**

29. LEASES (continued)

2021	Right of use Assets – Property and Equipment (Note 27) €	Right of use Assets – Investment Property (Note 25) €	Total Right of use Assets	Lease Liabilities (Note 35) €
1 January	7.066.883	-	7.066.883	(4.856.071)
Additions	5.850.679	13.318.832	19.169.511	(5.243.597)
Assets derecognised	(1.245.132)	-	(1.245.132)	1.346.916
Fair value adjustment	23.994	(48.799)	(24.805)	-
Depreciation charge for the year (Note 13)	(885.000)	-	(885.000)	-
Interest expense	-	-	-	(178.057)
Cash outflows	-	-	-	899.213
Closing balance	**10.811.424**	**13.270.033**	**24.081.457**	**(8.031.596)**

RoU assets as at 31 December 2022 comprised of leases for buildings of €22.829.021 (2021: €24.029.995) and leases for cars of €47.114 (2021: €51.462) and are presented within Property and equipment and Investment Property.

Cash outflows relate to lease payments made in the year.

The analysis of lease liabilities based on remaining contractual maturity is disclosed in Note 46.

30. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are calculated on all temporary differences using the applicable tax rates (Note 15). Deferred tax assets and liabilities are netted off when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax jurisdiction.

Deferred tax assets

The movement in the deferred tax assets is set below:

	2022 €	2021 €
Balance at 1 January	1.435.647	2.510.237
Change of future utilisation of tax losses	3.250.000	(1.035.151)
Change in deferred tax on lease agreements	-	76.350
Change relating allowance for expected credit losses	(493.301)	(115.789)
Balance at 31 December	**4.192.346**	**1.435.647**

Deferred tax liabilities

The movement in the deferred tax liabilities is set below:

	2022 €	2021 €
Balance at 1 January	3.554.124	1.610.881
Deferred tax transferred via acquisitions during the year (1)	1.090.256	1.814.366
Property revaluation - recognised in consolidated statement of other comprehensive income (Note 37)	(199.249)	(150.879)
Difference between capital allowances and depreciation	(82.887)	9.077
Stock of property	(65.138)	270.679
Balance at 31 December	**4.297.106**	**3.554.124**

(1) It comprises of deferred tax liability transferred via: i) the acquisition of ex-USB properties (€352.097). and ii) the reacquired right from the acquisition of ex-Quant business (€738.159).

30. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Deferred tax assets and liabilities are attributable to the following components:

	2022 €	2021 €
Deferred tax assets		
Tax losses (1)	3.250.000	-
Allowance for expected credit losses (2)	865.996	1.359.297
Lease agreements	76.350	76.350
	4.192.346	**1.435.647**
Deferred tax liabilities		
Property revaluation (3)	2.736.237	2.813.516
Difference between capital allowances and depreciation	1.355.328	469.929
Stock of property	205.541	270.679
	4.297.106	**3.554.124**

(1) Recognition of deferred tax assets on unutilised income tax losses is supported by Management's business forecasts, taking into account available information and making various assumptions on future growth rate of customer loans, deposits, loan impairment, reduction of NPEs and considering the recoverability of the deferred tax assets within their expiry period.
(2) The Bank has recognised a deferred tax asset on the provisions on stage 1 and stage 2 loans. The deferred tax asset recognised relates to the effect of expected credit losses which are expected to materialize in future periods.
(3) It comprises of the Group's headquarters on 1 Spyrou Kyprianou Street, Nicosia and properties in various locations. Properties were last revalued on December 2022.

The deferred tax credit/(charge) in the consolidated income statement relates to temporary differences as follows:

	2022 €	2021 €
Tax losses	3.250.000	(1.035.151)
Allowance for expected credit losses	(493.301)	(115.789)
Stock of property	65.138	(270.679)
Difference between capital allowances and depreciation	82.888	67.273
Total (Note 15)	**2.904.725**	**(1.354.346)**

31. AMOUNTS DUE TO OTHER BANKS AND DEPOSITS FROM BANKS

	2022 €	2021 €
Analysis by geographical sector		
Cyprus	1.698.972	957.169
Greece	590.882	160.686
Other countries	10.843.843	15.413.945
	13.133.697	**16.531.800**

32. FUNDING FROM CENTRAL BANKS

Funding from central banks comprises funding from the ECB under Eurosystem monetary policy operations as set out in the table below:

	2022 €	2021 €
Targeted Longer-Term Refinancing Operations (TLTRO III)	296.501.809	495.136.111
Total	**296.501.809**	**495.136.111**

As at 31 December 2022, the ECB funding was decreased to €300 million (2021: €500 million) following an early repayment of €200m in June 2022 and was borrowed from various TLTRO III operations.

32. FUNDING FROM CENTRAL BANKS (continued)

In recognition of the challenging credit environment during the pandemic period, the Governing Council of the ECB announced that the interest rate on all outstanding TLTRO III operations for the periods from 24 June 2020 to 23 June 2021 and 24 June 2021 to 23 June 2022 would be 50 basis points below the average rate applicable in the Eurosystem's main refinancing operations over the same period. The interest rate on the main refinancing operations during the above periods remained at 0%. For the counterparties whose eligible net lending reached the lending performance thresholds, the interest rate applied over the periods from 24 June 2020 to 23 June 2021 and 24 June 2021 to 23 June 2022 on all TLTRO III operations outstanding would be 50 basis points below the average interest rate on the deposit facility prevailing over the same period, and in any case not higher than minus 1%.

ECB during its October 2022 meeting, announced that from 23 November 2022 onwards, the applicable interest rate would be indexed to the average applicable key ECB interest rates from that date onward.

The maturity of TLTRO III is three years from the settlement of each operation, but there is an option available to early repay or reduce the amounts borrowed before their respective final maturity.

Interest income recognized in 2022 and 2021 from the above transactions is included in "Interest income" in the consolidated income statement.

Details on encumbered assets related to the above funding facilities are disclosed in Note 42.9.

33. DEPOSITS AND OTHER CUSTOMER ACCOUNTS

Analysis by type of deposit

	2022 €	2021 €
Demand	1.181.270.723	1.358.527.374
Savings	402.314.044	387.125.330
Term	528.327.662	445.737.890
Total	**2.111.912.429**	**2.191.390.594**

Analysis by customer type

	2022 €	2021 €
Large entities and organisations	111.856.148	125.616.831
Small and medium size enterprises	868.828.968	902.004.003
Deposits from individuals	1.131.227.313	1.163.769.760
Total	**2.111.912.429**	**2.191.390.594**

Analysis by line

	2022 €	2021 €
Retail	1.256.385.014	1.267.003.941
Corporate	118.086.196	134.380.426
International banking services	651.384.838	704.411.341
Wealth management	84.263.156	82.500.071
Recoveries banking unit	1.793.225	3.094.815
Total	**2.111.912.429**	**2.191.390.594**

33. DEPOSITS AND OTHER CUSTOMER ACCOUNTS (continued)

Analysis by currency

	2022 €	2021 €
Euro	1.749.971.860	1.766.251.428
US Dollar	336.098.713	380.894.511
British Pound	22.079.551	33.409.461
Swiss Franc	1.157.844	1.130.900
Other	2.604.461	9.704.294
Total	**2.111.912.429**	**2.191.390.594**

Analysis by geographical area

	2022 €	2021 €
Cyprus	1.799.376.373	1.752.748.162
Greece	75.204.395	78.786.251
Russia	4.741.441	10.611.171
Lebanon	131.806.085	199.396.597
British Virgin Islands	9.514.708	14.419.042
Other countries	91.269.427	135.429.371
Total	**2.111.912.429**	**2.191.390.594**

Deposits by geographical area are based on the country of operations/residence of the customers.

34. DEBT SECURITIES IN ISSUE AND SUBORDINATED LIABILITIES

		2022		2021	
		€	€	€	€
Subordinated liabilities	**Contractual interest rate**	**Nominal Value**	**Carrying Value**	**Nominal Value**	**Carrying Value**
Subordinated Tier 2 Bonds	8,00%	16.403.595	16.462.910	16.403.595	16.129.001
		16.403.595	**16.462.910**	**16.403.595**	**16.129.001**
Debt securities in issue – MREL qualified					
Senior preferred bonds – Euro	6,50%	5.200.000	5.200.000	-	-
Senior preferred bonds- USD	8,50%	9.179.468	9.179.468	-	-
Senior preferred bonds – Euro	2,25%	-	-	1.200.000	1.200.000
Senior preferred bonds- USD	3,00%	-	-	1.855.124	1.855.124
		14,379,468	**14,379,468**	**3.055.124**	**3.055124**
Debt securities in issue					
Senior preferred bonds – Euro	0% up to Call Date	7.000.000	7.000.000	-	-
		7.000.000	**7.000.000**	**-**	**-**
Total debt securities in issue		**21.379.468**	**21.379.468**	**3.055.124**	**3.055.124**

Subordinated liabilities

In June 2020, the Group issued a €16.403.595 unsecured and subordinated Tier 2 Bond. The Bond was priced at par with a coupon of 8% per annum, payable quarterly. The Bond matures in June 2030 (ten years from the issuance date). The Bank may redeem all of the Bonds on any Interest Payment Date following the fifth anniversary of the issuance date of the relevant Bond, subject to applicable regulatory consents.

34. DEBT SECURITIES IN ISSUE AND SUBORDINATED LIABILITIES (continued)

Debt securities in issue – MREL qualified

In December 2022, the Bank issued €5.200.000 and US$9.800.000 senior preferred bonds. The Bonds were priced at par with a coupon of 6,50% and 8,50% per annum respectively, payable annually. The Bonds mature in December 2024 (two years from the issuance date). The Bank has the option to redeem the bonds early in December 2023, subject to applicable regulatory consents. The bonds comply with the criteria for the minimum requirement for own funds and eligible liabilities (MREL) and contributes towards Group's MREL requirements. The bonds were listed on the Cyprus Stock Exchange market in March 2023.

In December 2021, the Bank issued €1.200.000 and US$2.100.000 senior preferred bonds. The Bonds were priced at par with a coupon of 2,25% and 3,0% per annum respectively, payable annually. The Bonds mature in December 2023 (two years from the issuance date). The Bank has proceeded with the exercise of the option to early redeem the bonds in December 2022.

Debt securities in issue

In October 2022, as part of the total consideration for the acquisition of ex-Quant business, the Group issued three different senior preferred bonds aggregated to EUR7.000.000 (Note 39). The bonds were priced at par with zero coupon up to the Call date and resettable thereafter at 12% per annum until the maturity date. The bonds mature in February 2024, June 2024 and October 2024. The Group has the option to redeem the bonds at the Call Date. In February 2023, the Group has proceeded with the exercise the option to early redeem the bond with original maturity date of February 2024 for a total amount of €2.350.000. The bonds do not comply with the criteria for the minimum requirement for own funds and eligible liabilities (MREL).

The Bank considers that the fair value of the Bonds as at 31 December 2022 and 31 December 2021 approximate their book value.

35. OTHER LIABILITIES

	2022 €	2021 €
Expenses payable	4.121.474	3.515.174
Items in the course of settlement	22.306.306	59.063.170
Provisions for financial guarantees and commitments	723.967	1.221.248
Lease liabilities (Note 29)	7.697.542	8.031.596
Other liabilities	23.796.558	26.498.680
Total	**58.645.847**	**98.329.868**

The amount of other liabilities, relates to deferred income from credit related transactions, prepayments for agreed sales of real estate owned assets and various provisions.

36. SHARE CAPITAL AND SHARE PREMIUM

	Authorised share capital		Issued share capital	
	Number of shares	€	Number of shares	€
Ordinary shares	**40.000.000**	**40.000.000**	**23.624.789**	**179.008.150**

36. SHARE CAPITAL AND SHARE PREMIUM (continued)

	Share Capital €	Share Premium €	Total €
1 January 2021	23.624.789	155.383.361	179.008.150
31 December 2021	**23.624.789**	**155.383.361**	**179.008.150**
1 January 2022	23.624.789	155.383.361	179.008.150
31 December 2022	**23.624.789**	**155.383.361**	**179.008.150**

Authorised share capital

There were no changes to the authorised share capital during the year ended 31 December 2022 and 2021.

Issued share capital and share premium

All issued ordinary shares carry the same rights.

There were no changes to the issued share capital during the year ended 31 December 2022 and 2021.

37. RETAINED EARNINGS AND OTHER RESERVES

	2022 €	2021 €
Retained earnings		
Balance at 1 January	10.349.746	7.114.195
Special defence contribution on deemed dividend distribution	(133.487)	-
Disposal of Non-controlling interest	139.520	-
Profit for the year attributable to the owners of the Bank	12.042.562	3.235.551
Balance at 31 December	**22.398.341**	**10.349.746**
Fair value reserve		
Balance at 1 January	1.080.728	606.550
Property revaluation	927.272	199.020
Deferred tax on revaluation of property held for own use (Note 30)	199.249	150.879
Revaluation for the year on FVTOCI financial assets	62.984	124.279
Balance 31 December	**2.270.233**	**1.080.728**

For the purpose of dividend distribution, retained earnings determined at the Company level, are the only distributable reserve.

Companies, tax resident in Cyprus, which do not distribute at least 70% of their profits after tax as defined by the Special Defence Contribution Law during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special defence contribution (SDC) at 17,0% is payable on such deemed dividend distribution to the extent that the shareholders of the Company at the end of the period of two years from the end of the year of assessment to which the profits refer, are directly or indirectly Cyprus tax residents or individuals who are domiciled in Cyprus. Deemed distribution does not apply in respect of profits that are directly or indirectly attributable to shareholders that are non-Cyprus tax residents and individual shareholders who are not domiciled in Cyprus. From 1 March 2019, the deemed dividend distribution is subject to 1,70% contribution to the General Health System (GHS), increased to 2,65% from 1 March 2020, with the exemption of April 2020 until June 2020 when the 1,70% rate was applicable. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year.

38. CONTINGENT LIABILITIES AND COMMITMENTS

Credit – related financial instruments

Credit-related financial instruments include commitments relating to credit guarantees and letters of guarantee, issued in order to meet the financial requirements of the Group's customers. The credit risk on these transactions corresponds to the total contract amount. However, the majority of these facilities are offset by corresponding commitments by third parties.

	2022 €	2021 €
Contingent liabilities		
Credit guarantees	1.968.091	1.447.295
Letters of guarantees	54.810.166	60.555.631
	56.778.257	**62.002.926**
Commitments		
Unutilised limits	**135.278.656**	**149.945.702**
Total contingent liabilities and commitments	**192.056.913**	**211.948.628**

As at 31 December 2022 letters of guarantee of €16.815.640 (31 December 2021: €18.221.219) had a maturity date beyond one year. The aggregate amount of credit guarantees had a maturity date within one year. The amounts are interest free and are presented at their book value since the effect of discounting is not significant.

Capital commitments
Capital commitments for the renovation of branches as at 31 December 2022 amount to €NIL (2021: €240.585). Commitments for IT expenditure as at 31 December 2022 amounted to €982.771 (2021: €971.466).

Legal proceedings
As at 31 December 2022 there were pending arbitration proceedings as well as litigations against the Group in connection with its activities. While the outcome of these matters is inherently uncertain, Group's Management believes that, based on the information available to it, appropriate provisions have been made in respect of legal proceedings, arbitrations and regulatory matters as at 31 December 2022 and hence it is not believed that such matters, when concluded, will have a material impact upon the financial position of the Group. Any provision recognised does not constitute an admission of wrongdoing or legal liability.

