COMMENTARY

Group Financial Results for the year ended 31 December 2021

21 April 2022

Hellenic Bank Public Company Ltd ("Hellenic Bank") profile

Headquartered in Nicosia (Cyprus), Hellenic Bank is the second largest financial institution in Cyprus and offers a wide range of banking and financial services, including financing, investment and insurance services, custodian and factoring services as well as management and disposal of properties. As at 31 December 2021, its network includes 79 branches in Cyprus, of which 16 operate as cash offices, as well as 3 representative offices. As at 31 December 2021, the Bank had total assets and shareholders' equity of €18,8 billion and €1.106 million, respectively.

HIGHLIGHTS – FY2021 GROUP FINANCIAL RESULTS

ECONOMY

- **2021 Real GDP grew 5,5% Y-o-Y**, supported by authorities' actions; **Cyprus economy expected to experience continued growth** over the medium term bolstered by the Recovery and Resilience Facility (RRF)
- Short term outlook clouded by the ongoing geopolitical crisis; **Limited direct exposure and impact,** with indirect impact depending on longevity and severity of crisis

STRATEGY

- **2022-2024 Strategic Plan to transform and address** structural challenges**,** with increased focus **on digitalisation**
- A **retail focused bank** with solid customer base and major market shares in **households** (38% in deposits and 31% in loans)
- Dedicated **ESG Department, with Climate & Environmental Action Plan** initiated in 2021 with clear targets

PERFORMANCE

- **FY2021 Loss for the year** of €11,7 million, mainly due to Project Starlight[1] impairment losses and lower net interest income
- **FY2021 Impairment losses** of €108,4 million and **CoR** 1,6%
- **FY2021 Net interest income** of €256,0 million and **NIM** of 1,5%
- New lending momentum in recent quarters and negative deposit rates absorb profitability pressure from maturing CGBs

LOAN PORTFOLIO QUALITY

- Ongoing balance sheet clean-up through organic and non-organic efforts
- Agreement for **Project Starlight[1] to sale of c.€0,7 billion NPEs** and the APS Debt Servicer, at a c.20bps positive impact on regulatory capital[2]
- **Pro forma[3] NPE ratio[4]** at **3,6%**
- **Acquisition of c.€292 million of performing loans (Tranche A) from RCB Bank**, plus an agreement to acquire a further c.€264 million of performing loan portfolio (Tranche B) by May 2022, reducing further **pro forma[3] NPE ratio[4]** to **c.3,4%**, the lowest level among peers

CAPITAL & LIQUIDITY

- Solid capital position with **Capital adequacy ratio[5]** and **CET 1 ratio[5] of 21,67% and 19,30%,** respectively, above minimum capital requirements
- Ample liquidity, with **LCR** at 499%

MEDIUM TERM TARGETS[6]

- **NPE ratio[4]** c.3,0%
- **Cost of risk[7]** c.50 bps
- **CET 1 ratio** >14,0%
- **New lending** >€1,0 billion per annum
- **Net loans to deposits ratio** >55%
- **Cost to income ratio[8]** <60%
- **ROTE** c.7,0%

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[1] Refer to Section 1.2.3 "Loan Portfolio Quality".
[2] Based on 31 December 2020 regulatory capital figures.
[3] Pro forma for exposures classified as HFS.
[4] Excluding the NPEs covered by the APS agreement.
[5] On IFRS 9 transitional basis.
[6] The MTT cover a period of three to five years.
[7] Adjusted for the amortisation of the APS indemnification asset.
[8] Adjusted for the Deposit Guarantee Scheme contribution and the Special Levy.

Statement by the Bank's CEO Mr. Oliver Gatzke

Commenting on the Group's financial results for the year ended 31 December 2021, **Mr. Oliver Gatzke, the Group's Chief Executive Officer**, stated:

In 2021, despite the challenges relating to the pandemic and its side effects, we have seen a strong economic rebound underpinned by the government support package. At Hellenic Bank we managed to demonstrate resilience and agility, during these extraordinary times, and I am proud of my colleagues, who have rose to the occasion and adapted to the new situation as it evolved.

We have been actively engaging with our customers since the beginning of the pandemic, working together to provide financing solutions in this demanding environment. The Bank stands by its customers at these very difficult times and during 2021 supported the recovery of the economy with €908 million of new loans, generating Group net interest income of €256 million and Group non-interest income of €103 million for 2021.

Our loss for the year 2021 amounted to €11,7 million which was mainly attributed to extraordinary impairment losses in relation to Project Starlight, the envisaged sale of a €0,7 billion of gross non-performing loan portfolio. The imminent sale of these portfolios will lead to a drastic improvement of our asset quality with pro-forma NPE ratio of less than 5%, excluding the NPEs covered by the APS agreement.

With a robust capital adequacy ratio of 21,67% and liquidity coverage ratio of 499% at the end of 2021, we remain committed to supporting our customers and provide financing to sectors that increase the competitiveness and productivity of the economy, such as health, education, energy, ICT, hospitality, transportation and shipping. This is underlined by the recently announced acquisition of a €556 million well collateralised, performing, corporate loan portfolio from RCB Bank, which is fully aligned with our growth strategy to enhance our client base and the income from our performing portfolio.

We also remain cognisant and wary of the negative impact relating to the war in Ukraine, the possible inflationary pressures due to higher prices in energy, raw materials and agri-food products and also of the uncertainty that the ongoing pandemic continues to cause.

Transformation Plan – Way Forward

In 2021, under a new leadership and a more lean and effective management structure in place, we embarked on our transformation journey, accelerating our efforts to unleash the potential and deploy our strategy with the aim to achieve sustainable profitability. We are in the process of transforming Hellenic Bank into a customer centric organisation, putting the customer at the epicentre of our attention, by improving customers' experience through digitalisation, streamlining of our procedures and by offering simple and competitive products. We want to enhance the profile of our loan book through healthy growth with a strong focus on ESG (Environmental, Social and Governance).

Cost reduction, restructuring and rightsizing of the Bank are some of the main components of our 3-year transformation plan. Especially the reduction of the high cost to income ratio of our Bank, remains pivotal and is something that must be, decisively addressed. We are focusing our efforts on both increasing interest income through new lending and generation of miscellaneous income, as well as containing all administrative expenses. However, the most effective way to reduce cost to income ratio is the overall reduction of the payroll cost through necessary headcount reductions and more rational salary increases in the future. We are doing our best, to agree on a mutually beneficial collective agreement for our staff and at the same time to maintain the Bank on a solid and sustainable path. I really hope that the leadership of the Union will rise to the occasion and demonstrate a constructive stance, for the benefit of our employees.

Closing, I would like to thank our shareholders for their continuous support and confidence shown to us, and assure them, that the whole team at Hellenic Bank remains fully committed to achieve its goals and strategic objectives. Most importantly, I extend my appreciation to our people for their hard work and commitment during these strenuous times.

PERFORMANCE HIGHLIGHTS

Income Statement highlights (€million)	FY2021	FY2020	Δ YoY	4Q2021	3Q2021	Δ QoQ	2Q
Profit before net gains on derecognition of financial assets measured at amortised cost and impairment losses	95,5	127,3	-25%	24,2	16,2	+49%	
Impairment losses on financial instruments and non-financial assets	(108,4)	(70,8)	+53%	(60,3)	(16,4)	+267%	(
Taxation	2,7	(10,0)	-127%	4,1	0,3	+1.132%	
(Loss)/profit for the year from continuing operations	(4,3)	50,2	-109%	(31,0)	2,1	-1.549%	
(Loss)/profit for the year from discontinued operations	(7,4)	0,3	-3.003%	(1,7)	(2,1)	-20%	
(Loss)/profit for the year	(11,7)	50,5	-123%	(32,7)	0,0	+100%	

Alternative Performance Indicators (APIs)	FY2021	FY2020	Δ YoY	4Q2021	3Q2021	Δ QoQ	2Q
Net Interest Margin (%)	1,52%	1,88%	-36 bps	1,40%	1,41%	-1 bps	1,
Cost to income ratio (%)	73%	67%	+592 bps	74%	81%	-668 bps	
Cost of risk (%)	1,6%	1,5%	+7 bps	2,8%	0,6%	+224 bps	
Return on tangible equity (ROTE) (%)	-1,1%	4,8%	-589 bps	-12,1%	0,0%	-1.211 bps	3
Basic (loss)/earnings per share (€ cent)	(2,83)	12,23	(15,06)	(7,92)	0,00	(7,92)	

bps = basis points, 100 basis points (bps) = 1 percentage point
For definitions of APIs refer to Appendix 4.

PERFORMANCE HIGHLIGHTS

Financial Position highlights (€million)	31.12.2021 (pro forma)[9]	31.12.2020	Δ
Gross loans	5.952	6.802	-12%
Gross Non-Performing Loans	650	1.503	-57%
Gross Performing Loans	5.302	5.298	+0%
Net Loans	5.732	6.097	-6%
Investment assets	12.297	9.143	+34%
Of which: Cash and balances with Central Banks and placements with other banks	*7.754*	*4.052*	*+91%*
Of which: Investments in debt securities	*4.463*	*5.024*	*-11%*
Total assets	18.848	15.857	+19%
Deposits	14.942	14.180	+5%
Shareholders' equity	1.106	1.128	-2%

Alternative Performance Indicators (APIs)	31.12.2021 (pro forma)[9]	31.12.2020	Δ
NPE ratio (%)	10,9%	22,1%	-1.118 bps
NPE ratio (excl. APS-NPEs) %	3,6%	15,7%	-1.206 bps
Net NPEs to total assets ratio (%)	2,3%	5,0%	-276 bps
NPEs provision coverage ratio (%)	33,9%	46,9%	-1.301 bps
Net loans to deposits ratio (%)	38,4%	43,0%	-463 bps
Tangible Book Value per Share (TBVPS) (€)	2,57	2,61	-0,04

Capital and Liquidity Ratios	31.12.2021	31.12.2020	Δ
Capital Ratios[10]:			
CET 1 ratio (%)	19,30%	20,01%	-71 bps
Tier 1 ratio (%)	21,67%	22,34%	-67 bps
Capital Adequacy ratio (%)	21,67%	22,34%	-67 bps
Risk Weighted Assets (RWAs) (€million)	5.479	5.556	-1%
Leverage ratio (%)	6,14%	7,71%	-156 bps
Liquidity Ratios:			
Liquidity coverage ratio (LCR) (%)	499,5%	477,0%	+2.246 bps
Net Stable Funding ratio (NSFR) (%)	197,0%	179,0%	+1.800 bps

bps = basis points, 100 basis points (bps) = 1 percentage point
For definitions of APIs refer to Appendix 4.

