ANCORIA BANK
banking redefined

CONSOLIDATED
PILLAR 3 DISCLOSURES 2025

Contents

1. INTRODUCTION

1.1. Corporate Information

This document presents the Pillar 3 disclosure requirements of Ancoria Investments Plc (the “Holding Company”) and Ancoria Bank Limited (the “Bank” or the “Subsidiary”), together referred as the “Group”, as at 31 December 2025. Given that the only operations of the Group are the operations of Ancoria Bank, the Pillar 3 report of the Group is dependent solely on the performance of the Bank’s operations. Therefore, references will be made to the Bank’s operations and governance arrangements, whereas figures will be shown at a Group level. It is noted that the Board of Directors of the Subsidiary, assisted by the Risk Committee and the Audit Committee of the Subsidiary, has overall responsibility for the establishment and oversight of the Group’s risk management framework and systems of internal controls.

Principal activity

The principal activity of the Group, which remains unchanged from the previous year, is the provision of banking services through its Subsidiary company, Ancoria Bank Limited, on the basis of the licence granted by the Central Bank of Cyprus (‘CBC’).

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

On 14 October 2013, the Subsidiary 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. The Bank was granted the banking license on 3 November 2014 and commenced operations as a Credit Institution in October 2015, following the fulfilment of licensing conditions imposed by the CBC.

The principal activity of the Bank is the provision of banking services in Cyprus on the basis of the license granted by the CBC. Its banking products and services are concentrated in the provision of loans to individuals, small-to-medium enterprises (“SME”) and Corporates and the acceptance of deposits. Treasury activities span around placements and investments for the management of the Bank’s liquidity with an aim to maintain its liquidity ratios above acceptable limits. Currently, the Bank operates three banking centres in Nicosia, Limassol and Larnaca.

1.2. Scope of application

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, assets or liabilities, other than its holding in the Bank. Ancoria Investments Plc prepares its consolidated financial statements incorporating the financial statements of Ancoria Bank Limited.

Developments and changes in group structure

During March 2025, an agreement has been reached between existing shareholders for the sale of shares of the Company. The completion of the transaction is conditional upon, among others, the satisfaction of specific terms as set out in the agreement, including the approval of a qualifying holding from the Central Bank of Cyprus and the European Central Bank in accordance with the relevant requirements of The Business of Credit Institutions laws of 1997 as subsequently amended. Upon completion, the transaction will result in a change in the shareholding structure of the Company, whereby existing minority shareholders will obtain a majority interest, and the current UBO will retain a minority interest.

In the meantime, 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 19 February 2026, 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.

Details for the changes in the group structure during the year ended 31 December 2025 can be found in section 4.1.

1.3. Basel Framework, CRR and CRD

The Basel regulatory framework, which is further analysed in section 3.4 below, comprises of three Pillars:

Pillar 1.
Sets the minimum regulatory capital requirements the Bank must adhere to cover the credit risk, the market risk, the counterparty risk and the operational risk, including calculation of RWAs and relevant computation methodology.

Pillar 2.
Includes the Supervisory Review and Evaluation process (SREP) which assesses the internal capital and liquidity adequacy processes and whether additional capital or liquidity is required over and above the Pillar 1 and provides for the monitoring and self-assessment of a bank's capital and liquidity adequacy and internal processes.

Pillar 3.
Covers external quantitative and qualitative disclosure requirements in terms of frequency and format for uniform assessment of information on the capital structure, risk exposures, risk management, internal processes and capital adequacy to allow market participants to assess key pieces of transparent information and enhance comparability and accountability.

1.4. Materiality

The Group discloses additional information in this report as regards its risk management objectives and policies for each separate category of risk, including the strategies and processes to manage those risks, the structure and organization of the risk management function or other appropriate arrangements and the scope and nature of risk reporting and measurement systems, to allow market participants to have a clear understanding and a comprehensive view of the Group's capital position and risk profile.

The Group may elect to exempt from this report information, which is considered as non-material, proprietary or confidential as per EBA GL/2014/14 guidelines[1]. Information shall be regarded as material, if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. Information shall be regarded as proprietary to an institution if disclosing it publicly would undermine its competitive position. Information shall be regarded as confidential if there are obligations to customers or other counterparty relationships binding an institution to confidentiality.

As of 27 July 2019, the CRR was updated by the CRR Amending Regulation (EU) 2019/876 known as CRRII. CRRII, which is an amendment to Regulation (EU) 575/2013 and defines proportionality as this is reflected in Part Eight, outlines the disclosures which are applicable to different institutions, depending on their size, complexity and on whether they are listed or non-listed institutions. In June 2024, amendments of the Regulation (EU) 2024/1623 ("CRR III") and Directive (EU) 2024/1619 ("CRD VI") were published in the EU's Official Journal, to reflect amongst other things, the finalisation of the Basel III framework. The CRR III entered into force on 9 July 2024, and most amended provisions of the CRR III have become effective on 1 January 2025.

[1] Guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) No 575/2013 (https://www.eba.europa.eu/activities/single-rulebook/regulatory-activities/transparency-and-pillar-3/guidelines-materiality)

For the preparation of these Disclosures, the Group has adopted the European Banking Authority (“EBA”) Guidelines on Pillar III disclosures requirements, where applicable, and the corresponding Commission Implementing Regulation (EU) 2024/3172, which is effective from 1st January 2025.

CRRII introduced definitions of ‘small and non-complex institutions’ and ‘large institutions’ to support enhanced proportionality. Small and non-complex institutions’ disclosures focus on key metrics while large and listed institutions disclose more detailed information. Institutions that are not subject to Article 433a to fall under ‘large institutions’ or 433b to fall under ‘small and less complex institutions’ shall disclose information under the institution type ‘Other Institutions’. Based on CRRII, the Group is categorized under institution type “Other Institutions (Not Listed)” and Pillar 3 Disclosures have been prepared on this basis.

The Bank has in place a Pillar 3 Disclosures Policy prepared in compliance with Articles 431 – 455 of the CRR and the associated European Banking Authority (EBA) Guidelines and technical standards on Pillar 3 disclosures requirements, where applicable.

The abovementioned guidelines do not change the substance of the regulatory disclosures regarding the requirements defined in Part Eight of Regulation (EU) No 575/2013 (the CRR). However, they provide guidance on these disclosures from a presentational aspect. The Bank, taking into account the principle of proportionality as defined in the said guidelines, is in compliance with the standardised disclosure tables and templates of the EBA guidelines.

1.5. Verification, frequency and publication

The Bank’s Risk Management Function (“RMF”) has an oversight of the framework and process followed by the Group for the preparation of Pillar 3 Disclosures for 2025, in accordance with the Bank’s Pillar 3 Disclosure Policy. The document is reviewed by the Bank’s Audit and Risk Committees and approved by the Board of Directors of both the Bank and the Holding Company prior to being publicly available.

Following the launch of EBA Pillar 3 Data Hub (“P3DH”) in January 2026, as the primary source of Pillar 3 information, the Bank submits to EBA in XBRL-CSV format the files which include quantitative data and separately a single comprehensive report in PDF format, that is human-readable and machine readable, which includes the qualitative information and required accompanying narratives under the Pillar 3 framework (including all relevant Pillar 3 disclosures – qualitative and quantitative). The submission to EBA shall be made on the same day that the Bank publishes its audited financial statements or as soon as possible thereafter.

The Bank continues to publish the Pillar 3 report annually on its website, www.ancoriabank.com (https://www.ancoriabank.com/pillar-3-disclosures/), in conjunction with the Bank’s Annual Financial Report, as per regulatory guidelines. Comparatives presented in the report are restated and indicated in the respective sections, where deemed necessary, to reflect any changes in the presentation of the current year.

1.6. Attestation

The Boards of Directors of the Bank and the Holding Company are responsible for reviewing the effectiveness of the Bank’s/Group’s risk management arrangements and systems of financial and internal control.

The Group, through its Subsidiary, adopts formal policies to comply with the disclosure requirements laid down in Part Eight of the CRR, and puts in place and maintains internal processes, systems and controls to verify that the disclosures are appropriate and in compliance with the requirements.

The Executive Management and the Boards of Directors consider that it has in place adequate systems and controls with regard to the Bank’s/Group’s profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimize loss.

In addition, the Boards of Directors declare that to the best of their knowledge, Pillar III Disclosures for the year ended 31 December 2025 comply with Part Eight of the CRR, as amended, and the related EBA

Guidelines and ITS on disclosures requirements and have been prepared in accordance with the Bank's formal policies and internal processes, systems and controls.

On behalf of the Boards of Directors

Tasos Anastasi

Non-Executive Director of the Boards of Ancoria Investments Plc and of Ancoria Bank Limited

2026

2. GOVERNANCE ARRANGEMENTS

2.1. Governance

Table – EU OVB

Risks faced by financial institutions can be summarised in the following main categories: credit risk, market risk, liquidity risk, operational risk and business risk. The Group, through its Subsidiary, sets policies and procedures in order to mitigate, control, accept or transfer these risks according to the Group/Bank's risk appetite. The Risk Management Function ('RMF') is responsible for the monitoring and adherence to the risk appetite and the monitoring of risks on a regular basis. The primary objective of the RMF is the identification and mitigation of all risks that materially affect the Bank. This is achieved by:

- Developing a set of policies and frameworks to guide risk owners for the proper identification, assessment, monitoring and control of risks.
- Identifying, measuring and properly reporting all material risks
- Implementing and enhancing the Bank's risk strategy
- Participating in all material risk management decisions
- Delivering a comprehensive view of all material risks associated with the Bank

The Group through its Subsidiary regularly reviews its risk management framework to reflect the changes in market and economic conditions as well as effective best practice and to suggest amendments where weaknesses are identified in order to mitigate them.

The Board of Directors of the Bank has the ultimate responsibility for internal governance and the Bank's risk appetite at all times. It defines, oversees and is accountable for the implementation of governance arrangements that ensure effective and prudent risk management of the Bank.

The following chart shows the management and board committees formed by the Bank taking into consideration its size and complexity in order to assist the Board of Directors (the "**Board**" or **"BoD"**) in fulfilling its responsibilities.

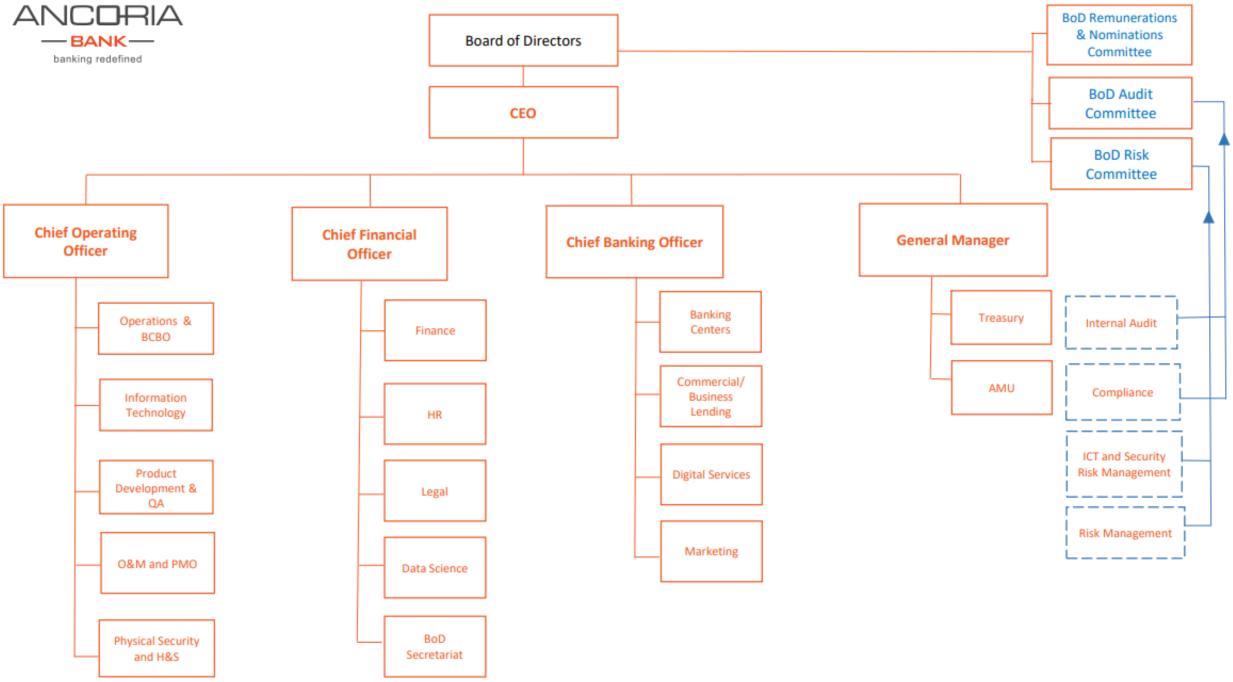

Figure 1: Governance

As shown in Figure 1 above, the Bank has four separate independent internal control functions: Compliance, ICT and Security Risk Management, Internal Audit and Risk Management. Internal control functions report directly to the Board of the Bank through its committees and are independent from operational activities. Heads of internal control functions are appointed and removed by the Board of the Bank as also indicated in their role descriptions.

Internal control functions have direct access to the Board of the Bank to communicate any concerns and meet with their respective Board committees at least on a quarterly basis. Internal control functions have adequate resources to perform their tasks given the size and complexity of the institution. The Bank makes continuous efforts in enhancing its monitoring of bank-wide risks.

Qualifications of Members of the Board include degrees in economics, mathematics, finance/accounting, law and engineering, with a number of them also holding professional qualifications relating to financial matters. The members of the Board have collective international and/or local expertise and experience in investments/capital markets/corporate banking and arrears management. They also share skills related to risk, compliance, finance/audit, strategy, corporate governance, leadership, policy development, technology and digital transformation.

2.2. Board of Directors

The following table shows the number of directorships the directors of the Group's board held, including the directorship position held in the Group's Board of Directors in 2025. Positions in the Boards of the same group are regarded as one position. Positions in the Boards of organisations that are not engaged in profit-making activities are not presented in the table below.

Directorships as at 31 December 2025 shown in the table below:

Name	Position held with Ancoria Investments Plc	Directorships – Executive	Directorships – Non-Executive
Bo Sievert Larsson	Chairman	-	3
Tasos Anastasi	Director	1	1
Christos Papoutsas	Director	-	1

The following table shows the number of directorships the directors of the board of the Bank held, including the directorship position held in the Bank's Board of Directors in 2025. Positions in the Boards of the same group are regarded as one position. Positions in the Boards of organisations that are not engaged in profit-making activities are not presented in the table below.

Directorships as at 31 December 2025 are shown in the table below:

Name	Position held with Ancoria Bank	Directorships – Executive	Directorships – Non-Executive
Dr Demetra Plati	Vice-Chairwoman - Non-Executive Independent	1	1
Charis Charalambous	Non-executive Senior Independent	1	1
Doros Loizides	Non-executive Independent	-	3
Alexandra Spyrou	Non-executive Independent	1	2
Polina Antoniou	Non-executive Independent	1	1
Tasos Anastasi	Non-executive	1	1
Marios Hadjikyriacou	Executive	1	-
Kyriacos Christodoulou	Executive	1	-

- 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.
- On 29 December 2025 Mr. Marios Hadjikyriacou was appointed as an executive director and Chief Executive Officer of the Bank.
- There were no other significant changes in the composition or distribution of responsibilities of the Board of Directors during the year ended 31 December 2025.
- During 2025 the Board of Directors met 10 times (December 2024: 11 times) in its efforts to effectively discharge its duties while the Board of Directors Committees convened as follows:
  - Audit Committee – 5 times (December 2024: 6 times)
  - Risk Committee – 6 times (December 2024: 8 times)
  - Remunerations and Nominations Committee – 8 times (December 2024: 6 times)
  - Credit Committee – 7 times (December 2024: 10 times)

2.3. Board of Directors Declaration

The Executive management and Board of Directors of the Bank and the Group provide assurance that the Risk Management Framework is adequate given its risk profile and its strategy.

The Group maintains a strong and resilient risk profile, supported by robust capitalisation, solid liquidity and consistent profitability. Despite global and regional challenges, 2025 marked the fifth consecutive profitable year, with a net profit after tax of €5,9 million (compared to €7.8 million in 2024, primarily reflecting lower market interest rates). As at 31 December 2025, the Group reported a CET1 ratio of 30.89%, a Total Capital Ratio of 33.40%, and a Leverage Ratio of 7.27%, all comfortably above regulatory requirements and internal limits. Liquidity remained exceptionally strong, with an LCR of 1,225% and an NSFR of 325%. The Group's overall risk profile reflects its exposures to credit, market, liquidity and operational risks, each managed within the established Risk Management Framework through defined policies, controls and monitoring processes. These risks are overseen through a governance structure that ensures effective identification, assessment, mitigation and reporting, and are managed in alignment with the Board approved Risk Appetite Framework, which sets quantitative limits and qualitative statements to ensure the Group operates within acceptable risk boundaries.

Intragroup transactions and transactions with related parties, that are further analysed in note 35 of the Financial Statements, are not expected to have a material impact on the risk profile of the Group.

The Group has adequate systems to generate risk data for regulatory reporting purposes. In addition, the Group has in place a business continuity management procedure, with identified critical functions for business continuity and disaster recovery purposes which is annually reviewed. The Group has in place a business plan, a formal statement of business goals of both financial and operational nature and plans for achieving them. It is reviewed and approved by the Board of Directors on an annual basis and is monitored monthly through EXCO and at least quarterly by the Board of Directors.

The Bank has in place a Liquidity Management Policy and a Treasury Risks Limit Policy which are approved by the Board of the Bank. Early Warning Levels for regulatory liquidity and capital ratios are also reflected in the Group's Recovery Plan.

2.4. Board Committees

It is noted that Board Committees are formed at Bank level. The Bank has established the following Board Committees:

Audit Committee

During 2025 the Committee convened 5 times. The Committee has the following duties and responsibilities:

- Monitors the effectiveness of the Bank's internal quality control and risk management systems and, where applicable, its internal audit function, with regard to the financial reporting of the audited credit institution, without breaching its independence.
- Monitors and evaluates the adequacy and effectiveness of the Internal Control System (ICS), based on relevant data and information from the Bank's internal audit function, the findings and remarks of the external auditors as well as the supervisory authorities.
- Evaluates the operation of the ICS on the basis of data and information included in the quarterly reports of the Control Functions reporting to the Committee, the Annual Report and follow up results drawn up by the internal audit function as well as the management letter of the statutory auditors. The Committee takes into consideration the SREP (Supervisory Review and Evaluation Process) assessment of the Central Bank of Cyprus and the results of the work by the Compliance function.
- Oversees the establishment of accounting policies.
- Monitors the financial reporting process and submission of recommendations aiming at ensuring integrity.
- Evaluates and monitors the independence and adequacy of the internal audit function.
- Reviews and pre-approves all audit and non-audit services, prior to the audit firm's engagement, in order to ensure conformity with the applicable legal framework or internal limits, regarding the objectivity and independence of external auditors and related fees.
- Reviews and monitors the independence of the statutory auditors or the audit firms in accordance with sections 58, 59, 60, 63 and 64 of the Auditors Law and Article 6 of Regulation (EU) No 537/2014, and in particular the appropriateness of the provision of non-audit services to the Bank in accordance with Article

5 of Regulation (EU) No 537/2014. The Committee ensures the independence of external auditors by requesting an annual written representation with regards to the independence status of the audit firm towards the Bank and providing its consent on non-audit services rendered to the Bank.