Set off of receivables with deposits
Case concerns a set off of a receivable against a deposit. The plaintiffs allege that the Defendants wrongly proceeded to a set off against plaintiffs' pledged deposit and claim the same amount back. A court judgment has been issued against the Bank for the amount of the claim and the Bank has filed an appeal which has not yet been fixed for hearing.

Claims relating to execution of transactions
Pending actions against the Bank where the Plaintiffs allege that the Bank has wrongly proceeded with and/or utilized and/or disposed of amount of money held by/on behalf of its Customer, in breach of the Bank's duty of care and trust.

Competition Law case which was transferred with the acquisition of USB Bank business
After the issuance of a decision by the Competition Committee, against USB and other Banks imposing a fine for an infringement of Competition, the USB along with other Bank's fined as well proceeded with filing of an Appeal against such decision at the Administrative Court. The Administrative Court accepted the appeal of all Banks for the reason put forward by the Banks in the Appeal namely the composition of the Competition Authority Committee. The Committee proceeded with filing of an appeal at the Supreme Court which is still pending. In case the Supreme Court decides in favour of the Appellant (i.e. the Competition Authority) the whole case will have to return for adjudication by the Administrative Court. If the Supreme Court rejects the Appeal then the case will be considered as closed and therefore the Bank will not be called to pay any amount of money. The amount of the claim is for €121.519.

Agreement with NBG (Cyprus) Ltd
A Share and Purchase Agreement ("SPA") has been signed on the 26th of November, 2019 between AstroBank and National Bank of Greece for the sale of the 100% stake of National Bank of Greece (Cyprus) Ltd.

38. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Legal proceedings (continued)
The deadline for completion ("Long Stop Date") has expired and therefore AstroBank has terminated the SPA in accordance with the terms and provisions thereof. An arbitration proceeding commenced in relation to the amount deposited by AstroBank to National Bank of Greece (Cyprus) Ltd of €3,8 million as part of the SPA. The Arbitration has been completed on the 30th of March, 2023 and the written closing statements were submitted on the 21st of April 2023. It is expected that the final arbitration award will be issued the latest by the end of June.

Employment litigation
Former employees of the Bank have instituted claims for unlawful dismissal against the Group.

Regulatory matters
Central Bank of Cyprus (CBC)
The Central Bank of Cyprus (CBC) has carried out in 2020 an offsite review to assess the Bank's compliance under the Prevention and Suppression of Money Laundering Activities Law of 2007 ("the AML/CFT Law") as subsequently amended and the Directive for the Prevention of Money Laundering and Terrorist Financing to Credit Institutions ("the CBC AML/CFT Directive"). On the 29th of January 2021, the CBC notified the Bank with their observations and by a letter dated 26 February 2021, the Bank submitted comments, explanations and documents to the CBC for the observations set out in the CBCs' letter.

Following review, the CBC concluded on 16 May 2022 that the Bank was in breach of certain articles and failed to act in accordance with certain provisions of the AML/CFT Law and the CBC AML/CFT Directive. A fine of €830 thousand was imposed to the Bank. The Bank paid a discounted fine on 19 May 2022 amounting to €706 thousand and included in other operating expenses in the income statement.

Common Reporting Standard ("CRS") Audit by the Tax Department
The Tax Department conducted an audit on the Bank's CRS regulatory reporting of the data for the year 2018 which were reported by the Bank in June 2019 through the Ariadne portal. The Tax Department started the audit remotely and identify few deficiencies with Bank's compliance and the CRS Decree. On 14 January 2022, the letter with the administrative penalty of €2 thousand was received by the Tax Department.

39. ACQUISITION OF CHRYNOA LTD BUSINESS (ex-Quant)

39.1 Overview

Investment in associate
During the year 2020, Astrobank Public Company Ltd ("Bank") proceeded with the sale of 74,9% of ex-Quant, a newly formed company, to Qualco. An agreement was also signed between the Bank and Qualco (the Servicing Agreement) for the exclusive management and servicing of the Bank's portfolio of Non-Performing Exposures and Real Estate Owned Assets, while the ownership of the real estate and loan portfolio remained with the Bank. As of 21 August 2020 (completion date), the Bank recognized an investment in associate based on the fair value of its retained 25,1% interest in ex-Quant.

Up to 7 October 2022 the investment in ex-Quant was accounted for as an investment in associate using the equity method (Note 23).

Investment in subsidiary
On 5 October 2022, the Bank and Qualco entered into an agreement whereby the Bank acquired back the 74,9% of the issued share capital of ex-Quant for a total consideration of €13.000.000 payable as follows:

- €6m of cash consideration (already settled at the closing of the Transaction);
- €7m of deferred consideration to be paid by way of simultaneous issuance of three preferred bonds (Note 34).

On completion date 7 October 2022, the Bank became the sole shareholder and from thereon the Bank consolidates 100% of the results and net assets of ex-Quant in its Consolidated Financial Statements.

39. ACQUISITION OF CHRYNOA LTD BUSINESS (ex-Quant) (continued)

The acquisition's strategic rationale revolves around the following factors:

- the existence of substantial synergies relating to operating costs and better utilisation of employees
- taxes payable on the servicing fees, representing a significant opportunity cost for the Bank

Servicing Agreement ("SLA") and the Business Services Agreement ("RSLA")
With the execution of the agreement on 7 October 2022 the SLA as well as the RSLA were terminated, and the employees of ex-Quant were transferred to the Bank.

39.2 Remeasurement of previously held interest

In accordance with IFRS 3, the change in control of the previously held equity interest in a company is an economic event that triggers the remeasurement of the investment to fair value. As of the acquisition date, the Bank remeasured the previously held interest in ex-Quant to its fair value of €1.351 thousand representing the 25,1% of the total fair value of €5.380 thousand as determined through the Purchase Price Allocation (PPA) assessment performed by the Bank. As a result, a fair value loss of €2.285 thousand was recognised in the Consolidated Income Statement.

	€000
Fair value of the previously held interest in associate	
Carrying amount of the cost of investment in ex-Quant as at 7 October 2022 (Note 23)	3.636
Fair value loss on remeasurement of previously held interest (Note 14)	(2.285)
	1.351

39.3 Consideration calculation and split

The Transaction corresponds to a step acquisition. In accordance with IFRS 3, the total consideration has been calculated as the sum of (i) the fair value of the investment already held (as at the Transaction Date) (ii) the consideration paid for the remaining shareholding adjusted for and (iii) the outstanding intercompany balances between ex-Quant and the Bank.

The following overview shows the "Adjusted Consideration":

	€000
Fair Value of the 25.1% of ex-Quant (=25.1% x 5,380,497)	1.351
Consideration paid for the remaining 74.9%	13.000
Net receivables from the Bank (i/co balances)	(1.372)
Adjusted consideration	**12.979**
Settlement of pre-existing contractual relationship- "Servicer's settlement fees" (Note 12)	(7.598)
Adjusted consideration (net of Servicer's settlement fees)	**5.380**

The amount of €7.598 thousand represents the settlement of the pre-existing contractual relationship from the SLA and RSLA ("exit fee") corresponding to the difference between ex-Quant's fair value and the Adjusted Consideration paid. This implied the additional cost incurred by the Bank to trigger the settlement of the Servicing Agreement (settlement of pre-existing relationship) and is recognised in Other Operating expenses as Servicer's settlement fees (Note 12).

39.4 Identifiable assets acquired and liabilities assumed

Following the completion of the acquisition, the Bank performed a Purchase Price Allocation (PPA) assessment using the acquisition method of accounting in accordance with IFRS. Therefore, all identifiable assets and liabilities acquired were measured at their fair value at the time of acquisition. The carrying amount was considered a reasonable approximation of their fair value except for the value of "Other intangibles assets".

39. ACQUISITION OF CHRYNOA LTD BUSINESS (ex-Quant) (continued)

39.4 Identifiable assets acquired and liabilities assumed (continued)

The fair value of "Other intangibles assets" primarily reflects i) the value of identified reacquired rights for the administration and servicing of Assets Under Management ("AUM") for the remaining contractual term of the SLA and RSLA as calculated in the PPA assessment using the net present value of the estimated cash flows and ii) the procedures performed by ex-Quant in relation to the strategic planning and analysis of the AUM (both portfolios of NPEs and REOs), the assignment of the optimal resolution strategy for each case and the expected monetary value to be generated from the servicing of the AUM over the projected period.

Based on the results of the PPA assessment, the value of Adjusted Consideration (after excluding the Servicer's settlement fees) and the balance of assets and liabilities acquired and measured at fair value, are equal at the transaction date and no Goodwill or Bargain Purchase was recognised in the financial results of the Bank.

Fair values of the identifiable assets and liabilities acquired

The following overview shows the PPA in accordance with IFRS 3 on the acquisition date 7 October 2022.

	€000	€000
Adjusted consideration (net of Servicer's settlement fees)		**5.380**
Less: Net Assets Acquired		
Assets		
Other intangible assets	5.895	
Software	268	
Property and equipment	46	
Other assets	59	
Bank deposits	190	
	6.458	
Liabilities		
Other liabilities	(339)	
Deferred tax liability	(739)	
	(1.078)	
Net assets acquired		**5.380**
Goodwill		**NIL**

40. HEDGE ACCOUNTING

The Group enters into fair value hedges, using interest rate swaps, in order to protect itself against movements in the fair value of fixed-rate financial instruments due to movements in market interest rates. The Group designates these interest rate swaps as hedging instruments in respect of interest rate risk in fair value hedges. The hedged items are certain fixed rate Cyprus Government Bonds ("CGBs"). Changes in the fair value of derivatives designated as fair value hedges and the fair value of the item in relation to the risk being hedged are recognised in the consolidated income statement.

The amounts relating to items designated as hedging instruments, hedged items and hedge ineffectiveness were as follows:

	Notional amount	Carrying amount		Financial Statement line	Accumulated fair value hedge adjustment of the hedged item	Change in fair value used for calculating hedge ineffectiveness	Ineffectiveness recognized in consolidated income statement
		Assets	Liabilities				
	€	€	€	€	€	€	€
2022							
Hedging instrument							
Interest rate swaps (Note 18)	5.000.000	1.226.051	-	Derivative financial instruments	-	1.315.197	12.545
Hedged item							
Cyprus Government bonds		4.997.624	-	Debt securities	(1.214.038)	(1.302.652)	
2021							
Hedging instrument							
Interest rate swaps (Note 18)	5.000.000	-	89.146	Derivative financial instruments	-	428.785	2.256
Hedged item							
Cyprus Government bonds		5.083.329	-	Debt securities	88.614	(426.529)	

41. GROUP COMPANIES

The subsidiary companies included in the consolidated financial statements of the Group, their country of incorporation, their activities and the percentage of share capital held by the Bank as at 31 December 2022 are listed below.

		Country of incorporation	Activities	Percentage
1	Carbinor Consultants Limited	Cyprus	Secretarial services to the Bank's SPVs	100%
2	Meribas Limited	Cyprus	Director of the Bank's SPVs	100%
3	Pandingmor Limited	Cyprus	Property holding under long term lease agreement	100%
4	A.P.M. Control Company Ltd	Cyprus	Property holding	100%
5	A.P.M. Firstsun Company Ltd	Cyprus	Property holding	100%
6	Adflikton Investments Limited	Cyprus	Property holding	100%
7	Ailanthus Holdings Limited	Cyprus	Property holding	100%
8	Altexpono Limited	Cyprus	Property holding	100%
9	Amatorco Limited	Cyprus	Property holding	100%
10	Assong Holding Limited	Cyprus	Property holding	100%
11	Averrhoa Limited	Cyprus	Property holding	100%
12	Azulito Ventures Limited	Cyprus	Property holding	100%
13	Bakkens Limited	Cyprus	Property holding	100%
14	Bushtron Holdings Limited	Cyprus	Property holding	100%
15	Callistem Holdings Limited	Cyprus	Property holding	100%
16	Chalkian Limited	Cyprus	Property holding	100%
17	Conaria Holdings Limited	Cyprus	Property holding	100%
18	Costpleo Investments Limited	Cyprus	Property holding	100%
19	Crantenia Ventures Limited	Cyprus	Property holding	100%
20	Dacibel Limited	Cyprus	Property holding	100%
21	Feelopie Holding Limited	Cyprus	Property holding	100%
22	Firstplatinum Company Ltd	Cyprus	Property holding	100%
23	Gianteto Limited	Cyprus	Property holding	100%
24	J&P Kalamon Limited	Cyprus	Property holding	100%
25	Kantadia Ventures Limited	Cyprus	Property holding	100%
26	Macerio Limited	Cyprus	Property holding	100%
27	Mangum Holding Limited	Cyprus	Property holding	100%
28	Olemo Limited	Cyprus	Property holding	100%
29	Openstar International Company Ltd	Cyprus	Property holding	100%
30	Pertanam Enterprises Limited	Cyprus	Property holding	100%
31	Rowington Ventures Limited	Cyprus	Property holding	100%
32	Sabatia Limited	Cyprus	Property holding	100%
33	Scaevola Ventures Limited	Cyprus	Property holding	100%
34	Serdetto Limited	Cyprus	Property holding	100%
35	Shortia Limited	Cyprus	Property holding	100%
36	Sistemero Limited	Cyprus	Property holding	100%
37	Spiritia Limited	Cyprus	Property holding	100%

41. GROUP COMPANIES (continued)

		Country of incorporation	Activities	Percentage
38	Tipuana Ventures Limited	Cyprus	Property holding	100%
39	Todero Limited	Cyprus	Property holding	100%
40	Tomentos Holdings Limited	Cyprus	Property holding	100%
41	Viegiot Investments Limited	Cyprus	Property holding	100%
42	Xepa Company Limited	Cyprus	Property holding	100%
43	Yurania Investments Limited	Cyprus	Property holding	100%
44	Delaway Limited	Cyprus	Intermediate holding company	100%
45	Dusanic Holdings Limited	Cyprus	Intermediate holding company	100%
46	Imagetech Limited	Cyprus	Intermediate holding company	100%
47	Lewisia Holdings Limited	Cyprus	Intermediate holding company	100%
48	Naila Holdings Limited	Cyprus	Intermediate holding company	100%
49	Olcinia Holdings Limited	Cyprus	Intermediate holding company	100%
50	Osperus Holdings Limited	Cyprus	Intermediate holding company	100%
51	Perekin Holdings Limited	Cyprus	Intermediate holding company	100%
52	Perequito Holdings Limited	Cyprus	Intermediate holding company	100%
53	Serissa Holdings Limited	Cyprus	Intermediate holding company	100%
54	AstroBank Insurance Agency Limited	Cyprus	Insurance brokerage	100%
55	Apomeli Ltd	Cyprus	Dormant	100%
56	Axalus Limited	Cyprus	Dormant	100%
57	Brawnido Ltd	Cyprus	Dormant	100%
58	Catouna Ltd	Cyprus	Dormant	100%
59	Dremikol Ltd	Cyprus	Dormant	100%
60	EMF Investors Limited	Cyprus	Dormant	100%
61	Fralidom Ltd	Cyprus	Dormant	100%
62	Kaihur Investment Limited	Cyprus	Dormant	100%
63	Katefors Ltd	Cyprus	Dormant	100%
64	Pelasela Ltd	Cyprus	Dormant	100%
65	Phelien Limited	Cyprus	Dormant	100%
66	Ramatary Limited	Cyprus	Dormant	100%
67	Rockory Enterprises Limited	Cyprus	Dormant	100%
68	Chrynoa Ltd (“ex-Quant”)	Cyprus	Dormant	100%

42. RISK MANAGEMENT

As part of its business activities , the Group is exposed to a variety of risks the most significant of which include Credit risk, Market risk, Liquidity risk, Funding risk, and Operational risk. These risks are monitored on a continuous basis using various methods, so as to avoid the excessive concentration of risk. The nature of these risks as well as the ways in which they are managed are outlined below. The risks described below, should not be regarded as a complete and comprehensive statement of all potential risks, uncertainties or mitigants as other factors either not yet identified or not currently material, may also adversely affect the Group.

