NATIONAL BANK OF GREECE
(CYPRUS) LIMITED

Annual Report and Financial Statements
Year ended 31 December 2021

NATIONAL BANK OF GREECE (CYPRUS) LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

CONTENTS

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Chair of the Board:	Subject to ECB approval
Vice Chairman:	Christos Christodoulou, Non-Independent, Non-Executive Member
Members:	Louka Katseli, Senior Independent Non-Executive Member Marinis Stratopoulos, Managing Director (CEO) Ioannis Tzimos, General Manager, Executive Member Mark Klerides, Independent, Non-Executive Member Christodoulos Seferis, Independent Non-Executive Member Nicholas Defteras, Independent, Non-Executive Member

The Board of Directors, as at 31.12.2021 comprised the following Members:

Chair of the Board:	Stavros Stavrou, Senior Independent, Non-Executive Member (acting from 1/12/2021) Louka Katseli, Independent Non-Executive Member (expire date of term 30/11/2021)
Vice Chairman:	Christos Christodoulou, Non-Independent, Non-Executive Member
Members:	Louka Katseli, Independent Non-Executive Member Marinis Stratopoulos, Managing Director (CEO) Ioannis Tzimos, General Manager, Executive Member Mark Klerides, Independent, Non-Executive Member Christodoulos Seferis, Independent, Non-Executive Member Nicholas Defteras, Independent, Non-Executive Member
Secretary	Christina Roussounide (appointed on 1/12/2021) Lucia Pagdati (resigned on 30/11/2021) 15 Arch. Makarios III, 1065 Nicosia, Cyprus
Independent Auditors	PricewaterhouseCoopers Limited 43 Demostheni Severi Avenue, 1080 Nicosia, Cyprus
Legal Advisers	Chrysses Demetriades & Co Velaris & Velaris LLC
Registered Office	15 Arch. Makarios III, 1065 Nicosia, Cyprus

MANAGEMENT REPORT
YEAR ENDED 31 DECEMBER 2021

The Board of Directors presents the management report together with the audited financial statements of the National Bank of Greece (Cyprus) Limited (the "Bank") for the year ended 31 December 2021.

PRINCIPAL ACTIVITY

The main activity of the Bank is the provision of a wide range of banking and financial services. The Bank is a wholly owned subsidiary of National Bank of Greece S.A. ("parent bank").

OPERATING ENVIRONMENT

The operating environment of the Bank is presented in Note 38 of the financial statements.

REVIEW OF DEVELOPMENTS, POSITION AND PERFORMANCE OF THE BANK'S BUSINESS

As presented on page 12 of the financial statements, the loss of the Bank after taxation amounted to €40.497.683 (2020: loss of €9.430.938).

The main financial highlights for the year are set out below. The loss for the year-ended 31 December 2021 was primarily attributable to the decrease in the interest income during the year, the increase in staff costs during the year as a result of the Voluntary Exit Scheme ("VES") and the increased Expected Credit Losses ("ECL") in the current year.

	2021	**2020**
	€'000	**€'000**
Net Interest Income	**9.201**	10.770
Fee and Commission Income	**3.767**	3.711
Other Income and foreign exchange gains	**2.035**	1.805
Staff Costs	**(14.402)**	(15.455)
Restructuring cost	**(21.126)**	-
Other Operating Expenses	**(7.791)**	(6.623)
Impairment charge for ECL on Loans and Advances to Customers	**(10.847)**	(1.668)
Reversal of impairment for ECL on other financial assets	**474**	433
Loss for the year, after Tax	**(40.498)**	(9.431)
Loans and Advances to Customers before ECL allowance (Gross Loans)	**218.483**	223.791
Deposits and other customer accounts (Customer deposits)	**404.008**	566.447
Total Assets	**449.165**	662.902
Total Equity	**27.170**	67.059

	2021	**2020**
Net Interest Margin	**2,2%**	1,7%
Cost to Income ratio	**288,7%**	134,7%
Return on average equity	**-86,0%**	-12,9%
Loans and Advances to Customers to Customer Deposits (net)	**47,8%**	36,9%
Non Performing Exposures ("NPEs") to Gross Loans	**25,0%**	22,6%
Total capital ratio	**19,56%**	35,55%
Core Equity Tier 1 ratio	**19,56%**	35,55%

MANAGEMENT REPORT (continued)
YEAR ENDED 31 DECEMBER 2021

BRANCH NETWORK

Following the restructuring plan implemented in 2021, the Bank operates in Cyprus through 2 branches, in Nicosia and Limassol.

GOING CONCERN

Management has made an assessment of the Bank's ability to continue as a going concern.

Despite the uncertain economic environment in Cyprus as described in Note 38 of the financial statements, the Board of Directors of the Bank has assessed that the Bank has the ability to continue its operations as a going concern on the basis of the Bank's liquidity and capital adequacy position (see Note 40 of the financial statements).

The year 2021 was a significant year for the Bank. As a result of the restructuring of the Bank, a significant number of employees left the Bank under the VES that was offered by the Bank. The cost of this VES (as per Note 13) amounted to €21,1 million and directly affected the Bank's capital at the end of the year.

The Bank's Total Capital Ratio reduced from 35,55% at the end of 2020 to 19,56% at the end of 2021. During 2021, the Bank's Total Capital Ratio was at all times above the applicable regulatory thresholds. Furthermore, the Bank's Total Capital Ratio is expected to be affected by the end of the 'phased-in' 5-year period for the IFRS 9 impairment provisions (IFRS 9 transitional period), according to which 25% of the Bank's IFRS 9 impairment provisions have to be added back to CET1 capital on 01.01.2022 and another 25% of the said provisions have to be added back to CET1 capital on 01.01.2023. All of the above factors that have already affected or are expected to affect the Bank's Total Capital Ratio have been taken into account in the Bank's Business Plan according to which the Bank's Total Capital Ratio is maintained at/above regulatory thresholds throughout the planning period (2022-2024). Equity contributions from National Bank of Greece S.A ("NBG S.A.") are envisaged, as required, to cover capital needs, absorbing impact of operational losses of 2021, one-off VES and other restructuring costs, and IFRS 9 phasing in for capital requirement purposes.

PRINCIPAL RISKS AND UNCERTAINTIES, RISK MANAGEMENT, AND USE OF FINANCIAL INSTRUMENTS BY THE BANK

The Bank is exposed to various risks, the most important of which are Credit Risk, Liquidity Risk, and Market Risk (including interest rate risk and foreign exchange risk). Detailed information relating to the Bank's risk exposures and risk management are set out in Note 39 of the financial statements.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Bank. The Bank has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from counterparty credit risk. The Bank's exposure and the credit ratings and credit worthiness of counterparties are regularly monitored and the counterparty credit exposure is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits approved by the Bank and which are reviewed and approved at least on an annual basis.

The loan portfolio is assessed on the basis of customer creditworthiness, sector of the economy in which the customer operates and the country of operation and is regularly audited by the Internal Audit department. The Bank's policy regarding the determination of the level of provisions for impairment is described in the summary of significant accounting policies.

Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet current and future payments obligations as and when they fall due. This risk includes the possibility that the Bank may have to raise funding at a higher cost or sell assets at a discount.

PRINCIPAL RISKS AND UNCERTAINTIES, RISK MANAGEMENT, AND USE OF FINANCIAL INSTRUMENTS BY THE BANK (continued)

Liquidity risk (continued)

Bank assets are mainly funded by deposits. The maturity of the deposits is actively monitored in order to avoid concentration of funding maturities at any point in time. The responsibility for the management of liquidity rests with the Bank's treasury department.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Bank's short, medium and long-term funding and liquidity requirements, in order to also ensure compliance with the applicable regulatory limits.

Market risk

Market risk is the risk of loss from adverse changes in market prices. The Bank is exposed primarily to financial risks emanating from changes in foreign currency exchange rates and interest rates. The ways that these risks are dealt with are analysed below:

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It arises as a result of timing differences on the interest rate repricing of assets and liabilities. The Bank monitors on a continuous basis the interest rate movements and the repricing or maturity structure of its assets and liabilities.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. It arises from an open position in a foreign currency, creating an exposure to a change in the relevant exchange rate. This may arise from the holding of financial assets in one currency funded by liabilities in another currency.

In order to manage currency risk, the Bank has approved open position limits for each currency. Adherence to the limits is monitored on a daily basis by the treasury department and the operations and support division.

EXPECTED FUTURE DEVELOPMENTS OF THE BANK / STRATEGIC TARGETS

Two years after the outbreak of the COVID-19 pandemic, the global environment remains impacted by the unprecedented crisis. The measures introduced by governments and regulators to tackle the pandemic have affected global supply chains as well as demand for goods and services and therefore had a significant impact on global growth. At the same time, fiscal and monetary policies have been eased to sustain the economy and the deployment of vaccines in 2021 has also greatly contributed to sustaining the economy.

In Cyprus, public finances strengthened in 2021 despite substantial government support measures. This was driven primarily by sharp increases in tax revenues and social security contributions in the second and third quarters.

The Bank continues to closely monitor developments in, and the effects of COVID-19 on both the global and Cypriot economy. At the same time, the Bank has continued its focus on providing support to its customers and staff. Strong recovery in economic activity marked the second half of the year, against the backdrop of increasing vaccination coverage across Cyprus and relaxation of restrictions. The Bank will continue to monitor the situation for any changes that may arise from the uncertainty on the macroeconomic outlook, impacted by the additional progress in vaccinations and medication, degree of recurrence of the disease due to virus mutations, and the persistent positive effect of fiscal and monetary policy.

The Bank is still adopting measures according to the current pandemic status to ensure minimum disruption to its operations and the well-being of our customers and staff.

MANAGEMENT REPORT (continued)
YEAR ENDED 31 DECEMBER 2021

EXPECTED FUTURE DEVELOPMENTS OF THE BANK / STRATEGIC TARGETS (continued)

The Russian invasion of Ukraine and the sanctioning of Russia are expected to have profound impact on the Russian economy, and serious macroeconomic implications for the European Union and the global economy. The invasion and sanctions constitute a major shock both in supply chains and in energy prices. Supply chains have been disrupted causing shortages in agricultural commodities and metals. Energy prices have risen and are expected to remain elevated for longer. Inflationary pressures that were building before the outbreak of the Ukrainian crisis, have escalated and central banks have started their tightening cycles.

The Bank is closely monitoring the developments despite the fact that its direct exposure to Russia, Ukraine or Belarus is limited as it may have an adverse impact on the Cypriot economy, mainly due to a negative impact on the tourism and professional services sectors, increasing energy prices resulting in inflationary pressures, and disruptions to global supply chains. The impact on the Cypriot economy remains uncertain and will depend on the duration and severity of the crisis.

The strategic objectives of the Bank for the medium term are:

- Full implementation of the restructuring plan aimed at improving operating efficiency and productivity as well as increasing profitability in a sustainable manner.
- Further cleanup of our non-performing exposures to further strengthen our balance sheet.
- Maintain healthy liquidity and capital base positions.
- Further strengthening of the corporate banking services to boost revenue and fee generation as well as maximizing synergies with the NBG Group as an international hub.
- Embedding a holistic ESG framework across the Bank.

SHARE CAPITAL

There were no changes in the share capital of the Bank.

RESULTS

The Bank's results for the year ended 31 December 2021 are set out on pages 12 and 13. The loss for the year is transferred to retained earnings.

EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are disclosed in Note 41 of the Financial Statements.

BOARD OF DIRECTORS

The members of the Board of Directors at 31 December 2021 and at the date of this report are shown on page 1.

INDEPENDENT AUDITORS

The Independent auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors

Christos Christodoulou Vice Chairman	Christina Roussounide Secretary

Nicosia, 29 April 2022

Independent Auditor's Report

To the Members of National Bank of Greece (Cyprus) Limited

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying financial statements of parent company National Bank of Greece (Cyprus) Limited (the "Bank") give a true and fair view of the financial position of the Bank as at 31 December 2021, and of its financial performance and its 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.

What we have audited

We have audited the parent company financial statements which are presented in pages 12 to 99 and comprise:

- the Balance sheet as at 31 December 2021;
- the Income statement for the year then ended;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended;
- the Statement of cash flows for the year then ended; and
- the Notes to the financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is International Financial Reporting Standards 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 Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Bank 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 financial statements in Cyprus and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Credit loss allowance for loans and advances to customers, using the expected credit loss model in line with the requirements of IFRS 9 "Financial Instruments" We focused on this area because this is a complex accounting standard for which models have been developed by the Bank to calculate expected credit losses ("ECL") and significant judgements and estimates are involved in estimating expected credit losses on loans and advances to customers. Loans and advances to customers comprise a large portion of the Bank's total assets and in view of the significance of the judgements and estimates involved in estimating expected credit losses on loans and advances to customers we have considered this to be a key audit matter. Note 3 "Summary of Significant Accounting Policies", Note 5 "Critical Accounting Estimates and Judgments", Note 21 "Credit loss allowance on loans and advances to customers" and Note 39 "Risk Management" to the financial statements provide detailed information on the estimation of expected credit losses on loans and advances to customers, on credit risk management practices, credit risk exposures, as well as qualitative and quantitative information arising from expected credit losses on loans and advances to customers.	We updated our understanding of the models used by the Bank and further evaluated management's implementation process of these models for the calculation of expected credit losses ("ECL"). These included probability-weighted macroeconomic scenarios, staging criteria and loss given default estimates. We have focused on the following judgements and estimates which could give rise to material misstatement or are potentially subject to management bias: • Probability of default ("PD"); • Loss given default ("LGD"); • Exposure at default ("EAD"); • Discount rates; • Forward looking information. Further, in obtaining sufficient audit evidence we: • Obtained an understanding and assessed the reasonableness of the key outputs calculated by the models; • Understood, evaluated the design and tested the operating effectiveness of key controls around the process of loan performance monitoring and the process of ECL data input management; • Evaluated, challenged and tested the key assumptions and judgements adopted by management; • Reviewed the Bank's methodology for ECL provisioning to establish key inputs used in the calculation engine and on a sample basis tested the key inputs used. Inputs used in the sample tested were compared to the ECL methodology to ensure consistency with policies; • Performed procedures to obtain comfort on the accuracy of the ECL calculation process through recalculation;

Key Audit Matter	How our audit addressed the Key Audit Matter
	• Performed procedures to ensure that the Bank applies the three-stage approach for categorisation of loans and advances to customers and that changes in credit quality since initial recognition are appropriately monitored, determined and reflected in the Bank's financial position; • Performed loan file reviews on a sample basis to inspect financial particulars and assessed the adequacy of ECL; • Assessed the disclosures made to ensure compliance with the relevant accounting standards. The results of the above procedures were satisfactory.
Recoverability of Deferred Tax Assets As at 31 December 2021, the Bank has deferred tax assets of €1,6 million in respect of tax losses available to be carried forward to future years. The basis of the recognition is presented in Note 3 "Summary of Significant Accounting Policies" and further analysed in Note 5 "Critical Accounting Estimates and Judgements" and Note 15 "Income Tax". The assessment of the recoverability of the carrying amount of the deferred tax assets requires management judgement and estimation in assessing the probability, timing and sufficiency of future taxable profits from which deductible temporary differences and unutilised tax losses can be offset, particularly when this forecasting extends beyond the normal planning cycle. This in turn is based on assumptions concerning future economic conditions, business performance and legislation governing the use of historical trading losses carried forward. In light of the inherent uncertainty and significant amount of judgement and estimation required by management, we have considered recoverability assessment of the deferred tax assets to be a key audit matter.	In obtaining sufficient audit evidence: • We agreed the historical taxable losses which have given rise to the deferred tax asset to appropriate supporting documentation such as prior year tax computations; • We agreed future taxable profits as estimated by management to the Bank's business plan whose mathematical consistency and calculations were assessed for accuracy; • We assessed projected taxable profits for reasonableness with reference to known historical results of the Bank; • We assessed the Bank's projected cost base for reasonableness with reference to the historical cost basis as adjusted for expected changes thereon; • We assessed the accuracy of calculations that pertain to deferred tax asset impairment recognised during the year with reference to the Bank's projected taxable profits and the statutory expiry dates of relevant losses; • We scrutinised via recalculation the accuracy of the Bank's sensitivity analysis disclosure pertaining to adverse developments that may depart from projected outcomes; • We assessed the adequacy and appropriateness of relevant disclosures for compliance with the applicable accounting standards.

Key Audit Matter	How our audit addressed the Key Audit Matter
	The results of the above procedures were satisfactory.

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 but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 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 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 Financial Statements

The Board of Directors is responsible for the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank'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 Bank'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 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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 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.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Bank on 5 October 2017 by the Board of Directors of the Bank for the audit of the financial statements for the year ended 31 December 2017. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 5 years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Bank, which we issued on 29 April 2022 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

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

- In light of the knowledge and understanding of the Bank 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 Matter

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 George C. Kazamias.

