ANCORIA BANK

banking redefined

ANNUAL FINANCIAL REPORT 2024

Contents

Board of Directors

Demetra Plati (Vice - chairperson)

Alexandra Spyrou (Non-executive independent)

Charis Charalambous (Non-executive independent)

Doros Loizides (Non-executive independent)

Polina Antoniou (Non-executive Independent) – appointed on 01 April 2024

Tasos Anastasi (Non executive) – appointed on 17 March 2025

Kyriacos Christodoulou (Executive) – appointed on 03 January 2025

Bo Sievert Larsson (Non-executive) – resigned on 31 March 2025

Ioannis Loizou (Executive) – resigned on 31 December 2024

Nicolas Prentzas (Executive) – resigned on 19 September 2024

Secretary
Sofia Kontou

Alternate Secretary
Yiannis Pishias – Appointed on 27 November 2024

Interim Chief Executive Officer / Chief Financial Officer
Kyriacos Christodoulou

Registered Office
12 Demostheni Severi
1st Floor
CY-1080 Nicosia
Cyprus

Legal Advisors
Chryssafinis & Polyviou LLC
George Z. Georgiou & Associates LLC

Independent Auditors
PricewaterhouseCoopers Ltd

Tax Advisors
KPMG Limited

The Board of Directors of Ancoria Bank Limited (the ‘Company’ or the ‘Bank’) presents to its shareholders its report together with the audited financial statements of the Bank for the year ended 31 December 2024.

Incorporation

The Company was incorporated in Cyprus on 20 August 2013 as a limited liability company under the Cyprus Companies Law, Cap.113.

Principal activity

The principal activity of the Company, which remains unchanged from prior year, involves the provision of banking services in Cyprus on the basis of the license granted by the Central Bank of Cyprus (‘CBC’).

On 14 October 2013, the Company filed an application with the CBC for a banking licence to enable it to operate as a Credit Institution under the Business of Credit Institutions Laws of 1997 and all amendments thereafter.

On 3 November 2014, the banking licence was granted by the CBC, subject to certain conditions that needed to be fulfilled prior to the commencement of any banking operations. These conditions were fulfilled during 2015 and the Company began operations as a Credit Institution in the last quarter of 2015.

Changes in group structure

The changes in the group structure that the Bank is part of are disclosed in note 33 of the financial statements.

Operating environment of the Bank

The global economic landscape is heavily influenced by ongoing geopolitical disruptions. The Russia-Ukraine war, which started in February 2022, along with the Middle East crisis that began in October 2023—now approaching resolution through a deal between Israel and Palestinian authorities in Gaza—have had significant repercussions on both global and local economies. Despite these external challenges, Cyprus' economy has shown notable resilience in navigating these geopolitical and financial uncertainties. The bank has limited direct exposure to Ukraine, Russia, and Israel, and is continuously monitoring the current affairs and remains vigilant to take precautionary measures as required.

A key consequence of these tensions has been the rise in inflation and interest rates, prompting major shifts in monetary policies since February 2022. However, since June 2024, the European Central Bank (ECB) has been gradually reducing reference rates, dropping them from 4.0% in June to 3.0% by year-end. This adjustment follows a decrease in inflation to around 2%, aligning with the ECB’s target, and further rate cuts are anticipated in 2025 to improve financial conditions.

On a global scale, risks are growing, particularly with the rise of trade protectionism, especially in the U.S., which threatens the stability of international trade and overall economic stability. Moreover, potential changes in U.S. energy policy under the new administration could have ripple effects on global energy prices, the transition to renewable energy, and geopolitical stability—all of which could indirectly impact Cyprus' economy.

Inflation, as measured by the Harmonised Index of Consumer Prices (HICP), rose by 3,1% between December 2023 and December 2024, and decreased by 0,3% in the month between November 2024 and December 2024. For the period January – December 2024, the HICP rose by 2,3% compared to the corresponding period of the previous year. It is projected to stabilize at around 2.0% for 2026.

Operating environment of the Bank (continued)

Cyprus has seen significant improvements in its sovereign risk ratings in recent years, reflecting stronger economic resilience and consistent fiscal performance. In the fourth quarter of 2024, the country received additional credit rating upgrades, reinforcing its solid fiscal discipline and ongoing economic recovery. In December 2024, both S&P and Fitch Ratings upgraded Cyprus to 'A-' from 'BBB+', citing better-than-expected fiscal outcomes, a steady reduction in public debt, and sustained economic growth exceeding the Euro Area average. Similarly, in November 2024, Moody's raised Cyprus' rating to A3 from Baa2, recognizing the improved economic outlook and robust macroeconomic fundamentals. With these upgrades, Cyprus is now rated at A- by S&P, A- by Fitch, and A3 by Moody's, securing its position within the investment-grade category.

The Board of Directors recognises the difficulties involved in predicting all developments which could have an impact on the Cyprus economy and consequently the effect, if any, that they could have on the future financial performance, cash flows and financial position of the Bank. The Board of Directors closely monitors the developments in the economic and political environment in which it operates and takes appropriate measures.

Future Developments

The Board of Directors of Ancoria Bank is intensifying its efforts to develop the operations of the Company in a manner consistent with the expectations of its stakeholders and regulators. As part of these efforts, amongst others, it has approved a revised 3-year business plan on 31st March 2025, which will allow the Bank to fulfil its business objectives in a sustainable manner. The assumptions made and parameters utilised to bring forward resulting figures were considered the most realistic to materialise based on readily available information and expectations for the Bank's short to medium-term strategy.

The Board of Directors will continue to closely monitor the current political and economic environment and will take measures in case of significant exposures.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2024 and as of the date of this report are presented on page 2.

On 01 April 2024 Mrs. Polina Antoniou was appointed as a non-executive independent director.

On 19 September 2024, Mr. Nicolas Prentzas resigned from his position as an executive director.

On 31 December 2024, Mr. Ioannis Loizou resigned from his position as an executive director and Chief Executive Officer of the Bank.

On 03 January 2025 Mr. Kyriacos Christodoulou was appointed as an executive director and interim Chief Executive Officer of the Bank.

On 17 March 2025, Mr. Tasos Anastasi was appointed as a non-executive director.

On 31 March 2025, Mr. Bo Sievert Larsson resigned from his position as a non executive director of the Bank.

There were no other changes other than those disclosed above in the composition of the Board of Directors during the year ended 31 December 2024.

Board of Directors (continued)

The Board of Directors convened 11 times during 2024, while the Board of Directors' Committees convened as follows:

- Audit Committee - 6 times
- Risk Committee – 8 times
- Remunerations and Nominations Committee - 6 times
- Credit Committee – 10 times

In accordance with the Company's Articles of Association, all newly appointed directors of the Board shall continue in office until the next Annual General Meeting, at which time they shall retire and may offer themselves, if they so wish, for re-election.

The remuneration of the members of the Board of Directors is disclosed in Note 33 of the financial statements.

Financial Results and Financial Position

The Bank's results for the year are set out on page 12.

The main financial highlights of the Bank for year 2024 are as follows:

	2024	2023
	€	€
Profit or Loss		
Net interest income	**20.964.821**	20.041.535
Operating income	**22.470.924**	21.739.216
Profit before credit loss allowance	**9.527.487**	10.492.128
Increase in credit loss allowance	**(367.117)**	(1.049.263)
Profit before tax	**9.160.370**	9.442.865
Profit for the year	**7.878.021**	8.327.163
Profit per ordinary share in issue (€)	**62,52**	66,09

Financial Results and Financial Position (continued)

	2024	2023
	€	€
Key Financial Position figures and ratios		
Customer deposits	**742.617.622**	**671.990.672**
Investments at amortised cost	**146.775.173**	**104.055.235**
Loans and advances to customers (gross)	**317.431.176**	**318.045.888**
Gross loans to deposits ratio	**43%**	**47%**
Non-Performing Exposures(NPE)/Credit impaired loans	**5.875.830**	**5.273.722**
NPE ratio[1]	**1,9%**	**1,7%**
NPE Coverage Ratio[2]	**12,9%**	**11%**

Net interest income and operating income increased by 5% and 3%, respectively, in 2024, primarily as a result of a substantial rise in interest income, which exceeded the increase in interest expense.

The increase in interest income was mainly attributable to higher earnings on balances with the Central Bank, which rose from €5.07 million to €11.88 million. This reflects both higher average interest rates (3.59% in 2024 compared to 2.89% in 2023) and an increase in the balance maintained with the Central Bank, which grew from €285.1 million to €334.1 million. Additionally, interest income from investments at amortised cost increased from €1.42 million to €4.18 million, supported by an expansion of the investment portfolio from €104.1 million to €146.8 million.

Interest expense rose from €2.28 million in 2023 to €11.56 million in 2024, primarily due to the growth in customer deposits, which increased from €672.0 million to €742.6 million. This expansion, combined with the impact of higher deposit rates driven by the revised pricing of term deposits implemented by the Bank, resulted in a corresponding rise in interest expense on customer deposits from €2.04 million to €11.36 million.

Furthermore, the gross loans-to-deposits ratio declined from 47% to 43%, reflecting the increase in customer deposits noted above, alongside a decrease in loans and advances to customers by €614.712.

Capital Management

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

During 2022, the Bank together with its shareholder, Ancoria Investments plc, were identified as a Group for the purposes of regulatory supervision. The main regulator that sets and monitors capital requirements for the Group is the Central Bank of Cyprus (‘CBC’).

[1] defined as Gross balance of Non-Performing exposures divided by Total loans and advances to customers (gross balance)
[2] defined as Expected Credit Loss allowance (ECL) on NPEs divided by Gross balance of NPEs

Capital Management (continued)

The capital adequacy framework, as in force, was incorporated through the Capital Requirements Regulation (CRR) and Capital Requirements Directive IV (CRD IV) which came into effect on 1 January 2014 with certain specified provisions implemented gradually. The CRR and CRD IV transposed the new capital, liquidity and leverage standards of Basel III into the European Union's legal framework. CRR establishes the prudential requirements for capital, liquidity and leverage for credit institutions. It is directly applicable in all EU member states. CRD IV governs access to deposit-taking activities and internal governance arrangements including remuneration, board composition and transparency. Unlike the CRR, member states were required to transpose the CRD IV into national law and national regulators were allowed to impose additional capital buffer requirements.

On 27 June 2019, the revised rules on capital and liquidity (CRR II and CRD V) came into force as amended by Regulation (EU) 2019/876. Certain provisions took immediate effect (primarily relating to MREL), but most changes became effective as of June 2021. The key changes introduced consist of among others, changes to qualifying criteria for Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Tier 2 (T2) instruments, introduction of requirements for MREL and a binding Leverage Ratio requirement (as defined in the CRR) and a Net Stable Funding Ratio (NSFR).

The amendments that came into effect on 28 June 2021 are in addition to those introduced in June 2020 through Regulation (EU) 2020/873, which among other brought forward certain CRR II changes in light of the COVID-19 pandemic. The main adjustments of Regulation (EU) 2020/873 that had an impact on the Bank's capital ratio relate to i) the acceleration of the CRR II provision for the implementation of the new SME discount factor (lower RWAs), ii) extending the IFRS 9 transitional arrangements and introducing further relief measures to CET1 allowing to fully add back to CET1 any increase in ECL recognised in 2021 and 2022 for non-credit impaired financial assets and phasing in this starting from 2022 and iii) advancing the application of prudential treatment of software assets as amended by CRR II (which came into force in the last quarter of 2020).

In October 2021, the European Commission adopted legislative proposals for further amendments to the CRR, CRD and the BRRD (the '2021 Banking Package'). Amongst other things, the 2021 Banking Package would implement certain elements of Basel III that have not yet been transposed into EU law. In the case of the proposed amendments to CRD and the BRRD, their terms and effect will depend, in part, on how they are transposed in each member state. In December 2023, the preparatory bodies of the Council and European Parliament endorsed the amendments to the CRR and the CRD and the legal texts were published on the Council and the Parliament websites. In April 2024, the European Parliament voted to adopt the amendments to the CRR and the CRD; Regulation (EU) 2024/1623 (known as CRR III) and Directive (EU) 2024/1619 (known as CRD VI) were published in the EU's official journal in June 2024, with entry into force 20 days from the date of the publication. Most amended provisions of the CRR III have become effective on 1 January 2025 with certain measures subject to transitional arrangements or to be phased-in over time. Member states shall adopt and publish, by 10 January 2026, the laws, regulations and administrative provisions necessary to comply with CRD VI and shall apply most of those measures by 11 January 2026.

The Bank examined the revised framework and necessary steps are being taken to ensure timely compliance with the new regulation. The application of the new regulation is expected to have a decrease on RWAs and hence an increase in capital ratios, stemming mainly from the changes in the methodologies for the calculation of operational RWAs and credit RWAs. During 2025 the publication of the revised ECB guidelines on options and discretions and EBA mandates might have additional impact on the CET1 ratios across the industry

Furthermore, the Bank Recovery and Resolution Directive (BRRD) requires that from January 2016 EU member states shall apply the BRRD's provisions requiring EU credit institutions and certain investment firms to maintain a minimum requirement for own funds and eligible liabilities (MREL), subject to the provisions of the Commission Delegated Regulation (EU) 2016/1450. On 27 June 2019 the BRRD II came into effect and was required to be transposed into national law. BRRD II was transposed and implemented in Cyprus law in early May 2021. In addition, certain provisions on MREL have been introduced in CRR II which also came into force on 27 June 2019.

Capital Management (continued)

In April 2024, the Bank received notification from the Head of the Resolution Department of the Central Bank of Cyprus of the final MREL target. As per the notification, the final MREL requirement was set at a level of an additional 2.5% of Risk Weighted assets over and above the total SREP capital requirement at the time and 4,25% of Leverage Ratio Exposure (LRE) (as defined in the CRR) and should have been met from 1 January 2024.

Basel III Framework comprises of three Pillars:

- Pillar 1 – Minimum capital requirements
- Pillar 2 – Internal capital and liquidity assessment and supervisory review process
- Pillar 3 – Market discipline

Pillar 1 – Minimum capital requirements

Pillar 1 sets forth the guidelines for calculating the minimum capital requirements to cover the credit risk, the market risk and the operational risk.

The Bank uses the Standardised Approach for the calculation of minimum capital requirements against credit risk and the financial collateral simple method for credit risk mitigation purposes. The Bank adopts the Basic Indicator Approach for the calculation of capital regarding operational risk.

Pillar 2 – Supervisory review process

Pillar 2 aims to enhance the link between an institution's risk profile, its risk management and risk mitigation systems, and its capital planning. The process can be divided into two major components:

- An internal assessment by the institution on internal governance, risk management, stress testing frameworks, business model, capital and liquidity adequacy and strategy, known as Internal Capital and Liquidity Adequacy Assessment Process ('ICAAP / ILAAP')
- A Supervisory Review and Evaluation Process ('SREP'), of which its key purpose 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 to. This includes risks arising from stress testing exercises and risks an institution may pose to the financial system.

The Bank is in the process of preparation of its ICAAP / ILAAP report for the year 2024.

The Bank has received its latest SREP communication in February 2023 which noted that the CBC has conducted the SREP of the Bank for 2021 with a reference date of 31 December 2021, following the submission of the Bank's ICAAP report and also having regard to any other relevant information received after that date. The CBC's review aimed at assessing whether the Bank has in place robust governance arrangements and effective processes to identify, manage, monitor and report the current and future risks and adequate internal control mechanisms and whether the Bank holds adequate capital to cover the nature and level of the risks which the Bank is or might be exposed. Furthermore, CBC communicated the new capital requirements. Namely the latest SREP requirement has been set at 3,61% (2023: 3,61%), amending the Total Capital Ratio requirement to 14,11% without Pillar 2 Capital Guidance and to 14,61% with Pillar 2 Capital Guidance both on a standalone and on a consolidated level.

Capital Management (continued)

It is also noted that in December 2022, the Central Bank of Cyprus set the countercyclical buffer rate that is required to be maintained by authorised credit institutions operating in the Republic from 0% to 0,5%. The 0,5% requirement should have been met as from 30 November 2023 and has thus increased the total capital requirement of the Bank to 15,11%.It was subsequently communicated that the countercyclical buffer will further increase by 0,5% from 2 June 2024and has thus increased the total capital requirement of the Bank to 15,61%. In January 2025, the CBC, based on its macroprudential policy, decided to increase the countercyclical buffer rate from 1.00% to 1.50% of the total risk exposure amount in Cyprus effective from January 2026. Based on the above, the countercyclical buffer rate for the Bank is expected to increase further

The Bank as at 31 December 2024 was in compliance with the above requirements with adequate buffers on both a standalone and on consolidated basis.

Pillar 3 – Market discipline

Pillar 3 sets out required disclosures to allow market participants to assess key pieces of information relevant to the capital structure, risk exposures, risk assessment processes and hence the capital adequacy of the Bank.

Based on CRR, disclosures by banks include information relating to their risk management objectives and policies, the composition of own funds and original and supplementary funds, their compliance with minimum capital requirements and the internal capital adequacy assessment process.

The Bank closely monitors its capital adequacy both for compliance with the requirements of the supervisory authority as well as to maintain a base to support and develop its activities and safeguard the interests of its shareholders.

Pillar 3 disclosures are published on the Bank's website.

Capital position as per CRR / CRD IV

At 31 December 2024 and 31 December 2023, the Bank fully met the minimum capital requirements.

The information presented below represents the Bank's capital position under CRR / CRD IV, including the application of the transitional arrangements as set by the CBC.

	31 December 2024 €	31 December 2023 €
Common Equity Tier 1 capital	**56.242.882**	48.576.700
Additional Tier 1 capital	**5.000.000**	5.000.000
Tier 1 capital	**61.242.882**	53.576.700
Tier 2 capital	**-**	-
Total Regulatory Capital	**61.242.882**	53.576.700
Common Equity Tier 1 ratio	**23,16%**	20,93
Tier 1 ratio	**25,21%**	23,08
Total capital ratio	**25,21%**	23,08

The Consolidated Common Equity Tier 1 ratio and the Consolidated Total Capital ratio as at 31 December 2024 were 23,02% and 25,09% respectively.

Capital Management (continued)

In October 2021, the European Commission adopted legislative proposals for further amendments to the Capital Requirements Regulation (CRR), CRD IV and the BRRD. Amongst other things, the proposals will implement certain elements of Basel III that have not yet been transposed into EU law. The aforementioned proposals are subject to amendment in the course of the EU's legislative process; and its scope and terms may change prior to its implementation. In addition, in the case of the proposed amendments to CRD IV and the BRRD, their terms and effect will depend, in part, on how they are transposed into legislation by each member state. The European Council's proposal on CRR and CRD was published on 8 November 2022, which will form CRRIII/CRDVI. In December 2023, it was announced that the package has been agreed, endorsed by the European Council and Parliament and will be implemented in EU law. It is expected that the specific directives and regulations will enter into force on 1 January 2025.

Dividends

During the year 2024, no dividends were paid or declared by the Bank (2023: €nil).

Branches

The Bank operates through three branches in Cyprus located in Nicosia, Limassol and Larnaca.

Information relating to share capital

Authorised capital

Under its Memorandum of Association, the Company fixed its authorised share capital at 1.000 ordinary shares of nominal value of €1 each. On 15 December 2014, the Company increased its authorised capital to 201.000 ordinary shares of nominal value of €1 each.

Issued capital

On 05 November 2024, the Bank reduced the total premium of €62.375.000 to €49.719.289. Premium of €12.655.711 was offset against accumulated losses.

As at 31 December 2024, there were 126.000 shares (2024: 126.000) issued ordinary shares with a nominal value of €1 each.

There are no restrictions on the transfer of the Bank's ordinary shares other than the provisions of the Bank's Articles of Association and the Banking Law of Cyprus which requires the approval of the Central Bank of Cyprus prior to the acquiring of shares of the Bank in excess of certain thresholds.

Principal risks and uncertainties

The principal risks assumed by the Bank are banking risks. Such risks expose the Bank mainly to credit risk, operational risk, market risk (including price risk, foreign exchange risk and interest rate risk), liquidity risk and capital risk. Detailed information relating to risk management is set out in Note 31 to the financial statements.

Risk Management

The Bank considers risk management to be a major process and a significant factor contributing towards the sustainability of its business and safeguarding the interests of its stakeholders. The Bank's risk management programme as described in detail in *Note* 31 of the financial statements explains how the banking risks that the Bank is exposed to are monitored and managed.

The Board of Directors assisted by the Risk Committee and the Audit Committee, has overall responsibility for the establishment and oversight of the Bank's risk management framework and systems of internal controls.

Risk Management (continued)

Credit risk
Credit risk is considered to be the most significant risk for the Bank and is adequately and closely monitored by management. The Bank's business model assumes credit risk-taking primarily in its core activity of lending. Before granting any credit the Bank performs a comprehensive assessment based on relevant criteria to ensure that it keeps the risk within its risk appetite. In addition the Board has set internal concentration guidelines for the loan portfolio in terms of industry, product type and borrower's credit quality among others.

Expected Credit Losses (ECL) provisioning is an important component of the Bank's credit risk management framework. The Bank has in place credit risk processes to ensure the correct identification of all credit facilities that require provision and timely recognition of adequate ECL. ECL is measured using a forward looking impairment model in line with the provisions of IFRS 9. Exposure to credit risk is managed by detailed credit risk assessment performed by the business departments prior to the loans origination and by ensuring that adequate collateral is in place. Such assessments are reviewed by the Risk Management Department and exposure to credit risk is managed through regular review of the ability of the counterparties to meet interest and capital payment obligations. For a more detailed analysis of credit risk management policies and procedures in place refer to Note 31 for further details.

Liquidity risk
Management monitors the liquidity position of the Bank through its treasury operations by utilising appropriate monitoring tools. The Treasury Department is responsible for managing liquidity, to ensure compliance with internal and regulatory liquidity policies and to provide direction in respect of actions to be taken regarding liquidity availability.

Liquidity ratios

The Bank calculates the Liquidity Coverage Ratio ('LCR') based on the Delegated Regulation (EU) 2015/61 and submits it to the CBC on a monthly basis. The LCR is designed to establish a minimum level of high-quality liquid assets sufficient to meet an acute stress scenario lasting for 30 calendar days. During 2024 and 2023 the minimum requirement was 100%.

The LCR ratio was as follows:

	2024 **%**	2023 %
End of the reporting period	**1.299,98**	1.542,01
Average for the year	**1678,68**	863,19
Maximum ratio for the year	**2.240,60**	2.400,46
Minimum ratio for the year	**1.253,81**	484,60

As at 31 December 2024 and 31 December 2023 and during the years 2024 and 2023, the Bank was in full compliance with the above regulatory liquidity requirements.

Additionally to the LCR, the Bank calculates and submits to CBC the Net Stable Funding Ratio ('NSFR') on a quarterly basis. The minimum requirement of NSFR is 100%. At 31 December 2024, the Bank's NSFR was at 267,81% (2023: 240,04%).

For further analysis on the Bank's liquidity risk refer to Note 31.

Foreign exchange risk
The Bank is exposed to foreign exchange risk as a result of foreign currency positions held in currencies other than Euro. For a detailed analysis of the Bank's foreign currency exposure refer to Note 31.

Risk Management (continued)

Interest rate risk

Interest rate risk is the risk that changes in the market interest will adversely affect the value of interest bearing assets. Interest rate risk in the banking book is the risk that arises from timing differences in the maturity (for fixed rate instruments) and repricing (for floating rate instruments) of the Bank's assets, liabilities and off-balance sheet positions.

Interest rate risk is measured, monitored and controlled using interest rate sensitivity gap analysis estimating the difference between assets and liabilities for which interest rates are repriced at each time band. In addition, the lending products of the Bank are primarily priced with floating interest rates limiting exposure to interest rate risk.

Events after the statement of financial position date

No significant non-adjusting events have taken place since 31 December 2024 other than as disclosed in the section 'Operating Environment of the Bank' above.

Independent auditors

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

By order of the Board of Directors

Yiannis Pishias
Alternate Secretary

30 April 2025

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2024

	Note	**2024 €**	2023 €
Interest income calculated using the effective interest rate method	*4*	**32.521.354**	22.325.666
Interest expense calculated using the effective interest rate method	*5*	**(11.556.533)**	(2.284.131)
Net interest income		**20.964.821**	20.041.535
Fee and commission income	*6*	**2.042.137**	2.137.453
Fee and commission expense	*6*	**(446.023)**	(419.206)
Net fee and commission income		**1.596.114**	1.718.247
Net foreign exchange gains		**81.468**	103.223
Loss on derecognition of financial assets measured at amortised cost	*13*	**(150.096)**	-
Loss on modification of financial assets measured at amortised cost	*13*	**(23.398)**	(132.206)
Other operating income		**2.015**	8.417
Operating income		**22.470.924**	21.739.216
Impairment on property,plant and equipment		**(40.520)**	-
Staff costs	*7*	**(6.314.191)**	(5.716.518)
Depreciation of property and equipment	*19*	**(767.337)**	(714.942)
Amortisation of intangible assets	*20*	**(382.620)**	(326.237)
Other operating expenses	*8*	**(5.438.769)**	(4.489.391)
Profit before credit loss allowance		**9.527.487**	10.492.128
Increase in credit loss allowance	*9*	**(367.117)**	(1.049.263)
Profit before tax		**9.160.370**	9.442.865
Income tax	*10*	**(1.282.349)**	(1.115.702)
Profit for the year		**7.878.021**	8.327.163
Other comprehensive gain:			
Items that will not be reclassified to profit or loss			
Equity instruments designated at fair value through other comprehensive income:			
Gains arising during the year	*26*	**4.200**	4. 365
Total other comprehensive income for the year		**4.200**	4.365
Total comprehensive income for the year		**7.882.221**	8.331.528

The notes on pages 16 to 112 are an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2024

	Note	2024 €	2023 €
ASSETS			
Cash and balances with Central Bank	*11*	**334.131.275**	285.051.204
Placements with banks	*12*	**7.885.771**	13.684.969
Investments at fair value through other comprehensive income	*14*	**120.600**	69.840
Loans and advances to customers	*13*	**315.165.890**	316.057.006
Investments at amortised cost	*15*	**146.775.173**	104.055.235
Other assets	*18*	**4.061.290**	9.112.279
Deferred tax asset	*10*	**235.413**	194.941
Property and equipment	*19*	**5.131.343**	5.590.291
Intangible assets	*20*	**1.474.227**	1.268.500
Total assets		**814.980.982**	735.084.265
LIABILITIES			
Customer deposits	*21*	**742.617.622**	671.990.672
Other borrowings	*22*	**2.879.719**	4.707.700
Lease liabilities	*23*	**553.026**	827.536
Provisions and other liabilities	*24*	**6.188.993**	2.696.463
Total liabilities		**752.239.360**	680.222.371
EQUITY			
Share capital	*25*	**126.000**	126.000
Share premium	*25*	**49.719.289**	62.375.000
Revaluation reserve for securities at FVOCI	*26*	**20.805**	16.605
Retained Earnings / (Accumulated losses)	*27*	**7.875.528**	(12.655.711)
Other equity instruments	*25*	**5.000.000**	5.000.000
Total equity		**62.741.622**	54.861.894
Total liabilities and equity		**814.980.982**	735.084.265

On 30 April 2025, the Board of Directors of Ancoria Bank Limited authorised these financial statements for issue.

