EUROBANK
Cyprus

EUROBANK CYPRUS LTD

Condensed Interim Financial Statements

For the six months ended 30 June 2022

Eurobank Cyprus Ltd

Condensed interim financial statements for the six months ended 30 June 2022

Contents

KPMG Limited
Chartered Accountants
14 Esperidon Street, 1087 Nicosia, Cyprus
P.O. Box 21121, 1502 Nicosia, Cyprus
T: +357 22 209000, F: +357 22 678200

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

To the Board of Directors of Eurobank Cyprus Limited

Introduction

We have reviewed the accompanying interim balance sheet of Eurobank Cyprus Limited as at 30 June 2022, the interim income statement and the interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial statements ('the condensed interim financial statements'). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as at 30 June 2022 are not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".

Limassol
P.O. Box 50161, 3601
T: +357 25 869000
F: +357 25 363842

Larnaca
P.O. Box 40075, 6300
T: +357 24 200000
F: +357 24 200200

Paphos
P.O. Box 60288, 8101
T: +357 26 943050
F: +357 26 943062

Paralimni / Ayia Napa
P.O. Box 33200, 5311
T: +357 23 820080
F: +357 23 820084

Polis Chrysochous
P.O. Box 66014, 8330
T: +357 26 322098
F: +357 26 322722

KPMG

Other matter

The comparative information in the interim income statement and the interim statement of comprehensive income, the interim statements of changes in equity and cash flows for the six-month period ended 30 June 2021 and any related notes for the same period included in the accompanied condensed interim financial statements of the Bank were not subject to our review.

KPMG Limited

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia, Cyprus

29 July 2022

Eurobank Cyprus Ltd

Interim Income Statement

	Note	Six months ended 30 June 2022 €'000	2021 €'000
Interest income calculated using the effective interest method	5	**50.157**	41.903
Other interest income	5	**5.875**	2.854
Interest expense calculated using the effective interest method	5	**(4.193)**	(5.320)
Other interest expense	5	**(1.738)**	(412)
Net interest income		**50.101**	39.025
Banking fee and commission income	6	**21.276**	17.508
Banking fee and commission expense	6	**(3.629)**	(3.107)
Net banking fee and commission income		**17.647**	14.401
Net trading income	7	**727**	17
Net gains from other financial instruments	8	**178**	124
Other income		**5**	-
Net other operating income		**910**	141
Operating income		**68.658**	53.567
Operating expenses	9	**(22.011)**	(21.306)
Profit from operations before impairments and provisions		**46.647**	32.261
Impairment allowance on loans and advances	10	**(1.760)**	(2.965)
Reversal of other impairment allowances and provisions	11	**410**	848
Profit before tax and government levies		**45.297**	30.144
Government levy on customer deposits	24	**(2.475)**	(2.063)
Income tax expense	12	**(5.616)**	(4.031)
Profit for the period		**37.206**	24.050

The notes on pages 10 to 53 form an integral part of these interim financial statements.

Eurobank Cyprus Ltd

Interim Statement of Comprehensive Income

	Six months ended 30 June			
	2022		2021	
	€'000		€'000	
Profit for the period		**37.206**		24.050
Other comprehensive income/(loss):				
Items that are or may be subsequently reclassified to income statement:				
Debt securities at FVOCI				
- net changes in fair value, net of tax	**(30.236)**		(2.632)	
- reclassified to income statement, net of tax	**(154)**	**(30.390)**	(218)	(2.850)
Other comprehensive loss for the period, net of tax		**(30.390)**		(2.850)
Total comprehensive income for the period		**6.816**		21.200

The notes on pages 10 to 53 form an integral part of these interim financial statements.

Eurobank Cyprus Ltd

Interim Balance Sheet

	Note	30 June 2022 €'000	31 December 2021 €'000
Assets			
Cash and balances with central banks	13	**3.018.329**	2.843.751
Due from credit institutions	14	**1.567.008**	1.626.798
Derivative financial instruments	15	**30.699**	18.539
Loans and advances to customers	16	**2.722.593**	2.600.550
Investment securities	17	**1.297.644**	1.016.938
Investments in subsidiaries	18	**10**	10
Property, plant and equipment	19	**26.131**	27.728
Intangible assets	20	**19.905**	18.851
Deferred tax assets	12	**2.271**	1.779
Other assets	21	**1.244**	1.922
Total assets		**8.685.834**	8.156.866
Liabilities			
Due to central banks	22	**603.046**	607.747
Due to credit institutions	23	**390.398**	268.465
Derivative financial instruments	15	**1.140**	9.265
Due to customers	24	**7.019.172**	6.619.640
Current tax liabilities		**7.414**	2.424
Deferred tax liabilities	12	**1.022**	363
Other liabilities	25	**85.353**	77.489
Total liabilities		**8.107.545**	7.585.393
Equity			
Share capital	26	**12.010**	12.010
Share premium	26	**245.384**	245.384
Other reserves		**(30.516)**	(126)
Retained earnings		**351.411**	314.205
Total equity		**578.289**	571.473
Total equity and liabilities		**8.685.834**	8.156.866

On 29 July 2022 the Board of Directors of Eurobank Cyprus Ltd authorised the issuance of these financial statements.

Oliver Ellingham, Chairman of the Board of Directors

Michalis Louis, Chief Executive Officer

Demetris Shacallis, Chief Financial Officer

The notes on pages 10 to 53 form an integral part of these interim financial statements.

Eurobank Cyprus Ltd

Statement of Changes in Equity

	Share capital €'000	Share premium €'000	Fair value reserve €'000	Retained earnings €'000	Total equity €'000
Balance at 1 January 2021	**12.010**	**245.384**	**7.380**	**261.928**	**526.702**
Profit for the period	-	-	-	24.050	**24.050**
Other comprehensive loss for the period	-	-	(2.850)	-	**(2.850)**
Total comprehensive income for the period	**-**	**-**	**(2.850)**	**24.050**	**21.200**
Balance at 30 June 2021	**12.010**	**245.384**	**4.530**	**285.978**	**547.902**
Balance at 1 January 2022	**12.010**	**245.384**	**(126)**	**314.205**	**571.473**
Profit for the period	-	-	-	37.206	**37.206**
Other comprehensive loss for the period	-	-	(30.390)	-	**(30.390)**
Total comprehensive income for the period	**-**	**-**	**(30.390)**	**37.206**	**6.816**
Balance at 30 June 2022	**12.010**	**245.384**	**(30.516)**	**351.411**	**578.289**

The notes on pages 10 to 53 form an integral part of these interim financial statements.

Eurobank Cyprus Ltd

Interim Cash Flow Statement

	Note	Six months ended 30 June 2022 €'000	2021 €'000
Cash flows from operating activities			
Profit before tax and government levies		**45.297**	30.144
Adjustments for:			
Amortisation of intangible assets	9	**487**	682
Depreciation of property, plant and equipment	9	**2.143**	2.240
Loss on disposal/write-offs of property, plant and equipment		**2**	-
Impairment allowance on loans and advances to customers	10	**891**	3.141
Impairment allowance/(reversal of impairment allowance) on investment securities		**4.504**	(212)
Reversal of impairment allowance on balances with central banks	11	**(10)**	(8)
Reversal of impairment allowance on due from credit institutions	11	**(28)**	(31)
Impairment allowance/(reversal of impairment allowance) on credit related commitments and contingent liabilities	10	**869**	(176)
Interest income on investment securities	5	**(9.388)**	(7.747)
Foreign exchange differences on investing activities		**(44.153)**	(9.030)
Foreign exchange differences on impairment allowance on loans and advances to customers		**(25)**	23
Foreign exchange differences on right-of-use assets		**(8)**	(3)
Net gains on disposal of investment securities at FVOCI	8	**(122)**	(56)
Net (gains)/losses on disposal of investment securities at FVTPL	8	**(157)**	47
Net losses/(gains) on revaluation of investment securities at FVTPL	8	**101**	(115)
		403	18.899
Changes in operating assets and liabilities			
Net increase in cash and balances with central banks	13	**(7.031)**	(2.602)
Net decrease in due from credit institutions	14	**28**	31
Net increase in derivative financial instruments	15	**(20.285)**	(49.930)
Net increase in loans and advances to customers	16	**(122.909)**	(95.192)
Disposals, write-offs and adjustments to right-of-use assets		**25**	25
Net decrease in other assets	21	**678**	66
Net (decrease)/increase in due to central banks	22	**(4.701)**	61.678
Net increase in due to credit institutions	23	**121.933**	18.251
Net increase in due to customers	24	**399.532**	447.148
Net increase in other liabilities	25	**8.237**	3.246
		375.507	382.721
Government levy on customer deposits paid	24	**(2.475)**	(2.063)
Income tax paid	12	**(459)**	(547)
Net cash flows from operating activities		**372.976**	399.010
Cash flows from investing activities			
Purchases of intangible assets		**(1.541)**	(2.314)
Purchases of property, plant and equipment		**(564)**	(563)
Proceeds from disposals, maturities and redemptions of investment securities		**167.713**	324.272
Payments for acquisition of investment securities		**(439.014)**	(212.397)
Interest received on investment securities		**9.419**	11.774
Net cash flows used in/(from) investing activities		**(263.987)**	120.772
Cash flows from financing activities			
Payment of lease liabilities		**(1.242)**	(1.243)
Net cash flows used in financing activities		**(1.242)**	(1.243)
Net increase in cash and cash equivalents		**107.747**	518.539
Cash and cash equivalents at beginning of period	31	**4.408.819**	3.525.701
Cash and cash equivalents at end of period	31	**4.516.566**	4.044.240

The notes on pages 10 to 53 form an integral part of these interim financial statements.

Notes to the interim financial statements

1 General information

Eurobank Cyprus Ltd ("the Bank") is a company domiciled and incorporated in Cyprus as a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. Its registered office and business address is at 41 Arch. Makariou III Avenue, 5th floor, 1065 Nicosia, Cyprus.

The principal activity of the Bank, which is unchanged from last year, is the provision of banking and financial services.

These interim financial statements were approved by the Board of Directors on 29 July 2022.

2 Basis of preparation and principal accounting policies

These interim condensed financial statements have been prepared in accordance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" as endorsed by the European Union (EU). The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements for the year ended 31 December 2021. Where necessary, comparative figures have been adjusted to conform to changes in the presentation in the current period or to reflect changes in the accounting policies that were applied in the year ended 31 December 2021 (note 2.1.1 of the financial statements for the year ended 31 December 2021). Unless indicated otherwise, financial information presented in Euro has been rounded to the nearest thousand.

The accounting policies and methods of computation in these interim financial statements are consistent with those in the financial statements for the year ended 31 December 2021, except as described below (note 2.1).

Going concern considerations

The interim financial statements have been prepared on a going concern basis, as the Board of Directors considered as appropriate, taking into consideration the following:

a) Position of the Group

In the first half of 2022, the war in Ukraine has negatively affected the short - and medium - term prospects of Greece and the other countries in which the Eurobank Group has a substantial presence by causing disturbances in supply chains and global trade, increase in uncertainty and energy prices. It will likely cause a deceleration of growth in the short term and an increase in inflation. Specifically in Greece, according to Hellenic Statistical Authority (ELSTAT), the Harmonised Index of Consumer Prices (HICP) increased by 11,6% on an annual basis in June 2022, driven by the rise in energy, food, and transportation prices, compared to 0,6% in June 2021. In its summer economic forecasts, the European Commission (EC) expects that the inflation rate will close at 8,9% in 2022 due to increased energy and fuel costs and their secondary impact on the other sectors of the economy, before declining to 3,5% in 2023. Nevertheless, according to ELSTAT the Greek economy exhibited notable resilience in the first quarter of 2022, growing by 2,3% on a quarterly basis (or 7,0% on an annual basis). The EC, in its summer economic forecasts (July 2022), estimates that the Greek economy will grow by 4% in 2022 and by 2,4% in 2023 (2021: 8,3%).