George C. Kazamias

George C. Kazamias
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

PwC Central, 43 Demostheni Severi Avenue
CY-1080 Nicosia Cyprus

29 April 2022

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 €	2020 €
Interest income	6	**9.878.333**	11.357.529
Interest expense	7	**(677.703)**	(587.142)
Net interest income		**9.200.630**	10.770.387
Fee and commission income	8	**3.766.548**	3.711.206
Net foreign exchange gains	9	**359.245**	170.762
Other income	10	**1.675.909**	1.633.871
Other gains/(losses)	11	**111.140**	(166.580)
		15.113.472	16.119.646
Staff costs	13	**(35.528.215)**	(15.454.699)
Depreciation of property, plant and equipment	24, 25	**(748.979)**	(1.011.750)
Amortisation of intangible assets	27	**(622.264)**	(618.667)
Other operating expenses	14	**(6.420.151)**	(4.992.704)
		(43.319.609)	(22.077.820)
Loss before impairment charge for ECL on loans and advances to customers and other financial assets		**(28.206.137)**	(5.958.174)
Impairment charge for ECL on loans and advances to customers	21	**(10.846.948)**	(1.668.329)
Reversal of impairment for ECL on other financial assets	12	**473.914**	432.653
Impairment charge for ECL on financial assets		**(10.373.034)**	(1.235.676)
Loss before tax		**(38.579.171)**	(7.193.850)
Tax charge	15	**(1.918.512)**	(2.237.088)
LOSS FOR THE YEAR		**(40.497.683)**	(9.430.938)

The notes on pages 17 to 99 form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 €	2020 €
LOSS FOR THE YEAR		**(40.497.683)**	(9.430.938)
Other comprehensive income/(expense)			
Items that will not be reclassified to profit or loss			
Loss on revaluation of properties	33	**(5.362)**	(9.738)
Changes in the fair value of equity investments designated at fair value through other comprehensive income	22, 33	**614.347**	524.303
Items that will not be reclassified to profit or loss		**608.985**	514.565
Other comprehensive income for the year, net of tax		**608.985**	514.565
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(39.888.698)**	(8.916.373)

The notes on pages 17 to 99 form an integral part of the financial statements.

BALANCE SHEET AT 31 DECEMBER 2021

	Note	2021 €	2020 €
ASSETS			
Cash and balances with Central Bank of Cyprus	16	**89.146.820**	132.221.161
Mandatory deposits with Central Bank of Cyprus	16	**4.675.302**	5.412.868
Deposits with other banks	17	**11.432.405**	34.431.345
Loans and advances to customers	19	**192.923.210**	209.299.000
Deposits with related banks	20(a)	**33.630.977**	80.787.897
Equity investments at fair value through other comprehensive income	22(a)	**7.801.497**	7.187.150
Equity investments at fair value through profit or loss	22(b)	**4.400**	3.131
Other financial assets at amortised cost	23	**85.348.840**	166.003.473
Investment in subsidiary	18	**1.709**	1.709
Property, plant and equipment	24	**10.029.518**	10.181.190
Right-of-use assets	25	**678.432**	2.196.355
Investment property	26	-	3.840.000
Intangible assets	27	**4.657.262**	5.111.717
Other assets	28	**7.257.017**	2.747.022
Deferred income tax assets	15(b)	**1.577.227**	3.478.239
Total assets		**449.164.616**	662.902.257
LIABILITIES			
Deposits from other banks	29	**4.953.405**	12.271.766
Deposits and other customer accounts	30	**404.008.082**	566.447.040
Deposits from related banks	20(b)	**944.064**	5.612.232
Lease liabilities	25	**720.955**	2.353.531
Other liabilities	31	**9.989.019**	7.300.556
Current income tax liabilities		-	35.124
Deferred income tax liabilities	15(b)	**1.379.064**	1.823.283
Total liabilities		**421.994.589**	595.843.532
EQUITY			
Share capital	32	**51.300.000**	51.300.000
Revaluation reserves	33	**16.373.477**	15.764.492
Retained earnings		**(40.503.450)**	(5.767)
Total equity		**27.170.027**	67.058.725
Total liabilities and equity		**449.164.616**	662.902.257

The financial statements have been approved by the Board of Directors on 29 April 2022.

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Marinis Stratopoulos
Chief Executive Officer

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Paola Ioannou Michalia
Acting Chief Financial Officer

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Mark Klerides
Independent, Non-Executive Member

The notes on pages 17 to 99 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share Capital €	Property revaluation reserve €	Revaluation reserve for financial assets at FVOCI €	Retained earnings (1) €	Total €
Balance at 1 January 2020	51.300.000	8.397.266	6.852.661	9.425.171	75.975.098
Comprehensive loss:					
Loss for the year	-	-	-	(9.430.938)	(9.430.938)
Other comprehensive income for the year (Notes 22, 24, 33)	-	(9.738)	524.303	-	514.565
Total comprehensive income for the year	-	(9.738)	524.303	(9.430.938)	(8.916.373)
Balance at 31 December 2020/ 1 January 2021	51.300.000	8.387.528	7.376.964	(5.767)	67.058.725
Comprehensive loss:					
Loss for the year	-	-	-	(40.497.683)	(40.497.683)
Other comprehensive income for the year (Notes 22, 24, 33)	-	(5.362)	614.347	-	608.985
Total comprehensive loss for the year	-	(5.362)	614.347	(40.497.683)	(39.888.698)
Balance at 31 December 2021	51.300.000	8.382.166	7.991.311	(40.503.450)	27.170.027

(1) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, by the end of 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 contribution for defence at the rate of 17% will be payable on such deemed dividend to the extent that the shareholders for deemed dividend distribution purposes at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents and domiciled. From 1 March 2019, the deemed dividend distribution is subject to a 1,70% contribution to the National Health System, increased to 2,65% from 1 March 2020, with the exception 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 by the end of the period of two years from the end of the year of assessment to which the profits refer. This special contribution for defence is paid by the Company for the account of the shareholders.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 €	2020 €
Net cash used in operating activities	35	**(194.878.830)**	(7.923.224)
Cash flows from investing activities			
Purchase of intangible assets	27	**(167.808)**	(688.173)
Purchase of property, plant and equipment	24	**(9.441)**	(45.317)
Purchase of government bonds and treasury bills	23	**(47.183.702)**	(242.923.956)
Proceeds from disposal and maturity of government bonds and treasury bills		**127.664.091**	224.174.724
Dividend income received		**185.023**	124.993
Interest received on debt securities	23	**1.681.262**	1.587.908
Net cash from/(used in) investing activities		**82.169.425**	(17.769.821)
Cash flows from financing activities			
Payment of principal portion of lease liability	25	**(492.640)**	(677.573)
Payment of interest portion of lease liability	25	**(41.761)**	(66.668)
Net cash used in financing activities		**(534.401)**	(744.241)
Net decrease in cash and cash equivalents		**(113.243.806)**	(26.437.286)
Credit losses on cash and cash equivalents		**(366.263)**	(384.719)
Cash and cash equivalents at beginning of the year		**247.920.970**	274.742.975
Cash and cash equivalents at end of the year	36	**134.310.901**	247.920.970

The notes on pages 17 to 99 from an integral part of the financial statements.

1. GENERAL INFORMATION

Country of incorporation

National Bank of Greece (Cyprus) Limited (the "Bank") is incorporated in Cyprus as a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. Its parent and ultimate holding company is National Bank of Greece S.A. and incorporated in Greece.

Principal activities

The principal activities of the Bank are the provision of a wide range of banking and financial services.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

During the current year the Bank adopted all the new and revised International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2021. This adoption did not have a material effect on the accounting policies of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with IFRSs as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2021 have been adopted by the EU through the endorsement procedure established by the European Commission.

These separate financial statements contain information about National Bank of Greece (Cyprus) Limited as an individual Bank and do not contain consolidated financial information as the parent of a group. The Bank has taken advantage of the exemption under IFRS 10 "Consolidated Financial Statements" and the Cyprus Companies Law, Cap.113 from the requirement to prepare consolidated financial statements as the Bank and its subsidiary are included in the consolidated financial statements of its parent bank, National Bank of Greece S.A., which prepares consolidated and separated financial statements in accordance with International Financial Reporting Standards as adopted by the EU that are available for public use. These consolidated financial statements are available at the National Bank of Greece S.A.'s website (www.nbg.gr).

The financial statements have been prepared on a going concern basis.

The Bank's presentation currency is the Euro (€), which is also the Bank's functional currency.

The financial statements are prepared on a historical cost basis, except for land and buildings, investment properties, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

Functional and presentation currency
Items included in the Bank's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Euro (€), which is the Bank's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in a foreign currency are translated using the closing rate as at the reporting date. Non-monetary items measured at historic cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are recognised in profit or loss, as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as financial assets at fair value through other comprehensive income are included in other comprehensive income.

Revenue

Recognition and measurement

Revenue represents the amount of consideration to which the Bank expects to be entitled in exchange for transferring the promised services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes); the transaction price. The Bank includes in the transaction price an amount of variable consideration as a result of rebates/discounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimations for rebates and discounts are based on the Bank's experience with similar contracts.

The Bank recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Bank can identify each party's rights and the payment terms for the services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Bank's future cash flows is expected to change as a result of the contract), it is probable that the Bank will collect the consideration to which it will be entitled in exchange for the services that will be transferred to the customer and when specific criteria have been met for each of the Bank's contracts with customers.

The Bank bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Bank considers only the customer's ability and intention to pay that amount of consideration when it is due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue (continued)

Identification of performance obligations

The Bank assesses whether contracts that involve the provision of a range of services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A service that is promised to a customer is distinct if the customer can benefit from the service, either on its own or together with other resources that are readily available to the customer (that is the service is capable of being distinct) and the Bank's promise to transfer the service to the customer is separately identifiable from other promises in the contract (that is, the service is distinct within the context of the contract).

Fee and commission income

Fee and commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Bank's performance. Such income includes recurring fees for account maintenance, account servicing fees, guarantee issue fee and agency fee income whereby the Bank acts as an agent of a third party in entering and completing a transaction on pre-determined terms and conditions.

Fee and commission income is recognised at a point in time when the Bank satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes fees for processing payment transactions, fees for cash settlements and collection of cash disbursements.

Rental income

Rental income arising on operating leases is recognised on a straight-line basis over the lease term.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The Bank is the lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank, with limited exceptions as set out below.

Contracts may contain both lease and non-lease components. The Bank has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Bank is the lessee (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. Since that rate cannot be readily determined, the NBG Group incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Bank:

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Any remeasurement of the lease liability arising if the cash flows change based on the original terms and conditions of the lease results in a corresponding adjustment to the right-of-use asset. The adjustment can be positive or negative.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Bank is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Bank revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Bank.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Bank is the lessee (continued)

In determining the lease term, management of the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Bank.

Right-of-use assets are reviewed for impairment in accordance with the Bank's accounting policy for impairment of non-financial assets.

As an exception to the above, payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Right-of-use assets and associated lease liabilities are presented as separate lines on the face of the balance sheet.

There are no lease where the Bank is the lessor.

Initial recognition of financial instruments

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at settlement date, which is the date on which the asset is delivered to the Group. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument. Any change in fair value of the assets classified as financial assets at fair value through profit or loss or at other comprehensive income to be received during the period between the trade date and the settlement date is recognised in profit or loss and in OCI, respectively. However changes in the fair value of assets carried at amortized cost between trade date and settlement date are not recognized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets – Classification

The Bank classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Bank's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Bank may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, classification will depend on whether the Bank has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Bank has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Bank commits to deliver a financial instrument. All other purchases and sales are recognized when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all the risks and rewards of ownership.

Financial assets – Measurement

At initial recognition, the Bank measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments
Subsequent measurement of debt instruments depends on the Bank's business model for managing the asset and the cash flow characteristics of the asset. The Bank classifies all of its debt instruments at amortised cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets – Measurement (continued)

Debt instruments (continued)
Under the amortised cost measurement category, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement. Financial assets measured at amortised cost (AC) comprise: cash and cash equivalents, bank deposits with original maturity over 3 months, Loans and advances to customers, Deposits with Banks, Cash Balances with Central Bank and Financial Assets at amoritsed cost.

Equity instruments
The Bank subsequently measures all equity investments at fair value. Where the Bank's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment, any related balance within the FVOCI reserve is reclassified to retained earnings. The Bank's policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. Dividends from such investments continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in "other gains/(losses)" in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Financial assets – impairment – credit loss allowance for Expected Credit Loss (ECL)

The Bank assesses on a forward-looking basis the ECL for all financial assets measured at AC and for the exposure arising from loan commitments and financial guarantee contracts. The Bank measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "credit losses on other financial assets" and "credit gains/losses on loans and advances to customers".

Debt instruments, loans and advances to customers and other financial assets measured at AC are presented in the balance sheet net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the balance sheet.

For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

For all financial assets that are subject to impairment under IFRS 9, the Bank applies the general approach – three stage model for impairment. The Bank applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets – impairment – credit loss allowance for Expected Credit Loss (ECL) (continued)

If the Bank identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 39, Credit risk section for a description of how the Bank determines when a SICR has occurred. If the Bank determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Bank's definition of credit impaired assets and definition of default is explained in Note 39, Credit risk section.

Financial assets – Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Bank has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Bank may write-off financial assets that are still subject to enforcement activity when the Bank seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – modification

The Bank sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Bank assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (eg profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Bank derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Bank also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Bank compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Bank recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents for the purposes of the statement of cash flows, consist of balances with less than three months maturity, including cash, unrestricted balances with central bank and amounts due from other banks.

Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Interest income and expense calculated using the effective interest method

Interest income for all financial assets carried at amortised cost and all debt financial assets carried at fair value through other comprehensive income is recognised in the profit or loss using the effective interest method. Interest expense for all interest bearing financial instruments is recognised in profit or loss using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability, or a shorter period, if appropriate, to the gross carrying amount of a financial asset (i.e. excluding future credit losses) or to the amortised cost of a financial liability. The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument.

The effective interest calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

For purchased or originated credit-impaired ("POCI") financial assets – assets that are credit impaired at initial recognition, the Bank calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial assets; and

(b) Financial assets that are not "POCI" but have subsequently become credit-impaired (or "stage 3"), for which interest income is calculated using the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest income and expense calculated using the effective interest method (continued)

When applying the effective interest method, the Bank amortises any fees, points paid or received, transaction costs and other premiums or discounts that are included in the calculation of the effective interest rate over the expected life of the financial instrument. However, a shorter period is used if this is the period to which the fees, points paid or received, transaction costs, premiums or discounts relate. This will be the case when the variable to which the fees, points paid or received, transaction costs, premiums or discounts relate is repriced to market rates before the expected maturity of the financial instrument. In such a case, the appropriate amortisation period is the period to the next such repricing date.

Transaction costs include fees and commission paid to agents, advisers, brokers and dealers, levies by regulatory agencies and security exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at FVTPL.

Dividend income

Dividends are received from financial assets measured at fair value through profit or loss (FVTPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the Bank to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are recognised as a financial liability at the time the guarantee is issued. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee in other income in profit or loss.

At the end of each reporting period, the guarantee is subsequently at the higher of:

- the amount of the loss allowance determined in accordance with the expected credit loss model under IFRS 9 *Financial Instruments;* and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers.*

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Credit related commitments

The Bank issues commitments to provide loans. Commitments to provide loans are initially recognised at their fair value, which is normally evidenced by the amount of fees received. Such loan commitment fees are deferred and included in the carrying amount of the loan on initial recognition. Loan commitments provided by the Bank are measured as the amount of the loss allowance calculated under IFRS 9.

At the end of each reporting period, the commitments are measured at

(i) the remaining unamortised balance of the amount at initial recognition, plus
(ii) the amount of the loss allowance determined based on the expected credit loss model.

For loan commitments (where those components can be separated from the loan), a separate provision for ECL is recognised as a liability in the statement of financial position. However, for contracts that include both a loan and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

Financial liabilities – measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize 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 Bank or the counterparty.

Sales and repurchase agreements

Securities sold under agreements to repurchase at a specific future date ("repos") continue to be recorded in the Bank's balance sheet while the counterparty liability is included in amounts due to other banks or due to customers, as appropriate. The difference between the sale price and repurchase price is recognised as interest expense during the repurchase agreement period using the effective interest rate method.

Property, plant and equipment

Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Revaluations are performed with sufficient regularity such that the carrying amounts do no differ materially from those that would be determined using fair values at the balance sheet date. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Increases in the carrying amount arising on revaluation of land and buildings are credited in other comprehensive income and shown as revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to profit or loss.

The property revaluation reserve includes revaluation of property initially used by the Bank for its operations and subsequently transferred to investment properties.

On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Furniture and equipment and motor vehicles are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Depreciation is charged so as to write off the cost or valuation of assets, other than land over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The annual depreciation rates used are as follows:

Buildings and installations	3 to 20
Furniture and equipment	10 to 20
Motor vehicles	20

No depreciation is charged on land.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to the income statement of the year in which they were incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). 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 and losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise. Valuations are carried out by independent qualified valuers applying valuation models.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Bank and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortization and any accumulated impairment losses.

Expenditure which enhances or extends the performance of computer software programmer beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programmer are charged to the income statement of the year in which they were incurred.

Computer software costs are amortised using the straight-line method over their estimated useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use.

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

Useful economic lives and amortisation method are reviewed at the end of each reporting period with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of non financial assets

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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

The Bank and the employees contribute to a defined contributions scheme.

Under the defined contributions scheme the Bank and members of staff pay fixed contributions into a separate provident fund. The Bank's contributions are recognised in the period they relate to and included in staff costs in the income statement. The Bank has no further payment obligations once the contributions have been paid.

Termination benefits

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits at the earlier of the following dates: (a) when the Bank can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Current and deferred income tax

Current income tax
Income tax payable/(receivable) is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense/(income) for the period except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Where tax losses can be relieved only by carry-forward against taxable profits of future periods a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the balance sheet.

The Bank does not offset current income tax liabilities and current income tax assets.

Deferred income tax
Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Temporary differences arise from depreciation of property, plant and equipment and amortisation of computer software.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current and deferred income tax (continued)

Deferred income tax (continued)
Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The tax effects of carry-forward of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to items recognised in other comprehensive income, is also recognised in other comprehensive income.

Deferred income 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 Bank where there is an intention to settle the balances on a net basis.

Special levy

According to the "Special Levy on Credit Institutions Law of 2011 to 2015", special levy is imposed on credit institutions on a quarterly basis, at the rate of 0,0375% on 31st December, 31st March, 30th June and 30th September on qualifying deposits held by each credit institution. The special levy is included in other operating expenses, Note 14.

Derivative financial instruments

Derivative financial instruments include foreign exchange forward contracts. These instruments are initially recognised at fair value and are subsequently remeasured at their fair value. Derivative financial instruments are recognised as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivative assets and derivative liabilities are included in net profit or loss for the period.