Demetra Plati
Vice-chairperson of the Board ....

Alexandra Spyrou
Member of the Board ....

Kyriacos Christodoulou
Member of the Board and
Interim Chief Executive Officer
/ Chief Financial Officer ....

The notes on pages 16 to 113 are an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2024

	Share capital *(Note 25)*	Share premium *(Note 25)*	Revaluation reserve for securities at FVOCI *(Note 26)*	Accumulated Losses / Retained Earnings *(Note 27)*	Other equity instruments *(Note 25)*	Total
	€	**€**	**€**	**€**	**€**	**€**
Balance at 1 January 2023	126.000	62.375.000	12.240	(20.981.670)	5.000.000	46.531.570
Transactions with owners						
Defence Tax on Deemed Dividend Distribution	-	-	-	(1.204)	-	(1.204)
Comprehensive income						
Profit for the year	-	-	-	8.327.163	-	8.327.163
Other comprehensive income for the year	-	-	4.365	-	-	4.365
Total comprehensive income for the year	-	-	4.365	8.327.163	-	8.331.528
Balance at 31 December 2023	126.000	62.375.000	16.605	(12.655.711)	5.000.000	54.861.894
Balance at 1 January 2024	**126.000**	**62.375.000**	**16.605**	**(12.655.711)**	**5.000.000**	**54.861.894**
Transactions with owners						
Share premium reduction	**-**	**(12.655.711)**	**-**	**12.655.711**	**-**	**-**
Defence Tax on Deemed Dividend Distribution	**-**	**-**	**-**	**(2.493)**	**-**	**(2.493)**
Comprehensive income						
Profit for the year	**-**	**-**	**-**	**7.878.021**	**-**	**7.878.021**
Other comprehensive income for the year	**-**	**-**	**4.200**	**-**	**-**	**4.200**
Total comprehensive income for the year	**-**	**-**	**4.200**	**7.878.021**	**-**	**7.882.221**
Balance as at 31 December 2024	**126.000**	**49.719.289**	**20.805**	**7.875.528**	**5.000.000**	**62.741.622**

The notes on pages 16 to 112 are an integral part of these financial statements.

Statement of Cash Flows
for the year ended 31 December 2024

	Note	2024 €	2023 €
Net cash flow from operating activities	*29*	**84.411.401**	260.034.964
Cash flows from investing activities			
Purchases of property and equipment	*19*	**(348.909)**	(111.198)
Purchases of intangible assets	*20*	**(588.347)**	(459.058)
Proceeds from disposal of property, plant and equipment		**-**	300
Purchase of investments at fair value through other comprehensive income	*14*	**(46.560)**	-
Purchases of investments at amortised cost	*15*	**(53.139.760)**	(92.525.422)
Proceeds on redemption of investments at amortised cost	*15*	**12.117.866**	22.039.715
Interest received from investments at amortised cost	*15*	**2.489.975**	384.172
Net cash flows used in investing activities		**(39.515.735)**	(70.671.491)
Cash flows from financing activities			
Repayment of principal and interest of lease liabilities	*23*	**(308.400)**	(307.900)
Repayments of other borrowings including interest	*22*	**(1.985.200)**	(1.440.751)
Net cash flows used in financing activities		**(2.293.600)**	(1.748.651)
Net increase in cash and cash equivalents		**42.602.066**	187.614.822
Cash and cash equivalents			
At 1 January		**292.132.668**	104.517.846
Net increase in cash and cash equivalents		**42.602.066**	187.614.822
At 31 December	*30*	**334.734.734**	292.132.668

Non-cash transactions during 2024, relate to share premium reduction (Note 25).

Non-cash transactions during 2023, relate to modifications of Right-of-use assets and lease liabilities.

There were no other significant non-cash transactions during the years 2024 and 2023.

The notes on pages 16 to 112 are an integral part of these financial statements.

1. General information

1.1. Corporate information

Ancoria Bank Limited (the 'Company' or the 'Bank'), was incorporated in Cyprus on 20 August 2013 as a limited liability company under the Cyprus Companies Law, Cap.113 and commenced operations in 2015, as a licensed credit institution by the Central Bank of Cyprus ('CBC'). Its registered office is at 12 Demostheni Severi, 1st floor, 1080 Nicosia, Cyprus.

The Company is a limited liability company under the Cyprus Companies Law.

The financial statements of the Bank for the year ended 31 December 2024 were authorised for issue in accordance with a resolution of the Board of Directors on 30 April 2025.

The Company is a wholly owned subsidiary of Ancoria Investments Plc which is registered in Cyprus, and which prepares consolidated financial statements including the results, position and cash flows of the Company. The consolidated financial statements are available at the registered office of the Bank.

The Bank has three branches in Cyprus.

1.2. Principal activity

The principal activity of the Company, which remains unchanged from prior year, involves the provision of banking services in Cyprus on the basis of the licence granted by CBC.

2. Summary of material accounting policy information

The material accounting policy information adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented in these financial statements unless otherwise stated.

2.1. Basis of preparation

The financial statements have been prepared in accordance with IFRS Accounting Standards, as adopted by the European Union ('EU'), and the requirements of the Cyprus Companies Law, Cap.113.

IFRS Accounting Standards comprise the following authoritative literature:
• IFRS Accounting Standards;
• IAS Standards; and
• Interpretations developed by the IFRS Interpretations Committee (IFRIC Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations).

The financial statements comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements.

As of the date of the authorisation of the financial statements, all IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are relevant to the operations of the Bank and are effective as of 1 January 2024 have been adopted by the EU through the endorsement procedure established by the European Commission.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation at fair value of financial instruments at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"), and land and freehold property held for own use.

The financial statements are presented in Euro (€) which is the Bank's functional and presentation currency.

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding the expected recovery or settlement of any asset and liability within twelve months after the reporting date and more than twelve months after the reporting date is presented in Note 28.

2. Summary of material accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern

The Bank’s financial statements have been prepared on a going concern basis following the assessment performed by the Board of Directors and Management on the Bank’s ability to continue as a going concern for a period of at least twelve months from the date of approval and issuance of these financial statements.

In making this assessment, the Board of Directors has considered a wide range of information relating to present and future conditions, including projections of profitability, cash flows, capital requirements and capital resources and the operating environment (as set out in Section ‘Operating Environment’ in the Management Report and Note 34). The Board of Directors has also considered relevant sensitivity scenarios in its projection to cater for downside risk and has used conservative economic inputs to develop its medium term strategy.

When deciding upon the Bank's ability to operate as going concern, the management has taken into account the following:

- **Capital adequacy**

  The Bank's Total Capital Ratio requirement including SREP was 15,11% (2023: 14,61%) without Pillar 2 Capital Guidance and 15,61% (2023: 15,11%) with Pillar 2 Capital Guidance. The Bank as at 31 December 2024 was in compliance with the above requirements with substantial buffers. As part of its assessment the Board of Directors has considered the current financial performance of the Bank, forecasted profitability, forecasted capital adequacy and existing capital buffers. The Board of Directors taking into consideration all available information and relevant sensitivity scenarios performed, anticipates that the Bank will be able to meet its capital requirements without the need for additional capital.

- **Minimum Requirement for own funds and Eligible Liabilities (MREL)**

  In April 2024, the Bank received notification from the Head of the Resolution Department of the Central Bank of Cyprus of the final MREL target. As per the notification, the final MREL requirement was set at a level of an additional 2.5% of Risk Weighted assets over and above the total SREP capital requirement at the time and 4,25% of Leverage Ratio Exposure (LRE) (as defined in the CRR) and must be met from 1 January 2024. As a result, the total MREL requirement of the Bank is set at 18,11% (including Pillar 2 Capital Guidance). The Bank as at 31 December 2024 and as at the date of issuance of the financial statements was in compliance with the above requirements with substantial buffers.

- **Liquidity**

  In 2024, the Bank increased its customer deposits by €70,6 million (2023: €242,2 million) and maintained liquidity levels well above the regulatory requirements.

2. Summary of material accounting policies (continued)

2.1 Basis of preparation (continued)

- **Other Developments (continued)**

  The Bank's strategy is to maintain financial instruments in its Held-to-Collect bond portfolio with a weighted average duration of less than 5 years. The conservative deployments during 2024 primarily to high quality short duration Bonds resulted to the portfolio having a weighted average duration of 5,89 years as at 31 December 2024 (31 December 2023: 2,64 years).

  At the same time, the strong liquidity position of the Bank in conjunction with the excess liquidity observed in the Cyprus Banking market allow the Bank to confidently accommodate any liquidity needs and hence hold the bond portfolio until maturity for the purpose of realising its contractual cash flows.

  For further details on the fair value of the portfolio, refer to Note 16.

The Directors have made the assessment on the Bank's ability to continue as a going concern for a period of at least twelve months from the date of approval of these financial statements and concluded that there is no material uncertainty which would cast significant doubt over the ability of the Bank to continue to operate as a going concern for a period of twelve months from the date of approval of these financial statements.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Bank's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.2 Adoption of new and revised IFRS Accounting Standards

During the current year, the Bank has adopted all new and revised IFRS Accounting Standards that are relevant to its operations and are effective for accounting periods beginning on or after 1 January 2024. The adoption of these new and revised standards and interpretations did not have a material effect on the accounting policies of the Bank.

2.3 Standards, Interpretations and Amendments issued but not yet effective

At the date of approval of these financial statements a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2025, and have not been applied in preparing these financial statements. These are listed below:

a) Adopted by the EU

Standard / Interpretation	**Effective for annual periods beginning on or after**
Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023)	1 January 2025

2. Summary of material accounting policies (continued)

2.3 Standards, Interpretations and Amendments issued but not yet effective (continued)

b) Not yet adopted by the EU

Standard / Interpretation	Effective for annual periods beginning on or after
Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures (issued on 30 May 2024)	1 January 2026
Annual Improvements to IFRS Accounting Standards (Issued in July 2024)	1 January 2026
IFRS 18 : Presentation and Disclosure in Financial Statements (issued on 9 April 2024)	1 January 2027

The Bank is in the process of evaluating the effect that the adoption of the above standards will have on the financial statements of the Bank and as of the date of issue of these financial statements the impact of the amendments is not known. The Bank does not intend to early adopt any of them.

2.4 Revenue recognition

Revenue comprises of interest income, fee and commission income, dividend income and other income.

Interest income

For all financial assets measured at amortised cost and all debt financial assets measured at fair value through other comprehensive income, interest income is recognised using the effective interest rate ('EIR') method.

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between the initial amount and the maturity amount and, for financial assets adjusted for any loss allowance.

The EIR is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instruments, to the gross carrying amount of the financial asset or the amortised cost of the financial liability. When calculating the EIR, the Bank shall estimate cash flows considering all contractual terms of the financial instrument (e.g. prepayment, call option, etc.) but shall not consider future credit losses. The calculation includes all fees that are an integral part to the contract, incremental transaction costs, all premiums or discounts and fees and points paid or received that are integral to the EIR rate, such as origination fees.

2.4.1 Interest income and interest expense

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets except in the case of credit-impaired assets (or 'Stage 3'). When a financial asset becomes credit-impaired, the Bank calculates interest income by applying the EIR to the net amortised cost of the financial asset (i.e. net of the expected credit loss provision).

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the EIR, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

Interest income from financial assets at amortised cost is presented as part of 'interest income calculated using the effective interest rate method' within the statement of profit or loss and other comprehensive income.

Interest income from cash and placements with banks and central banks is presented as part of 'interest income calculated using the effective interest rate method'.

2. Summary of material accounting policies (continued)

2.4.1 Interest income and interest expense (continued)

Interest expense

Interest expense is recognised in the statement of profit or loss and other comprehensive income by applying the EIR method.

Interest expense on financial liabilities at amortised cost is presented within 'Interest expense calculated using the effective interest rate method'.

2.4.2 Fee and commission income and expense

Fee and commission income

The Bank earns fee and commission income from a range of services it provides to its clients including debit cards, trade finance products, transfers of money and other banking services as well as through insurance intermediation activities.

Fees and commissions in respect of loans and advances to customers are recognised using the EIR method as part of interest income as explained above.

In general, fee income can be divided into two broad categories:

(i) fees earned from services that are provided over a certain period of time, and

(ii) fees earned from point in time services.

(i) Over time services

Fees earned from services such as account maintenance fees, insurance commissions and financial guarantees that are provided over a certain period of time are recognised pro-rata over the service period on a straight line basis as the services are rendered when the customer simultaneously receives and consumes the benefits provided by the Bank's performance provided the fees are not contingent on successfully meeting specified performance criteria that are beyond the control of the Bank.

(ii) Point in time services

Fees earned from providing transaction-type services such as money transfer fees and commissions, card interchange fees and cheque returned fees are recognised when the service has been completed provided such fees are not subject to refund or another contingency beyond the control of the Bank. Incremental costs to fulfil services provided at a point in time are typically incurred and recorded at the same time as the performance obligation is satisfied and revenue is earned, and are therefore not recognised as an asset.

Fee and commission income is measured based on consideration specified in a legally enforceable contract with a customer. Consideration can include both fixed and variable amounts. Variable consideration that is contingent on an uncertain event can only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue for a contract will not occur.

Fee and commission expense

Fee and commission expense is generally recognised in the year when the service has been provided to the Bank. Fee and commission expense relates to cards, foreign correspondents and other service charges plus sundry fee and commission expenses incurred.

2. Summary of material accounting policies (continued)

2.4.3 Dividend income

Dividend income is recognised in the profit or loss when the Bank's right to receive payment is established. This is the ex-dividend date for listed equity securities and usually the date when shareholders approve the dividend for unlisted equity securities. Dividend income is recognised under 'Other operating income' line.

2.5 Foreign currency translation

i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Bank operates. The functional and presentation currency of the Bank is the Euro (€).

ii) Transactions and balances

Transactions in foreign currencies are translated into the respective functional currency of the Bank at the spot exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss under 'Net foreign exchange gains' line. However, foreign currency differences arising from the translation of the following items are recognised in other comprehensive income:

- Equity investments in respect of which an election has been made to present subsequent changes in fair value in other comprehensive income.

2.6 Employee benefits

The Bank and its employees contribute to the Cyprus Government Social Insurance Fund and to the General Healthcare System based on the employees' salaries in accordance with prevailing legal requirements. The Bank's contributions are expensed as incurred and are included under 'Staff costs' line.

The Bank operates a defined contribution scheme, which provides for employer contributions of 6% on the employees' gross salary and employee contributions within a range of 4%-10% of their gross salary. The Bank's contributions are expensed when due and are included in staff costs. The Bank has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employee benefits relating to employee service in the current period.

This scheme is in the form of a pension plan under Ancoria Insurance Public Ltd, an indirect shareholder with significant influence over the Bank.

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2. Summary of material accounting policies (continued)

2.7 Current and deferred income tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes withholding tax on interest and dividends.

Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax on income is provided in accordance with the fiscal regulations and rates enacted or substantively enacted at every reporting date and is recognised as an expense in the period in which the income arises.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

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

The Bank’s uncertain tax positions are reassessed by management at every statement of financial position date. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretations of tax laws that have been enacted or substantively enacted by the balance sheet date and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management’s best estimate of the expenditure required to settle the obligations at the balance sheet date.

Direct tax legislation, which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Bank. While there are risks that these tax positions and interpretations taken by the Bank could be potentially challenged by the tax authorities, the Bank currently estimates that they can be sustained.

2. Summary of material accounting policies (continued)

2.7 Current and deferred income tax (continued)

Indirect Tax Value Added Tax ('VAT')

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

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

VAT is not accounted as income tax.

Special Tax Levy

The special levy on credit institutions in Cyprus is imposed on the level of deposits as at the end of the previous quarter, at the rate of 0.0375% per quarter. Based on an amendment to the Law effective as from 6 October 2017, an amount corresponding to the annual contribution of each credit institution to the Resolution Fund or to the Single Resolution Fund as the case may be, is deducted from the balance of special levy payable, up to the maximum amount of special levy for the same year.

Special tax levy on deposits is recognised in profit or loss under 'Other operating expenses' line.

2.8 Financial instruments

2.8.1 Initial recognition and measurement

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

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

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

2.8 Financial instruments (continued)

2.8.1 Initial recognition and measurement (continued)

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (‘regular way’ purchases and sales) are recorded at settlement date, which is the date on which the asset is delivered to the Bank. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument. Specifically, “Cash and balances with Central Bank”, “Placements with banks”, “Loans and advances to customers”, “Other assets”, “Other borrowings” and “Customer deposits” are recognised when cash is received by the Bank or advanced to the counterparties/borrowers. Any change in the fair value of the assets classified as financial assets at fair value through profit or loss or at other comprehensive income to be received during the period between the trade date and the settlement date is recognised in profit or loss and in OCI, respectively. However changes in the fair value of assets carried at amortised cost between trade date and settlement date are not recognised.

2.8.2 Classification and subsequent measurement of financial assets and liabilities

Financial assets

Measurement categories

The Bank classifies its financial assets at amortised cost (‘AC’), fair value through other comprehensive income (‘FVOCI’) or fair value through profit or loss (‘FVTPL’). The classification and subsequent measurement of debt financial assets depends on: i) the Bank’s business model for managing the related assets portfolio and ii) the cash flow characteristics of the asset (‘SPPI’).

Cash flow characteristics and assessment whether contractual cash flows are SPPI

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Bank assesses whether the individual financial assets’ cash flows represent solely payments of principal and interest on the principal amount outstanding.

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument upon initial recognition. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Bank considers:

- contingent events that would change the amount or timing of cash flows,
- interest rates which are beyond the control of the Bank or variable interest rate consideration,
- features that could modify the time value of money,
- prepayment and extension features,
- terms that limit the Bank’s claim to cash flows from specified assets (e.g. non-recourse features), and convertible features.

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

2.8 Financial instruments (continued)

2.8.2 Classification and subsequent measurement of financial assets and liabilities (continued)

Reclassifications and changes in the business model
Financial instruments are only reclassified when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the reclassification date, defined as the first day of the first reporting period following the change in business model that results in the Bank reclassifying financial assets. The Bank does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

There were no reclassifications of the Bank's financial assets during the current year or previous reporting periods.

Financial assets measured at amortised cost (AC)
Amortised cost is calculated by taking into account any fees that are an integral part of the effective interest rate as explained in the accounting policy 'Interest Income'. The amortisation is included under 'Interest income calculated using the effective interest rate method' line and any losses arising from impairment are recognised in the statement of profit or loss and other comprehensive income under 'Decrease/(increase) in credit loss allowance' line.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

These financial assets are measured at amortised cost using the EIR method less allowances for expected credit losses which are recognised in profit or loss under 'Decrease/(increase) in credit loss allowance' line. The Bank's financial assets measured at AC consist of: cash and balances with Central Bank, placements with banks, loans and advances to customers, investments at amortised cost and other assets.

Financial assets measured at FVOCI
A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

FVOCI debt instruments are subsequently measured at fair value with unrealised gains and losses recognised in other comprehensive income. Upon derecognition, any accumulated balances in other comprehensive income are reclassified to profit or loss. The interest income, foreign exchange differences and expected credit losses are recognised in profit or loss under the respective lines.

An equity instrument is measured at FVOCI if it is not held for trading and the Bank has irrevocably elected to present subsequent changes in the investment's fair value in other comprehensive income when it meets the definition of equity under IAS 32 *Financial Instruments: Presentation*. This election is made on an investment-by-investment basis. Fair value gains or losses on these equity instruments are recognised in other comprehensive income and are not recycled to profit or loss upon derecognition but are transferred directly to retained earnings. Equity instruments at FVOCI are not subject to an impairment assessment.

2.8 Financial instruments (continued)

2.8.2 Classification and subsequent measurement of financial assets and liabilities (continued)

Financial assets measured at FVTPL

Financial assets in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. This includes all derivative financial assets. On initial recognition, the Bank may irrevocably designate a debt instrument that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets managed on a fair value basis and those that are held for trading are measured at fair value through profit and loss. These include financial assets acquired principally for trading, equity instruments (for which no election was made to present gains or losses in other comprehensive income), assets mandatorily measured on a fair value basis and derivatives. Financial assets at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss.

Financial assets – Summary of subsequent measurement and gains and losses recognition

Category	Measured at	Gains & losses recognised under
Financial assets at FVTPL	Fair value	Profit or loss ▪ Interest income and dividend income ▪ Gains or losses on re-measurement to fair value and gains or losses on disposal
Financial assets at amortised cost	Amortised cost using EIR method (reduced by impairment losses)	Profit or loss ▪ Interest income, foreign exchange gains or losses and impairment losses ▪ Gains or losses on derecognition ▪ Gains or losses on modification
Debt investments at FVOCI	Fair value	Profit or loss ▪ Interest income, foreign exchange gains or losses and impairment losses ▪ Gains or losses on derecognition, including transfers from revaluation reserve Other comprehensive income ▪ Gains or losses on re-measurement to fair value
Equity investments at FVOCI	Fair value	Profit or loss ▪ Dividend income, unless such represents recovery of part of cost of investment Other comprehensive income ▪ Gains or losses on re-measurement to fair value Retained earnings ▪ Gains or losses on derecognition (not recycled to profit or loss)

2. Summary of material accounting policies (continued)

2.8 Financial instruments (continued)

2.8.2 Classification and subsequent measurement of financial assets and liabilities (continued)

Financial liabilities

<u>Classification and measurement</u>
Financial liabilities refer mainly to customer deposits, other borrowings and funding from central banks. Financial liabilities are recognised when the Bank enters into the contractual provisions of the arrangements with counterparties, and initially measured at fair value, which is net of directly attributable transaction costs incurred. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities) and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments. The corresponding interest expense is recognised in the statement of profit or loss under 'Interest expense calculated using the effective interest rate method' line.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the statement of profit or loss.

2.8.3 Derecognition of financial assets and liabilities

<u>Derecognition of financial assets</u>
The basic premise for the derecognition model in IFRS 9, is to determine whether the asset under consideration for derecognition is:

- an asset in its entirety, or
- specifically identified cash flows from an asset (or a group of similar financial assets), or
- a fully proportionate (pro rata) share of the cash flows from an asset (or a group of similar financial assets), or
- a fully proportionate (pro rata) share of specifically identified cash flows from a financial asset (or a group of similar financial assets).

Once the asset under consideration for derecognition has been determined, an assessment is made as to whether the asset has been transferred, and if so, whether the transfer of that asset is subsequently eligible for derecognition.

An asset is transferred if either the Bank has transferred the contractual rights to receive the cash flows, or the Bank has retained the contractual rights to receive the cash flows from the asset, but has assumed a contractual obligation to pass those cash flows on under an arrangement that meets the following three conditions:

- the Bank has no obligation to pay amounts to the eventual recipient unless it collects equivalent amounts on the original asset
- the Bank is prohibited from selling or pledging the original asset (other than as security to the eventual recipient), and
- the Bank has an obligation to remit those cash flows without material delay.

Once the Bank has determined that the asset has been transferred, it then determines whether or not it has transferred substantially all of the risks and rewards of ownership of the asset. If substantially all the risks and rewards have been transferred, the asset is derecognised. If substantially all the risks and rewards have been retained, derecognition of the asset is precluded.

2. Summary of material accounting policies (continued)

2.8 Financial instruments (continued)

2.8.3 Derecognition of financial assets and liabilities (continued)

Derecognition of financial assets (continued)

If the Bank has neither retained nor transferred substantially all of the risks and rewards of the asset, then it must assess whether it has relinquished control of the asset or not. If the Bank does not control the asset then derecognition is appropriate, however, if the Bank has retained control of the asset, it continues to recognise the asset to the extent to which it has a continuing involvement in the asset.

Gain and losses arising on derecognition of financial instruments at amortised cost are recognised on the face of the statement of profit or loss.

Forborne and modified financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. The contractual terms of a financial asset may be modified due to various reasons, either due to commercial renegotiations or due to distressed restructurings with a view to maximise recovery. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

The Bank renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants.

When a financial asset is modified the Bank assesses whether the modified terms are substantially different from the original contractual terms thus resulting in derecognition. To determine if the modified terms are substantially different from the original contractual terms, the Bank considers both qualitative as well as quantitative factors. If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Bank derecognises the original financial asset and recognises a new asset at its fair value, using a new effective interest rate. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a significant increase in credit risk has occurred.

In the case where the financial asset is derecognised, its credit loss allowance is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a credit loss allowance measured based on 12-month expected credit loss (‘ECL’) except in the rare occasions where the new loan is considered to be originated credit-impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

2. Summary of material accounting policies (continued)

2.8 Financial instruments (continued)

2.8.3 Derecognition of financial assets and liabilities (continued)

Forborne and modified financial assets (continued)

Where a modification does not lead to derecognition the Bank calculates the modification gain or loss by comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Thereafter, the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset. In such cases, the financial asset continues to be subject to the same assessments for significant increase in credit risk relative to initial recognition and credit-impairment.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVOCI, where the cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss.