[9] Pro forma for exposures classified as HFS.
[10] On IFRS 9 transitional basis.

FINANCIAL RESULTS

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1. ANALYSIS OF THE FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

1.1 Income Statement Analysis

Net interest income

Net interest income for FY2021 amounted to €256,0 million, down by 10% compared to €285,5 million for FY2020. The decrease YoY was mainly driven by the lower income on performing loans (lending base rates reduction) and lower income from debt securities (Cyprus Government Bonds (CGBs) with nominal value of €750 million matured in December 2020), which was partly covered by the ongoing reductions in the average cost of deposits.

Net interest income for 4Q2021 amounted to €63,2 million and remained at similar levels compared to €63,0 million in 3Q2021.

The Group's **net interest margin (NIM) (annualised)** for FY2021 amounted to 1,52% (FY2020: 1,88%). **NIM** is negatively impacted by the lower net interest income and the increase in the average interest-bearing assets. This is driven mainly by the increase in cash and balances with Central Banks following the increase in borrowing under TLTROs[11]. **NIM** for 4Q2021 amounted to 1,40% remained at the same levels to 1,41% for 3Q2021. Adjusting for the TLTROs borrowing of €2,3 billion, **NIM** for FY2021 and 4Q2021 increased to 1,65% and 1,60% respectively (3Q2021: 1,62%).

Non-interest income

Total non-interest income for FY2021 amounted to €103,0 million and decreased by 3% compared to €105,8 million in FY2020. **Total non-interest income** comprised of net fee and commission income, net gains on disposal and revaluation of foreign currencies and financial instruments, net income from insurance operations and other income. The decrease was mainly driven by the decrease in **net gains on disposal and revaluation of foreign currencies and financial instruments** partially offset by the increase in **other income.**

Net gains on disposal and revaluation of foreign currencies and financial instruments for FY2021 amounted to €5,0 million and recorded a decrease of 63% compared to €13,4 million in FY2020. The decrease was mainly due to the decrease in unrealised net revaluation gains arising from investments in instruments at fair value through profit and loss and the decrease in the change of the fair value of financial instruments in fair value hedges held by the Group.

For FY2020, unrealised net revaluation gains arising from investments in instruments at fair value through profit and loss include an amount of €5,4 million, mainly resulting from the remeasurement of the Bank's investment in Visa Inc. Preferred Stock following its first release assessment and the partial conversion that took place.

Net fee and commission income for FY2021 was €58,2 million, up by 1% compared to €57,6 million in FY2020. The increase was mainly due to higher banking fees and commissions in FY2021 following the introduction of a revised Table of Commissions and Charges effective from February 2021, and the increase of electronic transactions which have offset the reduction in other banking related fees impacted by the COVID-19 pandemic.

Other income for FY2021 amounted to €16,6 million, up by 43% compared to €11,6 million in FY2020, mainly as a result of higher net gain from the disposal of stock of property and sundry income due to the net reimbursement received from the insurance claim.

[11] Refer to Section 1.2.1 "Funding and Liquidity" on sub-section "Deposits by Central Banks".

Net income from insurance operations for FY2021 amounted to €23,2 million and remained at similar levels compared to FY2020. The increase in gross income from premiums and investment income was almost offset by the impact from the increase in insurance claims and benefits incurred (due to lower claims incurred in FY2020, as a result of COVID-19 lockdown measures).

Total non-interest income for 4Q2021 increased by 43% to €29,5 million compared to €20,4 million in 3Q2021, mainly due to the increase in **net fee and commission income** and **other income** partially offset by the decrease in **net gains on disposal and revaluation of foreign currencies and financial instruments.**

Net fee and commission income for 4Q2021 increased by 48% to €19,3 million compared to €13,1 million in 3Q2021 mainly to due to seasonality and the significant increase in **other income** amounting to €5,2 million in 4Q2021 compared to €2,1 million in 3Q2021 is mainly due to higher net gain from the disposal of stock of property.

The decrease in **net gains on disposal and revaluation of foreign currencies and financial instruments** for 4Q2021 to €0,1 million compared to €1,0 million in 3Q2021 is mainly due to the decrease in unrealised net revaluation gain arising from the Bank's investment in Visa Inc. Preferred Stock.

Net income from insurance operations for 4Q2021 increased by 13% to €4,9 million compared to €4,3 million in 3Q2021 mainly due to seasonality, higher gross income from premiums and higher insurance claims incurred in 3Q2021 following the release of lockdown measures.

Expenses

Total expenses for FY2021 amounted to €263,5 million and compared to €264,0 million for FY2020 remained at similar levels. The decrease in **administrative and other expenses** was partially offset by the increase in **staff costs.**

On a quarterly basis, 4Q2021 **total expenses** amounted to €68,5 million and were up by 2% compared to €67,2 million in 3Q2021 mainly due to higher administrative expenses and other expenses.

As at 31 December 2021 and according to the provisions of the IFRS 5 "Non-Current assets held for sale and discontinued operations", the financial results for FY2021 of APS Debt Servicing Cyprus Ltd (APS Cyprus) are presented as discontinued operations. The Bank decided to dispose APS Cyprus as part of its deleveraging of NPEs through the Project Starlight[12]. The financial results for FY2020 have been represented to take into consideration this change. APS Cyprus was considered a subsidiary company of the Bank since obtaining the governance and operational control, thus its financial results are fully consolidated as of 1 December 2020.

Staff costs

Staff costs for FY2021 amounted to €133,7 million and accounted for 51% of the Group's total expenses (FY2020: 50%). Compared to €131,1 million in FY2020, FY2021 staff costs recorded an increase of 2%. The main driver was the annual increments applicable for each employee as per the Collective Agreement paid retrospectively during June 2021 by the Group.

Staff costs for 4Q2021 amounted to €32,7 million and decreased by 3% compared to €33,8 million in 3Q2021, mainly due to utilization of accumulated staff annual leaves.

Additionally, **Staff costs** for FY2021 and 4Q2021 amounting to €6,4 million and €2,0 million respectively, are presented under discontinued operations (FY2020: €1,0 million).

[12] Refer to Section 1.2.3 "Loan Portfolio Quality".

Administrative and other expenses

Total administrative and other expenses for FY2021 amounted to €105,2 million and decreased by 4% compared to €109,5 million in FY2020. The decrease in Servicer's administration fees, due to the management and success fees of APS Cyprus being eliminated on consolidation (as opposed to the prior year when this entity was an associate for the eleven months), was partially offset by the increase in Repairs, maintenance and other related costs and Transformation costs.

Transformation costs comprise mainly fees to external advisors in relation to: (i) the prospective disposal of assets held for sale and (ii) the Transformation of the Bank as a result of the Strategic Plan announced on 21 December 2021.

Total administrative and other expenses for 4Q2021 amounted to €29,7 million compared to the €26,9 million in 3Q2021 recording an increase of 10%. The increase was mainly driven by the increase in Transformation costs in relation to the advisory fees regarding Project Starlight.

On March 2020, the Management Committee (MC) of the Deposit Guarantee and Resolution of Credit and Oher Institutions Scheme (DGS) introduced an approved new Risk Based Methodology (RBM), on the calculation and payment of the contributions to Deposit Guarantee Fund (DGF) paid by all the authorised Credit Institutions on a semi-annual basis until it reaches the level of 0,8% of covered deposits of all authorised Credit Institutions by 3 July 2024. The total contribution for 2021 was set at €4,5 million (FY2020: €5,0 million) and it was charged in administrative and other expenses in 1Q2021 (€2,2 million) and 3Q2021 (€2,3 million).

Additionally, **total administrative and other expenses** for FY2021 and 4Q2021 amounting to €1,1 million and €0,3 million respectively, are presented under discontinued operations (FY2020: €0,6 million).

The cost to income ratio for FY2021 was 73%, compared to 67% for FY2020[13], reflecting the decrease in total net income. The **cost to income ratio** for 4Q2021 amounted to 74% compared to 81% in 3Q2021, driven mainly by the increase in total net income.

The **cost to income ratio** adjusting for the Special Levy and the DGS contribution for FY2021 and FY2020[13] decreased to 66% and 61%, respectively. The **cost to income ratio** adjusting for the Special Levy and the DGS contribution for 4Q2021 and 3Q2021 amounted to 68% and 71%, respectively.

The **cost to income ratio** adjusting for the Special Levy, the DGS contribution, the Transformation costs and the Early retirement costs for FY2021 and 4Q2021 decreased to 64% and 63%, respectively (3Q2021: 70%). The **cost to income ratio** adjusting for the Special Levy, the DGS contribution and the Early retirement costs (FY2020 Transformation costs are nil), for FY2020[13] amounted to 61%.

[13] Comparative information regarding Total expenses and Total net income, is reclassified to conform with changes in the presentation of the current period. The financial results of the discontinued operations of the Group's subsidiary APS Debt Servicing Cyprus Ltd (APS Cyprus) were represented as discontinued operations.

Impairment losses on financial instruments and non-financial assets

Impairment losses on financial instruments

The charge for impairment losses on financial instruments amounted to €102,0 million for FY2021 and recorded a significant increase compared to €58,8 million for FY2020. The increase of 73% compared to FY2020 was mainly driven by the Bank's deleveraging strategy which resulted in additional impairment losses on the loan portfolio (Project Starlight[14]) to be disposed, considering the probability of recovery through sale as at 31 December 2021.

For the estimation of the year end 2021 impairment losses, the Bank has maintained its macroeconomic forecasts unchanged, compared to the year-end 2020, due to the significant level of uncertainty in relation to the macroeconomic outlook. Having considered the continued uncertainty in the economy, the Bank has re-examined the IFRS 9 parameters to be applied in the estimation of the ECL and more specifically the PD parameter. Therefore, the Bank has exercised judgement with respect to the forward-looking information used in the calculation of the ECL and applied adjustments to cater for COVID-19 risks.

The impairment losses exhibited during FY2020 were mainly the result of the impact of the COVID-19 outbreak. The effect of the pandemic on the macroeconomic outlook had led to changes in the provisioning parameters applied during FY2020 and also due to the re-staging of "high-risk" industries under the collective model that had opted for the moratorium scheme during 2020 and of Individually Assessed Groups in "high-risk" industries. These impairment losses were partially offset by the increase in the APS indemnification asset with a corresponding credit in impairment losses, due to the re-measurement of the estimated future cash flows arising from claims to be made by the Bank in the event of APS losses. This resulted mainly from the impact of COVID-19 pandemic and the impact from the withdrawal of certain assets from the APS scheme[15], consisting of loans, following an assessment of the portfolio covered by the APS.