Provisions

Provisions are recognized when the Bank has: (a) a present obligation (legal or constructive) arising from past events, (b) it is probable that the obligation will result in an outflow of resources embodying economic benefits, and (c) a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax 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.

Restructuring provisions comprise lease termination penalties and employee termination payments, and are recognised in the period in which the Bank becomes legally or constructively committed to payment. Costs related to the ongoing activities of the Bank are not provided in advance. Provisions are not recognised for future operating losses.

Share capital

Ordinary shares are classified as equity.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other liabilities

Other liabilities are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Deposits from banks and deposits from customers

Deposits from banks and deposits from 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 income statement using the effective interest rate method. Deposits from banks and deposits from customers are derecognised when they are extinguished, that is, when the obligation in discharged.

Investments in subsidiaries

Subsidiaries are all entities (including structured entities) over which the Bank has control. The Bank controls an entity when the Bank is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries are measured at cost less impairment. Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised through the income statement 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. An impairment loss recognised in prior years is reversed where appropriate if there has been a change in the estimates used to determine the recoverable amount.

Related party transactions

Related parties include the parent and ultimate controlling party, fellow subsidiaries, other group companies under common control, directors and key management personnel, their close families, companies owned or controlled by them and companies whose financial and operating policies they can influence. Transactions of similar nature within the same category are disclosed on an aggregated basis.

Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information. Where applicable, comparative figures have been adjusted to conform with changes in presentation in the current year.

4. NEW ACCOUNTING PRONOUNCEMENTS

At the date of approval of these financial statements a number of new standards, interpretations and amendments to existing standards are effective for annual periods beginning after 1 January 2021 and have not been early applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Bank, except the following set out below:

- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice

4. NEW ACCOUNTING PRONOUNCEMENTS (continued)

Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The Bank is currently assessing the impact of the amendments on its financial statements and as of the date of issue of these financial statements the impact of the amendments is not known/ or reasonably estimable.

- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. The Bank is currently assessing the impact of the amendments on its financial statements and as of the date of issue of these financial statements the impact of the amendments is not known/ or reasonably estimable.
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates. The Bank is currently assessing the impact of the amendments on its financial statements and as of the date of issue of these financial statements the impact of the amendments is not known/ or reasonably estimable.
- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021). In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022. The Bank is currently assessing the impact of the amendments on its financial statements and as of the date of issue of these financial statements the impact of the amendments is not known/ or reasonably estimable.
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Bank is currently assessing the impact of the amendments on its financial statements and as of the date of issue of these financial statements the impact of the amendments is not known/ or reasonably estimable.
- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period.

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4. NEW ACCOUNTING PRONOUNCEMENTS (continued)

A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Bank is currently assessing the impact of the amendments on its financial statements and as of the date of issue of these financial statements the impact of the amendments is not known/ or reasonably estimable.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the preparation of the financial statements the management of the Bank is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates and may cause a material adjustment to the carrying amounts of assets and liabilities.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Expected credit loss measurement (ECL)

Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 39. The following components have a major impact under each segment on credit loss allowance: definition of default, significant increase in credit risk ("SICR"), probability of default ("PD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Bank regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

In assessing LGDs for secured exposures, the Bank considers the range of relevant risk drivers, including: collateral type, geography (location of the collateral) and seniority of the lending exposure. Management exercises its judgement in determining the relevant valuation collateral haircuts used to determine the collateral values for LGD calculation and applied to consider liquidity and quality of pledged assets. When the collateral values exceed the individual credit exposures, the minimum LGD floor is applied for the measurement of ECL.

In its collective assessment model, the Bank uses loan to value (LTV) buckets in order to assign an LGD for each bucket. As at 31 December 2021, if all loans were downgraded by 1 LTV bucket, this would have resulted in additional expected credit losses on loans and advances to customers of €0,4 million (2020: €0,6 million).

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Macroeconomic Scenarios used in ECL measurement

The Bank 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. Macroeconomic inputs and weights per scenario are based on external market data.

Qualitative adjustments or overlays are occasionally made when inputs calculated do not capture all the characteristics of the market. These are reviewed and adjusted if considered necessary by the Bank's Management. No qualitative adjustments or overlays were made as at the reporting date.

Economic and credit conditions within geographical areas are influenced by many factors with a high degree of interdependency so that there is no one single factor to which the Bank's ECL as a whole is particularly sensitive. The Bank uses three different economic scenarios.

The most significant period-end assumptions relatively to macroeconomic scenarios used for the ECL estimate for the year 2021 are set out below.

The scenarios "base", "optimistic" and "adverse" were used for all portfolios.

		2022	2023	2024	2025
A. Mortgages and Consumer loans					
			EUR Billions		
Consumption	Base	3,6	3,7	3,8	3,8
	Optimistic	3,7	3,8	4,0	4,0
	Adverse	3,4	3,5	3,5	3,5
			%		
HICP	Base	1,0	1,7	1,8	1,8
	Optimistic	1,6	2,2	2,2	2,2
	Adverse	0,3	1,2	1,5	1,5
			%		
Unemployment	Base	7,2	6,8	6,4	6,4
	Optimistic	6,5	6,2	5,8	5,8
	Adverse	8,1	7,5	6,9	6,9
B. Corporate loans					
			%		
GDP	Base	3,6	3,2	2,6	2,6
	Optimistic	4,4	3,9	3,3	3,3
	Adverse	1,8	1,7	1,7	1,7
			%		
CPPI	Base	0,1	0,8	1,0	1,0
	Optimistic	1,3	1,9	2,3	2,3
	Adverse	-1,6	-0,5	0,2	0,2

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Macroeconomic Scenarios used in ECL measurement (continued)

The most significant year-end assumptions relating to macroeconomic scenarios used for the ECL estimate for the year 2020 are set out below. The scenarios "base", "optimistic" and "adverse" were used for all portfolios.

		2021	2022	2023	2024	2025
A. Mortgages and Consumer loans						
				EUR Billions		
Consumption	Base	3,5	3,6	3,7	3,8	3,8
	Optimistic	3,5	3,7	3,8	4,0	4,0
	Adverse	3,4	3,4	3,5	3,5	3,5
				%		
HICP	Base	2,0	1,0	1,7	1,8	1,8
	Optimistic	2,6	1,6	2,2	2,2	2,2
	Adverse	0,5	0,3	1,2	1,5	1,5
				%		
Unemployment	Base	7,9	7,2	6,8	6,4	6,4
	Optimistic	7,2	6,5	6,2	5,8	5,8
	Adverse	8,8	8,1	7,5	6,9	6,9
B. Corporate loans						
				%		
GDP	Base	4,0	3,6	3,2	2,6	2,6
	Optimistic	5,2	4,4	3,9	3,3	3,3
	Adverse	2,0	1,8	1,7	1,7	1,7
				%		
CPPI	Base	-1,2	0,1	0,8	1,0	1,0
	Optimistic	0,4	1,3	1,9	2,3	2,3
	Adverse	-3,2	-1,6	-0,5	0,2	0,2

The weightings assigned to each economic scenario as at 31 December 2021 were as follows:

	Base	Optimistic	Adverse
Loans and Advances to Customers	50%	20%	30%

As at 31 December 2021, if the scenarios weights were changed as per the table below, this would have resulted in additional expected credit losses on the loans and advances to customers of €0,05 million.

Base	Optimistic	Adverse
45%	10%	45%

As at 31 December 2021, if the scenarios weights were changed as per the below table below, this would have resulted in additional expected credit losses on the loans and advances to customers of €0,07 million.

Base	Optimistic	Adverse
45%	5%	50%

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Macroeconomic Scenarios used in ECL measurement (continued)

As at 31 December 2021, if the scenarios weights were changed as per the below table below, this would have resulted in additional expected credit losses on the loans and advances to customers of €0,08 million.

Base	Optimistic	Adverse
40%	5%	55%

The weightings assigned to each economic scenarios as at 31 December 2020 were as follows:

	Base	Optimistic	Adverse
Loans and Advances to Customers	50%	20%	30%

As at 31 December 2020, if the scenarios weights were changed as per the table below, this would have resulted in additional expected credit losses on the loans and advances to customers of €0,07 million.

Base	Optimistic	Adverse
50%	10%	40%

As at 31 December 2020, if the scenarios weights were changed as per the below table below, this would have resulted in additional expected credit losses on the loans and advances to customers of €0,09 million.

Base	Optimistic	Adverse
50%	5%	45%

As at 31 December 2021, if unemployment and consumption were changed as per the below tabulated scenarios, this would have resulted in additional expected credit losses on the mortgages and consumer loan portfolios as per the table below:

		Mortgages and Consumer loans		
			Consumption	
		-16,8%	No change	-34,0%
	3%	32.915	-	-
Unemployment	No Change	-	-	-
	6%	-	-	91.638

As at 31 December 2021, if unemployment and Harmonised Index of Consumer Prices (HICP) were changed as per the below tabulated scenarios, this would have resulted in additional expected credit losses on the mortgages and consumer loans and advances to customers as the table below:

		Mortgages and Consumer loans		
			HICP	
		-8,1%	No change	-16,6%
	3%	13.024	-	-
Unemployment	No Change	-	-	-
	6%	-	-	48.824

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Macroeconomic Scenarios used in ECL measurement (continued)

As at 31 December 2021, if Gross Domestic Product (GDP) and Commercial Property Price Index (CPPI) were changed as per the below tabulated scenaria, this would have resulted in additional expected credit losses on the corporate portfolios as per the table below:

		Corporate loans		
			CPPI	
		-3,7%	No change	-6,6%
	-10%	13.138	-	-
GDP	No Change	-	-	-
	-20%	-	-	15.808

As at 31 December 2020, if unemployment and consumption were changed as per the below tabulated scenarios, this would have resulted in additional expected credit losses on the mortgages and consumer loan portfolios as per the table below:

		Mortgages and Consumer loans		
			Consumption	
		-11,1%	No change	-28,2%
	2%	-19.949	-	-
Unemployment	No Change	-	-	-
	5%	-	-	39.397

As at 31 December 2020, if unemployment and Harmonised Index of Consumer Prices (HICP) were changed as per the below tabulated scenarios, this would have resulted in additional expected credit losses on the mortgages and consumer loans and advances to customers as the table below:

		Mortgages and Consumer loans		
			HICP	
		-5,2%	No change	-13,8%
	2%	20.907	-	-
Unemployment	No Change	-	-	-
	5%	-	-	42.197

As at 31 December 2020, if Gross Domestic Product (GDP) and Commercial Property Price Index (CPPI) were changed as per the below tabulated scenaria, this would have resulted in additional expected credit losses on the corporate portfolios as per the table below:

		Corporate loans		
			CPPI	
		-3,2%	No change	-5,2%
	-8%	33.988	-	-
GDP	No Change	-	-	-
	-15%	-	-	64.675

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Significant increase in credit risk ("SICR")

IFRS 9 does not include a definition of significant increase in credit risk. The Bank assesses whether significant increase in credit risk has occurred since initial recognition using predominantly quantitative and in certain cases qualitative information. The determination of the relevant thresholds to determine whether a significant increase in credit risk has occurred, involves management judgement.

In order to determine whether there has been a significant increase in credit risk, the Bank compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Bank considers all reasonable and supportable forward-looking information available without undue cost and effort, which includes a range of non-financial factors used for the determination of the internal credit risk of the borrower.

Expected lifetime of revolving facilities

Judgement is exercised on the measurement period of expected lifetime for revolving facilities. The Bank exercises judgement in determining the period over which ECL should be computed, on the basis of historical experience with respect to the typical average life of such facilities.

Business model assessment

The business model drives classification of financial assets. Management applied judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment.

When assessing sales transactions, the Bank considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimizing potential losses due to credit deterioration are considered consistent with the "hold to collect" business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the "hold to collect" business model, provided that they are infrequent or insignificant in value, both individually and in aggregate. The Bank assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio. In addition, sales of financial asset expected only in a stress case scenario, or in response to an isolated event that is beyond the Bank's control, is not recurring and could not have been anticipated by the Bank, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

The "hold to collect and sell" business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model's objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

The residual category includes those portfolios of financial assets, which are managed with the objective of realising cash flows primarily through sale, such as where a pattern of trading exists. Collecting contractual cash flow is often incidental for this business model.

Fair value of financial instruments

The best evidence of fair value is a quoted price in an actively traded market. The fair value of shares and other financial instruments that are not quoted in an active market is determined using valuation models.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Fair value of financial instruments (continued)

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. Changes in these estimates and assumptions could affect the fair value of the relevant financial instruments.

More information on changes in the fair value of bonds, shares and other financial instruments is disclosed in Note 39.

Income taxes

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made.

If the final result of the tax assessment of the Bank varied by 30% (2020: 30%) from management's expectations due to the uncertainties in the tax treatment of these issues, there would be no significant change in the current tax liabilities because the Bank maintains a significant amount of tax losses which can be utilized against it.

Deferred tax assets are recognised by the Bank in respect of tax losses to the extent that is probable that future taxable profits will be available against which the losses can be utilized. 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, 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 material adjustment to the carrying amount of deferred tax assets.

The assumptions with greater influence on deferred tax are disclosed in Note 15.

Fair value of properties held for own use

The properties held by the Bank for own use are measured at fair value less accumulated depreciation and impairment losses. Fair value is determined from valuations undertaken by professionally qualified valuers based on market signals for their existing use and is carried out at regular intervals so that the carrying amount does not differ materially from fair value.

In arriving at their estimates of the fair values of properties, the valuers use their market knowledge and professional judgement and do not rely solely on historical transactional comparable, taking into consideration that there is a greater degree of uncertainty than that which exists in a more active market. 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.

If the estimated value per square meter used in the calculations for the properties held for own use was reduced by 15% the value of the properties would be €1,4m (2020: €1,4m) lower, with an equivalent impact in the income statement.

More information on inputs used is disclosed in Note 24.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

- **Determination of the lease term**

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. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For property leases, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Bank is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Bank is typically reasonably certain to extend (or not terminate).
- Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and branches leases have been included in the lease liability, because the Bank could not replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Bank becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

6. INTEREST INCOME

	2021	**2020**
	€	**€**
Loans and advances to customers at amortised cost	**7.603.305**	8.525.359
Deposits with banks and central bank at amortised cost	**315.849**	1.066.351
Investment in bonds at amortised cost (Note 23)	**1.560.442**	1.765.819
Deposits with customers at amortised cost	**398.737**	-
	9.878.333	11.357.529

Interest income from loans and advances to customers includes interest on the net carrying amount of impaired loans and advances to customers amounting to €1.891.753 (2020: €1.807.255).

7. INTEREST EXPENSE

	2021	**2020**
	€	**€**
Deposits and other customer accounts at amotised cost	**151.859**	490.903
Deposits from banks at amortised cost	**483.470**	30.238
Interest expense relating to leases (Note 25)	**42.374**	66.001
	677.703	587.142

8. FEE AND COMMISSION INCOME

	2021 €	2020 €
Fees	**722.552**	824.432
Commissions	**3.043.996**	2.886.774
	3.766.548	3.711.206

The Bank's fee and commission income are primarily recognised at a point in time.

9. NET FOREIGN EXCHANGE GAINS

Net foreign exchange gains comprises the translation of monetary assets in foreign currency at the end of the reporting period, realised exchange gains or losses from transactions in foreign currency which have been settled during the year and the revaluation of foreign exchange derivatives.

10. OTHER INCOME

	2021 €	2020 €
Dividend income	**185.023**	124.993
Other income	**1.490.886**	1.508.878
	1.675.909	1.633.871

11. OTHER GAINS/(LOSSES)

	2021 €	2020 €
Loss on revaluation of investment property (Note 26)	-	(164.500)
Fair value gain/(loss) on equity investments classified as fair value through profit or loss	**1.269**	(2.080)
Gain on disposal of investment securities	**109.871**	-
	111.140	(166.580)

12. REVERSAL OF IMPAIRMENT LOSSES FOR ECL ON OTHER FINANCIAL ASSETS

	2021 €	2020 €
Reversal of impairment losses on balances with banks – ECL	**(366.263)**	(384.719)
Reversal of impairment losses on other financial assets at amortised cost – ECL	**(107.651)**	(47.934)
	(473.914)	(432.653)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

13. STAFF COSTS

	2021	2020
	€	€
Salaries	**11.059.245**	11.847.740
Employer's contributions	**1.839.508**	2.031.808
Provident fund contributions	**1.019.350**	1.124.907
Other staff expenses	**484.397**	450.244
Voluntary exit scheme	**21.125.715**	-
	35.528.215	15.454.699

The number of staff employed by the Bank as of 31 December 2021 was 138 (2020: 246). The average number of staff employed by the Bank for 2021 was 192 (2020: 247).

The bank operates a defined contribution plan.

The Bank's contribution to the provident fund is 9,75%.

In 2021, the Bank proceeded with a voluntary exit scheme with a cost amounting to €21.125.715. In total, 128 employees accepted the voluntary exit scheme.

14. OTHER OPERATING EXPENSES

	2021	2020
	€	€
Occupancy costs	**494.266**	484.250
Rentals	**213.306**	29.220
Advertising and marketing	**29.953**	148.234
Repairs and maintenance	**1.077.834**	1.059.956
Other operating expenses	**3.775.430**	2.414.311
Special levy on deposits (1)	**829.362**	856.733
	6.420.151	4.992.704

(1) According to the "Special Levy on Credit Institutions Law of 2011 to 2015", special levy is imposed on credit institutions on a quarterly basis, at the rate of 0,0375% on 31st December, 31st March, 30th June and 30th September on qualifying deposits held by each credit institution.