Derecognition of financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the statement of profit or loss.

The Bank accounts for a substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. When there is a non-substantial modification, the Bank recognizes a gain or loss in the profit or loss. The modification gain or loss is equal to the difference between the present value of the cash flows under the original and modified terms discounted at the original EIR. At the point of modification, the carrying amount of the financial liability is revised to reflect the new cash flows discounted by the original EIR.

2.8.4 Impairment of financial assets

The Bank uses a forward looking expected credit losses ('ECL') model, requiring judgement, estimates and assumptions in determining the level of ECL.

The ECL model applies to the following financial instruments that are not measured at FVTPL and the Bank assesses at each reporting date the ECL on:

- Bank balances with Central Bank;
- Placements with banks;
- Loans and advances to customers;
- Debt investments that are measured at amortised cost or FVOCI;
- Other assets;
- Letters of credit;
- Financial guarantee contracts issued; and
- Loan commitments issued.

Equity instruments are not subject to impairment assessment.

The Bank's ECL model accounts for the following main parameters: probability of default ("PD"), loss given default ("LGD"), exposure at default ("EAD") and Discount Rate. In accordance with IFRS 9 the Bank applies the three stage approach for impairment, based on changes in credit quality since initial recognition.

2. Summary of material accounting policies (continued)

2.8 Financial instruments (continued)

2.8.4 Impairment of financial assets (continued)

ECL measurement reflects an unbiased and probability weighted amount determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

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

Stage 2: Financial assets that are considered to have experienced a significant increase in credit risk since initial recognition are considered to be Stage 2 and lifetime losses are recognised up until contractual maturity but considering expected prepayments, if any.

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

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

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

Loans and advances to customers, debt and other financial instruments measured at AC are presented in the statement of financial position net of the ECL allowance. ECL is recognised in profit or loss. For debt instruments measured at fair value through other comprehensive income (OCI) changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI. For financial guarantees and loan commitments a separate provision for ECL is recognised as a liability in the statement of financial position within 'Provisions and other liabilities', except in the case of loan commitments where ECL on the loan commitment is recognised together with the loss allowance of the relevant on balance-sheet exposure, as the Bank cannot separately identify the ECL on the loan commitment from those on the on-balance sheet exposure component (with the exception of cases where ECL exceeds the on balance-sheet exposure for which excess ECL is recognised in 'Provisions and other liabilities'). ECL for the year is recognised within the statement of profit or loss in 'Increase in credit loss allowance'.

For off-balance sheet exposures, a credit conversion factor in accordance with CRR / CRD IV classification is applied to determine exposure at default for the off-balance sheet amounts when estimating ECL.

The Bank calculates 12-month ECL and lifetime ECL either on an individual basis or collective basis.

2. Summary of material accounting policies (continued)

2.8 Financial instruments (continued)

2.8.4 Impairment of financial assets (continued)

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

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

Significant increase in credit risk for loans and advances to customers

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

- Days in Arrears: Exposures with more than 30 days in material arrears at the reference date;
- Days in Arrears: Exposures with more than 30 days in material arrears at any point in time during the past 3 months;
- Forbearance flag: As of the reference date, the facility has been forborne performing for less than 12 months;
- Facilities with 2 or more notches of deterioration from the initial credit rating at the inception of the loan.

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

The low credit risk simplification is adopted for debt security instruments at FVOCI and at amortised cost, placements with banks and balances with central banks with external credit ratings that are rated as investment grade. For debt security instruments and balances with central banks and placements with other banks with external credit ratings that are rated as investment grade, the assessment of low credit risk is based on the external credit rating. For debt securities and balances with central banks and placements with other banks which are below investment grade, the low credit risk simplification does not apply and therefore an assessment of significant credit deterioration takes place, by comparing their credit rating at origination with the credit rating on the reporting date. Significant deterioration in credit risk is considered to have occurred when the rating of the exposures drops by one notch and their current rating does not fall within the investment grade category.

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

Credit impaired and definition of default

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

2. Summary of material accounting policies (continued)

2.8 Financial instruments (continued)

2.8.4 Impairment of financial assets (continued)

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

(i) The borrower is assessed as unlikely to pay its credit obligations in full without the realisation of the collateral, regardless of the existence of any past due amount or of the number of days past due.
(ii) Defaulted or impaired exposures as per the approach provided in the Capital Requirement Regulation (CRR), which would also trigger a default under specific credit adjustment, distress restructuring and obligor bankruptcy.
(iii) Material exposures as set by the EBA Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013 (also adopted by the Central Bank of, which are more than 90 days past due.
(iv) Distressed restructuring has been applied resulting in a Diminished financial obligation (DO) higher than the specified threshold of 1% (i.e. the net present value of the debt using the new schedule is less than 1% from the net present value of the debt using the existing schedule . In such a case, the exposure is classified as Non-Performing forborne.
(v) Performing forborne exposures under probation for which additional forbearance measures are extended.
(vi) Performing forborne exposures under probation that present more than 30 days past due within the probation period.

In the case of retail exposures, the Bank applies the definition of Default at the level of an individual credit facility rather than in relation to the total obligations of the obligor.

Where all on-balance sheet exposures to a retail obligor that are defaulted (i.e. present material credit obligations past-due by more than 90 regulatory days), exceed 20% of all on-balance sheet exposures to that retail obligor, then all exposures to the obligor (on and off balance sheet) shall become non-performing.

For obligors other than retail, in case where at least 1 exposure of the obligor is considered to be in default, then all exposures to the obligor (on and off balance sheet) shall be classified as defaulted / non-performing.

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

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

At the time an account ceases to be considered as NPE and retains a performing status for a consecutive period of three months it exits Stage 3. The reversal of previous unrecognised interest on loans and advances to customers that no longer meet Stage 3 criteria is presented in 'Increase in credit loss allowance'.

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

2. Summary of material accounting policies (continued)

2.8 Financial instruments (continued)

2.8.4 Impairment of financial assets (continued)

Scenarios and forward-looking inputs
The Bank uses reasonable and supportable information, including forward-looking information, in the calculation of ECLs. ECLs are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. ECLs are calculated for three macroeconomic scenarios, baseline, pessimistic and optimistic and the output is the weighted average ECL based on the assigned probability of each scenario. The Bank calculates lifetime ECLs and 12-month ECLs either on an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

Macroeconomic scenarios impact both the probability of default (PD) and the loss given default (LGD). Specifically, forward looking information is embedded in the PDs based on regression equations derived on the basis of historical data. Forward looking information embedded in the PDs relates to GDP growth and unemployment rates for a 3-year period. After the adjustment on the first 3 years it is assumed that the point in time PDs return to the through-the-cycle PD curve over a period of another 3 years by assuming that the economy will behave similar to economic cycle experience during the sample period the through-the-cycle PDs were constructed. To account for changes in real estate values since the date of latest available valuations, the Bank applies adjustments to the market value based on the history of the corresponding CBC property price indices for residential and commercial properties. A forward-looking index is used as a multiplier applied to capture changes in the market value of real estate collateral from the point of default until the point of liquidation. The forward-looking index for residential and commercial properties applied by the Bank is based on the 3-year property price index projections provided by CBC. The long-term projection for all properties is based on the future inflation rate expectations.

This process involves consideration of external actual and forecast information provided by the Central Bank of Cyprus, CyStat, ECB and other providers of macroeconomic forecasts. Qualitative adjustments or overlays are occasionally made when inputs calculated do not capture all the characteristics of the market at the reporting date.

Inputs into measurement of ECLs
The key inputs into the measurement of ECLs are the term structures of the following variables:
- (i) Probability of default (PD);
- (ii) Loss given default (LGD); and
- (iii) Exposure at default (EAD).

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

2. Summary of material accounting policies (continued)

2.8 Financial instruments (continued)

2.8.4 Impairment of financial assets (continued)

Inputs into measurement of ECLs (continued)

(i) Probability of default (PD)

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

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

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

(ii) Loss given default (LGD)

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

The structure of the LGD model considers:

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

(iii) Exposure at default (EAD)

EAD represents the expected exposure in the event of a default during the life of a financial instrument. EAD methodology is differentiated in the following categories: revolving, non-revolving, off-balance sheet and credit impaired exposures. In case of revolving exposures all future EAD changes are recognised by a credit conversion factor parameter. For non-revolving exposures the term is based on the contractual term of the exposure and are amortised in accordance with the principal contractual payment schedule of each facility. The credit conversion factor model as derived based on and in accordance with CRR / CRD IV classification is applied to determine exposure at default for the off-balance sheet amounts when estimating ECLs. With regards to the credit-impaired exposures, the EAD is equal to the on balance sheet amount as at the reporting date. ECL is discounted at the effective interest rate at initial recognition or an approximation thereof.

2. Summary of material accounting policies (continued)

2.8 Financial instruments (continued)

2.8.4 Impairment of financial assets (continued)

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

Forborne exposures are debt contracts in respect of which forbearance measures have been applied. Forbearance measures consist of concessions towards a debtor that is experiencing or about to experience difficulties in meeting its financial commitments ("financial difficulties"). The definition of forborne exposures is in accordance with the provisions of Commission Implementing Regulation (EU) 2015/227 of 9 January 2015.

Debt instruments measured at fair value through other comprehensive income

The Bank records impairment for FVOCI debt securities, depending on whether they are classified as Stage 1, 2, or 3, as mentioned above. However, the expected credit losses will not reduce the carrying amount of these financial assets in the statement of financial position, which will remain at fair value. Instead, an amount equal to the allowance that would arise if the asset were measured at amortised cost will be recognised in other comprehensive income as an accumulated impairment amount, with a corresponding charge to profit or loss.

2.8.5 Write-off
Financial assets are written-off, in whole or in part, when the Bank exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Due to the relatively small number of incidents, the Bank assesses the need for write-off on a case by case basis. The write-off represents a derecognition event. The Bank may write-off financial assets that are still subject to enforcement activity when the Bank seeks to recover amounts that are contractually due, but for which there is no reasonable expectation of recovery.

2.8.6 Offsetting of financial assets and financial liabilities
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Bank or the counterparty.

2.9 Loans and advances to customers
Loans and advances to customers are recorded when the Bank advances money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Bank classifies loans and advances to customers into one of the following measurement categories: (i) loans and advances at AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL and (ii) loans and advances at FVTPL: loans that do not meet the SPPI test or other criteria for AC or FVOCI are measured at FVTPL.

Impairment allowances are determined based on the forward-looking ECL models.

2. Summary of material accounting policies (continued)

2.10 Cash and cash equivalents

For the purposes of statement of cash flows, cash and cash equivalents include notes and coins on hand, non-obligatory balances held with central banks in course of collection and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost because they are held for collection of contractual cash flows and those cash flows represent SPPI and thus are not designated at FVTPL.

In the statement of cash flows, cash flow changes related to investments at amortised cost and investments at FVOCI are included as part of investing activities whereas changes in the cash flows arising from other borrowings and funding from central banks are included as part of financing activities.

2.11 Mandatory cash balances with central banks

Mandatory cash balances with the central banks are carried at AC and represent non-interest bearing mandatory reserve deposits, which are not available to finance the Bank's day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

2.12 Property and equipment

Freehold land and buildings

Owner-occupied property is property held by the Bank for use in the supply of services or for administrative purposes. The Bank has elected to apply the revaluation model under IAS 16 Property, Plant and Equipment with respect to owner–occupied property. Such property is initially recognised at cost and subsequently measured at fair value less accumulated depreciation. Valuations are carried out periodically between 3 to 5 years, depending on the property market conditions, by independent qualified valuators to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase other reserves in shareholders' equity.

Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised other reserves in equity; all other decreases are charged to profit or loss for the year. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The depreciation after the date of the revaluation is calculated on the basis of the revalued carrying value of this asset. Gains on revaluation that reverse a revaluation decrease (impairment) on the same asset previously recognised as an expense, are first credited to the profit or loss within "Reversal of impairment on freehold properties" to the extent that the gains reverse a loss previously recognised in the profit or loss.

Depreciation is calculated on the revalued amount less the estimated residual value of each building on a straight-line basis over its estimated useful life (33 years, thus 3% depreciation charge per year). The useful economic life of each such property is determined separately according to its nature and expectations and is used for depreciation purposes. Freehold land is not depreciated.

On disposal of freehold land and buildings, the respective balance recognised under the relevant revaluation reserve is transferred to retained earnings.

2. Summary of material accounting policies (continued)

2.12 Property and equipment (continued)

Leasehold property

The cost of adapting/improving leasehold property is amortised on a straight-line basis over 5 to 10 years (or 10% to 20% depreciation per annum) or over the period of the lease if this does not exceed 10 years (i.e. for the period of shorter of useful life and lease term). Residual value is assumed to be nil.

Furniture and fittings

Furniture and fittings are measured at cost less accumulated depreciation and impairment. Depreciation of furniture and fittings is calculated on a straight-line basis over their estimated useful life of 5 to 10 years (or 10% to 20% depreciation per annum).

Computer hardware, security and operating systems and other equipment

Computer hardware, systems and equipment are measured at cost less accumulated depreciation less impairment. Depreciation is calculated on a straight-line basis over their estimated useful life of 5 to 10 years (or 10% to 20% depreciation per annum).

Repairs and maintenance

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

Useful lives

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each statement of financial position date.

Disposals of property and equipment

Gains and losses on disposal of property and equipment are determined by comparing proceeds with carrying amount and these are included in "Other income" in the statement of profit or loss.

Impairment

Impairment considerations with respect to property and equipment, including right-of-use assets, are presented in Note 2.15.

2.13 Intangible assets

Intangible assets consist of computer software and licences relating to usage of such software as well as assets under development.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. For intangible assets under development, the amortisation charge is only applied upon the completion of the assets and their availability to use.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed in profit or loss as incurred.

Amortisation is calculated on a straight-line basis over the estimated useful life of the assets which is 3 to 6 years for computer software (or 16,67% to 33% depreciation per annum). Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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

2. Summary of material accounting policies (continued)

2.13 Intangible assets (continued)

Internally-generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

2.14 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units - CGUs). An impairment loss is recognised in the statement of profit or loss if the carrying amount of an asset or CGU exceeds its recoverable amount. Non-financial assets that have suffered an impairment in the past are reviewed for possible reversal of the impairment at each reporting date.

2.15. Leases

The Bank accounts for leases in accordance with IFRS 16.

The Bank leases office premises mainly.

At inception, the Bank assesses whether a contract is or contains a lease component. This assessment involves the exercise of judgement about whether it depends on a specified asset, whether the Bank obtains substantially all the economic benefits from the use of that asset and whether the Bank has the right to direct the use of the asset. For contracts which include both lease and non-lease components, the Bank has elected to apply the practical expedient to ignore the requirement to separate non-lease components (such as services) from the lease components.

2. Summary of material accounting policies (continued)

2.15. Leases (continued)

The Bank recognises a right-of-use asset and a lease liability at the commencement of the lease. The lease liability is initially measured at the present value of the remaining lease payments at that date. These include fixed payments and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Bank has elected not to recognise right-of-use assets and liabilities for leases where the total lease term is less than 12 months, or for leases of low-value assets. The payments for such leases are recognised in the profit or loss on a straight-line basis over the lease term. The Bank has also elected as a policy choice permitted under IFRS 16 not to apply this standard to leases over intangible assets and instead account for such arrangements as service contracts.

The lease payments are discounted using the interest rate implicit in the lease. If the interest rate implicit in the lease contract is not available, the Bank's incremental borrowing rate is used instead. The lease term determined by the Bank comprises of the non-cancellable period of lease contracts and periods covered by an option to extend the lease if the Bank is reasonably certain to exercise that option or periods covered by an option to terminate the lease if the Bank is reasonably certain that will not exercise that option. In determining the lease term, the management of the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

The lease liability is subsequently carried at amortised cost, increased by interest expense and reduced by the lease payments. The Bank remeasures the lease liability (and performs a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances.
- The lease payments change, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.
- A change in the assessment of whether an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

During the year the Bank reassessed the expected lease term of certain leases taking into consideration the extension and termination options, its current operational model and its business plan.

Lease liabilities are presented under 'Lease liabilities' in the statement of financial position.

Right-of-use assets are initially measured at cost, which comprises of:

- the amount of the initial measurement of the lease liability,
- any lease payment made at or before the commencement date, less any lease incentives,
- any initial direct costs incurred, and
- an estimate of costs to be incurred in dismantling and removing the underlying assets or restoring the site on which the assets are located.

Subsequently, right-of-use assets are measured at cost less accumulated depreciation. Depreciation of right-of-use assets is calculated on a straight-line basis over their lease term.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

2. Summary of material accounting policies (continued)

2.15. Leases (continued)

Right-of-use assets are presented as a separate category under 'Property and equipment' in the statement of financial position.

2.16 Provisions

Provisions are recognised when:

- there is a present obligation (legal or constructive) arising from past events,
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and
- a reliable estimate of the amount of the obligation can be made.

Provisions are not recognised for future operating losses.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

2.17 Financial guarantees and loan commitments

The Bank issues letters of credit and letters of guarantee as part of its normal operations. Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

Financial guarantees and commitments to provide a loan are initially recognized at fair value, which is normally evidenced by the amount of fees received without the recognition of a separate receivable for future premiums not yet due and presented on the statement of financial position under 'Provisions and other liabilities'. Subsequently, the Bank's liability under each guarantee is measured at the higher of:

a) The amount initially recognized reduced by the cumulative amortised premium which is periodically recognised in profit or loss under 'Fee and commission income' line in accordance with the terms of the guarantee, and

b) The amount of ECL allowance.

At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the amount of the loss allowance determined based on the expected credit loss model.

ECL allowances resulting from financial guarantees are recorded in profit or loss under 'Increase in credit loss allowance' line. The balance of the liability for financial guarantees that remains is recognised under 'Fee and commission income' line in profit or loss when the guarantee is fulfilled, cancelled or expired.

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

Corresponding ECL on undrawn loan commitments is presented together with the loss allowance of the relevant on balance-sheet exposure as the Bank cannot separately identify the ECL on the loan commitment from those on the on-balance sheet exposure component. In the case of letters of credit ECL allowances are presented under 'Provisions and other liabilities' on the statement of financial position. ECL charge relating to these other loan commitments is also recorded in 'Increase in credit loss allowance' in the consolidated income statement.

2. Summary of material accounting policies (continued)

2.18 Other financial and non-financial assets and liabilities
Other financial receivables and payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Other non-financial assets are measured at cost less impairment. Other financial assets are carried at AC as they are held for the purpose of collecting contractual cash flows and those cash flows represent SPPI.

2.19 Other financial liabilities
Other financial liabilities which include “Other borrowings” are recognised initially at fair value, net of transaction costs incurred and subsequently stated at amortised cost.

2.20 Customer deposits
Customer deposits are non-derivative liabilities to individuals or corporate customers which are initially recognised at fair value net of transaction costs and are subsequently carried at amortised cost.

2.21 Share capital and share premium
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12 *Income Taxes*.

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes subject to the provisions of the Cyprus Companies Law on reduction of share capital.

2.22 Other equity instruments
An instrument is an equity instrument if the instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

Other equity instruments are recorded at their issuance amount and are not subject to any re-measurement after initial recognition.

2.23 Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Bank’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

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

- **Level 1**: investments valued using quoted prices in active markets.
- **Level 2**: investments valued using models for which all inputs that have a significant effect on fair value are market observable.
- **Level 3**: investments valued using models for which inputs that have a significant effect on fair value are not based on observable market data.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as ‘active’ if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

2. Summary of material accounting policies (continued)

2.23 Fair value measurement (continued)

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

3. Significant accounting estimates and judgments

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Loss allowance on loans and advances to customers

The Bank reviews loans and advances to assess whether a loss allowance should be recorded in profit or loss.

The calculation of ECLs requires management to apply significant judgement and make estimates and assumptions, involving significant uncertainty at the time these are made. Changes to these estimates and assumptions can result in significant changes to the timing and amount of ECLs to be recognised. The Bank's calculations are outputs of models, of underlying assumptions on the choice of variable inputs and their interdependencies.

For individually assessed assets, whereby loss allowances are calculated on an individual basis, all relevant considerations that have a bearing on the expected future cash flows are taken into account. The level of the loss allowance is the difference between the value of the expected future cash flows discounted at the loan's original effective interest rate, or a proxy thereof, and its carrying amount. Subjective judgements are made in the calculation of future cash flows. Furthermore, judgements change with time as new information becomes available, resulting in revisions to the loss allowance. Changes in these estimates would result in a change in the allowances and have a direct impact on the loss allowance charge.

Elements of ECL models that are considered accounting judgements and estimates include:

Significant credit risk increase for loans and advances to customers
The Bank assesses whether significant increase in credit risk has occurred since initial recognition using staging criteria and qualitative information in certain cases. The determination of the relevant thresholds to determine whether the significant increase in credit risk has occurred, involves management judgement. The relevant thresholds are set, monitored and updated by the Bank's Management.

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

3. Significant accounting estimates and judgments (continued)

3.1 Loss allowance on loans and advances to customers (continued)

Scenarios and macroeconomic factors
The Bank determines the ECL, which is a probability-weighted amount, by evaluating a range of possible outcomes. Management uses forward-looking scenarios and assesses the suitability of weights used. These are based on management's assumptions taking into account macroeconomic, market and other factors. For both 2024 and 2023 Real GDP and Unemployment expectations were utilised by management in the ECL modelling. Changes in these assumptions and in the external factors could significantly impact ECL. Qualitative adjustments or overlays are occasionally made when inputs calculated do not capture all the characteristics of the market. These are reviewed and adjusted if considered necessary by the Bank's management.

The Bank uses three different economic scenarios. For ECL calculation, both collectively and individually assessed provisions are the weighted average of three scenarios; base (50% weight), pessimistic (30% weight) and optimistic (20% weight). There was no change in the weight of the scenarios from 31 December 2023.

Under all scenarios, liquidation expenses are assumed to be 5% of the recoverable amount of real estate collaterals and are additional to the liquidation haircuts applied to collateral values. The corresponding haircuts for the pessimistic scenario are increased by 5% and for the optimistic scenario are decreased by 5%.

Assessment of loss given default
A factor for the estimation of LGD is the timing and net recoverable amount from repossession or realisation of collaterals which mainly comprise real estate assets. Assumptions have been made about the future changes in property values, as well as the timing for the realisation of collateral, expenses on the repossession and subsequent sale of the collateral as well as any other applicable haircuts. Indexation has been used to estimate updated market values of properties, while assumptions were made on the basis of a macroeconomic scenario for future changes in property prices.

The timing of recovery from real estate collaterals used in the collectively assessed provisions calculation for loans and advances to customers has been estimated to be on average seven years. There was no change in the specific assumption from 31 December 2023.

For the calculation of individually assessed provisions of Stage 3 exposures, the timing of recovery of collaterals as well as the haircuts used, are based on the specific facts and circumstances of each case.

The open market values of real estate collaterals are indexed from the valuation report date to the impairment test reference date, using the latest available property price indices by the CBC. In addition, a forward looking indexation is applied in the collateral prices for estimating the future open market value at the time of liquidation. For all real estate collaterals, the following haircuts were applied to the indexed open market values as at 31 December 2024 and 2023:

Real estate liquidation haircuts	**Haircut range %**
Land	30-35
Residential Real Estate	25-30
Commercial Real Estate	20-25

The Bank has adopted for the first time a minimum LGD rate which provides for a minimum loss rate (which acts as a floor) irrespective of the realisation path and value of collateral for the cases where overcollateralization was below a certain threshold. This minimum LGD was introduced as to capture the subjectivity and uncertainty involved in the value of recovery assumptions (i.e. collateral recoverable amount, maximum recovery period, etc.) which impacts the realisation amount. The corresponding impact was an ECL charge of EUR 258k during the year ended 31 December 2024.

3. Significant accounting estimates and judgments (continued)

3.1 Loss allowance on loans and advances to customers (continued)

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

Modelling adjustments
Forward looking models have been developed for ECL parameters (PD and LGD) for all portfolios sharing similar characteristics. Governance of these models lies with the Risk Management Function where a strong governance process is in place around the determination of the impairment measurement methodology including inputs, assumptions and overlays. Any management overlays are prepared by the Risk Management function, endorsed by the Assets and Liabilities Committee and approved by the Board Risk Committee and the Board of Directors.

Change in accounting estimate
One of the significant change in credit risk criteria was that for all facilities from credit score 6 or above, to examine whether since origination they had at least a 2-notch downgrade in credit score. Those facilities were transferred to Stage 2. This assumption has changed for the year end 31 December 2024, to examine the 2-notch downgrade since origination for all cases irrespective of the current credit score. This change has resulted in an additional ECL of c. EUR 3k.

During the year ended 31 December 2024 as a response to uncertainties from global macroeconomic environment, the Bank applied certain management overlays whereby some exposures were transferred from Stage 1 to Stage 2. Even though the Bank's Provisioning methodology has captured the worsening of the macroeconomic conditions to a large extent, some of the overlays applied in the prior year were also applied this year. These overlays are described below:

1. After consultation with the Banking Centre Managers and the Banking Business Manager, some Stage 1 customers were identified as showing early signs of potential increase in credit risk e.g. frequent pattern of delays in repayment of scheduled instalments) and were thus transferred to Stage 2. The additional exposures transferred to Stage 2 as a result of this overlay amount to c. EUR 11,8m with ECL c. EUR 225k. (2023: Balance EUR 1m, ECL EUR 1k).

Equivalently, the overlays utilised for the year ended 31 December 2023 as a response to economic and other uncertainties applicable at the time were:

1. Stricter criterion for significant increase in credit risk: One of the criteria used to examine whether a facility displayed significant increase in credit risk, is for all facilities from credit score 6 or above, to examine whether since origination they had at least a 2-notch downgrade in credit score. Those facilities were transferred to Stage 2. As a management overlay, the credit score 6 threshold was reduced to credit score 5, in order to examine more customers.