42.1 Credit risk

Credit risk arises from the possibility of losses relating to late payments or failure to pay the Group by its counterparties. Credit risk management focuses on ensuring a disciplined risk culture, transparency and rational risk taking, based on in international best practices.

The Group's Management has established the provisions for the impairment of financial assets based on the economic conditions and prospects as at the reporting period end.

The provision for loans and advances is determined using the method of expected credit losses model as required by the relevant accounting standards.

Credit risk management

Credit risk management methodologies are reassessed and modified if required to reflect the changing financial environment. The various credit risk assessment methods used are revised annually or whenever deemed necessary and are adjusted according to the Group's overall strategy and short-term and long-term objectives.The various analyses of economic sectors and sub-sectors, combined with economic forecasts, provide the guidelines for the determination of the credit policy, which is revised from time to time.

Having as target the minimisation of credit risk, counterparty limits have been set, at the same time taking into consideration the credit rating of the debtor, the assigned collaterals and guarantees that reduce the exposure of the Group to credit risk, as well as the nature and duration of the credit facility. Regarding each debtor's credit rating analysis, this is carried out by taking into consideration the country's risk but also the economic sector in which it operates, as well as qualitative and quantitative characteristics.

At the same time, limits have been established for the approval of credit facilities and lending procedures in order to ensure the objectivity, independence and monitoring of new and existing loans.

During the approval process the total credit risk is examined for each counterparty or group of counterparties which are related at group level. At the same time, any concentration is analysed and monitored on a continuous basis, with an aim to restrict potential large openings and dangerous concentrations, so that these will be in line with existing credit policy limits. Concentration of credit risk can arise at the level of an economic sector, at counterparty or group of counterparties, country, currency or nature of collateral.

Past due advances are monitored on a continuous basis and a systematic segregation between performing and non–performing advances is carried out according to the internal policy of the Group which takes into account the criteria of the Central Bank of Cyprus Directive and EBA Guidelines. Significant exposures or delays are communicated to the Management which oversees the corresponding department for taking preventive or corrective measures.

Under the credit risk management framework, there is an evaluation of the effects of extreme but feasible scenarios on the quality of the loan portfolio and to the available capital, through simulation of crisis conditions (stress testing). The simulations examine separately each business and individual portfolio and estimate possible increases of unsecured advances which are likely to arise due to future decreases in collateral values. The unsecured exposures are calculated based on values after the application of haircuts as defined by the Credit policy.

42. RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

Internal rating systems

The methods for evaluation of credit rating differ depending on the type of counter party in the following categories: central governments (purchase and holding of bonds), financial institutions, large corporates and SMEs and individuals.

Individuals are evaluated based on two different methods of internal grading. The first method relates to existing customers and is based on the customers' repayment history and their general cooperation with the Group, while the second method is based both on demographic factors and objective financial data (e.g. income, assets etc.) and is applied to both existing and new customers.

For the evaluation of large corporate and SMEs, the system used is Moody's Risk Advisor (MRA), which evaluates the financial condition of the business based on its economic and qualitative data, but also based on the economic sector it operates in.

The evaluation process is performed on a regular basis or when conditions require it so that the customer' s credit score is representative of the credit risk being undertaken and functions as a risk warning sign.

Maximum exposure to credit risk before collaterals and other credit improvements

The customer's credit rating is used during the process of approving credit facilities and the setting of respective credit limits, for internal calculations of the probability of default as well as for monitoring changes in the quality of the loan portfolio of the Group, with the aim to develop the appropriate strategies for avoiding undertaking increased risks.

The table below presents the maximum exposure to credit risk that results from financial instruments included in the consolidated statement of financial position, without taking into consideration collaterals or any other credit mitigations received. For financial assets included in the consolidated statement of financial position, the exposure to credit risk is equal to their carrying value.

	Maximum exposure	
	31 December 2022 €	**31 December 2021 €**
Credit risk exposure on balance sheet items:		
Balances with Central Banks	768.607.864	657.025.913
Placements with other banks	21.943.349	29.003.109
Loans and advances to customers	1.090.666.751	1.136.910.818
Debt securities	585.409.143	939.891.741
Financial assets at fair value through profit or loss	12.214.694	11.406.616
Derivative financial instruments	1.304.888	96.130
Other assets	16.337.446	29.078.480
	2.496.484.135	**2.803.412.807**
Credit risk exposure from off balance sheet items:		
Credit guarantees	1.968.091	1.447.295
Letters of guarantee	54.810.166	60.555.631
Unutilised credit limits	135.278.656	149.945.702
	192.056.913	**211.948.628**
Total on and off balance sheet items	**2.688.541.048**	**3.015.361.435**

According to the above table, 29% (31 December 2021: 23%) of the total maximum exposure is derived from placements with the Central Bank and with other banks, 41% (31 December 2021: 38%) from loans and advances to customers and 22% (31 December 2021: 31%) is derived from investment in bonds classified at amortised cost and at fair value through profit or loss.

42. RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

The Group obtains collaterals so as to better manage the credit risk that arises from loans and advances. The main types of collaterals that the Group obtains are: (a) mortgages, (b) bank guarantees, (c) deposits, (d) pledging of shares, (e) other encumbrances and (f) personal and corporate guarantees.

The Group's Management regularly monitors the changes in the market value of the collateral and, where necessary, requests the pledging of additional collateral in accordance with the relevant agreement.

The Group offers guarantee facilities to its customers under which the Group may be required to make payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs.

Letters of credit and guarantee (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Group to risks similar to those of loans and advances and are therefore monitored by the same policies and control processes.

The Group's maximum exposure to credit risk is analysed by geographical area as follows:

	Maximum exposure	
	31 December 2022 €	**31 December 2021 €**
On balance sheet		
Cyprus	2.003.560.067	2.049.251.936
Greece	97.971.792	197.406.988
Other countries	394.952.276	556.753.883
	2.496.484.135	**2.803.412.807**
Off balance sheet		
Cyprus	185.918.178	202.293.848
Greece	2.692.798	4.602.078
Other countries	3.445.937	5.052.702
	192.056.913	**211.948.628**
Total on and off balance sheet		
Cyprus	2.189.478.245	2.251.545.784
Greece	100.664.590	202.009.066
Other countries	398.398.213	561.806.585
	2.688.541.048	**3.015.361.435**

Geographical analysis is based on the counterparty country of risk.

42.1.1 Collateral and other credit enhancements of financial assets subject to credit risk

The table below presents the maximum exposure to credit risk, the tangible and measurable collateral and credit enhancements held and the net exposure to credit risk, that is the exposure after taking into account the impairment loss and tangible and measurable collateral and credit enhancements held.

The fair value of the real estate collateral presented in the tables below for the loans and receivables is the market value after indexation capped at the gross loans amount or mortgage plus interest if lower.

The main types of collateral obtained by the Group and classified as "other" are pledges of equity securities, fixed and floating charges over corporate assets and assignment of life insurance policies.

42. RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

42.1.1 Collateral and other credit enhancements of financial assets subject to credit risk (continued)

31 December 2022	Exposure to credit risk	Cash	Letters of credit/ guarantee	Other	Property	Total collateral	Net exposure to credit risk	Surplus collateral
	€	€	€	€	€	€	€	€
Balances with Central Banks	768.607.864	-	-	-	-	-	768.607.864	-
Placements with other banks	21.943.349	-	-	-	-	-	21.943.349	-
Derivative financial instruments	1.304.888	-	-	-	-	-	1.304.888	-
Financial assets at fair value through profit or loss	12.214.694	-	-	-	-	-	12.214.694	-
Debt securities	585.409.143	-	-	-	-	-	585.409.143	-
Loans and advances to customers	1.090.666.751	68.781.384	56.399.469	46.624.977	773.512.076	945.317.906	145.348.845	615.631.646
Other assets	16.337.446	-	-	-	-	-	16.337.446	-
Total on balance sheet	**2.496.484.135**	**68.781.384**	**56.399.469**	**46.624.977**	**773.512.076**	**945.317.906**	**1.551.166.229**	**615.631.646**
Credit guarantees	1.968.091	-	-	-	-	-	1.968.091	-
Letters of guarantee	54.810.166	3.378.331	-	-	3.086.140	6.464.471	48.345.695	1.878.364
Unutilised limits	135.278.656	-	-	-	-	-	135.278.656	-
Total off balance sheet	**192.056.913**	**3.378.331**	**-**	**-**	**3.086.140**	**6.464.471**	**185.592.442**	**1.878.364**

42. RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

42.1.1 Collateral and other credit enhancements of financial assets subject to credit risk (continued)

31 December 2021	Exposure to credit risk	Cash	Letters of credit/ guarantee	Other	Property	Total collateral	Net exposure to credit risk	Surplus collateral
	€	€	€	€	€	€	€	€
Balances with Central Banks	657.025.913	-	-	-	-	-	657.025.913	-
Placements with other banks	29.003.109	-	-	-	-	-	29.003.109	-
Derivative financial instruments	96.130	-	-	-	-	-	96.130	-
Financial assets at fair value through profit or loss	11.406.616	-	-	-	-	-	11.406.616	-
Debt securities	939.891.741	-	-	-	-	-	939.891.741	-
Loans and advances to customers	1.136.910.818	63.537.708	57.574.491	42.285.061	848.424.833	1.011.822.093	125.088.725	598.266.545
Other assets	29.078.480	-	-	-	-	-	29.078.480	-
Total on balance sheet	**2.803.412.807**	**63.537.708**	**57.574.491**	**42.285.061**	**848.424.833**	**1.011.822.093**	**1.791.590.714**	**598.266.545**
Credit guarantees	1.447.295	29.101	-	-	822	29.923	1.417.372	-
Letters of guarantee	60.555.631	2.427.923	149.457	431.280	1.771.900	4.780.560	55.775.071	2.572.761
Unutilised limits	149.945.702	-	-	-	-	-	149.945.702	-
Total off balance sheet	**211.948.628**	**2.457.024**	**149.457**	**431.280**	**1.772.722**	**4.810.483**	**207.138.145**	**2.572.761**

42. RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

42.1.1 Collateral and other credit enhancements of financial assets subject to credit risk (continued)

For ECL calculation purposes the off balance sheet exposures are multiplied with credit conversion factors.

42.1.2 Credit risk concentration of loans and advances to customers

There are restrictions on loan concentrations which are imposed by the Banking Law in Cyprus, the relevant CBC Directives and CRR. According to these restrictions, banks are prohibited from lending more than 25% of their capital base to a single customer group. The Group's risk appetite statement imposes stricter concentration limits and the Group is taking actions to run down those exposures which are in excess of these internal limits over time.

The credit risk concentration, which is based on industry (economic activity) and business line concentrations, as well as geographical concentration, is presented below. The geographical concentration, for credit risk concentration purposes, is based on the Group's Risk Appetite Framework which sets limits based on a number of factors like the specific country's credit rating and the political and economic conditions. Market Risk is responsible for analysing the country risk of exposures on a quarterly basis and the Board Risk Committee and ALCO review the country risk of exposures and any breaches of country risk limits on a regular basis. The exposures are analysed by country of risk based on the country of operations and/or source of income or the country where the tangible security is held.

2022	**Cyprus** **€**	**Greece** **€**	**Other countries** **€**	**Gross loans at amortised cost** **€**
By economic activity				
Real estate and construction	181.200.113	6.104.652	27.920.996	215.225.761
Accommodation and food services	82.152.225	41.336.128	1.500.051	124.988.404
Wholesale and retail trade	108.739.255	-	-	108.739.255
Shipping	21.161.154	-	43.203.230	64.364.384
Financial institutions	63.663.411	-	-	63.663.411
Industrial	53.326.142	-	1.397.026	54.723.168
General Governments	12.512.844	-	-	12.512.844
Other sectors	521.308.282	6.735.600	30.851.550	558.895.432
Total	**1.044.063.426**	**54.176.380**	**104.872.853**	**1.203.112.659**

2021	**Cyprus** **€**	**Greece** **€**	**Other countries** **€**	**Gross loans at amortised cost** **€**
By economic activity				
Real estate and construction	258.840.913	6.677.387	31.708.475	297.226.775
Accommodation and food services	85.480.365	42.870.926	1.500.051	129.851.342
Wholesale and retail trade	114.686.673	4.908	-	114.691.581
Shipping	23.333.021	-	56.290.003	79.623.024
Financial institutions	60.358.999	-	91	60.359.090
Industrial	42.797.319	9	1.709.598	44.506.926
General Governments	9.155.623	-	-	9.155.623
Other sectors	527.510.998	6.109.856	28.690.311	562.311.165
Total	**1.122.163.911**	**55.663.086**	**119.898.529**	**1.297.725.526**

42. RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

42.1.2 Credit risk concentration of loans and advances to customers (continued)

2022	Cyprus €	Greece €	Other countries €	Gross loans at amortised cost €
By business line				
Corporate	594.730.015	47.651.826	85.020.447	727.402.288
Retail	253.665.370	2.152.637	8.889.429	264.707.436
Recoveries Banking Unit	192.985.610	49.655	2.320.225	195.355.490
Wealth management	712.536	4.322.201	8.638.703	13.673.440
International Business Unit	1.969.895	61	4.049	1.974.005
Total	**1.044.063.426**	**54.176.380**	**104.872.853**	**1.203.112.659**

2021	Cyprus €	Greece €	Other countries €	Gross loans at amortised cost €
By business line				
Corporate	602.006.269	49.105.813	101.421.392	752.533.474
Recoveries Banking Unit	290.130.288	43.780	3.184.182	293.358.250
Retail	222.626.270	2.184.816	7.228.695	232.039.781
Wealth management	5.923.620	4.317.828	8.059.764	18.301.212
International Business Unit	1.477.464	10.849	4.496	1.492.809
Total	**1.122.163.911**	**55.663.086**	**119.898.529**	**1.297.725.526**

42.1.3 Currency concentration of loans and advances to customers

Gross loans at amortised cost	2022	2021
Euro	1.060.170.117	1.130.714.406
US Dollar	107.873.793	121.568.126
Pound sterling	28.539.862	32.572.406
Swiss Franc	6.528.887	12.259.586
Other currencies	-	611.002
Total	**1.203.112.659**	**1.297.725.526**

42.1.4 Analysis of loans and advances to customers by staging

31 December 2022	Stage 1 €	Stage 2 €	Stage 3 €	POCI €	Total €
Gross loans at amortised cost before residual fair value adjustment on initial recognition	802.360.335	159.731.393	138.144.558	235.850.984	1.336.087.270
Residual fair value adjustment on initial recognition	331.508	116.866	93.665	(133.516.650)	(132.974.611)
Gross loans at amortised cost	**802.691.843**	**159.848.259**	**138.238.223**	**102.334.334**	**1.203.112.659**

42. RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

42.1.4 Analysis of loans and advances to customers by staging (continued)

31 December 2021	Stage 1 €	Stage 2 €	Stage 3 €	POCI €	Total €
Gross loans at amortised cost before residual fair value adjustment on initial recognition	790.001.927	170.299.385	194.486.452	303.198.201	1.457.985.965
Residual fair value adjustment on initial recognition	562.863	(1.014.742)	244.156	(160.052.716)	(160.260.439)
Gross loans at amortised cost	**790.564.790**	**169.284.643**	**194.730.608**	**143.145.485**	**1.297.725.526**

The following tables present the Group’s loans and advances to customers at amortised cost by staging and by business line concentration.