The total fees charged by the Bank's statutory auditor for the statutory audit of the annual financial statements of the Bank for the year ended 31 December 2021 amounted to €45.000 exclusive of VAT (2020: €45.000 exclusive of VAT). The total fees charged by the Bank's statutory auditor for the year ended 31 December 2021 for tax advisory services amounted to €3.000, exclusive of VAT (2020: €3.000, exclusive of VAT).

15. INCOME TAX

(a) Tax recognised in profit or loss:

	2021	2020
	€	€
Current tax:		
- Corporation tax	-	1.206.848
- Withholding tax credit (refund)	**17.500**	(1.923.907)
Total current tax	-	(717.059)
Deferred tax charge	**1.901.012**	2.954.147
Total income tax charge	**1.918.512**	2.237.088

The tax on the Bank's loss before the tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	2021	2020
	€	€
Loss before tax	**(38.579.171)**	(7.193.850)
Tax calculated at the applicable corporation tax rate of 12,5%	**(4.822.396)**	(899.231)
Tax effect of expenses not deductible for tax purposes	**3.132.639**	1.630.315
Tax effect of allowances and income not subject to tax	**(335.342)**	(252.089)
Tax effect of current year loss for which no deferred tax asset was recognised	**2.025.099**	-
Withholding tax credit (refund)	**17.500**	(1.923.907)
Impairment of deferred tax asset	**1.901.012**	3.682.000
Income tax charge	**1.918.512**	2.237.088

The Bank is subject to income tax on taxable profits, at the rate of 12,5%.

As from tax year 2012 brought forward losses of only five years may be utilised.

From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 10%; increased to 15% as from 31 August 2011, and to 30% as from 29 April 2013.

In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% as from 1 January 2012; reduced to 17% as from 1 January 2014. In certain cases dividends received from 1 January 2012 onwards from other Cyprus tax resident companies may also be subject to special contribution for defence.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

15. INCOME TAX (continued)

(b) Deferred income tax assets and liabilities

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities

	Difference between depreciation and wear and tear allowance	Revaluation of land and buildings	Total
	€	€	€
At 1 January 2020	492.359	1.325.936	**1.818.295**
Charged to:			
Profit or loss	4.988	-	**4.988**
At 31 December 2020/1 January 2021	497.347	1.325.936	**1.823.283**
Charged to:			
Profit or loss	-	-	-
Other comprehensive income	-	(444.219)	**(444.219)**
At 31 December 2021	497.347	881.717	**1.379.064**

Deferred income tax assets

	Tax losses	Total
	€	€
At 1 January 2020	**6.427.398**	**6.427.398**
Credited to:		
Profit or loss	(2.949.159)	(2.949.159)
At 31 December 2020/1 January 2021	**3.478.239**	**3.478.239**
Charged to:		
Profit or loss	(1.901.012)	(1.901.012)
At 31 December 2021	**(1.577.227)**	**(1.577.227)**

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The assessment of the recognition of a deferred tax asset is a critical judgement, given the inherent uncertainties associated with projecting profitability over a long time period. The Bank performed its assessment for the recoverability of the deferred tax asset as at 31 December 2021 and 31 December 2020 taking into account the Bank's actual and historic performance, the key objectives of the Bank's strategy, the macroeconomic environment in Cyprus, the impact of tax legislations enacted as at the reporting date and the detailed financial business plan approved by the Board.

15. INCOME TAX (continued)

(b) Deferred income tax assets and liabilities (continued)

The financial projections have taken into account the key objectives of the Bank's strategy which are set out below:

- Full implementation of the restructuring plan aimed at improving operating efficiency and productivity as well as increasing profitability in a sustainable manner;
- Further cleanup of our non-performing exposures to further strengthen our balance sheet;
- Maintain healthy liquidity and capital base positions;
- Further strengthening of the corporate banking services to boost revenue and fee generation as well as maximizing synergies with the NBG Group as an international hub;

The key assumptions taken into consideration, amongst others, include the following:

- Downsizing of costs through the implementation of a VES and reduction of branch network in order to gradually decrease the cost to income ratio;
- Income generation on the back of synergies with the NBG Group;
- Improvement of income through management of liquidity surplus;
- Sustainment of cost of risk supported by asset quality organic actions;

The above assumptions are based on both internal and external information for attributing a value to each key assumption in the deferred tax asset forecasts.

The internal key variables include, amongst others, the Bank's strategy, plans and planned actions for (i) expansion of certain business lines and income streams, (ii) capital and liquidity management, (iii) cost management, (iv) cost of funding and (v) pricing of deposits and loans.

External key variables mainly include the interest rate evolution which impacts the business activity of the Bank, the Cypriot macroeconomic performance unemployment levels, tourist industry and the changes in the regulatory framework.

The recoverability assessment as at 31 December 2021 resulted in an impairment loss of €1,9m (2020: €3,7m) as described above.

The Bank has performed sensitivity analysis as at 31 December 2021 and 31 December 2020 on the following key assumptions of DTA recoverability assessment for relevant years (depending on loss expiry dates). The table below shows the impact on DTA carrying value from the below described sensitivity analysis.

	Impact on deferred tax asset carrying amount	
	2021	**2020**
	€	**€**
Key assumption		
Reduction of yield on customer loans and advances by 20 bps	**(271.540)**	(169.389)
Increase in cost of customer deposits by 20 bps	**(281.048)**	(187.337)

16. CASH, BALANCES AND MANDATORY DEPOSITS WITH CENTRAL BANK OF CYPRUS

	2021 €	2020 €
Cash in hand	**8.322.397**	14.611.711
Balances with the Central Bank of Cyprus:		
- due within three months	**85.553.244**	123.104.917
Total gross	**93.875.641**	137.716.628
ECL allowance	**(53.519)**	(82.599)
Total: net of ECL allowance	**93.822.122**	137.634.029

Cash and balances with central banks are classified as current.

Mandatory deposits with central banks represent the minimum level of average monthly deposits which the Bank is required to maintain. Mandatory balances with central banks can be withdrawn at any time provided the average monthly minimum deposits are maintained.

Analysed as:

	2021 €	2020 €
Cash and balances with Central Bank of Cyprus	**89.146.820**	132.221.161
Mandatory deposits with Central Bank of Cyprus	**4.675.302**	5.412.868
	93.822.122	137.634.029

17. DEPOSITS WITH OTHER BANKS

	2021 €	2020 €
Interbank accounts	**11.494.066**	18.305.335
Money market placements	-	16.298.590
Total gross	**11.494.066**	34.603.925
ECL allowance	**(61.661)**	(172.580)
Total: net of ECL allowance	**11.432.405**	34.431.345

17. DEPOSITS WITH OTHER BANKS (continued)

The maturity of the above balances is presented below:

	2021 €	2020 €
Due within three months	**11.317.391**	34.440.856
Between three months and one year	**176.675**	163.069
Total gross	**11.494.066**	34.603.925
ECL allowance	**(61.661)**	(172.580)
Total: net of ECL allowance	**11.432.405**	34.431.345

The fair value of the above balances approximates their carrying amount.

Placements with banks bear interest which is based on the interbank rate of the relevant term and currency.

Deposits with other banks are classified as "financial assets at amortised cost".

18. INVESTMENT IN SUBSIDIARY

The subsidiary company and its principal activity are described below:

Name	Participation	Principal activities	2021 €	2020 €
National Securities Cyprus Limited	**100%**	Dormant company	**1.709**	1.709

National Securities Cyprus Limited is registered and operates in Cyprus.

19. LOANS AND ADVANCES TO CUSTOMERS

	2021 €	2020 €
Loans and advances to customers – at amortised cost	**218.482.915**	223.791.157
ECL allowance on loans and advances to customers at amortised cost (Note 21)	**(25.559.705)**	(14.492.157)
Total: net of ECL allowance	**192.923.210**	209.299.000

19. LOANS AND ADVANCES TO CUSTOMERS (continued)

The analysis of gross advances based on their remaining contractual maturity at 31 December is presented below:

	2021 €	2020 €
Due within three months	**81.078.841**	91.160.452
Between three months and one year	**9.049.423**	8.756.695
Between one and five years	**35.191.055**	40.974.476
Over five years	**93.163.596**	82.899.534
Total: Gross	**218.482.915**	223.791.157

The analyses of advances by industry sector is presented below:

	2021 €	2020 €
Trade and services	**91.247.409**	83.460.580
Construction	**25.247.353**	29.327.054
Manufacturing	**20.738.866**	21.368.249
Tourism	**7.409.744**	9.799.918
Retail	**51.690.346**	56.239.181
Other	**22.149.197**	23.596.175
Total: Gross	**218.482.915**	223.791.157

Analysis by geographical area:

	2021 €	2020 €
Cyprus	**204.150.096**	216.060.888
Greece	**2.414.569**	3.066.499
Other countries	**11.918.250**	4.663.770
Total: Gross	**218.482.915**	223.791.157

The fair value of loans and other advances to customers approximates their carrying amount at the balance sheet date. Loans and advances to customers are categorized as "financial assets at amortised cost".

20. BALANCES WITH RELATED BANKS

(a) Deposits with related banks

	2021 €	2020 €
National Bank of Greece S.A. (parent bank)	**33.793.170**	81.176.354
ECL allowance	**(162.193)**	(388.457)
Total: net of ECL allowance	**33.630.977**	80.787.897

20. BALANCES WITH RELATED BANKS (continued)

(b) Deposits with related banks (continued)

The maturity of the above balances is presented below:

	2021 €	2020 €
Due within three months	**33.793.170**	81.176.354
ECL allowance	**(162.193)**	(388.457)
Total: net of ECL allowance	**33.630.977**	80.787.897

The fair value of the above balances approximates their carrying amount.

(c) Deposits from related banks

	2021 €	2020 €
National Bank of Greece S.A. (parent bank)	**944.064**	5.612.232
	944.064	5.612.232

The maturity of the above balances is presented below.

	2021 €	2020 €
Due within three months	**944.064**	5.612.232
	944.064	5.612.232

The fair value of the above balances approximates their carrying amount.

21. ECL ALLOWANCE ON LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST

	€
Balance at 1 January 2020	12.985.218
Impairment losses for the year	1.668.329
Write offs against provisions	(433.827)
Provision on accrued interest for interest income not recognised	272.437
Balance at 31 December 2020 (Note 19)	14.492.157
Impairment losses for the year	10.846.948
Write offs against provisions	(106.859)
Provision on accrued interest for interest income not recognised	327.459
Balance at 31 December 2021 (Note 19)	25.559.705

21. ECL ALLOWANCE ON LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

Amounts recognised in profit or loss:

	2021 €	2020 €
Impairment charge for ECL on loans and advances to customers at amortised cost	**10.846.948**	1.668.329

During the years ended 31 December 2021 and 2020 the Bank has not written off any loans and advances that are subject to enforcement rights.

22. FINANCIAL ASSETS – INVESTMENTS IN EQUITY SECURITIES

(a) Equity investments at fair value through other comprehensive income (FVOCI) comprise the following:

	2021 €	2020 €
Listed equity securities:		
Master Card International Incorporation	**6.757.009**	6.142.662
Unlisted equity securities:		
JCC Payment Systems Ltd	**1.044.488**	1.044.488
Equity investments at fair value through other comprehensive income	**7.801.497**	7.187.150

The movement of financial assets at FVOCI is as follows:

	2021 €	2020 €
Carrying amount at 1 January	**7.187.150**	6.662.847
Net gain from changes in fair value recognised in OCI	**614.347**	524.303
Carrying amount at 31 December	**7.801.497**	7.187.150

(b) Equity investments at fair value through profit or loss (FVPL) comprise the following:

	2021 €	2020 €
Listed equity securities:		
Bank of Cyprus Public Company Ltd	**4.400**	3.131
Financial assets at fair value through profit or loss	**4.400**	3.131

23. OTHER FINANCIAL ASSETS AT AMORTISED COST

Financial assets at amortised cost include the following debts investments:

	2021 €	2020 €
Cyprus government bonds and treasury bills	**85.402.264**	166.114.896
ECL allowance	**(53.424)**	(111.423)
Total: net of ECL allowance	**85.348.840**	166.003.473

	2021 €	2020 €
Listed on the Cyprus Stock Exchange	**56.842.186**	137.432.131
Listed on the Italian Stock Exchange	**28.560.078**	28.682.765
ECL allowance	**(53.424)**	(111.423)
Total: net of ECL allowance	**85.348.840**	166.003.473

The maturity of the above investments is presented below:

	2021 €	2020 €
Within three months	-	26.607.644
Between three months and one year	-	49.923.505
Between one and five years	**49.203.400**	24.659.697
Over five years	**36.198.864**	64.924.050
Total: Gross carrying amount	**85.402.264**	166.114.896
ECL allowance	**(53.424)**	(111.423)
Total: net of ECL allowance	**85.348.840**	166.003.473

The movement of financial assets at amortised cost is as follows:

	2021 €	2020 €
At 1 January	**166.003.473**	146.787.096
Additions	**47.183.702**	242.923.956
Disposals	**(4.126.397)**	-
Maturities and redemptions	**(123.537.694)**	(223.774.067)
Interest accrued (Note 6)	**1.560.442**	1.765.819
Interest received	**(1.681.262)**	(1.587.908)
ECL allowance	**(53.424)**	(111.423)
At 31 December	**85.348.840**	166.003.473

24. PROPERTY, PLANT AND EQUIPMENT

	Land, Buildings and installations	Motor Vehicles	Furniture and equipment	Total
	€	€	€	€
Cost or valuation				
1 January 2020	10.313.813	193.722	4.490.512	**14.998.047**
Additions	-	-	45.317	**45.317**
Revaluation	(106.825)	-	-	**(106.825)**
31 December 2020/1 January 2021	10.206.988	193.722	4.535.829	**14.936.539**
Additions	-	-	9.441	**9.441**
Revaluations	(238.671)	-	-	**(238.671)**
Write-offs	-	-	(794.473)	**(794.473)**
31 December 2021	9.968.317	193.722	3.750.797	**13.912.836**
Accumulated depreciation				
1 January 2020	206.516	186.412	4.219.697	**4.612.625**
Charge for the year	103.258	3.798	132.755	**239.811**
Revaluation	(97.087)	-	-	**(97.087)**
31 December 2020/1 January 2021	212.687	190.210	4.352.452	**4.755.349**
Charge for the year	106.907	2.948	93.399	**203.254**
Revaluation	(281.906)	-	-	**(281.906)**
Write-offs	-	-	(793.379)	**(793.379)**
31 December 2021	37.688	193.158	3.652.472	**3.883.318**
Net book value				
31 December 2021	9.930.629	564	98.325	**10.029.518**
31 December 2020	9.994.301	3.512	183.377	**10.181.190**

Fair value measurement of the Bank's freehold land and buildings

The Bank's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Bank's land and buildings are performed by independent valuers not related to the Bank. The valuers have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The fair value of the properties was determined using the market comparable approach that reflects recent transaction prices for similar properties and discounted cash flow approach that reflects the annual return or potential return of the investor from the property held. The fair value of the land and buildings has been determined at the average value based on the valuations carried out by the Bank's two independent property valuers.

The Bank adopted a valuation technique using unobservable inputs. Accordingly, the fair value was classified as Level 3.

There has been no change to the valuation technique during the year.

The valuation levels are 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); and
- Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (Level 3).

24. PROPERTY, PLANT AND EQUIPMENT (continued)

Details of the Bank's land and buildings and information about the fair value hierarchy as at 31 December are as follows:

	Quoted prices in active markets for identical assets (level 1) 2021 €	Significant other observable inputs (level 2) 2021 €	Significant unobservable inputs (level 3) 2021 €	Total 2021 €
Land	-	-	**6.494.000**	**6.494.000**
Buildings	-	-	**3.101.000**	**3.101.000**
	-	-	**9.595.000**	**9.595.000**

	Quoted prices in active markets for identical assets (level 1) 2020 €	Significant other observable inputs (level 2) 2020 €	Significant unobservable inputs (level 3) 2020 €	Total 2020 €
Land	-	-	6.519.000	6.519.000
Buildings	-	-	3.131.000	3.131.000
	-	-	9.650.000	9.650.000

Information about fair value measurements using significant unobservable inputs (Level 3) – 31 December 2021

Description		**Fair value at 31 December 2021 €**	**Valuation technique(s)**	**Unobservable inputs**	**Range of unobservable inputs (probability – weighted average)**	**Relationship of unobservable inputs to fair values**
Land and office building – Nicosia	Land 5.994.000	Office building 2.950.000	Market comparable approach	Price per square meter	Approximately €350 - €650 for basements, €4.400 for ground floor and mezzanine (new building) and €8.000 for ground floor and mezzanine (preserved building)	The higher the price per square meter, the higher the fair value

24. PROPERTY, PLANT AND EQUIPMENT (continued)

Details of the Bank's land and buildings and information about the fair value hierarchy as at 31 December 2021 are as follows:

Description	Fair value at 31 December 2021 €		Valuation technique(s)	Rental value €	Discount rate	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair values
	Land	Office building						
Land and office building – Larnaca	500.000	151.000	Market comparable approach	N/A	N/A	Price per square meter	€1.300 for mezzanine floor and €3.800 for ground floor	The higher the price per square meter, the higher the fair value.
			Discounted cash flow approach	42.000	6,5%	Discount rate		The higher the discount rate, the lower the fair value.

Information about fair value measurements using significant unobservable inputs (Level 3) – 31 December 2020

Description	Fair value at 31 December 2020 €		Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair values
	Land	Office building				
Land and office building – Nicosia	6.019.000	2.980.000	Market comparable approach	Price per square meter	Approximately €350 - €650 for basements, €4.400 for ground floor and mezzanine (new building) and €8.000 for ground floor and mezzanine (preserved building)	The higher the price per square meter, the higher the fair value.