Impairment losses on financial instruments for 4Q2021 amounted to €57,7 million and increased significantly compared to €14,2 million in 3Q2021. The increase in 4Q2021 was mainly due to additional impairment losses on the loan portfolio to be disposed (Project Starlight[14]) which have been recognised taking into consideration the increase in probability of recovery through sale to reflect the progress made by the year end.

The cost of risk (annualised) for FY2021 and 4Q2021 amounted to 1,6% and 2,8% respectively (FY2020[16]: 1,5%). Adjusting for the amortisation of the APS indemnification asset, in FY2021 and 4Q2021 **the cost of risk (annualised)** amounted to 1,5% and 3,6% respectively (FY2020[16]: 1,0%).

Impairment losses on non-financial assets

Impairment losses on non-financial assets for FY2021 amounted to €6,3 million and decreased by 47% compared to €12,0 million in FY2020. The decrease is mainly due to the fair value loss on remeasurement of previously held interest in investment in associate company of €3,5 million resulting from the acquisition of control of APS Cyprus recognised during FY2020. **Impairment losses on non-financial assets** for FY2021, also include an amount of €4,6 million (FY2020: €4,4 million) regarding impairment losses of stock of property resulting from the reassessment of the NRVs of the REOs portfolio, taking into consideration potential liquidity discounts.

Impairment losses on non-financial assets for 4Q2021 amounted to €2,6 million and increased by 17% compared to €2,2 million in 3Q2021, mainly as a result of the increase in impairment losses on REOs as explained above.

Loss before taxation for FY2021 amounted to €7,0 million compared to a profit of €60,2 million for FY2020. The main drivers of the decrease were the elevated impairment losses, lower net interest income and higher staff costs in FY2021.

[14] Refer to Section 1.2.3 "Loan Portfolio Quality".
[15] As per the Bank's announcement dated 21st December 2020.
[16] Excluding the NPE portfolios classified as HFS as at 31 December 2020, disposed on 3Q2021.

Loss for the year from discontinued operations for FY2021 amounted to €7,4 million compared to a profit of €0,3 million FY2020. FY2020 figure also includes the share of results of associate company net of taxation amounting to €1,7 million.

Taxation for FY2021 amounted to a tax credit of €2,7 million (FY2020: €10,0 million tax charge), which is the net effect of a deferred tax credit of €10,1 million (FY2020: €4,4 million tax charge) and a current tax charge of €7,4 million (FY2020: €5,5 million). The deferred tax credit was mainly the result of a decrease in deferred tax liabilities, due to the treatment of negative goodwill attributed to the bond portfolio acquired by ex-CCB while the current tax charge arose mainly on adjustments made to the tax base of stock of properties to align with current practices.

The tax credit for 4Q2021 amounted to €4,1 million compared to €0,3 million tax credit in 3Q2021 and included a deferred tax charge of €3,9 million (3Q2021: €2,3 million deferred tax charge) and an income tax charge of €8,0 million on taxable profits (3Q2021: €2,6 million tax credit).

Loss attributable to the shareholders of the parent company for FY2021 amounted to €11,7 million compared to a profit of €50,5 million for FY2020 (4Q2021: loss €32,7 million).

1.2 Statement of Financial Position Analysis

As at 31 December 2021, the Group's **total assets** amounted to €18,8 billion and increased by 19% compared to €15,9 billion as at 31 December 2020, mainly due to the increase in cash and balances with Central Banks primarily as a result of a new TLTROs.

1.2.1 Funding and Liquidity

Deposits

Customer deposits amounted to €14,9 billion as at 31 December 2021 (31 December 2020: €14,2 billion). They comprised €13,7 billion deposits in Euro (31 December 2020: €13,3 billion) and €1,2 billion deposits in foreign currencies (31 December 2020: €0,9 billion), mostly in US Dollars. Despite the negative deposit rates applied in March 2020 on non-households and lower deposits rates, customer deposits increased by 5%.

The Bank's **deposits market share**[17] as at 31 December 2021 stood at 29,2% (31 December 2020: 29,6%). **Deposits' market share** as at 31 December 2021 consists of 37,9% for Households deposits (31 December 2020: 38,4%) and 19,8% for Non-financial corporations deposits (31 December 2020: 17,7%).

The net loans to deposits ratio stood at 40% as at 31 December 2021 (31 December 2020: 43%[18]). The decrease in the ratio is mainly due to the increase in customer deposits in FY2021. Pro forma for HFS portfolios the **net loans to deposits ratio** is reduced to 38%.

Funding by Central banks amounted to €2,3 billion as at 31 December 2021 (31 December 2020: €NIL).
In June 2021, given the favourable borrowing terms and despite the comfortable liquidity position, the Bank participated in the 8th series of the TLTROs III by borrowing an amount of €2,3 billion. The borrowing is for the 3 years duration (26 June 2024) and the Bank has the option to repay (partially or fully) on a quarterly basis starting from June 2022 onwards.

Liquidity

The CRR sets forth the guidelines for calculating liquidity measures such as the Liquidity Coverage Requirement Ratio (LCR) and the Net Stable Funding Ratio (NSFR). LCR is calculated as the sum of high-quality liquid assets over the expected net liquidity outflows during the next 30 days, as these net outflows are specified under a stress scenario. At times of stress, institutions may use their liquid assets to cover their net liquidity outflows. The LCR of the Group stood at 499% as at 31 December 2021 compared to 477% as at 31 December 2020. The LCR regulatory limit stands at 100%. The liquidity surplus in LCR at 31 December 2021 amounted to €6,4 billion compared to €5,5 billion at 31 December 2020.

The NSFR is defined as the amount of available stable funding (the portion of capital and liabilities expected to be reliable over the one-year horizon) over the amount of required stable funding (based on the liquidity characteristics and residual maturities of the various assets held and off-balance sheet exposures). The NSFR of the Group was at 197% as at 31 December 2021 compared to 179% as at 31 December 2020. The NSFR liquidity surplus for 31 December 2021 was €6,8 billion. As per Regulation (EU) No 2019/876 (CRR II) amending Regulation (EU) No 575/2013 (CRR), applicable from June 2021 a binding minimum Net Stable Funding Ratio of 100% is introduced.

Additional information on liquidity requirements is provided in the Pillar III disclosures for the year ended 31 December 2021 which are available on the Bank's website www.hellenicbank.com (Investor Relations).

[17] Source: Central Bank of Cyprus (CBC) and Hellenic Bank.
[18] Excluding the NPE portfolios classified as HFS as at 31 December 2020, disposed on 3Q2021.

1.2.2 Loans

The Group's **gross loans** as at 31 December 2021[19] amounted to €5.952 million compared to €6.802 million[19] as at 31 December 2020, recording a decrease of 12%. The performing loan portfolio remained at similar levels while the non-performing loan portfolio decreased by 6%, compared to 31 December 2020[19]. Including the exposures classified as held for sale, **gross loans** amounted to €6.728 million as at 31 December 2021, recording a decrease of 2% compared to €6.852 as at 31 December 2020.

As at 31 December 2021, the Group's **net loans and advances to customers**[19] amounted to €5.732 million compared to €6.097 as at 31 December 2020. Additionally, as at 31 December 2021, **net loans and advances to customers** of €241 million were **classified as held for sale** in accordance with IFRS 5 (refer to Section 1.2.3 Loan Portfolio Quality), compared to €9 million as at 31 December 2020 relating to portfolios being disposed during 3Q2021.

The Bank's **loan market share**[17] as at 31 December 2021 was 22,5% (31 December 2020: 21,5%). **Loan market share** as at 31 December 2021 consists of 31,1% for Household loans (31 December 2020: 29,4%) and 18,2% for Non-financial corporations loans (31 December 2020: 17,6%).

Total new lending implemented during FY2021 reached €908 million (FY2020: €1.041 million). Total new lending implemented during 4Q2021 reached €280 million. The Bank continued providing lending to creditworthy businesses and households while at the same time focusing on managing early arrears and avoiding new NPLs.

Loan moratorium

In March 2020, in the light of the COVID-19 crisis, a first moratorium was applied, as voted by the Cyprus Parliament, to all individuals or legal entities across different sectors who applied and were eligible under the scheme (suspension of instalments of capital and interest for a period of nine months) until 31 December 2020.

Following the expiration of the first moratorium on 31 December 2020, a second scheme for the suspension of instalments of capital and interest (loan moratorium) was introduced in January 2021 until 30 June 2021, as announced by the Cyprus Government on 15 January 2021, for customers impacted by the second lockdown, subject to certain criteria. Under the second moratorium scheme, payment deferrals could be offered until 30 June 2021, however, the total months under loan moratorium, when including the loan moratorium offered in 2020, should not exceed a total of nine months. The application period for the second moratorium scheme expired on 31 January 2021 and the assessment was completed on 28 February 2021.

The gross carrying amount of the loans and advances subject to the first and the second moratoria, which expired on 31 December 2020 and 30 June 2021 respectively, amounted to €2,5 billion (of which €0,05 billion classified as held for sale) as at 31 December 2021, comprising gross loans to Households of €1,3 billion (of which €0,01 billion classified as held for sale), and gross loans to Non-financial corporations of €1,1 billion (of which €0,04 billion classified as held for sale).

Following expiry of the first moratorium, payment behaviour continues to be encouraging, with repayments duly met for 96% of such borrowers (excluding the loans covered by the APS agreement) which participated in the first moratorium and had a payment fall due by the end of December 2021. Nevertheless, the Bank continues to adopt an appropriately prudent approach and is in readiness in terms of monitoring procedures and day-to-day management of the accounts to deal with early arrears. The Bank's total performing portfolio in arrears remains at lower levels compared to pre-COVID 19 levels (53% of February 2020 performing arrears stock), as at the end of December 2021.

[19] Excluding the exposures classified as HFS.

1.2.3 Loan Portfolio Quality

As part of its ongoing NPE deleveraging efforts, the Bank has been working towards the disposal of two non-performing portfolios with gross carrying amount €0,8 billion.

During FY2021, loans and advances of carrying amount €8,5 million were disposed following the successful completion of small portfolio sale transactions. **References to pro forma figures and APIs** disclosed throughout the Commentary as at 31 December 2021 refer to the NPEs portfolios classified as held for sale. Where figures and APIs disclosed are provided on a different basis, this is stated.

Project Starlight

During FY2021, the Bank has been working closely together with its advisors towards a sale of a material NPE portfolio ("Project Starlight"), which will expedite the reduction of legacy NPEs and accelerate the Bank's balance sheet clean-up. The agreement was reached on 8 April 2022. The perimeter involved comprises of legacy NPEs totalling a gross amount of c.€0,7 billion as at 31 December 2021. Post completion of the transaction the Bank is expected to reach its medium-term target of mid-single digit NPE ratio (excl. APS-NPEs).