2. Non-Retail and Retail who requested reduction of interest rate: All non-Retail and Retail Stage 1 who requested a reduction in interest rate charged to their credit facilities following the general increase of interest rates in the market, were transferred to Stage 2.

3. Stage 1 customers exhibiting early signs of potential significant increase in credit risk (behavioural changes assessed by customer relationship officers) were transferred to Stage 2.

4. Euribor based loans that had over 30 days past due at least once during the year transferred to Stage 2.

3. Significant accounting estimates and judgments (continued)

3.1 Loss allowance on loans and advances to customers (continued)

Management, having considered the developments in the economy and the operating environment since 31 December 2023, together with the progress made in managing its portfolio affected by increased interest rates and inflation has decided to adjust some of the overlays as follows:

The overlays relating to stricter criterion for significant increase in credit risk was introduced as a change in methodology.

In addition, the overlays previously relating to customers requesting reduction of interest rate or change of interest rate base were removed and instead, similarly to last year overlays linked to early arrears or other behavioural changes of customers were applied in 2024 following consultation with Banking Centre Managers. In addition, the Euribor based loans overlay applied in the prior year, was no longer considered relevant.

For the impact due to the implementation of the above overlays refer to Note 31.

The Bank has exercised critical judgement on a best effort basis, to consider all reasonable and supportable information available at the time of the assessment of the ECL allowance as at 31 December 2024. The Bank will continue to evaluate the ECL allowance and the related economic outlook each quarter, so that any changes arising from the uncertainty on the macroeconomic outlook and geopolitical developments are timely captured.

ECL allowances also include off-balance sheet credit exposures represented by guarantees given and by irrevocable commitments to disburse funds. Off-balance sheet credit exposures of the individually assessed assets require assumptions on the timing and amount of cash outflows. For the collectively assessed off-balance sheet credit exposures, the allowance for provisions is calculated based on the relevant ECL model.

Portfolio segmentation
The individual assessment is performed not only for individually significant assets but also for other exposures meeting specific criteria determined by management. The selection criteria for the individually assessed exposures are based on management judgement and are reviewed at least annually by the Bank’s Assets and Liabilities Committee and are adjusted or enhanced, if deemed necessary.

In addition to individually assessed assets the Bank also assesses assets collectively. The collectively assessed portfolio includes all loans which are not individually assessed. The Bank categorises the exposures into sufficiently granular portfolio segments with shared risk characteristics such as the portfolio type (i.e. retail vs business) and by risk group (i.e. days past due and credit score risk band). The granularity is based on different levels of segmentation which, among other factors include customer type, and risk profile.

Expected lifetime of revolving facilities
Judgement is exercised on the measurement period of expected lifetime for revolving facilities. Management considers that the expected lifetime of revolving facilities is set by reference to their next review date at twelve months.

3. Significant accounting estimates and judgments (continued)

3.1 Loss allowance on loans and advances to customers (continued)

Limitation of estimation techniques

The models applied by the Bank may not always capture all characteristics of the market at a point in time as they cannot be recalibrated at the same pace as changes in market conditions. Interim adjustments are expected to need to be made until the base models are updated. Although the Bank uses the latest available data wherever possible and available, models used to calculate ECLs may also include data that are not current, for which adjustments will be made for significant events occurring prior to the reporting date.

Sensitivity analysis

The Bank has performed sensitivity analysis relating to the total loans and advances to customers portfolio and guarantees and commitments portfolio.

The Bank has altered for the purpose of sensitivity analysis the below parameters and the impact on the ECL is presented in the table below:

		Increase/ (decrease) in ECL as at 31 December 2024 €	**Increase/ (decrease) in ECL as at 31 December 2023 €**
S1	Increase the pessimistic weight by 5% and decrease the optimistic weight by 5%	**97.005**	82.985
S2	Decrease the pessimistic weight by 5% and increase the optimistic weight by 5%	**(97.005)**	(82.985)
S3	Increase in expected lifetime of revolving facilities assumption from 1 year to 5 years	**113.003**	67.913
S4	Additional 5% transfer from Stage 1 to Stage 2 account balances	**134.303**	212.606
S5	Increase the real estate collateral liquidation haircuts by 5%	**386.237**	317.675
S6	Decrease the real estate collateral liquidation haircuts by 5%	**(318.656)**	(268.628)
S7	Increase in the PDs of stages 1 and 2 by 20%	**361.029**	311.906
S8	Decrease in the PDs of stages 1 and 2 by 20%	**(361.029)**	(311.906)
S9	Increase in expected recovery period by 1 year for immovable property collaterals	**213.674**	235.362
S10	Decrease in expected recovery period by 1 year for immovable property collaterals	**(204.230)**	(221.543)
S11	5% LGD floor on exposures overcollateralized more than 200%	**190.416**	225.414
S12	10% LGD floor on exposures overcollateralized more than 150%	**153.595**	64.918

The majority of the sensitivities performed this year have resulted in a higher impact than prior year due to several factors, including but not limited to, the following:

- Increase in PDs in the overall model due to increase in defaults in 2024.
- Higher exposure in stage 3 loans and advances to customers which is more susceptible to changes in the model than the remaining stages.

3. Significant accounting estimates and judgments (continued)

3.2 Fair value of assets and liabilities (Note 2.23)

Financial assets and liabilities

The fair value of investments at amortised cost is disclosed in Note 15. Furthermore, management estimates that the fair value of all other financial assets, as well as financial liabilities, approximates their carrying amounts as presented in the statement of financial position.

Non-financial assets - Owner-occupied properties

The Bank has adopted the revaluation model under IAS 16 for owner-occupied properties. In addition to fair value measurement considerations, management exercises judgement in determining if and when a revaluation exercise would be necessary, considering, among others, the sufficiency of frequency of periodic revaluations based on the Bank's policies, as well as indicators that might, at any point in time, lead to the conclusion to carry out a revaluation exercise (e.g. when carrying amount appears to differ from assessed fair value).

The fair value of freehold land and buildings is determined by using valuation techniques. The Bank engages external, independent and qualified valuer to determine the fair value of the Company's owner-occupied property. The valuations conform to International Valuation Standards and IFRS 13 Fair Value Measurement. As there have been a limited number of similar transactions the valuations have been performed using unobservable inputs. Specifically, for the business centre premises in Limassol, a valuation report with reference date 31 December 2024 from independent and qualified valuer was obtained. The external valuer, in discussion with management have determined these inputs based on the size, age and condition of the property and comparable prices in the corresponding area including recent market transactions of similar properties. Management has adopted the valuation obtained in 2024 resulting in a fair value of €3,8 million. As at 31 December 2024, Management having considered available information on the property market developments has assessed that there was a change in the fair value of the property. The fair value hierarchy of freehold land and buildings is disclosed in Note 19.

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

Property type	Banking Branch and offices - Limassol
Valuation technique	Comparables method
Area in square meters	548sq.m.
Unobservable inputs	Rental price per square meter
Annual rental income	€238.000
Annual rental yield (ARY)	6,25%
Range of unobservable inputs	€28 - €48,14
Fair value as per valuation report with reference date 31 December 2024	€3.800.000
Relationship of unobservable inputs to fair values	The higher the price per square meter, the higher the fair value

Sensitivity of management's estimates

			Change in fair value	**Change in fair value**
			2024	**2023**
Banking Branch and offices - Limassol	Change in price per square meter	+5%	€190.000	€205.000
		-5%	(€190.000)	(€205.000)

3. Significant accounting estimates and judgments (continued)

3.3 Capitalisation of costs of internally generated intangibles

Management exercises judgement in arriving at the amount of internal software development costs which are capitalised. This judgement is primarily related to staff hours spent on development activities out of the overall efforts of each staff. Management has exercised judgement in determining the ratio between development activities and administrative activities and has concluded that a maximum of 70% of the related costs should be capitalized with the rest being expensed in profit or loss. These assumptions are reviewed at frequent intervals and in validating its judgement the management utilises time tracking data. During the year ended 31 December 2024 an amount of €398.758 (2023: €313.679) relating to staff costs has been capitalized as internally developed computer software (Note 20).

3.4 Renegotiation of loan terms with customers leading to modification or derecognition

Management exercises judgement when assessing whether changes in loan terms as a result of renegotiations with customers lead to a modification of the existing loan or a derecognition. Management considers a series of factors of both qualitative and quantitative nature when making such judgements on a modification in the contractual cash flows, including change in the loan interest rate base, change in currency, change in counterparty, introduction of substantially different terms such as addition of new collaterals and other. Such judgement also takes into consideration whether the changes are a result of a commercial renegotiation or a distressed restructuring.

3.5 Income taxes

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

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

4. Interest income

	2024	2023
Interest income recognised using the effective interest method	**€**	€
Loans and advances to customers	**16.381.736**	15.766.716
Debt investments at amortised cost	**4.179.703**	1.415.327
Placements with banks	**78.096**	75.537
Balances with Central Bank of Cyprus	**11.881.819**	5.068.086
	32.521.354	22.325.666

As at 31 December 2024, ECB’s deposit facility interest rate was at 3% (31 December 2023: 4%). Balances held with the central bank and other banks carried interest, which averaged 3,59% during 2024 (2023: 2,89%).

5. Interest expense

	2024	2023
Interest expense recognised using the effective interest method	**€**	**€**
Customer deposits	**11.359.424**	2.044.912
Other borrowings (Note 22)	**157.219**	211.724
Lease liabilities (Note 23)	**33.890**	17.994
Placements with banks	**-**	2.563
Other liabilities	**6.000**	6.938
	11.556.533	2.284.131

During 2024, customer deposits carried interest which averaged 1,56% (2023: 0,42%).

6. Fee and commission income and expense

Fee and commission income

	2024	2023
	€	€
Credit related fees and commissions	**133.807**	160.773
Money transfers fees and commissions	**385.083**	341.262
Insurance rebate arrangements	**121.669**	241.357
Financial guarantees	**220.195**	91.313
Other banking commissions and fees	**470.900**	523.134
Mastercard interchange fees	**326.853**	352.240
Other fees	**383.630**	427.374
	2.042.137	2.137.453

Insurance commissions originate from agreements that the Bank maintains with insurance companies for the purpose of arranging insurances for its customers as part of the credit granting process.

Other banking commissions and fees include account maintenance fees of €235.322 (2023: €225.541), cheque returned fees of €51.720 (2023: €86.653) and Cheque book ordering fees €23.905 (2023: €30.695). Other fees include card related fees of €138.747 (2023: €191.939), large group fees €103.500 (2023:€ 150.000), corporate customers handling fees €48.500 (2023: €38.000) and certificates issuance fees of €33.485 (2023: €24.994).

Fee and commission income of €1.272.343 (2023: €1.334.807) relates to services recognised at a point in time and €769.764 (2023: €802.646) relates to services that are recognised over time.

6. Fee and commission income and expense (continued)

Fee and commission expense

	2024	2023
	€	€
Correspondent and money transfer costs	**209.430**	203.391
Card related costs	**236.593**	215.815
	446.023	419.206

7. Staff costs

	2024	2023
	€	€
Staff salaries and other remuneration	**5.191.608**	4.749.870
Pension plan contributions	**297.229**	244.250
Social insurance and other employer's contributions	**825.354**	722.398
	6.314.191	5.716.518

The average number of persons employed by the Bank during the year ended 31 December 2024 was 124 (2023: 114). Remuneration concerning key management personnel (which consists of executive directors only is included within staff costs) is disclosed in Note 33.

The Bank's contributions are expensed as incurred and are included under 'Staff costs' in statement of Profit or Loss and Other Comprehensive Income. The Bank has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employee benefits. This scheme is in the form of a pension plan under Ancoria Insurance Public Ltd, an indirect shareholder of the Bank.

For the year ended 31 December 2024, staff costs amounting to €398.758 (2023: €313.679) representing salaries and employer's contributions have been capitalised and recognised under intangible assets (Note 20).

8. Other operating expenses

	2024	2023
	€	€
Utilities and other premises expenses	**296.212**	332.927
Post and telecommunication expenses	**306.042**	186.035
Insurance expenses	**103.181**	93.496
Directors' remuneration and expenses (note 33)	**193.866**	153.658
Travelling and training (net of any subsidies)	**72.299**	50.837
Auditor's remuneration for statutory audit	**124.951**	127.806
Under provision of prior year auditor's remuneration	**-**	23.800
Legal and consultancy fees	**300.747**	371.664
Advertising and promotion	**112.444**	212.162
Special tax levy on deposits (Note 10)	**1.100.252**	757.288
Supervisory fees	**485.812**	286.606
Contributions to resolution funds and deposit guarantee schemes	**185.387**	207.316
Computer supplies, maintenance and related expenses	**1.057.185**	794.759
Card issuing and processing costs	**728.672**	516.864
Professional and trade subscriptions	**86.855**	95.714
Document Management Expenses	**21.732**	44.710
Printing and stationery	**45.215**	48.397
Other operating expenses	**217.917**	185.352
	5.438.769	4.489.391

9. Increase in credit loss allowance

	2024	2023
	€	€
Loans and advances to customers (*Note 13*)	**276.404**	864.933
Financial guarantees and credit related commitments (*Note 24*)	**91.545**	161.220
Investments at amortised cost (*Note 15*)	**(832)**	23.110
	367.117	1.049.263

10. Income Tax

	2024	2023
	€	€
Corporation Tax	**1.310.966**	250.000
Deferred tax	**(40.472)**	864.104
Foreign Withholding tax (charged on dividend income)	**11.855**	1.598
	1.282.349	1.115.702

The total tax charge for the year can be reconciled to the accounting profit or loss as follows:

	2024	2023
	€	€
Profit before tax	**9.160.370**	9.442.865
Corporation tax based on applicable rates	**1.145.046**	1.180.358
Tax effect of:		
- Non-deductible expenses	**350.312**	175.081
- Allowances and income not subject to tax	**(184.392)**	(39.456)
- Tax effect of temporary differences for which no deferred tax asset was recognised	**-**	(6.894)
- Tax effect of temporary differences for which deferred tax was recognised	**(40.472)**	(56.474)
- Impact of Deferred Tax not previously recognised	**-**	(138.467)
	1.270.494	1.114.104
Foreign Withholding tax (charged on interest and dividend income)	**11.855**	1.598
	1.282.349	1.115.702

Corporation tax in Cyprus is calculated at the rate of 12,5% on taxable income.

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

10. Income Tax (continued)

Deferred Tax

The Deferred tax assets are analysed as follows:

	2024	2023
	€	€
Temporary difference - ECL allowance on Stage 1 and Stage 2 financial assets and off-balance sheet exposures	**235.413**	194.941
	235.413	194.941

The movement of deferred tax for the year ended 31 December 2024 is set out below:

	Deferred tax asset on expected credit Loss allowance on Stage 1 and Stage 2 financial assets and off balance sheet exposure	**Total deferred tax asset**
	€	**€**
Opening balance	194.941	194.941
Recognition of deferred tax asset	40.472	40.472
Utilisation of taxable losses	-	-
Closing balance	**235.413**	**235.413**

As at 31 December 2024 deferred tax asset of €235.413 (2023:€194.941) was recognised on ECL allowance on Stage 1 and Stage 2 financial assets and off balance sheet exposures. The deferred tax asset recognised relates to the effect of ECLs which are expected to materialize in future periods. The deferred tax asset of €1.059.045 as at 31 December 2022, which was based on anticipated future utilisation of tax losses brought forward by the Bank, has been fully offset against taxable income in the year 2023.

The movement of deferred tax for the year ended 31 December 2023 is set out below:

	Deferred tax asset on expected credit Loss allowance on Stage 1 and Stage 2 financial assets and off balance sheet exposure	**Deferred tax asset on tax losses brought forward**	**Total deferred tax asset**
	€	**€**	**€**
Opening balance	-	1.059.045	1.059.045
Recognition of deferred tax asset	194.941	-	194.941
Utilisation of taxable losses	-	(1.059.045)	(1.059.045)
Closing Balance	194.941	-	194.941

10. Income Tax (continued)

Deferred Tax (continued)

Special Tax Levy on Credit Institutions

According to the Special Levy on Credit Institutions Law of 2011 passed on 14 April 2011, a special levy on credit institutions was imposed on qualifying deposits held by each credit institution at 31 December of the year preceding the year of taxation. Based on the latest amendment of the Law published in the official Gazette on the 26 July 2013, the annual special tax levy is calculated on a quarterly basis at the rate 0,0375% on the deposits of financial institutions at 31 March, 30 June, 30 September and 31 December of each year.

For the year ended 31 December 2024, the total Special Tax Levy imposed on the Bank's qualifying deposits amounted to €1.100.252 (2023: €757.288) and is included under 'Other operating expenses' in the statement of Profit or Loss and Other Comprehensive Income (Note 8).

11. Cash and balances with Central Bank

	2024	2023
	€	€
Cash	**5.769.461**	4.538.691
Balances with Central Bank of Cyprus		
- Non-obligatory balances	**321.079.502**	273.909.008
- Obligatory balances for regulatory liquidity purposes	**7.282.312**	6.603.505
	334.131.275	285.051.204

There was no ECL allowance recognized on balances with Central Bank of Cyprus for the years 2024 and 2023 as the impact was not material.

Details of which amounts are considered cash and cash equivalents are presented in Note 30.

12. Placements with banks

	2024	2023
	€	€
Foreign Banks		
- Short-term placements considered as cash equivalents (Note 30)	**7.885.771**	13.684.969
	7.885.771	13.684.969

There was no ECL allowance recognized on placements with banks for the years 2024 and 2023 as the impact was not material.

Placements with foreign banks mainly refer to current balances on nostro accounts with correspondent banks. The majority of these balances in 2024 and 2023 was held with BNY Mellon for a total amount of €7.069.648 as at 31 December 2024 (2023: €8.101.954). All placements with foreign banks carry interest based on interbank rates of the relevant term and currency.

The currency analysis and the analysis of credit ratings of placements with banks by independent rating agencies are presented in Note 31.

13. Loans and advances to customers

	2024	2023
	€	€
Housing loans	**149.913.829**	154.522.961
Consumer		
Loans	**12.930.389**	13.638.057
Overdrafts	**967.798**	843.718
	13.898.187	14.481.775
Business		
Loans	**139.819.673**	133.714.167
Overdrafts	**13.799.487**	15.326.985
	153.619.160	149.041.152
Gross carrying amount of loans and advances to customers at amortised cost	**317.431.176**	318.045.888
Less: credit loss allowance on loans and advances to customers	**(2.265.286)**	(1.988.882)
Total carrying amount of loans and advances to customers at amortised cost	**315.165.890**	316.057.006

Movement of loss allowance on loans and advances to customers	2024	2023
	€	€
1 January	**(1.988.882)**	(1.123.949)
Increase in credit loss allowance for the year (*Note 9*)	**(276.404)**	(864.933)
31 December	**(2.265.286)**	(1.988.882)

On 31 December 2024, an amount of €5.875.830 (2023: €5.273.722) were classified by the Bank as non- performing exposures.

On 31 December 2024, €2.867.920 (2023: €432.472) were classified as performing forborne exposures and €1.466.268 (2023: €55.292) were classified as non-performing forborne exposures totalling to €4.334.188 (2023: €487.764).

As a result of commercial renegotiations with customers, 99 (2023: 170) credit facilities of a total amount €35.019.984 (2023: €60.319.781) were derecognised during 2024 with the recognition of equivalent new facilities. As the new facilities were originated at market interest rates, no derecognition gains or losses were recognised.

In addition 12 (2023: 5) credit facilities of a total amount €1.716.829 (2023: €5.751.936) were modified with a total €23.398 (2023: €132.206) recognised as 'Loss on modification of financial assets measured at amortised cost' in the Statement of Profit or Loss and Other Comprehensive Income for the year. During 2024, a credit impaired (Stage 3) facility with balance €1.584.526 was derecognised as a result of forbearance measures and resulted to the recognition of €150.096 as 'Loss on derecognition of financial assets measured at amortised cost" in the Statement of Profit or Loss and Other Comprehensive Income (note 33).

Details on accounting policy for ECL, non-performing exposures and forborne exposures are presented in Note 2.8.4 and details on significant estimates and judgements in calculating the credit loss allowance are presented in Note 3.

14. Investments at fair value through other comprehensive income

	2024	2023
	€	€
Equity instruments designated and measured at fair value through other comprehensive income		
Equity instruments (SWIFT) - Unlisted	**120.600**	69.840
Total net carrying amount of investments at FVOCI	**120.600**	69.840

The Bank has classified its investment in equity instruments held as at 31 December 2024 and 31 December 2023 at FVOCI because it did not hold them for trading. The Bank has irrevocably elected to classify them at FVOCI on initial recognition.

Geographical breakdown based on region / country of issuer	2024	2023
	€	€
European Union countries	**120.600**	69.840
Total	**120.600**	69.840

During 2024 the Bank did not acquire any debt investments at fair value through other comprehensive income (2023: €nil). Additionally, during 2024, the Bank acquire equity investments at fair value through other comprehensive income amounting to €46.560 (2023: €nil).

The classification of investments in accordance with their fair value hierarchy are presented in Note 16.

15. Investments at amortised cost

	2024	2023
	€	€
Debt securities (bonds)		
Cyprus government	**8.331.017**	2.472.671
Other governments	**93.288.144**	68.563.658
Credit institutions	**36.687.293**	22.605.471
Other financial corporations	**5.725.489**	6.888.666
Non-financial corporations	**2.776.643**	3.559.014
Gross carrying amount	**146.808.586**	104.089.480
Less: credit loss allowance on investments at amortised cost	**(33.413)**	(34.245)
Net carrying amount	**146.775.173**	104.055.235
Listed on Cyprus Stock Exchange	**8.331.017**	2.472.671
Listed on European stock exchanges	**138.444.156**	101.582.564
Net carrying amount	**146.775.173**	104.055.235

15. Investments at amortised cost (continued)

Movement of loss allowance on investments at amortised cost

	2024	2023
	€	€
1 January	**(34.245)**	(11.135)
Decrease /(Increase) in credit loss allowance for the year (*Note 9*)	**832**	(23.110)
31 December	**(33.413)**	(34.245)

Geographical breakdown based on region / country of issuer

	2024	2023
	€	€
Cyprus	**8.329.867**	2.467.734
Other European Union countries	**115.534.214**	82.759.235
North America	**13.284.059**	12.095.379
Japan	**4.068.714**	-
United Kingdom	**3.554.853**	4.448.800
Other countries	**2.003.466**	2.284.087
Net carrying amount	**146.775.173**	104.055.235

Other countries include Australia, Hong Kong and South Korea among others. Other countries also include exposures to Israel amounting to €927.642 as at 31 December 2024 (2023: €919.686).

During 2024 the Bank acquired investments at amortised cost for the amount of €53.139.760 (2023: €92.525.422). Additionally, investments of nominal amount of €12.117.866 matured during 2024 (2023: €22.039.715). No disposals of investments at amortised cost took place during 2023 and 2024.

The weighted average acquisition yield on investments at amortised cost held as at 31 December 2024 was 3,08% (2023: 3,10%).

The fair value of investments at amortised cost and their classification in accordance with the fair value hierarchy are presented in Note 16.

The credit ratings applicable to investments at amortised cost as at 31 December 2024 and 2023 and the relevant currency analysis are presented in Note 31.

16. Fair value measurement of financial assets and financial liabilities

	2024		2023	
	Carrying value €	**Fair value €**	Carrying value €	Fair value €
Financial assets				
Cash and balances with Central Bank	**334.131.275**	**334.131.275**	285.051.204	285.051.204
Placements with banks	**7.885.771**	**7.885.771**	13.684.969	13.684.969
Loans and advances to customers	**315.165.890**	**315.165.890**	316.057.006	316.057.006
Investments at fair value through other comprehensive income	**120.600**	**120.600**	69.840	69.840
Investments at amortised cost	**146.775.173**	**149.207.991**	104.055.235	105.025.442
Other assets (excluding deposits and prepayments)	**3.323.220**	**3.323.220**	8.545.806	8.545.806
	807.401.929	**809.834.747**	727.464.060	728.434.267
Financial liabilities				
Customer deposits	**742.617.622**	**742.617.622**	671.990.672	671.990.672
Other borrowings	**2.879.719**	**2.879.719**	4.707.700	4.707.700
Lease liabilities	**553.026**	**553.026**	827.536	827.536
Other creditors and liabilities	**3.507.793**	**3.507.793**	1.488.542	1.488.542
	749.558.160	**749.558.160**	679.014.450	679.014.450

The fair value of financial assets and liabilities presented within the above table is as at the reporting date and does not represent any expectations about their future values.

The Bank in accordance with International Financial Reporting Standards uses the following hierarchy for determining and disclosing fair value:

- **Level 1**: investments valued using quoted prices in active markets.
- **Level 2**: investments valued using models for which all inputs that have a significant effect on fair value are market observable.
- **Level 3**: investments valued using models for which inputs that have a significant effect on fair value are not based on observable market data.