24. PROPERTY, PLANT AND EQUIPMENT (continued)

Details of the Bank's land and buildings and information about the fair value hierarchy as at 31 December 2020 are as follows:

Description		Fair value at 31 December 2020 €	Valuation technique(s)	Rental value €	Discount rate	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair values
Land and office building – Larnaca	Land 500.000	Office building 151.000	Market comparable approach	N/A	N/A	Price per square meter	€1.300 for mezzanine floor and €3.800 for ground floor	The higher the price per square meter, the higher the fair value.
			Discounted cash flow approach	42.000	6,5%	Discount rate		The higher the discount rate, the lower the fair value.

25. RIGHT-OF-USE ASSET

This note provides information for leases where the Bank is a lessee. The Bank has no leases where it is the lessor.

(i) The Bank's leasing arrangements

The Banks leases various offices and branches. Rental contracts are typically made for fixed periods of 2 years to 8 years, but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(ii) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2021	2020
	€	€
Right-of-use assets		
Buildings	**678.432**	2.196.355
Total	**678.432**	2.196.355
Lease liabilities		
Current	**289.014**	620.280
Non-current	**431.941**	1.733.251
Total	**720.955**	2.353.531

There were no additions to the right-of-use assets during 2021 and 2020.

25. RIGHT-OF-USE ASSET (continued)

(iii) Amounts recognised in profit or loss

The income statement shows the following amounts relating to leases:

	2021	2020
	€	€
Depreciation charge of right-of-use assets		
Buildings	**545.725**	771.939
Total	545.725	771.939
Interest expense (included in finance cost) (Note 7)	**42.374**	66.001
Total	**42.374**	66.001

The total cash outflow for leases in 2021 was €534.401 (2020: €744.241).

26. INVESTMENT PROPERTY

	2021	2020
	€	€
Balance at 1 January	**3.840.000**	4.004.500
Fair value loss (Note 11)	-	(164.500)
Derecognition	**(3.840.000)**	-
Balance at 31 December	-	3.840.000

The Bank's investment property is measured at fair value. Changes in fair values are recognised in profit or loss.

The fair value measurement of the Bank's investment property as at 31 December 2020 was derived on the basis of a valuation carried out on the respective dates by independent valuers not related to the Bank. The valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties and discounted cash flow approach that reflects the annual return or potential return of the investor from the property held.

As at 31 December 2020, the fair value of the land and buildings has been determined at the average value based on the valuations carried out by the Bank's two independent property valuers.

As a result of the final court decision on 22 September 2021, the investment property was not in substance controlled by the Bank due to the expropriation of the asset, hence was derecognised and a receivable was recognised.

26. INVESTMENT PROPERTY (continued)

Details of the Bank's investment property and information about the fair value hierarchy as at 31 December are as follows:

	Level 3 2021 €	Fair value 2021 €
Land	-	-
Buildings	-	-
	-	-

	Level 3 2020 €	Fair value 2020 €
Land	2.150.000	2.150.000
Buildings	1.690.000	1.690.000
	3.840.000	3.840.000

Information about fair value measurement using significant unobservable inputs (Level 3) – 31 December 2020

Description	Fair value at 31 December 2020 €		Valuation technique	Rental value €	Discount rate %	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair values
Land and office building – Limassol	Land 2.150.000	Office building 1.690.000	Market comparable approach	N/A	N/A	Price per square meter	Approximately €175 for basement, €3.000 for ground floor and €850 - €1.150 for mezzanine floor	The higher the price per Square meter, the Higher the fair value
			Discounted cash flows approach	160.740	5,5%	Discount rate	N/A	The higher the discount rate, the lower the fair value

27. INTANGIBLE ASSETS

	Computer software €
At 1 January 2020	
Cost	12.321.686
Accumulated amortisation	(7.279.475)
Net book amount	5.042.211
Year ended 31 December 2020	
Opening net book amount	5.042.211
Additions	688.173
Amortisation charge	(618.667)
Closing net book amount	5.111.717
At 31 December 2020	
Cost	13.009.859
Accumulated amortisation	(7.898.142)
Net book amount	5.111.717
Year ended 31 December 2021	
Opening net book amount	**5.111.717**
Additions	**167.809**
Amortisation charge	**(622.264)**
Closing net book amount	**4.657.262**

At 31 December 2021	**Computer software €**
Cost	**13.177.668**
Accumulated amortisation	**(8.520.406)**
	4.657.262

28. OTHER ASSETS

	2021 €	2020 €
Financial assets		
Debtors and other receivables	**7.176.425**	2.422.397
Fair value of derivatives (1)	**2.432**	75.704
	7.178.857	2.498.101
Non-financial assets		
Prepaid expenses	**78.160**	248.921
Total other assets	**7.257.017**	2.747.022

28. OTHER ASSETS (continued)

(1) Forward foreign exchange contracts
The nominal value of the outstanding forward foreign exchange contracts at 31 December 2021 was €12million (2020: €3million).

29. DEPOSITS FROM OTHER BANKS

	2021 €	2020 €
Interbank borrowing	**4.953.405**	12.271.766

The maturity of the above balances is presented below:

	2021 €	2020 €
Due within three months	**4.285.360**	3.777.754
Between three months and one year	**668.045**	8.494.012
	4.953.405	12.271.766

The fair value of the above balances approximates their carrying amount.

30. DEPOSITS AND OTHER CUSTOMER ACCOUNTS

	2021 €	2020 €
Time and notice accounts	**130.616.815**	233.505.930
Demand and current accounts	**160.456.527**	202.373.439
Savings accounts	**112.934.740**	130.567.671
	404.008.082	566.447.040

Analysis by geographical area

	2021 €	2020 €
Cyprus	**328.280.000**	459.479.091
Greece	**53.859.692**	71.465.138
Other countries	**21.868.390**	35.502.811
	404.008.082	566.447.040

The fair value of the above balances approximates their carrying amount.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

30. DEPOSITS AND OTHER CUSTOMER ACCOUNTS (continued)

The maturity analysis of the above mentioned balances is presented below:

	2021	2020
	€	€
Due within three months	**352.117.461**	473.408.225
Between three months and one year	**51.880.031**	93.038.815
Between one and five years	**10.590**	-
	404.008.082	566.447.040

31. OTHER LIABILITIES

	2021	2020
	€	€
Financial liabilities		
Amounts due to suppliers	**464.524**	101.251
Receipts on behalf of third parties	**305.776**	524.191
Cheques – drafts payable	**1.361.488**	1.675.846
Fair value of derivatives	**194.483**	-
Other liabilities	**5.436.540**	4.177.714
Provisions for off-balance sheet exposures	**134.700**	184.353
	7.897.511	6.663.355
Non-financial liabilities		
Provision for staff unpaid leave	**307.010**	278.898
Value added tax payable	**92.999**	112.041
Provisions for litigations, claims and complaints	**1.691.499**	246.262
	2.091.508	637.201
Total other liabilities	**9.989.019**	7.300.556

32. SHARE CAPITAL

	2021		2020	
	Shares	€	Shares	€
Authorised:				
Ordinary shares of Euro 1,71 each	**30.000.000**	**51.300.000**	30.000.000	51.300.000
Issued and fully paid				
Ordinary shares of Euro 1,71 each	**30.000.000**	**51.300.000**	30.000.000	51.300.000

33. REVALUATION RESERVES

	Land and buildings €	Financial assets at FVTOCI €	Total €
Balance at 1 January 2020	**8.397.266**	**6.852.661**	**15.249.927**
(Losses)/gains from changes in fair value (Notes 22 and 24)	(9.738)	524.303	514.565
Balance at 31 December 2020/1 January 2021	**8.387.528**	**7.376.964**	**15.764.492**
(Losses)/gains from changes in fair value (Notes 22 and 24)	(5.362)	614.347	608.985
Balance at 31 December 2021	**8.382.166**	**7.991.311**	**16.373.477**

34. CONTINGENT LIABILITIES AND COMMITMENTS

The nominal value of the contingencies and commitments as at 31 December are presented below:

	2021 €	2020 €
Acceptances and Endorsements	**93.015**	274.744
Letters of Guarantee	**14.076.052**	16.655.741
Letters of Credit	**1.711.595**	2.951.883
Customers' credit limits that have been approved but have not been used	**88.187.803**	105.741.407
	104.068.465	125.623.775

Letters of credit and guarantees are offset by corresponding obligations of third parties.

Pending litigations and claims

As at 31 December 2021 and 31 December 2020 there were pending litigations against the Bank in connection with its activities. Based on legal advice the Management believes that there is adequate defense against all claims and it is not possible that the Bank will suffer any significant damage over and above any amounts already provided as disclosed in Note 31. Provision amounts recognized primarily relate to outstanding industrial and/or trade union disputes in relation to which the Management expects economic outflows that approximate the provision amounts recognized. The Management is unable to reliably estimate the exact timing of such outflows, the majority of which depend on the timing of final court decisions whose determination is by nature uncertain.

35. NET CASH FROM OPERATING ACTIVITIES

	Note	2021 €	2020 €
Loss before taxation		**(38.579.171)**	(7.193.850)
Depreciation of property, plant and equipment	24	**203.254**	239.811
Depreciation of right-of-use assets	25	**545.725**	771.939
Amortisation of intangible assets	27	**622.264**	618.667
Provision for unused vacation		**73.677**	81.050
Impairment losses on loans and advances to customers	21	**10.846.948**	1.668.329
Loss/(profit) from derivative financial instruments		**267.754**	(42.709)
Loss on revaluation of investment property	26	**-**	164.500
Dividend income	10	**(185.023)**	(124.993)
Interest income on debt securities	6	**(1.560.442)**	(1.765.819)
Reversal of impairment loss on other financial assets at amortised cost	12	**(57.999)**	(47.934)
(Gains)/loss from fair value through profit or loss equity investment	11	**(1.269)**	2.080
		(27.824.282)	(5.628.929)
Decrease in loans and other advances to customers		**5.528.842**	29.397.634
Decrease in deposits and other customer accounts		**(162.438.958)**	(31.135.288)
(Increase)/decrease in deposits with other banks		**(13.606)**	15.053
Decrease in obligatory balances with Central Bank of Cyprus		**737.566**	673.617
Decrease in deposits from other banks		**(7.318.361)**	(4.672.818)
(Decrease)/increase in deposits from related banks		**(4.668.168)**	784.160
(Increase)/decrease in other assets		**(1.430.997)**	2.121.378
Increase/(decrease) in other liabilities		**2.549.134**	(1.401.938)
Net cash used in operations		**(194.878.830)**	(9.847.131)
Withholding tax credit refund received	15	**-**	1.923.907
Net cash used in operating activities		**(194.878.830)**	(7.923.224)

36. CASH AND CASH EQUIVALENTS

Analysis of cash and cash equivalents

	2021 €	2020 €
Cash in hand (Note 16)	**8.322.397**	14.611.711
Non-obligatory balances with Central Bank of Cyprus	**80.877.942**	117.692.049
Deposits with related banks – due within three months	**33.793.171**	81.176.354
Deposits with other banks – due within three months	**11.317.391**	34.440.856
	134.310.901	247.920.970

For the purpose of preparing the statement of cash flows, the maturities of cash equivalents relating to the balances with related and other banks and with the Central Bank of Cyprus, are based on their original contractual maturity.

37. RELATED PARTY TRANSACTIONS

The parent and ultimate holding company (and also the Ultimate Controlling Party) of the Bank is National Bank of Greece S.A., a company registered in Greece, which prepares consolidated financial statements available for public use. The consolidated financial statements of National Bank of Greece S.A. are available at the National Bank of Greece S.A, website (www.nbg.gr) and its registered office is located at Eolou 86, 10232 Athens, Greece.

Details of transactions between the Bank and other related parties are disclosed below.

Trading transactions

During the year, the Bank entered into the following trading transactions with related parties:

	Interest & other income		Interest & other expense	
	2021	2020	2021	2020
	€	€	€	€
National Bank of Greece S.A. – parent bank	**1.956.551**	2.468.905	**54.428**	129.964
Subsidiaries of National Bank of Greece S.A	**865.149**	847.961	**517.636**	717.420

Balances with related companies

The following balances were payable to related parties at the end of the reporting period:

	2021	2020
	€	€
Deposits and other customer accounts		
National Securities S.A.-related party under common control	**12.333**	12.398
NBG Management Services Limited-related party under common control	**545**	867.001
Ethniki Insurance (Cyprus) Limited-related party under common control	**2.685.623**	5.967.755
Ethniki General Insurance (Cyprus) Limited-related party under common control	**1.894.213**	2.895.214
National Securities (Cyprus) Limited-subsidiary	**1.912**	1.912
CAC Coral Limited – related party under common control	**748.319**	4.746.454
	5.342.945	14.490.734

Deposits with and from related banks are presented in Note 20 to the financial statements.

Key management personnel related transactions

	2021	2020
	€	€
Loans and advances to members of the Board of Directors and connected persons	**1.612**	447
Deposits of members of the Board of Directors and connected persons	**223.670**	59.356
Interest expense	**4**	103

37. RELATED PARTY TRANSACTIONS (continued)

Key management personnel related transactions (continued)

Connected persons include spouses, minor children and companies in which Directors or key management personnel hold, directly or indirectly, at least 20% of the voting shares.

All transactions with members of the Board of Directors and their connected persons are made on normal business terms as for comparable transactions with customers of a similar credit standing. All transactions with key management personnel are made on the same terms as those applicable to the rest of the Bank's employees.

The remuneration of Directors and other members of key management during the year was as follows:

	2021 €	2020 €
Fees paid to Directors as members of the Board	**86.900**	96.000
Executive Directors emoluments		
Salaries and other short-term benefits	**189.208**	179.089
Employer's contributions	**14.427**	719
	203.635	179.808
Total compensation	**290.535**	275.808

38. OPERATING ENVIRONMENT OF THE BANK

The year 2021 was marked by the continuous effects of the COVID-19 pandemic, the emergence of new variants and the associated measures implemented by various governments globally with a view to delay the spread of the disease, safeguard public health and ensure the economic survival of working people, businesses, vulnerable groups and the economy at large.

To this end, the government of the Republic of Cyprus extended certain of the measures in place since 2020 and, in some cases, introduced new, economically costly, measures with the aim of protecting the population from further spread of the disease.

Entry regulations continued to apply within 2021, which imposed limitations in the entry of individuals to the Republic of Cyprus. A considerable number of private businesses operating in various sectors of the economy closed for a period of time while a number of lockdown measures, such as prohibition of unnecessary movements and suspension of operations of non-essential businesses, including retail companies (subject to certain exemptions), were applied throughout the year. The measures were continuously revised (lifted or tightened) by the Republic of Cyprus during the year taking into consideration the epidemic status in the country. The objective of these public policy measures was to contain the spread of COVID-19 outbreak and have resulted in minor operational disruption for the Bank.

Industries such as tourism, hospitality and entertainment have been directly and significantly disrupted by these measures. Other industries, such as manufacturing and financial services, have also been indirectly affected.

These measures have further restricted the economic activity both in Cyprus and globally and have severely impacted and could continue to negatively impact, businesses, market participants as well as the Cyprus and global economies as they persist for an unknown period of time.

38. OPERATING ENVIRONMENT OF THE BANK (continued)

More specifically, certain measures have been taken by the Republic of Cyprus since then with a view to safeguarding public health and ensuring the economic survival of working people, businesses, vulnerable groups and the economy at large.

Management is taking necessary measures to ensure sustainability of the Bank's operations. The Bank's priority is always the well-being of its customers and staff. Therefore, the Bank invoked its business continuity plans to help ensure the safety and well-being of staff, as well as the capability to support customers and maintain business operations.

The Russian invasion of Ukraine and the sanctioning of Russia are expected to have profound impact on the Russian economy, and serious macroeconomic implications for the European Union and the global economy. The invasion and sanctions constitute a major shock both in supply chains and in energy prices. Supply chains have been disrupted causing shortages in agricultural commodities and metals. Energy prices have risen and are expected to remain elevated for longer. Inflationary pressures that were building before the outbreak of the Ukrainian crisis, have escalated and central banks have started their tightening cycles.

The Bank is closely monitoring the developments despite the fact that its direct exposure to Russia, Ukraine or Belarus is limited as it may have an adverse impact on the Cypriot economy, mainly due to a negative impact on the tourism and professional services sectors, increasing energy prices resulting in inflationary pressures, and disruptions to global supply chains. The impact on the Cypriot economy remains uncertain and will depend on the duration and severity of the crisis.

39. RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk and interest rate risk) and liquidity risk. The Bank's overall risk management policies focus on the unpredictability of financial markets and seek to minimise the potential adverse effects on the Bank's financial performance, financial position and cash flows.

a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Bank. Credit risk arises mainly from loans and advances to banks, customers and loan commitments, but can also arise from financial guarantees, investments in debt securities and other exposures resulting from its trading activities including derivatives, other financial assets and balance with central banks.

The Bank has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Bank's exposure and the credit ratings of its counterparties are regularly monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits approved by the Bank and which are reviewed and approved at least on an annual basis.

The loan portfolio is assessed on the basis of customer creditworthiness, the sector of the economy in which the customer operates and the country of operation and is regularly examined by the Bank's Internal Audit department.

Credit concentration risk

Credit concentration risk arises from exposures to each counterparty, groups of connected counterparties, and counterparties in the same economic sector, geographic region or from the same activity. The following categories of credit concentration risk are recognized by the Bank:

- Single-name concentrations (including group of connected clients);
- Industry concentrations;
- Geographical concentrations;

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Credit concentration risk (continued)

- Collateral and guarantees concentration.

For the purposes of managing and monitoring concentration risks the Bank has established appropriate limits, a monitoring and reporting framework as well as appropriate measures and methodologies for the allocation of capital as mitigant.

Maximum exposure to credit risk and collateral and other credit enhancements

The main types of collateral obtained by the Bank for loans and advances to customers are mortgages of properties, blocked deposits, bank guarantees, pledges of equity securities of public companies, fixed and floating charges over corporate assets, assignment of life insurance policies and personal and corporate guarantees.

Collateral held as security for other financial assets is determined by the nature of the instrument. Debt securities and other eligible bills are generally unsecured.