- Monitors the statutory audit of the annual and consolidated financial statements, in particular its performance, taking into account any findings and conclusions by the competent authority pursuant to Article 26(6) of Regulation (EU) No 537/2014.
- Is responsible for the procedure for the selection of external statutory auditor(s) or audit firm(s) and recommends for approval by the Bank's competent body their appointment, in accordance with Article 16 of Regulation (EU) No 537/2014, compensation and dismissal.
- Reviews the audit scope and frequency of the statutory audit of annual or consolidated accounts.
- Informs the Board in accordance with paragraph (a) of subsection 5 of Article 78 of the Auditors Law of the outcome of the statutory audit and explains how the statutory audit contributed to the integrity of financial reporting and what the role of the audit committee was in that process.
- Receives and takes into account audit reports.
- Assists the Board in overseeing the independence, adequacy and effectiveness of the Compliance function, or in case the Compliance function is performed in conjunction with another audit function, the audit committee shall evaluate and monitor the independence, adequacy and effectiveness of the Compliance function within the combined audit function.
- Ensures the following:
  - advising the Board, based on the work of the Compliance function, on the adequacy and effectiveness of the business ethics framework;
  - advising the Board, based on the work of the Compliance function and the external auditors, on the adequacy and effectiveness of the compliance framework.
- Ensures the examination and provides assistance to the Board regarding the approval of the annual control program of the internal audit function and the regulatory compliance program of the Compliance function.
- Submits recommendations to the Board for the appointment or removal of the heads of internal audit and Compliance functions.
- Carries out an annual assessment of the heads of the Internal Audit and Compliance functions and then submits them to the Board.
- Assists the Board in reviewing and approving the budgets of the internal audit and Compliance functions, ensuring that they are flexible enough to adapt to changes according to developments.
- Oversees the timely adoption of necessary corrective action by senior management to address audit deficiencies, non-compliance with the Bank's policies, laws and regulations, and other weaknesses identified by external auditors, internal audit and Compliance functions and by supervisory authorities.
- Assists the Board in reviewing, monitoring and approving the official announcements of the Bank regarding the financial performance and other disclosures.
- Submit proposals to the Board on the appointment, compensation, terms of engagement and substitution or rotation of the approved external auditor and other external auditors.
- Liaises with external auditors particularly in relation to their audit findings.
- Advises the Board, based on the work of the Compliance function, on the adequacy and effectiveness of the business ethics framework.
- Advises the Board, based on the work of the Compliance function and external auditors, on the adequacy and effectiveness of the compliance framework.
- Submits to the Board recommendations for the appointment or removal of the heads of internal audit and compliance functions.
- Carries out an annual assessment of the heads of the internal audit and compliance functions and subsequently their submission to the Board.
- Assists the Board in reviewing and approving the budgets of the internal audit and compliance functions, ensuring that they are flexible enough to adapt to changes according to developments.
- Overseeing the timely adoption of necessary action by senior management to address audit deficiencies, non-compliance with the Bank's policies, laws and regulations and other weaknesses identified by external auditors, internal audit and Compliance functions and supervisory authorities.
- Carries out of a self-assessment and reporting its conclusions and recommendations for improvements and changes to the Board.
- Selects and appoints the latest every three years, external auditors (other than the statutory auditors), which have the required expertise to assess the Internal Control System's adequacy. The external auditors

that are assigned with this task shall change at least after two consecutive assessments. When carrying out the ICS assessment, the Committee takes into account the evaluation and findings of the ICS assessment. The assessment report shall be communicated to the Central Bank of Cyprus.

- Selects and appoints the latest every five (5) years, external qualified assessors, which have the expertise to assess the compliance of the IAF with International Standards for the Professional Practice of Internal Auditing of the International Institute of internal auditors and the effectiveness in performing its tasks.
- Confirms that the whistle-blowing process is covered by appropriate procedures, as well as the protection of employees, through which they inform the Board or the Committee about major irregularities, omissions or criminal offences of which they became aware.
- Proposes the Audit Charter and any amendments thereto, to the Board for approval.
- Conducts an annual self-assessment in order to identify strengths and weaknesses, to flag areas of improvement and to plan for further actions as appropriate.

Remunerations and Nominations Committee

During 2025 the Committee convened 8 times. The Committee's duties and responsibilities include:

1. Remuneration issues

- Supports and advises the Board regarding the planning and/or updating and monitoring of the implementation of the remuneration policy and practices and compliance with them.
- Is responsible for the preparation of decisions regarding remuneration, including those which have implications for the risk and risk management of the Bank and which are to be taken by the Board;
- When preparing the decision referred to in paragraph b above, the Committee shall take into account the long-term interest of shareholders, investors and other stakeholders of the Bank and the public interest and ensures that:
  - These are closely linked with the Bank's business objectives and strategies;
  - These are in line with the CBC Directive;
  - Non-executive members are not included in the beneficiaries of performance related remunerations;
- Ensures that internal control functions are involved in the design, review and implementation of the remuneration policy;
- Ensures that staff members who are involved in the design, review and implementation of the remuneration policies and practices have relevant expertise and are capable of forming independent judgement on the suitability of the remuneration policies and practices, including their suitability for risk management;
- Ensures that the remuneration policy and practices of the Bank are subject to a central and independent internal review, at least annually. The review should include an analysis of whether the remuneration policy is gender neutral;
- Ensures that the implementation of the remuneration policy is, at least annually, subject to a central and independent internal review for compliance with policies and procedures for remuneration, adopted by the Board in its supervisory function;
- Ensures the proposal, approval and timely implementation of remedial action plans, in the event that periodic reviews reveal that the remuneration policies do not operate as intended or prescribed, or where recommendations are made;
- Provides adequate information to the Board and, where appropriate, to the shareholders about relevant practices and activities performed;
- Is responsible for the preparation of decisions on remuneration to be taken by the Board, in particular regarding the remuneration of the executive members of the Board, as well as of other identified staff;
- Reviews the appointment of external remuneration consultants that the Board may decide to engage for advice or support;
- Provides its support and advice to the Board on the design of the Bank's remuneration policy, including that such remuneration policy is gender neutral and supports the equal treatment of staff of different genders;
- Supports the Board in overseeing the remuneration policies, practices and processes, and compliance with the remuneration policy;
- Checks whether the remuneration policy is up to date and, if necessary, makes proposals for changes;

- Ensures the adequacy of the information provided to shareholders on remuneration policies and practices, in particular on a proposed higher maximum level of the ratio between fixed and variable remuneration;
- Assesses the mechanisms and systems adopted to ensure that the remuneration system properly takes into account all types of risks, liquidity and capital levels, and that the overall remuneration policy is consistent with and promotes sound and effective risk management, and is in line with the business strategy, objectives, corporate culture and values, risk culture and long-term interest of the Bank;
- Assesses the achievement of performance targets and the need for ex-post risk adjustment, including the application of malus and clawback arrangements;
- Reviews a number of possible scenarios to test how the remuneration policies and practices react to external and internal events, and back-tests the criteria used for determining the award and the ex-ante risk adjustment based on the actual risk outcomes;
- Directly oversees the remuneration of the senior officers in the independent control functions and makes recommendations to the Board on the design of the remuneration package and amounts of remuneration to be paid to the senior staff members in the control functions;
- Ensures that relevant internal corporate functions (i.e. human resources, legal, etc.), as well as other key supervisory function committees (i.e. Audit and Risk), are closely involved in reviewing the remuneration policy in order to ensure alignment with the Bank's risk management strategy and framework;
- Suggests an annual bonus pool, if any, to the Board for approval, which consists of two pools: one for executive members of the Board and one for all other staff. When determining bonus pools or individual rewards, it considers all current risks, expected losses, estimated unexpected losses, and stressed conditions associated with the Bank's activities;
- The Committee performs a self-assessment and submits reports to the Board with conclusions and recommendations for improvements and changes.

2. Nomination issues

- The Committee and/or any other member of the Board, may identify and recommend, for the approval of the Board or for approval of the general meeting, candidates to fill Board vacancies, evaluating the balance of knowledge, skills, diversity and experience of the Board and preparing a description of the roles and capabilities for a particular appointment and assessing the time commitment expected.
- Assesses periodically and at least annually the structure, size, composition and performance of the Board and making recommendations to the Board with regard to any changes;
- Assesses periodically and at least annually the knowledge, skills and experience of individual members of the Board and of the Board collectively and reports to the Board accordingly;
- Reviews periodically and at least annually succession plans for the Board to ensure on the one hand that successions occur smoothly and an appropriate balance of diversity, skills and experience is maintained and on the other hand the progressive renewal of the Board and reporting to the Board accordingly;
- Reviews periodically and at least annually the policy of the Board for selection, development, appointment and replacement of senior management and heads of internal control functions and making recommendations to the Board accordingly;
- Reviews periodically the policy of the Bank for recruitment, rotation and promotion of staff and reporting to the Board accordingly;
- Reviews periodically and at least annually, in collaboration with the audit and risk committee, the composition, authority and independence of internal control functions and reports to the Board accordingly;
- For the purposes of paragraph (a) above, the Committee decides on a target for the representation of the underrepresented gender in the Board and prepares a policy on how to increase the number of the underrepresented gender in the Board in order to meet that target; the target, policy and its implementation are made public;
- In performing its duties, the Committee, to the extent possible and on an ongoing basis, takes into account of the need to ensure that the Board's decision making is not dominated by any one individual or small group of individuals in a manner that is detrimental to the interests of the Bank as a whole;

- The Committee shall be able to use any forms of resources that it considers to be appropriate, including external advice and a quarterly update on HR matters by the HR Manager, and shall receive appropriate funding to that effect.

Risk Committee

During 2025 the Committee convened 6 times. The Committee's duties and responsibilities include:

- Advises and supports the Board regarding the monitoring of the Bank's overall actual and future risk appetite and strategy, taking into account all types of risks, to ensure that they are in line with the business strategy, objectives, corporate culture and values of the Bank.
- Assists the Board in overseeing the implementation of the Bank's risk strategy and the corresponding limits set; the Board shall bear full responsibility for the proper and adequate management of the risks.
- Oversees the implementation of the strategies for capital and liquidity management as well as for all other relevant risks of a credit institution, such as market, credit, operational (including legal and IT risks) and reputational risks, and, based on the work of the audit committee, the risk management function and the external auditors, in order to assess their adequacy against the approved risk appetite and strategy and to evaluate the adequacy of the forecasts and the effectiveness of the strategies and policies regarding the maintenance, on a continuous basis, of sufficient amounts, types and distribution of internal capital and equity to cover the risks of the credit institution.
- Provides the Board with recommendations on necessary adjustments to the risk strategy resulting from, amongst others, changes in the business model of the Bank, market developments or recommendations made by the risk management function.
- Provides advice on the appointment of external consultants that the supervisory function may decide to engage for advice or support.
- Reviews a number of possible scenarios, including stressed scenarios, to assess how the credit institution's risk profile would react to external and internal events.
- Oversees the alignment between all material financial products and services offered to clients and the business model and risk strategy of the Bank by taking into account the EBA guidelines on product oversight and governance arrangements for retail banking products. The Committee shall assess the risks associated with the offered financial products and services and take into account the alignment between the prices assigned to and the profits gained from those products and services. The Committee shall review whether the prices of liabilities and assets offered to clients fully take into account the business model and the risk strategy of the credit institution. Where the prices do not properly reflect the risks in accordance with the business model and the risk strategy, the Committee shall present a remedy plan to the Board.
- Assesses the recommendations of internal or external auditors and follow up on the appropriate implementation of measures taken.
- Interacts with other Committees appropriately. Subject to the requirements regarding the occasional rotation of chairs and members of committees, such interaction could take the form of cross-participation so that the chair or a member of one committee could also be a member of another committee.
- Submits reports on an ordinary basis and communicate its minutes to the Board before the meetings of the Board.
- Determines the nature, the amount, the format, and the frequency of the information on risk which it is to receive.
- Receives regular reports, ad hoc information, communications and opinions from the heads of the internal control functions regarding the current risk profile of the credit institution, its risk management culture and risk limits, as well as any material breaches that may have arisen, with detailed information on and recommendations for corrective measures taken, to be taken or suggested in order to address them;
- Periodically reviews and decides on the content, format and frequency of the information to be reported to them regarding the risk;
- Where necessary, ensures the proper involvement of the internal control functions and other relevant functions (human resources, legal, finance) within their respective areas of expertise and/or seek advice from external experts.
- Advises and supports the Board in facilitating the development and implementation of a sound internal governance framework.

- Collaborates with other committees of the Board whose activities may have an impact on the risk strategy (for instance, audit and remuneration committees) and regularly communicate with the Bank's internal control functions, in particular the risk management function and the ICT and Security function.
- Submits to the Board suggestions for the appointment or removal of the head of the risk management function and of the ICT and security risk management function.
- Performs an annual assessment of the heads of the risk management function and of the ICT and security function and submits it to the Board.
- Evaluates and monitors the independence, adequacy and effectiveness of the risk management function and the ICT and security function, and shall advise the Board thereon, as well as on the adequacy and effectiveness of the information security framework which shall inter alia ensure the adequate protection of the confidential and proprietary information of the Bank.
- Reviews and approves the budgets of the risk management function and of the ICT and security risk management function, ensuring that they are flexible enough to adapt to changes depending on developments.
- Without prejudice to the tasks of the remuneration committee, and in order to contribute to the formation of sound political and practical remuneration, examines whether incentives provided by the system, policies and practices take into consideration the Bank's risk, capital and liquidity and the likelihood and timing of earnings.
- Assists the Board in overseeing the effective implementation of the risk strategy by senior management including the management and mitigation of material exposures and the identification and escalation of breaches in risk limits in a timely manner.
- Submits to the Board proposals and recommendations for corrective action, whenever weaknesses are identified in implementing the risk strategy.
- Ensures that risk parameters and risk models developed and used are subject to periodic independent validation.
- Conducts a self-assessment and report its conclusions and recommendations for improvements and changes to the Board.
- Does not delegate its duties, tasks and responsibilities to any other Committee unless this is a combined Committee established in accordance with the Directive.
- The Committee members shall engage in open and critical discussion in the meetings of the Committee during which divergent views are discussed in a constructive manner.
- Documents the agenda of its meetings, as well as their main results and conclusions.
- Reviews and recommends to the Board for approval the risk appetite statement which is the articulation in written form establishing the risk appetite of the bank.
- Reviews and recommends to the Board for approval all risk related policies.

Credit Committee

During 2025 the Committee convened 7 times. The Committee's duties and responsibilities include the assessment and approval of:

- Loans above €5,000,000 or 10% of the regulatory capital, at total group exposure, whichever is lower.
- Facilities to independent board members up to €30,000.
- Facilities to non-independent board members up to €200,000. For housing loans that are fully collateralized, a higher amount can be granted (Loan to Value should not exceed 80%).
- Maximum unsecured amount in nominal value of €500,001 and over.

2.5. Recruitment Policy regarding the selection of Board of Directors members

For the recruitment and selection of members of the Board of Directors of the Bank, the Remuneration and Nominations Committee identifies, evaluates and recommends for approval to the Board candidates to be appointed as Directors. The Remuneration and Nominations Committee of the Board of Directors of the Bank engages a broad set of qualities and competencies when nominating for appointment or re-appointment members of the Board of Directors. The candidates are assessed with regards to their ethos, integrity and honesty; their professional experiences and academic backgrounds in order to enhance the collective knowledge and experience of the Board; and the availability on their behalf to commit the necessary time and effort to fulfil their responsibilities. Any newly appointed Director shall hold office only until the next following Annual General Meeting and shall then be eligible for re-election.

The Bank has in place a policy in relation to the selection, appointment, and succession of members of the Board.

2.6. Diversity policy regarding the selection of Board of Directors members

The Board of Directors is responsible for ensuring effective internal governance and has established a Diversity Policy that supports prudent and objective decision making across the Bank. The policy recognises that a diverse Board enhances strategic execution, strengthens risk oversight and contributes to the long-term resilience of the Bank. Appointments to the Board are made on merit, based on objective criteria set by the Nominations Committee, with the aim of maintaining an appropriately balanced mix of knowledge, skills, experience and perspectives while upholding the principle of equal opportunities. In assessing both individual candidates and the collective suitability of the Board, the Group considers a range of diversity factors, including age, gender, academic background, professional experience, skills and geographical provenance. The Board has set measurable objectives to promote diversity, including a target of at least 30% representation of each gender and maintaining a composition that reflects varied academic backgrounds and relevant expertise aligned with the Bank's business activities. These principles guide the ongoing evaluation and development of the Board to ensure it remains effective, independent and aligned with regulatory expectations. It is noted that as at the year end, the above targets were met.

The Remuneration and Nominations Committee of the Board of Directors of the Bank engages a broad set of qualities and competences when nominating for appointment or re-appointment members of the Board that includes academic background and professional experience.

3. RISK MANAGEMENT FRAMEWORK

3.1. Overview
Table 1 – EU OVA

Risk management is considered to be an integral part of the Group's operations. The Board of Directors of the Bank, assisted by the Risk Committee and the Audit Committee of the Bank, has the overall responsibility for the establishment and oversight of the Group's risk management framework and systems of internal controls. The Risk Management Function (RMF), which reports directly to the Board, is responsible to identify, assess, report and propose mitigate actions for all material risks. The Board, considering the importance of risk management on the Bank's operations, and also taking into consideration the demanding regulatory environment in which the Bank operates, has defined the Bank's Risk Appetite Statement, which is in alignment with the Bank's overall strategic goals and objectives.

The Bank's risk management strategy is based on the following principles:
- Maintain and enhance profitability.
- Preserve and enhance capital and liquidity and comply with regulatory limits.
- Retain existing customers and ensure growth is made within the Risk appetite limits set.
- Maintain the NPE at very low levels.
- Continue enhancing the Digital experience in the areas of Digital Lending, Digital payments and Digital Servicing.
- Launch in new Markets in a prudent way following thorough risk assessment.
- Ensure long-term viability of the Bank.
- Embed ESG considerations in the Bank's Business model, strategy and Risk appetite.