As part of Project Starlight, the Bank is proceeding with the disposal of APS Cyprus, its subsidiary responsible for managing the Bank's NPEs and REOs. The transaction is expected to be completed by the end of 2022 and will be subject to customary, regulatory and other approvals and as such the disposal group was classified as held for sale and as discontinued operations as at 31 December 2021.

Non-performing exposures reduction

Non-performing exposures (NPEs) including the exposures classified as held for sale, amounted to €1.414 million as at 31 December 2021, recording a decrease of 9%, compared to €1.503 million as at 31 December 2020[20] (NPEs excluding NPEs covered by the APS agreement amounted to €1,0 billion as at 31 December 2021 and €1,1 billion as at 31 December 2020). **NPEs** amounting to €50 million as at 31 December 2020 have been disposed during 3Q2021. Pro forma for HFS portfolios, NPEs amounted to €650 million as at 31 December 2021 and were reduced by 57%.

Effective from 1 January 2021, the Bank has implemented EBA's new default definition[21], which affects NPEs and the calculation of days past due. As at 1 January 2021, the impact of this change on the Group was not significant.

[20] Excluding the exposures classified as HFS as at 31 December 2020, disposed in 3Q2021.
[21] As per EBA final draft Regulatory Technical Standards on the materiality threshold for credit obligations past due (EBA/RTS/2016/06) and EBA Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013 (EBA/GL/2016/07).

The decrease in NPEs was partly driven by non-contractual write offs in the range of c.€0,1 billion executed during 2Q2021 (FY2020: c.€0,6 billion). This was partly offset by the NPE increases which were mainly due to the implementation of EBA new default definition[20], new defaults and interest accrual. During FY2021, write offs net of recoveries of loan impairment losses[22] amounted to €106,9 million[23] (FY2020: €686,1 million). Collections and cures amounted to c.€207 million during FY2021 (FY2020: c.€200 million) representing high quality organic deleveraging, that picked up post COVID-19 lockdown measures.

The non-contractual write offs were executed on the gross carrying amount of a portfolio of NPEs and reduced the corresponding accumulated impairment amount associated with this portfolio. The portfolio affected consisted of NPEs which exhibited high arrears, and which had been in default for more than 4 years. Following the implementation of the non-contractual write offs, the gross carrying amount reflects the estimated recoverable balance for each exposure. The Bank performs non-contractual write offs on the gross carrying amount of NPEs where there is a very low probability of recovery based on available security and recovery strategy being pursued.

Terminated loans included in NPEs amounted to €930 million as at 31 December 2021 (31 December 2020: €789 million). Gross loans with forbearance measures as at 31 December 2021 amounted to €1.031 million (31 December 2020: €953 million). Pro forma for HFS portfolios, terminated loans included in NPEs amounted to €253 million and gross loans with forbearance measures amounted to €741 million as at 31 December 2021.

The stock of property, which are mostly from customers' debt settlement, amounted to €169,4 million as at 31 December 2021 (31 December 2020: €208,4 million), of which €9,6 million has been classified as assets held for sale, as at 31 December 2021. The movement in the balance of stock of property from customers' debt settlement for FY2021 included additions of €18,7 million[24] and disposals of €44,2 million[24].

The NPE ratio as at 31 December 2021 was 21,0% compared to 22,1% as at 31 December 2020[20]. The ratio excluding the NPEs covered by the APS agreement as at 31 December 2021 was 14,4% (31 December 2020: 15,7%). Pro forma for HFS portfolios the **NPE ratio** was 10,9% while the NPE ratio excluding the NPEs covered by the APS agreement was 3,6% as at 31 December 2021.

The net NPEs to total assets ratio as at 31 December 2021 stood at 3,5%, (1,5% excluding APS-NPEs) compared to 5,0% as at 31 December 2020[20] (31 December 2020: 2,8% excluding APS-NPEs). Pro forma for HFS portfolios the **net NPEs to total assets ratio** was 2,3% while the net NPEs to total assets ratio excluding the NPEs covered by the APS agreement was 0,4% as at 31 December 2021.

Total accumulated impairment losses amounted to €755 million as at 31 December 2021 (31 December 2020[20]: €705 million) and represented 11,2% of the total gross loans (31 December 2020[20]: 10,4%). Total accumulated impairment losses over gross loans excluding the loans covered by the APS agreement was 13,2% as at 31 December 2021 (31 December 2020[20]: 12,4%). Pro forma for HFS portfolios total accumulated impairment losses over gross loans was 3,7% while excluding the loans covered by the APS agreement the ratio is 3,5% as at 31 December 2021.

The NPEs provision coverage ratio stood at 53% as at 31 December 2021 (31 December 2020[20]: 47%), while excluding the NPEs covered by the APS agreement, the ratio is adjusted to 70% (31 December 2020: 59%). Pro forma for HFS portfolios the **NPEs provision coverage ratio** was 34% while excluding the loans covered by the APS agreement the ratio was 69% as at 31 December 2021.

Taking into account tangible collaterals[25] the **net NPEs collateral coverage ratio** stood at 151% as at 31 December 2021 (31 December 2020[20]: 135%), while excluding the NPEs covered by the APS agreement and the corresponding tangible collateral and provisions of the NPEs covered by the APS agreement, the ratio is adjusted to 208% (31 December 2020[20]: 155%). Pro forma for HFS portfolios the ratio was 121% while excluding the loans covered by the APS agreement was 205% as at 31 December 2021.

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[22] Write offs: The Group reduces, either partially or in full, the carrying amount of a financial asset when there is no reasonable expectation of recovery.
[23] Includes the c.€0,1 billion non-contractual write offs executed during FY2021.
[24] Book value.
[25] Based on open market values (capped at client exposure).

1.2.4 Investment Assets

The carrying value of investment assets amounted to €12.297 million as at 31 December 2021 (31 December 2020: €9.143 million) and represented 65% of the Group's total assets (31 December 2020: 58%). Investment assets comprise of cash and balances with Central Banks, placements with other banks, investments in debt securities and investments in equity and collective investment units. Total investment assets increased by 34% compared to 31 December 2020, mostly due to the increase in cash and balances with Central Banks as explained below.

The Group's cash and balances with Central Banks and placements with other banks amounted to €7.754 million as at 31 December 2021 (31 December 2020: €4.052 million). Most foreign currency placements were with P-1 rated banks[26]. The increase in the cash and balances with Central Banks during FY2021 was mainly due to the new TLTROs borrowing in June 2021 for an amount of €2.300 million and the maturity of €330 million Cyprus T-bills and €580 million of Cyprus Government Bonds during FY2021.

The Group's investments in debt securities amounted to €4.463 million as at 31 December 2021 (31 December 2020: €5.024 million), down by 11% and represented 24% of total assets (31 December 2020: 32%). The net decrease was mainly due to maturities and disposals of debt securities during FY2021. The Group's investments in debt securities comprised mainly high-grade investments in financial institutions senior unsecured bonds, covered bonds, RMBS (Residential Mortgage Backed Security), CLOs (Collateralised Loan Obligations), Cyprus Government Bonds & T-bills and High Yield Corporate bonds through a discretionary Asset Manager mandate.

Investments in financial institutions and securitisations represent 42% and 13% of the Group's investments in debt securities respectively (31 December 2020: 37% and 8% respectively).

The Cyprus Government Bonds & T-bills[27] held by the Group at 31 December 2021 amounted to €1.485 million and compared to €2.443 million as at 31 December 2020, were down by 39%. The decrease was mainly due to maturity of €330 million T-bills and €580 million of Cyprus Government Bonds. Out of the total CGB & T-bills held by the Group, €682 million will mature within a period of less than 1 year and the remaining €803 million will mature within 1 and 5 years.

[26] Prime-1 short term rating by Moody's.
[27] Republic of Cyprus is currently being rated as Ba2 by Moody's, BBB- by Fitch, BBB- by S&P.

1.2.5 Capital Base and Adequacy

The Capital Adequacy Ratios of the Group under Pillar I, **which are above the minimum regulatory requirements**, were as follows:

Capital Adequacy Ratios	Group (transitional basis IFRS 9)[28,29]			Group (fully loaded basis IFRS 9)[28,29]		Minimum regulatory capital requirements (Phase-in)
	31.12.2021	31.12.2020	Δ	31.12.2021	31.12.2020	2021[30]
Capital Adequacy Ratio (%)	21,67%	22,34%	-67 bps	20,96%	21,55%	14,45%
Tier 1 Ratio (%)	21,67%	22,34%	-67 bps	20,96%	21,55%	11,65%
Common Equity Tier 1 (CET 1) Ratio (%)	19,30%	20,01%	-71 bps	18,58%	19,18%	9,55%
Common Equity Tier 1 capital (€million)	1.058	1.112	-5%	1.009	1.052	n/a
Risk Weighted Assets (RWAs) (€million)	5.479	5.556	-1%	5.431	5.485	n/a

The decrease of 71 basis in CET 1 ratio (IFRS 9 transitional basis) compared to 31 December 2020, was the result of the following:

i) decrease in CET1 capital, mainly due to:
   - current year losses (effect of 37 basis points decrease),
   - the prudential provision impact of non-performing exposures as per Regulation (EU) 2019/630, amending Regulation (EU) No 575/2013 as regards to minimum loss coverage for non-performing exposures (Pillar 1 treatment) and as per ECB Addendum to NPL Guidance (2018) and minimum provision coverages for legacy defaulters communicated via SREP assessment (Pillar 2 treatment) is deducted from CET 1 capital (effect of 41 basis points decrease),
   - the change in IFRS 9 transitional arrangements added back to CET 1, reduced from 85% for 2019 and 70% for 2020 to 50% for 2021 and the COVID-19 relief measures as per Regulation (EU) 2020/873 by which post 1 January 2020 expected credit losses on Stages 1 and 2 exposures are added back in CET 1 in a phased-out period of 5 years (100% for 2020 and 2021) (net effect of 19 basis points decrease),

ii) overall decrease in RWAs (effect of 27 basis points increase) mainly due to:
   - the decrease in credit RWAs mainly driven by the decrease in net funded exposures due to repayments and prudential provision shortfalls (as mentioned above), which were subtracted directly from RWAs, partially offset by new lending,
   - the decrease in operational RWAs due to lower net interest income and net non-interest income during the year.

[28] As per Regulation (EU) 2017/2395 issued amending Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9, a portion of the impact of expected credit losses provisions is added back to CET 1 capital allowing for a transitional period of five years until full impact on 2023.