31 December 2022	Stage 1 €	Stage 2 €	Stage 3 €	POCI €	Total €
Corporate	546.418.842	146.205.347	12.725.312	22.052.787	727.402.288
Retail	240.339.880	12.544.125	7.937.252	3.886.179	264.707.436
Recoveries Banking Unit	387.883	996.739	117.575.500	76.395.368	195.355.490
Wealth management	13.673.440	-	-	-	13.673.440
International Business Unit	1.871.798	102.048	159	-	1.974.005
Total	**802.691.843**	**159.848.259**	**138.238.223**	**102.334.334**	**1.203.112.659**
Cyprus	682.900.808	133.047.621	126.215.179	101.899.818	1.044.063.426
Greece	27.779.864	26.338.183	58.334	-	54.176.381
Other countries	92.011.171	462.455	11.964.710	434.516	104.872.852
Total	**802.691.843**	**159.848.259**	**138.238.223**	**102.334.334**	**1.203.112.659**

31 December 2021	Stage 1 €	Stage 2 €	Stage 3 €	POCI €	Total €
Corporate	561.300.763	158.124.470	11.592.804	21.515.437	752.533.474
Recoveries Banking Unit	249.266	897.713	173.573.503	118.637.768	293.358.250
Retail	209.337.063	10.153.299	9.557.139	2.992.280	232.039.781
Wealth management	18.301.212	-	-	-	18.301.212
International Business Unit	1.376.486	109.161	7.162	-	1.492.809
Total	**790.564.790**	**169.284.643**	**194.730.608**	**143.145.485**	**1.297.725.526**
Cyprus	655.337.287	140.624.707	183.477.931	142.723.986	1.122.163.911
Greece	27.042.961	28.561.572	58.552	-	55.663.085
Other countries	108.184.542	98.364	11.194.125	421.499	119.898.530
Total	**790.564.790**	**169.284.643**	**194.730.608**	**143.145.485**	**1.297.725.526**

The residual fair value adjustment on initial recognition mainly relates to the loans and advances to customers acquired as part of the acquisition of USB Bank business. In accordance with the provisions of IFRS 3, this adjustment decreased the gross balance of loans and advances to customers. The residual fair value adjustment is included within the gross balances of loans and advances to customers as at each balance sheet date. However, for credit risk monitoring, the residual fair value adjustment as at each balance sheet date is presented separately from the gross balances of loans and advances, as shown in the tables above.

42. RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

42.1.5 Contingent liabilities and commitments

The Group enters into various irrevocable commitments and contingent liabilities. These consist of acceptances and endorsements, guarantees, documentary credits and undrawn formal stand-by facilities, credit lines and other commitments to lend.

An analysis of changes in the outstanding nominal amount of exposures and the corresponding ECLs are disclosed in the tables below:

31 December 2022	Stage 1 €	Stage 2 €	Stage 3 €	POCI €	Total €
Outstanding exposure as at 1 January	58.070.718	607.998	1.359.889	1.964.321	62.002.926
Transfers to Stage 1	535.938	(535.588)	(350)	-	-
Transfers to Stage 2	(15.000)	15.000	-	-	-
Transfers to Stage 3	(224.476)	(1.204)	225.680	-	-
Net decrease	(5.134.137)	14.999	222.727	(328.258)	(5.224.669)
At 31 December 2022	**53.233.043**	**101.205**	**1.807.946**	**1.636.063**	**56.778.257**

31 December 2022	Stage 1 €	Stage 2 €	Stage 3 €	POCI €	Total €
ECLs as at 1 January	454.397	650	610.082	156.119	1.221.248
Transfers to Stage 1	636	(636)	-	-	-
Transfers to Stage 2	(383)	383	-	-	-
Transfers to Stage 3	(656)	(3)	659	-	-
Change in credit risk	(184.275)	(94)	(323.639)	10.727	(497.281)
At 31 December 2022	**269.719**	**300**	**287.102**	**166.846**	**723.967**
Individually assessed	-	-	244.175	124.650	368.825
Collectively assessed	269.719	300	42.927	42.196	355.142
	269.719	**300**	**287.102**	**166.846**	**723.967**

31 December 2021	Stage 1 €	Stage 2 €	Stage 3 €	POCI €	Total €
Outstanding exposure as at 1 January	45.524.446	11.807.352	5.728.620	2.207.769	65.268.187
Transfers to Stage 1	8.421.458	(8.399.958)	(21.500)	-	-
Transfers to Stage 2	(90.600)	92.950	(2.350)	-	-
Transfers to Stage 3	-	(1.098.224)	1.098.224	-	-
Net decrease	4.215.414	(1.794.122)	(5.443.105)	(243.448)	(3.265.261)
At 31 December 2021	**58.070.718**	**607.998**	**1.359.889**	**1.964.321**	**62.002.926**

42. RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

42.1.5 Contingent liabilities and commitments (continued)

31 December 2021	Stage 1 €	Stage 2 €	Stage 3 €	POCI €	Total €
ECLs as at 1 January	484.736	590.577	34.484	340.172	1.449.969
Transfers to Stage 1	164.092	(161.905)	(2.187)	-	-
Transfers to Stage 2	(50)	277	(227)	-	-
Transfers to Stage 3	-	(122.474)	122.474	-	-
Change in credit risk	(194.381)	(305.825)	455.538	(184.053)	(228.721)
At 31 December 2021	**454.397**	**650**	**610.082**	**156.119**	**1.221.248**
Individually assessed	-	-	609.928	156.053	765.981
Collectively assessed	454.397	650	154	66	455.267
	454.397	**650**	**610.082**	**156.119**	**1.221.248**

The outstanding contingent liabilities by geography are disclosed in the table below:

31 December 2022	Stage 1 €	Stage 2 €	Stage 3 €	POCI €	Total €
Cyprus	49.272.370	100.855	1.807.431	1.235.713	52.416.369
Other countries	3.960.673	350	515	400.350	4.361.888
Total	**53.233.043**	**101.205**	**1.807.946**	**1.636.063**	**56.778.257**

31 December 2021	Stage 1 €	Stage 2 €	Stage 3 €	POCI €	Total €
Cyprus	51.465.818	605.998	1.359.539	1.563.971	54.995.326
Other countries	6.604.900	2.000	350	400.350	7.007.600
Total	**58.070.718**	**607.998**	**1.359.889**	**1.964.321**	**62.002.926**

42.1.6 Expected credit loss measurement

The table below discloses the gross carrying amounts of the financial assets and nominal amounts of the off balance sheet instruments by staging before ECL:

31 December 2022

	Stage 1 €	Stage 2 €	Stage 3 €	POCI €	Total €
Balances with Central Banks	768.607.864	-	-	-	768.607.864
Placements with other Banks	22.181.479	-	-	-	22.181.479
Debt securities	585.533.840	-	-	-	585.533.840
Loans and advances to customers	802.691.843	159.848.259	138.238.223	102.334.334	1.203.112.659
Other assets	16.337.446	-	-	-	16.337.446
Total financial assets in scope of ECL requirements	**2.195.352.472**	**159.848.259**	**138.238.223**	**102.334.334**	**2.595.773.288**
Credit guarantees	1.913.857	-	54.234	-	1.968.091
Letters of guarantee	51.319.186	101.205	1.753.712	1.636.063	54.810.166
Unutilised limits	131.660.259	3.117.609	238.388	262.400	135.278.656
Total off-balance sheet instruments in scope of ECL requirements	**184.893.302**	**3.218.814**	**2.046.334**	**1.898.463**	**192.056.913**

42. RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

42.1.6 Expected credit loss measurement (continued)

31 December 2021

	Stage 1 €	Stage 2 €	Stage 3 €	POCI €	Total €
Balances with Central Banks	657.025.913	-	-	-	657.025.913
Placements with other Banks	29.241.239	-	-	-	29.241.239
Debt securities	940.216.954	-	-	-	940.216.954
Loans and advances to customers	790.564.790	169.284.643	194.730.608	143.145.485	1.297.725.526
Other assets	29.078.480	-	-	-	29.078.480
Total financial assets in scope of ECL requirements	**2.446.127.376**	**169.284.643**	**194.730.608**	**143.145.485**	**2.953.288.112**
Credit guarantees	1.447.295	-	-	-	1.447.295
Letters of guarantee	56.623.423	607.998	1.359.889	1.964.321	60.555.631
Unutilised limits	141.723.117	3.853.117	4.094.442	275.026	149.945.702
Total off-balance sheet instruments in scope of ECL requirements	**199.793.835**	**4.461.115**	**5.454.331**	**2.239.347**	**211.948.628**

The table below discloses the ECL allowance of the financial assets and off balance sheet instruments by Staging:

31 December 2022

	Stage1 €	Stage 2 €	Stage 3 €	POCI €	Total €
Balances with Central Banks	-	-	-	-	-
Placements with other Banks	-	-	-	-	-
Debt securities	124.697	-	-	-	124.697
Loans and advances to customers	4.414.742	2.243.208	78.508.789	27.279.169	112.445.908
Other assets	3.810.347	-	-	-	3.810.347
Total ECL allowance on financial assets in scope of ECL requirements	**8.349.786**	**2.243.208**	**78.508.789**	**27.279.169**	**116.380.952**
Credit guarantees	271	-	3.390	-	3.661
Letters of guarantee	269.448	300	283.712	166.846	720.306
Total ECL allowance on off-balance sheet instruments in scope of ECL requirements	**269.719**	**300**	**287.102**	**166.846**	**723.967**

42. RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

42.1.6 Expected credit loss measurement (continued)

31 December 2021

	Stage1 €	Stage 2 €	Stage 3 €	POCI €	Total €
Balances with Central Banks	-	-	-	-	-
Placements with other Banks	-	-	-	-	-
Debt securities	325.213	-	-	-	325.213
Loans and advances to customers	6.161.118	4.713.256	116.948.922	32.991.412	160.814.708
Other assets	129.653	-	-	-	129.653
Total ECL allowance on financial assets in scope of ECL requirements	**6.615.984**	**4.713.256**	**116.948.922**	**32.991.412**	**161.269.574**
Credit guarantees	839	-	-	-	839
Letters of guarantee	453.558	650	610.082	156.119	1.220.409
Total ECL allowance on off-balance sheet instruments in scope of ECL requirements	**454.397**	**650**	**610.082**	**156.119**	**1.221.248**

ECL allowance on unutilised limits is included in ECL allowance of loans and advances to customers.

42. RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

42.1.7 Geographical analysis

The following table presents the carrying amount of the Group's financial assets which are subject to credit risk by geographical sector. For the purposes of this table, the distribution of the exposure on financial assets in the geographical sectors has been performed based on the relevant counterparties' country of operation.

	Cyprus €	Greece €	Italy €	United States €	Other countries €	Total €
31 December 2022						
Credit risk exposure from on balance sheet assets:						
Balances with Central Banks	768.607.864	-	-	-	-	768.607.864
Placements with other banks	-	586.501	1.138.236	7.889.489	12.329.123	21.943.349
Loans and advances to customers	938.720.228	53.696.521	-	2.008.493	96.238.843	1.090.666.751
Debt securities	268.982.193	43.349.892	59.367.370	32.468.306	181.241.382	585.409.143
Financial assets at FVTPL	9.660.840	338.878	-	-	2.214.976	12.214.694
Derivative financial instruments	1.251.496	-	-	-	53.392	1.304.888
Other assets	16.337.446	-	-	-	-	16.337.446
Total on balance sheet assets	**2.003.560.068**	**97.971.792**	**60.508.272**	**42.366.288**	**292.077.716**	**2.496.484.136**
Credit risk exposure from off balance sheet assets:						
Credit guarantees	1.968.091	-	-	-	-	1.968.091
Letters of guarantee	50.448.278	2.405.441	-	-	1.956.447	54.810.166
Unutilised credit limits	133.501.809	287.357	-	-	1.489.490	135.278.656
Total off balance sheet assets	**185.918.178**	**2.692.798**	**-**	**-**	**3.445.937**	**192.056.913**
Total on and off balance sheet assets as at 31 December	**2.189.478.246**	**100.664.590**	**60.508.272**	**42.366.288**	**295.523.653**	**2.688.541.049**

42. RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

42.1.7 Geographical analysis (continued)

	Cyprus	Greece	Italy	United States	Other countries	Total
	€	€	€	€	€	€
31 December 2021						
Credit risk exposure from on balance sheet assets:						
Balances with Central Banks	657.025.913	-	-	-	-	657.025.913
Placements with other banks	-	79.911	72.773	7.565.001	21.285.424	29.003.109
Loans and advances to customers	966.304.501	55.209.507	8.380	3.048.083	112.340.347	1.136.910.818
Debt securities	394.293.449	141.729.489	173.752.189	53.673.605	176.443.009	939.891.741
Financial assets at FVTPL	2.527.455	388.081	-	-	8.491.080	11.406.616
Derivative financial instruments	22.138	-	-	-	73.992	96.130
Other assets	29.078.480	-	-	-	-	29.078.480
Total on balance sheet assets	**2.049.251.936**	**197.406.988**	**173.833.342**	**64.286.688**	**318.633.853**	**2.803.412.807**
Credit risk exposure from off balance sheet assets:						
Credit guarantees	1.399.459	-	-	-	47.836	1.447.295
Letters of guarantee	53.595.867	4.122.757	-	-	2.837.007	60.555.631
Unutilised credit limits	147.298.522	479.321	-	-	2.167.859	149.945.702
Total off balance sheet assets	**202.293.848**	**4.602.078**	**-**	**-**	**5.052.702**	**211.948.628**
Total on and off balance sheet assets as at 31 December	**2.251.545.784**	**202.009.066**	**173.833.342**	**64.286.688**	**323.686.555**	**3.015.361.435**

42. RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

42.1.8 Business sector analysis

The table below presents the carrying amount of the Group's financial assets that are subject to credit risk based on the business sector in which the counterparty operates.