Risk Management Framework

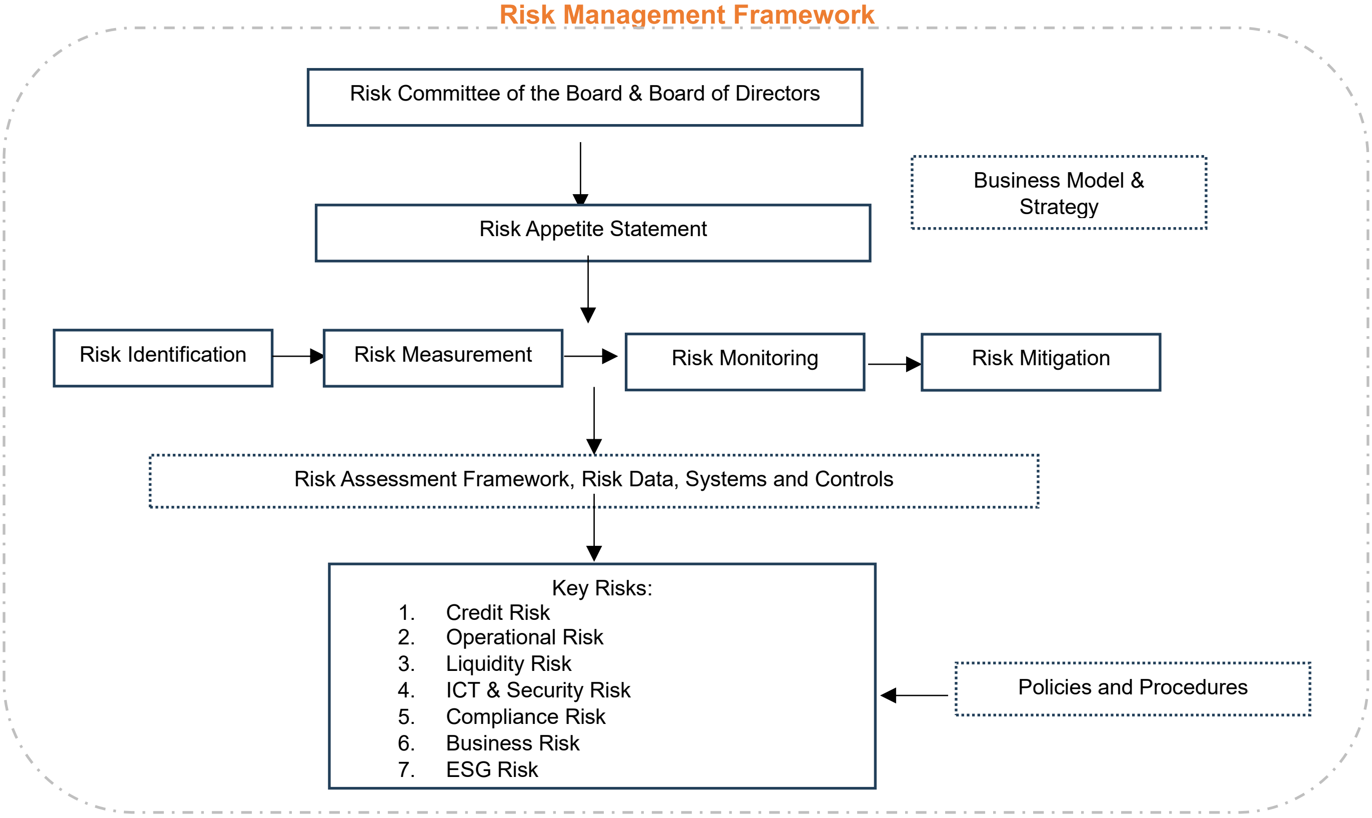

Figure 2: Risk Management Framework

Figure 2 above shows the architecture of the RMF's policies and frameworks. During 2025 and in the first two quarters of 2026 the following policies were approved/reviewed by the Board of Directors:

1. Credit Granting Policy
2. IRRBB Management Framework Policy
3. Provisioning Policy
4. Pillar 3 Disclosures Policy
5. Succession Planning Policy
6. Property Valuation Policy
7. Credit Risk Management Policy and Credit Risk Strategy
8. Capital and Own Funds Policy
9. Arrears Management Policy
10. Arrears Management Strategy
11. AML Policy
12. Sanctions Policy
13. Forbearance and Default classification Policy
14. Pricing Policy on Debt Restructuring
15. Treasury Risk Limits Policy
16. Customer Acceptance Policy
17. Write off Policy
18. Early Warning Framework
19. Market Risk Management Policy
20. Physical Security Policy
21. Procurement Policy
22. Risk Assessment Framework
23. Risk Appetite Framework

3.2. Risk Appetite Statement

The Bank's Risk Appetite Statement describes the quantum, types and level of risk that Ancoria Bank, through the Board of Directors of the Bank, is prepared to accept in order to achieve its objectives. Risk appetite is expressed in both quantitative and qualitative terms and covers material risks, both Financial and Non-Financial.

The formulation of the Bank's risk appetite considers the following:

- the financial profile and position of the Bank
- the Bank's capacity to manage, control, and absorb risk
- the Bank's strategic, capital and financial plans as well as compensation programs
- the requirements of the Central Bank of Cyprus ("CBC") Governance and Management Arrangements Directive of 2021 and as this was subsequently amended
- the FSB's Principles for 'An Effective Risk Appetite Framework'
- the Central Bank's conditional requirements for license to operate in the Republic of Cyprus
- capital, liquidity and other regulatory requirements applicable including CRD Framework

The Bank's Risk Appetite Statement is monitored on a monthly basis through ALCO and on a quarterly basis by the Board of Directors through the Board of Directors Risk Committee of the Bank.

The Risk Appetite Statement considers the strategy of the Bank as well as the approved business plan. The Bank's Risk Appetite Statement and by extension the business plan, takes into consideration both regulatory capital and liquidity requirements but also bank-specific buffers. The Board of Directors approved Risk Appetite Statement is readily available to all Bank employees.

This can be expressed both with qualitative statements describing the risks undertaken and the rationale behind them, as well as using various quantitative techniques. The main aim is to ensure that:

1. Business activity is guided, controlled and aligned to the Risk Appetite Statement;
2. Specific business actions necessary to mitigate risk are identified early and acted upon promptly;
3. Key assumptions underpinning the risk appetite are continuously monitored and adjusted accordingly.

3.3. Risk Management Function

The Bank has a risk management function (the "RMF") headed by the Head of RMF that is independent of the business and support lines it monitors and controls. The RMF reports directly to the Board of Directors through its Risk Committee and is responsible for the timely and accurate monitoring of all risks of the Bank. The head of the RMF reports directly to the Board of Directors Risk Committee. ICT and Security Risk Management is a separate internal control function that reports directly to the Board of Directors through its Risk Committee. In view of their close relationship, internal control functions communicate any relevant findings between them to serve as a feedback mechanism for improving internal policies and procedures and increase awareness of enterprise-wide risks.

The Risk Management Function is responsible for the correct and timely monitoring of the Risk Appetite Statement and the monitoring of risks on a regular basis. The primary objectives of the Risk Management Function are to establish risk limits and then to ensure that exposure to risks stays within these limits. The Bank regularly reviews its risk management framework to reflect the changes in market and economic conditions as well as effective best practice.

Indicatively, the RMF is responsible for the following:

1. Identification, measurement, management and reporting of all material risks;
2. Assessing the inherent risks when setting the Bank's strategy;
3. Ensuring that risk management is a fundamental part of the Bank's strategy, Risk Appetite Statement and capital planning;
4. Drafting of policies and procedures;
5. Communicating occasions of misalignment with risk strategy and Risk Appetite Statement;
6. Performing bank-wide stress testing and sensitivity analyses;
7. Assisting the business decision making process by assessing the inherent risks;
8. Recommending remedial actions where and when risk limits are breached.

3.4. Basel Framework, CRR and CRD and Recent Regulatory Developments

The EU Regulation 575/2013 (the "CRR") and the Directive (EU) 2013/36 (the "CRD") of the European Parliament and of the Council of 26 June 2013, transposed the capital, liquidity and leverage standards of Basel III into the European Union's legal framework. 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 implemented the main Basel III capital, liquidity and leverage standards into the European Union's legal framework.

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 CET1, AT1 and T2 instruments, the introduction of a binding leverage ratio requirement and the Net Stable Funding Ratio (NSFR), as well as further alignment of own funds and eligible liabilities with the MREL/TLAC framework.

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 April 2024, the EU Parliament has adopted the Directive (EU) 2024/1619 (known as the "CRD VI") and Regulation (EU) 2024/1623 (known as the "CRR III"), and the confirmed legal texts have been published on 19 June 2024 in the EU's Official Journal.

On 9 July 2024, CRR III entered into force whereby most of the amended provisions have become effective on 1 January 2025, while other reforms are subject to transitional arrangements or to be phased-in over time.

Along with CRR III, on 9 July 2024 CRD VI entered into force as well, and EU Member States are required to adopt and publish all necessary laws, regulations, and administrative provisions in order to comply with and apply most of those measures by 11 January 2026.

Towards the implementation of the new regulatory framework, the Bank has taken the necessary steps to ensure timely compliance with the new regulation, mainly with the changes in the methodologies for the calculation of RWAs of operational and credit risk.

<u>Basel Framework comprises of three Pillars, all of which are detailed below</u>:

- Pillar 1 which sets forth the guidelines for calculating the minimum capital requirements to cover credit risk, market risk and operational risk.
  - ✓ The Group has adopted the Standardised Approach for the calculation of the minimum capital against credit risk. Under this approach, exposures are classified in specified classes and are weighted using specific weights, depending on the class the exposures belong to
  - ✓ The Group has applied the Comprehensive Approach for the recognition of collateral, as this enables the fairer recognition and more accurate estimation of the Bank's capital.
  - ✓ The Group has adopted the Standardised Approach for the calculation of the minimum capital requirements for market risk, according to which the minimum capital requirement is estimated by adding together foreign exchange risk, and other relevant risks' capital requirements, if applicable, using predefined methodologies.
  - ✓ The Group calculates the minimum capital requirement for operational risk in accordance with Title III: Own funds requirements for operational risk of the CRR. CRR III introduced a new approach for calculating operational risk capital requirements using the business indicator component in accordance with Article 313 to 315 of Regulation (EU) No 575/2013 (CRR).

- Pillar 2 which covers the Supervisory Review & Evaluation process ("SREP") that includes rules to ensure that adequate capital and liquidity is in place to support any risk exposures of the Group and requires appropriate risk management, reporting and governance policies.
  - ✓ SREP is a holistic assessment of the Group's business model, internal governance and institution-wide control arrangements, the risks to capital and its adequacy to cover these risks and the risks to liquidity and adequacy of liquidity resources to cover these risks.
  - ✓ The objective of SREP is for the CBC to form an up-to-date supervisory view of the Group's risks and viability and to form the basis for supervisory measures and dialogue with the Group.
  - ✓ Banks are assessing their capital needs relative to their risks with their Internal Capital Adequacy Assessment Process ("ICAAP"), while at the same time maintaining communication with supervisors on a continuous basis.
  - ✓ In conjunction with the ICAAP, banks are required to have in place the Internal Liquidity Adequacy Assessment Process ("ILAAP"). The ILAAP acts as a control cycle through which the Group identifies, evaluates, manages and monitors its liquidity risks. The key objective behind ILAAP is to ensure the Bank has sufficient liquidity resources to support its business and be able to withstand any adverse future conditions which may threaten its liquidity position. The ILAAP forms an integral part of the Group's risk management framework, plays a key role in the strategic planning of the Group and is used to facilitate the decision-making process.
  - ✓ Finally, the Group is required to prepare a Recovery Plan report which aims to formulate the framework in terms of actions capable of restoring the Group's capital, asset quality, profitability and liquidity metrics under stress scenarios thus strengthening the Group's ability to restore its financial and economic standing. The Group's Recovery Plan builds on the ICAAP/ILAAP stress test and defines the "close to default scenarios". All the above reports (ICAAP, ILAAP and Recovery Plan) are submitted to the CBC and evaluated during the SREP.
  - ✓ For the year ended 31 December 2025 the ICAAP and ILAAP reports have been submitted to the CBC on 29 May 2026 and were based on the 2025-year end results. The Recovery Plan has been submitted to the CBC on 29 September 2025 with reference date 31 December 2024. The Recovery Plan with reference date 31 December 2025 will be submitted to the CBC in Q3 2026.

CRR and CRD transposed the capital, liquidity and leverage standards of Basel into the European Union's legal framework.

EU OVC – ICAAP

A significant component of the Group's Risk management process and framework is the ICAAP process. The ICAAP process is a comprehensive assessment of the risk profile and quantification of risks, including the performance of stress testing with the participation of all key stakeholders within the Group.

The Group is required to prepare the ICAAP pursuant to Article 73 in accordance to CRD.

The scope of the ICAAP is to describe the process by which the Group:

- Identifies, measures, aggregates and controls risks.
- Calculates required capital for its risk profile.
- Projects its needs over a horizon for achieving longer term capital targets.
- Evaluates the Group's capital adequacy in absorbing potential losses under stressed conditions.

As a principle, the ICAAP has as reference date the audited financial statements of the Group of the previous year end, unless otherwise agreed with the CBC. The forward-looking capital planning and internal capital assessment is performed based on the Group's business plan for the forthcoming 3 years period.

The ICAAP should not be seen as a separate or stand-alone process but should be seen as a component of the overall risk management framework. This allows management to consider all the risks associated with the Group's business strategies and the required level of capital that the Group needs to cover such risks.

Therefore, strategic decisions such as the expansion into new markets, the introduction of new products and the expansion of treasury operations should be assessed and evaluated in the light of their effect on the Group's risk situation and risk-bearing capacity of the bank.

The ICAAP report is prepared on an annual basis unless an exemption is obtained from the CBC, in parallel with the ILAAP report, and is usually required to be submitted by the 31st of May of each year.

The following table shows the methodology followed by the Bank for the preparation of the ICAAP report.

Pillar I regulatory capital requirement	Pillar II Risks – ICAAP process	Management actions	Conclusions
• Minimum Capital requirement: 8% which does not include the following capital buffers introduced under CRR/CRD: ✓ Conservation Buffer ✓ Countercyclical Buffer ✓ Systemic Risk • Calculated using prescribed parameters for credit, operational and market risk	• The Group's latest business plan was approved by the Board of Directors. The business plan applies the Group's 3-year strategic assumptions in order to create a baseline scenario for the Group's profitability, financial and capital position • Material risk assessment through the Risk Assessment Framework and Pillar 2 capital allocation based on the conclusions of the material risk assessment • Profit and Loss, Balance Sheet, Capital	Management actions may include: ✓ Capital raising ✓ Additional internal controls to reduce the possibility of occurrence or adversity of consequences	• ICAAP report submission for evaluation to the Bank's Executive Committee ("EXCO"), the Internal Auditor, the Board of Directors Risk Committee and to the Boards of Directors of both the Bank and the Group for approval before it is submitted to the CBC for the SREP. • A Capital Adequacy Statement with

	and Liquidity Projections for 3 years (both Baseline and Adverse Scenarios) • Assessment of current and future capital requirements • Comparison of the regulatory capital obligations (as communicated in the latest CBC SREP letter and presented below) with the Group's capital ratios, in order to ensure that the highest quality of capital is available to cover its regulatory and internal requirements both under the Baseline scenario and the Stress Scenario • Quantification of stress tests which may include the below: • Credit risk through an increase in Probability of defaults/ reduction in cure rates • Collateral risk through reduced property prices and higher liquidation costs • IRRBB based on adverse movements in interest rates • Business risk through a reduction in New Lending and New Deposits • Operational risk using the business indicator component in accordance with Article 313 to 315 of Regulation (EU) No 575/2013 (CRR).		the Boards' opinion is submitted to the CBC.

The Bank has prepared and submitted to the CBC its ICAAP / ILAAP report for the year 2025.

- Pillar 3 which sets out required disclosures to allow market participants and stakeholders to assess key pieces of information relevant to the capital structure, risk exposures, risk assessment processes and hence the capital adequacy of the Bank. Disclosures include information that relates to the Bank's risk management objectives and policies, the composition of own funds and original and supplementary funds, compliance with minimum capital requirements and the internal capital adequacy assessment process.

The Group prepares the Pillar 3 report in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and their subsequent amendments.

In June 2024, amendments of the Regulation (EU) 2024/1623 ("CRR III") and Directive (EU) 2024/1619 ("CRD VI") were published in the EU's Official Journal, to reflect amongst other things, the finalisation of the Basel III framework. The CRR III entered into force on 9 July 2024, and most amended provisions of the CRR III have become effective on 1 January 2025,

For the preparation of these Disclosures, the Group has adopted the European Banking Authority ("EBA") Guidelines on Pillar III disclosures requirements, where applicable, and the corresponding Commission Implementing Regulation (EU) 2024/3172, which is effective from 1st January 2025.

On 12 February 2025, EBA published its final draft ITS on the Pillar 3 data hub for large and other institutions, which will centralise prudential disclosures by institutions through a single electronic access point on the EBA website. This project is part of the Banking Package laid down in the CRR III and CRD VI.

Following the implementation of CRR III, and in accordance with the CRR (Articles 434 and 434a), EBA shall publish on its website the prudential disclosures for all institutions subject to such requirements. The Bank submits to EBA in XBRL-CSV format the files, making it readily available in a centralised manner to all the relevant stakeholders through a single electronic access point on its website, the so-called 'Pillar 3 Data Hub'.

3.5. Key metrics

The table below provides the key prudential and regulatory information and ratios on an annual basis covered by the EBA Guidelines, including own funds, RWAs, capital ratios, capital buffers requirements, requirements based on SREP, leverage ratio, liquidity coverage ratio and net stable funding ratio. The table discloses data for 31 December 2025 and 31 December 2024 only, in accordance with the regulatory requirements and submissions on a consolidated level.

Table – EU KM1

EU KM1 - Key metrics template		a	b
		31/12/2025	31/12/2024
		€	€
	Available own funds (amounts)		
1	Common Equity Tier 1 (CET1) capital	61.597.120	55.704.027
2	Tier 1 capital	66.597.120	60.704.027
3	Total capital	66.597.120	60.704.027
	Risk-weighted exposure amounts		
4	Total risk-weighted exposure amount	199.412.465	241.979.706
4a	Total risk exposure pre-floor	199.412.465	-
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	30,89%	23,02%
5b	Common Equity Tier 1 ratio considering unfloored TREA (%)	30,89%	-
6	Tier 1 ratio (%)	33,40%	25,09%
6b	Tier 1 ratio considering unfloored TREA (%)	33,40%	-

7	Total capital ratio (%)	33,40%	25,09%
7b	Total capital ratio considering unfloored TREA (%)	33,40%	-
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
EU 7d	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	4,00%	3,61%
EU 7e	of which: to be made up of CET1 capital (percentage points)	2,25%	2,03%
EU 7f	of which: to be made up of Tier 1 capital (percentage points)	3,00%	2,71%
EU 7g	Total SREP own funds requirements (%)	12,00%	11,61%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2,50%	2,50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0,00%	0,00%
9	Institution specific countercyclical capital buffer (%)	1,03%	1,00%
EU 9a	Systemic risk buffer (%)	0,00%	0,00%
10	Global Systemically Important Institution buffer (%)	0,00%	0,00%
EU 10a	Other Systemically Important Institution buffer	0,00%	0,00%
11	Combined buffer requirement (%)	3,53%	3,50%
EU 11a	Overall capital requirements (%)	15,53%	15,11%
12	CET1 available after meeting the total SREP own funds requirements (%)	21,40%	13,48%
	Leverage ratio		
13	Leverage ratio total exposure measure	915.692.832	835.220.608
14	Leverage ratio	7,27%	7,27%
	Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)		
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0,00%	0,00%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0,00%	0,00%
EU 14c	Total SREP leverage ratio requirements (%)	3,00%	3,00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
EU 14d	Leverage ratio buffer requirement (%)	0,00%	0,00%
EU 14e	Overall leverage ratio requirements (%)	3,00%	3,00%
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	560.529.315	457.886.961
EU 16a	Cash outflows - Total weighted value	56.474.430	52.236.547
EU 16b	Cash inflows - Total weighted value	10.707.462	17.013.814
16	Total net cash outflows (adjusted value)	45.766.968	35.222.733
17	Liquidity coverage ratio (%)	1.225%	1.300%

	Net Stable Funding Ratio		
18	Total available stable funding	770.387.684	700.974.185
19	Total required stable funding	236.729.067	259.000.551
20	NSFR ratio (%)	325,43%	270,65%

Liquidity The Group 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 2025 and 2024 the minimum requirement was 100%. In 2025, the Bank increased its customer deposits by €74,5 million (2024: €70,6 million) and maintained liquidity levels well above the regulatory requirements.