[29] As per Regulation (EU) 2020/873 issued amending Regulation (EU) No 575/2013 and Regulation (EU) 2019/876, effective from June 2020 IFRS 9 transitional arrangements have been extended by 2 years (up until 31 December 2024), for post 1 January 2020 expected credit losses on Stages 1 and 2 exposures which are added back in CET 1 in a phased-out period of five years.

[30] Excluding Pillar II capital guidance (P2G) and based on 2019 SREP which remains in force for 2021 as per ECB's communication received in November 2020, and inclusive of the Pillar II requirement (P2R) amended composition effective from March 2020.

The corresponding capital ratios of the Bank for 31 December 2021 were as follows:

Capital Adequacy Ratios	Transitional basis IFRS 9[28,29]	Fully loaded basis IFRS 9[28,29]
Capital Adequacy Ratio (%)	21,57%	20,87%
Tier 1 Ratio (%)	21,57%	20,87%
Common Equity Tier 1 (CET 1) Ratio (%)	19,22%	18,49%
Common Equity Tier 1 capital (€million)	1.056	1.008
Risk Weighted Assets (RWAs) (€million)	5.497	5.449

Leverage Ratio

As at 31 December 2021 the Leverage Ratio[31], using a transitional Tier capital definition, of the Group was 6,14% (Bank: 6,13%) compared to 7,71% (Bank: 7,69%) as at 31 December 2020. The Leverage Ratio**Error! Bookmark not defined.** for the Group, using a fully loaded Tier capital definition, was 5,90% (Bank: 5,89%) as at 31 December 2021 compared to 7,36% (Bank: 7,35%) as at 31 December 2020.

The Group's Leverage ratio on IFRS 9 transitional basis, which is above the minimum leverage ratio set at 3%, by the amended CRR II[31] rules effective from June 2021, has decreased by 157 basis points compared to 31 December 2020 mainly due to the comparatively higher increase in "Leverage ratio total exposure measure".

The main reason for the increase in "Leverage ratio total exposure measure" was the increase in "Other assets", mainly as a result of the increase in cash and balances with Central Banks. This was primarily as a result of the new TLTRO transaction with ECB amounting to €2,3 billion which is partially offset by the decrease in investments in debt securities mainly due to maturities and disposals. In addition, an add-on for counterparty credit risk for SFTs was included in the Leverage ratio exposure which reduced the ratio by 8 basis points. Although, the methodology for calculating the exposure of derivatives, changed with the introduction of CRR II[31], this has not impacted the Leverage ratio significantly, due to the small size of derivative exposures.

Supervisory Review and Evaluation Process

The ECB did not issue a SREP decision for the 2020 SREP cycle and the requirements established by the 2019 SREP decision continued to apply for 2021, including in particular the decisions on the capital requirements.

The 2021 SREP was based on the final decision received, on 2 February 2022, of ECB's intention to adopt a decision establishing prudential requirements pursuant to Regulation (EU) No 1024/2013 (Article 16(2)(a)). The SREP was conducted pursuant to Regulation (EU) No 1024/2013 (Article 4(1)(f)) and took into account the EBA SREP Guidelines, as well as the findings stemming from the supervisory stress test conducted in 2021. The 2021 SREP requirements are effective from 1 March 2022.

Consequently, the Group is required to maintain, effective from 1 March 2022, on a consolidated basis, a **phased-in Capital Adequacy Ratio of 14,825%** (2021: 14,45%), which includes:

- the minimum Pillar I own funds requirements of 8% in accordance with Article 92(1) of Regulation (EU) No 575/2013 (of which up to 1,5% can be met with Additional Tier 1 Capital and up to 2% with Tier 2 Capital),
- an own funds Pillar II requirement of 3,45% (2021: 3,2%) required to be held in excess of the minimum own funds requirement (P2R to be held in the form of 56,25% of CET 1 capital and 75% of Tier 1 capital), and
- a phased-in combined buffer requirement which for 2022 includes the fully loaded capital conservation buffer of 2,5% which has to be made up with CET 1 capital and the O-SII buffer of 0,875%[32] (2021: 0,75%[33]), with application starting from 1 January 2019 which is phased-in over a period of five years[32].

Based on the 2020 SREP communication, the Pillar II requirement applicable for 2021 stood at 3,2%. Based on the final 2021 SREP letter, the Pillar II requirement, effective from 1 March 2022, has increased to 3,45%.

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[31] Regulation (EU) No 2019/876 (the "CRR II") amending Regulation (EU) No 575/2013 (the "CRR").

[32] In November 2021, the Bank received notification from the CBC that the fully loaded O-SII buffer for the Bank is reduced from 1,5% to 1%. Effective from 1 January 2022 the O-SII buffer for the Bank is 0,875% and from 2023 the O-SII buffer is 1%.

[33] As per CBC circular dated 7 May 2020, the fully-loaded O-SII buffer for the Bank remained at 1,5% for 2021 but with the phasing-in being deferred by 12 months, from the original 4 years. Therefore, the O-SII buffer will be fully phased-in on 1 January 2023, instead of 1 January 2022, as originally set.

Additionally, the combined buffer requirement applicable for the Bank, includes an institution-specific Countercyclical capital buffer (CCyB) calculated as a weighted average of the countercyclical buffer rates that apply in the countries where an institution's credit exposures are located. The CCyB rate for Cyprus, where most of the Bank's exposures are located, was set at 0%, by CBC for 2020 and 2021, as well as for the first quarter of 2022. For the remaining exposures, the CCyB rate for the year ended 31 December 2021 was also 0%.

In addition to the above, the ECB has provided on a consolidated basis, a non-public Pillar II capital guidance (P2G) ratio to be made up entirely of CET 1 capital. The P2G, effective from 1 March 2022, has increased compared to the previous level which was applicable for 2021.

Furthermore, the Bank should continue to refrain from making distributions to its shareholders, as the 2019 SREP decision continued to apply.

Taking the above into consideration, the Group's phased-in minimum **Capital Adequacy Ratio, CET 1 and Tier 1 ratios for 2021 were set at 14,45%, 9,55% and 11,65%** respectively[34], while the Group's phased-in minimum **Capital Adequacy Ratio, CET 1 and Tier 1 ratios, effective from 1 March 2022, are set at 14,825%, 9,815% and 11,965%** respectively[34].

The Capital Adequacy Ratios of the Group, remain above the minimum regulatory requirements based on the final SREP as shown below:

Capital Adequacy Ratios	31.12.2021 (transitional basis IFRS 9)[28,29]	31.12.2021(fully loaded basis IFRS 9)[28,29]	Minimum regulatory capital requirements (Phase-in)
			2022[34]
Capital Adequacy Ratio (%)	21,67%	20,96%	14,825%
Tier 1 Ratio (%)	21,67%	20,96%	11,965%
Common Equity Tier 1 (CET 1) Ratio (%)	19,30%	18,57%	9,815%

Additional information on regulatory capital is provided in the Pillar III disclosures for the year ended 31 December 2021 which are available on the Bank's website www.hellenicbank.com (Investor Relations).

[34] Excluding Pillar II capital guidance (P2G).

1.2.6 Bank Recovery and Resolution Directive (BRRD)

Minimum requirement for own funds and eligible liabilities (MREL)

The Bank, within the framework of the Bank Recovery and Resolution Directive (BRRD), is subject to the minimum requirement for own funds and eligible liabilities (MREL). The framework, which entered into effect on 1 January 2016, provides authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system. This is achieved by requiring banks to have a funding structure with a certain proportion of liabilities that can be written off or converted into equity in the event of a bank failure (that is: "bailed in"). Such liabilities, in combination with equity, are known as MREL.

On 27 June 2019, as part of the reform package for strengthening the resilience and resolvability of European banks, the BRRD II came into effect and it has recently being transposed into National Law. Further to the above, certain provisions on MREL have been introduced in CRR II, which also came into force on 27 June 2019, as part of the reform package and took immediate effect.

The Bank has received a formal notification (the Decision) from the Single Resolution Board (SRB) in December 2021, of its final decision for the binding minimum requirement for own funds and eligible liabilities (MREL) for the Bank.

Accordingly, the minimum MREL requirement for the Bank is set at 24,13% of Total Risk Exposure Amount (TREA) and 5,91% of leverage ratio exposure (LRE) and this must be met by 31st December 2025. Furthermore, the Bank must comply with an interim requirement of 16,57% of TREAs and 5,91% of LRE at 1st January 2022. The own funds used by the Bank to meet the combined buffer requirement (CBR) will not be eligible to meet its MREL requirements expressed in terms of TREAs.

To meet its MREL requirement, the Bank has established a Euro Medium Term Note (EMTN) program of a €1,5 billion size.

The MREL requirement for the final target to be met by 31 December 2025 is expected to change over time due to: (a) possible changes in regulatory capital requirements and/or (b) changes in the financial position of the Bank (such as changes in RWAs, own funds, non-performing exposures). The Bank anticipates that the MREL requirement will be assessed and set on an ongoing basis.

The provisions on disclosures on MREL, as published by the EBA and the SRB, apply from 1st January 2024 at the earliest and the first reference date for reporting in accordance with the implementing technical standards was the 30 June 2021.

2. ECONOMIC ENVIRONMENT

The Cyprus economy entered the COVID-19 crisis in 2020 from a favourable macroeconomic and fiscal position, allowing for a sizeable fiscal support package that offered an effective countercyclical response to the crisis. At the cost of a higher national debt, the emergency measures taken by the Government of the Republic of Cyprus have contained the crisis' devastating effects on production factors. This was made possible by the temporary suspension of the Stability Pact's budget monitoring rules, giving some leeway to EU Member States. This suspension remained in effect in 2021 and therefore 2021's budget continued to provide targeted and temporary support. Similarly, the domestic banking sector entered the crisis with comfortable capital and liquidity buffers and, together with the support of the ECB's accommodative monetary policy, facilitated the provision of credit to the economy.

In 2020, Cyprus has been affected by the global pandemic as well, both in terms of health and economic impact. The Cyprus's GDP declined by 5,0% during 2020, compared to contractions of 5,9% and 6,4% for the EU and EZ economies, respectively. During 2021, Cyprus real GDP increased by 5,5% compared to 2020 pointing towards a gradual return to the normal growth path.

The Cyprus area economy is recovering swiftly despite continued uncertainty related to the coronavirus (COVID-19) pandemic. It rebounded more strongly than expected in the second quarter of 2021 and continued to grow rapidly during the second half of the year. Growth is subsequently expected to remain strong but to gradually normalise. After the annual -2,0% contraction of the economy during the first quarter of 2021, Cyprus GDP increased significantly by 13,3% in 2Q2021. During the third quarter of the year, the growth rate of GDP reached 5,7% compared to the third quarter of 2020, and by 5,9% during the fourth quarter of 2021. For 2021, final consumption expenditure was up by an annual 6,5%, on the back of greater mobility.