	Industrial €	Accommodation and food services €	Wholesale and retail trade €	Real estate and Construction €	Financial Institutions €	General Governments €	Other sectors €	Total €
31 December 2022								
Balances with Central Banks	-	-	-	-	768.607.864	-	-	768.607.864
Placements with other banks	-	-	-	-	21.943.349	-	-	21.943.349
Advances:								
Advances to retail	-	-	-	-	-	-	298.768.447	298.768.447
Large entities & organisations	27.256.060	10.380.773	30.414.704	20.356.561	10.866.432	-	99.996.773	199.271.303
Small and medium size enterprises	25.922.613	112.427.924	67.287.019	170.444.318	50.950.115	12.471.048	153.123.965	592.627.002
Debt securities	-	-	-	-	21.953.547	563.455.596	-	585.409.143
Financial assets at fair value through profit or loss	-	-	-	-	9.999.717	-	2.214.977	12.214.694
Derivative financial instruments	-	-	-	-	1.304.888	-	-	1.304.888
Other assets	-	-	-	-	-	-	16.337.446	16.337.446
	53.178.673	**122.808.697**	**97.701.723**	**190.800.879**	**885.625.912**	**575.926.644**	**570.441.607**	**2.496.484.135**
Credit Risk exposure from off balance sheet assets:								
Credit guarantees	-	-	1.429.718	538.373	-	-	-	1.968.091
Letters of guarantee	4.563.183	1.022.150	10.960.365	29.657.014	785.916	-	7.821.538	54.810.166
Unutilised credit limits	17.558.608	4.535.882	31.687.301	8.942.796	1.475.500	5.384.445	65.694.124	135.278.656
	22.121.791	**5.558.032**	**44.077.384**	**39.138.183**	**2.261.416**	**5.384.445**	**73.515.662**	**192.056.913**
Total on and off balance sheet assets 31 December	**75.300.464**	**128.366.729**	**141.779.107**	**229.939.062**	**887.887.328**	**581.311.089**	**643.957.269**	**2.688.541.048**

42. RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

42.1.8 Business sector analysis (continued)

	Industrial €	Accommodation and food services €	Wholesale and retail trade €	Real estate and Construction €	Financial Institutions €	General Governments €	Other sectors €	Total €
31 December 2021								
Balances with Central Banks	-	-	-	-	657.025.913	-	-	657.025.913
Placements with other banks	-	-	-	-	29.003.109	-	-	29.003.109
Advances:								
Advances to retail	163.687	284.259	442.889	487.594	413	-	291.760.375	293.139.217
Large entities & organisations	20.834.088	11.417.497	30.088.377	28.223.487	12.104.563	-	110.159.752	212.827.764
Small and medium size enterprises	21.015.812	113.604.558	70.437.332	215.041.221	46.236.111	9.111.511	155.497.292	630.943.837
Debt securities	-	-	-	-	36.526.070	903.365.671	-	939.891.741
Financial assets at fair value through profit or loss	-	-	-	-	2.915.535	-	8.491.081	11.406.616
Derivative financial instruments	-	-	-	-	96.130	-	-	96.130
Other assets	-	-	-	-	-	-	29.078.480	29.078.480
	42.013.587	**125.306.314**	**100.968.598**	**243.752.302**	**783.907.844**	**912.477.182**	**594.986.980**	**2.803.412.807**
Credit Risk exposure from off balance sheet assets:								
Credit guarantees	47.835	-	1.150.596	248.864	-	-	-	1.447.295
Letters of guarantee	1.375.177	5.095.064	7.818.397	35.284.443	1.027.725	-	9.954.825	60.555.631
Unutilised credit limits	24.595.096	3.915.962	22.567.204	20.011.824	3.511.108	9.399.045	65.945.463	149.945.702
	26.018.108	**9.011.026**	**31.536.197**	**55.545.131**	**4.538.833**	**9.399.045**	**75.900.288**	**211.948.628**
Total on and off balance sheet assets 31 December	**68.031.695**	**134.317.340**	**132.504.795**	**299.297.433**	**788.446.677**	**921.876.227**	**670.887.268**	**3.015.361.435**

42. RISK MANAGEMENT (continued)

42.1 Credit risk (continued)

42.1.9 Contractual and Non-contractual write-offs

The Group reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering it. In such case, financial assets are written off either partially or in full. Write off refers to both contractual and non-contractual write offs. A non-contractual write-off is defined as the accounting reduction of a debt, without waiving the legal claim against the debtor.

The contractual and non-contractual write-offs of loans and advances during the year are €100,7m (2021: €19,8m). The equivalent write-off amount excluding the residual fair value adjustment on initial recognition is €62,9m (2021:€8,8m).

42.1.10 Risk of counterparty banks

The Bank runs the risk of loss of capital due to the possibility that a counterparty bank will delay or default on its payments on any existing or contingent liabilities. Through its daily operations, the Bank enters into transactions with other Banks and financial institutions. By entering into these transactions the Bank runs the risk of incurring losses in the event of late repayments or default of existing and contingent liabilities of the counterparty banks.

The limits set for counterparty banks reflect the level of risk that is considered acceptable and are then distributed to the Treasury Department or to any other service department where this kind of risk exists, based on the needs and volume of transactions within each service department. Generally, the limits are determined by banking sector evaluation models, as well as by the requirements of the supervisory authorities. The credit limit set for each counterparty is divided into sub-limits covering placements, investments, foreign exchange trading as well as the daily clearing limit. Actual positions are monitored against the limits on a daily basis and in real time.

42.1.11 Credit risk concentration

There are restrictions to the concentration of credit risk as per the Cyprus Banking Law and the relevant Capital Requirements Regulation (CRR) issued by the European Union. According to these restrictions, exposures to customers or group of connected customers, other than institutions, shall not exceed 25% of a bank's Tier 1, after taking into account the effect of credit risk mitigation in accordance with articles 399-403 of CRR. Exposures to institutions shall not exceed 25% of a bank's Tier 1 or €150m whichever is higher. Where the amount of €150m is higher than 25% of a Bank's Tier1, after taking into account the effect of credit risk mitigation techniques, the limit shall not exceed 100% of a bank's Tier 1. As at and during the year ended 31 December 2022 there were no violations of the CRR Large Exposure Limits.

42.2 Country risk

The Bank runs the risk of losing capital due to possible political, economic and other events in a particular country where the Bank's capital or liquid funds have been placed or invested in local banks and financial institutions. All countries are evaluated based on their size, economic data and country prospects and credit-worthiness rates provided by international credit rating agencies (Fitch, Moody's and Standard & Poor's). Actual country positions are monitored against their limits on a regular basis. Review of the limits is performed at least once a year.

42. RISK MANAGEMENT (continued)

42.3 Property price risk

A significant part of the Group's loan portfolio is secured by real estate the majority of which is located in Cyprus. Furthermore, the Group holds a substantial number of properties mainly arising from loan restructuring activities; the enforcement of loan collateral and debt for asset swaps. These properties are held by the Group as stock of properties.

42.4 Funding risk

Funding risk is the risk that the Group does not have sufficiently stable sources of funding or access to sources of funding may not always be available at a reasonable cost and thus the Group may fail to meet its obligations, including regulatory ones (e.g MREL).

42.5 Market risk

Market risk is the risk of loss from adverse changes in market prices namely from changes in interest rates, exchange rates, property and security prices. The Market risk (including Interest Rate Risk in the Banking Book) is managed by the Bank's Treasury that operates within the approved limits. The Risk Management Unit (RMU) monitors the risk resulting from such changes which are governed by the Risk Appetite Framework, the Market Risk Management Policy, the Market Risk Limits Management Procedure and Interest Rate Risk Methodology to ensure compliance with the regulatory and approved limits. The RMU also monitors liquidity risk and credit risk with counterparties and countries.

42.6 Interest rate risk

Interest rate risk is the risk that the value of financial instruments and net interest income will decrease due to adverse movements in market interest rates. Interest rate risk arises due to timing differences in the re-pricing of interest rates or the maturity of assets and liabilities. Interest rate risk arises mainly from interest bearing banking activities and the Group's loan portfolio.

With regards to statement of financial position items in the Group's portfolio as at 31 December 2022 a parallel increase in market interest rates across all currencies by 200 basis points would result in an increase in profit before tax by €8,8m (2021: €10,7m). A parallel decrease in market interest rates by 200 basis points would result in an decrease in profit before tax by €8,8m (2021: €10,7m).

The following table summarises the Group's exposure to interest rate risk. Included in the table are the Group's assets and liabilities at carrying amounts categorised by interest rate re-pricing date for floating rate items or maturity date for fixed rate items. The table also presents the net interest rate risk position.

42. RISK MANAGEMENT (continued)

42.6 Interest rate risk (continued)

31 December 2022

	Up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	Over 5 years	Non-interest bearing items	Total
	€	€	€	€	€	€	€
Assets							
Balances with Central Banks	768.607.864	-	-	-	-	14.023.617	782.631.481
Placements with other Banks	21.943.349	-	-	-	-	-	21.943.349
Loans and advances to customers	580.900.926	417.406.081	75.266.585	2.870.952	14.222.207	-	1.090.666.751
Debt securities	45.044.012	43.896.445	66.939.771	332.557.639	96.971.276	-	585.409.143
Financial assets at fair value through profit or loss	9.999.718	-	-	2.214.976	-	692.099	12.906.793
Derivative financial instruments	-	-	-	-	1.226.051	78.837	1.304.888
Other assets	-	-	-	-		17.730.362	17.730.362
	1.426.495.869	**461.302.526**	**142.206.356**	**337.643.567**	**112.419.534**	**32.524.915**	**2.512.592.767**
Liabilities							
Due to other banks	2.639.720	-	-	-	10.493.977	-	13.133.697
Funding from Central Banks	-	-	-	296.501.809	-	-	296.501.809
Customer deposits	1.736.207.710	97.335.406	277.590.367	778.946	-	-	2.111.912.429
Derivative financial instruments	-	-	-	-	-	139.615	139.615
Other liabilities	-	-	-	-	-	58.645.847	58.645.847
Subordinated liabilities	-	-	-	-	16.462.910	-	16.462.910
Debt securities in issue	-	-	-	21.379.468	-	-	21.379.468
Total	**1.738.847.430**	**97.335.406**	**277.590.367**	**318.660.223**	**26.956.887**	**58.785.462**	**2.518.175.775**
Net balance sheet position	**(312.351.561)**	**363.967.120**	**(135.384.011)**	**18.983.344**	**85.462.647**		

42. RISK MANAGEMENT (continued)

42.6 Interest rate risk (continued)

31 December 2021

	Up to 1 month €	Between 1 and 3 months €	Between 3 months and 1 year €	Between 1 and 5 years €	Over 5 years €	Non-interest bearing items €	Total €
Assets							
Balances with Central Banks	657.025.913	-	-	-	-	13.828.319	670.854.232
Placements with other Banks	29.003.109	-	-	-	-	-	29.003.109
Loans and advances to customers	560.739.431	448.044.641	110.189.652	1.592.071	16.345.023	-	1.136.910.818
Debt securities	89.330.303	119.364.228	319.523.356	323.177.826	88.496.028	-	939.891.741
Financial assets at fair value through profit or loss	2.915.537	-	-	8.491.080	-	616.115	12.022.732
Derivative financial instruments	-	-	-	-	-	96.130	96.130
Other assets	-	-	-	-	-	30.755.351	30.755.351
	1.339.014.293	**567.408.869**	**429.713.008**	**333.260.977**	**104.841.051**	**45.295.915**	**2.819.534.113**
Liabilities							
Due to other banks	4.863.766	-	-	-	11.668.034	-	16.531.800
Funding from Central Banks	-	-	-	495.136.111	-	-	495.136.111
Customer deposits	1.808.093.546	119.044.795	263.276.695	975.558	-	-	2.191.390.594
Derivative financial instruments	-	-	-	-	89.146	164.433	253.579
Other liabilities	-	-	-	-	-	98.329.868	98.329.868
Subordinated liabilities					16.129.001	-	16.129.001
Debt securities in issue	-	-	-	3.055.124			3.055.124
Total	**1.812.957.312**	**119.044.795**	**263.276.695**	**499.166.793**	**27.886.181**	**98.494.301**	**2.820.826.077**
Net balance sheet position	**(473.943.020)**	**448.364.074**	**166.436.313**	**(165.905.816)**	**76.954.870**		

42. RISK MANAGEMENT (continued)

42.6 Interest rate risk (continued)

Interest rate benchmark reform
The LIBOR and the EURIBOR (collectively referred to as IBORs) are the subject of international, national, and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such benchmarks to perform differently from the past or cease to exist entirely or have other consequences that cannot be predicted.

Regarding LIBOR reform, regulators and industry working groups have identified alternative rates to transition to. On 5 March 2021 the Financial Conduct Authority (FCA) has confirmed that all LIBOR settings will either cease to be provided by any administrator or no longer be representative of the underlying market they intended to measure:

- immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1 week and 2 month US dollar settings; and

- immediately after 30 June 2023, in the case of the remaining US dollar settings.

In October 2021, the European Commission designated a statutory replacement rate for certain settings of CHF LIBOR. On 16 November 2021, the Financial Conduct Authority of the United Kingdom (UK FCA) confirmed that they would permit the temporary use of the synthetic GBP and JPY LIBOR in all legacy LIBOR contracts, other than cleared derivatives that have not been changed at or ahead of end 31 December 2021.

In September 2022, the FCA confirmed that the publication of 1-month and 6-month synthetic GBP LIBOR will be required until the end of March 2023, after which date these settings will permanently cease. On 23 November 2022, the FCA announced its intention (i.e. proposed, not confirmed yet) to continue to require LIBOR's administrator, IBA, to publish the 3-month synthetic GBP LIBOR setting until the end of March 2024, after which it will also permanently cease.

On 23 November 2022, the FCA announced that the three synthetic JPY LIBOR settings will cease at end 2022. Also, under their new use restriction power they would prohibit new use of USD LIBOR from the end of 2021, except in specific circumstances. On 23 November 2022, the FCA announced its proposal (i.e. proposed, not confirmed yet) to require IBA to continue to publish the 1-month, 3-month and 6-month USD LIBOR settings on a synthetic basis until end September 2024.

The Group in collaboration with external advisors, established a project to manage the transition to alternative interest rate benchmarks. The main divisions involved in the project at the highest level are the Legal Department, Treasury, Risk Management, Finance, Information Technology, Operations and the business lines.

The Group proactively engaged with its customer base and market counterparties for the amendment of substantially all impacted LIBOR contracts (other than the relevant contracts referencing to USD LIBOR) by 31 December 2021 for transitioning to alternative rates.

The Group's project for the transition to alternative interest rate benchmarks is now focused of the transition of USD LIBOR contracts ahead of the June 2023 deadline. The Group has dedicated teams in place to support the transition and continuously assess, monitor and manage risks arising from the transition when required.

42. RISK MANAGEMENT (continued)

42.6 Interest rate risk (continued)

The following table summarises the significant non-derivative exposures impacted by interest rate benchmark reform which have yet to transition as at 31 December 2022 and as at 31 December 2021 to the replacement benchmark rate at the respective date:

2022	USD LIBOR	Total
Non-derivative financial assets		
Loans and advances to customers	96.751.836	96.751.836
Total	**96.751.836**	**96.751.836**

2021	EURIBOR	GBP LIBOR	USD LIBOR	CHF LIBOR	Total
Non-derivative financial assets					
Loans and advances to customers	631.480.901	32.437.324	112.237.069	3.670.411	779.825.705
Investments	41.151.458	-	-	-	41.151.458
Total	**672.632.359**	**32.437.324**	**112.237.069**	**3.670.411**	**820.977.163**

42.7 Currency risk

Currency risk is the risk that the value of financial instruments and assets and liabilities fluctuates due to changes in exchange rates. Currency risk arises from a positive or negative open position in a foreign currency, exposing the Group to changes in the relevant exchange rate. This risk may arise from the holding of assets in one currency funded by liabilities in another currency or from a spot or forward foreign exchange trade or from derivatives.