2 Basis of preparation and principal accounting policies (continued)

Going concern considerations (continued)

a) Position of the Group (continued)

On the fiscal front, according to the Stability Program for 2022 as of early June 2022, the general government's balance in European System of Accounts (ESA 2010) terms in 2022 is expected to register a primary deficit of 2% of GDP as a result of the implementation of public support measures of €4,1bn aiming to address the economic and social effects of the Covid-19 pandemic, and €8,4bn (at a fiscal cost of €3,2bn) aiming to alleviate the effects of the energy crisis and the inflationary pressure. The gross public debt-to-GDP ratio is expected to decline to 180,2% and 168,6% in 2022 and 2023 respectively (2021: 206,3%).

A significant boost to growth is expected in Greece and in other countries of presence from the European Union (EU) funding mainly under the EC's Next Generation EU (NGEU) and the EU's Multiannual Financial Framework (MFF).

On the monetary policy front, although net bond purchases under the temporary Pandemic Emergency Purchase Programme (PEPP) ended in March 2022, as scheduled, the European Central Bank (ECB) will continue to reinvest principal from maturing securities at least until the end of 2024, including purchases of Greek Government Bonds (GGBs) over and above rollovers of redemptions. Furthermore, on 15 June 2022, the ECB announced that a new instrument aimed at preventing fragmentation in the sovereign bonds market is under development.

Regarding the outlook for the next 12 months some of the macroeconomic risks and uncertainties in Greece and the region are as follows: (a) the ongoing Russian invasion in Ukraine, and its ramifications on the regional and global stability and security, the European and Greek economy, and the energy sector in particular, (b) a prolongation of the disruption of the global supply chain and the ongoing inflationary wave, (c) the ongoing and the upcoming announced increases in the interest rates worldwide, and in the Euro Area in particular, that may exert upwards pressures on sovereign and private borrowing costs, (d) the evolution of the Covid-19 pandemic and its repercussions at a national and worldwide scale, (e) the geopolitical developments in the near region, and fl) the exacerbation of natural disasters due to the climate change and their effect on GDP, employment and fiscal balance.

Materialisation of the above risks including those related to increased energy prices and inflation, could decelerate the pace of expected growth. The Russian invasion in Ukraine poses uncertainties in global economy and international trade with far-reaching and long-term consequences. However, the risks coming from the geopolitical upheaval could be potentially mitigated with coordinated measures at the European level, as per the pandemic precedent. In this context, the Group holds non-significant exposure in Russian assets, is continuously monitoring the developments on the macroeconomic and geopolitical fronts and has increased its level of readiness, so as to accommodate decisions, initiatives and policies to protect its capital and liquidity standing as well as the fulfilment, to the maximum possible degree, of its strategic and business goals in accordance with the business plan for 2022-2024.

2 Basis of preparation and principal accounting policies (continued)

Going concern considerations (continued)

b) The Cyprus economy

The Cypriot economy staged a strong recovery in 2021 and continued to surprise on the upside in the first months of 2022. Cyprus' seasonally adjusted GDP grew by an annualised 5,6% in the 1Q 2022, compared with 5,9% in the 4Q 2021, on the back of sizeable policy support and helped by the faster-than-expected recovery of tourism and the continuing expansion of exports of other services.

This was the fourth consecutive quarter of economic expansion, which was mainly attributed to the sectors: Hotels and Restaurants, Transport and Storage, Wholesale and Retail Trade, Repair of Motor Vehicles, Entertainment and Recreation and Other Service Activities.

For the remaining year, growth is expected to be set back by the fallout from geopolitical tensions and by the tightening of financial conditions. On the other hand, investment spending under the Cyprus's Recovery and Resilience Plan, combined with structural reforms, provide a cushion and improve medium-term growth prospects.

In its summer economic forecasts published on 14 July 2022, European Commission projects Cyprus real GDP to grow by 3,2% in 2022 and 2,1% in 2023. According to the same report, Euro area real GDP is forecast to grow by 2,6% in 2022 and 1,4% in 2023. Economic forecasts have been adjusted downwards since the beginning of the year, as the protracted war in Ukraine and high inflation are taking a toll on the global economy.

The Ministry of Finance projects that GDP growth for 2022 will range between 2-3%, down from the initial estimation of around 5%.

Data published by the Central Bank of Cyprus showed that the Residential Property Price Index recorded an increase of 1,1% q-o-q in 1Q 2022 (vs a q-o-q increase of 1,3% in 4Q 2021) and an increase of 3,2% y-o-y (vs a y-o-y increase of 2,6% in 4Q 2021).

According to CYSTAT, tourist arrivals in the period from January – May 2022 were 849.058, recording a 441% increase when compared to the same period in 2021 and an increase of 244% when compared to the same period in 2020. Despite the significant increase over the last two years, tourist arrivals remain 24% below pre-pandemic levels and the respective period in 2019. Nevertheless, the sector outlook remains positive for the summer season and industry executives appear optimistic that tourists from other markets will cover big part of the shortfall. Revenues from tourism in the period January – April 2022 were estimated at €322 million, notably higher than the €46,3 million and €115,3 million in the same months in 2021 and 2020 respectively, but lower than the revenues of €375,2 million recorded in the same period in 2019.

Inflation edged up, driven mainly by higher energy prices. Consumer prices recorded a growth of 9,6% in June 2022, compared with June 2021, mostly driven by increases in the cost of Transport and Housing, Water, Electricity, Gas and Other Fuels components. HICP inflation in May 2022 increased by 8,8% compared with an increase of 8,6% in April 2022. For the period January-May 2022, it stood at 6,9%.

Employment conditions reflect the improvements in economic activity. Seasonally adjusted unemployment stood at 4,8% in May 2022, recording a notable decrease when compared to 9% in May 2021.

2 Basis of preparation and principal accounting policies (continued)

Going concern considerations (continued)

b) The Cyprus economy (continued)

According to the preliminary General Government fiscal results (prepared by CYSTAT), fiscal accounts show a surplus of €170,6 million (0,7% of GDP) for the period of January – May 2022, as compared to a deficit of €537,8 million (2,3% of GDP) that was recorded during the period of January – May 2021. The improvement in the fiscal performance is a result of both an increase of €613,3 million (+17,4%) in total revenues which amounted to €4.054,1 million and a €95,2 million (-2,4%) decrease in total expenditures, which stood at €3.883,5 million. Primary balance recorded a surplus of €340,8 million versus a deficit of €347,1 million during January – May 2021.

General Government debt is estimated at €24,2bn at the end May 2022, roughly unchanged from the levels at the end of 2021. In January 2022, the Government proceeded with a new benchmark issue totaling €1.000 million in 10-year bonds with a coupon of 0,95%, while in May 2022 it repaid the maturity of a 7-year bond with a coupon of 3,875% and a total notional of €1,000 million. Government debt to GDP stood at 104% at the end 2021, compared to 115% in 2020 as a result of the solid GDP growth and increased repayments by the Government on the backdrop of stronger than expected fiscal performance. According to the Ministry of Finance, the target is for the debt to GDP ratio to be further reduced to 94% by the end of 2022.

Cyprus credit ratings remained unchanged, with S&P assigning a BBB- (Stable), Fitch a BBB- (Stable) and Moody's Ba1 (Stable) ratings.

The liquidity in the banking sector has remained high and capital ratios broadly stable. Local banks continue their deleveraging efforts as evidenced by the reduction in non-performing loans (NPLs). NPLs dropped from €5,1bn at the end of 2020 and €3,0bn in November 2021 to €2,9bn (or 11,4% of gross loans) on 31 March 2022, recording a decrease of 2,6% when compared to 31 December 2021.

The coverage ratio stood at 45,7% on 31 March 2022 compared with 43,1% at the end of December 2021. Notably, during the period between 31 December 2017 – 31 March 2022, there has been an overall reduction in NPLs of €17,7bn or 85,8%. Further sales of NPL portfolios are expected in the coming months.

The outlook remains uncertain to some extent with risks from an escalation and prolonged duration of the war and sanctions, rising inflation expectations in advanced economies, and re-emergence of severe Covid-19 variant. The Bank will continue to closely monitor the different risks and the developments affecting the macroeconomic and geopolitical outlook so that they are effectively and timely managed. In addition, the Bank complies with the coordinated sanctions imposed by the USA, EU, UK and other countries against Russia, Belarus and to specific legal entities and physical persons.

c) Going concern assessment

Taking into consideration the factors mentioned earlier on, as well as the Bank's financial, capital and liquidity position as reflected by its strong financial indicators, the Board of Directors is satisfied that the interim financial statements of the Bank can be prepared on a going concern basis.

2 Basis of preparation and principal accounting policies (continued)

2.1 New and amended standards and interpretations adopted

The following amendments to standards as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU) that are relevant to the Bank's activities apply from 1 January 2022:

IFRS 3, Amendments, Reference to the Conceptual Framework
The amendments to IFRS 3 "Business Combinations" updated the reference to the current version of Conceptual Framework while added a requirement that, for obligations within the scope of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. In addition, for a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy exists at the acquisition date.

Moreover, the issued amendments added a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition in a business combination at the acquisition date.

The adoption of the amendments had no impact on the interim financial statements.

Annual improvement to IFRSs 2018-2020 cycle: IFRS1, IFRS9 and IFRS 16
The improvements introduce changes to several standards. The amendments that are relevant to the Bank's activities are set out below:

The amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards" provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result, the amendment allows entities that have elected to measure their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported in the parent's consolidated financial statements. This amendment also applies to associates and joint ventures that have taken the same IFRS 1 exemption.

The amendment to IFRS 9 "Financial Instruments" clarifies which fees should be included in the 10% test for derecognition of financial liabilities. The fees to be included in the assessment are only those paid or received between the borrower (entity) and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment to IFRS 16 "Leases" removes the illustration of the reimbursement of leasehold improvements, in order to avoid any potential confusion about the treatment of lease incentives. The adoption of the amendments had no impact on the interim financial statements.

IAS 37, Amendments, Onerous Contracts – Costs of Fulfilling a Contract
The amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' clarify which costs to include in determining the cost of fulfilling a contract when assessing whether a contract is onerous. In particular, the direct costs of fulfilling a contract include both the incremental costs and an allocation of other costs directly related to fulfilling contracts' activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The adoption of the amendments had no impact on the interim financial statements.

Notes to the interim financial statements

3 Significant accounting estimates and judgments in applying accounting policies

In preparing these interim financial statements, the significant estimates, judgments and assumptions made by Management in applying the Bank's accounting policies and the key sources of estimation uncertainty are the same as those applied in the financial statements for the year ended 31 December 2021.

Further information about the key assumptions and sources of estimation uncertainty are set out in notes 12, 27 and 29.

3.1 Impairment losses on loans and advances to customers

During the first half of 2022, the performance of the Bank's lending exposures continued its strong trend, as it turns out by the portfolio growth and low NPE ratio.