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Maximum exposure to credit risk and collateral and other credit enhancements (continued)

The table below represents the maximum exposure to credit risk, the tangible and measurable collateral and other credit enhancements held as well as the net exposure to credit risk. Personal guarantees are an additional form of collateral, but are not included in the information below as their fair value cannot be easily and accurately estimated.

	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held by the Bank					Net exposure to credit risk
		Cash	Securities	Property	Other	Total collateral	
	€	€	€	€	€	€	€
2021							
Balances with Central Bank of Cyprus	85.499.725	-	-	-	-	-	85.499.725
Deposits with banks	45.063.382	-	-	-	-	-	45.063.382
Loans and advances to customers	192.923.210	9.839.478	1.883	118.657.133	4.286.925	132.785.419	60.137.791
Debt securities at amortised cost	85.348.840	-	-	-	-	-	85.348.840
Other financial assets	7.178.825	-	-	-	-	-	7.178.825
On-balance sheet total	416.013.982	9.839.478	1.883	118.657.133	4.286.925	132.785.419	283.228.563
Contingent liabilities and commitments							
Acceptances and endorsements	93.015						
Letters of guarantee	14.076.052						
Letters of credit	1.711.595						
Undrawn credit lines and other commitments to lend	88.187.803						
Off-balance sheet total	104.068.465						
Total credit risk exposure	520.082.447						

For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported on the balance sheet.

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Maximum exposure to credit risk and collateral and other credit enhancements (continued)

	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held by the Bank					Net exposure to credit risk
		Cash	Securities	Property	Other	Total collateral	
	€	€	€	€	€	€	€
2020							
Balances with Central Bank of Cyprus	123.022.318	-	-	-	-	-	123.022.318
Deposits with banks	115.219.242	-	-	-	-	-	115.219.242
Loans and advances to customers	209.299.000	13.022.899	1.699	130.641.691	4.250.682	147.916.971	61.382.029
Debt securities at amortised cost	166.003.473	-	-	-	-	-	166.003.473
Other financial assets	2.498.101	-	-	-	-	-	2.498.101
On-balance sheet total	616.042.134	13.022.899	1.699	130.641.691	4.250.682	147.916.971	468.125.163
Contingent liabilities and commitments							
Acceptances and endorsements	274.744						
Letters of guarantee	16.655.741						
Letters of credit	2.951.883						
Undrawn credit lines and other commitments to lend	105.741.407						
Off-balance sheet total	125.623.775						
Total credit risk exposure	741.665.909						

For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported on the balance sheet.

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Forborne exposures

The credit tools commonly used by the Bank to manage liquidity problems faced by its clients in the repayment of their debts is the restructuring of their finances by renegotiating the current terms of the loan agreement.

Regulation EU no. 575/2013 established the framework for prudential requirements on the management by credit institutions of loans arrears and non-performing loans.

The European Banking Authority (EBA) published in 2014 its technical standards with respect to non-performing and forborne exposures. Exposures include all debt instruments (loans and advances and debt securities) and off-balance sheet exposures, except those held for trading exposures.

According to the EBA technical standards, forborne exposures are those debt contracts in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor (including part of total refinancing of a debt contract) which aim to address existing or anticipated difficulties on the part of the debtor to service debt in accordance with the current repayment schedule. Changes in the terms and conditions of a contract that do not occur because the customer is not able to meet the terms and conditions of the contract due to financial difficulties do not constitute forbearance measures.

The most significant prerequisite for the forbearance of an exposure is the existence of customer repayment ability i.e. the customer is viable.

The forbearance measures to be taken and their duration thereof are determined on the basis of specific customer information, based on the prevailing economic conditions and in accordance with relevant legislation or regulatory Directives.

Every effort is being taken by the Bank for the proper assessment of the new repayment schedule on the basis of the forbearance measures, in order to avoid a new default.

The below tables present the Bank's forborne exposures in accordance with the EBA technical standards, the tangible and measurable collateral and other credit enhancements held and the net exposure to credit risk.

	Maximum exposure to credit risk	**Fair value of collateral**	**Net exposure to credit risk**
	€	**€**	**€**
2021			
Stage 2	**6.892.934**	**6.712.113**	**180.821**
Stage 3	**23.606.717**	**20.968.218**	**2.638.499**
	30.499.651	**27.680.331**	**2.819.320**

	Maximum exposure to credit risk	**Fair value of collateral**	**Net exposure to credit risk**
	€	**€**	**€**
2020			
Stage 2	11.441.975	5.283.976	6.157.999
Stage 3	24.594.678	**23.170.097**	1.424.581
	36.036.653	28.454.073	7.582.580

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Other financial assets at amortised cost

Other financial assets at amortised cost include loans and advances to customers, financial assets at amortised costs, cash and balances with Central Bank of Cyprus, Deposits with other and related banks.

The Bank considers the probability of default upon initial recognition of financial asset at amortised cost and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Bank compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower/counterparty;
- significant increases in credit risk on other financial instruments of the same borrower/counterparty;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Bank has identified the GDP and the unemployment rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Bank. Where loans or receivables have been written off, the Bank continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Bank uses three categories for loans, receivables, other receivables, debt securities at FVOCI which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit rating companies, such as Standard and Poor, Moody's and Fitch.

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Credit quality of loans and other advances to customers

A summary of the assumptions underpinning the Company's expected credit loss model is as follows:

Category	*Company definition of category*	*Basis for recognition of expected credit loss provision*	*Basis for calculation of interest revenue*
Performing	Counterparties have a low risk of default and a strong capacity to meet contractual cash flows.	Stage 1: 12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	Gross carrying amount.
Underperforming	Counterparties for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail) as well as any breach on the recorded 12 month and lifetime PD thresholds and ratings downgrades. In addition the forbearance status is considered.	Stage 2: Lifetime expected losses	Gross carrying amount.
Non-performing	Interest and/or principal repayments are 90 days past due. Also the contamination rule (pulling effect) is in place with regards to corporate portfolio.	Stage 3: Lifetime expected losses	Amortised cost carrying amount (net of credit allowance).

Over the term of the loans and advances to customers, financial assets at amortised cost, cash and balance with Central Bank of Cyprus, Deposits with other and related banks, the Bank accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Bank considers historical loss rates for each category of customers, and adjusts for forward looking macroeconomic data.

The Bank provides for credit losses against loans and advances to customers, financial assets at amortised cost, cash and balances with Central Bank of Cyprus, Deposits with other and related banks. The following tables contain an analysis of the credit risk exposure of each class of financial instruments for which an ECL allowance is recognised. The gross carrying amounts below also represents the Bank's maximum exposure to credit risk on these assets as at 31 December 2021 and 31 December 2020.

The following tables analyse the Bank's loans and advances in accordance with internal credit rating category.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Credit quality of loans and other advances to customers (continued)

Loans and advances to customers

Bank's internal credit rating - RMIII	Gross carrying amount €	Credit loss allowance €	Carrying amount (net of impairment provision) €
A1	52.242.829	178.593	52.064.236
A2	18.705.027	29.051	18.675.976
B1	28.304.349	83.925	28.220.424
B2	21.210.303	75.132	21.135.171
C1	15.655.162	60.083	15.595.079
C2	6.220.393	27.026	6.193.367
D1	2.879.330	70.954	2.808.376
D2	2.265.844	53.906	2.211.938
E1	1.588.600	56.167	1.532.433
E2	978.843	93.288	885.555
F	46.779.347	22.542.659	24.236.688
Total as at 31 December 2021	**196.830.027**	**23.270.784**	**173.559.243**

Bank's internal credit rating – Empirical Model	Gross carrying amount €	Credit loss allowance €	Carrying amount (net of impairment provision) €
LOW	6.517.129	22.162	6.494.967
MEDIUM	5.066.853	593	5.066.260
CONSIDERABLE	778.245	351	777.894
HIGH	1.472.121	7.016	1.465.105
D	7.818.540	2.258.799	5.559.741
Total as at 31 December 2021	**21.652.888**	**2.288.921**	**19.363.967**
Total portfolio as at 31 December 2021	**218.482.915**	**25.559.705**	**192.923.210**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Credit quality of loans and other advances to customers (continued)

Bank's internal credit rating	Gross carrying amount €	Credit loss allowance €	Carrying amount (net of impairment provision) €
A1	49.300.158	176.614	49.123.544
A2	27.838.870	241.925	27.596.945
B1	19.396.231	246.537	19.149.694
B2	11.321.916	140.238	11.181.678
C1	15.528.961	77.219	15.451.742
C2	7.446.559	48.539	7.398.020
D1	9.653.167	121.945	9.531.222
D2	14.198.252	591.434	13.606.818
E1	6.361.035	140.639	6.220.396
E2	892.981	67.648	825.333
F	42.010.608	11.419.628	30.590.980
Total as at 31 December 2020	**203.948.738**	**13.272.366**	**190.676.372**

Bank's internal credit rating – Empirical Model[1]	Gross carrying amount €	Credit loss allowance €	Carrying amount (net of impairment provision) €
LOW	1.410.604	7.008	1.403.596
MEDIUM	2.013.883	19.851	1.994.032
CONSIDERABLE	3.720.612	800	3.719.812
HIGH	3.924.597	1.332	3.923.265
D	8.772.723	1.190.800	7.581.923
Total as at 31 December 2020	**19.842.419**	**1.219.791**	**18.622.628**
Total portfolio as at 31 December 2020	**223.791.157**	**14.492.157**	**209.299.000**

Cash and balances with Central Bank of Cyprus

Internal credit assessment	Expected credit loss rate	Gross carrying amount (€)	(ECL) €	Carrying amount (net of impairment provision) (€)
Performing	0,061%	85.553.244	(53.519)	85.499.725
Underperforming	N/A	-	-	-
Not performing	N/A	-	-	-
Write off	N/A	-	-	-
Total as at 31 December 2021		**85.553.244**	**(53.519)**	**85.499.725**

[1] The Empirical Model is used by the Bank with regard to business entities falling under Special Lending such as project finance lending, object finance lending, commodities finance lending and income-producing real estate lending.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Credit quality of loans and other advances to customers (continued)

Due from other and related banks

Internal credit assessment	Expected credit loss rate	Gross carrying amount (€)	(ECL) (€)	Carrying amount (net of impairment provision) (€)
Performing	0,494%	45.287.236	(223.854)	45.063.382
Underperforming	N/A	-	-	-
Not performing	N/A	-	-	-
Write off	N/A	-	-	-
Total as at 31 December 2021		**45.287.236**	**(223.854)**	**45.063.382**

Financial assets at amortised cost – Cyprus Government bonds and treasury bills

Internal credit assessment	Expected credit loss rate	Gross carrying amount (€)	(ECL) (€)	Carrying amount (net of impairment provision) (€)
Performing	0,063%	85.402.264	(53.424)	85.348.840
Underperforming	N/A	-	-	-
Not performing	N/A	-	-	-
Write off	N/A	-	-	-
Total as at 31 December 2021		**85.402.264**	**(53.424)**	**85.348.840**

Cash and balances with Central Bank of Cyprus

Internal credit assessment	Expected credit loss rate	Gross carrying amount (€)	(ECL) €	Carrying amount (net of impairment provision) (€)
Performing	0,067%	123.104.917	(82.599)	123.022.318
Underperforming	N/A	-	-	-
Not performing	N/A	-	-	-
Write off	N/A	-	-	-
Total as at 31 December 2020		**123.104.917**	**(82.599)**	**123.022.318**

Due from other and related banks

Internal credit assessment	Expected credit loss rate	Gross carrying amount (€)	(ECL) (€)	Carrying amount (net of impairment provision) (€)
Performing	0,485%	115.780.279	(561.037)	115.219.242
Underperforming	N/A	-	-	-
Not performing	N/A	-	-	-
Write off	N/A	-	-	-
Total as at 31 December 2020		**115.780.279**	**(561.037)**	**115.219.242**

Financial assets at amortised cost – Cyprus Government bonds and treasury bills

Internal credit assessment	Expected credit loss rate	Gross carrying amount (€)	(ECL) (€)	Carrying amount (net of impairment provision) (€)
Performing	0,067%	166.114.896	(111.423)	166.003.473
Underperforming	N/A	-	-	-
Not performing	N/A	-	-	-
Write off	N/A	-	-	-
Total as at 31 December 2020		**166.114.896**	**(111.423)**	**166.003.473**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Loans and advances to customers – total loans

The following table discloses the changes in the credit loss allowance and gross carrying amount for loans to customers between the beginning and the end of the year ended 2021:

	Credit loss allowance				Gross carrying amount			
	Stage 1 12 month ECL, €	Stage 2 Lifetime ECL, €	Stage 3 Lifetime ECL €	Total, €	Stage 1 12 month ECL, €	Stage 2 Lifetime ECL, €	Stage 3 Lifetime ECL €	Total, €
Opening balances at 1 January 2021	606.682	1.331.828	12.553.388	14.491.898	125.971.155	47.183.824	50.636.178	223.791.157
Transfers:								
Transfer from Stage 1 to Stage 2	(81.552)	144.349	-	62.797	(26.337.611)	26.337.611	-	-
Transfer from Stage 1 to Stage 3	(12.339)	-	205.389	193.050	(1.364.403)	-	1.364.403	-
Transfer from Stage 2 to Stage 1	15.683	(115.920)	-	(100.237)	14.661.624	(14.661.624)	-	-
Transfer from Stage 2 to Stage 3	-	(447.014)	5.431.464	4.984.450	-	(6.066.463)	6.066.463	-
Transfer from Stage 3 to Stage 1	978	-	(17.934)	(16.956)	203.751	-	(203.751)	-
Transfer from Stage 3 to Stage 2	-	57.367	(59.629)	(2.262)	-	2.219.520	(2.219.520)	-
New financial assets originated or purchased	4.616	990	112.297	117.903	5.507.526	710.027	318.082	6.535.635
Changes in PDs/LGDs/EADs	(271.870)	(461.286)	6.371.073	5.637.917	-	-	-	-
Changes in interest accruals	-	-	-	-	3.995.498	1.726.079	795.698	6.517.275
Write offs	(34)	(2.600)	(99.598)	(102.232)	(34)	(2.600)	(99.598)	(102.232)
Other movements	-	-	-	-	(9.315.398)	(6.809.983)	(2.133.539)	(18.258.920)
Provision of accrued interest not recognised	(247)	7.509	286.115	293.377	-	-	-	-
Closing balances as at 31 December 2021	**261.917**	**515.223**	**24.782.565**	**25.559.705**	**113.322.108**	**50.636.391**	**54.524.416**	**218.482.915**

* Stage 3 exposures may shift to stage 2 if obligations are met for a continuous period of 12 months

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Loans and advances to customers – mortgage loans

The following table discloses the changes in the credit loss allowances and gross carrying amount for loans to customers between the beginning and the end of the reporting period:

	Credit loss allowance				Gross carrying amount			
	Stage 1 12 month ECL, €	Stage 2 Lifetime ECL, €	Stage 3 Lifetime ECL €	Total, €	Stage 1 12 month ECL, €	Stage 2 Lifetime ECL, €	Stage 3 Lifetime ECL €	Total, €
Opening balances at 1 January 2021	18.752	5.217	2.763.179	2.787.148	29.489.909	2.280.327	13.303.388	45.073.624
Transfers:								
Transfer from Stage 1 to Stage 2	(4.748)	36.890	-	32.142	(3.433.433)	3.433.433	-	-
Transfer from Stage 1 to Stage 3	(880)	-	72.578	71.698	(709.781)	-	709.781	-
Transfer from Stage 2 to Stage 1	25	(133)	-	(108)	594.156	(594.156)	-	-
Transfer from Stage 2 to Stage 3	-	(1.077)	673	(404)	-	(255.904)	255.904	-
Transfer from Stage 3 to Stage 1	10	-	(1.050)	(1.040)	114.105	-	(114.105)	-
Transfer from Stage 3 to Stage 2	-	143	(423)	(280)	-	299.208	(299.208)	-
New financial assets originated or purchased	135	400	22.600	23.135	1.500.041	161.894	22.600	1.684.535
Changes in PDs/LGDs/EADs	(1.537)	2.736	2.229.547	2.230.746	-	-	-	-
Changes in interest accruals	-	-	-	-	619.135	130.972	575.197	1.325.304
Write offs	-	-	(4.176)	(4.176)	-	-	(4.176)	(4.176)
Other movements	-	-	-	-	(4.217.709)	(225.612)	(493.359)	(4.936.680)
Provision of accrued interest not recognised	5	-	102.216	102.221	-	-	-	-
Closing balances as at 31 December 2021	11.762	44.176	5.185.144	5.241.082	23.956.423	5.230.162	13.956.022	43.142.607

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Loans and advances to customers – consumer loans

The following table discloses the changes in the credit loss allowances and gross carrying amount for loans to customers between the beginning and the end of the reporting period:

	Credit loss allowance				Gross carrying amount			
	Stage 1 12 month ECL, €	Stage 2 Lifetime ECL, €	Stage 3 Lifetime ECL €	Total, €	Stage 1 12 month ECL, €	Stage 2 Lifetime ECL, €	Stage 3 Lifetime ECL €	Total, €
Opening balances at 1 January 2021	91.527	44.038	281.276	416.841	9.097.484	940.624	1.126.489	11.164.597
Transfers:								
Transfer from Stage 1 to Stage 2	(10.639)	44.316	-	33.677	(1.024.205)	1.024.205	-	-
Transfer from Stage 1 to Stage 3	(3.724)	-	52.060	48.336	(109.231)	-	109.231	-
Transfer from Stage 2 to Stage 1	1.456	(21.574)	-	(20.118)	217.200	(217.200)	-	-
Transfer from Stage 2 to Stage 3	-	(5.239)	18.169	12.930	-	(65.766)	65.766	-
Transfer from Stage 3 to Stage 1	921	-	(16.396)	(15.475)	22.827	-	(22.827)	-
Transfer from Stage 3 to Stage 2	-	(149)	(3.223)	(3.372)	-	68.229	(68.229)	-
New financial assets originated or purchased	2.374	7	89.685	92.066	578.878	28.756	251.179	858.813
Changes in PDs/LGDs/EADs	(14.570)	3.408	173.130	161.968	-	-	-	-
Changes in interest accruals	-	-	-	-	252.393	69.907	63.983	386.283
Write offs	(34)	(2.600)	(3.271)	(5.905)	(34)	(2.600)	(3.271)	(5.905)
Other movements	-	-	-	-	(3.013.371)	(471.337)	(372.298)	(3.857.006)
Provision for accrued interest not recognised	(924)	(935)	(15.182)	(17.041)	-	-	-	-
Closing balances as at 31 December 2021	66.387	61.272	576.248	703.907	6.021.941	1.374.818	1.150.023	8.546.782