The Bank enters into foreign exchange transactions in order to accommodate customer needs and to hedge its open positions. The Bank’s Treasury department also enters into spot foreign exchange transactions within predefined and approved limits, as well as transactions in derivatives such as foreign exchange forward contracts and foreign exchange swaps.

The following risk exposure calculation methods and associated limit structures are used for monitoring:

a. Open position by currency – net positive or negative position in each currency.
b. Total net positive or negative position.

The approved limits are systematically monitored and reviewed and are assessed at least annually. These limits may be modified, according to the strategy of the Bank and the prevailing market conditions.

Currency	Change in exchange rate	2022 Impact on consolidated income statement €000	2021 Impact on consolidated income statement €000
United States Dollar	+10% (-10%)	16(-16)	26(-26)
Pound sterling	+10% (-10%)	3 (-3)	-3 (+3)
Swiss Franc	+10% (-10%)	-33 (+33)	-31 (+31)
Other currencies	+10% (-10%)	- (+)	-79 (+79)

The following table summarises the Group’s exposure to currency risk. In the table the carrying values of the Group’s assets and liabilities are presented, categorized by currency. The table also presents the notional amount of derivative financial instruments, categorized by currency.

42. RISK MANAGEMENT (continued)

42.7 Currency risk (continued)

2022	**Euro** €	**US Dollar** €	**Pound sterling** €	**Swiss Franc** €	**Other currencies** €	**Total** €
Assets						
Balances with Central Banks	782.290.048	239.980	100.688	-	765	782.631.481
Placements with other banks	7.156.782	7.938.260	2.640.509	553.956	3.653.842	21.943.349
Loans and advances to customers	955.136.343	102.430.118	28.532.911	4.567.379	-	1.090.666.751
Debt securities	460.571.728	124.837.415	-	-	-	585.409.143
Financial assets at fair value through other comprehensive income	6.394.636	-	-	-	-	6.394.636
Financial assets at fair value through profit or loss	9.999.718	2.907.075	-	-	-	12.906.793
Derivative financial instruments	1.254.491	24.550	25.847	-	-	1.304.888
Other assets	100.667.906	(90.703.438)	9.069.556	(900.046)	(403.616)	17.730.362
Total assets	**2.323.471.652**	**147.673.960**	**40.369.511**	**4.221.289**	**3.250.991**	**2.518.987.403**
Liabilities						
Due to other banks	13.033.831	99.866	-	-	-	13.133.697
Funding from Central Banks	296.501.809	-	-	-	-	296.501.809
Customer deposits	1.749.971.860	336.098.713	22.079.551	1.157.844	2.604.461	2.111.912.429
Derivative financial instruments	7.164	132.451	-	-	-	139.615
Other liabilities	145.687.993	(100.397.528)	9.311.276	3.397.535	646.571	58.645.847
Subordinated liabilities	16.462.910	-	-	-	-	16.462.910
Debt securities in issue	12.200.000	9.179.468	-	-	-	21.379.468
Total liabilities	**2.233.865.567**	**245.112.970**	**31.390.827**	**4.555.379**	**3.251.032**	**2.518.175.775**
Equity	203.676.724	-	-	-	-	203.676.724
Total equity and liabilities	**2.437.542.291**	**245.112.970**	**31.390.827**	**4.555.379**	**3.251.032**	**2.721.852.499**
Net balance sheet position	**(114.070.639)**	**(97.439.010)**	**8.978.684**	**(334.090)**	**(41)**	**(202.865.096)**
Net notional amount of derivative financial instruments	(83.339.104)	93.904.370	(2.310.950)	(9.196.027)	941.711	-
Net foreign exchange position	**(202.715.160)**	**155.080**	**25.115**	**(330.090)**	**(41)**	**(202.865.096)**

42. RISK MANAGEMENT (continued)

42.7 Currency risk (continued)

2021	**Euro** **€**	**US Dollar** **€**	**Pound sterling** **€**	**Swiss Franc** **€**	**Other currencies** **€**	**Total** **€**
Assets						
Balances with Central Banks	670.238.425	464.269	145.714	3.987	1.837	670.854.232
Placements with other banks	7.192.289	8.775.445	3.629.150	1.514.218	7.892.007	29.003.109
Loans and advances to customers	978.757.726	118.674.404	32.569.299	6.528.152	381.237	1.136.910.818
Debt securities	786.423.935	153.467.806	-	-	-	939.891.741
Financial assets at fair value through other comprehensive income	6.331.652	-	-	-	-	6.331.652
Financial assets at fair value through profit or loss	2.915.536	9.107.196	-	-	-	12.022.732
Derivative financial instruments	29.941	42.743	-	-	23.446	96.130
Other assets	22.874.076	6.137.434	(29.759)	2.039.759	(266.159)	30.755.351
Total assets	**2.474.763.580**	**296.669.297**	**36.314.404**	**10.086.116**	**8.032.368**	**2.825.865.765**
Liabilities						
Due to other banks	16.530.841	959	-	-	-	16.531.800
Funding from Central Banks	495.136.111	-	-	-		495.136.111
Customer deposits	1.766.251.428	380.894.511	33.409.461	1.130.900	9.704.294	2.191.390.594
Derivative financial instruments	103.000	50.845	26.871	72.863	-	253.579
Other liabilities	89.638.470	8.031.923	594.869	-	64.606	98.329.868
Subordinated liabilities	16.129.001	-	-	-	-	16.129.001
Debt securities in issue	1.200.000	1.855.124	-	-		3.055.124
Total liabilities	**2.384.988.851**	**390.833.362**	**34.031.201**	**1.203.763**	**9.768.900**	**2.820.826.077**
Equity	**190.438.624**	**-**	**-**	**-**	**-**	**190.438.624**
Total equity and liabilities	**2.575.427.475**	**390.833.362**	**34.031.201**	**1.203.763**	**9.768.900**	**3.011.264.701**
Net balance sheet position	**(100.663.895)**	**(94.164.065)**	**2.283.203**	**8.882.353**	**(1.736.532)**	**(185.398.936)**
Net notional amount of derivative financial instruments	(83.339.104)	93.904.370	(2.310.950)	(9.196.027)	941.711	-
Net foreign exchange position	**(184.002.999)**	**(259.695)**	**(27.747)**	**(313.674)**	**(794.821)**	**(185.398.936)**

42. RISK MANAGEMENT (continued)

42.8 Risk from changes in the prices of equities and securities

The risk in relation to the prices of equity securities that are held by the Group arises from possible adverse changes in market prices of equity securities. The Group invests in listed and non-listed equity shares which, depending on the purpose of the investment, are classified in the appropriate portfolio. Currently investments in equity securities, are classified at FVTOCI and FVTPL. Cyprus government bonds and other corporate bonds listed in an active market which are held for trading, are also classified at FVTPL.

42.9 Liquidity risk

Liquidity risk is the risk that the Bank cannot find sufficient liquid funds in order to meet its immediate liabilities, without incurring significant economic costs. This risk is monitored and controlled by the Treasury Department, the Finance Division and the Risk Management Unit, in order to ensure, to the extent possible, that there is adequate liquidity to meet its obligations under normal and stress conditions.

Liquidity ratios
As at and during 2022, Group was in compliance with all regulatory liquidity requirements.

The Group LCR is calculated based on the CRD IV/CRR as supplemented Delegated Regulation (EU) 2015/61. It is designed to establish a minimum level of high-quality liquid assets sufficient to meet an acute stress lasting for 30 calendar days. The objective of LCR is to promote the short-term resilience of the liquidity risk profile of banks. As at 31 December 2022 the Bank’s liquidity coverage ratio stood at 281% (31 December 2021: 260%) and was in compliance with the minimum regulatory requirement of 100%.

The Group also calculates its NSFR as per Capital Requirements Regulation II (CRR II), enforced in June 2021. The NSFR is the ratio of available stable funding to required stable funding. NSFR has been developed to promote a sustainable maturity structure of assets and liabilities. The NSFR’s objective is to avoid excessive maturity mismatch between assets and liabilities and dependence on short-term funding and covers a one-year horizon. At 31 December 2022, the Group’s NSFR stood at 164% (compared to 145% at 31 December 2021) and was in compliance with the minimum regulatory requirement of 100%.

Additionally, the monitoring and management of liquidity risk is achieved through the use and monitoring of the following:

The concentration, diversity and maturity profile of customer deposits

a. Adopting pricing policies that contribute to establishing a stable depository base
b. Maintaining a balance in the Minimum Reserve Account as specified by the applicable Supervisory Authorities
c. Monitoring Liquidity Monitoring Metrics (ALMM) under Article 415(3)(b) of Regulation (EU) No 575/2013.

Main sources of funding
As at 31 December 2022 the Group’s main sources of funding were its deposit base and central bank funding, through the Eurosystem monetary policy operations. The participation in funding operations was driven by the Bank’s objective for generating income, rather than to enhance its liquidity position.

At 31 December 2022, the Group's funding from central banks amounted to 300 million (2021: €500 million), which relates to ECB funding, comprising funding through Targeted Longer-Term Refinancing Operations (TLTRO) of €300 million.

Collateral requirements and other disclosures

The carrying values of the Group's encumbered assets	**2022 €**	**2021 €**
Debt securities at amortised cost	362.798.296	535.994.312

<u>*Cash flows from non-derivative financial instruments*</u>

The following liquidity risk table analyses the financial assets and liabilities of the Group into respective time bands based on the remaining period from the reporting date to the contractual maturity date. Loans with expired maturity dates are included in “up to one month” column in the table below.

42. RISK MANAGEMENT (continued)

42.9 Liquidity risk (continued)

The table below presents the contractual undiscounted cash flows. Balances maturing within one year are assumed to be equal to their carrying values since the discounting effect is not considered significant.

	Up to 1 month €	Up to 3 months €	Between 3 months and 1 year €	Between 1 and 5 years €	More than 5 years €	Total €
2022						
Financial assets						
Balances with Central Banks	782.631.481	-	-	-	-	782.631.481
Placements with other banks	21.943.349	-	-	-	-	21.943.349
Derivative financial instruments	78.837	-	-	1.226.051	-	1.304.888
Financial assets at fair value through profit or loss	10.691.817	-	2.214.976	-	-	12.906.793
Financial assets at fair value through other comprehensive income	6.394.636	-	-	-	-	6.394.636
Loans and advances to customers	29.446.456	9.279.015	473.307.289	196.308.780	833.580.658	1.541.922.198
Debt securities	45.044.012	43.896.445	66.939.771	332.557.639	96.971.276	585.409.143
Other assets	17.730.362	-	-	-	-	17.730.362
	913.960.950	**53.175.460**	**542.462.036**	**530.092.470**	**930.551.934**	**2.970.242.850**
Financial liabilities						
Due to other banks	2.639.720	-	-	-	10.493.977	13.133.697
Funding from Central Banks	-	-	-	296.501.809	-	296.501.809
Customer deposits	1.745.999.773	125.907.004	240.341.087	779.572	-	2.113.027.436
Derivative financial instruments	139.615	-	-	-	-	139.615
Other liabilities	58.645.847	-	-	-	-	58.645.847
Subordinated liabilities	-	-	-	-	16.462.910	16.462.910
Debt securities in issue	-	-	-	21.379.468	-	21.379.468
	1.807.424.955	**125.907.004**	**240.341.087**	**318.660.849**	**26.956.887**	**2.519.290.782**
Net liquidity position	**(893.464.005)**	**(72.731.544)**	**302.120.949**	**211.431.621**	**903.595.047**	**450.952.068**

42. RISK MANAGEMENT (continued)

42.9 Liquidity risk (continued)

	Up to 1 month	Up to 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
	€	€	€	€	€	€
2021						
Financial assets						
Balances with Central Banks	670.854.232	-	-	-	-	670.854.232
Placements with other banks	29.003.109	-	-	-	-	29.003.109
Derivative financial instruments	96.130	-	-	-	-	96.130
Financial assets at fair value through profit or loss	3.531.652	-	-	8.491.080	-	12.022.732
Financial assets at fair value through other comprehensive income	6.331.652	-	-	-	-	6.331.652
Loans and advances to customers	10.019.490	15.979.075	466.381.667	269.234.113	1.201.366.604	1.962.980.949
Debt securities	89.330.303	119.364.228	319.523.356	323.177.826	88.496.028	939.891.741
Other assets	30.755.351	-	-	-	-	30.755.351
	839.921.919	**135.343.303**	**785.905.023**	**600.903.019**	**1.289.862.632**	**3.651.935.896**
Financial liabilities						
Due to other banks	4.863.766	-	-	-	11.668.034	16.531.800
Funding from Central Banks	-	-	-	495.136.111	-	495.136.111
Customer deposits	1.808.393.465	118.906.363	263.222.049	976.287	-	2.191.498.164
Derivative financial instruments	164.433	-	-	89.146	-	253.579
Other liabilities	98.329.868	-	-	-	-	98.329.868
Subordinated liabilities	-	-	-	-	16.129.001	16.129.001
Debt securities in issue	-	-	-	3.055.124		3.055.124
	1.911.751.532	**118.906.363**	**263.222.049**	**499.256.668**	**27.797.035**	**2.820.933.647**
Net liquidity position	**(1.071.829.613)**	**16.436.940**	**522.682.974**	**101.646.351**	**1.262.065.597**	**831.002.249**

Cash flows from derivative financial instruments that are settled on a net basis

Cash flows from derivative financial instruments are settled on a net basis in the respective period, based on the remaining period from the balance sheet date to their maturity. The maturity of all the derivative financial instruments is less than twelve months.

Information on the fair and theoretical values of derivatives is presented in Note 18.

43. CAPITAL MANAGEMENT

The main objective of the Group's capital management function is to ensure compliance with the relevant supervisory capital requirements and to maintain healthy capital adequacy ratios which can support the Company's growth and safeguard the interests of its shareholders and all other stakeholders. The Central Bank of Cyprus (CBC), as part of its supervisory role, has adopted the recommendations of the Basel Committee and the European Directives on banking supervisory matters.

The Basel III Framework known as Capital Requirement Regulation ("CRR") No 575/2013 Capital Requirement Directive IV ("CRD IV") as amended by Regulation (EU) 2019/876 (the "CRR II") and Directive (EU) 2019/878 (the "CRD V") respectively, establishes the prudential requirements for capital, liquidity and leverage that entities need to abide by. CRD V governs access to deposit-taking activities, internal governance arrangements including remuneration, board composition and transparency.

The European Parliament and Council on 12 December 2017 issued the Regulation (EU) 2017/2395 which amends Regulation (EU) No 575/2013, regarding the transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds. According to the Regulation, institutions are allowed to exclude from their CET 1 capital and leverage ratios a portion of the increased expected credit loss provisions from the introduction of IFRS 9 for a transitional period of five years.