However, the Russian invasion in Ukraine and the resulting geopolitical crisis along with the spike in the inflation, especially in energy and raw materials prices, have cast uncertainty on the macroeconomic environment in the economies in which the Bank operates.

The resulting conditions have and may continue to slow down the positive pace of the economic growth, put more pressure on vulnerable corporate borrowers, such as those that operate in the food industry, the supply of raw materials for the construction sector etc. and possibly affect the available income and the debt capacity of the retail customers. The level of the economies' disruption depends on the duration of the war, the effect of the sanctions, as well as the effectiveness of the fiscal measures aiming to alleviate the impact of the rising prices.

In this context, the Bank applied reasonable changes in the forecasts of key macroeconomic variables used in the IFRS 9 expected credit losses models, reinforced the monitoring of the potentially affected by the crisis corporate borrowers and assessed that the credit outlook of its lending portfolios remained stable at 30 June 2022, within the current macroeconomic environment that still evolves.

The Bank remains cautious for any developments in the macroeconomic and geopolitical fronts, so as to revise its estimates and assumptions applied to the assessment of impairment losses as appropriate.

Notes to the interim financial statements

4 Capital management

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, processes and policies from previous periods.

The Bank has complied with all externally imposed capital requirements throughout the current period and prior year.

The Bank's Capital Adequacy position is presented in the following table:

	30 June 2022 €'000	31 December 2021 €'000
Ordinary shareholders' equity	**578.289**	571.473
Less: other regulatory adjustments	**(20.108)**	(18.828)
Total Tier 1 capital	**558.181**	552.645
Total regulatory capital	**558.181**	552.645
Risk Weighted Assets	**2.147.176**	2.176.405

	30 June 2022 %	31 December 2021 %
Ratios:		
Core Tier 1	**26,0**	25,4
Tier 1	**26,0**	25,4
Capital Adequacy Ratio	**26,0**	25,4

Based on Council Regulation No 1024/2013, the ECB conducts annually a Supervisory Review and Evaluation Process ("SREP") in order to define the prudential requirements of the institutions under its supervision. The key purpose of the SREP is to ensure that institutions have adequate arrangements, strategies, processes and mechanisms as well as capital and liquidity to ensure a sound management and coverage of their risks, to which they are or might be exposed, including those revealed by stress testing and risks the institution may pose to the financial system.

4 Capital management (continued)

According to the 2021 SREP decision, for 2022, the Bank was required to meet on an individual basis a Total SREP Capital Requirement (TSCR) of at least 10,25% (consisting of the minimum requirement of 8% for Pillar 1 risks and a Pillar 2 requirement of 2,25%) and an Overall Capital Requirement (OCR) of at least 13,375% (consisting of the TSCR plus the Capital Conservation Buffer of 2,5% and the Other Systemically Important Institutions Buffer of 0,625%). Moreover, based on the SREP decision, the ECB expects the Bank to adhere to a Pillar 2 guidance of 1,5%, which is over and above the OCR, bringing the total OCR and Pillar 2 guidance to 14,875%.

However, in accordance with the ECB's measures to address the effects of Covid-19, banks are allowed, among others, to operate below the level of capital defined by the Pillar 2 Guidance and, without prejudice to the restrictions set out in CRD IV, the Combined Buffer Requirement (i.e. Capital Conservation Buffer, Countercyclical Capital Buffer, Other Systemically Important Institutions Buffer) until the end of 2022. According to the FAQs published by the ECB, the above allowance provided to banks to operate below the combined buffer requirement results in the ECB taking a flexible approach to approving capital conservation plans that banks are legally required to submit if they breach that requirement.

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the European Union and the Central Bank of Cyprus.

Further disclosures regarding capital adequacy in accordance with the Capital Requirements Regulation (EU) No 575/2013 as amended by CRR II are provided in the Pillar III Disclosures Reports published on the Bank's website (www.eurobank.com.cy).

Minimum Requirements for Eligible Own Funds and Eligible Liabilities (MREL)

Under the Directive 2014/59 (Bank Recovery and Resolution Directive or BRRD), as amended by Directive 2019/879 (BRRD II), which was transposed into the Cyprus legislation pursuant to Business of Credit Institutions Laws of 1997 (as amended from time to time thereafter) and the Resolution of Credit Institutions and Investment Firms Law of 2016 (22(I)/2016) (as amended from time to time thereafter), European banks are required to meet the minimum requirement for own funds and eligible liabilities (MREL). The Single Resolution Board (SRB) has determined Eurobank S.A. as the Group's resolution entity and a Single Point of Entry (SPE) strategy for resolution purposes. The Bank is assessed by the SRB as a Material Legal Entity of the resolution group.

Based on the latest official SRB's decision in November 2021, the fully calibrated MREL (final target) to be met by the Bank by 1 January 2024 is set at 25,65% of its total risk weighted assets (RWAs), including a fully-loaded combined buffer requirement (CBR) of 3,25%. The final MREL target is updated by the SRB on an annual basis.

The interim binding MREL target, which is applicable from 1 January 2022, stands at 25,215% of RWAs, including a CBR of 3,125%. As at 30 June 2022, the Bank's MREL ratio stands at 27,39% of RWAs including profit for the period ended 30 June 2022 (31 December 2021: 25,39%), which is above the aforementioned interim binding MREL target.

Notes to the interim financial statements

5 Net interest income

	Six months ended 30 June 2022 €'000	Six months ended 30 June 2021 €'000
Interest income		
Interest income calculated using the effective interest method		
Interest from amounts due from credit institutions - *measured at amortised cost*	**1.619**	1.948
Interest from loans and advances to customers - *measured at amortised cost*	**39.150**	32.208
Interest from investment securities		
- *measured at amortised cost*	**6.745**	4.737
- *measured at FVOCI*	**2.643**	3.010
Total interest income calculated using the effective interest method	**50.157**	41.903
Other interest income		
Interest from derivative financial instruments - *measured at FVTPL*	**5.875**	2.750
Interest from loans and advances to customers - *measured mandatorily at FVTPL*	**-**	104
Total other interest income	**5.875**	2.854
Interest expense		
Interest expense calculated using the effective interest method		
Interest on due to credit institutions - *measured at amortised cost*[1]	**3.088**	1.804
Interest on due to customers - *measured at amortised cost*	**(1.543)**	(3.732)
Negative interest on financial assets	**(5.603)**	(3.244)
Interest on lease liabilities	**(130)**	(144)
Other interest expense	**(5)**	(4)
Total interest expense calculated using the effective interest method	**(4.193)**	(5.320)
Other interest expense		
Interest on derivative financial instruments - *measured at FVTPL*	**(1.738)**	(412)
Total other interest expense	**(1.738)**	(412)
Net interest income	**50.101**	39.025

[1]Includes the benefit attached to the TLTRO III program (note 22).

6 Net banking fee and commission income

	Six months ended 30 June 2022 €'000	2021 €'000
Banking fee and commission income		
Bank transfer commissions	**5.407**	4.749
Other fees and commissions	**15.869**	12.759
Total banking fee and commission income	**21.276**	17.508
Banking fee and commission expense		
Fees on lien agreements (note 32)	**(1.439)**	(1.136)
Other fees and commissions	**(2.190)**	(1.971)
Total banking fee and commission expense	**(3.629)**	(3.107)
Net banking fee and commission income	**17.647**	14.401

The following table includes net banking fees and commission income from contracts with customers in the scope of IFRS 15, disaggregated by major type of services:

	Six months ended 30 June 2022 €'000	2021 €'000
Lending related activities	**1.153**	1.115
Wealth management	**3.695**	2.553
Network and other transactional activities	**16.428**	13.840
Total banking fee and commission income	**21.276**	17.508
Fee and commission expense	**(3.629)**	(3.107)
Net banking fee and commission income	**17.647**	14.401

The Bank recognises revenue when it transfers control over a service to a customer.

The Bank earns fee income from a range of services it provides to its clients. The major categories are the below:

- *Banking services including account management, granting of credit facilities, foreign currency transactions, credit card and other service fees*
  Revenue from account and servicing fees is recognised over time as the services are provided (i.e. charged on a monthly basis to the customer's account). Servicing fees are based on fixed rates reviewed annually by the Bank.
  Revenues from transaction-based fees (e.g. foreign currency transactions, overdraft facilities, etc.) are recognised (i.e. charged to the customer's account) at the point in time when the transaction takes place.

- *Execution of client transactions*
  Revenue from transaction-based fees is recognised at the point in time when the transaction takes place.

6 Net banking fee and commission income (continued)

- *Wealth management services, including safekeeping of assets and asset management services*

  Fees from these services are calculated based on a fixed percentage of the value of assets managed / held and deducted from the customer's account balance on a monthly basis. The respective revenue is recognised over time as the services are provided. Fees from wealth management services, including safekeeping of assets and asset management services, during the period, amount to €782 thousand (six months ended 30 June 2021: €503 thousand).

7 Net trading income

	Six months ended 30 June	
	2022	2021
	€'000	€'000
Net gain from the ineffective portion of derivatives in qualifying hedging relationships	**864**	11
Net (loss)/gain on derivative financial instruments (no hedge accounting)	**(137)**	6
	727	17

8 Net gains from other financial instruments

	Six months ended 30 June	
	2022	2021
	€'000	€'000
Net gains on disposal of investment securities at FVOCI:		
– Debt securities, credit institutions	**34**	56
– Debt securities, government bonds	**88**	-
Net (losses)/gains on revaluation of investment securities mandatorily at FVTPL:		
– Equity shares	**-**	115
– UCIT funds	**(101)**	-
Gain from fair value hedging discontinuance of investment securities at FVOCI	**157**	-
Net losses on disposal of investment securities mandatorily at FVTPL	**-**	(47)
Net gains from investment securities	**178**	124

9 Operating expenses

	Six months ended 30 June	
	2022	2021
	€'000	€'000
Staff costs	**12.217**	11.863
Depreciation of property, plant and equipment	**840**	921
Depreciation of right-of-use assets	**1.303**	1.319
Amortisation of intangible assets	**487**	682
Administrative expenses	**7.164**	6.521
	22.011	21.306

The average number of employees of the Bank during the period was 434 (six months ended 30 June 2021: 432).