The industries most affected by mobility restrictions such as trade, transport, hospitality and other leisure-related industries posted the highest growth rates between April and June. According to available indicators, economic activity is expected to stay strong in the second half of the year. The positive overall assessment for the first half of the year is based on positive trends in employment and household consumption indicators, as well as positive sentiment indicators.

Nevertheless, fears of the Delta variant during the first three quarters of the year, and the emergence of the Omicron Variant, continue to imply downside risks to the recovery. Despite the rise in recorded infections, Cyprus remains on track for a recovery from the COVID-19 shock. Following the 5,20% decline in GDP in 2020, and the real GDP growth of 5,5% in 2021, we expect GDP to expand by 4,2% in 2022. In the medium term, real economic activity is expected to be supported by the funds available under EU's Resilience and Recovery Facility (RRF) where Cyprus is set to receive €1,2 billion between 2021-2026. The funds of the facility aim to achieve the transition to a green economy and the digital transformation of the Cypriot Economy. The Bank, under the initiative for the adoption of Environmental, Social and Governance (ESG) principles, has started the integration of these principles in tis operations that will support at the same time the initiatives developed under the European Facility for Recovery and Resilience.

Risks to the recovery seem more balanced than before but still skewed to the downside. The profile of 2022 outlook will still be largely determined by the spread of the virus. The availability of a vaccine does not alter this profile but reduces the extreme risk in the Bank's baseline scenario. The pace of growth will be dependent again on the degree of support from Government and EU economic policies. Although the developments on COVID-19 effective vaccines raise hopes, significant uncertainties remain. Towards the end of 2021, due to the appearance of the Omicron Variant, the number of daily infections reached their highest level since the beginning of the pandemic. Government introduced a small-scale package of measures in order to contain the spread of the infections that achieved first stabilizing and then reducing the number of the daily infections. If new infections begin to surge or intensify, longer lasting lockdowns might become necessary, with adverse economic consequences.

2. ECONOMIC ENVIRONMENT

Consequences of the recent developments

The labour market was affected negatively by the pandemic, although not in par with the fall in gross domestic product. During 2020, the unemployment rate increased to 7,6% from 7,1% in the previous year. During the first nine months of the year the average unemployment rate was 7,9%. The average unemployment rate for 2021 decreased slightly to 7,5%. Based on the seasonally adjusted data that show the trend of unemployment, the number of registered unemployed during the last quarter of the year 2021 decreased to 13.220 persons in comparison to 32.116 in the corresponding quarter of the previous year. During the first two months of 2022, the number of unemployed persons decreased to 13.985 compared to 30197 in comparison with the first two months of 2021.

In December 2021 the Harmonized Index of Consumer Prices (HICP) increased by 4,8% when compared to the index of December 2020 while, when compared to the index of August 2021, the HICP decreased by 0,2%. During 2021, inflation rate recorded an increase of 2,3% compared to 2020. This increase is mainly driven by the surge in energy prices. The upward inflation trend continued in the first two months of 2022. In January, HICP climbed to 5,0%, and in February increased further to 5,8%.

Unsurprisingly, the fiscal position deteriorated sharply, due to extraordinary interventions to ameliorate the COVID 19 shock. The General Government fiscal results indicate a deficit of 5,7% of GDP for 2020, as compared to a surplus of 1,5% of GDP that was recorded during 2019. The preliminary General Government fiscal results for 2021 indicate an improvement at the deficit that dropped to €409,3 million (1,8% of GDP). The debt to GDP ratio reached 119% at the end of 2020 from 94% the year before, exhibiting an increase of about 24 percentage points of GDP. According to the latest projections from the Ministry of Finance, the debt to GDP ratio is expected to follow a downward trend and fall to 90% by the end of 2024, on the assumption that debt servicing costs will remain low. The ECB's monetary policy is expected to remain highly accommodative at least until the year 2023.

In the banking sector, total non-performing exposures at the end of November 2021 were €4,2 billion or 15,1% of gross loans compared with 17,7% at the end of 2020, while the coverage ratio was 47,7%.

The sovereign risk ratings of the Cyprus Government improved considerably in recent years reflecting improvements in economic resilience and consistent fiscal outperformance. The Republic of Cyprus is currently rated at an investment grade rating of BBB- by S&P and Fitch and at a non-investment grade rating of Ba1 by Moody's. In September 2021 S&P affirmed its rating for Cyprus. Similarly, in April 2021, Fitch affirmed its Cyprus rating and revised its outlook to stable, reflecting the significant impact the global COVID-19 pandemic might have on the Cyprus economy and fiscal position. In July 2021, Moody's upgraded the rating for the Cyprus sovereign to Ba1 from Ba2, one notch below investment grade.

Recent facts and circumstances around COVID-19 suggest that the Cyprus economy is being negatively impacted by the pandemic outbreak and the resulting disruption of economic activity which could primarily impact specific lending portfolios. This development along with the expired loan moratoria to households and businesses, may adversely affect the ability of certain borrowers to repay their obligations and, consequently, the amount of expected credit risk losses. The economic implications depend to a large extent on how long this crisis will last and vary on a case-by-case basis as each sector of the economy is affected differently.

The latest developments in Ukraine and Russia are likely to impact the Cypriot economy given the links of the international services sector and the possible effect in the reduction of the inflows of tourist arrivals from Russia and Ukraine (that constituted on average close to the 25% of total tourist arrivals in the pre-Covid pandemic years), and the effect of higher inflation rates that is caused by higher prices in energy, raw materials and agri-food products. Given the high degree of uncertainty in relation to the longevity and severity of the events, the overall impact on the Cypriot economy remains unclear at this stage. We note that the Bank forecasts for 2022 have been more prudent than the rest of entities (IMF, European Commission, CBC).

3. STRATEGIC TARGETS AND OUTLOOK

In delivering its strategy, Hellenic Bank remains committed to being a strong bank that meets the expectations of its shareholders, employees, clients and the society.

Despite uncertainties, the overarching narrative for Cyprus is positive. The year 2021 closed much stronger than expected (GDP +5.5%) while the GDP in 2022 is expected to grow by 3.8%. Although the Bank maintained the credit quality of the portfolio, as the various Cyprus government and EU support measures are being lifted this could negatively impact specific lending portfolios. This may adversely affect the ability of certain borrowers to repay their obligations and, consequently, the amount of expected credit risk losses.

The Bank is closely monitoring the affected loan portfolio and applies an effective, efficient and comprehensive arrears management of incremental credit risk of the exposures, with the use of early warning triggers and behavioural scoring models, in order to mitigate the risk of potential new defaults. With a sizable part of the loan portfolio already assessed through lifetime provisioning and with a portion of performing loans covered by the Asset Protection Scheme, the overall cost of risk in the short to medium term is expected to remain within reasonable levels.

In these challenging times, the Bank aims to remain in a robust position and will continue focusing on strengthening and improving its market position by supporting the real economy.

The Bank’s strategy comprises of two pillars: growth focused on lending and strengthening of customer relationships and also deleveraging the NPEs portfolio. The Bank intends to continue to carry out its role in supporting viable businesses and households, while safeguarding its shareholders’ value through prudent policies and in line with the Bank’s target risk profile. During 2021 the Bank granted €908m of new lending to viable households and businesses.

At the same time, the Bank is executing a Transformation Plan with the aim to enhance customer experience, increase revenues, whereas at the same time drive efficiency. The Bank’s transformation strategy embraces advancements in technology and analytics and aims for digital enhancements and process streamlining, with emphasis on improving the customer service, as well as exploring value added ESG ventures.

As the world is moving towards a cleaner, more sustainable future, the banking sector can play a decisive role during this transition. Shareholders, regulators, governments and other key stakeholders, recognise the urgency to act and are beginning to exert pressure on financial institutions to mobilise. From strategy setting down to regulatory compliance and disclosures, environmental, social and governance (ESG) priorities are stipulated in response to the stakeholders and market expectations. In this respect, the Bank launched a dedicated ESG department during 2021, within the Bank’s Strategy and Transformation division. With this new set up, the Bank aims to invest further in sustainable development and consistently design its actions to improve the impact on environmental sustainability, social responsibility and corporate governance. The Bank aims to create value through sustainable products and activities and promotion of sustainability goals, in line with the initiatives of the Recovery and Resilience Plan for Cyprus.

An action plan has been initiated towards incorporating the ESG agenda throughout the Bank, embedding clear targets set within strategy, organizational structure and risk management while contributing to the integration of the ESG considerations within the Bank’s culture. The overall responsibility of the development and implementation of the ESG strategy lies with the Internal Governance and Nominations Board committee. As the ESG initiative is part of the Transformation Plan, progress is closely monitored through the Transformation Plan governance.

The Bank is able to effectively tackle its NPEs in an accelerated way and with higher recoveries through its debt servicing platform. Moreover, the Bank remains focused to accelerate the de-risking of its non-performing exposures through portfolio disposals.

3. STRATEGIC TARGETS AND OUTLOOK

The Bank has sufficient liquidity, allowing the exploitation of opportunities in various sectors of the domestic market, with a long-term strategy to selectively expand into other jurisdictions. The Bank aims to continue its pivotal role in the recovery of the real economy supporting creditworthy Cypriot businesses and households with a comprehensive range of quality banking services and within its risk appetite. The focus of new loans will continue to be to companies that increase the competitiveness and productivity of the country, such as in the sectors of retail trade, manufacturing, health, education, energy and renewables, transportation and storage, information and communication and hospitality. At the same time, loans to individuals are geared toward mortgages. Hellenic Bank stands ready to support the needs of all its customers.

The Bank monitors closely the developments in the Cypriot, European and Global economic environment and assessing the situation as it is evolving, whilst continuing the implementation of its strategy. The operating environment remains challenging and the Bank aims to remain vigilant of developments and to turn these challenges into opportunities.

Below we indicate the Medium-Term financial targets:

	2020	**FY2021**	**MTT[35]**
Asset Quality			
NPE Ratio[36]	15,7%	3,4%[37]	c.3%
Cost of Risk[38]	1,02%	1,6%	c. 50 bps
Profitability			
Cost to income ratio[39]	61%	66%	<60%
ROTE	4,8%	(1,1%)	c.7%
Capital & Funding			
CET 1 ratio (transitional basis)	20,0%	19,3%	>14%
Loans / Deposits ratio	43%	38%[37]	>55%
New lending	€1.041 million	€908 million	> €1b p.a.