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2021

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Loans and advances to customers – corporate loans

The following table discloses the changes in the credit loss allowances and gross carrying amount for loans to customers between the beginning and the end of the reporting period:

	Credit loss allowance				Gross carrying amount			
	Stage 1 12 month ECL, €	Stage 2 Lifetime ECL, €	Stage 3 Lifetime ECL €	Total, €	Stage 1 12 month ECL, €	Stage 2 Lifetime ECL, €	Stage 3 Lifetime ECL €	Total, €
Opening balances at 1 January 2021	**496.403**	**1.282.573**	**9.508.933**	**11.287.909**	**87.383.762**	**43.962.873**	**36.206.301**	**167.552.936**
Transfers:								
Transfer from Stage 1 to Stage 2	(66.165)	63.143	-	(3.022)	(21.879.973)	21.879.973	-	-
Transfer from Stage 1 to Stage 3	(7.735)	-	80.751	73.016	(545.391)	-	545.391	-
Transfer from Stage 2 to Stage 1	14.202	(94.213)	-	(80.011)	13.850.268	(13.850.268)	-	-
Transfer from Stage 2 to Stage 3	-	(440.698)	5.412.622	4.971.924	-	(5.744.793)	5.744.793	-
Transfer from Stage 3 to Stage 1	47	-	(488)	(441)	66.819		(66.819)	-
Transfer from Stage 3 to Stage 2	-	57.373	(55.983)	1.390	-	1.852.083	(1.852.083)	-
New financial assets originated or purchased	2.107	583	12	2.702	3.428.607	519.377	44.303	3.992.287
Changes in PDs/LGDs/EADs	(255.763)	(467.430)	3.968.396	3.245.203	-	-	-	-
Changes in interest accruals	-	-	-	-	3.123.970	1.525.200	156.518	4.805.688
Write offs	-	-	(92.151)	(92.151)	-	-	(92.151)	(92.151)
Other movements	-	-	-	-	(2.084.318)	(6.113.034)	(1.267.882)	(9.465.234)
Provision for accrued interest not recognized	672	8.444	199.081	208.197	-	-	-	-
Closing balances as at 31 December 2021	183.768	409.775	19.021.173	19.614.716	83.343.744	44.031.411	39.418.371	166.793.526

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39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Loans and advances to customers – total loans

The following table discloses the changes in the credit loss allowance and gross carrying amount for loans to customers between the beginning and the end of the reporting period:

	Credit loss allowance				Gross carrying amount			
	Stage 1 12 month ECL, €	Stage 2 Lifetime ECL, €	Stage 3 Lifetime ECL €	Total, €	Stage 1 12 month ECL, €	Stage 2 Lifetime ECL, €	Stage 3 Lifetime ECL €	Total, €
Opening balances at 1 January 2020	1.448.647	283.599	11.252.973	12.985.219	177.282.730	28.958.056	47.109.395	253.350.181
Transfers:								
Transfer from Stage 1 to Stage 2	(484.222)	1.075.716	-	591.494	(28.128.536)	28.128.536	-	-
Transfer from Stage 1 to Stage 3	(85.371)	-	361.123	275.752	(1.296.882)	-	1.296.882	-
Transfer from Stage 2 to Stage 1	6.487	(119.180)	-	(112.693)	7.489.522	(7.489.522)	-	-
Transfer from Stage 2 to Stage 3	-	(17.721)	98.026	80.305	-	(4.755.420)	4.755.420	-
Transfer from Stage 3 to Stage 1	516	-	(20.257)	(19.741)	23.855	-	(23.855)	-
Transfer from Stage 3 to Stage 2	-	4.331	(7.679)	(3.348)	-	326.233	(326.233)	-
New financial assets originated or purchased	9.236	78.692	159	88.087	2.241.116	3.204.303	532.799	5.978.218
Changes in PDs/LGDs/EADs	(289.929)	25.584	1.128.540	864.195	-	-	-	-
Changes in interest accruals	-	-	-	-	4.790.231	1.872.689	2.058.823	8.721.743
Write offs	(48)	(660)	(528.843)	(529.551)	(48)	(660)	(528.843)	(529.551)
Other movements	-	-	-	-	(36.430.833)	(3.060.392)	(4.238.209)	(43.729.434)
Provision of accrued interest not recognised	1.366	1.467	269.605	272.438	-	-	-	-
Closing balances as at 31 December 2020	606.682	1.331.828	12.553.647	14.492.157	125.971.155	47.183.823	50.636.179	223.791.157

* Stage 3 exposures may shift to stage 2 if obligations are met for a continuous period of 12 months.

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Year ended 31 December 2021

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Loans and advances to customers – mortgages loans

The following table discloses the changes in the credit loss allowance and gross carrying amount for mortgage loans to customers between the beginning and the end of the reporting period:

	Credit loss allowance				Gross carrying amount			
	Stage 1 12 month ECL, €	Stage 2 Lifetime ECL, €	Stage 3 Lifetime ECL €	Total, €	Stage 1 12 month ECL, €	Stage 2 Lifetime ECL, €	Stage 3 Lifetime ECL €	Total, €
Opening balances at 1 January 2021	23.198	130.272	2.452.214	2.605.684	26.445.783	5.764.226	15.476.765	47.686.774
Transfers:								
Transfer from Stage 1 to Stage 2	(88)	66	-	(22)	(27.855)	27.855	-	-
Transfer from Stage 1 to Stage 3	(398)	-	1.700	1.302	(334.918)	-	334.918	-
Transfer from Stage 2 to Stage 1	4.347	(89.447)	-	(85.100)	4.354.976	(4.354.976)	-	-
Transfer from Stage 2 to Stage 3	-	(259)	55.311	55.052	-	(120.751)	120.751	-
New financial assets originated or purchased	1.087	2.029	(17)	3.099	1.624.437	714.140	54.621	2.393.198
Changes in PDs/LGDs/EADs	(9.350)	(37.225)	519.153	472.578	-	-	-	-
Changes in interest accruals	-	-	-	-	764.139	44.019	652.361	1.460.519
Write offs	(44)	(660)	(367.433)	(368.137)	(44)	(660)	(367.433)	(368.137)
Other movements	-	-	-	-	(3.336.609)	206.474	(2.968.595)	(6.098.730)
Provision of accrued interest not recognised	-	441	102.251	102.692	-	-	-	-
Closing balances as at 31 December 2021	18.752	5.217	2.763.179	2.787.148	24.489.909	2.280.327	13.303.388	45.073.624

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Loans and advances to customers – consumer loans

The following table discloses the changes in the credit loss allowance and gross carrying amount for consumer loans to customers between the beginning and the end of the reporting period:

	Credit loss allowance				Gross carrying amount			
	Stage 1 12 month ECL, €	Stage 2 Lifetime ECL, €	Stage 3 Lifetime ECL €	Total, €	Stage 1 12 month ECL, €	Stage 2 Lifetime ECL, €	Stage 3 Lifetime ECL €	Total, €
Opening balances at 1 January 2020	116.730	43.867	202.633	363.230	10.211.866	909.764	916.223	12.037.853
Transfers:								
Transfer from Stage 1 to Stage 2	(2.816)	22.522	-	19.706	(173.036)	173.036	-	-
Transfer from Stage 1 to Stage 3	(1.977)	-	42.967	40.990	(49 822)	-	49.822	-
Transfer from Stage 2 to Stage 1	1.836	(29.089)	-	(27.253)	387.435	(387.435)	-	-
Transfer from Stage 2 to Stage 3	-	(1 533)	8.976	7.443	-	(200.998)	200.998	-
Transfer from Stage 3 to Stage 1	462	-	(4.066)	(3.604)	4.664	-	(4.664)	-
Transfer from Stage 3 to Stage 2	-	87	(7.000)	(6.913)	-	27.591	(27.591)	-
New financial assets originated or purchased	3.782	8.729	-	12.511	447.720	506.340	-	954.060
Changes in PDs/LGDs/EADs	(27.046)	(1.553)	23.199	(5.400)	-	-	-	-
Changes in interest accruals	-	-	-	-	330.379	28.717	72.999	432.095
Write offs	(4)	-	(3.380)	(3.384)	(4)	-	(3.380)	(3.384)
Other movements	-	-	-	-	(2.061.718)	(116.391)	(77.918)	(2.256.027)
Provision for accrued interest not recognised	560	1.008	17.947	19.515	-	-	-	-
Closing balances as at 31 December 2020	91.527	44.038	281.276	416.841	9.097.484	940.624	1.126.489	11.164.597

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39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Loans and advances to customers – corporate loans

The following table discloses the changes in the credit loss allowance and gross carrying amount for corporate loans to customers between the beginning and the end of the reporting period:

	Credit loss allowance				Gross carrying amount			
	Stage 1 12 month ECL, €	Stage 2 Lifetime ECL, €	Stage 3 Lifetime ECL €	Total, €	Stage 1 12 month ECL, €	Stage 2 Lifetime ECL, €	Stage 3 Lifetime ECL €	Total, €
Opening balances at 1 January 2020	1.308.719	109.460	8.598.126	10.016.305	140.625.081	22.284.066	30.716.405	193.625.552
Transfers:								
Transfer from Stage 1 to Stage 2	(481.318)	1.053.128	-	571.810	(27.927.645)	27.927.645	-	-
Transfer from Stage 1 to Stage 3	(82.996)	-	316.456	233.460	(912.142)	-	912.142	-
Transfer from Stage 2 to Stage 1	304	(644)	-	(340)	2.747.111	(2.747.111)	-	-
Transfer from Stage 2 to Stage 3	-	(15.929)	33.739	17.810	-	(4.433.671)	4.433.671	-
Transfer from Stage 3 to Stage 1	54	-	(16.191)	(16.137)	19.191	-	(19.191)	-
Transfer from Stage 3 to Stage 2	-	4.244	(679)	3.565	-	298.642	(298.642)	-
New financial assets originated or purchased	4.367	67.934	176	72.477	168.959	1.983.823	478.178	2.630.960
Changes in PDs/LGDs/EADs	(253.533)	64.362	586.188	397.017	-	-	-	-
Changes in interest accruals	-	-	-	-	3.695.713	1.799.953	1.333.463	6.829.129
Write offs	-	-	(158.030)	(158.030)	-	-	(158.030)	(158.030)
Other movements	-	-	-	-	(31.032.506)	(3.150.475)	(1.191.694)	(35.374.675)
Provision for accrued interest not recognised	806	18	149.404	150.228	-	-	-	-
Closing balances as at 31 December 2020	496.403	1.282.573	9.509.192	11.288.168	87.383.762	43.962.872	36.206.301	167.552.936

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a borrower as required. Guarantees which represent irrevocable assurances that the Bank will make payments in the event that a counterparty cannot meet its obligations to third parties, carry the same credit risk as loans and advances. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans or guarantees. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down.

The Bank monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

An analysis of credit related commitments by credit quality based on credit risk grades at 31 December 2021 is as follows:

	Stage 1 (12-months ECL) €	Stage 2 (lifetime ECL for SICR) €	Stage 3 (lifetime ECL for credit impaired) €	Total €
Issued letters of guarantees/letters of credit and acceptances and endorsements	12.033.487	2.973.872	873.303	15.880.662
Provision for issued letters of guarantees/credit	(2.841)	(277)	(3.620)	(6.738)

	Stage 1 (12-months ECL) €	Stage 2 (lifetime ECL for SICR) €	Stage 3 (lifetime ECL for credit impaired) €	Total €
Loan commitments - unutilised credit facilities	76.681.321	10.957.049	549.433	88.187.803
Provision for loan commitments	(61.557)	(19.655)	(46.750)	(127.962)

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Credit related commitments (continued)

Movements in the provision for loan commitments were as follows:

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total provision
	€	€	€	€
Provision for loan commitments at 1 January 2021	113.244	46.442	12.940	172.626
Loan commitments (fees charged)	(72.924)	(9.309)	37.719	(44.514)
Movements between stages	21.237	(17.478)	(3.909)	(150)
Provision for loan commitments at 31 December 2021	61.557	19.655	46.750	127.962

Movements in the provision for letters of guarantees/credit were as follows:

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total provision
	€	€	€	€
Provision for letters of guarantees/letters of credit and acceptances and endorsements at 1 January 2021	10.393	53	1.431	11.877
Issued guarantees (fees charged)	(7.354)	11	2.186	(5.157)
Other movements	(198)	213	3	18
Provision for letters of guarantees/letters of credit and acceptances and endorsements at 31 December 2021	2.841	277	3.620	6.738

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Credit related commitments (continued)

An analysis of credit related commitments by credit quality based on credit risk grades at 31 December 2020 is as follows.

	Stage 1 (12-months ECL) €	Stage 2 (lifetime ECL for SICR) €	Stage 3 (lifetime ECL for credit impaired) €	Total €
Issued letters of guarantees/letters of credit and acceptances and endorsements	16.859.233	1.982.323	1.040.812	19.882.368
Provision for issued letters of guarantees/credit	(10.393)	(53)	(1.431)	(11.877)

	Stage 1 (12-months ECL) €	Stage 2 (lifetime ECL for SICR) €	Stage 3 (lifetime ECL for credit impaired) €	Total €
Loan commitments – unutilised credit facilities	94.493.495	10.803.480	444.432	105.741.407
Provision for loan commitments	(113.244)	(46.442)	(12.940)	(172.626)

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Credit related commitments (continued)

Movements in the provision for loan commitments were as follows:

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total provision
	€	€	€	€
Provision for loan commitments at 1 January 2020	236.652	14.758	27.356	278.766
Loan commitments (fees charged)	(139.133)	29.611	3.382	(106.140)
Movements between stages	15.725	2.073	(17.798)	-
Provision for loan commitments at 31 December 2020	113.244	46.442	12.940	172.626

Movements in the provision for letters of guarantees/credit were as follows:

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total provision
	€	€	€	€
Provision for letters of guarantees/letters of credit and acceptances and endorsements at 1 January 2020	7.364	-	535	7.899
Issued guarantees (fees charged)	3.092	3	883	3.978
Other movements	(63)	50	13	-
Provision for letters of guarantees/letters of credit and acceptances and endorsements at 31 December 2020	10.393	53	1.431	11.877

The total outstanding contractual amount of undrawn credit lines and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Credit quality of the Bank's assets exposed to credit risk other than loans and other advances to customers – Analysis by rating agency

Balances with Central Bank of Cyprus and deposits with banks are analysed by Moody's rating as follows:

	2021	2020
	€	€
Aaa – Aa3	**851.042**	4.578.725
A1 – A3	**6.285.324**	25.001.496
Baa1 – Baa3	**4.249.133**	4.802.825
Ba1 – Ba2	**89.059.171**	126.092.534
B1 – B3	**30.071.532**	-
Caa1 – Caa3	-	77.717.662
Unrated	**46.905**	48.318
	130.563.107	238.241.560

Investments in debt securities, comprising of government bonds and treasury bills, are analysed by Moody's rating as follows:

	2021	2020
	€	€
Ba2	**56.788.762**	137.320.708
Baa3	**28.560.078**	28.682.765
	85.348.840	166.003.473

	2021	2020
	€	€
Issued by:		
Cyprus sovereign	**56.788.762**	137.320.708
Italy sovereign	**28.560.078**	28.682.765
	85.348.840	166.003.473

	2021	2020
	€	€
Classified as:		
Financial assets at amortised cost	**85.348.840**	166.003.473

39. RISK MANAGEMENT (continued)

b) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet current and future payments obligations as and when they fall due. This risk includes the possibility that the Bank may have to raise funding at a higher cost or sell assets at a discount.

Bank assets are mainly funded by deposits. The maturity of the deposits is actively monitored in order to avoid concentration of funding maturities at any point in time. The responsibility for the management of liquidity rests with the treasury department and the operations and support division.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Bank's short, medium and long-term funding and liquidity requirements, in order to also ensure compliance with the limits set by the applicable regulatory limits.

Analysis of financial assets and financial liabilities by remaining contractual maturity

The following liquidity tables analyse the financial assets and financial liabilities of the Bank into relevant maturity groupings based on their remaining contractual maturity at 31 December and is based on undiscounted cash flows.

Financial assets

The financial assets are presented on the same basis as the one provided to the management of the Bank and to the Central Bank of Cyprus, as this presentation is considered to be the most appropriate presentation of the Bank's liquidity. Accordingly, the analysis of the financial assets does not include any interest receivable cash flows.

Current accounts, overdrafts and amounts in arrears are included within the first maturity time band which reflects their contractual maturity. All other loans and advances to customers are analysed according to their contractual repayment schedule.

Balances with banks are analysed in the time bands according to the number of days remaining from 31 December until their contractual maturity date. Financial assets with no contractual maturity (i.e. equity securities) are included in the "over 5 years" time band. The investments are classified in the relevant time band according to their contractual maturity.

Financial liabilities

All financial liabilities for the repayment of which notice is required, are included in the relevant time bands as if notice had been given on 31 December. Fixed deposits are classified in time bands based on their contractual maturity.