Eurobank Cyprus Ltd

Notes to the interim financial statements

10 Impairment allowance on loans and advances

The following tables present the movement of the impairment allowances for loans and advances to customers by product line and stage during the six months ended 30 June 2022 and 2021:

30 June 2022

	Wholesale lending			Retail lending			
	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	Total €'000
Balance at 1 January	4.743	3.916	37.560	234	17	194	**46.664**
New financial assets originated or purchased	2.370	-	-	28	-	-	**2.398**
Transfers:							
- To 12-month ECL	375	(375)	-	101	(3)	(98)	-
- To lifetime ECL not credit-impaired	(364)	368	(4)	-	-	-	-
- To lifetime ECL credit- impaired	(1)	(1)	1	-	(1)	2	-
Impact of ECL net remeasurement	(934)	1.885	(2.416)	(120)	(6)	84	**(1.507)**
Amounts written off	-	-	(50)	-	-	-	**(50)**
Recoveries from written off loans	-	-	654	-	-	-	**654**
Foreign exchange difference and other movements	(1)	-	(65)	1	-	(1)	**(66)**
Balance at 30 June 2022	**6.188**	**5.793**	**35.680**	**244**	**7**	**181**	48.093

30 June 2021

	Wholesale lending			Retail lending			
	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	Total €'000
Balance at 1 January	3.700	1.932	39.847	353	7	126	**45.965**
New financial assets originated or purchased	686	-	-	34	-	-	**720**
Transfers:							
- To 12-month ECL	138	(136)	(2)				-
- To lifetime ECL not credit-impaired	(48)	251	(203)	(9)	9	-	-
- To lifetime ECL credit- impaired	(78)	(210)	288	-	(1)	1	-
Impact of ECL net remeasurement	84	123	2.186	(20)	(1)	50	**2.422**
Amounts written off	-	-	(8)	-	-	-	**(8)**
Recoveries from written off loans	-	-	22	-	-	-	**22**
Foreign exchange difference and other movements	-	-	23	-	-	-	**23**
Balance at 30 June 2021	**4.482**	**1.960**	**42.153**	**358**	**14**	**177**	49.144

10 Impairment allowance on loans and advances (continued)

The following tables presents the movement of the impairment allowances on financial guarantee contracts and other credit related commitments, and loan commitments by stage during the six months ended 30 June 2022 and 2021:

30 June 2022

	Loan commitments			Financial guarantee contracts and other credit related commitments			
	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired	Total €'000
Balance at 1 January	1.307	2.290	-	1.114	390	283	**5.384**
Net increase/(decrease)	103	(83)	-	495	(10)	3	**508**
Transfers:							
- To 12-month ECL	1	(1)	-	1	(1)	-	-
- To lifetime ECL not credit-impaired	(585)	585	-	(28)	28	-	-
- To lifetime ECL credit-impaired	-	-	-	(27)	-	27	-
Impact of ECL net remeasurement	525	26	-	(110)	(87)	7	**361**
Balance at 30 June 2022	**1.351**	**2.817**	**-**	**1.445**	**320**	**320**	**6.253**

30 June 2021

	Loan commitments			Financial guarantee contracts and other credit related commitments			
	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired	Total €'000
Balance at 1 January	1.137	502	-	900	209	-	2.748
Net increase/(decrease)	8	(18)	-	(195)	(9)	126	**(88)**
Transfers:							
- To 12-month ECL	18	(18)	-	4	(4)	-	-
- To lifetime ECL not credit-impaired	(172)	172	-	(15)	15	-	-
- To lifetime ECL credit-impaired	-	-	-	(6)	-	6	-
Impact of ECL net remeasurement	67	(15)	-	(131)	(9)	-	**(88)**
Balance at 30 June 2021	**1.058**	**623**	**-**	**557**	**202**	**132**	**2.572**

Eurobank Cyprus Ltd

Notes to the interim financial statements

10 Impairment allowance on loans and advances (continued)

The impairment losses relating to loans and advances to customers recognised in the Bank's income statement for the six months ended 30 June 2022 amounted to €1.760 thousand and are analysed as follows:

	Six months ended 30 June	
	2022	2021
	€'000	€'000
Impairment allowance on loans and advances to customers	**891**	3.141
Impairment allowance on loan commitments	**571**	42
Impairment allowance on financial guarantee contracts and other credit related commitments	**298**	(218)
Total	**1.760**	2.965

11 Other impairment allowances and provisions

	Six months ended 30 June	
	2022	2021
	€'000	€'000
(Reversal of provisions)/provisions on operational risk events	**(380)**	27
Reversal of impairment allowance on investment securities at FVOCI	**(46)**	(167)
Impairment allowance/(reversal of impairment allowance) on investment securities at AC	**54**	(50)
Reversal of impairment allowance on due from credit institutions	**(28)**	(31)
Reversal of impairment allowance on balances with central banks	**(10)**	(8)
Reversal of impairment allowance on securities lending	**-**	(619)
	(410)	(848)

12 Income tax expense

	Six months ended 30 June	
	2022	2021
	€'000	€'000
Current tax:		
- Corporation tax	**5.178**	3.802
- Withholding tax	**271**	245
Total current tax	**5.449**	4.047
Deferred tax charge/	**167**	(16)
Total income tax expense	**5.616**	4.301

12 Income tax expense (continued)

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

	Six months ended 30 June	
	2022	2021
	€'000	€'000
Profit before tax and government levies	**45.297**	30.144
Tax calculated at the applicable corporation tax rate of 12,5%	**5.662**	3.768
Tax effect of expenses not deductible for tax purposes	**759**	444
Tax effect of allowances and income not subject to tax	**(1.243)**	(410)
Withholding tax	**271**	245
Deferred tax charge/(credit)	**167**	(16)
Income tax expense	**5.616**	4.301

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

Tax losses may be carried forward for five years.

Tax losses of group companies in Cyprus, other than companies affected by article 13(8)(d)(i) of the Income Tax Law, can be offset against taxable profits of other group companies in Cyprus and any tax losses not utilised can be carried forward and offset against the same entity's taxable profits of the next five years. Article 13(8)(d)(i) of the Income Tax Law provides that in the case where the disposal of shares held by one company in another company member of the same group is taxed as a trading transaction then the two companies are not considered group companies for loss relief purposes.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax.

In certain cases, dividends received from abroad may be subject to special defence contribution at the rate of 17%.

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

There is no income tax effect relating to components of other comprehensive income.

The Bank closely monitors and constantly assesses the developments on the Covid-19 front and their effect on the assumptions used in its plans and the projections for future profitability and will continue to update its estimates accordingly.

The Management believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

Notes to the interim financial statements

12 Income tax expense (continued)

Deferred tax:

Deferred tax is calculated on all temporary differences under the liability method at the rate in effect at the time the reversal is expected to take place.

The movement in deferred tax (assets) and liabilities (non-current) during the six months ended 30 June 2022 is as follows:

				Balance at 30 June	
	Net balance at 1 January €'000	**Recognised in profit or loss €'000**	**Net €'000**	**Deferred tax assets €'000**	**Deferred tax liabilities €'000**
Property, plant and equipment and intangible assets	(363)	(659)	(1.022)	-	(1.022)
Allowance for expected credit losses	1.779	492	2.271	2.271	-
Tax assets/(liabilities)	**1.416**	**(167)**	**1.249**	**2.271**	**(1.022)**

13 Cash and balances with central banks

	30 June 2022 €'000	31 December 2021 €'000
Cash in hand	**15.628**	16.977
Balances with central banks	**3.002.701**	2.826.774
Total	**3.018.329**	2.843.751
of which:		
Mandatory deposits with central banks	**68.771**	61.730

As at 30 June 2022, the impairment allowance on balances with central banks within the scope of IFRS 9 impairment requirements amounted to €3 thousand (31 December 2021: €13 thousand).

Cash and balances with central banks are classified as current.

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

14 Due from credit institutions

	30 June 2022 €'000	31 December 2021 €'000
Due from credit institutions at amortised cost:		
Reverse repurchase agreements receivables[1]	**1.510.410**	1.515.435
Placements with credit institutions[2]	**18.758**	69.101
Settlement balances with credit institutions	**37.840**	42.262
Total	**1.567.008**	1.626.798

[1]The majority of the reverse repurchase agreements receivables as at 30 June 2022, approximately €1.240.762 thousand (31 December 2021: €1.253.633 thousand), are rated as Investment grade.

[2]Placements with credit institutions bear interest which is based on the interbank rate of the relevant term and currency.

As at 30 June 2022, the impairment allowance on amounts due from credit institutions at amortised cost within the scope of IFRS 9 impairment requirements amounted to €7 thousand (31 December 2021: €26 thousand).

15 Derivative financial instruments

The fair values of derivative instruments held by product type and hedge relationship along with their notional amounts are set out in the following tables:

	30 June 2022			
	Assets		Liabilities	
	Contract/ notional amount € '000	Fair values € '000	Contract/ notional amount € '000	Fair values € '000
Derivatives for which hedge accounting is not applied/held for trading				
- Currency options	317	10	317	10
- Currency forward and spot deals	11.197	55	11.336	46
- Interest rate and currency interest rate swaps	70.323	1.412	68.080	730
- Currency swaps	1.059.168	17.427	1.041.061	51
- Cap and floor swaps	30.837	258	30.837	184
		19.162		**1.021**
Derivatives designated as fair value hedges				
- Interest rate swaps	348.791	11.537	348.791	119
		11.537		**119**
Total derivatives assets/liabilities		**30.699**		**1.140**

15 Derivative financial instruments (continued)

	31 December 2021			
	Assets		Liabilities	
	Contract/ notional amount € '000	Fair values € '000	Contract/ notional amount € '000	Fair values € '000
Derivatives for which hedge accounting is not applied/held for trading				
- Currency options	3.959	3	4.057	2
- Currency forward and spot deals	8.680	57	7.645	3
- Interest rate and currency interest rate swaps	23.397	30	22.073	75
- Currency swaps	1.232.316	18.346	1.232.316	2.976
- Cap and floor swaps	15.435	98	15.43	-
- Derivative bonds	4.338	5	14.871	22
		18.539		**3.078**
Derivatives designated as fair value hedges				
- Interest rate swaps	-	-	91.324	6.187
		-		**6.187**
Total derivatives assets/liabilities		**18.539**		**9.265**

16 Loans and advances to customers

	30 June 2022 €'000	31 December 2021 €'000
Loans and advances to customers at amortised cost:		
- Gross carrying amount	**2.770.686**	2.647.214
- Impairment allowance	**(48.093)**	(46.664)
Total carrying amount	**2.722.593**	2.600.550

The following tables present the total gross carrying amount, representing the maximum exposure to credit risk before the impairment allowance, of loans and advances that are classified as not credit-impaired (Stage 1 and Stage 2) and those classified as credit-impaired (Stage 3). They also present the total impairment allowance recognised in respect of all loans and advances, based on how the respective impairment allowance has been calculated, the carrying amount of loans and advances, as well as the value of collateral held to mitigate credit risk. In addition, the value of collateral presented in the tables below is capped to the respective gross carrying amount.