[35] The Medium-Term Targets (MTT) cover a period of 3-5 years.
[36] Excluding the NPEs covered by the APS agreement.
[37] Pro forma for exposures classified as HFS and the acquisition of Tranche A from RCB Bank.
[38] Adjusted for the amortisation of the APS indemnification asset.
[39] Adjusted for the Deposit Guarantee Scheme contribution and the Special Levy.

4. EVENTS AFTER THE REPORTING PERIOD

Restrictive measures of the Council of the European Union and other sanctions against Russia in response to the crisis in Ukraine / War in Ukraine - Economic consequences / risks and uncertainties

With its announcement on 15 March 2022, the Bank provided the following information relating to the latest developments in Russia and Ukraine, the Bank provides the following update:

- The Bank does not have any commercial banking operations in Russia nor in Ukraine, other than two representative offices in Russia and one in Ukraine. These representative offices are not licenced to offer any banking services and their sole role is for administrative support.

- The Bank has zero exposure to the Russian sovereign and to Russian banks currently under sanctions.

- Balances with subsidiaries of European banks in Russia amount to c.€20 million, all with maturities of less than one week.

- Lending exposure to Russian or Ukrainian individuals or to companies with Russian and Ukrainian ownership through the Bank's International Business Centres in Cyprus amounts to a net book value of c. €35 million. The vast majority of this lending exposure is collateralised with assets in Cyprus, with the source of repayment coming from Cyprus.

- Customer deposits related to Russian and Ukrainian customers account for c. 8% of total customer deposits, which exposure is not material compared to the Bank's overall strong liquidity position, with a Liquidity Coverage Ratio of 499% (compared to a minimum requirement of 100%) as of December 2021.

- In terms of indirect exposure, the Bank acknowledges the likely impact on the Cypriot economy mainly due to the links of the international business services sector, the tourism industry and the real estate market with Russia and Ukraine, as well as the possible inflationary pressures due to higher prices in energy, raw materials and agri-food products. Any such impact could affect the Bank's financial performance through likely lower revenues depending on any economic activity deceleration and possible higher impairment charges as domestic borrowers may have difficulties in servicing their obligations.

The Bank is taking all necessary and appropriate measures to manage all related risks and to comply with the applicable sanctions imposed on Russia. The monitoring of customers has intensified, while transactions are strictly monitored and vetted accordingly.

In conclusion, the Bank expects limited impact from its direct exposure, while any indirect impact will depend on the longevity and severity of the crisis and its impact on the Cypriot economy, which remains uncertain at this stage.

The Bank will continue to monitor the situation, taking all necessary measures to mitigate the impact on its operations and financial performance. Furthermore, once there is more clarity of the impact on its financial performance, the Bank will proceed with further updates if and when necessary.

Agreement to acquire a performing loan portfolio

The Bank announced on 22 March 2022 that it has entered into an agreement to acquire a performing loan portfolio (the “Transaction”) from RCB Bank Limited.

The Transaction involves a performing loan portfolio of gross book value[40] of c.€556 million, related cash collateral[40] and other credit balances[40] of c.€89 million and letters of guarantee of c.€23 million. As part of the Transaction, up to 16 employees from RCB Bank Limited who manage this portfolio will be transferred to the Bank.

The loan portfolio is well collateralised and comprises of performing business loans to 103 borrowers. The loan portfolio comprises: Tranche A (relating to only Cypriot exposures) of c.€292 million and Tranche B of c.€264 million. The acquisition of Tranche A was completed on 24 March 2022, while the acquisition of Tranche B is expected to be completed by 31 May 2022, subject to relevant due diligence, final agreement and all relevant regulatory approvals.

In line with the Bank’s strategy of growing its business in Cyprus, the acquisition increases the Bank’s client base in business lending, provides cross selling opportunities, improves its operating income through higher interest income and creates potential for growing its non-interest income.

[40] With final figures subject to completion and the fair value assessment.

5. APPENDICES

5.1 APPENDIX A: Group Income Statement

GROUP INCOME STATEMENT (€million)	FY2021	FY2020	Δ YoY	4Q2021	3Q2021	Δ QoQ	2Q2021	1Q2021
Continuing Operations								
Interest income	290,0	314,3	-8%	73,3	73,3	+0%	71,6	71,8
Interest expense	(34,0)	(28,9)	+18%	(10,1)	(10,2)	-2%	(7,1)	(6,5)
Net interest income	**256,0**	**285,5**	**-10%**	**63,2**	**63,0**	**+0%**	**64,5**	**65,3**
Fee and commission income	67,5	66,1	+2%	22,1	15,4	+44%	16,7	13,3
Fee and commission expense	(9,3)	(8,4)	+10%	(2,8)	(2,3)	+23%	(1,8)	(2,3)
Net fee and commission income	**58,2**	**57,6**	**+1%**	**19,3**	**13,1**	**+48%**	**14,8**	**11,0**
Net gains on disposal and revaluation of foreign currencies and financial instruments	5,0	13,4	-63%	0,1	1,0	-87%	2,7	1,3
Net income from insurance operations	23,2	23,2	+0%	4,9	4,3	+13%	5,8	8,2
Other income	16,6	11,6	+43%	5,2	2,1	+151%	5,8	3,4
Total net income	**359,0**	**391,2**	**-8%**	**92,7**	**83,4**	**+11%**	**93,6**	**89,2**
Staff costs	(133,7)	(131,1)	+2%	(32,7)	(33,8)	-3%	(33,4)	(33,8)
Depreciation and amortisation	(24,6)	(23,4)	+5%	(6,1)	(6,5)	-5%	(5,9)	(6,0)
Administrative and other expenses	(105,2)	(109,5)	-4%	(29,7)	(26,9)	+10%	(23,8)	(24,8)
Total expenses	**(263,5)**	**(264,0)**	**-0%**	**(68,5)**	**(67,2)**	**+2%**	**(63,2)**	**(64,6)**
Profit before net gains on derecognition of financial assets measured at amortised cost and impairment losses	**95,5**	**127,3**	**-25%**	**24,2**	**16,2**	**+49%**	**30,5**	**24,6**
Net gains on derecognition of financial assets measured at amortised cost	5,9	3,8	+55%	1,0	2,0	-50%	2,0	0,8
Impairment losses on financial instruments	(102,0)	(58,8)	+73%	(57,7)	(14,2)	+307%	(22,3)	(7,9)
Impairment losses on non-financial assets	(6,3)	(12,0)	-47%	(2,6)	(2,2)	+17%	(1,1)	(0,4)
(Loss)/profit before taxation	**(7,0)**	**60,2**	**-112%**	**(35,1)**	**1,809**	**-2.038%**	**9,1**	**17,2**
Taxation	2,7	(10,0)	-127%	4,1	0,3	+1.132%	0,8	(2,5)
(Loss)/profit for the year from continuing operations	**(4,3)**	**50,2**	**-109%**	**(31,0)**	**2,1**	**-1.549%**	**9,9**	**14,7**
Discontinued Operations								
(Loss)/profit for the year from discontinued operations	(7,4)	0,3	-3.003%	(1,7)	(2,1)	-20%	(1,7)	(1,8)
(Loss)/profit for the year	**(11,7)**	**50,5**	**-123%**	**(32,7)**	**0,0**	**+100%**	**8,2**	**12,9**
(Loss)/profit attributable to:								
Shareholders of the parent company from continuing operations	(4,3)	50,2	-109%	(31,0)	2,1	-1.549%	9,9	14,7
Shareholders of the parent company from discontinued operations	(7,4)	0,3	-3.003%	(1,7)	(2,1)	-20%	(1,7)	(1,8)
Non-controlling interests	(0,0)	(0,0)	+0%	(0,0)	(0,0)	+24%	(0,0)	(0,0)
(Loss)/profit for the year	**(11,7)**	**50,5**	**-123%**	**(32,7)**	**0,0**	**+100%**	**8,2**	**12,9**

Note: Numbers may not add up due to rounding.

5.2 APPENDIX B: Group Statement of Financial Position

GROUP STATEMENT OF FINANCIAL POSITION (€million)	31.12.2021	31.12.2020	Δ
Cash and balances with Central Banks	7.346	3.635	+102%
Placements with other banks	408	417	-2%
Loans and advances to customers	5.732	6.097	-6%
Debt securities	4.463	5.024	-11%
Equity and collective investment units	80	67	+18%
Property, plant and equipment	180	183	-2%
Stock of property	169	208	-19%
Intangible assets	47	51	-9%
Tax receivable	3	1	+324%
Deferred tax asset	12	10	+27%
Assets and disposal group held for sale	254	9	+2.812%
Other assets	154	154	-1%
Total assets	**18.848**	**15.857**	**+19%**
Deposits by banks	122	143	-14%
Funding by Central Banks	2.294	0	+100%
Customer deposits and other customer accounts	14.942	14.180	+5%
Tax payable	3	9	-70%
Deferred tax liability	22	29	-24%
Other liabilities	227	239	-5%
Liabilities and disposal group held for sale	3	0	+100%
Loan capital	130	130	0%
Total liabilities	**17.742**	**14.729**	**+20%**
Share capital	206	206	+0%
Reserves	900	921	-2%
Equity attributable to shareholders of the parent company	**1.106**	**1.128**	**-2%**
Non-controlling interest	0	0	17%
Total equity	**1.106**	**1.128**	**-2%**
Total liabilities and equity	**18.848**	**15.857**	**+19%**

Note: Numbers may not add up due to rounding.

5.3 APPENDIX C: Group Statement of Changes in Equity

GROUP STATEMENT OF CHANGES IN EQUITY (€million)

	Attributable to shareholders of the parent company								
	Share capital	**Reduction of share capital reserve**	**Share premium reserve**	**Revenue reserve**	**Translation reserve**	**Revaluation reserves**	**Total**	**Non-controlling interests***	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Balance 1 January 2021	206,4	260,3	553,4	46,2	-	61,6	**1.127,9**	0,0	**1.127,9**
Total comprehensive income/(expenses) for the period net of taxation									
Profit for the period	-	-	-	(11,7)	-		**(11,7)**	0,0	**(11,7)**
Other comprehensive expenses	-	-	-	-	-	(3,5)	**(3,5)**	-	**(3,5)**
Transfer of excess depreciation on revaluation surplus	-	-	-	0,5	-	(0,5)	**-**	-	**-**
	-	-	-	(11,2)	-	(4,0)	**(15,1)**	0,0	**(15,1)**
Transactions with shareholders									
Contributions and distributions									
Derecognition of Defence on deemed dividend distribution liability	-	-	-	(6,6)	-	-	**(6,6)**	-	**(6,6)**
	-	-	-	(6,6)	-	-	**(6,6)**	-	**(6,6)**
Balance 31 December 2021	206,4	260,3	553,4	28,4	-	57,6	**1.106,2**	0,0	**1.106,2**

**Non-controlling interests relates to the non-controlling interests in Pancyprian Insurance Ltd.*

Note: Numbers may not add up due to rounding.