Moreover, in June 2020 Regulation (EU) 2020/873 came into force which provides for certain supervisory reliefs in response to the COVID-19 pandemic, bringing forward some of the capital relieving measures that were due to come into force at a later stage. The main adjustments affecting the Group's own funds as at 31 December 2021 relate to the IFRS 9 transitional arrangements allowing the banks to fully add back to CET1 any increase in ECL recognised in 2020-2022 for non-credit impaired financial assets.

Basel III Framework comprises of three Pillars:

- Pillar 1 – Minimum capital requirements
- Pillar 2 – Supervisory Review and Evaluation Process
- Pillar 3 – Market discipline

Pillar 1 – Minimum capital requirements

Pillar 1 sets forth the guidelines for calculating the minimum capital requirements based on generic rules to cover the credit risk, the market risk and the operational risk to determine a bank's risk-weighted assets (RWA). Pillar I also stipulates the minimum capital requirement for banks. The requirement is 8% of RWA. But under Pillar II, the regulatory authorities can require that banks have more capital than the minimum requirement.

The Bank has adopted the Standardised Approach for the calculation of the minimum capital against credit risk. Under this approach, exposures are classified in specified classes and are weighted using specific weights, depending on the class the exposures belong to and their credit rating. According to the directive, there are two methods for the recognition of collateral, the Simple Approach and the Comprehensive Approach. The Group has applied the Comprehensive Approach, as this enables the fairer recognition and more accurate estimation of the Bank's collaterals.

Regarding market risk, the Bank has adopted the Standardised Approach, according to which the minimum capital requirement is estimated by adding together the interest rate, equity and debt securities position, foreign exchange and price risk on derivatives using predefined models. In addition, there is a capital requirement for specific risk on debt instruments in the trading book. The requirement for specific risk on debt instruments is based on issuer type, maturity and credit quality.

The Bank uses the Basic Indicator Approach for the calculation of the capital requirements for operational risk, based on which the operational risk capital requirement is estimated using a 15% as defined in CRR on the average sum of total net income on a three year basis net of non-interest income after certain qualification adjustments.

43. CAPITAL MANAGEMENT (continued)

Pillar 2 – Supervisory Review and Evaluation Process ("SREP")
Pillar 2 includes rules to ensure that adequate capital is in place to support any risk exposures of the Group and requires appropriate risk management, reporting and governance policies. SREP is a holistic assessment of, amongst other things: the Group's business model, internal governance and institution-wide control arrangements, risks to capital and adequacy of capital to cover these risks and risks to liquidity and adequacy of liquidity resources to cover these risks. The objective of SREP is for the CBC to form an up-to-date supervisory view of the Group's risks and viability and to form the basis for supervisory measures and dialogue with the Group.

Banks are assessing their capital needs relative to their risks with their Internal Capital Adequacy Assessment Process ("ICAAP"), while at the same time maintaining communication with supervisors on a continuous basis. The key objective behind ICAAP is to ensure the Bank has sufficient capital resources to support its business and be able to withstand any adverse future conditions which may threat its capital position.

In conjunction with the ICAAP banks are required to prepare the Internal Liquidity Adequacy Assessment Process ("ILAAP"). The ILAAP acts as a control cycle through which the Bank identifies, evaluates, manages and monitors its liquidity risks. The key objective behind ILAAP is to ensure the Bank has sufficient liquidity resources to support its business and be able to withstand any adverse future conditions which may threat its liquidity position.

The ILAAP report is reported to the CBC and evaluated during the SREP in conjunction with the ICAAP report. During 2021 the Bank conducted the ILAAP to present an overview of the Bank's approach to liquidity risk management and an assessment of the prudent level of liquidity resources that the Bank should hold based on its liquidity risk appetite. During 2021, the Bank also conducted the ICAAP to arrive at a forward looking assessment of its capital requirements taking into account the business strategy, risk profile and risk appetite utilizing internal stress tests. The ICAAP incorporated the assessment of the Bank's risk management processes and governance framework.

Pillar 3 – Market discipline
Pillar 3 sets out required disclosures to allow market participants to assess key pieces of information relevant to the capital structure, risk exposures, risk assessment processes and hence the capital adequacy of the Bank.

Based on the Central Bank Directive, disclosures by banks include information relating to their risk management objectives and policies, the composition of own funds and original and supplementary funds, their compliance with minimum capital requirements and the internal capital adequacy assessment process.

The 2021 Banking Package (CRR III and CRD VI and BRRD)

In October 2021, the European Commission approved a proposed revised package of EU banking rules, including both updates and amendments in the Capital Requirements Directive and Regulations (CRR/CRD) and the BRRD (the '2021 Banking Package'). The new package includes prudential rules for banks and investment firms, effectively finalising the implementation of the Basel III agreement in the EU that has not yet been transposed into EU law. The 2021 Banking Package is subject to amendment in the course of the EU's legislative process; and its scope and terms may change prior to its implementation. The European Council's proposal on CRR and CRD was published on 8 November 2022 and during 2023, the European Parliament' position is expected to be finalized and result in the final versions of the directives and regulations. It is expected that the 2021 Banking Package will enter into force on 1 January 2025; and certain measures will be subject to transitional arrangements or to be phased in over time.

The European Commission aims to ensure that these new rules will make EU banks more resilient to possible future economic shocks. In brief, the commission's package contains significant improvements to existing EU rules for banks and financial institutions:

- Amendments on existing legislation to implement the outstanding elements of the Basel III Reform in the EU while taking into account EU specificities and avoiding significant increases in capital requirements.

- Introducing explicit rules on the management and supervision of Environmental, Social, and Governance (ESG) risks, in line with the objectives set out in the EU Sustainable Finance Strategy.

43. CAPITAL MANAGEMENT (continued)

The 2021 Banking Package (CRR III and CRD VI and BRRD) (continued)

- Increasing harmonisation of certain supervisory powers and tools (enhanced supervisory capabilities, i.e sanctioning powers to enforce rules

With regards to the Bank Recovery and Resolution Directive (BRRD) this requires EU credit institutions and certain investment firms to maintain a minimum requirement for own funds and eligible liabilities (MREL), subject to the provisions of the Commission Delegated Regulation (EU) 2016/1450. On 27 June 2019, the BRRD II came into effect as part of the reform package for strengthening the resilience and resolvability of European banks and this was transposed and implemented in Cyprus law in early May 2021.

Capital position

The CBC requires the Bank to maintain as at 31 December 2022 a minimum CET1 ratio of 8,85% (8,85% 31 December 2021) and a minimum Overall Capital Requirement (OCR) of 13,60%, consisting of the Pillar I minimum 8%, the Pillar II Requirement of 2,85% plus the Capital Conservation Buffer of 2,50% and an O-SII buffer of 0,25%. Applicable Regulation allows Banks to meet their Pillar II requirements using the same capital structure as for their Pillar I requirements (i.e. 56,25% CET1, 18,75% Additional Tier 1 (or 75% Tier1 Capital = 56,25%+18,75%) and up to 25% Tier 2).

Following the 2021 SREP performed by the CBC and based on the final SREP decision received in February 2023, effective from 8 February 2023, the Pillar II requirement has been revised to 3,83%. The Bank is required to maintain as from 8 February 2023 a minimum CET1 ratio of 9,40% and a minimum Overall Capital Requirement (OCR) of 14,58%.

Regulatory Capital Requirements	**2022 %**	**2021 %**
Pillar I – Total Capital Requirements	8,00%	8,00%
Pillar II – Total Capital Requirements	2,85%	2,85%
Capital Combined Buffer Requirement (CBR)	2,75%	2,75%
Total Overall Capital Requirements (OCR)	**13,60%**	**13,60%**

Minimum CET1 Regulatory Capital Requirements	**2022 %**	**2021 %**
Pillar I – Total Capital Requirements	4,50%	4,50%
Pillar II – Total Capital Requirements	1,60%	1,60%
Capital Combined Buffer Requirement (CBR)	2,75%	2,75%
Total Minimum CET1 Capital Requirements	**8,85%**	**8,85%**

The Overall Capital adequacy ratio (transitional) stood at 17,96% as at 31 December 2022 (16,58% as at 31 December 2021) and on a fully load basis stood at 17,79% (15,99% as at 31 December 2021). The Bank's capital adequacy ratio as at and during 2022 was in compliance with the regulatory minimum Overall Capital Requirement ('OCR') of 13,60% and above the OCR including Pillar II Guidance ('P2G').

	2022 %	**2021 %**
Common Equity Tier 1 ratio	16,54%	15,31%
Tier 1 ratio	16,54%	15,31%
Capital Adequacy Ratio	17,96%	16,58%
Minimum Requirement for Own Funds and Eligible Liabilities (MREL) Ratio	19,21%	16,82%

43. CAPITAL MANAGEMENT (continued)

Leverage Ratio
According to the Regulation No.2015/62 of the European Parliament and Council dated 10 October 2017, the leverage ratio is expressed as a percentage and calculated on a quarterly basis as an institution's capital measure divided by the institution's total exposure measure. The leverage ratio is calculated using two capital measures:

(a) Tier 1 capital: fully phased-in definition

(b) Tier 1 capital: transitional definition.

Based on the transitional definition, as at 31 December 2022 the Leverage Ratio of the Group was 6,81% compared to 6,26% as at 31 December 2021. The fully phased in Leverage Ratio was 6,87%.

Minimum requirement for own funds and eligible liabilities
The Bank, within the framework of the Bank Recovery and Resolution Directive (BRRD), is subject to the minimum requirement for own funds and eligible liabilities (MREL). The framework, which entered into effect on 1 January 2016, provides authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the Bank's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system. This is achieved by requiring banks to have a funding structure with a certain proportion of liabilities that can be written off or converted into equity in the event of a bank failure. Such liabilities, in combination with equity, are known as MREL. Further to the BRRD II certain provisions on MREL have been introduced in CRR II, which also came into force in June 2019, as part of the reform package and took immediate effect. The Bank received a formal notification (the Decision) from the CBC on 11 April 2022, of its final decision for the binding minimum requirement for own funds and eligible liabilities (MREL) for the Bank.

Accordingly, the minimum MREL requirement for the Bank is set at 20,47% of Total Risk Exposure Amount (TREA) and 5,31% of leverage ratio exposure (LRE) and this must be met by 31st December 2025. Furthermore, the Bank must comply with an intermediate requirement of 12,57% of TREAs and 5,31% of LRE as from 1st January 2022. The own funds used by the Bank to meet the combined buffer requirement (CBR) will not be eligible to meet its MREL requirements expressed in terms of TREAs.

To meet its MREL requirement by 31st December 2025, the Bank is considering to establish a 5 year issuance program of up to a €0,25 billion size.

As at 31 December 2022, the MREL ratio calculated stood at 19,21% of risk weighted assets ("RWAs" and at 7,97% of LRE.

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

44. FAIR VALUE OF ASSETS AND LIABILITIES

Fair value represents the amount at which an asset could be exchanged, or a liability settled, in an arm's length transaction. Some differences may arise between the carrying value and the fair value. The definition of fair value assumes that the Group will continue its normal operations without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms which would bring about losses to the Group. Generally accepted methods of determining fair value include reference to quoted market prices and transactions for similar financial instruments.

44. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

The Group uses the following hierarchy to classify and disclose fair value:

Level 1: investments measured at fair value using quoted prices in active markets for similar investments;

Level 2: investments measured at fair value using valuation models in which all elements that significantly influence fair value are based on observable market data either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: investments measured at fair value using valuation models in which elements that significantly influence fair value are not based on observable market data.

The following table presents the fair value measurement hierarchy of the Group's assets and liabilities recorded at fair value or for which fair value is disclosed, by level of the fair value hierarchy:

	Level 1 €	Level 2 €	Level 3 €	Total €
31 December 2022				
Assets measured at fair value				
Financial assets at fair value through other comprehensive income	-	-	6.394.636	6.394.636
Financial assets at fair value through profit or loss	10.691.817	-	2.214.976	12.906.793
Derivative financial instruments	-	1.304.888	-	1.304.888
Investment property	-	-	19.850.251	19.850.251
Property and equipment	-	-	32.898.135	32.898.135
	10.691.817	**1.304.888**	**61.357.998**	**73.354.703**
Other financial assets not measured at fair value				
Cash and balances with Central Banks	-	782.631.481	-	782.631.481
Placements with other banks	-	21.943.349	-	21.943.349
Debt securities	541.833.099		-	541.833.099
Loans and advances to customers	-	-	1.090.666.751	1.090.666.751
Other assets	-	-	17.730.362	17.730.363
	541.833.099	**804.574.830**	**1.108.397.113**	**2.454.805.043**
Liabilities measured at fair value				
Derivative financial instruments	-	139.615	-	139.615
	-	**139.615**	**-**	**139.615**
Liabilities not measured at fair value				
Funding from Central Banks	-	296.501.809	-	296.501.809
Amounts due to other banks and deposits from banks	-	13.133.697	-	13.133.697
Deposits and other customer accounts	-	-	2.111.912.429	2.111.912.429
Other liabilities	-	-	58.645.847	58.645.847
Subordinated liabilities	-	-	16.462.910	16.462.910
Debt securities in issue	-	-	21.379.468	21.379.468
	-	**309.635.506**	**2.208.400.654**	**2.518.036.160**

There were no significant transfers between levels during the year.

44. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

	Level 1 €	Level 2 €	Level 3 €	Total €
31 December 2021				
Assets measured at fair value				
Financial assets at fair value through other comprehensive income	-	-	6.331.652	6.331.652
Financial assets at fair value through profit or loss	3.531.652	-	8.491.080	12.022.732
Derivative financial instruments	-	96.130	-	96.130
Investment property	-	-	13.270.033	13.270.033
Property and equipment	-	-	37.726.594	37.726.594
	3.531.652	**96.130**	**65.819.359**	**69.447.141**
Other financial assets not measured at fair value				
Cash and balances with Central Banks	-	670.854.232	-	670.854.232
Placements with other banks	-	29.003.109	-	29.003.109
Debt securities	930.142.804	-	-	930.142.804
Loans and advances to customers	-	-	1.136.910.818	1.136.910.818
Other assets	-	-	30.755.351	30.755.351
	930.142.804	**699.857.341**	**1.167.666.169**	**2.797.666.314**
Liabilities measured at fair value				
Derivative financial instruments	-	253.579	-	253.579
	-	**253.579**	**-**	**253.579**
Liabilities not measured at fair value				
Funding from Central Banks	-	495.136.111	-	495.136.111
Amounts due to other banks and deposits from banks	-	16.531.800	-	16.531.800
Deposits and other customer accounts	-	-	2.191.390.594	2.191.390.594
Subordinated liabilities	-	-	16.129.001	16.129.001
Debt securities in issue	-	-	3.055.124	3.055.124
Other liabilities	-	-	98.329.868	98.329.868
	-	**511.667.911**	**2.308.904.587**	**2.820.572.498**

There were no significant transfers between levels during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise of Government and corporate bonds listed in Stock Exchanges and classified at fair value through profit or loss.

The fair value of financial instruments that are not traded in an active market (for example equity instruments not listed in an active market) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

44. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments
- Adjusted comparable multiples of market prices to book value.
- Other techniques, such as discounted cash flow analysis and dividend discount model.

The fair value of the loans and advances to customers classified as Level 3 in the table above approximates their carrying amounts.