Notes to the interim financial statements

16 Loans and advances to customers (continued)

30 June 2022

	Non-impaired		Credit-impaired		Impairment allowance				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total gross carrying amount	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	**Carrying amount**	**Value of collateral**
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	**€'000**	**€'000**
Loans and advances to customers at amortised cost:									
Retail lending:									
- Mortgage	13.041	-	97	13.138	1	-	-	**13.137**	
Value of collateral	*12.869*	-	*97*						***12.966***
- Consumer	19.891	-	116	20.007	121	-	116	**19.770**	
Value of collateral	*1.072*	-	-						***1.072***
- Affluent banking	70.491	714	51	71.256	119	6	23	**71.108**	
Value of collateral	*66.769*	*614*	*28*						***67.411***
- Credit card	784	19	48	851	3	1	42	**805**	
Value of collateral	*46*	*1*	*5*						***52***
Wholesale lending:									
- Large corporate	1.323.501	231.412	38.052	1.592.965	5.525	5.561	24.699	**1.557.180**	
Value of collateral	*1.077.443*	*202.101*	*32.797*						***1.312.341***
- Wealth management	351.053	14.946	15.030	381.029	565	232	9.091	**371.141**	
Value of collateral	*333.201*	*14.362*	*14.132*						***361.695***
-International business banking	483.208	38	6	483.252	-	-	5	**483.247**	
Value of collateral	*483.179*	*37*	*1*						***483.217***
- Shipping	206.303	-	1.885	208.188	98	-	1.885	**206.205**	
Value of collateral	*206.268*	-	-						***206.268***
Total	**2.468.272**	**247.129**	**55.285**	**2.770.686**	**6.432**	**5.800**	**35.861**	**2.722.593**	**2.445.022**
Value of collateral	***2.180.847***	***217.115***	***47.060***	***2.445.022***					

16 Loans and advances to customers (continued)

	31 December 2021								
	Non-impaired		Credit-impaired		Impairment allowance				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total gross carrying amount	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	**Carrying amount**	**Value of collateral**
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	**€'000**	**€'000**
Loans and advances to customers at amortised cost:									
Retail lending:									
- Mortgage	12.358	93	97	12.548	-	-	-	**12.548**	
Value of collateral	*12.089*	*93*	*97*						***12.279***
- Consumer	20.303	43	17	20.363	126	-	17	**20.220**	
Value of collateral	*932*	*40*	-						***972***
- Affluent banking	52.808	1.254	388	54.450	105	16	137	**54.192**	
Value of collateral	*49.671*	*1.179*	*347*						***51.197***
- Credit card	725	19	40	784	3	1	40	**740**	
Value of collateral	*40*	-	-						***40***
Wholesale lending:									
- Large corporate	1.267.626	197.303	40.568	1.505.497	3.941	3.631	24.400	**1.473.525**	
Value of collateral	*1.033.187*	*181.485*	*34.961*						***1.249.633***
- Wealth management	348.635	16.129	18.499	383.263	708	285	10.158	**372.112**	
Value of collateral	*333.791*	*15.575*	*17.772*						***367.138***
-International business banking	465.099	7	1.280	466.386	-	-	1.275	**465.111**	
Value of collateral	*464.742*	*7*	*1.279*						***466.028***
- Shipping	202.196	-	1.727	203.923	94	-	1.727	**202.102**	
Value of collateral	*202.148*	-	-						***202.148***
Total	**2.369.750**	**214.848**	**62.616**	**2.647.214**	**4.977**	**3.933**	**37.754**	**2.600.550**	***2.349.435***
Value of collateral	***2.096.600***	***198.379***	***54.456***	***2.349.435***					

During the six months ended 30 June 2022, loans of €734 thousand that were written off in prior years were recovered (six months ended 30 June 2021: €109 thousand).

Interest income on impaired loans and advances to customers accrued during the period amounted to €771 thousand (six months ended 30 June 2021: €704 thousand).

Notes to the interim financial statements

16 Loans and advances to customers (continued)

The Bank assesses the credit quality of its loans and advances to customers and credit related commitments that are subject to ECL using internal credit rating systems for its portfolio which are based on a variety of quantitative and qualitative factors. The following tables present the distribution of the gross carrying amount of loans and advances to customers based on the credit quality classification categories and stage allocations used:

	30 June 2022			
	Non-impaired		Credit-impaired	
	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	**Total gross carrying amount €'000**
Retail lending:				
- Mortgage				
Strong	13.041	-	-	**13.041**
Impaired	-	-	97	**97**
- Consumer				
Strong	19.884	-	-	**19.884**
Satisfactory	7	-	-	**7**
Impaired	-	-	116	**116**
- Affluent banking				
Strong	51.741	72	-	**51.813**
Satisfactory	18.750	642	-	**19.392**
Impaired	-	-	51	**51**
- Credit card				
Strong	475	4	-	**479**
Satisfactory	309	14	-	**323**
Watch list	-	1	-	**1**
Impaired	-	-	48	**48**
Wholesale lending:				
- Large corporate				
Strong	776.273	1.971	-	**778.244**
Satisfactory	547.228	204.715	-	**751.943**
Watch list	-	24.726	-	**24.726**
Impaired	-	-	38.052	**38.052**
- Wealth management				
Strong	330.383	2.299	-	**332.682**
Satisfactory	20.670	11.448	-	**32.118**
Watch list	-	1.199	-	**1.199**
Impaired	-	-	15.030	**15.030**
- International business banking				
Strong	480.622	38	-	**480.660**
Satisfactory	2.586	-	-	**2.586**
Impaired	-	-	6	**6**
- Shipping				
Strong	200.859	-	-	**200.859**
Satisfactory	5.444	-	-	**5.444**
Impaired	-	-	1.885	**1.885**
	2.468.272	**247.129**	**55.285**	**2.770.686**

Notes to the interim financial statements

16 Loans and advances to customers (continued)

	31 December 2021			
	Non-impaired		Credit-impaired	
	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	**Total gross carrying amount €'000**
Retail lending:				
- Mortgage				
Strong	12.358	93	-	**12.451**
Impaired	-	-	97	**97**
- Consumer				
Strong	20.292	-	-	**20.292**
Satisfactory	11	3	-	**14**
Watch list	-	40	-	**40**
Impaired	-	-	17	**17**
- Affluent banking				
Strong	37.322	264	-	**37.586**
Satisfactory	15.486	990	-	**16.476**
Impaired	-	-	388	**388**
- Credit card				
Strong	433	9	-	**442**
Satisfactory	292	9	-	**301**
Watch list		1	-	**1**
Impaired	-	-	40	**40**
Wholesale lending:				
- Large corporate				
Strong	708.971	3.010	-	**711.981**
Satisfactory	558.655	179.441	-	**738.096**
Watch list	-	14.852	-	**14.852**
Impaired	-	-	40.568	**40.568**
- Wealth management				
Strong	329.715	1.899	-	**331.614**
Satisfactory	18.920	13.048	-	**31.968**
Watch list	-	1.182	-	**1.182**
Impaired	-	-	18.499	**18.499**
- International business banking				
Strong	444.031	7	-	**444.038**
Satisfactory	21.068	-	-	**21.068**
Impaired	-	-	1.280	**1.280**
- Shipping				
Strong	196.838	-	-	**196.838**
Satisfactory	5.358	-	-	**5.358**
Impaired	-	-	1.727	**1.727**
	2.369.750	**214.848**	**62.616**	**2.647.214**

16 Loans and advances to customers (continued)

The following tables present the movement of the gross carrying amounts for loans and advances to customers by product line and stage and is calculated by reference to the opening and closing balances for the reporting period from 1 January 2022 to 30 June 2022, and from 1 January 2021 to 31 December 2021, respectively:

30 June 2022

	Wholesale lending			Retail lending			
	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	Total €'000
Gross carrying amount at 1 January	2.283.556	213.439	62.074	86.194	1.409	542	**2.647.214**
New financial assets originated or purchased	330.920	-	-	16.601	-	-	**347.521**
Transfers:							
- To 12-month ECL	6.869	(6.869)	-	869	(521)	(348)	-
- To lifetime ECL not credit-impaired	(42.226)	44.261	(2.035)	(87)	87	-	-
- To lifetime ECL credit- impaired	(59)	(45)	104	(34)	(12)	46	-
Financial assets derecognised	(2.358)	(74)	-	(1.059)	-	-	**(3.491)**
Amounts written off	-	-	(50)	-	-	-	**(50)**
Repayments	(255.074)	(21.557)	(7.005)	(6.198)	(236)	(39)	**(290.109)**
Foreign exchange difference and other movements	42.437	17.241	1.885	7.921	6	111	**69.601**
Gross carrying amount at 30 June	**2.364.065**	**246.396**	**54.973**	**104.207**	**733**	**312**	**2.770.686**
Less impairment allowance	(6.188)	(5.793)	(35.680)	(244)	(7)	(181)	**(48.093)**
Carrying amount at 30 June	**2.357.877**	**240.603**	**19.293**	**103.963**	**726**	**131**	**2.722.593**

31 December 2021

	Wholesale lending			Retail lending			
	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	Total €'000
Gross carrying amount at 1 January	1.945.766	153.703	71.408	65.626	1.139	394	**2.238.036**
New financial assets originated or purchased	765.631	-	-	24.521	-	-	**790.152**
Transfers:							
- To 12-month ECL	12.808	(12.808)	-	97	(97)	-	-
- To lifetime ECL not credit-impaired	(86.529)	91.725	(5.196)	(729)	729	-	-
- To lifetime ECL credit- impaired	(98)	(3.433)	3.531	(155)	(6)	161	-
Financial assets derecognised	(31.886)	(1.295)	-	(626)	(234)	-	**(34.041)**
Amounts written off	-	-	(731)	-	-	(12)	**(743)**
Repayments	(340.204)	(21.455)	(8.249)	(7.465)	(174)	(26)	**(377.573)**
Foreign exchange difference and other movements	18.068	7.002	1.311	4.925	52	25	**31.383**
Gross carrying amount at 31 December	**2.283.556**	**213.439**	**62.074**	**86.194**	**1.409**	**542**	**2.647.214**
Less impairment allowance	(4.743)	(3.916)	(37.560)	(234)	(17)	(194)	**(46.664)**
Carrying amount at 31 December	**2.278.813**	**209.523**	**24.514**	**85.960**	**1.392**	**348**	**2.600.550**

The above balances contain €523,4 million of facilities secured by cash collateral as at 30 June 2022 (31 December 2021: €523,2 million). For these facilities no ECL is estimated as due to the nature of the security, no credit risk is assumed for these exposures.

The contractual amount outstanding on lending exposures that were written off during the six months ended 30 June 2022 and that are still subject to enforcement activity is €3.270 thousand.

16 Loans and advances to customers (continued)

The following table sets out information about the overdue status of loans and advances to customers:

	30 June 2022			
	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	Total €'000
0+ up to 30 days	2.468.272	246.406	33.000	2.747.678
30+ up to 60 days	-	233	7	240
60+ up to 90 days	-	490	94	584
90 days+	-	-	22.184	22.184
Gross carrying amount	**2.468.272**	**247.129**	**55.285**	**2.770.686**
Less impairment allowance	(6.432)	(5.800)	(35.861)	(48.093)
Carrying amount	**2.461.840**	**241.329**	**19.424**	**2.722.593**

	31 December 2021			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
0+ up to 30 days	2.369.750	214.521	33.675	2.617.946
30+ up to 60 days	-	315	8	323
60+ up to 90 days	-	12	-	12
90 days+	-	-	28.933	28.933
Gross carrying amount	**2.369.750**	**214.848**	**62.616**	**2.647.214**
Less impairment allowance	(4.977)	(3.933)	(37.754)	(46.664)
Carrying amount	**2.364.773**	**210.915**	**24.862**	**2.600.550**

16 Loans and advances to customers (continued)

Forbearance

The following tables present a summary of the credit quality of forborne loans and advances to customers:

	30 June 2022		
	Total loans & advances at amortised cost €'000	**Forborne loans & advances €'000**	**% of forborne loans & advances to total loans & advances**
Gross carrying amount:			
12-month ECL	2.468.272	-	
Lifetime ECL not credit-impaired	247.129	100.612	40,7
Lifetime ECL credit-impaired	55.285	26.572	48,1
Total gross carrying amount	**2.770.686**	**127.184**	**4,6**
Impairment allowance:			
12-month ECL	6.432	-	
Lifetime ECL not credit-impaired	5.800	1.359	23,4
Lifetime ECL credit-impaired	35.861	14.959	41,7
Total impairment allowance	**48.093**	**16.318**	**33,9**
Carrying amount	**2.722.593**	**110.866**	**4,1**
Collateral received	**2.445.022**	**122.214**	