Additionally to the LCR, the Group calculates and submits to CBC the Net Stable Funding Ratio ('NSFR') on a quarterly basis. NSFR is a regulatory ratio that requires the Bank to maintain a stable funding profile by ensuring that available stable funding is sufficient to cover required stable funding over a one-year horizon. The minimum requirement of NSFR is 100%.

Capital adequacy and leverage ratio
The Bank's Total Capital Ratio requirement including SREP was 15,50% (2024: 15,11%) without Pillar 2 Capital Guidance and 16,50% (2024: 15,61%) with Pillar 2 Capital Guidance. The Bank as at 31 December 2025 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.

As at 31 December 2025, the Group's Leverage ratio maintained at the same level of 7.27% as compared to 31 December 2024, which continues to be well above the minimum leverage ratio requirement of 3%.

The Bank was in compliance with the regulatory capital ratios throughout the year.

4. SCOPE OF APPLICATION OF OWN FUNDS

4.1. Information relating to share capital

Ancoria Investments Plc

Authorised capital
Under its Memorandum of Association, Ancoria Investments Plc, the Company, fixed its authorised share capital at 200.000 ordinary shares of nominal value of €1 each.

Issued capital
As at 31 December 2025, the Company has a total issued share capital of 150.922 (2024: 150.922) ordinary shares of nominal value of €1 each at a total premium of €50.148.942 (2024: €50.148.942).

The shareholders of the Group as at 31 December 2025 and 2024 are listed below:

Name / relationship	**Percentage of Share Capital in the parent company**		
	Date of signing Annual Financial Report	**31 December 2025**	31 December 2024
	%	**%**	%
Bo Sievert Larsson	**51,39**	**51,39**	51,39
Ancoria Insurance Ltd	**20,00**	**20,00**	20,00
Sievert Larsson Scholarship Foundation (Cyprus)	**12,71**	**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**	**4,90**	-
Bastiodon Holdings Limited	**4,90**	**4,90**	-
Other shareholders	**0,05**	**0,05**	0,05
	100,00	**100,00**	100,00

During March 2025, an agreement has been reached between existing shareholders for the sale of shares of the Company. The completion of the transaction is conditional upon, among others, the satisfaction of specific terms as set out in the agreement, including the approval of a qualifying holding from the Central

Bank of Cyprus and the European Central Bank in accordance with the relevant requirements of The Business of Credit Institutions laws of 1997 as subsequently amended. Upon completion, the transaction will result in a change in the shareholding structure of the Company, whereby existing minority shareholders will obtain a majority interest, and the current UBO will retain a minority interest.

During 2025, Charalambos Panayiotou and Verifica Limited transferred all shares held in Ancoria Investments Plc to Margium Limited and Bastiodon Holdings Limited respectively. The above transfers did not result to a change in the beneficial owners of the Company.

As at 31 December 2025 and 31 December 2024 the Company is ultimately controlled by Mr. Bo Sievert Larsson who held 56,96% and 56,96% of the Company's share capital respectively.

Ancoria Bank Limited

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

Issued and fully paid capital

On 5 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 Annual Financial Report).

As at 31 December 2025, the Bank had a total issued share capital of 126.000 (2024: 126.000) ordinary shares of nominal value of €1 each, at a total premium of €49.719.289 (2024: €49.719.289).

Other equity instruments
On 28 September 2022 the Bank 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.

4.2. Reconciliation of Regulatory Capital with Equity as per Consolidated Financial Statements

The table presented below provides a reconciliation of own funds items to the Consolidated audited Financial Statements for the years ended 31 December 2025 and 31 December 2024, in accordance with the requirements of Part Eight of the EU Regulation 575/2013 Article 437, using the format set out in Annex VII of the Commission Implementing Regulation (EU) 2021/637.

Table – EU CC1 – Composition of regulatory own funds

EU CC1 - Composition of regulatory own funds		a	b	B
		31/12/2025	31/12/2024	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		€	€	
	Common Equity Tier 1 CET1 capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	50.299.864	50.299.864	
2	Retained earnings	11.238.277	5.418.993	b. and e.
3	Accumulated other comprehensive income and other reserves	1.463.108	1.463.108	d.
EU 3a	Funds for general banking risk	-	-	
4	Amount of qualifying items referred to in Article 484 3 CRR and the related share premium accounts subject to phase out from CET1	-	-	
5	Minority interests amount allowed in consolidated CET1	-	-	
EU 5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	-	
6	Common Equity Tier 1 CET1 capital before regulatory adjustments	63.001.249	57.181.965	
	Common Equity Tier 1 CET1 capital: regulatory adjustments			

7	Additional value adjustments negative amount	(140)	(121)	
8	Intangible assets net of related tax liability negative amount	(1.392.168)	(1.474.227)	b.
9	**Not applicable**			
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences net of related tax liability where the conditions in Article 38 3 CRR are met negative amount	-	-	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	-	
12	Negative amounts resulting from the calculation of expected loss amounts	-	-	
13	Any increase in equity that results from securitised assets negative amount	-	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	-	
15	Defined-benefit pension fund assets negative amount	-	-	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments negative amount	-	-	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those	-	-	

	entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution negative amount			
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities amount above 10% threshold and net of eligible short positions negative amount	-	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities amount above 10% threshold and net of eligible short positions negative amount	-	-	
20	**Not applicable**			
EU 20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	-	
EU 20b	of which: qualifying holdings outside the financial sector negative amount	-	-	
EU 20c	of which: securitisation	-	-	

	positions negative amount			
EU 20d	of which: free deliveries negative amount	-	-	
21	Deferred tax assets arising from temporary differences amount above 10% threshold, net of related tax liability where the conditions in Article 38 3 CRR are met negative amount	-	-	
22	Amount exceeding the 17,65% threshold negative amount	-	-	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	-	
24	**Not applicable**	**-**	**-**	
25	of which: deferred tax assets arising from temporary differences	-	-	
EU 25a	Losses for the current financial year negative amount	-	-	
EU 25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses negative amount	-	-	

26	**Not applicable**			
27	Qualifying AT1 deductions that exceed the AT1 items of the institution negative amount	-	-	
27a	Other regulatory adjustments	(11.820)	(3.590)	
28	Total regulatory adjustments to Common Equity Tier 1 CET1	(1.404.129)	(1.477.938)	
29	Common Equity Tier 1 CET1 capital	61.597.120	55.704.027	a. - i.
	Additional Tier 1 AT1 capital: instruments.			
30	Capital instruments and the related share premium accounts	5.000.000	5.000.000	
31	of which: classified as equity under applicable accounting standards	-	-	
32	of which: classified as liabilities under applicable accounting standards	-	-	
33	Amount of qualifying items referred to in Article 484 4 CRR and the related share premium accounts subject to phase out from AT1	-	-	
EU 33a	Amount of qualifying items referred to in Article 494a 1 CRR subject to phase out from AT1	-	-	
EU 33b	Amount of qualifying items referred to in Article 494b 1 CRR subject to phase out from AT1	-	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital including	-	-	

	minority interests not included in row 5 issued by subsidiaries and held by third parties			
35	of which: instruments issued by subsidiaries subject to phase out	-	-	
36	Additional Tier 1 AT1 capital before regulatory adjustments	5.000.000	5.000.000	
	Additional Tier 1 AT1 capital: regulatory adjustments.			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments negative amount	-	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution negative amount	-	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities amount above 10% threshold and net of eligible short positions negative amount	-	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments	-	-	

	of financial sector entities where the institution has a significant investment in those entities net of eligible short positions negative amount			
41	**Not applicable**	**-**	**-**	
42	Qualifying T2 deductions that exceed the T2 items of the institution negative amount	-	-	
42a	Other regulatory adjustments to AT1 capital	-	-	
43	Total regulatory adjustments to Additional Tier 1 AT1 capital	-	-	
44	Additional Tier 1 AT1 capital	5.000.000	5.000.000	
45	Tier 1 capital T1 = CET1 + AT1	66.597.120	60.704.027	
	Tier 2 T2 capital: instruments.			
46	Capital instruments and the related share premium accounts	-	-	
47	Amount of qualifying items referred to in Article 484 5 CRR and the related share premium accounts subject to phase out from T2 as described in Article 486 4 CRR	-	-	
EU 47a	Amount of qualifying items referred to in Article 494a 2 CRR subject to phase out from T2	-	-	
EU 47b	Amount of qualifying items referred to in Article 494b 2 CRR subject to phase out from T2	-	-	

48	Qualifying own funds instruments included in consolidated T2 capital including minority interests and AT1 instruments not included in rows 5 or 34 issued by subsidiaries and held by third parties	-	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	-	
50	Credit risk adjustments	-	-	
51	Tier 2 T2 capital before regulatory adjustments	-	-	
	Tier 2 T2 capital: regulatory adjustments .	**-**	**-**	
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans negative amount	-	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution negative amount	-	-	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those	-	-	

	entities amount above 10% threshold and net of eligible short positions negative amount			
54a	**Not applicable**			
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities net of eligible short positions negative amount	-	-	
56	**Not applicable**	**-**	**-**	
EU 56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution negative amount	-	-	
EU 56b	Other regulatory adjustments to T2 capital	-	-	
57	Total regulatory adjustments to Tier 2 T2 capital	-	-	
58	Tier 2 T2 capital	-	-	
59	Total capital TC = T1 + T2	66.597.120	60.704.027	
60	Total Risk exposure amount	199.412.465	241.979.706	
	Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	30,89%	23,02%	
62	Tier 1 capital	33,40%	25,09%	
63	Total capital	33,40%	25,09%	
64	Institution CET1 overall capital requirements	10,28%	10,03%	
65	of which: capital conservation buffer requirement	2,50%	2,50%	
66	of which: countercyclical	1,03%	1,00%	

	capital buffer requirement			
67	of which: systemic risk buffer requirement	0,00%	0,00%	
EU 67a	of which: Global Systemically Important Institution G-SII or Other Systemically Important Institution O-SII buffer requirement	0,00%	0,00%	
EU 67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	2,25%	2,03%	
68	Common Equity Tier 1 capital as a percentage of risk exposure amount available after meeting the minimum capital requirements	21,40%	13,48%	
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities amount below 10% threshold and net of eligible short positions	0,00%	0,00%	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities amount below 17.65% thresholds and net of eligible short positions	0,00%	0,00%	
74	**Not applicable**			

75	Deferred tax assets arising from temporary differences amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 3 CRR are met	220.764	235.413	
	Applicable caps on the inclusion of provisions in Tier 2 .			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach prior to the application of the cap	-	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	2.093.023	2.599.465	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach prior to the application of the cap	-	-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	-	
	Capital instruments subject to phase-out arrangements only applicable between 1 Jan 2014 and 1 Jan 2022.			
80	Current cap on CET1 instruments subject to phase out arrangements	-	-	

81	Amount excluded from CET1 due to cap excess over cap after redemptions and maturities	-	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	-	
83	Amount excluded from AT1 due to cap excess over cap after redemptions and maturities	-	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	-	
85	Amount excluded from T2 due to cap excess over cap after redemptions and maturities	-	-	

Notes

1. The references (a) to (i) refer to the items of template EU CC2 in Section 4.2 below.

Scope of the prudent valuation standards

The value adjustments to prudent valuation have been calculated pursuant to Article 105 of Regulation (EU) No 575/2013 and in accordance with EBA/RTS/2014/06/rev1 – Regulatory Technical Standards on prudent valuation under Article 105(14) of Regulation (EU) No 575/2013 (CRR), which refers to the prudent valuation standards being applicable to all trading book positions. However, Article 34 of CRR requires that institutions apply the standards of Article 105 to all assets measured at fair value.

The Group applied the simplified approach described given that the sum of the absolute value of fair-valued assets and liabilities, as stated in the Group's financial statements under the applicable accounting framework, is less than EUR15bn.

Table – EU CC2 – Reconciliation of regulatory own funds to balance sheet in the audited financial statements

The below tables provide a comparison between the statement of financial position included in the financial statements and the statement of financial position prepared under the regulatory scope of consolidation, in accordance with the format set out in Annex VII of the Commission Implementing Regulation (EU) 2021/637. References in the last column of the tables provide the mapping of items of the statement of financial position under the regulatory scope of consolidation used to calculate regulatory capital.

31 December 2025		a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		€	€	
Assets				
1	Cash and balances with Central Bank	264.552.100	264.552.100	
2	Placements with banks	7.511.173	7.649.360	f.
3	Loans and advances to customers	303.063.478	304.397.113	g.
4	Investments at fair value through other comprehensive income	140.475	140.475	
5	Investments at amortised cost	308.005.248	308.005.248	
6	Other assets	2.940.974	2.941.109	a.
7	Deferred tax asset	220.764	220.764	
8	Property and equipment	4.712.394	4.712.394	
9	Intangible assets	1.392.168	-	b.
10	**Total assets**	**892.538.774**	**892.618.563**	a.&b.&f.&g.
Liabilities				
1	Customer deposits	817.070.551	817.070.551	
2	Other borrowings	1.733.216	1.733.216	
3	Lease liabilities	499.517	499.517	
4	Provisions and other liabilities	5.193.561	6.718.158	c.
5	**Total liabilities**	**824.496.845**	**826.021.442**	

Equity				
1	Share capital	150.922	150.922	
2	Share premium	50.148.942	50.148.942	
3	Revaluation reserve	40.680		d.
4	Other reserve	1.463.108	1.463.108	
5	Retained earnings	11.238.277	9.834.148	b. & e.
6	Other equity instruments	5.000.000	5.000.000	
7	Non-controlling interest	-	-	
8	**Total shareholders' equity**	**68.041.929**	**66.597.120**	
Total liabilities and equity		**892.538.774**	**892.618.563**	

31 December 2024		a Balance sheet as in published financial statements €	b Under regulatory scope of consolidation €	c Reference
Assets				
1	Cash and balances with Central Bank	334.131.275	334.131.275	
2	Placements with banks	7.885.771	12.274.192	f.
3	Loans and advances to customers	315.165.890	316.307.393	g.
4	Investments at fair value through other comprehensive income	120.600	120.600	
5	Investments at amortised cost	146.775.173	146.775.173	
6	Other assets	3.616.830	3.515.525	a.
7	Deferred tax asset	235.413	235.413	
8	Property and equipment	5.131.343	5.131.344	
9	Intangible assets	1.474.227		b.
10	**Total assets**	**814.536.522**	**818.490.915**	
Liabilities				
1	Customer deposits	742.602.307	742.602.307	
2	Other borrowings	2.879.719	2.879.719	
3	Lease liabilities	553.026	553.026	
4	Provisions and other liabilities	6.298.700	11.715.836	c.
5	**Total liabilities**	**752.333.752**	**757.786.888**	
Equity				
1	Share capital	150.922	150.922	
2	Share premium	50.148.942	50.148.942	
3	Revaluation reserve	20.805	-	d.
4	Other reserve	1.463.109	1.463.109	
5	Retained earnings	5.418.993	3.941.055	b. and e.
6	Other equity instruments	5.000.000	5.000.000	
7	Non-controlling interest	0	0	

8	**Total shareholders' equity**	**62.202.770**	**60.704.027**	
Total liabilities and equity		**814.536.522**	**818.490.915**	

Notes

1. References provide the mapping of items of the statement of financial position prepared under the regulatory scope of consolidation used to calculate regulatory capital as reflected in the column "References" in Table "EU CC1 – Reconciliation of regulatory own funds to balance sheet in the audited financial statements".
2. Own funds is the result of regulatory capital after the deduction of retained earnings and other intangibles. Other intangibles refer mainly to software programs. The Group deducts from CET1 capital intangible assets in accordance with Article 36 of the CRR. Intangible assets, which include mainly computer software were deducted from CET1 capital. The amount deducted in 2025 and 2024 is reported within the 'Intangible assets' line in the tables above. The 'items not subject to capital requirements or subject to deduction from capital' comprise of intangible assets deductible from CET1 capital as per Article 36(i)(b) of the CRR (reference b.).
3. Differences in other assets and Placements with banks (references a. and f.) mainly arise due to different treatment between Financial Statements and regulatory capital calculations in netting-off of negative balances with their respective positive balance.
4. The Tables above outline a comparison between the basis for accounting and prudential purposes. Any differences between the carrying values reported in the published Financial Statements and the carrying values under the scope of regulatory purposes may exist due to the different basis for prudential purposes (e.g. intangible assets and adjustments to CET1 due to prudential filters), which form the basis for the calculation of the regulatory capital requirements (references a., b., d. and e.).
5. Under liabilities, balances shown in column 'Not subject to capital requirements or subject to deduction from capital' are balancing amounts in order for 'Carrying values under scope of regulatory consolidation' to agree to the sum of those in columns relating to the regulatory framework (reference c.). They mainly arise due to different treatment between Financial Statements and regulatory capital calculations in netting-off of negative balances with their respective positive balances.
6. Differences in Loans & Advances to customers (reference g.) mainly arise due to different treatment between Financial Statements and regulatory capital calculations due to netting-off of the Interest Rate adjustment and accounting modification adjustments as a result of commercial renegotiations.
7. During 2020 and 2021 the company issued redeemable notes of total nominal value €12.500.000 which were fully subscribed by the Company's existing shareholders. As these represented transactions with shareholders in their capacity as equity holders, the fair value of the redeemable notes at initial recognition was estimated by management and any gain or losses were recognised directly through equity resulting to the amount 1.463.108 being reported as "Other reserves". The redeemable notes were fully redeemed during 2022.

5. CAPITAL REQUIREMENTS

The Group has prepared and submitted its latest ICAAP / ILAAP reports with reference date the year end 2025.

The Bank has received its latest SREP communication in June 2025 which noted that the CBC has conducted the SREP of the Bank for 2024 with a reference date of 31 December 2024, following the submission of the Bank's ICAAP report of Ancoria Bank Limited and Ancoria Investments plc 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 4% (2024: 3,61%), amending the Total Capital Ratio requirement to 14,5% without Pillar 2 Capital Guidance and to 15,5% 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 ("CBC") increased the countercyclical buffer rate for authorised credit institutions operating in the Republic from 0% to 0.5%, with the requirement to be met as of 30 November 2023. Subsequently, the CBC communicated that the countercyclical buffer would further increase by 0.5% from 2 June 2024, raising the Bank's total capital requirement to 16.5%. In January 2025, the CBC, in line with its macroprudential policy, decided to increase the countercyclical buffer rate from 1.0% to 1.5% of the Bank's total risk exposure amount in Cyprus, effective from January 2026.