Contingent liabilities and commitments

The limits of loans and advances are commitments to provide credit to customers. The limits are granted for predetermined periods and can be cancelled by the Bank after giving relevant notice to the customers. Thus, the unutilised credit facilities are included within the first maturity time band.

39. RISK MANAGEMENT (continued)

b) Liquidity risk (continued)

Analysis of financial assets and financial liabilities by remaining contractual maturity (continued)

	Less than 1 month €	Between 1-3 months €	Between 3 months to 1 year €	Between 1-5 years €	Over 5 years €	Total €
2021						
Financial assets						
Cash and balances with Central Bank of Cyprus	89.146.820	-	4.675.302	-	-	93.822.122
Deposits with banks	45.063.382	-	-	-	-	45.063.382
Loans and advances to customers	78.371.463	2.707.378	9.049.423	35.191.055	67.603.891	192.923.210
Equity investments at fair value through profit or loss	-	-	-	-	4.400	4.400
Equity investments at fair value through other comprehensive income	-	-	-	-	7.801.497	7.801.497
Other financial assets at amortised costs	-	-	-	49.172.621	36.176.219	85.348.840
Other financial assets	585.655	3.136.131	110.351	3.346.720	-	7.178.857
	213.167.320	5.843.509	13.835.076	87.710.396	111.586.087	432.142.308
Financial liabilities						
Deposits from banks	5.229.425	-	-	668.044	-	5.897.469
Deposits and other customer accounts	315.678.864	36.438.597	51.880.031	10.590	-	404.008.082
Other financial liabilities	2.104.308	-	5.283.191	510.012	-	7.897.511
	323.012.597	36.438.597	57.163.222	1.188.646	-	417.803.062
Off-balance sheet items						
Acceptances and endorsements	93.015	-	-	-	-	93.015
Letters of guarantee	711.666	1.482.641	4.135.661	6.456.265	1.289.819	14.076.052
Letters of credit	11.029	1.596.133	104.433	-	-	1.711.595
Amount of unutilised credit facilities	88.187.803	-	-	-	-	88.187.803
	89.003.513	3.078.774	4.240.094	6.456.265	1.289.819	104.068.465

	Less than 1 month €	Between 1-3 months €	Between 3 months to 1 year €	Between 1-5 years €	Over 5 years €	Total €
2020						
Financial assets						
Cash and balances with Central Bank of Cyprus	89.072.411	17.777.527	21.197.816	7.925.765	1.660.510	137.634.029
Deposits with banks	115.219.242	-	-	-	-	115.219.242
Loans and advances to customers	88.562.349	2.598.103	8.756.695	40.974.476	68.407.377	209.299.000
Equity investments at fair value through profit or loss	-	-	-	-	3.131	3.131
Equity investments at fair value through other comprehensive income	-	-	-	-	7.187.150	7.187.150
Other financial assets at amortised costs	14.988.921	11.600.788	49.887.906	24.693.108	64.832.750	166.003.473
Other financial assets	-	1.623.690	874.411	-	-	2.498.101
	307.842.923	33.600.108	80.716.828	73.593.349	142.090.918	637.844.126

39. RISK MANAGEMENT (continued)

b) Liquidity risk (continued)

Analysis of financial assets and financial liabilities by remaining contractual maturity (continued)

	Less than 1 month €	Between 1-3 months €	Between 3 months to 1 year €	Between 1-5 years €	Over 5 years €	Total €
2020						
Financial liabilities						
Deposits from banks	9.389.986	-	-	-	8.494.012	17.883.998
Deposits and other customer accounts	413.172.785	60.235.440	93.038.815	-	-	566.447.040
Other financial liabilities	2.756.550	-	2.651.906	1.254.899	-	6.663.355
	425.319.321	60.235.440	95.690.721	1.254.899	8.494.012	590.994.393
Off-balance sheet items						
Acceptances and endorsements	191.200	83.544	-	-	-	274.744
Letters of guarantee	334.830	1.526.682	8.074.378	4.890.900	1.828.951	16.655.741
Letters of credit	139.585	1.547.024	1.265.274	-	-	2.951.883
Amount of unutilised credit facilities	105.741.407	-	-	-	-	105.741.407
	106.407.022	3.157.250	9.339.652	4.890.900	1.828.951	125.623.775

c) Market risk

Market risk is the risk of loss from adverse changes in market prices. The Bank is exposed primarily to financial risks emanating from changes in foreign currency exchange rates and interest rates.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It arises as a result of timing differences on the interest rate repricing of assets and liabilities. The Bank monitors on a continuous basis the interest rate movements and the repricing or maturity structure of its assets and liabilities.

Interest rate risk is measured using interest rate sensitivity gap analysis where the difference between assets and liabilities repricing in each time band is calculated, separately for each currency. The difference is then multiplied with the assumed change in interest rates for the period from the repricing date until twelve months from the date of the analysis, in order to find the annual impact on earnings of any changes in interest rates for the next twelve months for each currency.

Sensitivity analysis
The table below indicates the effect on the Bank's net profit and equity, if interest rates for the main currencies were 50 basis points higher. A positive number below indicates an increase in profit/equity. For a decrease of 50 basis points there would be an equal and opposite impact on the net profit and equity.

39. RISK MANAGEMENT (continued)

c) Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis (continued)

	Euro €'000	USD Dollars €'000	British Pound €'000	Other currencies €'000	Total €'000
Change in interest rates					
2021					
+50 b.p. in all currencies	(907)	-	-	-	(907)
2020					
+50 b.p. in all currencies	(1.490)	-	-	(2)	(1.492)

Currency risk
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. It arises from an open position in a foreign currency, creating an exposure to a change in the relevant exchange rate. This may arise from the holding of financial assets in one currency funded by liabilities in another currency.

In order to manage currency risk, the Bank has approved open position limits for each currency. Adherence to the limits is monitored on a daily basis by the treasury department and the operations and support division.

The table below sets out the Bank's foreign exchange risk resulting from its open foreign exchange positions. A positive number below indicates an increase in profit/equity. For a corresponding decrease there would be an equal and opposite impact on profit/equity.

	Open position €'000	Change in exchange rate %	Impact on net profit/ equity €'000
Currency			
2021			
US Dollar	96	+5	5
British Pound	(49)	+5	(2)
Other currencies	2.055	+5	102
2020			
US Dollar	(81)	+5	(4)
British Pound	(5)	+5	-
Other currencies	1.569	+5	88

39. RISK MANAGEMENT (continued)

d) Operational risk

Operational risk is the risk of loss arising from fraud, error, omission, systems failure or other external events. The Bank manages operational risk through the various established policies, limits and written procedures. The Risk Management Unit, in cooperation with all units and divisions, is responsible for managing the Bank's operational risk. Furthermore, this is supported by the reviews undertaken by the Internal Audit division.

e) Regulatory risk

The operations of the Bank are supervised by the Central Bank of Cyprus. Licensed banking institutions in Cyprus have to comply with the requirements of both the European Union and Cyprus regulatory frameworks. Legal or regulatory changes may be introduced in the future either by the European Union or by the Central Bank of Cyprus which may adversely affect the results and financial position of the Bank.

f) Fair value of financial instruments

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

With reference to the above, the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

Fair value measurements recognised in the statement of financial position

The Bank uses the following hierarchy for determining and disclosing fair value:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques.

- The fair values of equity investments at fair value through other comprehensive income that are traded on an active market are determined with reference to quoted market prices. Unquoted equity securities are valued using valuation techniques that include inputs from non-observable data. The non-observable inputs to the models for the valuation of unquoted equity investments include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry in which the investee operates.
- The fair values of derivative instruments are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

39. RISK MANAGEMENT (continued)

f) Fair value of financial instruments (continued)

The following table provides the Bank's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	Level 1	Level 2	Level 3	Total
	€	€	€	€
2021				
Financial assets at FVTPL				
Derivative financial assets	-	2.432	-	**2.432**
Equities	4.400	-	-	**4.400**
Financial assets at FVOCI				
Equities	6.757.009	-	1.044.488	**7.801.497**
Total	**6.761.409**	**2.432**	**1.044.488**	**7.808.329**

	Level 1	Level 2	Level 3	Total
	€	€	€	€
2020				
Financial assets at FVTPL				
Derivative financial assets	-	75.704	-	**75.704**
Equities	3.131	-	-	**3.131**
Financial assets at FVOCI				
Equities	6.142.662	-	1.044.488	**7.187.150**
Total	**6.145.793**	**75.704**	**1.044.488**	**7.265.985**

During 2021 and 2020 there were no transfers between levels.

Reconciliation of Level 3 fair value measurements

	Unlisted equity investments	
	2021	**2020**
	€	**€**
Balance of 1 January	1.044.488	1.044.488
Gains recognised in other comprehensive income	-	-
Balance at 31 December	1.044.488	1.044.488

For the valuation at fair value of the investments in equity securities which are classified as Level 3, a valuation method based on the Bank's equity at which the investment is held as well as estimates of the management of the Bank have been used.

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39. RISK MANAGEMENT (continued)

f) Fair value of financial instruments (continued)

The following table presents the carrying amounts and the fair value of financial instruments not measured at fair value, grouped into Levels 1 to 3.

	Level 1	Level 2	Level 3	Fair value for disclosure purposes	Carrying amount
	€	€	€	€	€
2021					
Financial assets measured at amortised cost					
Loans and advances to customers	-	-	192.923.210	192.923.210	192.923.210
Deposits with banks	-	45.063.382	-	45.063.382	45.063.382
Financial assets at amortised cost	85.348.840	-	-	85.348.840	85.348.840
Financial liabilities measured at amortised cost					
Deposits and other customer accounts	-	404.008.082	-	404.008.082	404.008.082
Deposits from banks	-	5.897.469	-	5.897.469	5.897.469

	Level 1	Level 2	Level 3	Fair value for disclosure purposes	Carrying amount
	€	€	€	€	€
2020					
Financial assets measured at amortised cost					
Loans and advances to customers	-	-	209.299.000	209.299.000	209.299.000
Deposits with banks	-	115.219.242	-	115.219.242	115.219.242
Financial assets at amortised cost	166.003.473	-	-	166.003.473	166.003.473
Financial liabilities measured at amortised cost					
Deposits and other customer accounts	-	566.447.040	-	566.447.040	566.447.040
Deposits from banks	-	17.883.998	-	17.883.998	17.883.998

The cash and balances with central bank are financial instruments whose carrying value is a reasonable approximation of fair value, because they are mostly short-term in nature.

40. CAPITAL MANAGEMENT

The Bank manages its capital to ensure that the Bank complies with regulatory capital requirements and that the Bank maintains adequate capital ratios in order to support its business and to maximise shareholders' value.

As from 1 January 2014, the new Capital Requirements Regulation (CRR) and amended Capital Requirements Directive IV (CRD IV) became effective, comprising the European regulatory package designed to transpose the new capital, liquidity and leverage standards of Basel III into the European Union's legal framework. CRR establishes the prudential requirements for capital, liquidity and leverage that entities need to abide by. It is immediately binding on all EU member states. CRD IV governs access to deposit-taking activities, internal governance arrangements including remuneration, board composition and transparency. Unlike the CRR, CRD IV needs to be transposed into national laws, which allows national regulators to impose additional capital buffer requirements. CRR introduced significant changes in the prudential regulatory regime applicable to banks including amended minimum capital adequacy ratios, changes to the definition of capital and the calculation of risk weighted assets and the introduction of new measures relating to leverage, liquidity and funding.

The Bank has chosen to apply the EU transitional arrangements for regulatory capital purposes (EU Regulation 2017/2395) according to which the capital impact of the changes introduced by IFRS 9 at the beginning of 2018, is 'phased in' over a 5-year period. During the 'phased-in' 5-year period the IFRS9 impairment provisions are added back to CET1 capital according to the following weighting factors: 0.95, 0.85, 0.7, 0.5 and 0.25 in 2018, 2019, 2020, 2021 and 2022 respectively.

On 7 June 2019, the EU banking reform package has been published in the Official Journal of the European Union which includes the Directive (EU) 2019/878 (CRD V) and the Regulation (EU) 2019/876 (CRR II), entered into force on 27 June 2019. The Regulation (EU) 2019/876 (CRR II) includes a number of amendments regarding the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirement.

COVID-19 pandemic implications on capital

The ECB announced a package of capital relief measures to mitigate the impact of COVID-19 pandemic on the EU banking sector. On 24 June 2020, the EU Council announced that it adopted Regulation {EU} 873/2020 ("CRR Quick Fix") amending Regulations (EU) No 575/2013 and (EU) 876/2019 as regards certain adjustments in response to the COVID-19 pandemic.

The main amendments which affect the Bank's regulatory capital include the acceleration of the implementation of the new SME discount factor under CRR II introduced earlier in June 2020, instead of June 2021, extending the IFRS 9 transitional arrangements for mitigating the impact on own funds from the potential sudden increase in ECL allowance.

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40. CAPITAL MANAGEMENT (continued)

The Bank's capital position under CRD IV/CRR after applying the transitional arrangement for IFRS 9 and on a fully loaded basis is presented below.

	According to the transitional arrangements 2021 EUR'000	Fully loaded basis 2021 EUR'000	According to the transitional arrangements 2020 EUR'000	Fully loaded basis 2020 EUR'000
Common Equity Tier (CET1)	**47.063**	**22.505**	96.321	61.940
Additional Tier 1 Capital (ATI)	-	-	-	-
Tier 2 Capital (T2)	-	-	-	-
Regulatory Capital	**47.063**	**22.505**	96.321	61.940
Risk weighted assets – credit risk	**207.537**	**206.650**	233.704	237.522
Risk weighted assets – market risk	**2.262**	**2.262**	2.343	2.343
Risk weighted assets – operational risk	**30.790**	**30.790**	34.895	34.895
Total risk weighted assets	**240.589**	**239.702**	270.942	274.760

	2021 %	2021 %	2020 %	2020 %
Common Equity Tier 1 (CET1) ratio	**19,56%**	**9,39%**	35,55%	22,54%
Tier 1 ratio	**19,56%**	**9,39%**	35,55%	22,54%
Total capital ratio	**19,56%**	**9,39%**	35,55%	22,54%

The Bank was compliant with its capital requirements through the years ended 31 December 2020 and 31 December 2021.

The year 2021 was a significant year for the Bank. As a result of the restructuring of the Bank, a significant number of employees left the Bank under the VES that was offered by the Bank. The cost of this VES (as per Note 13) amounted to €21,1 million and directly affected the Bank's capital at the end of the year.

40. CAPITAL MANAGEMENT (continued)

The Bank's Total Capital Ratio reduced from 35,55% at the end of 2020 to 19,56% at the end of 2021. During 2021, the Bank's Total Capital Ratio was at all times above the applicable regulatory thresholds. Furthermore, the Bank's Total Capital Ratio is expected to be affected by the end of the 'phased-in' 5-year period for the IFRS 9 impairment provisions (IFRS 9 transitional period), according to which 25% of the Bank's IFRS 9 impairment provisions have to be added back to CET1 capital on 01.01.2022 and another 25% of the said provisions have to be added back to CET1 capital on 01.01.2023. All of the above factors that have already affected or are expected to affect the Bank's Total Capital Ratio have been taken into account in the Bank's Business Plan according to which the Bank's Total Capital Ratio is maintained at/above regulatory thresholds throughout the planning period (2022-2024). Equity contributions from NBG SA Group are envisaged, as required, to cover capital needs, absorbing impact of operational losses of 2021, one-off employee Exit Scheme and other restructuring costs, and IFRS 9 phasing in for capital requirement purposes.

41. EVENTS AFTER THE REPORTING PERIOD

The geopolitical situation in Eastern Europe intensified on 24 February 2022 with the commencement of the conflict between Russia and Ukraine. As at the date of authorising these financial statements for issue, the conflict continues to evolve as military activity proceeds. In addition to the impact of the events on entities that have operations in Russia, Ukraine, or Belarus or that conduct business with their counterparties, the conflict is increasingly affecting economies and financial markets globally and exacerbating ongoing economic challenges.

The United Nations, European Union as well as United States of America, Switzerland, United Kingdom and other countries imposed a series of restrictive measures (sanctions) against the Russian and Belarussian government, various companies, and certain individuals. The sanctions imposed include an asset freeze and a prohibition from making funds available to the sanctioned individuals and entities. In addition, travel bans applicable to the sanctioned individuals prevents them from entering or transiting through the relevant territories. The Republic of Cyprus has adopted the United Nations and European Union measures. The rapid deterioration of the conflict in Ukraine may as well lead to the possibility of further sanctions in the future.

Emerging uncertainty regarding global supply of commodities due to the conflict between Russia and Ukraine conflict may also disrupt certain global trade flows and place significant upwards pressure on commodity prices and input costs as seen through early March 2022. Challenges for companies may include availability of funding to ensure access to raw materials, ability to finance margin payments and heightened risk of contractual non-performance.

The impact on the Bank largely depends on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the conflict prevails and the high level of uncertainties arising from the inability to reliably predict the outcome.

The event did not exist in the reporting period and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2021 as it is considered as a non-adjusting event.

The Bank has limited direct exposure to Russia, Ukraine, and Belarus and as such does not expect significant impact from direct exposures to these countries

41. EVENTS AFTER THE REPORTING PERIOD (continued)

Despite the limited direct exposure, the conflict is expected to negatively impact the tourism and services industries in Cyprus. Furthermore, the increasing energy prices, fluctuations in foreign exchange rates, unease in stock market trading, rises in interest rates, supply chain disruptions and intensified inflationary pressures may indirectly impact the operations of the Bank. The indirect implications will depend on the extent and duration of the crisis and remain uncertain.

Management has considered the unique circumstances and the risk exposures of the Bank and has concluded that there is no significant impact in the Bank's profitability position. The event is not expected to have an immediate material impact on the business operations. Management will continue to monitor the situation closely.

Independent auditor's report on pages 6 to 11.