The following table presents the changes in Level 3 instruments for the year ended 31 December 2022:

	FVTOCI €	FVTPL €	PROPERTY AND EQUIPMENT €	INVESTMENT PROPERTY €	TOTAL €
1 January 2022	6.331.652	12.118.862	37.726.594	13.270.033	69.447.141
Additions	-	6.915.907	4.244.847	-	11.160.754
Transfer between categories (Notes 25,27)	-	-	(5.526.311)	5.526.311	-
Depreciation (Note 13)	-	-	(2.402.641)	-	(2.402.641)
Revaluation losses recognised in consolidated income statement (Note 9,10)	-	(2.220.779)	-	1.053.907	(1.166.872)
Revaluation gains recognised in other comprehensive income (Note 37)	62.984	-	1.054.471	-	1.117.455
Disposals and transfers (Notes 19, 27)	-	(3.178.789)	(2.198.825)	-	(5.377.614)
Interest accrued (Note 19)	-	254.015	-	-	254.015
Foreign exchange gain (Note 19)	-	322.464	-	-	322.464
31 December 2022	**6.394.636**	**14.211.680**	**32.898.135**	**19.850.251**	**73.354.702**
Total gains for the year included in the consolidated income statement					
Change in unrealised gains for the year included in the consolidated income statement for assets held at the end of the reporting year	**-**	**(1.898.315)**	**-**	**1.053.907**	**(844.408)**

44. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

The following table presents the changes in Level 3 instruments for the year ended 31 December 2021 :

	FVTOCI €	FVTPL €	PROPERTY AND EQUIPMENT €	INVESTMENT PROPERTY €	TOTAL €
1 January 2021	6.171.883	12.130.964	34.699.068	-	53.001.915
Additions (Notes 19,20,25,27)	81.910	95.045.034	6.634.609	13.318.832	115.080.385
Revaluation gains recognised in consolidated income statement (Notes 9,10)	-	696.347	-	(48.799)	647.548
Revaluation gains recognised in other comprehensive income	77.859	-	205.016	-	282.875
Disposals and transfers (Notes 19, 27)	-	(96.414.048)	(38.420)	-	(96.452.468)
Depreciation (Note 13)	-	-	(2.528.547)	-	(2.528.547)
Contract modification (Note 27)	-	-	(1.245.132)	-	(1.245.132)
Interest accrued (Note 19)		2.508			2.508
Foreign exchange gain (Note 19)	-	658.057	-	-	658.057
31 December 2021	**6.331.652**	**12.118.862**	**37.726.594**	**13.270.033**	**69.447.141**
Total gains for the year included in the consolidated income statement					
Change in unrealised gains for the year included in the consolidated income statement for assets held at the end of the reporting year	-	**1.356.912**	**205.016**	**(48.799)**	**1.513.129**

45. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

31 December 2022

	FVTPL €	FVOCI –Equity instruments €	Amortised cost €	Total carrying amount €
Assets				
Balances with Central Banks	-	-	782.631.481	782.631.481
Placements with other banks	-	-	21.943.349	21.943.349
Derivative financial instruments	1.304.888	-	-	1.304.888
Loans and advances to customers	-	-	1.090.666.751	1.090.666.751
Investment securities:				
-Debt securities	9.999.718	-	585.409.143	595.408.861
-Equity securities	2.214.976	6.394.636	-	8.609.612
-Other investments	692.099	-	-	692.099
Other assets	-	-	17.730.362	17.730.362
Total financial assets	**14.211.681**	**6.394.636**	**2.498.381.086**	**2.518.987.403**
Liabilities				
Derivative financial instruments	139.615	-	-	139.615
Funding from Central Banks	-	-	296.501.809	296.501.809
Amounts due to other banks and deposits from banks	-	-	13.133.697	13.133.697
Deposits and other customer accounts	-	-	2.111.912.429	2.111.912.429
Other liabilities	-	-	58.645.847	58.645.847
Subordinated liabilities			16.462.910	16.462.910
Debt securities in issue	-	-	21.379.468	21.379.468
Total financial liabilities	**139.615**	**-**	**2.518.036.160**	**2.518.175.775**

31 December 2021

	FVTPL €	FVOCI –Equity instruments €	Amortised cost €	Total carrying amount €
Assets				
Balances with Central Banks	-	-	670.854.232	670.854.232
Placements with other banks	-	-	29.003.109	29.003.109
Derivative financial instruments	96.130	-	-	96.130
Loans and advances to customers	-	-	1.136.910.818	1.136.910.818
Investment securities:				
-Debt securities	2.915.536	-	939.891.741	942.807.277
-Equity securities	8.491.080	6.331.652	-	14.822.732
-Other investments	616.116	-	-	616.116
Other assets	-	-	30.755.351	30.755.351
Total financial assets	**12.118.862**	**6.331.652**	**2.807.415.251**	**2.825.865.765**
Liabilities				
Derivative financial instruments	253.579	-	-	253.579
Funding from Central Banks	-	-	495.136.111	495.136.111
Amounts due to other banks and deposits from banks	-		16.531.800	16.531.800
Deposits and other customer accounts	-	-	2.191.390.594	2.191.390.594
Other liabilities	-	-	98.329.868	98.329.868
Subordinated liabilities			16.129.001	16.129.001
Debt securities in issue	-	-	3.055.124	3.055.124
Total financial liabilities	**253.579**	**-**	**2.820.572.498**	**2.820.826.077**

46. ANALYSIS OF ASSETS AND LIABILITIES BY EXPECTED MATURITY

	2022			2021		
	Less than one year	**Over one year**	**Total**	**Less than one year**	**Over one year**	**Total**
	€	**€**	**€**	**€**	**€**	**€**
Assets						
Cash and balances with Central Banks	761.512.357	21.119.124	**782.631.481**	648.940.327	21.913.905	**670.854.232**
Placements with other banks	21.943.349	-	**21.943.349**	29.003.109	-	**29.003.109**
Derivative financial instruments	78.837	1.226.051	**1.304.888**	96.130	-	**96.130**
Financial assets at FVTPL	12.214.694	692.099	**12.906.793**	5.742.391	6.280.341	**12.022.732**
Financial assets at FVTOCI	-	6.394.636	**6.394.636**	-	6.331.652	**6.331.652**
Debt securities	155.880.228	429.528.915	**585.409.143**	528.217.887	411.673.854	**939.891.741**
Loans and advances to customers	69.464.858	1.021.201.893	**1.090.666.751**	79.131.093	1.057.779.725	**1.136.910.818**
Investment in associate	-	186.000	**186.000**	-	4.055.283	**4.055.283**
Other assets	3.620.633	14.109.729	**17.730.362**	16.499.423	14.255.928	**30.755.351**
Investment property	-	19.850.251	**19.850.251**	-	13.270.033	**13.270.033**
Stock of property	45.000.000	95.527.900	**140.527.900**	30.000.000	101.791.212	**131.791.212**
Property and equipment	-	32.898.135	**32.898.135**	-	37.726.594	**37.726.594**
Intangible assets	1.412.903	8.094.667	**9.507.570**	-	3.766.758	**3.766.758**
Deferred tax asset	3.250.000	942.346	**4.192.346**	-	1.435.647	**1.435.647**
Total assets	**1.074.377.859**	**1.651.771.747**	**2.726.149.606**	**1.337.630.360**	**1.680.280.932**	**3.017.911.292**
Liabilities						
Amounts due to other banks and deposits from banks	4.863.766	8.269.931	**13.133.697**	4.863.766	11.668.034	**16.531.800**
Funding from Central Banks	100.000.000	196.501.809	**296.501.809**	495.136.111	-	**495.136.111**
Derivative financial instruments	139.615	-	**139.615**	164.433	89.146	**253.579**
Deposits and other customer accounts	142.684.790	1.969.227.639	**2.111.912.429**	118.599.423	2.072.791.171	**2.191.390.594**
Other liabilities	40.700.902	17.944.945	**58.645.847**	70.182.778	28.147.090	**98.329.868**
Subordinated liabilities	-	16.462.910	**16.462.910**	-	-	**-**
Debt securities in issue	4.650.000	16.729.468	**21.379.468**	-	19.184.125	**19.184.125**
Deferred tax liability	-	4.297.106	**4.297.106**	-	3.554.124	**3.554.124**
Total liabilities	**293.039.073**	**2.229.433.808**	**2.522.472.881**	**688.946.511**	**2.135.433.690**	**2.824.380.201**

46. ANALYSIS OF ASSETS AND LIABILITIES BY EXPECTED MATURITY (continued)

The main assumptions used in determining the expected maturity of assets and liabilities are set out below.

Cash and balances with central banks are classified in the relevant time band based on the contractual maturity, with the exception of obligatory balances with central banks which are classified in the 'Over one year' time band.

The investments are classified in the relevant time band based on expectations as to their realisation. In most cases this is the maturity date, unless there is an indication that the maturity will be prolonged or there is an intention to sell the security.

Stage 1 and stage 2 loans and advances to customers are classified based on the contractual repayment schedule. Overdraft accounts are classified in the 'Over one year' time band. The Stage 3 and POCI loans are classified in the 'Over one year' time band except from expected receipts which are included within time bands, according to historic amounts of receipts in the last months.

Stock of property is classified in the relevant time band based on expectations as to its realisation.

A percentage of customer deposits maturing within one year is classified in the 'Over one year' time band, based on the observed behavioral analysis.

The expected maturity of all prepayments, accrued income and other assets and accruals, deferred income and other liabilities is the same as their contractual maturity. If they do not have a contractual maturity, the expected maturity is based on the timing the asset is expected to be realised and the liability is expected to be settled.

47. RELATED PARTY TRANSACTIONS

The Group is owned by a number of investors, none of which, has a direct or indirect controlling interest on the Group.

Key management personnel

Key Management personnel are those persons who have the authority and the responsibility for the planning, management and control of the Banks' operations, directly or indirectly.

The Group according to the provisions of IAS 24 considers as Key Management personnel a team of fourteen senior personnel reporting directly to the CEO. The number of Key Management personnel as at 31 December 2022 was 16 (2021: 14).

Connected persons include spouses, dependent children, as well as companies in which key management personnel hold, directly or indirectly, at least 10% of the voting rights during a General meeting.

The table below presents transactions and balances with the key management personnel and board members, and connected persons as at 31 December 2022 and 31 December 2021. The table does not include year end balances of members of the Board of Directors and key management personnel and their connected persons who resigned during the year. Interest income and expense is disclosed for the period during which they were members of the Board of Directors or served as key management personnel.

	2022 **€**	**2021** **€**
Loans and advances	1.656.251	1.725.475
Interest income	33.088	36.320
Deposits	1.294.907	4.097.651
Negative Interest on deposits	(221)	(2.956)
Other fees	73.086	69.661

As at 31 December 2022, there were contingent liabilities and commitments to Key Management personnel who were not Directors and their connected persons amounting to €104.260.

47. RELATED PARTY TRANSACTIONS (continued)

Remuneration of key management personnel of the Group

	2022 €	2021 €
Key management personnel remuneration: Salaries and other benefits and employer's contributions	2.318.095	2.751.204
Voluntary redundancy costs	200.000	615.000
Total	**2.518.095**	**3.366.204**
Total key management personnel remuneration – as Directors	-	-

Non-executive Directors' remuneration

	2022 €	2021 €
Remuneration of Non-Executive Directors[1] (Note 12)	**453.805**	**907.780**

(1) Remuneration of Non-Executive Directors includes €307.692 relating to the termination compensation of the ex-Chairman of the Board of Directors.

48. EVENTS AFTER THE REPORTING PERIOD

Listing of the Bonds (Emerging Companies Market)
On the 24th of March 2023, the Cyprus Stock Exchange approved the listing of the MREL qualified-debt securities issued during the year, pursuant to Article 58(1) of the CSE Law on the Bonds Market of the CSE Emerging Companies Market.

Recent developments triggered by the collapse of US Banks
The Group is closely monitoring the developments triggered by the collapse of Silicon Valley Bank, Silvergate Bank and Signature Bank in the United States and Switzerland's Credit Suisse rescue through the takeover by UBS in March 2023. The Group as at 31 December 2022, did not have any exposure with the US Banks or Credit Suisse.

GLOSSARY AND DEFINITIONS

Name	Definition
Capital adequacy ratio (transitional)	Total capital divided by Risk Weighted Assets.
CET 1 ratio	Common Equity Tier 1 capital divided by Risk Weighted Assets.
Cost of risk	Impairment losses on loan portfolio divided by average gross loans
Cost to income ratio	Total expenses (as defined) divided by total income (as defined excluding non-recurring income).
Gross Loans and advances to customers	Gross Loans comprise of gross loans and advances to customers measured at amortised cost after the residual fair value adjustment on initial recognition and before deducting accumulated impairment losses. Gross loans are reported after the residual fair value adjustment on initial recognition relating mainly to loans acquired from USB Bank (calculated as the difference between the outstanding contractual amount and the fair value of loans acquired).
Gross Loans with forbearance measures	Forborne Exposures (EBA definition).
Liquid assets	Consist of Cash and balances with Central Banks, placements with other banks, net loans and advances, investments in debt securities at amortised cost and debt securities at fair value through profit or loss. For calculating the average of the liquid assets, the Group uses the arithmetic average of total liquid assets at each reporting date from the beginning of the year.
Liquidity Coverage ratio (LCR)	Is the sum of high quality liquid assets over the expected net liquidity outflows during the next 30 days, as these net outflows are specified under a stress scenario. At times of stress, institutions may use their liquid assets to cover their net liquidity outflows.
Net fee and commission income	Fee and commission income less fee and commission expense.
Net gains on financial instrument transactions and disposal of subsidiaries and associates	Consist of gain on disposal and revaluation of foreign currencies, gain on disposal and revaluation of debt securities and other financial instruments, surplus on revaluation of equity and other securities, changes in the fair value of financial instruments in fair value hedges and gain on disposal of associates and subsidiaries.
Net interest income	Interest income less interest expense.
Net Interest Margin ratio (NIM)	Net interest income divided by the average liquid assets.
Net loans	Net loans and advances to customers comprise gross loans (as defined) net of allowance for expected loan credit losses (excluding allowance for expected credit losses on off-balance sheet exposures disclosed on the balance sheet within other liabilities).
Net loans to deposits ratio	Net loans and advances to customers (as defined) divided by deposits and other customer accounts.
Non-interest income	Consist of net fee and commission income, other income and net gains on financial instrument transactions.
NPEs	Gross non-performing exposures as per applicable EBA definition (new EBA definition was applicable as at 1 January 2021).
NPE ratio	NPES gross loans and advances after fair value adjustment divided by gross loans and advances after value adjustment.
NPE provision coverage ratio	Expected credit losses on NPES divided by NPES after residual fair value adjustment on initial recognition.
OCI	Other Comprehensive Income
Other income	Consist of dividend income, gain from disposal of stock of property and other sundry income.
Total income	Consist of net interest income, net fee and commission income, other income and net gains on financial instrument transactions.

GLOSSARY AND DEFINITIONS (continued)

Name	Definition
Total expenses	Consist of staff expenses (excluding voluntary redundancy costs), depreciation and amortisation, Special levy, contributions to Single Resolution Fund and other levies and other operating expenses.
Return on average assets	Profit for the year divided by the arithmetic average of total assets at each reporting date from the beginning of the year.
Return on average equity	Profit for the year divided by the arithmetic average of total equity at each reporting date from the beginning of the year.