In March 2026, the Bank received notification from the Head of the Resolution Department of the Central Bank of Cyprus of a revised MREL target. As per the notification, the final MREL requirement was set at a level of an additional 6% of Risk Weighted assets over and above the total SREP capital requirement at the time and 5,63% of Leverage Ratio Exposure (LRE) (as defined in the CRR). As a result, the total MREL requirement of the Bank is set at 23% (including Pillar 2 Capital Guidance) with a transitional period until 31 December 2027. The Bank as at 31 December 2025 and as at the date of issuance of the financial statements was in compliance with the above requirements with substantial buffers on both a standalone and on a consolidated basis.

The Board of Directors is intensifying its efforts to develop the operations of the Group in a manner consistent with the expectations of its stakeholders and regulators. As part of these efforts, amongst others, it has approved the revised 3-year business plan which will allow the Group to fulfil its business objectives and maintain profitability.

The Group's regulatory capital as at 31 December 2025, is calculated in accordance with the provisions of the CRR.

The Group is comfortably above regulatory capital ratio minima. Nevertheless, it monitors its capital position on a regular basis taking into consideration its business model, the macro-economic environment and the regulatory environment.

Table – EU OV1 – Overview of total risk exposure amounts

2025		a	b	c
		Total risk exposure amounts (TREA)		Total own funds requirements
		31/12/2025	31/12/2024	31/12/2025
		€	€	€
1	Credit risk (excluding CCR)	167.441.839	207.957.162	13.395.347
2	Of which the standardised approach	167.441.839	207.957.162	13.395.347
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which: slotting approach	-	-	-
EU 4a	Of which: equities under the simple risk weighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	Counterparty credit risk - CCR	-	-	-
7	Of which the standardised approach	-	-	-
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	-	-	-
9	Of which other CCR	-	-	-
10	Credit valuation adjustments risk - CVA risk	-	-	-
EU 10a	Of which the standardised approach (SA)	-	-	-
EU 10b	Of which the basic approach (F-BA and R-BA)	-	-	-
EU 10c	Of which the simplified approach	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	-	-	-
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	-	-	-
EU 19a	Of which 1250%/deductions	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	-	-	-
21	Of which the Alternative standardised approach (A-SA)	-	-	-
EU 21a	Of which the Simplified standardised approach (S-SA)	-	-	-
22	Of which the Alternative Internal Models Approach (A-IMA)	-	-	-
EU 22a	Large exposures	-	-	-
23	Reclassifications between the trading and non-trading books	-		-
24	Operational risk	31.970.625	34.022.544	2.557.650

EU 24a	Exposures to crypto-assets	-		-
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	220.764	235.413	17.661
26	Output floor applied (%)	0,00%		
27	Floor adjustment (before application of transitional cap)	-		
28	Floor adjustment (after application of transitional cap)	-		
29	**Total**	**199.412.465**	**241.979.706**	**15.952.997**

Notes

1. Most 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 implementation of CRR III had a neutral effect on RWAs. This was primarily driven by a reduction in Operational Risk RWAs which was counteracted by an increase in credit risk RWAs.
2. The Bank has applied the Standardised Approach to calculate the Risk Weighted Assets (RWAs) for Credit Risk and Operational Risk. Following the implementation of CRRIII, the total capital requirement decreased in 2025 (€15.9 million) in comparison to 2024 (€19.4 million) with the main driver being the decrease in credit risk RWAs mainly as a result of the reduction in loans and advances and a shift of the portfolio mixture to less capital consuming exposures both in loans and advances and investments. Despite the growth in the balance sheet size and operational income, the capital requirement of operational risk decreased to a lesser extent as a result of the CRRIII introduction.
3. In the above tables “Amounts below the thresholds for deduction” (subject to 250% risk weight) relate to the deferred tax asset recognised due to temporary tax differences. The deferred tax asset was below the thresholds set by CRR III regarding deduction from capital and thus was subject to 250% risk weight according to CRR III.

6. CREDIT RISK – EU CRA

6.1. Credit Risk Definition

Credit risk is the risk arising from the uncertainty of a borrower's ability to perform their contractual obligations. Credit risk could arise from both on-balance sheet and off-balance sheet transactions. The Group is exposed to credit risk from diverse financial instruments, primarily from credit facilities, treasury products (placements with Banks and Securities), trade finance products and acceptances, commitments and guarantees.

Credit Risk is considered to be the one of the most significant risks for the Group and is adequately and closely monitored. The Group's business model assumes credit risk-taking primarily in its core activity of lending. Before granting any credit the Group 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.

6.2. Credit Risk Management procedures

The Group, through its Subsidiary, 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 seeks to achieve an appropriate balance between risk and reward. This is not done by avoiding credit risk exposure, but by managing the risk the Bank has chosen to take so that potential credit losses are mitigated. To achieve that, the Bank adopts a well-rounded approach to assessing credit risk and ensures that credit risk management is part of an integrated approach to the management of all financial risks and has a clearly defined process as regards the credit cycle.

Risk Management Function

The Bank's Risk Management Function (the "RMF"):

- 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
- recommends establishing and developing credit policies and procedures based on European and local directives, regulations, and guidelines, best practices performed internationally, and adjusts internal policies and procedures as appropriate
- contributes to setting 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
- is responsible for setting, with the collaboration of the Organisations and Methods (the "O&M") department, appropriate procedures for the management of credit risk
- sets limits and principles of financing and assesses the new banking products and new banking activities of the Bank.

Credit granting Organizational framework, policies and procedures

Regarding the loan origination process, the Bank has written and published policies and procedures 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. Segregation of duties is present throughout the process as relationship officers prepare applications and provide an opinion but cannot approve a credit facility. 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. The Bank utilises internally developed credit scoring models as part of its lending procedures.

Credit risk monitoring and reporting
The Bank prepares all reports relating to the control 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 CBC are sent on a monthly, quarterly, semi-annual and annual basis according to each report's requirements and results are cross-checked prior to submission.

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.

The relevant policy has been formulated to provide all stakeholders with a comprehensive understanding of how 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 this 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.

The Bank established an independent, centralised Arrears Management Unit ('AMU') specialising in the various categories of credit facilities with a view to effectively monitor arrears and troubled cases, as well as restructurings of borrowers in financial difficulties.

Credit Sanctioning Department
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 in terms of customers' repayment ability, solvency, credibility and sufficient securitization. In cases of facilities that seek approval from a Committee, these need to go through Credit Sanctioning. Credit Sanctioning issues the approval/rejection decisions together with the various terms/covenants imposed. In case these terms are amended following renegotiation with the client, then Credit Sanctioning should issue the "final approval" document that should include all terms. In cases of facilities that seek approval from a Committee, they need to be submitted for comments to the RMF, after they go through Credit Sanctioning. The Credit Granting Authorities and the relevant exposure limits are approved by the Board and are published through a relevant circular issued by the Bank.

Approving authorities
The Bank has in place Credit Granting Approving Limits and Approving Authorities, differentiated depending on the status of the clients, the customer type and the size of the exposure. All cases exceeding specific exposure thresholds should be accompanied with Credit Sanctioning Department's and Risk Management Function's opinions when reviewed.

As a third line of defence, the Internal Audit function performs audits of the loan origination process for the entire portfolio on a sample-selection basis.

6.3. Measures and credit limits

The Group, recognizing that credit risk is its most material risk, has formulated credit policies and a credit strategy which aim to achieve the following:

- To avoid large concentrations of credit exposures to a number of industries / sectors / currency / single customer/ nature of collateral.
- To avoid large unsecured exposures to groups of connected customers.
- To monitor the exposures on a connected client basis.
- To implement sound procedures and controls for the assessment and granting of credit facilities.
- To implement sound procedures for the monitoring and reporting of customer exposures.

Counterparty Credit Risk ('CCR')
Counterparty credit risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows (CRR Article 272) in relation to specific type of transactions that

include repurchase agreements, securities or commodities lending or borrowing, long settlement transactions, derivatives and margin lending transactions. As at 31 December 2025 the Group did not have any outstanding repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions, margin lending transactions or derivative instruments transactions, and thus no CCR.

Credit risk concentration
According to the (CRR Article 392), a large exposure is defined as the Group'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 Group's eligible capital, after taking into account the effect of credit risk mitigation (according to the CRR Article 395). Throughout the year, the Group has always been in compliance with the applicable limit.

Collateral and other credit enhancements
The credit decision is primarily based on the creditworthiness and repayment ability of the borrower, but collateral and guarantees offered as credit risk mitigation techniques are also of significance. It is emphasised, however, that collateral cannot be a substitute for a comprehensive assessment of the borrower or counterparty, nor can it compensate for insufficient information.

When accepting guarantees for credit facilities, the Group evaluates the level of coverage being provided as per the credit quality, legal capacity and strength of the guarantor. The Group ensures the enforceability of guarantee agreements and is careful when making assumptions about implied support from third parties.

The Group has relevant and clear policies and procedures for:
- Accepting different types of collateral.
- Classifying collateral.
- Regularly monitoring and assessing collateral values.
- Ensuring that collateral is legally enforceable, adequate and realisable.
- Identifying and managing any concentrations arising from collateral.

The recoverable amount of a collateral is the realisable amount of the collateral which can be recovered in case of legal enforcement or liquidation of that collateral, which reflects the collateral amount on the legal documents plus interest and other expenses. This depends on the market value or security amount of the collateral based on the CBC directive.

Securities act as a credit risk mitigation measure in the case of customer default. In other words, credit facilities are collateralised as a safety net in case of future adverse deviations in the servicing ability of borrowers. Collaterals are classified into the following categories:
- Own collateral – i.e. belonging to the respective borrower
- Third Party collateral – i.e. belonging to a third party and to not the respective borrower

Collaterals should cover either specific facilities of the customer or all the facilities of a customer with the owner providing their consent accordingly. All types of collaterals can be required and used for all the different types of credit facilities offered by the Group. Collaterals may take the form of either tangible or non-tangible security. Tangible security are all types of collateral where the Group can assign recoverable value as per CBC directives (e.g. mortgage on real estate property, cash, Bank guarantees, etc.) whereas non-tangible security refers to collateral without physical existence where the Bank cannot assign a recoverable value (e.g. personal / corporate guarantees, term insurance policies, etc.).

As at 31 December 2025, the main types of collateral obtained by the Group consisted of:
- Legal Pledge of Cash Deposit – Cash Collateral
- Mortgages – Legal Charge on Property
- Guarantees (e.g. Personal, Corporate, Government, Bank Guarantees)
- Fixed Charges
- Floating Charges on company assets
- Assignment of Life Insurance Policies
- Assignment of General Insurance Policies
- Pledge on marketable securities (shares, debt securities, etc.)

6.4. Application of the standardized approach

The Group has adopted the Standardised Approach in accordance with the requirements laid down in Articles 111-134 of the CRR for the calculation of the minimum capital against credit risk. Under this approach, exposures are classified in specified classes and are weighted using specific weights, depending on the class the exposures belong to, their credit rating and other criteria.

Template EU OV1 – Overview of total risk exposure amounts, in Section 5, shows details of the risk weighted assets broken down in the different types of risk.

6.5. Nominated ECAI's

For the purposes of applying the Standardized Approach, the Group complies with the standard assignment of external ratings of nominated External Credit Assessment Institutions (ECAIs) which are recognized by the CBC.

For all asset classes, the Group adopts the three ratings approach as this is prescribed under Article 138 of CRR.

6.6. Credit Risk mitigation techniques (CRM)

According to the directive, there are two methods for the recognition of collateral, the Simple Approach and the Comprehensive Approach. The Group has applied the Comprehensive Approach, as this enables the fairer recognition and more accurate estimation of the Group's capital.

6.7. Countercyclical Capital Buffer

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 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.

As set out in Article 130(1) of Directive 2013/36/EU, the Group's specific countercyclical capital buffer consists of the weighted average of the countercyclical buffer rates (CcyB) that apply in the countries where the relevant credit exposures are located. The Group's specific countercyclical capital buffer as at 31 December 2025 has been found to be 1.03%, given that the majority of the exposures are in Cyprus.

The Bank, as at 31 December 2025, was in compliance with the above requirements with adequate buffers on both a standalone and a consolidated basis.

6.8. Risk of impairment

Measurement of exposures

Financial instruments at fair value through profit or loss ('FVTPL') are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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.

Measurement categories
The Group classifies its financial assets at amortised cost ('AC'), fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVTPL').

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.

The classification and subsequent measurement of debt financial assets depends on: i) the Group's business model for managing the related assets portfolio and ii) the cash flow characteristics of the asset ('SPPI').

Business model assessment
The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows") or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the financial assets are managed together to achieve a particular business objective and information is provided to management. The Group's business model assessment determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassesses its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Group has not identified a change in its business models.

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 Group 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 Group 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 Group considers:

- contingent events that would change the amount or timing of cash flows,
- interest rates which are beyond the control of the Group or variable interest rate consideration,
- features that could modify the time value of money,
- prepayment and extension features,
- terms that limit the Group'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.

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 Group reclassifying financial assets. The Group does not restate any previously recognised gains, losses (including impairment gains or losses) or interest.

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

Impairment of financial assets methodology
The Group 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 Group 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 Group'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 Group applies the three stage approach for impairment, based on changes in credit quality since initial recognition.

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

Stage 1: Financial assets which have not had a significant increase in credit risk since initial recognition are considered to be Stage 1 and 12-month ECL 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 below on how the Group 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 Group only recognises the cumulative changes in lifetime ECLs since initial recognition.

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

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 and for financial instruments other than loans and advances to customers
The Group 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 deterioration in credit score for loans and advances, and deterioration of external credit rating for debt securities and placements with banks.

Write-off
Financial assets are written-off, in whole or in part, when the Group has 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 Group assesses the need for write-off on a case by case basis. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, but for which there is no reasonable expectation of recovery.

Non-performing exposures (Exposures in default)
Exposures that meet the non-performing exposures ('NPE') definition in accordance with the European Banking Authority's ('EBA') technical standards are considered to be in default and for this reason classified under Stage 3 (credit-impaired). The expected credit losses ('ECL') of these credit facilities are calculated on a lifetime basis.

On 31 December 2025, an amount of €11.091.833 (2024: €5.875.830) was classified by the Group as NPE for its on balance sheet exposures. NPEs are defined as all those exposures towards an obligor, when any of the following events has occurred:

a) the obligor is assessed as unlikely to pay (UTP) its credit obligations in full without realisation of collateral, regardless of the existence of any past due amount or of the number of days past due
b) the obligor has material credit obligations past due on a continuous basis, more than 90 regulatory days past due
c) a distressed restructuring resulting in a diminished financial obligation higher than the specified threshold of 1%
d) Performing forborne exposures under probation for which additional forbearance measures are extended
e) Performing forborne exposures under probation that present more than 30 days past due within the probation period
f) 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.

In the case of retail exposures, the Group 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 the purposes of application of the above, the joint accounts are aggregated with the personal accounts.

Materiality threshold

According to EU Regulation 575/2013 Article 178, reasonable materiality thresholds of credit obligations past due shall be defined by national competent authorities. The Central Bank of Cyprus (‘CBC’) has issued a Directive on Supervisory Reporting on Forbearance and Non-Performing Exposures of 2020 stating the following materiality thresholds:

a) The sum of all amounts past due owed by the obligor equals:
   i. 100 EUR – for Retail Exposures
   ii. 500 EUR – for exposures other than retail exposures AND

b) Sum of all amounts past due owed by the obligor equals to 1% of all on-balance-sheet exposures to that obligor

Where definition of default for retail exposures is at the level of an individual credit facility, which is the case for the Group, the threshold mentioned above should apply at the level of the individual credit facility granted to the obligor and not to all of the on-balance sheet exposures to the obligor.

Forborne exposures

On 31 December 2025, €458.536 (2024: €2.867.920) were classified as performing forborne exposures and €1.473.536 (2024: €1.466.268) were classified as non-performing forborne exposures, totalling to €1.932.072 (2024: €4.334.188).

Credit quality of forborne exposures

The table **EU CQ1** below presents the gross carrying amount, the related accumulated impairment, accumulated changes in fair value due to credit risk and provisions, and the collateral and financial guarantees received, of forborne exposures, broken down by exposure class.

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 financial difficulties in meeting its financial commitments. The definition of forborne exposures is consistent with the EBA Guidelines on Forborne and Non-Performing Exposures.

31-Dec-25		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**		**Collateral received and financial guarantees received on forborne exposures**	
		Performing forborne	**Non-performing forborne**			**On performing forborne exposures**	**On non-performing forborne exposures**		**Of which collateral and financial guarantees received on non-performing exposures with forbearance measures**
				Of which defaulted	**Of which impaired**				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	458.536	1.473.536	1.473.536	1.473.536	-	(24,151)	2.033.851	1.573.175
020	*Central banks*	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	458.536	1.256.565	1.256.565	1.256.565	-	(16,187)	1.827.600	1.366.924
070	*Households*	-	216.971	216.971	216.971	-	(7,964)	206.251	206.251
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given								
100	***Total***	**458.536**	**1.473.536**	**1.473.536**	**1.473.536**		**(24,151)**	**2.033.851**	**1.573.175**

31-Dec-24		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	2.867.920	1.466.268	1.466.268	1.466.268	(869)	(93,009)	4.389.094	1.510.876
020	*Central banks*	-	-	-	-	-	-	-	-
030	*General governments*	-	-	-	-	-	-	-	-
040	*Credit institutions*	-	-	-	-	-	-	-	-
050	*Other financial corporations*	-	-	-	-	-	-	-	-
060	*Non-financial corporations*	2.876.021	1.416.067	1.416.067	1.416.067	(860)	(84.591)	4.350.082	1.471.864
070	*Households*	899	50.201	50.201	50.201	(9)	(8.418)	39.012	39.012
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	9.151	-	-	-	-	-	9.151	-
100	***Total***	**2.877.071**	**1.466.268**	**1.466.268**	**1.466.268**	**(869)**	**(93.009)**	**4.398.245**	**1.510.876**

Performing and non-performing exposures and related provisions
The tables **EU CR1** presents the gross carrying amount and related impairments and valuation adjustments, accumulated partial write-off, and collateral and financial guarantees received, for both performing and non-performing exposures, with a breakdown by portfolio and exposure class.