5.4 APPENDIX D: Glossary and Definitions

Name	Definition
API	Alternative Performance Indicators
APS	Asset Protection Scheme
APS Cyprus	APS Debt Servicing Cyprus Ltd
Basic (loss)/earnings per share (EPS)	(Loss)/profit attributable to shareholders of the parent company divided by the weighted average number of ordinary shares outstanding during the period.
Bps	Basis points
Capital adequacy ratio	Total capital divided by Risk Weighted Assets
CBC	Central Bank of Cyprus
CBR	Combined buffer requirement
CCyB	Countercyclical capital buffer
CET 1 ratio	Common Equity Tier 1 capital divided by Risk Weighted Assets
CGBs	Cyprus Government Bonds
CLOs	Collateralised loan obligations
Cost to income ratio (CIR)	Total expenses (as defined) divided by total net income (as defined).
Cost of risk ratio (CoR)	Impairment losses on loan portfolio (excluding the Impact of net modification and cash flows re-estimation) divided by gross loans at the end of the period (annualised).
CRR	Capital Requirements Regulation
DGS	Deposit Guarantee Scheme
EBA	European Banking Authority
ECB	European Central Bank
ECL	Expected Credit Losses
EMTN Programme	Euro Medium-Term Note Programme
ESG	Environmental, Social and Governance
EU	European Union
Exposures classified as HFS (held for sale)	Exposures classified as held for sale, that met the criteria of IFRS 5 for which the Bank is expected to sell within 12 months from the classification date.
EZ	Eurozone
FY	Financial year
GDP	Gross Domestic Product
Gross Loans	Gross carrying amount of loans and advances before deducting accumulated impairment losses
Gross Loans with forbearance measures	Forborne Exposures (EBA definition)
ICT	Information and communications technology
IFRSs	International Financial Reporting Standards
Interest-bearing assets	Consist of Cash and balances with Central Banks, placements with other banks, loans and advances to customers (including loans and advances to customers classified as held for sale), investments in debt securities (excluding any accrued interest) and indemnification assets. For calculating the average of the interest-bearing assets, the Bank uses the arithmetic average of total interest-bearing assets at each reporting date from the beginning of the year.
Investment assets	Investment assets comprise of cash and balances with Central Banks, placements with other banks, investments in debt securities and investments in equity and collective investment units.
KEDIPES	Cyprus Asset Management Company
Leverage ratio (LR)	Tier 1 capital measure divided by the total exposure measure, defined in accordance with the Capital Requirements Regulation (EU) No 575/2013, as amended by Regulation (EU) 2019/876 (Tier 1/total exposure measure).
Liquidity Coverage ratio (LCR)	Liquidity Coverage ratio (LCR) Is the ratio of the Bank's high quality liquid assets over the Bank's expected net liquidity outflows during the next 30 days, as these net outflows are specified under a liquidity stress scenario. The ratio is calculated as per the provisions of the Commission Delegated Regulation (EU) 2018/1620 amending Delegated Regulation (EU) 2015/61 (which supplements Regulation (EU) No 575/2013, as amended by Regulation (EU) 2019/876 with regards to the liquidity coverage requirements for Credit Institutions). At times of stress, institutions may use their liquid assets to cover their net liquidity outflows.
MTT	Medium-Term Targets
MREL	Minimum requirement for own funds and eligible liabilities
Net fee and commission income	Fee and commission income less Fee and commission expense.

Name	*Definition*
Net gains on disposal and revaluation of foreign currencies and financial instruments	*Consist of Gain on disposal and revaluation of foreign currencies, gain on disposal of financial instruments, surplus on revaluation of financial instruments, surplus on revaluation of equity and other securities and changes in the fair value of financial instruments in fair value hedges.*
Net interest income (NII)	*Interest income less interest expense.*
Net Interest Margin ratio (NIM)	*Net interest income (annualised) divided by the average interest-bearing assets (as defined).*
Net loans	*Loans and advances to customers net of accumulated impairment losses.*
Net loans to deposits ratio	*Net loans and advances to customers (as defined) divided by customer deposits and other customer accounts.*
Net NPEs	*NPEs less accumulated impairment losses.*
Net NPEs excl. APS-NPEs	*NPEs (exc. APS-NPEs) less accumulated impairment losses.*
Net NPEs to total assets ratio	*NPEs less accumulated impairment losses divided by total assets.*
Net NPEs excl. APS-NPEs to total assets ratio	*NPEs (exc. APS-NPEs) less accumulated impairment losses (exc. APS-NPEs) divided by total assets.*
Net NPEs collateral coverage ratio	*NPEs Collateral (taking into account tangible collateral, based on open market values, capped at client exposure) divided by NPEs net of accumulated impairment losses.*
Net NPEs collateral coverage ratio (excl. APS-NPEs)	*NPEs Collateral (excl. APS-NPEs collateral) (taking into account tangible collateral, based on open market values, capped at client exposure) divided by NPEs net of accumulated impairment losses (excl. APS-NPEs).*
Non-interest income	*Consists of net fee and commission income, net gains on disposal and revaluation of foreign currencies and financial instruments, net income from insurance operations and other income.*
Non-performing exposures (NPEs)	*Gross non-performing exposures as per applicable EBA definition (new EBA definition was applicable as at 1 January 2021).*
NPEs excl. APS-NPEs	*NPEs (as defined) excluding NPEs covered by the APS.*
NPEs provision coverage ratio	*Accumulated impairment losses divided by gross non-performing exposures.*
NPEs provision coverage ratio (excl. APS-NPEs)	*Accumulated impairment losses (excl. accumulated impairment losses of APS-NPEs) divided by gross NPEs (excl. APS-NPEs).*
Net Stable Funding Ratio (NSFR)	*The amount of available stable funding (the portion of capital and liabilities expected to be reliable over the one-year horizon) over the amount of required stable funding (based on the liquidity characteristics and residual maturities of the various assets held and off balance sheet exposures).*
NPE ratio	*Gross non-performing exposures as per applicable EBA definition (new EBA definition was applicable as at 1 January 2021) divided by gross loans.*
NPE ratio excl. APS-NPEs	*Gross non-performing exposures as per applicable EBA definition (new EBA definition was applicable as at 1 January 2021) excluding NPEs covered by the APS, divided by gross loans.*
Other income	*Consists of Dividend income, Net income from insurance operations, Net gain from the disposal of stock of property held for sale, Net gains from revaluation of investment properties and Sundry income.*
O-SII	*Other Systemically important institution*
P2G	*Pillar II guidance*
P2R	*Pillar II requirement*
PEs	*Performing exposures*
Pro forma for HFS (held for sale)	*References to pro forma figures and ratios as at 31 December 2021 refer to the disposal of two non-performing portfolios. Their completion remains subject to customary, regulatory and other approvals and is currently expected to occur within 2022.*
Project Starlight	*Project Starlight refers to the sale of a NPE portfolio with gross carrying value of c.€0,7 billion as at 31 December 2021. For further information please refer to Section 1.2.3 "Loan Portfolio Quality".*
QoQ	*Quarter on quarter*
REO	*Real estate owned*
Return on tangible equity (ROTE)	*Profit/(loss) attributable to shareholders of the parent company (annualised) divided by average tangible equity attributable to shareholders of the parent company.*
RMBS	*Residential mortgage backed security*
RRF	*Recovery and Resilience Facility*
RWAs	*Risk Weighted Assets*
SFTs	*Securities financing transactions*
SMEs	*Small and Medium sized enterprises*
SRB	*Single Resolution Board*
SREP	*Supervisory Review and Evaluation Process*
Tangible Equity	*Shareholders' equity minus Intangible assets.*
Tangible book value per share (TBVPS)	*Equity attributable to shareholders of the parent company less intangible assets divided by*

	the number of issued shares.
Name	***Definition***
Terminated loans	*The loan contract has been terminated by the Bank and such termination has been notified to the borrower and enforcement proceedings are initiated.*
Tier 1 ratio	*Tier 1 capital divided by Risk Weighted Assets*
TLTROs	*Targeted longer-term refinancing operations*
Total expenses	*Consist of Staff costs, Depreciation and amortisation and Administrative and other expenses.*
Total net income	*Consists of Net interest income (as defined) and Non-interest income (as defined).*
TREA	*Total risk exposure amounts*
YoY	*Year on year*

Basis of preparation of the Commentary on the Group Financial Results for the year ended 31 December 2021

The Commentary on the Group Financial Results for the year ended 31 December 2021 including Appendices (the "Commentary") is neither reviewed nor audited by the external auditors.

The purpose of the Commentary is to provide an overview of the Group Financial Results for the year ended 31 December 2021.

The Commentary should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2021 and the Presentation of the Group Financial Results for the year ended 31 December 2021. Neither the Commentary nor the Presentation constitute statutory financial statements prepared in accordance with International Financial Reporting Standards.

The Commentary on the Group Financial Results for the year ended 31 December 2021, Consolidated Financial Statements for the year ended 31 December 2021 and the Presentation of the Group Financial Results for the year ended 31 December 2021 have been posted on the Group's website www.hellenicbank.com (Investor Relations).

Disclaimer - Forward looking statements

Certain statements in the Commentary on the Group Financial Results include discussions with respect to the business strategy and plans of the Hellenic Bank Group (term which includes the Hellenic Bank Public Company Ltd and its subsidiary and associate companies) (the "Group"), its current goals and expectations, its projections, beliefs, possibilities relating to its future financial condition and performance are forward-looking.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. Therefore, these risks and uncertainties could adversely affect the outcome and financial effect of what is described herein, and the audience of the Commentary are cautioned not to place undue reliance on such forward-looking statements. When relying on forward-looking statements, readers should carefully consider that there are important factors that could cause actual results to differ materially from those in forward-looking statements, certain of which are beyond the control of the Group, including, but not limited to, domestic and global economic and business conditions, market related risks such as interest or exchange rate risk, unexpected changes to regulation, competition, technological conditions and other. The forward-looking statements contained in the Commentary are made as at the date of the Commentary and the Group undertakes no obligation to update or revise any of same unless otherwise required by applicable law. Analyses and opinions contained herein may be based on assumptions and projections that, if altered, can change the analyses or opinions expressed.