16. Fair value measurement of financial assets and financial liabilities (continued)

The following table presents the fair value measurement hierarchy of the Bank's financial assets and liabilities recorded at fair value or for which fair value is disclosed, by level of fair value hierarchy:

2024	Level 1 €	Level 2 €	Level 3 €	Total €
Financial assets measured at fair value				
Investments at fair value through other comprehensive income	-	-	120.600	120.600
Financial assets not measured at fair value				
Placements with banks	-	7.885.771	-	7.885.771
Loans and advances to customers	-	-	315.165.890	315.165.890
Investments at amortised cost	149.207.991	-	-	149.207.991
Other assets (excluding deposits and prepayments)	-	-	3.323.220	3.323.220
	149.207.991	7.885.771	318.489.110	475.582.872
Financial liabilities not measured at fair value				
Customer deposits	-	-	742.617.622	742.617.622
Other borrowings	-	-	2.879.719	2.879.719
Lease liabilities	-	-	553.026	553.026
Other creditors and liabilities	-	-	3.507.793	3.507.793
	-	-	749.558.160	749.558.160

16. Fair value measurement of financial assets and financial liabilities (continued)

2023	Level 1 €	Level 2 €	Level 3 €	Total €
Financial assets measured at fair value				
Investments at fair value through other comprehensive income	**-**	**-**	**69.840**	**69.840**
Financial assets not measured at fair value				
Placements with banks	**-**	**13.684.969**	**-**	**13.684.969**
Loans and advances to customers	**-**	**-**	**316.057.006**	**316.057.006**
Investments at amortised cost	**104.526.592**	**498.850**	**-**	**105.025.442**
Other assets (excluding deposits and prepayments)	**-**	**-**	**8.545.806**	**8.545.806**
	104.526.592	**14.183.819**	**324.602.812**	**443.313.223**
Financial liabilities not measured at fair value				
Customer deposits	**-**	**-**	**671.990.672**	**671.990.672**
Other borrowings	**-**	**-**	**4.707.700**	**4.707.700**
Lease liabilities	**-**	**-**	**827.536**	**827.536**
Other creditors and liabilities	**-**	**-**	**1.488.542**	**1.488.542**
	-	**-**	**679.014.450**	**679.014.450**

16. Fair value measurement of financial assets and financial liabilities (continued)

The following is a description of the determination of fair value for financial assets and liabilities and their respective level of fair value hierarchy:

- Investments at fair value through other comprehensive income are unlisted and reported on the statement of financial position at fair value based on unquoted market prices and as a result are categorised as Level 3. The placements with banks and other borrowings are financial instruments whose fair value is determined on the basis of observable market interest rates are categorised at Level 2 and their fair value approximates their carrying amount as they are frequently repriced.
- Investments at amortised cost primarily consist of debt securities which, for disclosure purposes, are fairly valued using quoted prices in active markets.
- The carrying amount of loans and advances to customers is considered to approximate their fair value. The vast majority of the loan portfolio is subject to variable interest rates that are broadly consistent with prevailing market rates for similar credit exposures. Loans carrying fixed interest rates are limited in volume and generally have short fixed-rate periods, typically ranging from one to three years, after which they revert to variable rates.
- Customer deposits are considered to approximate their carrying values and are categorised as Level 3. The estimated fair value of deposits with no stated maturity is the amount repayable on demand. For the remaining deposits (the majority of which are maturing within one year) the carrying amount is considered to approximate their fair value given their residual maturity is less than two years and they are frequently repriced to market rates.
- The carrying amounts of other assets (excluding deposits and prepayments) and other creditors and liabilities approximate their fair value as at 31 December 2024 and 31 December 2023 as they are short term in nature, and are categorized as Level 3.

There were no transfers between fair value levels during the year.

17. Offsetting financial assets and liabilities

The Bank did not offset any financial assets or financial liabilities under enforceable master netting arrangements or any similar agreements.

18. Other assets

	2024	2023
	€	€
Receivables from parent company (*Note 33*) (Stage 1)	**444.465**	336.293
Deposits and prepayments	**738.070**	566.473
Other receivables (Stage 1)	**2.878.755**	8.209.513
	4.061.290	9.112.279

The estimated loss allowance on receivables from parent company and other receivables was immaterial.

Deposits and prepayments include an amount of €47.100 (2023: €47.100) relevant to premises lease agreements and related expenses.

‘Other receivables’ mainly consist of cheques pending clearance and settlement accounts amounting to €1.774.328 (2023: €7.194.803) and amounts held with counterparties for cards clearing arrangements amounting to €945.646 (2023: €500.000).

19. Property and equipment

2024	Land	Freehold property - Building	Leasehold improvements	Equipment	Furniture and fittings	Right-of-use assets	Other tangible assets	Total
	€	€	€	€	€	€	€	€
Cost /fair value								
1 January	**1.200.000**	**2.901.544**	**1.592.427**	**1.737.993**	**516.967**	**2.479.370**	**-**	**10.428.301**
Additions	**-**	**-**	**35.492**	**304.624**	**8.793**	**-**	**-**	**348.909**
Disposals	**-**	**-**	**-**	**(89.262)**	**-**	**-**	**-**	**(89.262)**
Revaluation adjustment	**-**	**(301.544)**	**-**	**-**	**-**	**-**	**-**	**(301.544)**
31 December	**1.200.000**	**2.600.000**	**1.627.919**	**1.953.355**	**525.760**	**2.479.370**	**-**	**10.386.404**
Depreciation								
1 January	**-**	**174.012**	**1.285.674**	**1.329.609**	**391.179**	**1.657.536**	**-**	**4.838.010**
Charge for the year	**-**	**87.012**	**163.384**	**181.481**	**52.188**	**283.272**	**-**	**767.337**
Disposals	**-**	**-**	**-**	**(89.262)**	**-**	**-**	**-**	**(89.262)**
Revaluation adjustment	**-**	**(261.024)**	**-**	**-**	**-**	**-**	**-**	**(261.024)**
31 December	**-**	**-**	**1.449.058**	**1.421.828**	**443.367**	**1.940.808**	**-**	**5.255.061**
Net Book Value	**1.200.000**	**2.600.000**	**178.861**	**531.527,00**	**82.393**	**538.562**	**-**	**5.131.343**

2023	Land	Freehold property - Building	Leasehold improvements	Equipment	Furniture and fittings	Right-of-use assets	Other tangible assets	Total
	€	€	€	€	€	€	€	€
Cost /fair value								
1 January	**1.200.000**	**2.900.000**	**1.586.525**	**1.620.975**	**515.727**	**2.189.445**	**19.391**	**10.032.063**
Additions	**-**	**1.544**	**5.902**	**56.453**	**1.240**	**-**	**46.059**	**111.198**
Re-assessment of Right-of-use assets	**-**	**-**	**-**	**-**	**-**	**319.547**	**-**	**319.457**
Transfers	**-**	**-**	**-**	**65.450**	**-**	**-**	**(65.450)**	**-**
Disposals	**-**	**-**	**-**	**(4.885)**	**-**	**(29.622)**	**-**	**(34.507)**
31 December	**1.200.000**	**2.901.544**	**1.592.427**	**1.737.993**	**516.967**	**2.479.370**	**-**	**10.428.301**

19. Property and equipment (continued)

2023	Land €	Freehold property - Building €	Leasehold improvements €	Equipment €	Furniture and fittings €	Right-of-use assets €	Other tangible assets €	Total €
Depreciation								
1 January	-	87.000	1.126.529	1.168.354	339.552	1.436.140	-	4.157.575
Charge for the year	-	87.012	159.145	166.140	51.627	251.018	-	714.942
Disposals	-	-	-	(4.885)	-	(29.622)	-	(34.507)
31 December	-	174.012	1.285.674	1.329.609	391.179	1.657.536	-	4.838.010
Net Book Value	1.200.000	2.727.532	306.753	408.384	125.788	821.834	-	5.590.291

For more details on how the fair value of the freehold land and buildings was determined and the sensitivity analysis performed to the key unobservable inputs used in the valuation process refer to Note 3.

The Bank's freehold land and buildings and information about their fair value hierarchy as at the end of 2024 and 2023 were as follows:

2024	Level 1 €	Level 2 €	Level 3 €	Total €
Freehold land	-	-	1.200.000	1.200.000
Freehold buildings	-	-	2.600.000	2.600.000
	-	-	3.800.000	3.800.000

2023	Level 1 €	Level 2 €	Level 3 €	Total €
Freehold land	-	-	1.200.000	1.200.000
Freehold buildings	-	-	2.901.544	2.901.544
	-	-	4.101.544	4.101.544

There have been no transfers between levels during 2024 and 2023. The bank utilises the valuation performed by an independent valuation expert with reference date 31 December 2024.

The carrying amount of property at 31 December 2024 would have been €3.966.770 (2023: €4.070.078) based on cost less accumulated depreciation. For 2023, the bank utilised the valuation performed by an independent valuation expert with reference date 31 December 2021.

Right-of-use assets mainly comprise of lease agreements in relation to the premises in Nicosia and Larnaca, expiring in 2030 and 2026 respectively. These agreements include options for extension and termination under certain conditions. The potential future rental payments in case the extension options are effected have not been included within the lease term in case where the rental amount remains open for negotiation at the time of the extension.

19. Property and equipment (continued)

During 2023 the Bank reassessed the expected lease term of certain leases taking into consideration the extension and termination options, its current operational model and its business plan. Specifically, it was determined that the Bank is reasonably certain that it will not exercise early termination options of the specific leases before the end of 2026.

The property and equipment are classified as non-current assets.

20. Intangible assets

	Computer software and licences	Intangibles under development	Total
2024	**€**	**€**	**€**
Cost			
1 January	**4.558.426**	**169.530**	**4.727.956**
Additions	**1.785**	**586.562**	**588.347**
Transfers	**663.491**	**(663.491)**	**-**
31 December	**5.223.702**	**92.601**	**5.316.303**
Amortisation			
1 January	**3.459.456**	**-**	**3.459.456**
Charge for the year	**382.620**	**-**	**382.620**
31 December	**3.842.076**	**-**	**3.842.076**
Net book value	**1.381.626**	**92.601**	**1.474.227**
2023			
Cost			
1 January	4.161.356	107.542	4.268.898
Additions	17.219	441.839	459.058
Transfers	379.851	(379.851)	-
31 December	4.558.426	169.530	4.727.956
Amortisation			
1 January	3.133.219	-	3.133.219
Charge for the year	326.237	-	326.237
31 December	3.459.456	-	3.459.456
Net book value	1.098.970	169.530	1.268.500

20. Intangible assets (continued)

Intangibles under development consist of computer software developed by the Bank which has not yet been released into use plus attributable capitalized staff costs.

There were no material borrowing costs incurred by the Bank during the years 2024 and 2023 as part of the intangible assets development that should have been capitalized.

The intangible assets are classified as non-current assets.

21. Customer deposits

	2024	2023
	€	€
Current accounts	**269.304.721**	267.874.011
Savings accounts	**28.258.029**	29.173.555
Fixed term deposit accounts	**445.054.872**	374.943.106
	742.617.622	671.990.672

As at 31 December 2024, customer deposits of total €10,7 million (2023: €13,9 million) were pledged as collateral to credit facilities granted to customers.

22. Other borrowings

	2024	2023
	€	€
1 January	**4.707.700**	5.936.727
Interest charged (*Note 5*)	**157.219**	211.724
Repayments	**(1.985.200)**	(1.440.751)
31 December	**2.879.719**	4.707.700

On 16 May 2017, the Bank entered into a portfolio risk sharing loan agreement of €20 million with the European Investment Fund acting on behalf of the Cyprus Entrepreneurship Fund ('CYPEF'). CYPEF is a fund established by the Republic of Cyprus to implement a national scheme for facilitating access to finance and improve funding conditions for small and medium-sized enterprises (including self-employed entrepreneurs) active in Cyprus in collaboration with selected financial intermediaries.

In accordance with the terms of the agreement, CYPEF will contribute €10 million and the Bank an additional €10 million towards lending small and medium-sized enterprises ('SMEs') at lower interest rates than what would have been offered by the Bank in the absence of the agreement with CYPEF. The €10 million of CYPEF will be made available to the Bank in tranches to be decided by the Bank and subject to the satisfaction of certain covenants.

The commencement date of the agreement is considered to be the 1st of June 2017. The agreement carries a maximum maturity period of 15 years. The loan payable to CYPEF is charged with interest rate of 3-month Euribor + 1,00% and repayments of the loan are made quarterly depending on the amount of repayments made by SMEs with outstanding balances under the scheme. The agreement provides that the principal amount owed towards CYPEF will be reduced in case of a defaulted or restructured exposure under the scheme, subject to certain covenants.

23. Lease liabilities

	2024	2023
	€	€
1 January	**827.536**	797.897
Re-assessment of lease terms	**-**	319.545
Interest accrued (*Note 5*)	**33.890**	17.994
Lease payments	**(308.400)**	(307.900)
31 December	**553.026**	827.536

The total cash outflow for lease liabilities for the year amounted to €308.400 (2023: €307.900).

During 2023, the Bank evaluated the option of extending the Lease on Nicosia's head office and Business Center as according to it's Business Plan and operational model, that the bank will continue occupying the premises up until 2026.

The analysis of lease liabilities by expected maturity is disclosed in Note 28 and by contractual maturity in Note 31.

24. Provisions and other liabilities

	2024	2023
	€	€
Social insurance and related taxes, defence tax and stamp duty payable	**595.841**	236.202
Accrued expenses	**673.202**	295.645
VAT payable	**45.112**	49.602
Loss allowance on financial guarantees and commitments	**341.742**	250.197
Other creditors and liabilities	**3.507.793**	1.488.542
Special Tax Levy payable	**276.837**	251.275
Corporation Tax Liability	**748.466**	125.000
	6.188.993	2.696.463

Other creditors and liabilities mainly consist of issued cheques pending clearance and settlement accounts.

Movement of credit loss allowance on financial guarantees and commitments

	2024	2023
	€	€
1 January	**250.197**	88.977
Increase in credit loss allowance for the year (*Note 9*)	**91.545**	161.220
31 December	**341.742**	250.197

25. Share capital and share premium

	2024			2023		
	Number of shares	**Share capital**	**Share premium**	Number of shares	Share capital	Share premium
		€	**€**		€	€
Authorised						
Ordinary shares of €1 each	**201.000**	**201.000**	**-**	201.000	201.000	-
Issued and fully paid				-	-	-
1 January	**126.000**	**126.000**	**62.375.000**	126.000	126.000	62.375.000
Reduction of Share premium	**-**	**-**	**(12.655.711)**			
31 December	**126.000**	**126.000**	**49.719.289**	126.000	126.000	62.375.000

Authorised capital

Under its Memorandum of Association, the Company fixed its authorised share capital at 1.000 ordinary shares of nominal value of €1 each.

On 15 December 2014, the Company increased its authorised capital to 201.000 ordinary shares of nominal value of €1 each.

Issued and fully paid capital

On 05 November 2024, the Bank reduced the total premium of €62.375.000 to €49.719.289. Premium of €12.655.711 was offset against accumulated losses (Note 27).

As at 31 December 2024, the Bank had a total issued share capital of 126.000 (2023: 126.000) ordinary shares of nominal value of €1 each, at a total premium of €49.719.289 (2023: €62.375.000).

Other equity instruments

On 28 September 2022 the Company issued €5.000.000 of 0% perpetual convertible notes, which meet the characteristics prescribed by CRR to be recognised as Additional Tier 1 (AT1) regulatory capital. The notes are perpetual and have no fixed date for redemption but can be redeemed (in whole but not in part) at the Company's option on or after the fifth anniversary of the issue date; subject to the prior approval of the regulator. Apart from the mandatory conversion included in the terms of the notes which is only activated by a triggering event, and which is conformity with CRR, the notes terms also include a conversion at the option of the holder at a pre-specified conversion price which is exercisable at any point in time and as long as the notes are still outstanding.

26. Revaluation reserve

	2024	2023
Revaluation reserve for securities at FVOCI	**€**	€
1 January	**16.605**	12.240
Revaluation of equity instruments at fair value through other comprehensive income	**4.200**	4.365
31 December	**20.805**	16.605

The revaluation reserve represents the cumulative gains and losses arising on the revaluation of:

- Investments in equity instruments designated at fair value through other comprehensive income; and
- Investments in debt instruments classified at fair value through other comprehensive income, net of cumulative loss allowance recognized on these investments.

Investments in equity instruments designated at fair value through other comprehensive income are not subject to impairment and their cumulative fair value gain or loss included in the revaluation reserve is not subsequently reclassified to profit or loss.

27. Retained Earnings/ (Accumulated losses)

The only reserves available for distribution as dividends are retained earnings. In 2024 and 2023, no dividends were paid nor declared to be paid by the Bank. On 05 November 2024, the Bank reduced its share premium by €12.655.711 which was off set against accumulated losses (Note 25).

Companies, tax resident in Cyprus, which do not distribute at least 70% of their profits after tax as defined by the Special Defence Contribution Law during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special defence contribution (SDC) at 17% is payable on such deemed dividend distribution to the extent that the shareholders of the Company, at the end of the period of two years from the end of the year of assessment to which the profits refer, are directly or indirectly Cyprus tax residents or individuals who are domiciled in Cyprus. Deemed distribution does not apply in respect of profits that are directly or indirectly attributable to shareholders that are non-Cyprus tax residents and individual shareholders who are not domiciled in Cyprus. In addition, deemed dividend distribution is subject to General Healthcare System (GHS) contribution at a rate of 2,65%, when the entitled shareholders are natural persons tax residence of Cyprus regardless of their domicile.

As at 31 December 2024 an amount of €2.492 (2023: €1.204) was recognised as special defence contribution on deemed dividend distribution as a result of accounting profits for the year ended 31 December 2022 and 2021.

28. Analysis of assets and liabilities by expected maturity

	2024			2023		
	Less than one year	**Over one year**	**Total**	Less than one year	Over one year	Total
	€	**€**	**€**	€	€	€
Assets						
Cash and balances with Central Bank	**326.848.963**	**7.282.312**	**334.131.275**	278.447.699	6.603.505	285.051.204
Placements with banks	**7.885.771**	**-**	**7.885.771**	13.684.969	-	13.684.969
Loans and advances to customers	**15.242.609**	**299.923.281**	**315.165.890**	20.766.603	295.290.403	316.057.006
Investments at fair value through other comprehensive income	**-**	**120.600**	**120.600**	-	69.840	69.840
Investments at amortised cost	**11.728.167**	**135.047.006**	**146.775.173**	8.092.868	95.962.367	104.055.235
Other assets	**4.061.290**	**-**	**4.061.290**	9.112.279	-	9.112.279
	365.766.800	**442.373.199**	**808.139.999**	330.104.418	397.926.115	728.030.533
Liabilities						
Customer deposits	**229.107.181**	**513.510.441**	**742.617.622**	113.726.224	558.264.448	671.990.672
Other borrowings	**809.502**	**2.070.217**	**2.879.719**	1.229.970	3.477.730	4.707.700
Lease liabilities	**280.852**	**272.174**	**553.026**	272.030	555.506	827.536
Provisions and other liabilities	**5.847.250**	**341.742**	**6.188.993**	2.399.003	297.460	2.696.463
	236.044.784	**516.194.576**	**752.239.360**	117.627.227	562.595.144	680.222.371
Net assets / (liabilities)	**129.722.016**	**(73.821.377)**	**55.900.639**	212.477.191	(164.669.029)	47.808.162

28. Analysis of assets and liabilities by expected maturity (continued)

The main assumptions used in determining the expected maturity of assets and liabilities are set out below:

- Loans and advances to customers are classified based on their contractual repayment schedule. Overdraft accounts are classified in the over one year time band. Accumulated loss allowances on loans and advances are classified in the over one year time band based on the expected repayment schedule of loans and advances.
- Investments at fair value through other comprehensive income are classified in the relevant time band based on expectations as to their realisation.
- Investments at amortised cost and their equivalent loss allowances are classified in the relevant time band based their maturity date, unless there is an indication that the maturity will be prolonged or there is an intention to sell, roll or replace the security with a similar one.
- Customer deposits are classified based on a combination of contractual maturity as well as behavioural experience analysis.
- Other borrowings are classified based on their expected repayment schedule and the Bank's intentions where earlier repayment is permitted.
- Accumulated loss allowances on financial guarantees and commitments recognised under other liabilities are classified in the over one year time band based on their expected realisation or maturity.
- Lease liabilities are classified based on their expected repayment schedule.
- The expected maturity of all other assets and liabilities is the same as their contractual maturity. If they do not have a contractual maturity, the expected maturity is based on the timing the asset is expected to be realised and the liability is expected to be settled.

29. Net cash flow from operating activities

	2024	2023
	€	€
Profit before tax	**9.160.370**	9.442.865
Adjustments:		
Depreciation of property and equipment	**767.337**	714.942
Amortisation of intangible assets	**382.620**	326.237
Increase in credit loss allowance	**367.117**	1.049.263
Profit on disposal of fixed assets	**-**	(300)
Loss on modification of financial assets measured at amortised cost	**23.398**	132.206
Loss on derecognition of financial assets measured at amortised cost	**150.096**	
Write-off of other receivables	**29.853**	2.849
Interest expense on lease liabilities	**33.889**	17.994
Interest expense on other borrowings	**157.219**	211.724
Interest income including amortisation of premiums /discounts on debt securities	**(4.187.189)**	(1.415.327)
Impairment on property,plant and equipment	**40.520**	-
	(2.235.140)	1.039.588
Changes in operating assets:		
Obligatory balances held with the Central Bank	**(678.807)**	(2.464.844)
Loans and advances to customers	**411.365**	15.971.515
Other assets	**5.050.041**	(5.047.305)
	4.782.599	8.459.366
Changes in operating liabilities:		
Customer deposits	**70.626.950**	242.232.455
Provisions and other liabilities	**2.764.122**	(1.014.309)
	73.391.072	241.218.146
Tax paid	**(687.500)**	(125.000)
Net cash flow from operating activities	**84.411.401**	260.034.964

30. Cash and cash equivalents

	2024	2023
	€	€
Cash and non-obligatory balances with the Central Bank (*Note 11*)	**326.848.963**	278.447.699
Short-term placements with banks (*Note 12*)	**7.885.771**	13.684.969
	334.734.734	292.132.668

At 31 December 2024, placements with the Central Bank amounted to €328.361.814 (2023: €280.512.513).

Reconciliation of liabilities arising from financing activities:

	Other borrowings €	**Lease liabilities €**	**Total liabilities from financing activities €**
Opening balance 1 January 2024	**4.707.700**	**827.536**	**5.535.236**
Cash flows:			
Repayment of principal	**(1.801.677)**	**(274.011)**	**(2.075.688)**
Repayment of interest	**(183.523)**	**(33.889)**	**(217.412)**
Interest expense	**157.219**	**33.889**	**191.108**
Closing balance – 31 December 2024	**2.879.719**	**553.525**	**3.433.244**

	Other borrowings €	**Lease liabilities €**	**Total liabilities from financing activities €**
Opening Balance 1 January 2023	5.936.727	797.897	6.734.624
Cash flows:			
Repayment of principal	(1.254.700)	(289.906)	(1.544.606)
Repayment of interest	(186.051)	(17.994)	(204.045)
Interest expense	211.724	17.994	229.718
Additions	-	319.545	319.545
Closing Balance – 31 December 2023	4.707.700	827.536	5.535.236

31. Risk management

In the ordinary course of the business, the Bank is exposed to various risks, which are managed and monitored through a continuous process of identification, measurement, and monitoring to prevent undue risk concentrations. The risk management policies employed by the Bank to manage these risks are discussed below.

Credit risk

Credit risk is the risk created primarily from credit facilities and treasury products and is defined as the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract or failure to perform as agreed.

The Risk Management Function has the responsibility to identify, evaluate and assess the credit risk of the Bank and the responsibility to make proposals on the management of and controls on credit risk through various mechanisms on the basis of the strategic goals as determined by the Board of Directors. It recommends establishing and developing credit policies and procedures based on European and local directives and adjusts internal policies and procedures as appropriate.

The Risk Management Function sets the procedure for granting of credit facilities to customers of the Bank according to the Bank's Risk Appetite Statement and Credit Risk Policy as set by the Board of Directors. Additionally, the Risk Management Function sets limits and principles of financing and assesses the risks of new banking products and new banking activities of the Bank.

The approval process of credit facilities aims in minimising credit risk by evaluating the creditworthiness of the counterparty, the collateral offered and the type of credit facility. Emphasis is given on the customer's repayment ability and any collaterals assigned act as a fall-back position in times of financial difficulties. Credit risks from connected customer accounts are consolidated and monitored on a single customer group basis. According to the capital requirements regulation (CRR) group of connected persons consists of any of the following:

a. Two or more natural or legal persons who, unless it is shown otherwise, constitute a single risk because one of them, directly or indirectly, has control over the other(s).
b. Two or more natural or legal persons between whom there is no relationship of control as described in point (a) but who are to be regarded as constituting a single risk because they are so interconnected that, if one of them were to experience financial problems, in particular funding or repayment difficulties, the other or all of the others would also be likely to encounter funding or repayment difficulties.

Credit risk strategy and appetite

The Bank has in place both a Credit Risk Management Policy and a Credit Risk Strategy that is reflected in the Bank's overall Risk Appetite Statement. The Bank pays significant attention to the repayment ability of the customers with collateral used only as a fall-back position which aims to further enhance its recovery rates. The Bank has also in place, through its Risk Appetite Statement, unsecured loan portfolio limits. In addition to policies and procedures, the Bank has set internal concentration guidelines for both the loan portfolio allocations and limits regarding investment portfolio allocations in terms of credit quality, counterparty, industry, product type and group of connected customers' concentration.

Inherent credit risk assessment

The Bank's inherent credit risk arises mainly from the Bank's loan and investment portfolios, which include both on and off-balance sheet items. Specifically, credit risk arises mainly from loans and advances to customers and loan commitments arising from such lending activities but can also arise from financial guarantees, investments in debt securities and other exposures including other assets, bank balances with central banks and placements with banks. For each portfolio, the Bank performs an analysis of credit concentration (in terms of group of connected clients, sector, country and product), credit default and collateral.

31. Risk management (continued)

Credit risk (continued)

Credit granting organisational framework, policies and procedures

Regarding the loan origination process, the Bank has procedures in place that clearly indicate the roles and responsibilities of personnel involved and is in line with the Directive issued by the Central Bank of Cyprus (‘CBC’) on Credit Granting and Review Processes 2016 to 2023 as updated. Segregation of duties is present throughout the process as relationship officers prepare applications and provide an opinion but cannot approve a credit facility.

The Bank has in place Credit Granting Approving Limits and Approving Authorities, differentiated depending on the status of the clients (performing, non-performing, viable / cooperative or non-viable / non-cooperative). All cases exceeding specific exposure thresholds should be accompanied with the Credit Sanctioning Department’s (‘CSD’) and Risk Management Function’s opinions when reviewed by the relevant approving authority.

The main responsibility of the Credit Sanctioning department is the thorough, independent and detailed analysis of loan applications in order to comply with the Bank’s lending practices and procedures and relevant Directives, in terms of customers’ repayment ability, solvency, credibility and sufficient securitization. In addition, the Credit Sanctioning Department performs, among other actions, validation of the credit scoring, suggests terms and conditions to be important for mitigating any identified risks, ensures that Unable to Pay (‘UTP’) is correctly assessed and identifies any exceptions from Bank’s policies that require approval by the Credit Committees maintaining a record of these exceptions.