31-Dec-25		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**						**Accumulated partial write-off**	**Collateral and financial guarantees received**	
		Performing exposures			**Non-performing exposures**			**Performing exposures – accumulated impairment and provisions**			**Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**				**On performing exposures**	**On non-performing exposures**
			Of which stage 1	**Of which stage 2**		**Of which stage 2**	**Of which stage 3**		**Of which stage 1**	**Of which stage 2**		**Of which stage 2**	**Of which stage 3**			
005	**Cash balances at central banks and other demand deposits**	266.142.355	266.142.355	-	-	-	-	-	-	-	-	-	-	-	-	-
010	**Loans and advances**	294.203.322	273.921.051	20.282.271	11.091.832	-	9.816.100	(1.060.656)	(735.631)	(325.025)	(770.659)	-	(748.150)	-	263.128.191	10.465.903
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	2	-	2	-	-	-	-	-	-	-	-	-	-	-	-
040	Credit institutions	400.361	400.361	-	-	-	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	11.342.390	9.992.276	1.350.114	-	-	-	(47.183)	(47.172)	(11)	-	-	-	-	10.429.392	-
060	Non-financial corporations	112.198.297	95.608.164	16.590.133	9.220.112	-	7.948.470	(696.361)	(411.682)	(284.679)	(354.453)	-	(335.261)	-	97.284.775	9.010.389
070	Of which SMEs	110.215.047	95.608.164	14.606.883	8.126.466	-	6.854.824	(519.872)	(411.682)	(108.190)	(286.471)	-	(267.279)	-	95.542.550	9.010.389
080	Households	170.262.272	167.920.250	2.342.022	1.871.720	-	1.867.630	(317.112)	(276.777)	(40.335)	(416.206)	-	(412.889)	-	155.414.024	1.455.514
090	**Debt securities**	308.049.899	308.049.899	-	-	-	-	(44.651)	(44.651)	-	-	-	-	-	-	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	273.243.471	273.243.471	-	-	-	-	(35.309)	(35.309)	-	-	-	-	-	-	-
120	Credit institutions	26.332.890	26.332.890	-	-	-	-	(6.403)	(6.403)	-	-	-	-	-	-	-
130	Other financial corporations	5.717.310	5.717.310	-	-	-	-	(795)	(795)	-	-	-	-	-	-	-
140	Non-financial corporations	2.756.228	2.756.228	-	-	-	-	(2.144)	(2.144)	-	-	-	-	-	-	-

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
150	**Off-balance sheet exposures**	52.077.216	50.600.844	1.476.372	152.679	-	152.679	(366.452)	(325.755)	(40.697)	(3.349)	-	(3.349)		35.344.232	143.528
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-		-	-
170	General governments	-	-	-	-	-	-	-	-	-	-	-	-		-	-
180	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-		-	-
190	Other financial corporations	684.585	684.585	-	-	-	-	(11.973)	(11.973)	-	-	-	-		380.919	-
200	Non-financial corporations	30.300.760	28.971.409	1.329.35 1	71.115	-	71.115	(334.372)	(294.492)	(39.880)	(2.634)	-	(2.634)		18.677.947	63.866
210	Households	21.091.871	20.944.850	147.021	81.564	-	81.564	(20.107)	(19.290)	(817)	(715)	-	(715)		16.285.366	79.662
220	**Total**	**920.472.792**	**898.714.149**	**21.758.643**	**11.244.511**	**-**	**9.968.779**	**(1.471.759)**	**(1.106.037)**	**(365.722)**	**(774.008)**	**-**	**(751.499)**	**-**	**298.472.423**	**10.609.431**

31-Dec-24		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**						**Accumulated partial write-off**	**Collateral and financial guarantees received**	
		Performing exposures			**Non-performing exposures**			**Performing exposures – accumulated impairment and provisions**			**Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**				**On performing exposures**	**On non-performing exposures**
			Of which stage 1	**Of which stage 2**		**Of which stage 2**	**Of which stage 3**		**Of which stage 1**	**Of which stage 2**		**Of which stage 2**	**Of which stage 3**			
005	**Cash balances at central banks and other demand deposits**	336.247.585	336.247.585	-	-	-	-	-	-	-	-	-	-	-	-	-
010	**Loans and advances**	311.555.346	280.118.398	31.436.948	5.875.830	0	4.459.763	(1.508.147)	(1.259.051)	(249.095)	(757.140)	0	(672.549)	-	306.866.848	5.234.620
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	11	-	11	-	-	-	(1)	-	(1)	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	8.159.812	8.158.146	1.666	-	-	-	(88.925)	(88.800)	(125)	-	-	-	-	7.612.739	-
060	Non-financial corporations	127.205.126	105.596.205	21.608.920	4.370.640	-	2.814.185	(919.067)	(719.433)	(199.633)	(419.797)	-	(335.205)	-	126.286.059	3.950.621

070	Of which SMEs	125.322.413	103.713.507	21.608.905	4.370.640	-	2.814.185	(816.897)	(617.265)	(199.633)	(419.797)	-	(335.205)	-	124.505.529	3.950.621
080	Households	176.190.397	166.364.047	9.826.531	1.505.190	-	1.645.578	(500.154)	(450.818)	(49.336)	(337.343)	-	(337.344)	-	172.968.050	1.283.999
090	**Debt securities**	146.808.586	146.808.586	-	-	-	-	(33.413)	(33.413)	-	-	-	-	-	-	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	101.593.583	101.593.583	-	-	-	-	(20.049)	(20.049)	-	-	-	-	-	-	-
120	Credit institutions	36.714.383	36.714.383	-	-	-	-	(10.350)	(10.350)	-	-	-	-	-	-	-
130	Other financial corporations	5.726.015	5.726.015	-	-	-	-	(1.378)	(1.378)	-	-	-	-	-	-	-
140	Non-financial corporations	2.774.605	2.774.605	-	-	-	-	(1.636)	(1.636)	-	-	-	-	-	-	-
150	**Off-balance sheet exposures**	47.412.803	46.059.546	1.353.258	108.971	-	108.971	(341.743)	(333.204)	(8.539)	-	-	-		32.300.735	138.280
160	Central banks	-	-	-	-	-	-	-	-	-	-	--			-	-
170	General governments	-	-	-	-	-	-	-	-	-	-	-			-	-
180	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-		-	-
190	Other financial corporations	321.272	321.272	-	-	-	-	(15.775)	(15.775)	-	-	-	-		20.710	-
200	Non-financial corporations	35.526.305	34.281.311	1.244.994	29.309	-	29.309	(310.307)	(302.033)	(8.274)	-	-	-		23.389.755	58.618
210	Households	11.565.226	11.456.963	108.264	79.662	-	79.662	(15.661)	(15.396)	(265)	-	-	-		8.890.270	79.662
220	**Total**	**842.024.320**	**809.234.115**	**32.790.206**	**5.984.801**	-	**4.568.734**	**(1.883.303)**	**(1.625.668)**	**(257.634)**	**(757.140)**	-	**(672.549)**	**-**	**339.167.583**	**5.372.900**

Credit quality of performing and non-performing exposures by past due days

The tables **EU CQ3** provides an overview of credit quality of performing and non-performing exposures, including a further breakdown of past-due exposures by the number of days that they have been past due

31-Dec-25		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			**Non-performing exposures**								
			Not past due or past due ≤ 30 days	**Past due > 30 days ≤ 90 days**		**Unlikely to pay that are not past due or are past due ≤ 90 days**	**Past due > 90 days ≤ 180 days**	**Past due > 180 days ≤ 1 year**	**Past due > 1 year ≤ 2 years**	**Past due > 2 years ≤ 5 years**	**Past due > 5 years ≤ 7 years**	**Past due > 7 years**	**Of which defaulted**
005	**Cash balances at central banks and other demand deposits**	266.142.355	266.142.355	-	-	-	-	-	-	-	-	-	-
010	**Loans and advances**	294.203.322	294.163.850	39.472	11.091.832	6.269.111	3.151.140	12.290	1.066.488	311.770	278.480	2.553	11.091.832
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	2	-	2	-	-	-	-	-	-	-	-	-
040	Credit institutions	400.361	400.361	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	11.342.390	11.342.352	38	-	-	-	-	-	-	-	-	-
060	Non-financial corporations	112.198.297	112.196.362	1.935	9.220.112	5.808.160	3.145.099	6.483	-	231	260.139	-	9.220.112
070	Of which SMEs	110.215.047	110.213.112	1.935	8.126.466	4.714.514	3.145.099	6.483	-	231	260.139		8.126.466
080	Households	170.262.272	170.224.775	37.497	1.871.720	460.951	6.041	5.807	1.066.488	311.539	18.341	2.553	1.871.720
090	**Debt securities**	308.049.899	308.049.899	-	-	-	-	-	-	-	-	-	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	273.243.471	273.243.471	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	26.332.890	26.332.890	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	5.717.310	5.717.310	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	2.756.228	2.756.228	-	-	-	-	-	-	-	-	-	-
150	**Off-balance sheet exposures**	52.077.216			152.679								152.679
160	Central banks	-			-								-
170	General governments	-			-								-
180	Credit institutions	-			-								-
190	Other financial corporations	684.585			-								-
200	Non-financial corporations	30.300.760			71.115								71.115
210	Households	21.091.871			81.564								81.564
220	**Total**	**920.472.792**	**868.356.104**	**39.472**	**11.244.511**	**6.269.111**	**3.151.140**	**12.290**	**1.066.488**	**311.770**	**278.480**	**2.553**	**11.244.511**

31-Dec-24		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	**Cash balances at central banks and other demand deposits**	336.247.585	336.247.585	-	-	-	-	-	-	-	-	-	-
010	**Loans and advances**	311.511.346	310.508.641	1.046.705	5.875.830	4.246.068	531.649	483.716	302.541	291.197	20.659	-	5.875.830
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	11	11	-	-	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	8.159.812	8.159.324	488	-	-	-	-	-	-	-	-	-
060	Non-financial corporations	127.205.126	126.864.764	340.362	4.370.640	4.100.653	-	-	237	269.987	-	-	4.370.640
070	Of which SMEs	*125.322.413*	*124.982.051*	*340.362*	*4.370.640*	*4.100.653*	-	-	*237*	*269.987*	-	-	*4.370.640*
080	Households	176.190.397	175.484.542	705.855	1.505.190	145.415	531.649	483.716	302.541	21.210	20.659	-	1.505.190
090	**Debt securities**	146.808.586	146.808.586	-	-	-	-	-	-	-	-	-	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	101.593.583	101.593.583	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	36.714.383	36.714.383	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	5.726.015	5.726.015	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	2.774.605	2.774.605	-	-	-	-	-	-	-	-	-	-
150	**Off-balance sheet exposures**	47.412.803			108.971								108.971
160	Central banks	-			-								-
170	General governments	-			-								-
180	Credit institutions	-			-								-
190	Other financial corporations	321.272			-								-
200	Non-financial corporations	35.526.305			29.309								29.309
210	Households	11.565.226			79.662								79.662
220	**Total**	**842.024.320**	**793.564.812**	**1.046.705**	**5.984.801**	**4.246.068**	**531.649**	**483.716**	**302.541**	**291.197**	**20.659**	**-**	**5.984.801**

7. MARKET RISK – EU MRA

7.1. Definition of Market Risk

Market Risk is defined as the risk of loss resulting from changes in the value of assets and liabilities (including off-balance sheet assets and liabilities) due to fluctuations in risk factors such as interest rates, foreign exchange rates and equity prices and the risk of loss resulting from changes in earnings generated from assets and liabilities. The development of a policy for market risk management is important to ensure the soundness and fitness of the Bank's business. The policy, which outlines the roles and responsibilities for managing Market Risk, is in-line with the Bank's Risk Appetite Statement.

7.2. Monitoring

The Board of Directors approves and periodically reviews the aforementioned Market Risk Management Policy and Risk Appetite Statement. The Risk Committee of the Board of Directors monitors the Market Risk limits during its regular meetings and requests ad hoc reviews whenever deemed necessary, including periods of market turmoil.

The Bank does not hold any market risk capital, as all holdings are accounted for through credit risk capital. This is due to the size of foreign exchange exposures as well as the HTCS portfolio being considered small compared to the Bank's overall portfolio size. Since securities in the HTC portfolio are bought with the intention to be held until maturity, any fluctuation in the market price of the HTC portfolio should not have an impact on the Bank's performance as also supported by their accounting treatment (they are measured at amortised cost). In addition, the Bank does not have a trading book.

The ALCO:
Is responsible to
- Review the implementation of the Market Risk Management Policy.
- Ensure compliance with regulatory as well as internal Market Risk limits.

Treasury:
- Monitors daily and manages the Treasury Portfolios according to the Liquidity Management Policy, Risk Appetite Statement and the Treasury Risk Limits Policy.
- Manages the risk of interest rate mismatch and liquidity.

The Risk Management Function:
- Develops procedures for identifying, measuring, monitoring and controlling market risk in-line with the Risk Appetite Statement of the Bank.
- Proposes risk limits for market risk exposures for review by ALCO and approval by the Board.
- Ensures that the market risk policy is applied and works as intended and
- that effective systems are in place to operate the ongoing administration and monitoring of the various market risk-bearing portfolios and exposures.

The Internal Audit:
- Evaluates and reports on the adequacy and effectiveness of all Market Risk policy practices.

7.3. Foreign 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 assets and liabilities are denominated in a currency that is not the Bank's measurement currency. The Group is exposed to foreign exchange risk arising from various currency exposures. Foreign currency risk is managed by the Bank's Treasury department and monitored by the Risk Management Function. The 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 Group 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 Group does not maintain branches/subsidiaries in a country with a currency other than the reporting currency. In order to limit the Foreign Exchange Risk, relevant limits are in place. The Bank has limited exposure to foreign currency risk as demonstrated In the Table below:

Currency	**31/12/2025**	**31/12/2024**
GBP	17.928	33.213
USD	19.180	(7.261)
Other	42.488	16.766
Total of net Long Positions	**79.596**	**49.979**
Total of net Short Positions	-	(7.261)

Table: Foreign currency exposure

7.4. Interest Rate Risk

Interest rate risk in the banking book represents the current or prospective risk to both the earnings and the economic value of an institution arising from adverse movements in interest rates.

The Bank measures this risk using the standardised approach according to the EBA Draft Regulatory Technical Standards specifying standardised and simplified standardised methodologies to evaluate the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of an institution's non-trading book activities in accordance with 84(5) of Directive 2013/36/EU. This ensures that the Bank's IRRBB exposure is evaluated consistently with regulatory expectations and reflects the potential impact of interest rate shocks on its non-trading book activities.

The four components of interest rate risk are repricing risk, yield curve risk, basis risk and option risk:

- Repricing risk is the risk of loss of net interest income or economic value as a result of timing mismatch in the repricing of assets, liabilities and off-balance sheet items.
- Yield curve risk arises from changes in the slope and the shape of the yield curve.
- Basis risk is the risk of loss of net interest income or economic value as a result of imperfect correlation between different reference rates.
- Option risk arises from options, including embedded options, e.g. early repayment of fixed rate loans or early redemption of fixed rate deposits when market rates change.

The measures used for the monitoring of Interest rate risk are the below:

- Net Interest Income (NII): the effect of interest rate shocks on the projected net interest income over a 12--month horizon, assuming a constant balance sheet.
- Economic Value of Equity (EVE): the change in the net present value of interest rate sensitive instruments over their remaining life resulting from interest rate movements under a set of interest rate scenarios, calculated on a run-off basis. It is a specific form of an Economic Value measure where equity is excluded from the cash flows.

The Bank does not maintain a trading book, therefore all interest rate risk relates to the banking book.

Governance, monitoring and management

The management of interest rate risk is carried out within the governance framework approved by the Board of Directors, which includes limits on the sensitivity of both economic value and net interest income to prescribed regulatory interest rate scenarios. These limits are set with reference to the Bank's Tier 1 capital and are monitored by the Risk Management Function. Any excesses trigger escalation and mitigation actions. Regular reporting is provided to the Asset and Liability Committee (ALCO) and the Board Risk Committee by the Risk Management Function at least on a quarterly basis.

The Treasury function is responsible for the day to day management of interest rate risk and for ensuring that exposures remain within the approved risk appetite and regulatory limits.

The tables below present the impact on the Bank's EVE under the six supervisory interest rate shock scenarios defined in the applicable EBA regulatory framework (ITS 2022/631, EBA/GL/2022/14, EBA/RTS/2022/10 and EBA/RTS/2022/09) for significant currencies. In the Bank's case, euro is the only significant currency.

EU IRRBB1 - Interest rate risks of non-trading book activities

Supervisory Shock Scenarios		a	b	c	d
		Changes of the economic value of equity		**Changes of the net interest income**	
		31 December 2025	**31 December 2024**	**31 December 2025**	**31 December 2024**
		€	**€**	**€**	**€**
1	Parallel Up	(8.287.864)	(10.825.027)	1.143.987	2.215.006
2	Parallel Down	3.756.278	9.293.143	(3.664.607)	(5.384.063)
3	Steepener	(162.000)	(3.787.619)		
4	Flattener	(2.466.329)	1.813.674		
5	Short Rates Down	726.828	(1.057.755)		
6	Short Rates Up	(4.077.099)	(1.205.722)		

Table: interest Rate Risks shocks as at 31 Dec 2025

7.5. Price Risk

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

The Price risk that is borne by an Investment Portfolio hinges on a number of factors, including Equity risk, Interest Rate risk, Commodity risk, FX risk and other macroeconomic and geopolitical risks.

The management of the Hold to Collect ('HTC') and Hold to Collect and Sell ('HTCS') portfolios should be in line with the Risk Appetite Statement and the Risk Management Function should monitor and report any deviation from the approved statements.

The Bank is not exposed to commodity price risk.

Securities that are held under the HTC portfolio are measured at Amortized cost. For this reason, the HTC portfolio is not considered to bear Price Change Risk. However, the HTC portfolio should always be in line with the Treasury Risk Limits Policy, as reviewed by ALCO and approved by the Board of Directors. The set limits which ensure a diversified portfolio are in place and limit the Credit Risk.

The Group is exposed to securities price risk because of investments held by the Bank and classified at fair value through other comprehensive income ('FVOCI'), i.e. the HTCS portfolio. The position relates to the mandatory equity holding of shares of SWIFT.

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 2025 and 2024, considering the immaterial size of equities classified as FVOCI.

7.6. Capital Requirements

The Group has adopted the Standardised Approach for the calculation of the minimum capital requirements for market risk, according to which the minimum capital requirement is estimated by adding together the foreign exchange risk, position risk for debt and equity instruments and commodity risk capital requirements using predefined methodologies. The market risk capital requirement for both 31 December 2025 and 31 December 2024 was €nil.

8. LIQUIDITY RISK

8.1. Definition of Liquidity Risk

The Group defines liquidity risk as the risk that the Group is unable to fully or promptly meet current and future payment obligations as and when they fall due. This risk includes the situation of raising funds at a higher cost or sell assets at a discount in order to be able to satisfy its obligations.

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 Group, through the Bank, has a Liquidity Management Policy and a Treasury Risks Limit Policy in place which are approved by the Board of Directors. Early Warning Levels for regulatory liquidity ratios are also reflected in the Group's Recovery Plan.

8.2. Monitoring Process

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

The Board of Directors reviews and approves the Liquidity Management Policy at regular intervals, ensuring that management has the capacity and resources to effectively implement the Bank's liquidity strategy. The Risk Committee of the Board of Directors monitors the Bank's liquidity position during its regular meetings and requests ad hoc reviews whenever deemed necessary, including periods of liquidity squeeze and/or market turmoil.