	31 December 2021		
	Total loans & advances at amortised cost €'000	**Forborne loans & advances €'000**	**% of forborne loans & advances to total loans & advances**
Gross carrying amount:			
12-month ECL	2.369.750	2.353	0,1
Lifetime ECL not credit-impaired	214.848	95.156	44,3
Lifetime ECL credit-impaired	62.616	32.832	52,4
Total gross carrying amount	**2.647.214**	**130.341**	**4,9**
Impairment allowance:			
12-month ECL	4.977	-	-
Lifetime ECL not credit-impaired	3.933	989	25,1
Lifetime ECL credit-impaired	37.754	16.773	44,4
Total impairment allowance	**46.664**	**17.762**	**38,1**
Carrying amount	**2.600.550**	**112.579**	**4,3**
Collateral received	**2.349.435**	**125.477**	

Notes to the interim financial statements

16 Loans and advances to customers (continued)

Collaterals held and other credit enhancements

The breakdown of collateral and guarantees for loans and advances to customers is presented below:

	30 June 2022 Value of collateral received				
	Real Estate €'000	Financial €'000	Other Collateral €'000	Total €'000	Guarantees received €'000
Retail lending	70.612	10.889	-	81.501	-
Wholesale lending	1.413.789	730.905	209.224	2.353.918	9.603
Total	**1.484.401**	**741.794**	**209.224**	**2.435.419**	**9.603**

	31 December 2021 Value of collateral received				
	Real Estate €'000	Financial €'000	Other Collateral €'000	Total €'000	Guarantees received €'000
Retail lending	55.929	8.560	-	64.489	-
Wholesale lending	1.367.797	658.973	248.268	2.275.038	9.910
Total	**1.423.726**	**667.533**	**248.268**	**2.339.527**	**9.910**

17 Investment securities

	30 June 2022 €'000	31 December 2021 €'000
Investment securities at amortised cost	**759.469**	459.214
Investment securities at FVOCI	**536.198**	555.729
Investment securities mandatorily at FVTPL	**1.977**	1.995
	1.297.644	1.016.938

Notes to the interim financial statements

17 Investment securities (continued)

The tables below disclose the gross carrying amount, impairment allowance and carrying amount per stage of investment securities as at 30 June 2022 and 31 December 2021:

	30 June 2022		31 December 2021	
	12-month ECL €'000	Total €'000	12-month ECL €'000	Total €'000
Debt securities at amortised cost:				
- Gross carrying amount	**759.694**	**759.694**	459.385	459.385
- Impairment allowance	**(225)**	**(225)**	(171)	(171)
Carrying amount	**759.469**	**759.469**	459.214	459.214
Debt securities at FVOCI:				
Carrying amount	**536.198**	**536.198**	555.729	555.729
Total of debt securities	**1.295.667**	**1.295.667**	1.014.943	1.014.943
Other investment securities mandatorily at FVTPL:				
Carrying amount		**1.977**		1.995
Total of investment securities		**1.297.644**		1.016.938

The investment securities per category are analysed as follows:

	30 June 2022			
	Investment securities at FVOCI €'000	Investment securities at amortised cost €'000	Investment securities mandatorily at FVTPL €'000	Total €'000
Debt securities:				
- Cyprus government bonds	53.879	298.854	-	**352.733**
- Other government bonds	338.491	290.269	-	**628.760**
- Multilateral development banks	4.828	-	-	**4.828**
- Banks and financial institutions	89.329	-	-	**89.329**
- Other issuers	49.671	170.469	-	**220.017**
Total debt securities	**536.198**	**759.469**	-	**1.295.667**
Other investment securities:				
UCIT funds	-	-	1.977	**1.977**
Total other investment securities	-	-	**1.977**	**1.977**
Total of investment securities	**536.198**	**759.469**	**1.977**	**1.297.644**

17 Investment securities (continued)

	31 December 2021			
	Investment securities at FVOCI €'000	Investment securities at amortised cost €'000	Investment securities mandatorily at FVTPL €'000	Total €'000
Debt securities:				
- Cyprus government bonds	50.816	355.478	-	**406.294**
- Other government bonds	337.263	-	-	**337.263**
- Multilateral development banks	4.622	-	-	**4.622**
- Banks and financial institutions	91.982	-	-	**91.982**
- Other issuers	71.046	103.736	-	**174.782**
Total debt securities	**555.729**	**459.214**	-	**1.014.943**
Other investment securities:				
UCIT funds	-	-	1.995	**1.995**
Total other investment securities	-	-	**1.995**	**1.995**
Total of investment securities	**555.729**	**459.214**	**1.995**	**1.016.938**

All investment securities, with the exception of UCIT funds, are listed.

All investment securities at FVOCI and investment securities at amortised cost are classified in 12-month ECL category.

18 Investments in subsidiaries

The subsidiary companies and their principal activity are described below:

Name	*Participation*	*Principal activities*	**30 June 2022 €'000**	31 December 2021 €'000
Foramonio Ltd	100%	Investing activities	**1**	1
Lenevino Holdings Ltd	100%	Investing activities	**1**	1
Neviko Ventures Ltd	100%	Investing activities	**1**	1
Rano Investments Ltd	100%	Investing activities	**1**	1
Amvanero Ltd	100%	Investing activities	**1**	1
Revasono Holdings Ltd	100%	Investing activities	**1**	1
Volki Investments Ltd	100%	Investing activities	**1**	1
Zivar Investments Ltd	100%	Investing activities	**1**	1
Elerovio Holdings Limited	100%	Investing activities	**1**	1
Adariano Investments Limited	100%	Investing activities	**1**	1
			10	10

All companies are registered and operate in Cyprus and have been set up to acquire properties from customers in settlement of their obligations with the Bank.

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19 Property, plant and equipment

The carrying amounts of property, plant and equipment are analysed as follows:

	30 June 2022 €'000	31 December 2021 €'000
Leasehold improvements	**6.624**	6.803
Motor vehicles and motor cycles	**14**	17
Equipment	**2.556**	2.700
Right-of-use assets[1]	**16.937**	18.208
Total	**26.131**	27.728

[1]The respective lease liabilities are presented in "Other liabilities" (note 25).

Leasehold improvements relate to premises occupied by the Bank for its own activities.

As at 30 June 2022, the right-of-use assets refer to leased office and branch premises of €16.719 thousand (31 December 2021: €17.967 thousand) and motor vehicles of €218 thousand (31 December 2021: €241 thousand).

20 Intangible assets

The carrying amounts of intangible assets are analysed as follows:

	30 June 2022 €'000	31 December 2021 €'000
Computer software	**19.905**	18.851
Total	**19.905**	18.851

21 Other assets

	30 June 2022 €'000	31 December 2021 €'000
Prepaid expenses	**1.017**	1.517
Other assets	**227**	405
	1.244	1.922

None of these financial assets are either past due or credit-impaired.

22 Due to central banks

	30 June 2022 €'000	31 December 2021 €'000
Secured borrowing from credit institutions	603.046	607.747

Based on the ECB's decision in January 2021, the reduction of the interest rate on TLTRO III facilities to -0,5% was extended to the period from June 2021 to June 2022, while for the banks subject to meeting the required lending thresholds for the additional observation period ended 31 December 2021 the interest rate is capped at -1% (i.e. the minimum of the average deposit facility rate minus 0,5% and the rate of -1%).

The Bank assessed the terms of the program and concluded that TLTRO III contains a significant benefit in comparison to the market's pricing for other similarly collateralised borrowings available to the Bank and accounts for this benefit as a government grant under IAS 20. Consequently, the Bank considers that the grant is intended to compensate for its funding costs incurred over the term of each TLTRO-III facility and therefore, the benefit is allocated systematically under interest expense.

As at 30 June 2022, the Bank had borrowed €614.950 thousand under the TLTRO III-refinancing program, whereas the recognised benefit during the first half of 2022 from the above program amounted to €4.702 thousand (six months ended 30 June 2021: €4.172 thousand), including the benefit resulting from the program's more favorable interest rates for which the Bank has reasonable assurance that it will receive.

23 Due to credit institutions

	30 June 2022 €'000	31 December 2021 €'000
Deposits due to credit institutions	254.335	196.422
Settlement balances with credit institutions	136.063	72.043
	390.398	268.465

On 31 May 2022, Eurobank S.A. extended to the Bank a €30 million 3-year non-callable in 2, senior non-preferred loan to cover MREL requirement. The interest rate is fixed for 3 years at 3,86%. The balance of the loan as at 30 June 2022 is €30.100 thousand and is included in "Deposits due to credit institutions".

Amounts due to credit institutions are categorised as financial liabilities measured at amortised cost.

24 Due to customers

	30 June 2022 €'000	31 December 2021 €'000
Current accounts	**5.293.277**	4.646.922
Notice accounts	**6.093**	5.100
Term deposits	**1.689.764**	1.937.579
Repurchase agreements	**30.038**	30.039
	7.019.172	6.619.640

Total client deposits pledged as collateral for credit facilities granted to clients as at 30 June 2022 amounted to €741.794 thousand (31 December 2021: €667.533 thousand).
Amounts due to customers are categorised as financial liabilities measured at amortised cost.

Special levy on total deposits is imposed by legislation to all Banks and Credit Institutions operating in Cyprus. The special levy is calculated on the level of deposits at previous quarter-end at the rate of 0,0375% per quarter and is payable in quarterly instalments. The total government levy on customer deposits for the six months ended 30 June 2022 amounted to €4.981 thousand. Following an amendment of the Imposition of Special Credit Institution Tax Law in 2017, the Single Resolution Fund contribution which is charged annually by the Single Resolution Board, is offset by the special levy up to the level of the total annual special levy charge. The Single Resolution Fund contribution for 2022 amounted to €3.347 thousand, of which €2.506 thousand has been netted off against the special levy for the second quarter of 2022. The remaining €841 thousand will be netted off against the special levy for the third quarter of 2022.

25 Other liabilities

	30 June 2022 €'000	31 December 2021 €'000
Impairment allowance on financial guarantees and credit related commitments	**6.253**	5.384
Lease liabilities	**17.692**	18.771
Balances under settlement relating to bank cheques	**26.008**	17.991
Duties and other taxes	**1.314**	1.753
Suppliers and creditors	**1.974**	3.653
Other liabilities and accruals	**32.112**	29.937
	85.353	77.489

As at 30 June 2022 and 31 December 2021, other liabilities and accruals mainly consist of staff related and trading balances. As at 30 June 2022, they also include provisions for operational risk events of €97 thousand (31 December 2021: €497 thousand).

Notes to the interim financial statements

26 Share capital

The par value of the Bank's shares is €10 thousand per share. All shares are fully paid.

The movement of share capital and share premium is as follows:

	No. of shares	Ordinary shares €'000	Share premium €'000	Total €'000
Authorised				
At 30 June 2022 & 31 December 2021	**1.500**	**15.000**	**-**	**15.000**
Issued				
At 30 June 2022 & 31 December 2021	**1.201**	**12.010**	**245.384**	**257.394**

There were no changes to the authorised or issued share capital during the six months ended 30 June 2022 and the year ended 31 December 2021.

All the shares have the same rights.

27 Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price). When a quoted price for an identical asset or liability is not observable, fair value is measured using another valuation technique that is appropriate in the circumstances, and maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Observable inputs are developed using market data, such as publicly available information about actual events or transactions, and reflect assumptions that market participants would use when pricing financial instruments, such as quoted prices in active markets for similar instruments, interest rates and yield curves, implied volatilities and credit spreads.