In cases of credit facilities that fall under a Credit Committee’s approving limits, after they go through the Credit Sanctioning department for its assessment, they need to be submitted to the Risk Management Function (‘RMF’) for review, calculation of the capital impact using the credit scoring validated by the Credit Sanctioning Department and the Return on Regulatory Capital Employed (‘RoRCE’) calculation. The aforementioned are included in RMF’s report which is submitted, together with the credit application, CSD report and any other relevant supporting documentation, to the respective Credit Committee for approval.Credit Sanctioning should issue the approval/rejection decisions together with the various terms/covenants imposed.

The Bank utilises internally developed credit scoring models as part of its lending procedures.

As a third layer of defence, the Internal Audit department perform audits of the loan origination process for the entire portfolio on a sample-selection basis on an annual basis and makes recommendations for the improvement of procedures according to findings.

New products are reviewed by Risk Management Function in collaboration with Compliance, Legal and other relevant departments and are approved by the Executive Committee (‘EXCO’). Apart from loan products related to business customers for which no standard pricing exists, the pricing, collateral and other requirements are included within new product suggestions.

Credit risk monitoring and reporting

The Bank prepares all reports relating to the monitoring of credit risk at fixed intervals. The Risk Management Function communicates credit risk issues to the Board of Directors through its Risk Committee at least on a quarterly basis. Standardised reports to the Supervision Department of the CBC are submitted on a monthly, quarterly, semi-annual and annual basis according to each report’s requirements.

The Bank is continuously implementing improvements in the monitoring of credit risk on the loan portfolio by enhancing information reported both at ALCO and Risk Committee level depending on prevailing conditions.

The Bank’s policy regarding the identification of impaired loans and advances and the methodology employed to determining any loss allowance is set out in Note 2.8.

31. Risk management (continued)

Credit risk (continued)

Arrears Management Process

The Bank has in place an Arrears Management Policy and Strategy, as well as an Arrears Management Procedure which is in accordance with the CBC's Directive on Arrears Management 2015 to 2022.

The Bank's policy has been formulated to provide all stakeholders with a comprehensive understanding of how the arrears are to be managed by the Bank and ensure that all staff has a current and consistent guidance.

The Bank has developed a comprehensive and detailed arrears management strategy (AMS) to effectively manage arrears and deal with borrowers in financial difficulties in a systematic, organised and professional manner and is submitted to the CBC for assessment. The AMS includes a clearly defined approach for each of the main categories of credit facilities it serves and an operational plan covering the main components of arrears management.

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk, without taking into account any collateral held, as well as any other credit enhancements.

	2024	2023
	€	€
Balances with Central Bank (*Note 11*)	**328.361.814**	280.512.513
Placements with banks (*Note 12*)	**7.885.771**	13.684.969
Loans and advances to customers, net of loss allowance (*Note 13*)	**315.165.890**	316.057.006
Investments at amortised cost, net of loss allowance (*Note 15*)	**146.775.173**	104.055.235
Other assets (excluding deposits and prepayments) (*Note 18*)	**3.323.220**	8.545.805
Total on statement of financial position	**801.511.868**	722.855.528
Undisbursed loan facilities	**18.550.370**	14.602.718
Undrawn overdraft facilities	**16.057.538**	14.448.144
Letters of guarantee	**9.700.291**	6.222.489
Unutilised trade finance limits	**3.213.575**	3.512.358
Total off-balance sheet position (*Note 35*)	**47.521.774**	38.785.709
Loss allowance on financial guarantees and commitments (*Note 24*)	**(341.742)**	(250.197)
Off-balance sheet position, net of loss allowance	**47.180.031**	38.535.512
Total credit exposure	**848.691.899**	761.391.040

Credit risk concentration

According to the EU Regulation 575/2013, a large exposure is defined as the Bank's exposure to a client or group of connected clients which is equal or exceeds 10% of eligible capital. The Bank should not incur exposures the value of which exceeds 25% of the Bank's eligible capital, after taking into account the effect of credit risk mitigation.

In addition to policies and procedures, the Bank has set internal concentration guidelines for both the loan portfolio allocations and limits regarding investment allocations in terms of credit quality, counterparty, industry, product type and group of connected customers' concentration.

31. Risk management (continued)

Credit risk (continued)

Loans and advances to customers

Analysis of loans and advances to customers by economic activity

	2024	2023
	€	€
Trade	**20.427.775**	28.974.494
Manufacturing	**16.762.064**	9.257.865
Real estate and construction	**77.079.673**	78.346.886
Tourism and Leisure	**12.637.960**	11.387.025
Professional and other services	**15.714.818**	9.657.458
Other sectors	**18.556.806**	11.610.831
Private individuals	**156.252.080**	168.811.330
Total gross loans and advances	**317.431.176**	318.045.889

Loans to private individuals consist of €150,0m (2023: €154,7m) of residential mortgage loans and €6,2m (2023: €14,1m) credit for consumption.

Collateral and other credit enhancements

As at 31 December 2024 and 31 December 2023, the main types of collateral obtained by the Bank consisted of property mortgages, cash, motor vehicles, as well as, life insurance policies, fixed and floating charges, assigned receivables, personal guarantees and contracts of sale.

As at 31 December 2024, credit-impaired loans amounted to €5.875.830 (2023: €5.273.722) for which collateral held as security consisted of:

	2024	2023
	€	€
Property mortgages – mortgage value	**7.876.666**	6.119.947
Personal guarantees	**8.133.200**	11.591.000
Life insurances	**2.510.006**	5.125.406
Cash Collateral	**93.900**	306.645
Floating charges	**4.670.000**	4.920.000
Assignment of receivables	**14.900.000**	8.000.000

The fair value of property mortgages as at 31 December 2024 amounted to €10.220.351 (2023: €16.503.000)

31. Risk management (continued)

Credit risk (continued)

Loans and advances to customers (continued)

The criteria met for the loan facilities classified as Stage 2 and 3 as at 31 December 2024 were:

- Exposures, regardless of origination date, with more than 30 days past due but less than 90 days past due or otherwise classified as Stage 2 - €31.436.948. It is noted that, the aforementioned figure includes exposures of €11.844.717 that were transferred from Stage 1 to Stage 2 as a result of management overlays. The purpose of these management overlays is further analysed in note 3.1.
- Defaulted exposures and material exposures of more than 90 days past due classified as Stage 3 - €5.875.830.

The criteria met for the loan facilities classified as Stage 2 and 3 as at 31 December 2023 were:

- Exposures, regardless of origination date, with more than 30 days past due but less than 90 days past due or otherwise classified as Stage 2 - €25.598.109. It is noted that, the aforementioned figure includes exposures of €13.627.730 that were transferred from Stage 1 to Stage 2 as a result of management overlays. The purpose of these management overlays is further analysed in note 3.1.
- Defaulted exposures and material exposures of more than 90 days past due classified as Stage 3 - €5.273.722.

Loans and advances to customers – by staging

The following tables disclose the changes in the credit loss allowance and gross carrying amounts for loans and advances to customers carried at amortised cost for the year ended 31 December 2024:

	2024				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amounts	**€**	**€**	**€**	**€**	**€**
As at 1 January	**287.174.057**	**25.598.109**	**5.273.722**	**-**	**318.045.888**
New assets originated	**64.684.699**	**11.101.450**	**7.251**	**1.416.067**	**77.209.467**
Transfers to Stage 1	**9.074.850**	**(9.074.850)**	**-**	**-**	**-**
Transfers to Stage 2	**(16.487.483)**	**18.739.136**	**(2.251.653)**	**-**	**-**
Transfers to Stage 3	**(2.543.622)**	**(689.094)**	**3.232.716**	**-**	**-**
Other movement during the year	**(10.484.190)**	**(1.164.283)**	**(105.803)**	**-**	**(11.754.276)**
Assets derecognised or repaid	**(51.299.913)**	**(13.073.520)**	**(1.696.470)**	**-**	**(66.069.903)**
As at 31 December	**280.118.398**	**31.436.948**	**4.459.763**	**1.416.067**	**317.431.176**
Individually assessed	**-**	**-**	**3.808.264**	**1.416.067**	**5.224.331**
Collectively assessed	**280.118.398**	**31.436.948**	**651.499**	**-**	**312.206.845**
	280.118.398	**31.436.948**	**4.459.763**	**1.416.067**	**317.431.176**

"Other movement during the year" represents the net effect of interest accrued, repayments collected for not fully repaid exposures and further utilisation/disbursement of facilities which were not fully utilised/disbursed as at the beginning of the year.

31. Risk management (continued)

Credit risk (continued)

Loans and advances to customers (continued)

Loans and advances to customers – by staging (continued)

	2024				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loss allowance	**€**	**€**	**€**	**€**	**€**
As at 1 January	**1.268.953**	**143.330**	**576.599**	**-**	**1.988.882**
New assets originated	**308.270**	**42.208**	**5.073**	**84.591**	**440.142**
Transfers to Stage 1	**24.048**	**(24.048)**	**-**	**-**	**-**
Transfers to Stage 2	**(195.576)**	**195.592**	**(16)**	**-**	**-**
Transfers to Stage 3	**(276.850)**	**(32.199)**	**309.049**	**-**	**-**
Changes to models and inputs used for ECL calculations	**366.684**	**(44.888)**	**(60.943)**	**-**	**260.853**
Assets derecognised or repaid	**(236.478)**	**(30.900)**	**(157.213)**	**-**	**(424.591)**
As at 31 December	**1.259.051**	**249.095**	**672.549**	**84.591**	**2.265.286**
Individually assessed	**-**	**-**	**509.169**	**84.591**	**593.760**
Collectively assessed	**1.259.051**	**249.095**	**163.380**	**-**	**1.671.526**
	1.259.051	**249.095**	**672.549**	**84.591**	**2.265.286**

31. Risk management (continued)

Credit risk (continued)

Loans and advances to customers (continued)

Loans and advances to customers – by staging (continued)

The following tables disclose the changes in the gross carrying amounts and credit loss allowance for loans and advances to customers carried at amortised cost for the year ended 31 December 2023:

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amounts	**€**	**€**	**€**	**€**
As at 1 January	309.817.235	23.320.670	1.014.553	334.152.458
New assets originated	94.091.125	533.628	50	94.624.803
Transfers to Stage 1	8.210.069	(8.195.404)	(14.665)	-
Transfers to Stage 2	(21.286.775)	21.289.935	(3.160)	-
Transfers to Stage 3	(2.638.048)	(2.217.435)	4.855.483	-
Other movement during the year	(12.907.797)	(1.169.412)	4.558	(14.072.651)
Assets derecognised or repaid	(88.111.752)	(7.963.873)	(583.097)	(96.658.722)
As at 31 December	**287.174.057**	**25.598.109**	**5.273.722**	**318.045.888**
Individually assessed	-	-	4.735.866	4.735.866
Collectively assessed	287.174.057	25.598.109	537.856	313.310.022
As at 31 December	**287.174.057**	**25.598.109**	**5.273.722**	**318.045.888**

31. Risk management (continued)

Credit risk (continued)

Loans and advances to customers (continued)

Loans and advances to customers – by staging (continued)

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loss allowance	**€**	**€**	**€**	**€**
As at 1 January	782.762	225.442	115.745	1.123.949
New assets originated	352.034	1.119	38	353.191
Transfers to Stage 1	19.507	(19.121)	(386)	-
Transfers to Stage 2	(107.344)	107.411	(67)	-
Transfers to Stage 3	(275.013)	(153.578)	428.591	-
Changes to models and inputs used for ECL calculations	664.315	121.760	33.267	819.342
Assets derecognised or repaid	(167.308)	(139.703)	(589)	(307.600)
As at 31 December	**1.268.953**	**143.330**	**576.599**	**1.988.882**
Individually assessed	-	-	416.799	416.799
Collectively assessed	1.268.953	143.330	159.800	1.572.083
As at 31 December	**1.268.953**	**143.330**	**576.599**	**1.988.882**

31. Risk management (continued)

Credit risk (continued)

Loans and advances to customers (continued)

Gross carrying amount and credit loss allowance movement and staging classification per business line

The following tables disclose the changes in the gross carrying amounts and credit loss allowance for loans and advances to customers carried at amortised cost for the year ended 31 December 2024 and 31 December 2023:

Housing	**2024**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amounts	**€**	**€**	**€**	**€**
As at 1 January	**145.677.756**	**7.819.042**	**1.026.164**	**154.522.962**
New assets originated	**18.149.621**	**538.830**	**-**	**18.688.451**
Transfers to Stage 1	**2.248.037**	**(2.248.037)**	**-**	**-**
Transfers to Stage 2	**(706.253)**	**784.602**	**(78.348)**	**-**
Transfers to Stage 3	**-**	**(642.242)**	**642.242**	**-**
Other movement during the year	**(3.596.768)**	**(67.203)**	**(29.217)**	**(3.693.188)**
Assets derecognised or repaid	**(15.041.544)**	**(4.456.458)**	**(106.394)**	**(19.604.396)**
As at 31 December	**146.730.848**	**1.728.534**	**1.454.447**	**149.913.829**
Individually assessed	**-**	**-**	**1.258.395**	**1.258.395**
Collectively assessed	**146.730.848**	**1.728.534**	**196.052**	**148.655.434**
As at 31 December	**146.730.848**	**1.728.534**	**1.454.447**	**149.913.829**

31. Risk management (continued)

Credit risk (continued)

Loans and advances to customers (continued)

Gross carrying amount and credit loss allowance movement and staging classification per business line (continued)

Housing	2024			
	Stage 1	Stage 2	Stage 3	Total
Loss allowance	€	€	€	€
As at 1 January	**394.666**	**21.251**	**234.359**	**650.276**
New assets originated	**33.428**	**17.106**	**-**	**50.534**
Transfers to Stage 1	**249**	**(249)**	**-**	**-**
Transfers to Stage 2	**(4.808)**	**4.808**	**-**	**-**
Transfers to Stage 3	**-**	**(15.426)**	**15.426**	**-**
Changes to models and inputs used for ECL calculations	**35.121**	**3.222**	**2.184**	**40.527**
Assets derecognised or repaid	**(68.105)**	**(6.674)**	**-**	**(74.779)**
As at 31 December	**390.551**	**24.038**	**251.969**	**666.558**
Individually assessed	**-**	**-**	**251.969**	**251.969**
Collectively assessed	**390.551**	**24.038**	**-**	**414.589**
As at 31 December	**390.551**	**24.038**	**251.969**	**666.558**

31. Risk management (continued)

Credit risk (continued)

Loans and advances to customers (continued)

Gross carrying amount and credit loss allowance movement and staging classification per business line (continued)

Housing	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amounts	**€**	**€**	**€**	**€**
As at 1 January	**149.191.877**	**8.584.284**	**690.280**	**158.466.441**
New assets originated	39.604.974	426.307	-	40.031.281
Transfers to Stage 1	2.971.801	(2.971.801)	-	-
Transfers to Stage 2	(6.643.535)	6.643.535	-	-
Transfers to Stage 3	(292.726)	(627.044)	919.770	-
Other movement during the year	(737.025)	176.902	(7.757)	(567.880)
Assets derecognised or repaid	(38.417.610)	(4.413.141)	(576.129)	(43.406.880)
As at 31 December	**145.677.756**	**7.819.042**	**1.026.164**	**154.522.962**
Individually assessed	-	-	840.690	840.690
Collectively assessed	145.677.756	7.819.042	185.474	153.682.272
As at 31 December	**145.677.756**	**7.819.042**	**1.026.164**	**154.522.962**

Housing	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loss allowance	**€**	**€**	**€**	**€**
As at 1 January	**205.667**	**179.450**	**-**	**385.117**
New assets originated	**95.246**	**443**	**-**	**95.689**
Transfers to Stage 1	**9.579**	**(9.579)**	**-**	**-**
Transfers to Stage 2	**(19.989)**	**19.989**	**-**	**-**
Transfers to Stage 3	**(234.359)**	**-**	**234.359**	**-**
Changes to models and inputs used for ECL calculations	**394.202**	**(41.130)**	**-**	**353.072**
Assets derecognised or repaid	**(55.680)**	**(127.922)**	**-**	**(183.602)**
As at 31 December	**394.666**	**21.251**	**234.359**	**650.276**
Individually assessed	**-**	**-**	**234.359**	**234.359**
Collectively assessed	**394.666**	**21.251**	**-**	**415.917**
As at 31 December	**394.666**	**21.251**	**234.359**	**650.276**

31. Risk management (continued)

Credit risk (continued)

Loans and advances to customers (continued)

Gross carrying amount and credit loss allowance movement and staging classification per business line (continued)

Consumer	**2024**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amounts	**€**	**€**	**€**	**€**
As at 1 January	**13.230.784**	**1.205.567**	**45.424**	**14.481.775**
New assets originated	**2.578.819**	**148.140**	**7.251**	**2.734.210**
Transfers to Stage 1	**686.453**	**(686.453)**	**-**	**-**
Transfers to Stage 2	**(177.366)**	**178.268**	**(902)**	**-**
Transfers to Stage 3	**(52.558)**	**(45.859)**	**98.417**	**-**
Other movement during the year	**(1.166.174)**	**(64.153)**	**(1.169)**	**(1.231.496)**
Assets derecognised or repaid	**(2.032.753)**	**(44.772)**	**(8.777)**	**(2.086.302)**
As at 31 December	**13.067.205**	**690.738**	**140.244**	**13.898.187**
Individually assessed	**-**	**-**	**6.870**	**6.870**
Collectively assessed	**13.067.205**	**690.738**	**133.374**	**13.891.317**
As at 31 December	**13.067.205**	**690.738**	**140.244**	**13.898.187**

Consumer	**2024**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loss allowance	**€**	**€**	**€**	**€**
As at 1 January	**50.202**	**39.176**	**39.223**	**128.601**
New assets originated	**14.056**	**15.849**	**5.072**	**34.977**
Transfers to Stage 1	**6.618**	**(6.618)**	**-**	**-**
Transfers to Stage 2	**(2.683)**	**2.693**	**(10)**	**-**
Transfers to Stage 3	**(19.656)**	**(16.080)**	**35.736**	**-**
Changes to models and inputs used for ECL calculations	**17.661**	**(9.292)**	**(122)**	**8.247**
Assets derecognised or repaid	**(14.207)**	**(479)**	**(5.946)**	**(20.632)**
As at 31 December	**51.991**	**25.249**	**73.953**	**151.193**
Individually assessed	**-**	**-**	**6**	**6**
Collectively assessed	**51.991**	**25.249**	**73.947**	**151.187**
As at 31 December	**51.991**	**25.249**	**73.953**	**151.193**

31. Risk management (continued)

Credit risk (continued)

Loans and advances to customers (continued)

Gross carrying amount and credit loss allowance movement and staging classification per business line (continued)

Consumer	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amounts	**€**	**€**	**€**	**€**
As at 1 January	**13.144.272**	**1.247.813**	**42.487**	**14.434.572**
New assets originated	3.878.288	12.169	17	3.890.474
Transfers to Stage 1	213.486	(208.889)	(4.597)	-
Transfers to Stage 2	(393.700)	396.354	(2.654)	-
Transfers to Stage 3	(11.747)	(4.884)	16.631	-
Other movement during the year	(1.227.052)	(73.718)	(89)	(1.300.859)
Assets derecognised or repaid	(2.372.763)	(163.278)	(6.371)	(2.542.412)
As at 31 December	**13.230.784**	**1.205.567**	**45.424**	**14.481.775**
Individually assessed	-	-	227	227
Collectively assessed	13.230.784	1.205.567	45.197	14.481.548
As at 31 December	**13.230.784**	**1.205.567**	**45.424**	**14.481.775**

Consumer	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loss allowance	**€**	**€**	**€**	**€**
As at 1 January	**26.466**	**21.985**	**32.676**	**81.127**
New assets originated	12.675	226	12	12.913
Transfers to Stage 1	716	(329)	(387)	-
Transfers to Stage 2	(8.313)	8.365	(52)	-
Transfers to Stage 3	(7.440)	(4.164)	11.604	-
Changes to models and inputs used for ECL calculations	29.558	15.291	(4.617)	40.232
Assets derecognised or repaid	(3.460)	(2.198)	(12)	(5.670)
As at 31 December	**50.202**	**39.176**	**39.224**	**128.602**
Individually assessed	-	-	12	12
Collectively assessed	50.202	39.176	39.212	128.590
As at 31 December	**50.202**	**39.176**	**39.224**	**128.602**

31. Risk management (continued)

Credit risk (continued)

Loans and advances to customers (continued)

Gross carrying amount and credit loss allowance movement and staging classification per business line (continued)

Business	2024				
	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amounts	€	€	€	€	€
As at 1 January	128.265.517	16.573.501	4.202.134	-	149.041.152
New assets originated	43.956.258	10.414.481	-	1.416.067	55.786.806
Transfers to Stage 1	6.140.360	(6.140.360)	-	-	-
Transfers to Stage 2	(15.603.863)	17.776.266	(2.172.403)	-	-
Transfers to Stage 3	(2.491.064)	(992)	2.492.056	-	-
Other movement during the year	(5.721.247)	(1.032.928)	(75.417)	-	(6.829.592)
Assets derecognised or repaid	(34.225.617)	(8.572.291)	(1.581.298)	-	(44.379.206)
As at 31 December	120.320.344	29.017.677	2.865.071	1.416.067	153.619.160
Individually assessed	-	-	2.542.998	1.416.067	3.959.067
Collectively assessed	120.320.344	29.017.677	322.073	-	149.660.093
As at 31 December	120.320.344	29.017.677	2.865.071	1.416.067	153.619.160

Business	2024				
	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance	€	€	€	€	€
As at 1 January	824.085	82.904	303.015	-	1.210.004
New assets originated	260.786	9.254	-	84.591	354.631
Transfers to Stage 1	17.180	(17.180)	-	-	-
Transfers to Stage 2	(188.085)	188.092	(7)	-	-
Transfers to Stage 3	(257.194)	(693)	257.887	-	-
Changes to models and inputs used for ECL calculations	313.902	(38.820)	(63.002)	-	212.080
Assets derecognised or repaid	(154.165)	(23.748)	(151.267)	-	(329.180)
As at 31 December	816.509	199.809	346.626	84.591	1.447.535
Individually assessed	-	-	257.193	84.591	341.785
Collectively assessed	816.509	199.809	89.433	-	1.105.750
As at 31 December	816.509	199.809	346.626	84.591	1.447.535

31. Risk management (continued)

<u>Credit risk (continued)</u>

Loans and advances to customers (continued)

<u>Gross carrying amount and credit loss allowance movement and staging classification per business line (continued)</u>

Business		**2023**		
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross carrying amounts	**€**	**€**	**€**	**€**
As at 1 January	**147.481.084**	**13.488.574**	**281.788**	**161.251.446**
New assets originated	50.607.864	95.152	34	50.703.050
Transfers to Stage 1	5.024.783	(5.014.715)	(10.068)	-
Transfers to Stage 2	(14.249.540)	14.250.046	(506)	-
Transfers to Stage 3	(2.333.575)	(1.585.506)	3.919.081	-
Other movement during the year	(10.943.719)	(1.272.597)	12.403	(12.203.913)
Assets derecognised or repaid	(47.321.380)	(3.387.453)	(598)	(50.709.431)
As at 31 December	**128.265.517**	**16.573.501**	**4.202.134**	**149.041.152**
Individually assessed	-	-	3.894.950	3.894.950
Collectively assessed	128.265.517	16.573.501	307.184	145.146.202
As at 31 December	**128.265.517**	**16.573.501**	**4.202.134**	**149.041.152**

Business		**2023**		
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loss allowance	**€**	**€**	**€**	**€**
As at 1 January	**550.626**	**24.007**	**83.071**	**657.704**
New assets originated	244.114	451	25	244.590
Transfers to Stage 1	9.212	(9.212)	-	-
Transfers to Stage 2	(79.042)	79.057	(15)	-
Transfers to Stage 3	(33.214)	(149.414)	182.628	-
Changes to models and inputs used for ECL calculations	240.558	147.598	37.883	426.039
Assets derecognised or repaid	(108.169)	(9.583)	(577)	(118.329)
As at 31 December	**824.085**	**82.904**	**303.015**	**1.210.004**
Individually assessed	-	-	182.427	182.427
Collectively assessed	824.085	82.904	120.588	1.027.577
As at 31 December	**824.085**	**82.904**	**303.015**	**1.210.004**

31. Risk management (continued)

Credit risk (continued)

Investments at amortised cost

	2024		2023	
	Stage 1	**Total**	Stage 1	Total
Gross value	**€**	**€**	€	€
Bonds	**146.808.586**	**146.808.586**	104.089.480	104.089.480
Loss allowance				
Bonds	**33.413**	**33.413**	34.245	34.245

	2024		2023	
	Stage 1	**Total**	Stage 1	Total
Loss allowance	**€**	**€**	€	€
As at 1 January	**34.245**	**34.245**	11.135	11.135
New assets originated or purchased	**9.509**	**9.509**	23.276	23.276
Changes to models and inputs used for ECL calculations	**(9.459)**	**(9.459)**	1.587	1.587
Assets derecognised or repaid	**(882)**	**(882)**	(1.753)	(1.753)
As at 31 December	**33.413**	**33.413**	34.245	34.245
Individually assessed	**33.413**	**33.413**	34.245	34.245

31. Risk management (continued)

Credit risk (continued)

Investments at amortised cost (continued)

	2024		2023	
	Stage 1	**Total**	Stage 1	Total
Gross carrying amount	**€**	**€**	€	€
As at 1 January	**104.089.480**	**104.089.480**	32.572.616	32.572.616
New assets originated or purchased	**53.139.760**	**53.139.760**	92.525.422	92.525.422
Accrued interest income net of coupons received	**1.697.143**	**1.697.143**	1.031.157	1.031.157
Assets derecognised or repaid	**(12.117.797)**	**(12.117.797)**	(22.039.715)	(22.039.715)
As at 31 December	**146.808.586**	**146.808.586**	104.089.480	104.089.480
Individually assessed	**146.808.586**	**146.808.586**	104.089.480	104.089.480

Financial guarantees and commitments

	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross exposure	**€**	**€**	**€**	**€**
Letters of guarantee	**9.617.882**	**82.409**	**-**	**9.700.291**
Unutilised trade finance limits	**2.992.921**	**220.654**	**-**	**3.213.575**
Undisbursed loan facilities	**18.381.927**	**59.473**	**108.970**	**18.550.370**
Unutilised overdrafts	**15.066.816**	**990.722**	**-**	**16.057.538**
	46.059.546	**1.353.258**	**108.970**	**47.521.774**
Credit loss allowance				
Letters of guarantee	**208.629**	**1.262**	**-**	**209.891**
Unutilised trade finance limits	**86.769**	**6.118**	**-**	**92.887**
Undisbursed loan facilities	**18.632**	**-**	**-**	**18.632**
Unutilised overdrafts	**19.174**	**1.158**	**-**	**20.332**
	333.204	**8.538**	**-**	**341.742**

31. Risk management (continued)

Credit risk (continued)

Financial guarantees and commitments (continued)

As described in note 2.8.4 credit loss allowance for loan commitments (undisbursed loan facilities and unutilised overdrafts) is recognised together with the loss allowance of the relevant on balance-sheet exposure, as the Bank cannot separately identify the ECL on the loan commitment from those on the on-balance sheet exposure component.