The responsibility for effective and prudent liquidity management is delegated to ALCO. ALCO has the responsibility to oversee the implementation of the Liquidity Management Policy and to ensure compliance with regulatory and internal liquidity ratios and benchmarks. Nevertheless, the ultimate responsibility remains with the Board of Directors.

Treasury has the responsibility for the daily monitoring and management of liquidity, in line with the Liquidity Management Policy, the ALCO guidelines and the Treasury Risk Limits Policy. Treasury closely follows market developments, monitors the performance of the Bank's liquidity portfolios, and proposes liquidity strategies to ALCO. The Treasury department monitors cash flows and highly liquid assets on a daily basis, in addition to the supervisory liquidity ratios, to ensure the uninterrupted operation of the Bank's activities.

The Risk Management Function monitors compliance with such internal and regulatory limits including the Risk Appetite Statement limits and enforces an adequate risk framework in order to ensure the quality and diversification of liquid assets. In addition, RMF develops stress test guidelines to facilitate effective stress test analysis. Stress tests are performed as part of ILAAP and the Recovery Plan submitted to the CBC on an annual basis.

Internal Audit evaluates and reports on the adequacy and effectiveness of all liquidity procedures, policies, and practices.

8.3. Regulatory Ratios

The following table demonstrates compliance with European regulatory liquidity ratios (Liquidity Coverage Ratio and Net Stable Funding Ratio).

The Bank maintains a strong liquidity position and appropriate procedures for the Management of liquidity risk. Liquidity is managed by the Treasury Department whereas oversight of liquidity risk is performed by the Risk Management Function and the ALCO.

The liquidity position of the Group as at 31 December 2025, as measured through key regulatory ratios, is set below:

The Group complies with all regulatory ratios and is significantly above regulatory minimums.

Regulatory Liquidity Ratios	Regulatory Requirement	Position as at 31 December 2025
LCR	≥100%	1225%
NSFR	≥100%	325%

Table: Group's Regulatory Liquidity Position as at 31 Dec 2025

Note 33 of the published Financial Statements analyses the main sources of funding.

8.4. Disclosures (tables and templates)

The table below shows a quantitative analysis of LCR which complements Article 435(1f) of CRR in accordance with EBA Guidelines on Liquidity Risk management and LCR Disclosure (i.e. EBA/GL/2017/01). In accordance with these Guidelines, the Bank discloses the LCR disclosure template that is presented below.

	Value (€) / Percentage (%) 2025	**Value (€) / Percentage (%) 2024**
Liquidity buffer	**560.529.315**	**457.886.961**
Net liquidity outflow	**45.766.968**	**35.222.733**
Liquidity coverage ratio (%)	**1225%**	**1300%**
Denominator calculations		
Total Outflows	56.474.430	52.236.547
Reduction for inflows subject to 75% Cap	10.707.462	17.013.814
Net liquidity outflow	**45.766.968**	**35.222.733**

Table EU LIQA Liquidity: Coverage Ratio breakdown

The Group monitors the NSFR, which also stems from CRR. NSFR has been developed to provide a sustainable maturity structure of assets and liabilities. It calculates the proportion of available stable funding over required stable funding for the assets. The minimum requirement of NSFR is 100% and must be calculated as per CRR III requirements on a quarterly basis. NSFR became a regulatory indicator when Capital Requirements Regulation 2 (CRR II) was enforced with the limit set at 100% in June 2021. On 31st December 2025 the Group's NSFR stood at 325% based on CRR III.

31/12/2025	Unweighted value by residual maturity			Weighted value
	< 6 months	≥ 6 months to < 1 year	≥ 1 year	
Available Stable Funding Amounts				
Capital items and instruments	-	-	**66.597.120**	**66.597.120**
Own funds			66.597.120	66.597.120
Other capital instruments	-	-	-	-
Retail deposits	**510.818.446**	**176.123.471**	**13.135.145**	**652.970.099**
Stable deposits	321.950.335	109.794.241	8.272.283	418.429.630
Less stable deposits	188.868.111	66.329.230	4.862.862	234.540.469
Financial customers and central banks	**35.163.494**	**5.151.114**	**1.944.697**	**12.201.678**
Liabilities provided by the ECB or the central bank of a Member State	-	-	-	-
Liabilities provided by financial customers	**35.163.494**	**5.151.114**	**1.944.697**	**12.201.678**
Other non-financial customers (except central banks)	**66.837.527**	**1.776.043**	**4.312.002**	**38.618.787**
Liabilities provided by the central government of a Member State or a third country	130.368	-	-	65.184
Liabilities provided by non-financial corporate customers	66.707.159	1.776.043	4.312.002	38.553.603
Total available stable funding (ASF)				**770.387.684**
Required Stable Funding Amounts				
Total high-quality liquid assets (HQLA)				**1.941.069**

Securities other than liquid assets	**1.505.218**	**1.271.407**	**8.704.107**	**8.786.803**
Non- HQLA securities and exchange traded equities	1.505.218	1.271.407	8.704.107	8.786.803
Loans	**20.296.711**	**20.148.248**	**252.849.359**	**204.224.550**
Other loans and advances to financial customers	5.413.916	163.281	3.887.625	4.510.657
Loans to non-financial customers other than central banks where those loans are assigned a risk weight of 35% or less	6.652.929	6.902.122	146.687.311	102.124.278
Other loans to non-financial customers other than central banks	8.229.866	13.082.845	102.274.423	97.589.615
Other assets	**353.576**	**326.531**	**18.083.793**	**18.763.900**
Off-balance sheet items	**18.682.281**	**1.734.798**	**31.812.815**	**3.012.744**
Total RSF				**236.729.066**
Net Stable Funding Ratio (%)				**325%**

Table: Net Stable Funding Ratio breakdown

31/12/2024	Unweighted value by residual maturity			Weighted value
	< 6 months	≥ 6 months to < 1 year	≥ 1 year	
Available Stable Funding Amounts				
Capital items and instruments	-	-	**60.704.027**	**60.704.027**
Own funds			60.704.027	60.704.027
Other capital instruments	-	-	-	-
Retail deposits	**403.339.986**	**224.636.516**	**12.355.260**	**596.047.209**
Stable deposits	226.676.059	143.585.880	8.792.004	360.540.846
Less stable deposits	176.663.927	81.050.636	3.563.256	235.506.363
Financial customers and central banks	**26.260.511**	**8.040.426**	**1.049.446**	**8.303.276**
Liabilities provided by the ECB or the central bank of a Member State	-	-	-	-
Liabilities provided by financial customers	26.260.511	8.040.426	1.049.446	8.303.276
Other non-financial customers (except central banks)	**59.304.551**	**4.770.725**	**3.882.035**	**35.919.673**
Liabilities provided by the central government of a Member State or a third country	155.909		-	77.955
Liabilities provided by non-financial corporate customers	59.148.642	4.770.725	3.882.035	35.841.719
Total available stable funding (ASF)				**700.974.185**
Required Stable Funding Amounts				
Total high-quality liquid assets (HQLA)				**1.986.649**

Securities other than liquid assets	-	-	23.187.301	**19.709.206**
Non- HQLA securities and exchange traded equities	-	-	23.187.301	19.709.206
Loans	28.558.757	18.431.746	262.889.554	**215.548.234**
Other loans and advances to financial customers	12.274.192	-	468.367	1.695.786
Loans to non-financial customers other than central banks where those loans are assigned a risk weight of 35% or less	6.441.939	6.778.726	132.818.585	92.942.413
Other loans to non-financial customers other than central banks	9.842.626	11.653.020	129.602.602	120.910.035
Other assets	301.265	288.508	18.365.429	**18.955.202**
Off-balance sheet items	18.223.422	2.202.800	27.095.551	**2.801.261**
Total RSF				**259.000.552**
Net Stable Funding Ratio (%)				**271%**

Table: Net Stable Funding Ratio breakdown

9. ENIVIRONMENTAL, SOCIAL and GOVERNANCE (ESG) RISKS

9.1. Overview

In accordance with Article 449a of the Capital Requirements Regulation (CRR), the Bank has considered the requirements relating to the disclosure of ESG risks. The Bank acknowledges the increasing importance of ESG factors as drivers of financial risk and integrates ESG considerations within its overall risk management framework.

For the reference date 31 December 2025, the Bank has adopted a proportionate approach to ESG disclosures, taking into account the evolving regulatory framework and the no action letter issued by the ECB on the application of ESG disclosure requirements.

The Bank is committed to progressively enhancing its ESG risk disclosures in line with future regulatory developments.

9.2. Governance and Risk Management

The management of ESG risks is embedded within the Bank's overall governance structure.

- The Board of Directors retains ultimate responsibility for the oversight of ESG risks and relevant responsibilities have been assigned to the Risk Committee of the Board who receive regular updates.
- ESG risk considerations are incorporated into the Bank's Risk Appetite Framework.
- Senior management is responsible for the implementation of ESG-related policies and procedures.
- ESG risks are considered within existing risk categories, including credit, operational, business, reputational and liquidity risk.
- The Bank has approved a multi-year implementation plan for the integration of climate and environmental risk considerations into its risk management and strategic framework.

9.3. ESG Risk Identification and Assessment

The Bank has initiated the process of identifying and assessing Climate and Environmental risks, focusing on:

- Transition risks arising from regulatory, technological, and market developments associated with the shift to a low-carbon economy
- Physical risks arising from climate-related events on its operations, exposures and collaterals

The assessment is based on sectoral analysis, scientific research and emerging internal methodologies, supported by external expertise where required.

The Bank continues to enhance its methodologies and data capabilities to support more quantitative assessments over time.

9.4. Data, Methodologies and Limitations

The Bank recognises that ESG risk measurement is subject to a number of challenges, including:

- Limited availability and reliability of ESG-related data, particularly for certain counterparties.
- Ongoing development of methodologies for measuring climate-related risks.
- Dependence on external data providers and proxies where direct data is not available.

The Bank is actively working to improve its data infrastructure, including the identification of relevant data sources and the development of internal methodologies. Specifically, the Bank is currently in the process of calculating its financed emissions using the PCAF methodology.

9.5. Future Developments

The Bank is committed to enhancing its ESG risk management and disclosure practices.

In particular work is ongoing to align with the requirements of the EBA Guidelines on the management of ESG risks and other relevant regulatory guidelines.

For the reference date 31 December 2025, the Bank has not fully implemented the ESG disclosure templates as set out in the applicable Implementing Technical Standards.

This approach is consistent with the supervisory communication indicating that the enforcement of ESG disclosure templates for institutions newly brought into scope under CRR III will not be prioritised for this reporting period.

10. OPERATIONAL RISK – EU ORA

10.1 Definition of Operational Risk

Operational risk is defined as the risk of direct or indirect loss resulting from a wide range of factors relating to inadequate or failed internal processes, people and systems, the premises infrastructure, health and safety or from external events such as those resulting from non-compliance of the Bank with relevant Laws and Regulations, including outsourcing to third parties. This definition includes legal, conduct and reputational risk.

The Group 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 the various risks. The management of operational risk is mainly focused on a strong internal control governance framework and is continuously adjusted to incorporate best practices.

Examples of risks monitored as part of operational risk include:
- Human Resources Risk
- Legal and Compliance Risk
- Reputational Risk
- ICT and Security Risk

Further details can be found in the Risk Management Note of the Financial Statements.

10.2 Management of Operational Risk

Operational risk can impact every aspect of the Group's business and can ultimately cause significant losses for its customers, employees and shareholders. The Group pays particular attention to operational risk management practices in all areas of the business process.

The Group, through the Bank, has in place an Operational Risk Management Policy and the main roles and responsibilities are outlined below:

The Board of Directors:
- Approves the relevant policy and is made aware through the Board Risk Committee, of the major aspects of the Bank's operational risks.

The Board of Directors Risk Committee:
- Periodically reviews the relevant policy and risk appetite.
- Provides clear guidance to senior management regarding the policy's principles.
- Is responsible for monitoring and recommending appropriate mitigation strategies for managing key operational risks and issues.
- Establishes a strong internal control framework, promoting sound risk management practices and ensuring quick responses to changing conditions.
- Ensures that recommended mitigation strategies are appropriately executed by the RMF.
- Regularly monitors operational risk losses and establishes written procedures for appropriate mitigation and control measures.

The Internal Audit Function independently reviews the Bank's operational risk management policy and ensures that it is implemented.

The Risk Management Function is responsible to monitor operational risk and the effectiveness and integrity of the operational risk management framework and report findings and concerns to the Board of Directors Risk Committee.

The Group, through the Bank, uses a "three lines of defence" model for the management of operational risk:

First line of defence: Involves all employees, who have been adequately trained to look-out for and report incidents where operational risk is present as well as situations where operational risk could have occurred but was prevented.

Second line of defence: Involves the Bank's Risk Management Function (the "RMF"), including the ICT and Security Risk Management Function. The RMF is responsible to monitor operational risk and the effectiveness and integrity of the operational risk management framework and report findings and concerns to the Board of Directors Risk Committee, which in turn communicates such findings to the Board of Directors. The Compliance Function provides an oversight of compliance risk in relevant business units and pursues monitoring and assessing responsibilities.

Third line of defence: Involves independent review over the integrity and effectiveness of the operational risk management framework through internal and external auditor assessments.

10.3 Monitoring (Procedures, Systems and Mitigating Techniques)

In order for the Group to have an efficient operational risk management framework and minimise operational loss events at the greatest extent possible, the Group, through the Bank takes three main approaches:

1. To ensure that appropriate procedures are in place;
2. Appropriate systems are available for the reporting and monitoring of incidents; and
3. That corporate insurances are in place according to the complexity of the operations.

In more detail, the Bank has established a procedure on how circulars, forms, documents and procedures are established and their review process. Procedures are reviewed by the Bank's internal control functions prior to publication. Where appropriate, training is scheduled for new or reviewed procedures. The Bank has established a conflicts of interest policy, the principles of which have been incorporated into the Bank's processes and procedures to ensure the identification, prevention, management and disclosure of conflicts of interest, including those that may result to benefit the Bank and/or damage the interest of its customers.

In addition, the Bank has in place an incident reporting system to enable the reporting and monitoring of bank-wide incidents. Training has been provided to all Bank employees. The establishment of such a system is of crucial importance for the Bank as it enables and promotes a transparent corporate culture, truthful representation of the frequency and severity of incident occurrence, minimises the impact of a realised risk or incident and improves the efficiency of existing procedures. RMF maintains a register with the incidents and the relevant operational risk losses. No significant operational losses have occurred for the year under review.

The Group currently has in place insurance policies required by law and additional covers for internal and external fraud events, conduct risk and other events. Insurance coverages include Directors and Officers Liability Insurance, Banker's Blanket Bond, Civil Liability Insurance and Cyber Insurance.

The Group submits the ICAAP report once a year, which amongst others involves assessment and stress testing of operational risk.

To ensure effective risk identification, the Bank's RMF, in collaboration with Business Units, carries out a Risk and Control Self-assessment (RCSA). As part of RCSA, each department assesses, among others, the risks of each process, taking into account the current mitigating controls in place. Improvements in processes and relevant controls are identified. RCSA findings are reported to senior management and the Board of Directors Risk Committee.

10.4 Business Resilience and Continuity Risk Management

Business continuity plan ("BCP") is in place so that any Business continuity risks are managed. The purpose of BCP is to ensure that the Group has business resiliency and continuity plans in place and is able to operate on an ongoing basis and limit losses in the event of severe business disruption. Moreover, an IT Disaster Recovery (DR) plan is maintained, updated and tested.

10.5 Capital Requirements

The Group calculates the minimum capital requirement for operational risk in accordance with Title III: Own funds requirements for operational risk of the CRR. CRR III introduced a new approach for calculating operational risk capital requirements using the business indicator component in accordance with Article 313 to 315 of Regulation (EU) No 575/2013 (CRR).

11. REMUNERATION

11.1 Remuneration Policy – EU REMA

The purpose of the Remuneration Policy is to provide an effective framework for determining, implementing, overseeing and amending, whenever required, the remuneration, both fixed and variable, of the employees, inclusive of salaries and discretionary benefits. The Policy defines important relevant terminology, outlines the responsibilities of all relevant stakeholders, and identifies the principles to be followed, ensuring that the Policy is, at all times, aligned with the risk appetite, values and long-term interest of the organisation. The Policy is fully compliant with all relevant local and international directives and guidelines, to the extent that is appropriate to the Bank's size, internal organization, and the nature, scope and complexity of its activities.

11.2 Principles

The Group, through the Bank's policy, follows a set of principles, as required by the relevant legislation, as outlined below:

1. Characteristics of the Policy

- Applies to all members of staff.
- It is consistent with and promotes sound and effective risk management and does not encourage risk taking that exceeds the level of tolerated risk of the Bank.
- It is gender neutral, based on equal pay for male and female employees for equal work or of equal value.
- It is in line with the business strategy, objectives, values and long-term interests of the Bank, and incorporates measures to avoid conflicts of interest.
- It is transparent. The remuneration policy is internally disclosed to all staff and accessible for all staff at all times.
- It stimulates behaviour consistent with the Bank's climate-related and environmental (risk) approach, as well as with its voluntary commitments.

2. Design & Review of the Policy

- The design and review of the Policy is carried out with the involvement of the Board of Directors and its relevant Committees, internal control functions and corporate functions.
- Review of the Policy is performed at least annually, to ensure compliance with relevant policies, procedures, and regulations. The Policy is subject to both central review, which is performed by the Internal Audit Function, and periodic independent review, which may be partially or totally outsourced.

3. Disclosure to Shareholders

- Shareholders are informed of the total remuneration of both the executive and non-executive Directors of the Board of Directors, through the annual financial statements.

4. Identification Policy for 'Identified Staff'

- The Bank has responsibility for the identification of identified staff, which is made through a self-assessment by the Remuneration & Nominations Committee on an annual basis, and the involvement of relevant corporate functions. The Identification Policy is part of the Remuneration Policy.
- The identification is based on a set of qualitative and quantitative criteria that need to be taken into account, as set out in Commission Delegated Regulation (EU) 2021/923, 25 March 2021.
- The list of identified staff is reviewed on an annual basis by the Board of Directors Secretary
- The Bank keeps records of the identification process and is in a position to provide relevant clarifications and explanations to the Central Bank of Cyprus.

5. Categories of Remuneration

- The Policy distinguishes between two categories of remuneration, basic fixed, and variable remuneration, whose characteristics are outlined below:
  - ✓ Basic Fixed Remuneration primarily reflects the relevant professional experience and organisational responsibility of a staff member, as set out in the relevant job description as part of the terms of

employment. It is reviewed on an annual basis as part of the Bank's Salary Review Process and the individual's performance assessment and the Bank's Salary Benchmarks are taken into consideration.

- ✓ Variable Remuneration is based on a combination of the assessment of the performance of the individual, the business unit / department concerned, and the Bank's overall results, and takes into account the risks taken. When assessing individual performance both financial and non-financial criteria are taken into account. Relevant thresholds of the maximum variable component of remuneration are in place.