The values derived using these techniques are affected by underlying assumptions concerning both the amounts and timing of future cash flows and the discount rate used.

The Bank's financial instruments carried at fair value or at amortised cost for which fair value is disclosed are categorised into the three fair value hierarchy levels based on whether the inputs to their fair values are observable or non-observable, as follows:

a) Level 1 – Financial instruments measured based on quoted prices (unadjusted) in active markets for identical financial instruments that the Bank can access at the measurement date. A market is considered active when quoted prices must be readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and represent actually and regularly occurring transactions. Level 1 financial instruments include actively quoted debt instruments, equity and derivative instruments traded on exchanges, as well as mutual funds that have regularly and frequently published quotes.

Notes to the interim financial statements

27 Fair value of financial assets and liabilities (continued)

b) Level 2 - Financial instruments measured using valuation techniques where inputs, other than level 1 quoted prices, that are observable either directly or indirectly, such as: i) quoted prices for similar financial instruments in active markets, ii) quoted prices for identical or similar financial instruments in markets that are not active, iii) inputs other than quoted prices that are directly or indirectly observable, mainly interest rates and yield curves observable at commonly quoted intervals, forward exchange rates, equity prices, credit spreads and implied volatilities obtained from internationally recognised market data providers and iv) other unobservable inputs which are insignificant to the entire fair value measurement. Level 2 financial instruments include over-the-counter (OTC) derivatives, equity instruments and less liquid debt instruments.

c) Level 3 - Financial instruments measured using valuation techniques with significant unobservable inputs. When developing unobservable inputs, best information available is used, including own data, while at the same time market participants' assumptions are reflected (e.g. assumptions about risk). Level 3 financial instruments include unquoted equities or equities traded in markets that are not considered active, certain OTC derivatives and loans and advances to customers.

Financial instruments carried at fair value

The fair value hierarchy categorisation of the financial assets and liabilities carried at fair value as at 30 June 2022 and 31 December 2021 is presented in the following tables:

	At 30 June 2022			
	Level 1 €'000	**Level 2 €'000**	**Level 3 €000**	**Total €'000**
Financial assets measured at fair value on a recurring basis:				
Derivative financial instruments designated as fair value hedges	-	11.537	-	**11.537**
Derivatives for which hedge accounting is not applied/held for trading	-	19.162	-	**19.162**
Investment securities at FVOCI	510.239	25.959	-	**536.198**
Investment securities mandatorily at FVTPL	1.977	-	-	**1.977**
Total financial assets measured at fair value on a recurring basis	**512.216**	**56.658**	**-**	**568.874**
Financial liabilities measured at fair value on a recurring basis:				
Derivative financial instruments designated as fair value hedges	-	119	-	**119**
Derivatives for which hedge accounting is not applied/held for trading	-	1.021	-	**1.021**
Total financial liabilities measured at fair value on a recurring basis	**-**	**1.140**	**-**	**1.140**

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27 Fair value of financial assets and liabilities (continued)

Financial instruments carried at fair value (continued)

	At 31 December 2021			
	Level 1 €'000	Level 2 €'000	Level 3 €000	Total €'000
Financial assets measured at fair value on a recurring basis:				
Derivatives for which hedge accounting is not applied/held for trading	-	18.539	-	**18.539**
Investment securities at FVOCI	515.601	40.128	-	**555.729**
Investment securities mandatorily at FVTPL	1.995	-	-	**1.995**
Total financial assets measured at fair value on a recurring basis	**517.596**	**58.667**	**-**	**576.263**
Financial liabilities measured at fair value on a recurring basis:				
Derivative financial instruments designated as fair value hedges	-	6.187	-	**6.187**
Derivatives for which hedge accounting is not applied/held for trading	-	3.078	-	**3.078**
Total financial liabilities measured at fair value on a recurring basis	**-**	**9.265**	**-**	**9.265**

Valuation processes and techniques

The Bank's processes and procedures governing the fair valuations are established by the Group Market Counterparty Risk Sector in line with the Group's accounting policies. The Bank uses widely recognised valuation models for determining the fair value of common financial instruments that are not quoted in an active market, such as interest and cross currency swaps, that use only observable market data and require little management estimation and judgment. Specifically, observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded and simple over-the-counter derivatives. Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values.

Where valuation techniques are used to determine the fair values of financial instruments that are not quoted in an active market, they are validated against historical data and, where possible, against current or recent observed transactions in different instruments, and periodically reviewed by qualified personnel independent of the personnel that created them.

All models are certified before they are used and models are calibrated to ensure that outputs reflect actual data and comparative market prices. Fair values' estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that market participants would take them into account in pricing the instrument. Fair values also reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank entity and the counterparty, where appropriate.

27 Fair value of financial assets and liabilities (continued)

Valuation processes and techniques (continued)

Valuation controls applied by the Bank may include verification of observable pricing, re-performance of model valuations, review and approval process for new models and/or changes to models, calibration and back-testing against observable market transactions, where available, analysis of significant valuation movements, etc. Where third parties' valuations are used for fair value measurement, these are reviewed in order to ensure compliance with the requirements of IFRS 13.

OTC derivative financial instruments are fair valued by discounting expected cash flows using market interest rates at the measurement date. Counterparty credit risk adjustments and own credit risk adjustments are applied to OTC derivatives, where appropriate. Bilateral credit risk adjustments consider the expected cash flows between the Bank and its counterparties under the relevant terms of the derivative instruments and the effect of the credit risk on the valuation of these cash flows. As appropriate in circumstances, the Bank considers also the effect of any credit risk mitigating arrangements, including collateral agreements and master netting agreements on the calculation of credit risk valuation adjustments (CVAs). CVA calculation uses probabilities of default (PDs) based on observable market data as credit default swaps (CDS) spreads, where appropriate, or based on internal rating models. The Bank applies similar methodology for the calculation of debit-value-adjustments (DVAs), when applicable. Where valuation techniques are based on internal rating models and the relevant CVA is significant to the entire fair value measurement, such derivative instruments are categorised as Level 3 in the fair value hierarchy.

The Bank determines fair values for debt securities held using quoted market prices in active markets for securities with similar credit risk, maturity and yield, quoted market prices in non-active markets for identical or similar financial instruments, or using discounted cash flows method.

Unquoted equity instruments at FVTPL are estimated mainly (i) using third parties' valuation reports based on investees' net assets, where management does not perform any further significant adjustments, and (ii) net assets' valuations, adjusted where considered necessary.

Loans and advances to customers which contractual cash flows do not represent solely payments of principal and interest (SPPI failures) are measured mandatorily at fair value through profit or loss. Quoted market prices are not available as there are no active markets where these instruments are traded. Their fair values are estimated on an individual loan basis by discounting the future expected cash flows over the time period they are expected to be recovered, using an appropriate discount rate. Expected cash flows which incorporate credit risk represent significant unobservable input in the valuation and as such the entire fair value measurement is categorised as Level 3 in the fair value hierarchy.

Notes to the interim financial statements

27 Fair value of financial assets and liabilities (continued)

Financial instruments not carried at fair value

The carrying amount and fair value of the Bank's financial assets and liabilities not carried at fair value on the balance sheet is presented in the following table:

	30 June 2022		31 December 2021	
	Fair Value €'000	**Carrying amount €000**	Fair Value €000	Carrying amount €'000
Financial assets not carried at fair value:				
Balances with central banks	**3.002.701**	**3.002.701**	2.826.774	2.826.774
Due from credit institutions	**1.567.088**	**1.567.088**	1.626.798	1.626.798
Loans and advances to customers	**2.741.174**	**2.722.593**	2.606.722	2.600.550
Investment securities at AC	**746.895**	**759.469**	477.926	459.214
Other assets	**227**	**227**	405	405
	8.058.085	**8.051.998**	7.538.625	7.513.741
Financial liabilities not carried at fair value:				
Due to central banks	**603.046**	**603.046**	607.747	607.747
Due to credit institutions	**390.398**	**390.398**	268.465	268.465
Due to customers	**7.019.172**	**7.019.172**	6.619.640	6.619.640
Other liabilities	**79.100**	**79.100**	72.105	72.105
	8.091.716	**8.091.716**	7.567.957	7.567.957

The assumptions and methodologies underlying the calculation of fair values of financial instruments not carried at fair value are in line with those used to calculate the fair values for financial instruments carried at fair value. Particularly:

- Loans and advances to customers: for loans and advances to customers quoted market prices are not available as there are no active markets where these instruments are traded. The fair values are estimated by discounting future expected cash flows over the time period they are expected to be recovered, using appropriate risk-adjusted rates. Loans are grouped into homogenous assets with similar characteristics, as monitored by Management, such as product, borrower type and delinquency status, in order to improve the accuracy of the estimated valuation outputs. In estimating future cash flows, the Bank makes assumptions on expected prepayments, product spreads and timing of collateral realisation. The discount rates incorporate inputs for expected credit losses and interest rates, as appropriate;
- Investment securities carried at amortised cost: the fair values of financial investments are determined using prices quoted in an active market when these are available. In other cases, fair values are determined using quoted market prices for securities with similar credit risk, maturity and yield, quoted market prices in non-active markets for identical or similar financial instruments, or by using the discounted cash flows method.

The Bank recognises transfers into and out of the fair value hierarchy levels at the beginning of the quarter in which a financial instrument's transfer was effected. During the period ended 30 June 2022, the Bank did not make any transfers into and out of the fair value hierarchy levels.

For other financial instruments which are short term or re-price at frequent intervals (cash and balances with central banks, due from credit institutions, due to central banks, due to credit institutions and due to customers), the carrying amounts represent reasonable approximations of fair values.

28 Interest Rate Benchmark reform – IBOR reform

During the first quarter of 2022, the Bank's IBOR transition program managed successfully the transition of IBOR rates (CHF, GBP, JPY, 1W and 2M USD and Euro Libor) that ceased after 31 December 2021 to the new risk-free rates (RFRs). In particular, the majority of the Bank's financial instruments, such as loans to customers and deposit contracts, referencing to the abovementioned IBOR rates, was successfully transitioned to the new RFRs on their first repricing date up to 31 March 2022, while any remaining contracts will transition later during the year, on their next roll date. For derivatives, the migration to the new RFRs was performed through the activation of their fallback clauses. Further information regarding the Bank's IBOR transition program is provided in note 4.2.5 of the financial statements for the year ended 31 December 2021.

Following the transition of the majority of IBOR rates as described above, the Bank focuses on the exposures referencing the remaining USD LIBOR tenors ahead of 30 June 2023 scheduled cessation date.

29 Contingencies and commitments

Credit related commitments

The Bank presents the credit related commitments it has undertaken within the context of its lending related activities into the following three categories: a) financial guarantee contracts, which refer to guarantees and standby letters of credit that carry the same credit risk as loans (credit substitutes), b) commitments to extend credit, which comprise firm commitments that are irrevocable over the life of the facility or revocable only in response to a material adverse effect and c) other credit related commitments, which refer to documentary and commercial letters and other guarantees.

	30 June 2022 €'000	31 December 2021 €'000
Contingent liabilities:		
Financial guarantee contracts	**163.981**	162.316
Credit related commitments	**10.524**	4.465
	174.505	166.781
Commitments:		
Loan commitments	**539.210**	540.445

The following tables present the nominal amount, representing the maximum exposure to credit risk before the impairment allowance, of credit related commitments that are classified as not credit-impaired (Stage 1 and Stage 2) and those classified as credit-impaired (Stage 3). They also present the total impairment allowance recognised in respect of all credit related commitments, based on how the respective impairment allowance has been calculated, as well as the value of collateral held to mitigate credit risk. In addition, the value of collateral presented in the tables below is capped to the respective nominal amount.