	2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loss allowance	**€**	**€**	**€**	**€**
As at 1 January	**141.173**	**6.071**	**102.953**	**250.197**
New assets originated or purchased	**158.614**	**2.000**	**-**	**160.614**
Transfers to Stage 1	**71**	**(71)**	**-**	**-**
Transfers to Stage 2	**(237)**	**6.354**	**(6.117)**	**-**
Transfers to Stage 3	**-**	**-**	**-**	**-**
Changes to models and inputs used for ECL calculations	**84.433**	**(5.816)**	**(77.962)**	**655**
Assets derecognised or repaid	**(50.850)**	**-**	**(18.874)**	**(69.724)**
As at 31 December	**333.204**	**8.538**	**-**	**341.742**
Individually assessed	**-**	**-**	**-**	**-**
Collectively assessed	**333.204**	**8.538**	**-**	**341.742**
	333.204	**8.538**	**-**	**341.742**

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross exposure	**€**	**€**	**€**	**€**
Letters of guarantee	6.143.976	3.063	75.450	6.222.489
Unutilised trade finance limits	3.285.158	-	227.200	3.512.358
Undisbursed loan facilities	14.223.923	299.133	79.662	14.602.718
Unutilised overdrafts	13.866.147	564.615	17.382	14.448.144
	37.519.204	866.811	399.694	38.785.709
Credit loss allowance				
Letters of guarantee	68.589	127	18.873	87.589
Unutilised trade finance limits	53.133	-	84.080	137.213
Undisbursed loan facilities	8.215	5.944	-	14.159
Unutilised overdrafts	11.236	-	-	11.236
	141.173	6.071	102.953	250.197

31. Risk management (continued)

Credit risk (continued)

Financial guarantees and commitments (continued)

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loss allowance	**€**	**€**	**€**	**€**
As at 1 January	87.052	1.347	579	88.978
New assets originated or purchased	26.457	5.944	17.948	50.349
Changes to models and inputs used for ECL calculations	52.587	(677)	84.426	136.336
Assets derecognised or repaid	(24.923)	(543)	-	(25.466)
As at 31 December	141.173	6.071	102.953	250.197
Individually assessed	-	-	-	-
Collectively assessed	141.173	6.071	102.953	250.197
	141.173	6.071	102.953	250.197

Credit quality of loans and advances to customers

The credit quality of performing loans and advances to customers that were neither past due nor impaired is managed by the Bank using internal credit ratings.

The Bank has internally developed two credit rating models, one for individuals and one for businesses. Both models use qualitative (e.g. occupation, industry, etc.) and quantitative (e.g. days in arrears, length of credit history, etc.) information to calculate a score ranging from 1 to 10, which are then categorised into 5 risk bands in accordance with the table below.

Band	Credit Score Value	Credit Score Risk Band
1	$1 < x \leq 3$	Very low
2	$3 < x \leq 5$	Low
3	$5 < x \leq 7$	Medium
4	$7 < x \leq 9$	High
5	$9 < x \leq 10$	Very high

The Bank recognises the inherent limitations of the internal credit rating models due to their limited operational history. Thus, the Bank will continuously monitor the performance of the credit rating models along with actual performance of borrowers in order to continuously improve and calibrate those as new information becomes available.

31. Risk management (continued)

Credit risk (continued)

Credit quality of loans and advances to customers (continued)

The table below shows the credit quality of performing loans and advances to customers that were classified as Stage 1 based on the Bank's credit rating system.

	2024	2023
	€	€
Band 1	**84.584.988**	85.232.723
Band 2	**159.769.097**	166.675.726
Band 3	**35.683.761**	34.796.979
Band 4	**80.552**	468.629
Band 5	**-**	-
Gross carrying amount	**280.118.398**	287.174.057
Loss allowance on loans and advances to customers	**(1.259.051)**	(1.268.954)
Net carrying amount	**278.859.347**	285.905.103

The table below shows the credit quality of performing loans and advances to customers that were classified as Stage 2 based on the Bank's credit rating system.

	2024	2023
	€	€
Band 1	**619.794**	4.768.976
Band 2	**18.712.782**	16.658.954
Band 3	**12.104.322**	4.170.178
Band 4	**50**	-
Band 5	**-**	-
Gross carrying amount	**31.436.948**	25.598.108
Loss allowance on loans and advances to customers	**(249.095)**	(143.331)
Net carrying amount	**31.187.853**	25.454.777

Facilities shown as Stage 2 as at 31 December 2024 represent 22 loan facilities with actual arrears amounting to €341.569, 11 overdraft facilities with arrears amounting to €24.121 and 1947 current accounts with excess amount of €49.566 (2023: 92 loan facilities with actual arrears amounting to €122.092, 16 overdraft facilities with arrears amounting to €21.917 and 1807 current accounts with excess amounting to €69.165).In addition, 20 loan facilities and 14 overdrafts were transferred to Stage 2 from Stage 1 as a management overlay (further analysed in note 3.1).

31. Risk management (continued)

Credit risk (continued)

Credit quality of loans and advances to customers (continued)

Collateral on performing loans and advances
The fair value of collateral held by the Bank (restricted to legal mortgage value) in respect of performing loans and advances to customers as at 31 December 2024 amounted to €458.641.420 (2023: €431.622.625).

As at 31 December 2024, a percentage of 79% of the total exposures of the Bank arising from loans and advances to customers was overcollateralized (21% undercollateralized).

As at 31 December 2023, a percentage of 84% of the total exposures of the Bank arising from loans and advances to customers was overcollateralized (16% undercollateralized).

Overcollateralized loans represent facilities for which the collateral obtained by the Bank covers more than 100% of the carrying amount of the facility. Undercollateralized represent facilities with less than 100% coverage.

The carrying amount of loans and advances to customers for which no loss allowance was recognised due to the collateral as at 31 December of each year is as follows:

	2024	2023
	€	€
Stage 1	**140.357.134**	128.079.921
Stage 2	**20.054.272**	7.264.386
	160.411.406	135.344.307

Credit ratings from independent rating agencies
Balances with the central banks are analysed in accordance with Standard & Poor's ('S&P') rating agency as follows:

	2024	2023
	€	€
AAA to A-	**328.361.814**	-
BBB+ to BBB-	**-**	280.512.513
	328.361.814	280.512.513

Placements with banks are analysed in accordance with Standard & Poor's ('S&P') rating agency as follows:

	2024	2023
	€	€
AAA to A-	**7.253.242**	13.242.335
BBB+ to BBB-	**436.192**	168.616
Unrated	**196.337**	274.018
	7.885.771	13.684.969

31. Risk management (continued)

Credit risk (continued)

Credit ratings from independent rating agencies (continued)

Placements with unrated counterparties have been assessed and are considered of adequate credit quality.

Bonds held at AC are analysed in accordance to S&P rating agency as follows:

	2024 €	2023 €
AAA to A-	**134.602.346**	86.642.515
BBB+ to BBB-	**12.172.827**	17.412.720
	146.775.173	104.055.235

Issued by:	2024 €	2023 €
Cyprus government	**8.329.867**	2.467.733
Other governments	**93.269.246**	68.545.280
Credit institutions	**36.676.942**	22.598.074
Other financial corporations	**5.724.111**	6.886.876
Non-financial corporations	**2.775.007**	3.557.272
	146.775.173	104.055.235

Classified as:	2024 €	2023 €
Investments at amortised cost	**146.775.173**	104.055.235
	146.775.173	104.055.235

31. Risk management (continued)

Interest rate risk

Interest rate risk is the risk that (i) the fair value of future cash flows of a financial instrument ('fair value interest rate risk') and (ii) the actual future cash flows of a financial instrument will fluctuate ('cash flow interest rate risk') because of changes in market interest rates. Interest rate risk arises as a result of timing differences on the repricing interest rates of assets and liabilities.

Interest rate risk is measured, monitored and controlled using interest rate sensitivity gap analysis estimating the difference between assets and liabilities for which interest rates are repriced in each time band, separately for each currency. This difference is multiplied by the respective assumed change in interest rates for the period from the repricing date until twelve months from the date of the analysis, in order to estimate the impact on annual revenues of any changes in interest rates for the next twelve months for each currency.

The Bank is primarily exposed to cash flow interest rate risk since the majority of its interest-bearing financial instruments are variable.

The table below summarises the Bank's exposure to interest rate risks. Included in the table are the Bank's financial assets and liabilities at carrying amounts categorised by the earlier of contractual repricing or maturity dates.

As at 31 December 2024

	Up to 1 month €	1-3 months €	3-6 months €	6-12 months €	Over 1 year €	Non-interest bearing €	Total €
Assets							
Cash and balances with Central Bank	328.361.814	-	-	-	-	5.769.461	334.131.275
Placements with banks	7.485.771	400.000	-	-	-	-	7.885.771
Loans and advances to customers	234.145.175	27.782.878	44.683.838	43.457	8.510.542	-	315.165.890
Investments at fair value through other comprehensive income	-	-	-	-	-	120.600	120.600
Investments at amortised cost	1.510.997	2.916.792	2.250.390	5.868.987	134.228.007	-	146.775.173
Other assets (excluding deposits and prepayments)	-	-	-	-	-	3.323.220	3.323.220
Total financial assets	571.503.757	31.099.670	46.934.228	5.912.444	142.738.549	9.213.281	807.401.929

31. Risk management (continued)

Interest rate risk (continued)

Liabilities							
Customer Deposits	**344.082.319**	**72.051.880**	**81.130.167**	**244.711.834**	**641.422**	**-**	**742.617.622**
Other Borrowings	**2.879.719**	**-**	**-**	**-**	**-**	**-**	**2.879.719**
Lease liabilities	**-**	**-**	**-**	**-**	**553.026**	**-**	**553.026**
Other creditors and liabilities	**-**	**-**	**-**	**-**	**300.000**	**5.888.993**	**6.188.993**
Total financial liabilities	**346.962.038**	**72.051.880**	**81.130.167**	**244.711.834**	**1.494.448**	**5.888.993**	**752.239.360**
Net interest sensitivity gap	**224.541.719**	**(40.952.210)**	**(34.195.939)**	**(238.799.390)**	**141.244.101**	**3.324.288**	**55.162.569**
Off balance sheet capital and commitments	**-**	**-**	**-**	**-**	**-**	**47.180.031**	**47.180.031**

As at 31 December 2023

	Up to 1 month €	**1-3 months €**	**3-6 months €**	**6-12 months €**	**Over 1 year €**	**Non-interest bearing €**	**Total €**
Assets							
Cash and balances with Central Bank	280.512.513	-	-	-	-	4.538.691	285.051.204
Placements with banks	13.684.969	-	-	-	-	-	13.684.969
Loans and advances to customers	192.262.930	40.698.230	82.505.594	19.865	570.387	-	316.057.006
Investments at fair value through other comprehensive income	-	-	-	-	-	69.840	69.840
Investments at amortised cost	1.661.939	1.224.378	798.060	5.176.621	95.194.237	-	104.055.235
Other assets (excluding deposits and prepayments)	-	-	-	-	-	8.545.805	8.545.805
Total financial assets	488.122.351	41.922.607	83.303.654	5.196.486	95.764.624	13.154.337	727.464.058
Liabilities							
Customer Deposits	309.242.050	27.877.072	42.921.029	279.422.466	12.528.055	-	671.990.672
Other Borrowings	4.707.700	-	-	-	-	-	4.707.700
Lease liabilities	-	-	-	-	827.536	-	827.536
Other creditors and liabilities	-	-	-	-	-	2.696.463	2.696.463
Total financial liabilities	313.949.750	27.877.072	42.921.029	279.422.466	13.355.591	2.696.463	680.222.371
Net interest sensitivity gap	174.172.601	14.045.535	40.382.625	(274.225.980)	82.409.034	7.235.155	47.241.688
Off balance sheet capital and commitments	-	-	-	-	-	38.785.709	38.785.709

31. Risk management (continued)

Interest rate risk (continued)

In addition to monitoring interest rate gaps, interest rate risk management is carried out mainly by monitoring the sensitivity of key metrics under various scenarios of interest rate changes. The Risk Management Function monitors interest rate positions on a continuous basis, within the risk management framework, the policies and the limits set by the Risk Appetite Framework. ALCO and the Board Risk Committee are regularly informed about the magnitude of interest rate risk. A parallel increase in market interest rates across all currencies within a 12 month period by 100 basis points would result in an increase in the profit before tax by €871.071 (2023: decrease in the profit before tax €436.021) A parallel decrease in market interest rates across all currencies within a 12 month period by 100 basis points would result in a decrease in profit after tax by €871.071 (2023: increase in profit after tax €436.021). The specific sensitivity analysis does not assume application of interest rate floors.

Market price risk

Market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices.

The Bank is exposed to equity securities price risk because of investments held by the Bank and classified as FVOCI (unlisted). The Bank is not exposed to commodity price risk. No sensitivity analysis is presented as any reasonable change in the fair value of the equity instruments would not result in a material impact on post-tax profit in 2024 and 2023.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Bank's functional currency. The Bank is exposed to foreign exchange risk arising from various currency exposures. Exchange rate fluctuations are managed by the Bank's Treasury department and monitored by the Risk Management Function. The Bank's foreign exchange exposure is communicated to senior management on a monthly basis and to the Board of Directors through its Risk Committee on a quarterly basis.

As the Bank broadly maintains a matching of assets and liabilities in other currencies, there are no material open positions in any foreign currency, and consequently the impact on net loss and equity of reasonably possible changes in exchange rates is not expected to be significant.

The table below summarises the Bank's exposure to foreign currency exchange rate risk as at 31 December 2024 and 2023. Included in the table are the Bank's assets and liabilities at carrying amounts as well as off-balance sheet instruments, categorised by currency.

2024	EUR €	USD €	GBP €	Other €	Total €
ASSETS					
Cash and balances with Central Bank	**334.091.785**	**26.117**	**13.373**	**-**	**334.131.275**
Placements with banks	**1.439.154**	**3.136.529**	**3.293.322**	**16.766**	**7.885.771**
Loans and advances to customers	**315.163.880**	**238**	**1.772**	**-**	**315.165.890**
Investments at fair value through other comprehensive income	**120.600**	**-**	**-**	**-**	**120.600**
Investments at amortised cost	**146.559.381**	**93.406**	**122.386**	**-**	**146.775.173**
Other assets (excluding deposits and prepayments)	**3.323.220**	**-**	**-**	**-**	**3.323.220**
Total assets	**800.698.020**	**3.256.290**	**3.430.853**	**16.766**	**807.401.929**

31. Risk management (continued)

Currency risk (continued)

2024	EUR €	USD €	GBP €	Other €	Total €
LIABILITIES					
Customer deposits	**735.956.431**	**3.263.551**	**3.397.640**	**-**	**742.617.622**
Other borrowings	**2.879.719**	**-**	**-**	**-**	**2.879.719**
Lease liabilities	**553.026**	**-**	**-**	**-**	**553.026**
Provisions and other liabilities	**6.188.993**	**-**	**-**	**-**	**6.188.993**
Total liabilities	**745.578.169**	**3.263.551**	**3.397.640**	**-**	**752.239.360**
Net-currency position	**55.119.852**	**(7.261)**	**33.212**	**16.766**	**55.162.569**
Off-balance sheet & capital commitments	**47.180.031**	**-**	**-**	**-**	**47.180.031**

2023	EUR €	USD €	GBP €	Other €	Total €
ASSETS					
Cash and balances with Central Bank	284.908.923	85.313	56.968	-	285.051.204
Placements with banks	5.824.611	5.458.851	2.343.822	57.685	13.684.969
Loans and advances to customers	316.055.470	270	1.266	-	316.057.006
Investments at fair value through other comprehensive income	69.840	-	-	-	69.840
Investments at amortised cost	102.470.675	87.132	1.497.428	-	104.055.235
Other assets(excluding deposits and prepayments)	8.545.806	-	-	-	8.545.806
Total assets	717.875.325	5.631.566	3.899.484	57.685	727.464.060
LIABILITIES					
Customer deposits	662.535.475	5.593.209	3.861.988	-	671.990.672
Other borrowings	4.707.700	-	-	-	4.707.700
Lease liabilities	827.536	-	-	-	827.536
Provisions and other liabilities	2.696.463	-	-	-	2.696.463
Total liabilities	670.767.174	5.593.209	3.861.988	-	680.222.371
Net-currency position	47.108.151	38.357	37.496	57.685	47.241.689
Off-balance sheet & capital commitments	38.785.709	-	-	-	38.785.709

No sensitivity is presented as any reasonable possible change in foreign exchange rates with all other variables held constant would not have a significant impact on the Bank's post tax profit.

31. Risk management (continued)

Liquidity risk

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

It reflects the potential mismatch between incoming and outgoing payments, taking into account unexpected delays in repayment or unexpectedly high payment outflows. Liquidity risk involves both the risk of unexpected increases in the cost of funding of the portfolio of assets and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

The Bank has developed monitoring tools for treasury operations in order to manage, amongst others, liquidity risk and cash flows. Such tools continue to improve as operations become more complex. In addition, the Bank has set a limit structure for treasury placements that promotes diversification of exposures and assists in monitoring the Bank’s risk profile against its risk appetite.

The Treasury department is responsible for managing liquidity and to ensure compliance with internal and regulatory liquidity policies as well as to provide direction in respect of actions to be taken regarding liquidity availability. The Risk Management Function monitors compliance with such internal and regulatory limits. Additionally, the ALCO reviews the liquidity position on a monthly basis and takes any necessary actions.

Monitoring process

The Treasury department monitors cash flows and highly liquid assets on a daily basis, in addition to the supervisory liquidity ratios as described further below, to ensure the uninterrupted operation of the Bank’s activities.

Encumbered and unencumbered assets

An asset is classified as encumbered if it has been pledged as collateral against secured funding and other collateralised obligations and, as a result, is no longer available to the Bank for further collateral or liquidity requirements. An asset is classified as unencumbered if it has not been pledged as collateral against secured funding and other collateralised obligations. Unencumbered assets are further analysed into those that are available and can be potentially pledged and those that are not readily available to be pledged.

31. Risk management (continued)

Liquidity risk (continued)

The table below presents an analysis of the Bank's encumbered and unencumbered assets and the extent to which these assets are currently pledged for funding or other purposes.

2024	Carrying value of encumbered assets €	Fair value of encumbered assets €	Carrying value of non-encumbered assets €	Fair value of non-encumbered assets €
Debt investments at amortised cost	**-**	**-**	**146.775.173**	**149.207.991**
Of which Central Bank eligible for encumbrance	**-**	**-**	**126.199.881**	**129.584.193**
2023				
Debt investments at amortised cost	-	-	104.055.235	105.025.442
Of which Central Bank eligible for encumbrance	-	-	85.877.109	87.695.830

Analysis of financial liabilities by remaining contractual maturity

	Carrying amount €	Contractual cash flows €	On demand and up to 1 month €	Between 1 and 3 months €	Between 3 months and 1 year €	Between 1 and 5 years €	More than 5 years €
2024							
Customer deposits	**742.617.622**	**746.983.420**	**342.464.426**	**73.853.291**	**330.008.796**	**656.907**	**-**
Other borrowings	**2.879.719**	**3.348.423**	**554.338**	**-**	**371.505**	**1.704.524**	**718.056**
Lease liabilities	**553.026**	**581.300**	**78.300**	**36.600**	**188.000**	**278.400**	**-**
Provisions and other liabilities	**4.522.738**	**4.527.039**	**3.089.868**	**507.025**	**80.665**	**419.064**	**430.417**
	750.573.105	**755.440.182**	**346.186.932**	**74.396.916**	**330.648.966**	**3.058.895**	**1.148.473**

31. Risk management (continued)

Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturity (continued)

	Carrying amount	Contractual cash flows	On demand and up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years
	€	€	€	€	€	€	€
2023							
Customer deposits	671.990.672	673.998.765	308.584.566	27.749.865	322.537.222	15.127.112	-
Other borrowings	4.707.700	5.699.694	823.201	-	642.249	2.883.416	1.350.828
Lease liabilities	827.536	900.100	78.300	36.600	193.500	591.700	-
Provisions and other liabilities	2.696.463	2.731.572	1.666.847	299.909	134.330	297.461	333.025
	680.222.371	683.330.131	311.152.914	28.086.374	323.507.301	18.899.689	1.683.853

The table above presents the Bank's financial liabilities based on undiscounted cash flows, analysed in time bands according to the number of days remaining from 31 December until the contractual maturity date. Repayments for which notice should be given, have been placed in the relevant time bands, as if notice had been given on 31 December. The amounts in this table may not be equal to the amounts in the statement of financial position since the table above presents all cash flows (including interest) on an undiscounted basis.

Analysis of contingent liabilities and commitments by remaining contractual maturity

	Contractual cash flows	On demand and up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years
	€	€	€	€	€	€
2024						
Letters of guarantee	**9.700.291**	**9.700.291**	-	-	-	-
Unutilised trade finance limits	**3.213.575**	**3.213.575**	-	-	-	-
Undisbursed loan facilities	**18.550.370**	**18.550.370**	-	-	-	-
Undrawn overdraft facilities	**16.057.538**	**16.057.538**	-	-	-	-
	47.521.774	**47.521.774**	-	-	-	-

31. Risk management (continued)

Liquidity risk (continued)

Analysis of contingent liabilities and commitments by remaining contractual maturity (continued)

	Contractual cash flows	On demand and up to 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years
	€	€	€	€	€	€
2023						
Letters of guarantee	6.222.489	6.222.489	-	-	-	-
Unutilised trade finance limits	3.512.358	3.512.358	-	-	-	-
Undisbursed loan facilities	14.602.718	14.602.718	-	-	-	-
Undrawn overdraft facilities	14.448.144	14.448.144	-	-	-	-
	38.785.709	38.785.709	-	-	-	-

The table above presents the Bank's contingent liabilities and commitments to lend based on undiscounted cash flows, analysed in time bands according to the number of days remaining from 31 December until the contractual maturity date or the date assumed to materialise into a liability for the Bank to pay. The main assumptions used in determining the appropriate time band for classification are set out below:

- Letters of guarantee are classified based on the earliest date they could be called.
- Unutilised trade finance limits do not carry a contractual maturity date and are classified based on the earliest date by which they could be utilised.
- Undisbursed loan facilities are classified based on the earliest date by which they could be withdrawn assuming any contractual terms set by the Bank at the time of the loan agreement have been satisfied.
- Undrawn overdraft facilities are classified as on demand given that there are no restrictions in respect of their utilisation.

Operational risk

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal, conduct and reputational risk.

The Bank understands the importance of having high standards of corporate governance and efficient as well as effective management practices in place that will safeguard it from risks arising due to inadequate or failed internal processes, people and systems or from external events. The management of operational risk is mainly focused on a strong internal control governance framework and is continuously adjusted to incorporate best practices.

Regulatory risk

The Bank's operations are supervised by the CBC. Future changes in the legal or regulatory obligations as communicated by the CBC, may impact the Bank's operations.

31. Risk management (continued)

Compliance risk

The Bank is committed to building and expanding its operations in compliance with the legal and regulatory framework, internal procedures and best practices. Therefore, the Bank attains high standards of integrity, regulatory compliance and Anti-Money Laundering and Combat Terrorism Financing standards. The Bank’s management is committed to comply with the Cyprus legal and regulatory framework which govern its operations and business and with the European legislation, which is considered as an integral part of the national legal system.

The internal compliance framework of the Bank consists, among others, of the establishment of the Compliance Function, regular reporting to the regulatory authority (Central Bank of Cyprus) and the Bank’s BoD and management, adoption of relevant policies and procedures, implementation of systems and controls, support and advise to Bank’s management, staff training and audits. The internal compliance framework is focusing on the identification, prevention, management and mitigation of compliance risks and the continuous compliance of the Bank with the applicable laws and regulations. Compliance risk is the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, codes of conduct applicable to the Bank’s banking activities. Failure to comply with the applicable legal and regulatory framework could lead to, amongst others, fines, penalties, negative publicity and reputational damage.

The Compliance Function of the Bank is independent and reports directly to the BoD Audit Committee. Specifically, the Compliance Function is independent from the business and support units it monitors and controls, and also organizationally independent from other Internal Control Functions.

Intensity of competition

The Cyprus banking sector has emerged from a severe crisis in 2013, slowly recovering and showing signs of growth since 2017 with decline in NPE levels in banking sector. Despite the overall positive outlook and progress in the Cyprus banking sector some challenges for the banks such as the high level of cost to income ratios still remain.

Reduction of non-performing loans in the banking sector over the last few years was achieved mostly due to transfer or sale of non-performing loan portfolios by banks to credit-acquiring companies.