6. All Staff

- ➢ The total variable remuneration does not limit the Bank's ability to strengthen its capital base.
- ➢ Guaranteed variable remuneration is not consistent with sound risk management or the pay-for-performance principle. Guaranteed variable remuneration is exceptional, occurs only when hiring new staff and where the Bank has a sound and strong capital base, and is limited to the first year of employment.
- ➢ Fixed and variable components of total remuneration are appropriately balanced, and the fixed component represents a sufficiently high proportion of the total remuneration to allow the Bank to have a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component.
- ➢ The measurement of performance used to calculate variable remuneration components includes an adjustment for all types of current and future risks and takes into account the cost of the capital and the liquidity required.
- ➢ The allocation of the variable remuneration components takes into account all types of current and future risks.
- ➢ Any variable remuneration is awarded after the end of the accrual period, which is at least one year.
- ➢ The variable component does not exceed 50% of the fixed component of the total remuneration for each individual. The Board of Directors may approve a higher maximum level of the ratio between the fixed and variable components of remuneration, provided the overall level of the variable component does not exceed 100% of the fixed component of the total remuneration for each individual.
- ➢ Payments relating to the early termination of a contract reflect performance achieved over time and do not reward failure or misconduct.
- ➢ Variable remuneration is not paid through vehicles or methods that facilitate non-compliance with the Directive or Regulation (EU) No 575/2013.

7. Identified Staff:

Additional principles apply for identified staff, including the following:

- ➢ The assessment of the performance is set in a multi-year framework, in order to ensure that the assessment process is based on longer-term performance, and that the actual payment of performance-based components of remuneration is spread over a period which takes into account the Bank's underlying business cycle and its business risks.
- ➢ The measurement of performance used to calculate variable remuneration components, or pools of variable remuneration components, includes an adjustment for all types of current and future risks, and takes into account the cost of the capital and the liquidity required.
- ➢ A discount rate to a maximum of 25% of total variable remuneration may be applied, provided it is paid in instruments that are deferred for a period of not less than 5 years.
  The variable remuneration, including the deferred portion, is paid or vests only if it primarily reflects sustainable and risk adjusted performance, according to the financial situation of the Bank as a whole, and justified on the basis of the Bank's performance, the business unit / department, and the individual concerned. In this context, the total variable remuneration shall be considerably contracted where subdued or negative financial performance of the Bank occurs, taking into account both current remuneration and reductions in pay-outs of amounts previously earned, including through malus or clawback arrangements.
- ➢ Up to 100% of total variable remuneration may be subject to malus or clawback arrangements if the individual has participated in, or was responsible for, conduct which resulted in significant losses to the Bank, and/or failed to meet appropriate standards of fitness and propriety.
- ➢ Variable remuneration for identified staff is paid partly upfront and partly deferred.

8. Determining Fixed & Variable Remuneration

- Remuneration, both fixed and variable, is determined by different corporate functions / bodies, based on the category that each member of staff falls into. Namely, the five categories are: executive and non-executive members of the Board of Directors, identified staff, heads of internal control functions and all other staff. The table below summarizes the responsibilities of each corporate function / body in the process of determining remuneration:

Remuneration Of	BoD Members		Identified staff *(other than Executive Members)*	Heads of Internal Control Functions	All other staff
	Non-Executive	**Executive**			
Suggested by:	R&NC	R&NC	Division Heads *(excluding own remuneration)*& HR Manager	R&NC	Division / Departmental Heads & HR Manager
Approved by:	Shareholders at the Annual General Meeting (AGM)	BoD	Senior Management	BoD	Senior Management

9. Performance Measurement

- In order to measure the individual's performance, an annual performance evaluation process takes place at the beginning of each year, through which the performance in the previous period is reviewed, and job-related and personal development objectives are set for the next evaluation period.

10. Remuneration of the Board of Directors

- The remuneration of the executive members of the Board of Directors is proportional to their powers, tasks, expertise and responsibilities.
- The remuneration of the non-executive members of the Board of Directors is fixed only, so as to properly address conflicts of interest. The reimbursement costs (e.g. travelling costs) is considered as fixed remuneration.
- In exceptional cases, when non-executive members of the Board of Directors are awarded variable remuneration, the variable remuneration and the risk alignment should be strictly tailored to the assigned oversight, monitoring and control tasks, reflecting the individual's authorities and responsibilities and the achievement of objectives linked to their functions.

11. Remuneration of Internal Control Functions

Members of internal control functions are independent from the business units they oversee, have appropriate authority, and are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control, so as to ensure that no material conflict of interest arises. The remuneration is predominantly fixed, to reflect the nature of their responsibilities. The methods used for determining the variable remuneration of control functions, if any, should not compromise staff's objectivity and independence.

12. Conflicts of Interest

The Policy is in line with the business strategy, objectives, values and long-term interests of the Bank, and incorporates measures to avoid conflicts of interest.

13. Establishment of a Remuneration & Nominations Committee

The Policy calls for the establishment of a Remuneration & Nominations Committee, which:

- Ensures that the remuneration policy and practices of the Bank are subject to a central and independent internal review, at least annually. The review should include an analysis of whether the remuneration policy is gender neutral.
- Ensures that the implementation of the Remuneration Policy is, at least annually, subject to a central and independent internal review for compliance with policies and procedures for remuneration, adopted by the Board of Directors in its supervisory function.
- Ensures the proposal, approval and timely implementation of remedial action plans, in the event that periodic reviews reveal that the remuneration policies do not operate as intended or prescribed, or where recommendations are made.
- Provides adequate information to the Board of Directors and, where appropriate, to the shareholders about relevant practices and activities performed.
- Is responsible for the preparation of decisions on remuneration to be taken by the Board of Directors, in particular regarding the remuneration of the executive members of the Board of Directors, as well as of other identified staff.
- Reviews the appointment of external remuneration consultants that the Board of Directors may decide to engage for advice or support.
- Provides its support and advice to the Board of Directors on the design of the Bank's remuneration policy, including that such remuneration policy is gender neutral and supports the equal treatment of staff of different genders.
- Supports the Board of Directors in overseeing the remuneration policies, practices and processes, and compliance with the remuneration policy.
- Checks whether the remuneration policy is up to date and, if necessary, makes proposals for changes.
- Ensures the adequacy of the information provided to shareholders on remuneration policies and practices, in particular on a proposed higher maximum level of the ratio between fixed and variable remuneration.
- Assesses the mechanisms and systems adopted to ensure that the remuneration system properly takes into account all types of risks, liquidity and capital levels, and that the overall remuneration policy is consistent with and promotes sound and effective risk management, and is in line with the business strategy, objectives, corporate culture and values, risk culture and long-term interest of the Bank.
- Assesses the achievement of performance targets and the need for ex-post risk adjustment, including the application of malus and clawback arrangements.
- Reviews a number of possible scenarios to test how the remuneration policies and practices react to external and internal events, and back-tests the criteria used for determining the award and the ex-ante risk adjustment based on the actual risk outcomes.
- Directly oversees the remuneration of the senior officers in the independent control functions and makes recommendations to the Board of Directors on the design of the remuneration package and amounts of remuneration to be paid to the senior staff members in the control functions.

11.3 Fees and Emoluments of Members of the Board of Directors

The tables below present fees and emoluments towards members of the Board of Directors and key management personnel of the Group for the period during which they were members of the Board of Directors and assigned key management personnel:

Template - EU REM1 - Remuneration awarded for the financial year

2025			a	b	C	d
			MB Supervisory function	**MB Management function**	**Other senior management**	**Other identified staff**
1	Fixed remuneration	Number of identified staff	8	2	2	10
2		Total fixed remuneration	274.171	214.119	142.493	763.251
3		Of which: cash-based	274.171	214.119	142.493	763.251
4		(Not applicable in the EU)	-	-	-	-

EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)	-	-	-	-
7		Of which: other forms	-	-	-	-
8		(Not applicable in the EU)	-	-	-	-
9	Variable remuneration	Number of identified staff	-	1	1	8
10		Total variable remuneration	-	58.950	5.000	24.500
11		Of which: cash-based	-	58.950	5.000	24.500
12		Of which: deferred	-	-	-	-
EU-13a		Of which: shares or equivalent ownership interests	-	-	-	-
EU-14a		Of which: deferred	-	-	-	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		Of which: deferred	-	-	-	-
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	**Total remuneration**		**274.171**	**273.069**	**147.493**	**787.751**

Table: Remuneration

2024			a	b	C	d
			MB Supervisory function	**MB Management function**	**Other senior management**	**Other identified staff**
1	Fixed remuneration	Number of identified staff	8	1	3	8
2		Total fixed remuneration	196.382	479.417[2]	362.358[3]	618.584
3		Of which: cash-based	196.382	479.417	362.358	618.584
4		(Not applicable in the EU)	-	-	-	-

[2] Includes the remuneration of Nicolas Prentzas for the period before his resignation from the Board.
[3] Includes the remuneration of Nicolas Prentzas for the period after his resignation from the Board.

EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)	-	-	-	-
7		Of which: other forms	-	-	-	-
8		(Not applicable in the EU)	-	-	-	-
9	Variable remuneration	Number of identified staff	-	-	-	-
10		Total variable remuneration	-	-	-	25.000
11		Of which: cash-based	-	-	-	25.000
12		Of which: deferred	-	-	-	-
EU-13a		Of which: shares or equivalent ownership interests	-	-	-	-
EU-14a		Of which: deferred	-	-	-	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		Of which: deferred	-	-	-	-
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	**Total remuneration**		**196.382**	**479.417**	**362.358**	**643.584**

Table: Remuneration

- The list of identified staff for 2025 has been revised and hence there are differences compared to the identified staff for 2024.

- Identified staff who left the institution or the relevant position before the end of the financial year are not included in the number of identified staff; however, the remuneration awarded for the financial year, including severance payments and all other forms of compensation, has been taken into account. In case an identified staff has changed positions in the year, their remuneration is shown for the period in the respective position.

12. LEVERAGE RATIO

12.1 Definition of Leverage Ratio

Leverage ratio is calculated as the ratio, expressed as a percentage, of the Bank's capital measure divided by the Bank's total exposure measure, as per Article 429 of CRR. Total capital consists of entirely Tier 1 capital using the fully phased-in definition.

12.2 Monitoring

The risk of excessive leverage effectively means the risk resulting from an institution's vulnerability due to leverage or contingent leverage that may require unintended corrective measures to its business plan, including distressed selling of assets which might result in losses or in valuation adjustments to its remaining assets.

The Bank has set limits as defined in the Risk Appetite Statement. The ratio is therefore closely monitored in order to manage this risk of excessive leverage. It is calculated on a quarterly basis and is submitted to the Board of Directors and the CBC.

The Group's leverage ratio for year end 2025 is significantly above the regulatory minimum of 3%. The ratio can be affected from disposal of assets (e.g. loans) or from increase of assets and changes in capital. The leverage ratio has remained at similar levels to last year. This is mainly as a result of the increase in capital following the inclusion of the audited profits for the year, which is however, partially counteracted by the increase in total exposure. The main reasons for the total exposure increase are the increase in loans and advances and the increase in cash and balances with Central Banks as a result of the increase in customer deposits in the year.

12.3 Disclosure

The below table provide an analysis of the leverage ratio main components:

Leverage ratio main components

Item (€'000)	Leverage ratio exposure	
	2025	**2024**
On-balance sheet exposures		
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	894.010.731	818.490.915
Asset amounts deducted in determining Tier 1 capital	(1.403.988)	(1.474.346)
Total on-balance sheet exposures	**892.606.743**	**817.016.569**
Other off-balance sheet exposures		
Off-balance sheet exposure at gross notional amount	52.229.894	47.521.773
Adjustments for conversion to **credit equivalent amounts**	(29.143.805)	(29.317.734)
Off-balance sheet items	**23.086.089**	**18.204.039**
Capital and total exposures		
Tier 1 capital	66.597.120	60.704.027
Total exposures	**915.692.832**	**835.220.608**
Leverage ratio		
Leverage ratio	**7,27%**	**7,27%**

Table: Leverage Raio main components

13. ASSET ENCUMBRANCE

Encumbered and unencumbered assets analysed by asset type

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 Group 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. Relevant analysis can be found in Note 33 of the Consolidated Annual Financial Report for 2025.

As at 31 December 2025 and as at 31 December 2024, the Group had no encumbered assets.

14. APPENDICES

14.1 Glossary

ALCO	Assets and Liabilities Committee
Bank	Ancoria Bank Limited
BIA	Basic Indicator Approach
BoD or Board	Board of Directors
CBC	Central Bank of Cyprus
CCB	Capital Conservation Buffer
CCyB	Countercyclical Capital Buffer
CEO	Chief Executive Officer
CET 1	Common Equity Tier 1
COREP	Common Reporting Framework
CRD IV	Capital Requirements Directive 2013/36/EU
CRR	Capital Requirements Regulation (EU) No. 575/2013
EBA	European Banking Authority
ECB	European Central Bank
HTC	Held to Collect
HTCS	Held to Collect and Sell
IAF	Internal Audit Function
ICAAP	Internal Capital Adequacy Assessment Process
ILAAP	Internal Liquidity Adequacy Assessment Process
IRRBB	Interest Rate Risk Banking Book
ICT	Information and Communication Technology
ICT and SRM	Information and Communication Technology and Security Risk Management
LCR	Liquidity Coverage Ratio
LR	Leverage Ratio
NPE	Non-Performing Exposure
NSFR	Net Stable Funding Ratio
MLCO	Money Laundering Committee
Bod RC	Risk Committee
RMF	Risk Management Function
RCSA	Risk Control Self-Assessments
SREP	Supervisory Review & Evaluation Process

FSB	Financial Stability Board

14.2 Information flow on risk to Board of Directors

Information of risk matters to the Board of Directors is done through the Board of Directors Committees, through meetings with the heads of control functions and the following reports:

No.	Report Name	Report Owner	Report Recipient	Frequency
1	ALCO Risk Report	RMF	ALCO	Monthly
2	Risk Appetite Statement monitoring	RMF	ALCO/RC/BoD	Monthly/Quarterly
3	Quarterly Risk Management Report	RMF	ALCO/RC/BoD/CBC	Quarterly
4	Quarterly ICT and Security Risk Management Report	ISF	RC/BoD/CBC	Quarterly
5	Quarterly Internal Auditor's Report	IAF	AC/BoD/CBC	Quarterly
6	Quarterly AMLCO Report	CF	AC/CEO/CBC	Quarterly
7	Sanctions Report	CF	AC/BoD/CBC	Annual
8	Annual Risk Management Report	CF	AC/BoD/CBC	Annual
9	Annual ICT and Security Risk Management Report	ISF	RC/BoD/CBC	Annual
10	Annual Internal Auditor's Report	IAF	AC/BoD/CBC	Annual
11	Annual Compliance Report	CF	AC/BoD/CBC	Annual
12	Annual Compliance Plan for Compliance	CF	AC/BoD/CBC	Annual
13	Annual AMLCO Report	CF	AC/BoD/CBC	Annual
14	Annual AML Risk Based Approach Report	CF	AC/BoD/CBC	Annual
15	Internal Capital Adequacy Process (ICAAP)	RMF	ALCO/RC/BoD/CBC	Annual
16	Internal Liquidity Adequacy Process (ILAAP)	RMF	ALCO/RC/BoD/CBC	Annual
17	Recovery Plan	RMF	ALCO/RC/BoD/CBC	Annual
18	Review of Policies	Depending on policy owner	RC or AC/BoD	Varies depending on the policy

14.3 References to EBA guidelines and mapping to Pillar 3

Templates	Compliance Reference	Section
EU KM1	Overview of risk weighted exposure amounts	Section 3.5
EU OV1	Overview of risk weighted exposure amounts	Section 5
EU OVC	ICAAP information	Section 3.4
EU OVA	Institution risk management approach	Section 3.1
EU OVB	Disclosure on governance arrangements	Section 2.1
EU CC1	Composition of regulatory own funds	Section 4.2
EU CC2	Reconciliation of regulatory own funds to balance sheet in the audited financial statements	Section 4.2
EU LIQA	Liquidity risk management	Section 8.4
EU CRA	General qualitative information about credit risk	Section 6
EU MRA	Qualitative disclosure requirements related to market risk	Section 7
Template 1 – EU CQ1	Credit quality of forborne exposures - EBA/GL/2022/13 amending EBA/GL/2018/10	Section 6.8
Template 3 – EU CQ3	Credit quality of performing and non-performing exposures by past due days - EBA/GL/2022/13 amending EBA/GL/2018/10	Section 6.8
Template 4 – EU CR1	Performing and non-performing exposures and related provisions- EBA/GL/2022/13 amending EBA/GL/2018/10	Section 6.8
EU ORA	Qualitative information on Operational Risk	Section 10
EU IRRBB1	Interest rate risks of non-trading book activities	Section 7.4
EU REMA	Remuneration awarded for the financial year	Section 11.1
EU REM1	Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)	Section 11.3

14.4 References to CRR article

CRR Ref.	Title	Compliance Reference (Document Sections)
General principles		
Article 431	Requirements to publish Pillar 3 disclosures requirements	Publication on Bank's website.
Article 432	Non-material, proprietary or confidential information based on EBA Guidelines	Introduction – Materiality Introduction – Verification, frequency and publication
Article 433	Frequency of disclosure and publication in conjunction with the date of publication of the financial statements	Introduction – Verification, frequency and publication
Article 434	Means of disclosures at least in one appropriate medium	Introduction – Basel Framework, CRR, CRD
Technical criteria on transparency and disclosure		
Article 435	Risk management objectives and policies	Governance and Risk Management, Risk Management Framework and Annex I
Article 436	Scope of application	Introduction – Scope of Application
Article 437	Requirements regarding Own funds resources	Capital Requirements
Article 438	Capital requirements	Risk Management Framework – Internal Capital and Liquidity Assessment Process, Capital Requirements
Article 439	Exposure to counterparty credit risk	Credit Risk – Credit risk disclosures
Article 440	Capital buffers	Capital Requirements and Bank's specific countercyclical capital buffer
Article 441	Indicators of global systemic importance	Not applicable to the Bank
Article 442	Credit risk adjustments and impairment	Credit Risk – Credit risk disclosures
Article 443	Unencumbered assets	Asset Encumbrance
Article 444	Use of ECAIs	Credit Risk – Nominated External Credit Assessment Institutions
Article 445	Exposure to market risk	Capital Requirements, Market Risk
Article 446	Operational risk	Operational Risk
Article 447	Disclosures on key metrics	Risk Management Framework
Article 448	Exposure to interest rate risk on positions not included in the trading book	Market Risk – Interest Rate Risk
Article 449	Exposure to securitisation positions	Not applicable to the Bank
Article 450	Remuneration policy	Remuneration Policy & Practices
Article 451	Leverage ratio	Leverage ratio
Article 451 (a)	Liquidity coverage ratio and stable funding ratio	Liquidity Risk

Qualifying requirements for the use of particular instruments or methodologies		
Article 452	Use of the IRB Approach to credit risk	Not applicable to the Bank
Article 453	Use of credit risk mitigation techniques	Credit Risk – Credit Risk Management Procedures
Article 454	Use of the Advanced Measurement Approaches to operational risk	Not applicable to the Bank
Article 455	Use of Internal Market Risk Models	Not applicable to the Bank