29 Contingencies and commitments (continued)

	30 June 2022						
	Non-impaired		Credit-impaired		Impairment allowance		
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total gross carrying amount / nominal exposure	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Financial guarantee contracts and other credit related commitments	153.101	21.005	399	174.505	1.445	320	320
Loan commitments	496.377	42.107	726	539.210	1.351	2.817	-
	649.478	**63.112**	**1.125**	**713.715**	**2.796**	**3.137**	**320**
Value of collateral	***157.568***	***25.479***	***384***	***183.431***			

	31 December 2021						
	Non-impaired		Credit-impaired		Impairment allowance		
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total gross carrying amount / nominal exposure	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Financial guarantee contracts and other credit related commitments	152.277	14.148	356	166.781	1.114	390	283
Loan commitments	508.096	31.573	776	540.445	1.307	2.290	-
	660.373	**45.721**	**1.132**	**707.226**	**2.421**	**2.680**	**283**
Value of collateral	***176.101***	***13.531***	***345***	***189.977***			

Impairment allowance on credit related commitments and contingent liabilities is presented within "Other liabilities" (note 25).

Notes to the interim financial statements

29 Contingencies and commitments (continued)

The Bank assesses the credit quality of its credit related commitments that are subject to ECL using internal credit rating systems for its portfolio which are based on a variety of quantitative and qualitative factors. The following tables present the distribution of the nominal exposure of credit related commitments based on the credit quality classification categories and stage allocations used.

	30 June 2022			
	Non-impaired		Credit-impaired	
	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	Total nominal exposure €'000
Financial guarantee contracts and other credit related commitments:				
Strong	108.853	10.012	-	**118.865**
Satisfactory	44.248	10.512	-	**54.760**
Watch list	-	481	-	**481**
Impaired	-	-	399	**399**
Loan commitments:				
Strong	354.015	882	-	**354.897**
Satisfactory	142.362	38.950	-	**181.312**
Watch list	-	2.275	-	**2.275**
Impaired	-	-	726	**726**
	649.478	**63.112**	**1.125**	**713.715**

	31 December 2021			
	Non-impaired		Credit-impaired	
	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	Total nominal exposure €'000
Financial guarantee contracts and other credit related commitments:				
Strong	90.902	11	-	**90.913**
Satisfactory	61.375	14.003	-	**75.378**
Watch list	-	134	-	**134**
Impaired	-	-	356	**356**
Loan commitments:				
Strong	319.989	106	-	**320.095**
Satisfactory	188.107	28.603	-	**216.710**
Watch list	-	2.864	-	**2.864**
Impaired	-	-	776	**776**
	660.373	**45.721**	**1.132**	**707.226**

Notes to the interim financial statements

29 Contingencies and commitments (continued)

The following tables present the movement of the nominal amounts of financial guarantee contracts and other credit related commitments, and loan commitments by stage and is calculated by reference to the opening and closing balances for the reporting period from 1 January 2022 to 30 June 2022, and from 1 January 2021 to 31 December 2021, respectively:

30 June 2022

	Loan commitments			Financial guarantee contracts and other credit related commitments			
	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	Total €'000
Nominal amount at 1 January	508.096	31.573	776	152.277	14.148	356	**707.226**
Net increase/(decrease)	(731)	(468)	(37)	12.249	(4.529)	5	**6.489**
Transfers:							
- To 12-month ECL	1.363	(1.361)	(2)	445	(445)	-	-
- To lifetime ECL not credit-impaired	(12.329)	12.389	(60)	(11.832)	11.832	-	-
- To lifetime ECL credit-impaired	(22)	(26)	49	(38)	(1)	38	-
Nominal amount at 30 June	**496.377**	**42.107**	**726**	**153.101**	**21.005**	**399**	**713.715**

31 December 2021

	Loan commitments			Financial guarantee contracts and other credit related commitments			
	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	Total €'000
Nominal amount at 1 January	413.814	19.508	844	139.374	6.647	143	**580.330**
Net increase/(decrease)	111.511	(4.930)	(302)	21.873	(1.306)	50	**126.896**
Transfers:							
- To 12-month ECL	2.227	(2.227)	-	702	(702)	-	-
- To lifetime ECL not credit-impaired	(19.362)	19.412	(50)	(9.660)	9.660	-	-
- To lifetime ECL credit-impaired	(94)	(190)	284	(12)	(151)	163	-
Nominal amount at 31 December	**508.096**	**31.573**	**776**	**152.277**	**14.148**	**356**	**707.226**

Capital commitments

As at 30 June 2022 commitments for contracted capital expenditures for the Bank amounted to €5.069 thousand (31 December 2021: €5.336 thousand) and they were for the acquisition of computer software (31 December 2021: €41 thousand for leasehold improvements and €5.295 thousand for the acquisition of computer software).

29 Contingencies and commitments (continued)

Legal proceedings

As at 30 June 2022 and 31 December 2021 there were no significant pending litigation, claims or assessments against the Bank, the outcome of which would have a material effect on the Bank's financial position or operations.

30 Fiduciary activities

The Bank provides custody, investment management and advisory services to third and related parties which involve the Bank making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. At the balance sheet date the Bank had investment custody accounts, including fiduciary assets, with fair value amounting to approximately €4.123.561 thousand (31 December 2021: €4.037.239 thousand).

31 Cash and cash equivalents on cash flow statement

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with original maturities of three months or less:

	30 June 2022 €'000	30 June 2021 €'000
Cash in hand (note 13)	**15.628**	14.599
Balances with credit institutions (note 14)	**1.567.008**	1.887.066
Balances with central banks, excluding mandatory deposits (note 13)	**2.933.930**	2.142.575
	4.516.566	4.044.240

Changes in liabilities arising from financing activities

During the period ended 30 June 2022, changes in the Bank's liabilities arising from financing activities of €1.242 thousand (30 June 2021: €1.243 thousand) are attributable to payments of lease liabilities.

32 Related party transactions and balances

The immediate controlling party of the Bank is ERB New Europe Holding B.V. registered in the Netherlands. Eurobank Ergasias Services and Holdings S.A., who is the ultimate parent company, produces consolidated financial statements available for public use, owns 100% of the shares of ERB New Europe Holding B.V. through Eurobank S.A.

Eurobank Ergasias Services and Holdings S.A. (Eurobank Holdings) is the parent company of Eurobank S.A.

Notes to the interim financial statements

32 Related party transactions and balances (continued)

The Board of Directors (BoD) of Eurobank Holdings is the same as the BoD of Eurobank S.A. and part of the key management personnel of Eurobank S.A. provides services to Eurobank Holdings according to the terms of the relevant agreement between the two entities. As at 30 June 2022, the percentage of Eurobank Holdings' ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF) stands at 1,40%. The HFSF is considered to have significant influence over Eurobank Holdings pursuant to the provisions of the Law 3864/2010, as in force, and the Tripartite Relationship Framework Agreement (TRFA) between Eurobank S.A., Eurobank Holdings and the HFSF signed on 23 March 2020 and amended on 3 February 2022.

Fairfax Group, which holds 33% of Eurobank Holdings voting rights as of 30 June 2022 (31 March 2022: 33%), is considered to have significant influence over the Company.

A number of banking transactions are entered into with related parties in the normal course of business and are conducted on an arm's length basis. These mainly include loans, deposits derivatives, repurchase agreements, lien agreements and guarantees. In addition, as part of its normal course of business in investment banking activities, the Bank at times may hold positions in debt and equity instruments of related parties.

The outstanding balances with related parties as at 30 June 2022 and 31 December 2021 were as follows:

	With Eurobank Ergasias Services and Holdings S.A. and Eurobank S.A.		**Other related entities**		**With key management personnel**	
	30 June 2022 €'000	31 December 2021 €'000	**30 June 2022 €'000**	31 December 2021 €'000	**30 June 2022 €'000**	31 December 2021 €'000
Due from credit institutions[1]	**1.522.925**	1.529.178	**480**	575	**-**	-
Loans and advances to customers[2]	**-**	-	**29.924**	45.707	**587**	676
Derivative financial instruments – Assets	**30.448**	18.375	**-**	-	**-**	-
Due to credit institutions[3]	**324.317**	228.549	**2**	-	**-**	-
Derivative financial instruments – Liabilities	**334**	9.264	**-**	-	**-**	-
Due to customers[4]	**-**	-	**18.159**	10.418	**9.475**	7.774
Other liabilities	**909**	1.303	**585**	439	**-**	-

32 Related party transactions and balances (continued)

The transactions with related parties during the six months ended 30 June 2022 were as follows:

	With Eurobank Ergasias Services and Holdings S.A. and Eurobank S.A. €'000	Other related entities €'000	With key management personnel €'000
Interest income[5]	6.809	387	7
Interest expense	3.267	5	2
Banking fee and commission income	351	-	-
Banking fee and commission expense – fees on lien agreement	1.439	-	-
Banking fee and commission expense – other	202	-	-
Net trading income	16.034	-	-
Net gains from other financial instruments	3.994	-	-
Staff costs excluding retirement benefit costs	-	-	1.177
Defined contribution plan	-	-	99
Directors' remuneration	-	-	549
Other operating expenses	290	-	-

Key management personnel include directors and key management personnel of the Bank, their close family members and entities controlled or jointly controlled by them.

[1]Amounts due from credit institutions include reverse repurchase agreements with Eurobank S.A. of €1.510.410 thousand (31 December 2021: €1.515.435 thousand) (note 14).

[2]Loans and advances to customers with other related entities include loans and advances to the Bank's direct subsidiaries of €16.139 thousand (31 December 2021: €16.458 thousand).

[3]On 31 May 2022, Eurobank S.A. extended to the Bank a €30 million 3-year non-callable in 2, senior non-preferred loan to cover MREL requirement. The interest rate is fixed for 3 years at 3,86%. The balance of the loan as at 30 June 2022 is €30.100 thousand (note 23).

[4]Due to customers with other related entities include balances with the Bank's direct subsidiaries of €25 thousand (31 December 2021: €25 thousand). They also include balances with the Bank's Defined Contribution Plan of €593 thousand (31 December 2021: €360 thousand).

[5]Interest income from other related entities includes income from the Bank's direct subsidiaries of €184 thousand and from the Bank's Defined Contribution Plan of €1 thousand

Total collaterals in relation to loans and advances to key management personnel amounted to €471 thousand (31 December 2021: €441 thousand).

The Bank has in place lien agreements from Eurobank S.A., which act as guarantees for the purposes of securing loans and advances to customers of €187.578 thousand as of 30 June 2022 (31 December 2021: €158.682 thousand). Based on the lien agreements, in case of default of any of the issuers of the underlying assets, the Bank can set off the receivable amounts with the equivalent funds placed by Eurobank S.A.

33 Events after the balance sheet date

Further to the receipt of all Regulatory approvals, on 25 July 2022 the Board of Directors approved the transfer of the Bank's shares by the sole shareholder of the Bank, namely ERB New Europe Holding B.V., to Eurobank S.A..

There were no other material events after the balance sheet date, which have a bearing on the understanding of the financial statements.