During the last few years there has been increased consolidation in the local banking market with banking institutions closing down or being acquired by other institutions. The continuing consolidation is expected to create a more concentrated sector with intense competition on traditional retail and corporate banking products.

The operational environment of the Bank is highly competitive. Competition arises from commercial banks and international banking units. Further intensification of competition as a result of more competitive interest rates being offered on deposits and advances compared to those offered by the Bank, may create pressure on the Bank’s profitability.

Litigation risk

Litigation risk is the risk of financial loss, interruption of the Bank's operations or any other undesirable situation that arises from the possibility of non-execution or violation of legal contracts and consequentially of lawsuits. The risk is restricted through the contracts used by the Bank to execute its operations.

31. Risk management (continued)

Information and Communication Technologies (ICT) and security risk

ICT and security risk is an inherently high risk that threatens the operational resilience of any financial institution. This holds especially true in the case of the Bank due to its wide adoption of ICT systems as well as its overall focus on the provision of digital products and services. These factors inevitably expose the Bank to various emerging and evolving digital risks that should be assessed, treated and monitored on a continuous basis. In accomplishing such a task, the Bank utilises widely accepted standards and industry best practices, such as the ISO/IEC 27001/2 information security standard and ISO 31000 risk management standard, which promote a structured and organised approach to managing ICT and security risks. To this end, the Bank has established an ICT and Security Risk Management Function, the purpose of which is the management of these risks via the enforcement of the Bank's Information Security Policy and ICT Risk Management Policy.

Political and other risks

External factors which are beyond the control of the Bank, such as political developments and government actions (i.e. the ongoing unresolved political issue in Cyprus, political and social unrest or military conflict in neighbouring countries) may adversely affect the operations of the Bank, its strategy and prospects. Furthermore, the general economic environment prevailing in Cyprus and internationally may affect the Bank's operations to a great extent. Economic conditions such as inflation, unemployment, and development of the gross domestic product are directly linked to the economic course of every country and any variation in these and the economic environment in general may create chain reactions in all areas hence affecting the Bank.

Given the above, the Bank recognises that unforeseen political events can have negative effects on the fulfilment of contractual relationships and obligations of its customers and other counterparties which may result in a negative impact on Bank's activities, operating results and position.

Environmental, Social and Political (ESG) Risks

Environmental, social, and governance (ESG) issues as well as their associated opportunities and risks are becoming more and more relevant for Banks. Banks need to approach ESG risks in a holistic manner when embedding them into their risk management frameworks. This process includes adjusting business and risk strategies and corresponding risk appetite statements, making sure roles and responsibilities are fully transparent throughout all three lines of defense. Besides embedding ESG into risk frameworks, banks need to consider related issues in product design and pricing. Finally, regulators, rating agencies and other parties such as investors, are placing ESG on top of their agendas leading to increasing requirements and reporting needs. This constant flow of new regulations is bringing extensive compliance challenges for banks. The Bank acknowledges these challenges and requirements and has set a roadmap for compliance with the said requirements taking into account the concept of proportionality.

32. Capital management

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

The Bank together with its shareholder, Ancoria Investments plc, were identified as a Group for the purposes of regulatory supervision. The main regulator that sets and monitors capital requirements for the Group is the Central Bank of Cyprus ('CBC').

The capital adequacy framework, as in force, was incorporated through the Capital Requirements Regulation (CRR) and Capital Requirements Directive IV (CRD IV) which came into effect on 1 January 2014 with certain specified provisions implemented gradually. The CRR and CRD IV transposed the new capital, liquidity and leverage standards of Basel III into the European Union's legal framework. CRR establishes the prudential requirements for capital, liquidity and leverage for credit institutions. It is directly applicable in all EU member states. CRD IV governs access to deposit-taking activities and internal governance arrangements including remuneration, board composition and transparency. Unlike the CRR, member states were required to transpose the CRD IV into national law and national regulators were allowed to impose additional capital buffer requirements.

32. Capital management (continued)

On 27 June 2019, the revised rules on capital and liquidity (CRR II and CRD V) came into force as amended by Regulation (EU) 2019/876 Certain provisions took immediate effect (primarily relating to MREL), but most changes became effective as of June 2021. The key changes introduced consist of among others, changes to qualifying criteria for Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Tier 2 (T2) instruments, introduction of requirements for MREL and a binding Leverage Ratio requirement (as defined in the CRR) and a Net Stable Funding Ratio (NSFR).

The amendments that came into effect on 28 June 2021 are in addition to those introduced in June 2020 through Regulation (EU) 2020/873, which among other brought forward certain CRR II changes in light of the COVID-19 pandemic. The main adjustments of Regulation (EU) 2020/873 that had an impact on the Bank's capital ratio relate to i) the acceleration of the CRR II provision for the implementation of the new SME discount factor (lower RWAs), ii) extending the IFRS 9 transitional arrangements and introducing further relief measures to CET1 allowing to fully add back to CET1 any increase in ECL recognised in 2021 and 2022 for non-credit impaired financial assets and phasing in this starting from 2022 and iii) advancing the application of prudential treatment of software assets as amended by CRR II (which came into force in the last quarter of 2020).

In October 2021, the European Commission adopted legislative proposals for further amendments to the CRR, CRD and the BRRD (the '2021 Banking Package'). Amongst other things, the 2021 Banking Package would implement certain elements of Basel III that have not yet been transposed into EU law. In the case of the proposed amendments to CRD and the BRRD, their terms and effect will depend, in part, on how they are transposed in each member state. In December 2023, the preparatory bodies of the Council and European Parliament endorsed the amendments to the CRR and the CRD and the legal texts were published on the Council and the Parliament websites. In April 2024, the European Parliament voted to adopt the amendments to the CRR and the CRD; Regulation (EU) 2024/1623 (known as CRR III) and Directive (EU) 2024/1619 (known as CRD VI) were published in the EU's official journal in June 2024, with entry into force 20 days from the date of the publication. Most amended provisions of the CRR III have become effective on 1 January 2025 with certain measures subject to transitional arrangements or to be phased-in over time. Member states shall adopt and publish, by 10 January 2026, the laws, regulations and administrative provisions necessary to comply with CRD VI and shall apply most of those measures by 11 January 2026.

The Bank examined the revised framework and necessary steps are being taken to ensure timely compliance with the new regulation. The application of the new regulation is expected to have a decrease on RWAs and hence an increase in capital ratios, stemming mainly from the changes in the methodologies for the calculation of operational RWAs and credit RWAs. During 2025 the publication of the revised ECB guidelines on options and discretions and EBA mandates might have additional impact on the CET1 ratios across the industry

Furthermore, the Bank Recovery and Resolution Directive (BRRD) requires that from January 2016 EU member states shall apply the BRRD's provisions requiring EU credit institutions and certain investment firms to maintain a minimum requirement for own funds and eligible liabilities (MREL), subject to the provisions of the Commission Delegated Regulation (EU) 2016/1450. On 27 June 2019 the BRRD II came into effect and was required to be transposed into national law. BRRD II was transposed and implemented in Cyprus law in early May 2021. In addition, certain provisions on MREL have been introduced in CRR II which also came into force on 27 June 2019.

In April 2024, the Bank received notification from the Head of the Resolution Department of the Central Bank of Cyprus of the final MREL target. As per the notification, the final MREL requirement was set at a level of an additional 2.5% of Risk Weighted assets over and above the total SREP capital requirement at the time and 4,25% of Leverage Ratio Exposure (LRE) (as defined in the CRR) and should have been met from 1 January 2024. As a result, the total MREL requirement of the Bank is set at 18,11% (including Pillar 2 Capital Guidance). The Bank as at 31 December 2024 and as at the date of issuance of the financial statements was in compliance with the above requirements with substantial buffers.

32. Capital management (continued)

Basel III Framework comprises of three Pillars:

- Pillar 1 – Minimum capital requirements
- Pillar 2 – Internal capital and liquidity assessment and supervisory review process
- Pillar 3 – Market discipline

Pillar 1 – Minimum capital requirements

Pillar 1 sets forth the guidelines for calculating the minimum capital requirements to cover the credit risk, the market risk and the operational risk.

The Bank uses the Standardised Approach for the calculation of minimum capital requirements against credit risk and the financial collateral simple method for credit risk mitigation purposes. The Bank adopts the Basic Indicator Approach for the calculation of capital regarding operational risk.

Pillar 2 – Supervisory review process

Pillar 2 aims to enhance the link between an institution's risk profile, its risk management and risk mitigation systems, and its capital planning. The process can be divided into two major components:

- An internal assessment by the institution on internal governance, risk management, stress testing frameworks, business model, capital and liquidity adequacy and strategy, known as Internal Capital and Liquidity Adequacy Assessment Process ('ICAAP / ILAAP')
- A Supervisory Review and Evaluation Process ('SREP'), of which its key purpose 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 to. This includes risks arising from stress testing exercises and risks an institution may pose to the financial system.

The Bank is in the process of preparation of its ICAAP / ILAAP report for the year 2024.

The Bank has received its latest SREP communication in February 2023 which noted that the CBC has conducted the SREP of the Bank for 2021 with a reference date of 31 December 2021, following the submission of the Bank's ICAAP report and also having regard to any other relevant information received after that date. The CBC's review aimed at assessing whether the Bank has in place robust governance arrangements and effective processes to identify, manage, monitor and report the current and future risks and adequate internal control mechanisms and whether the Bank holds adequate capital to cover the nature and level of the risks which the Bank is or might be exposed. Furthermore, CBC communicated the new capital requirements. Namely the latest SREP requirement has been set at 3,61% (2023: 3,61%), amending the Total Capital Ratio requirement to 14,11% without Pillar 2 Capital Guidance and to 14,61% with Pillar 2 Capital Guidance both on a standalone and on a consolidated level.

It is also noted that in December 2022, the Central Bank of Cyprus set the countercyclical buffer rate that is required to be maintained by authorised credit institutions operating in the Republic from 0% to 0,5%. The 0,5% requirement should have been met as from 30 November 2023 and has thus increase the total capital requirement of the Bank to 15,11%. It was subsequently communicated that the countercyclical buffer will further increase by 0,5% from 2 June 2024 and has thus increased the total capital requirement of the Bank to 15,61%. In January 2025, the CBC, based on its macroprudential policy, decided to increase the countercyclical buffer rate from 1.00% to 1.50% of the total risk exposure amount in Cyprus effective from January 2026. Based on the above, the countercyclical buffer rate for the Bank is expected to increase further

The Bank as at 31 December 2024 was in compliance with the above requirements with adequate buffers on both a standalone and on consolidated basis

32. Capital management (continued)

Pillar 3 – Market discipline

Pillar 3 sets out required disclosures to allow market participants to assess key pieces of information relevant to the capital structure, risk exposures, risk assessment processes and hence the capital adequacy of the Bank.

Based on CRR, disclosures by banks include information relating to their risk management objectives and policies, the composition of own funds and original and supplementary funds, their compliance with minimum capital requirements and the internal capital adequacy assessment process.

The Bank closely monitors its capital adequacy both for compliance with the requirements of the supervisory authority as well as to maintain a base to support and develop its activities and safeguard the interests of its shareholders.

Pillar 3 disclosures are published on the Bank's website.

33. Related party transactions

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The Bank is a subsidiary of Ancoria Investments Plc, which is incorporated in Cyprus and holds 100% of the Bank's issued share capital. Ancoria Investments Plc is owned by several legal entities as well as natural persons, and has no other significant activity or assets other than its holding in the Bank.

The parent entity which prepares the consolidated financial statements of the largest and smallest body of undertakings of which the Bank forms part as a subsidiary undertaking, is Ancoria Investments Plc, incorporated in Cyprus with registered office at 12 Demostheni Severi, Nicosia.

33. Related party transactions (continued)

The shareholders of Ancoria Investments Plc as at the date of signing of these financial statements and as at 31 December 2024 and 2023 are listed below:

Name / relationship	Percentage of Share Capital in the parent company		
	Date of signing this report	**31 December 2024**	31 December 2023
	%	**%**	%
Bo Sievert Larsson	**51,39**	**51,39**	67,94
Ancoria Insurance Ltd	**20,00**	**20,00**	13,25
The Sievert Larsson Scholarship Foundation (Bahamas)	**-**	**-**	12,71
Sievert Larsson Scholarship Foundation (Cyprus)	**12,71**	**12,71**	-
Alastoral Property Co Ltd	**6,05**	**6,05**	6,05
Verifica Ltd	**-**	**4,90**	-
Charalambos Panayiotou	**-**	**4,90**	-
Margium Limited	**4,90**	**-**	-
Bastiodon Holdings Limited	**4,90**	**-**	-
Other shareholders	**0,05**	**0,05**	0,05
	100,00	**100,00**	100,00

Participation of directors in the Company's share capital

The percentage of share capital of the Bank held indirectly by members of the Board of Directors (through ownership interest in the immediate parent company) and their connected persons, as at 31 December 2024 and 31 December 2023 were as follows:

Name	**Date of signing this report**	**31 December 2024**	**31 December 2023**
	%	**%**	**%**
Ioannis Loizou – resigned on 31 December 2024	**0,91**	**0,91**	0,91
Bo Sievert Larsson – resigned on 31 March 2025	**56,96**	**56,96**	73,33
Tassos Anastasi – appointed on 17 March 2025	**0,12**	**0,12**	**0,12**

Connected persons include (i) spouses, (ii) minor children and (iii) companies in which company directors / other key management personnel hold, directly or indirectly, at least 20% of the voting power at a general meeting, or act as executive director or exercise control over the entities, in any manner.

33. Related party transactions (continued)

As at 31 December 2024 and 31 December 2023 the Company is ultimately controlled by Mr. Bo Sievert Larsson who held 56,96% and 73,33% of the Company's share capital respectively.

	2024	2023
	€	€
Deposits		
Members of the Board of Directors / Key management personnel	**395.704**	265.951
Parent company	**15.265**	15.315
Shareholders with significant influence	**8.647.960**	6.733.771
Other indirect shareholders	**631.613**	471.677
Connected persons of non-executive directors	**344.122**	105.439
Connected persons of executive directors	**226.036**	256.434
Other related parties (including parties connected with parent company)	**32.603**	127.710
	10.293.303	7.976.297
Interest expense	**205.098**	51.325

	2024	2023
	€	€
Loans and advances		
Members of the Board of Directors and key management personnel	**2.805**	261.917
Connected persons of non-executive directors	**-**	71.062
Connected persons of executive directors	**2.011**	1.792
Other related parties (including parties connected with parent company)	**609.064**	631.546
	613.880	966.317
Interest income	**22.295**	16.981

The above table does not include balances for members of the Board of Directors and their connected persons who resigned during the year. Interest income and expense is disclosed for the period during which they were members of the Board of Directors. Key management personnel consists of executive and non-executive directors.

The amount of deposits placed by shareholders with significant influence includes deposits from Ancoria Insurance Public Ltd (indirect shareholder with significant influence) in the amount of €8.646.508 (2023: €6.732.224).

33. Related party transactions (continued)

In addition to loans and advances, there were contingent liabilities and commitments in respect of members of the Board of Directors and their connected persons and other related parties, mainly in the form of guarantees and commitments to lend amounting to €92.008 (2023: €40.000).

During 2024, the Bank recognised a total income amounting to €NIL (2023: €6.900) as a result of a use of space agreement with Ancoria Insurance Public Ltd. This amount is shown under 'Other income' line.

During 2024, the Bank incurred a cost of €13.227 (2023:€4.230) for marketing related services received by an entity classified as 'Connected persons with executive directors'. This amount is part of Marketing and Promotion expenses (note 8).

In addition, the Bank operates a defined contribution scheme which provides for employer's contributions of 6% on the employees' gross salary. This scheme is in the form of a pension plan under Ancoria Insurance Public Ltd, an indirect shareholder with significant influence over of the Bank. The arrangement does not include any fees or costs charged by Ancoria Insurance Public Limited directly to the Bank but rather such costs are borne by the plan members.

Fees and emoluments of key management personnel

	2024	2023
	€	€
Non-executive Directors		
Membership fees (*Note 8*)	**193.866**	153.658
Executive Directors		
Salaries and other short-term benefits	**457.322**	500.000
Employer's contributions to pension plan	**27.439**	30.000
Other employer's contributions	**24.150**	26.543
	508.911	556.543
	702.777	710.201

The Bank in defining its key management personnel considers only the two Executive directors as such. The above table presents fees and emoluments towards members of the Board of Directors and key management personnel for the period during which they were members of the Board of Directors and assigned key management personnel, including those who resigned during the year.

Receivables from parent company (*Note 18*)

		2024	2023
Name	**Nature of transactions**	**€**	€
Ancoria Investments Plc	Current account balance	**444.465**	336.293

The balance due from the parent company is interest free and does not have a specified repayment date. It concerns amounts paid on behalf of the parent company.

34. Operating Environment

The global economic landscape is heavily influenced by ongoing geopolitical disruptions. The Russia-Ukraine war, which started in February 2022, along with the Middle East crisis that began in October 2023—now approaching resolution through a deal between Israel and Palestinian authorities in Gaza—have had significant repercussions on both global and local economies. Despite these external challenges, Cyprus' economy has shown notable resilience in navigating these geopolitical and financial uncertainties. The bank has limited direct exposure to Ukraine, Russia, and Israel, and is continuously monitoring the current affairs and remains vigilant to take precautionary measures as required.

A key consequence of these tensions has been the rise in inflation and interest rates, prompting major shifts in monetary policies since February 2022. However, since June 2024, the European Central Bank (ECB) has been gradually reducing reference rates, dropping them from 4.0% in June to 3.0% by year-end. This adjustment follows a decrease in inflation to around 2%, aligning with the ECB’s target, and further rate cuts are anticipated in 2025 to improve financial conditions.

On a global scale, risks are growing, particularly with the rise of trade protectionism, especially in the U.S., which threatens the stability of international trade and overall economic stability. Moreover, potential changes in U.S. energy policy under the new administration could have ripple effects on global energy prices, the transition to renewable energy, and geopolitical stability—all of which could indirectly impact Cyprus' economy.

Inflation, as measured by the Harmonised Index of Consumer Prices (HICP), rose by 3,1% between December 2023 and December 2024, and decreased by 0,3% in the month between November 2024 and December 2024. For the period January – December 2024, the HICP rose by 2,3% compared to the corresponding period of the previous year. It is projected to stabilize at around 2.0% for 2026.

Cyprus has seen significant improvements in its sovereign risk ratings in recent years, reflecting stronger economic resilience and consistent fiscal performance. In the fourth quarter of 2024, the country received additional credit rating upgrades, reinforcing its solid fiscal discipline and ongoing economic recovery. In December 2024, both S&P and Fitch Ratings upgraded Cyprus to 'A-' from 'BBB+', citing better-than-expected fiscal outcomes, a steady reduction in public debt, and sustained economic growth exceeding the Euro Area average. Similarly, in November 2024, Moody's raised Cyprus' rating to A3 from Baa2, recognizing the improved economic outlook and robust macroeconomic fundamentals. With these upgrades, Cyprus is now rated at A- by S&P, A- by Fitch, and A3 by Moody’s, securing its position within the investment-grade category.

The Board of Directors recognises the difficulties involved in predicting all developments which could have an impact on the Cyprus economy and consequently the effect, if any, that they could have on the future financial performance, cash flows and financial position of the Bank. The Board of Directors closely monitors the developments in the economic and political environment in which it operates and takes appropriate measures.

35. Contingent liabilities, capital commitments and off-balance sheet financing

Commitments and contingent liabilities consist of financial guarantees, letters of credit and other undrawn commitments to lend. Even though these obligations may not be recognised on-balance sheet, they do contain credit risk and are therefore part of the overall credit risk exposure of the Bank (Note 31).

35. Contingent liabilities, capital commitments and off-balance sheet financing (continued)

An analysis of the Bank's off-balance sheet items is provided below:

	2024	2023
	€	€
Contingent liabilities		
Letters of guarantee	**9.700.291**	6.222.489
Unutilised trade finance limits	**3.213.575**	3.512.358
	12.913.866	9.734.847
Commitments		
Undisbursed loan facilities	**18.550.370**	14.602.718
Undrawn overdraft facilities	**16.057.538**	14.448.144
	34.607.908	29.050.862
	47.521.774	38.785.709

Capital commitments

As at 31 December 2024 and 31 December 2023, there were no commitments for contracted capital expenditures of the Bank.

Legal proceedings

As at 31 December 2024 and 31 December 2023, there were no pending litigation, claims or assessments against the Bank.

Other exposures

Indirect tax legislation, which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Bank. While there are risks that these tax positions and interpretations taken by the Bank could be potentially challenged by the tax authorities, the Bank currently estimates that they can be sustained.

36. Events after the reporting date

During 2025, following a change triggered by CRR III in the capital requirements for specific type of financial instruments the bank proceeded to the disposal of investments at amortised cost with nominal amount of €11.000.000 resulting to a gain of €360.529.

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

Independent auditor's report on pages 113 to 118.

Independent Auditor's Report

To the Members of Ancoria Bank Limited

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying financial statements of Ancoria Bank Limited (the "Bank") give a true and fair view of the financial position of the Bank as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

What we have audited

We have audited the financial statements which are presented in pages 12 to 113 and comprise:

- the Statement of Financial Position as at 31 December 2024;
- the Statement of Profit or Loss and Other Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended;
- the Statement of Cash Flows for the year then ended; and
- the Notes to the Financial Statements, which include material accounting policy information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRS Accounting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for opinion

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

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

Independence

We remained independent of the Bank throughout the period of our appointment in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

PricewaterhouseCoopers Ltd, City House, 6 Karaiskakis Street, CY-3032 Limassol, Cyprus
P O Box 53034, CY-3300 Limassol, Cyprus
T: +357 25 - 555 000, F:+357 - 25 555 001, www.pwc.com.cy

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Credit loss allowance provision on loans and advances to customers and off-balance sheet instruments within the scope of the Expected Credit Loss model in line with the requirements of IFRS 9 "Financial Instruments" We focused on this area because the models implemented and used by the Bank to calculate the Expected Credit Losses ("ECL") on loans and advances to customers and off-balance sheet instruments as at 31 December 2024 involve significant judgement and estimates which could give rise to material misstatement. Expected credit losses are calculated on a collective basis for portfolios of loans of similar credit risk characteristics and on an individual basis for loans that are individually significant, or which meet specific criteria determined by management.	We updated our understanding of the models used by the Bank and evaluated management's implementation process of these models for the calculation of ECL. We understood the overall control framework around the calculation of ECL on loans and advances to customers and off-balance sheet instruments within the scope of the Expected Credit Loss model in line with the requirements of IFRS 9 "Financial Instruments". We understood and evaluated the design of the overall control framework relevant to the measurement of impairment of loans and advances to customers and tested the operating effectiveness of key controls across processes relevant to the calculation of ECL. We reviewed the Bank's policy for staging of loans and advances to customers and off- balance sheet instruments to ensure that the Bank applies the three-stage approach for impairment and that changes in credit quality since initial recognition are appropriately monitored and the correct staging classification is applied. We tested, on a sample basis, the classification of loans and advances to customers and off-balance sheet instruments into the appropriate stages by reference to the criteria and triggers adopted by management to classify exposures in appropriate stages.

We determined this to be a key audit matter due to the significant judgement exercised by management and the complexity in making estimates including the assumptions required to build the models, the allocation of loans and advances to customers and off-balance sheet exposures within Stages 1, 2 or 3, identifying "Significant Increase in Credit Risk" and the inputs, assumptions and probability weights assigned to multiple economic scenarios used by the Bank. Also, loans and advances to customers comprise a large portion of the Bank's total assets as at 31 December 2024. Note 2 "Summary of material accounting policy information", Note 3 "Significant accounting estimates and judgments", Note 13 "Loans and advances to customers" and Note 35 "Contingent liabilities, capital commitments and off-balance sheet financing" to the financial statements provide detailed information on the estimation of ECL on loans and advances to customers and off-balance sheet instruments as at 31 December 2024. Note 13 "Loans and advances to customers", Note 35 "Contingent liabilities, capital commitments and off-balance sheet financing" and Note 31 "Risk management" to the financial statements provide detailed information on credit risk management practices, credit risk exposures, as well as qualitative and quantitative information arising from expected credit losses on loans and advances to customers and off-balance sheet instruments.	We tested, with the assistance of PwC credit risk experts, the assumptions, inputs and formulas used in the calculation of collective ECL and their compliance with the requirements of IFRS 9. This included considering the appropriateness of model design and challenging the assumptions used (e.g., Exposure at Default, Loss Given Default and Probability of Default), and the appropriateness of the segmentation employed. We also performed procedures to obtain comfort on the accuracy of the ECL calculation process through recalculation. We evaluated, on a sample basis, the Bank's individual assessments of Stage 3 exposures for compliance with IFRS 9 requirements by assessing the appropriateness of the key assumptions used based on the Bank's methodology. We evaluated the Bank's credit scoring process by recalculating the credit score of a sample of borrowers and comparing it to the score calculated by the Bank. We have also traced, on a sample basis, the criteria selected in the credit scoring process to the related supporting evidence. We also assessed, with the assistance of PwC credit risk experts, the reasonableness of management's optimistic, baseline and pessimistic assumptions in conjunction with the scenario weightings applied by management and the macroeconomic scenarios applied by the Bank. Also, with the assistance of PwC credit risk experts we assessed the reasonableness of management overlays applied by the Bank on the staging of loans, loss given default, and on the criterion for significant increase in credit risk. We evaluated the appropriateness of the Bank's disclosures particularly in relation to significant judgements and estimates. The results of these procedures were satisfactory.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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

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

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

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Bank on 28 September 2021 by the shareholders of the Bank. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 4 years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Bank, which we issued on 28 April 2025 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

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

Other Legal Requirements

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

- In our opinion, based on the work undertaken in the course of our audit, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the financial statements.

- In light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report. We have nothing to report in this respect.

Other Matter

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

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

Petros Metaxas
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

City House, 6 Karaiskakis Street
CY-3032 Limassol, Cyprus

30 April 2025