EUROBANK CYPRUS LTD

Report and
Financial Statements

For the year ended 31 December 2024

Eurobank Cyprus Ltd

Report and financial statements
for the year ended 31 December 2024

Contents

Eurobank Cyprus Ltd

Board of Directors and Other Officers

Board of Directors

M. Redferne	Chair, Non Executive
S. Ioannou	Vice Chair, Non Executive
A. Petsas	Executive (appointed on 18 September 2024)
D. Shacallis	Executive
T. Phidia	Non Executive (resigned on 28 January 2025)
C. Kitti	Non Executive
A. Pittas	Non Executive
E. Murray	Non Executive
C. McAnulty	Non Executive

Executive Committee

A. Petsas	
D. Shacallis	
A. Malliotis	
A. Antoniou	
D. Eliades	
N. Panayi	
M. Hadjikyriakos	
K. Charalambous	(appointed on 1 March 2024)

Company Secretary

D. Shacallis

Registered office

41 Arch. Makariou III Avenue
5th floor
CY-1065 Nicosia
Cyprus

Eurobank Cyprus Ltd

Management Report

The Board of Directors presents its report together with the audited financial statements of Eurobank Cyprus Ltd (the Bank) for the year ended 31 December 2024.

Principal activity

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

Branches

The Bank did not operate through any branches outside Cyprus during the year.

Review of developments, position and performance of the Bank's business

The main financial highlights for the year are as follows:

	2024	2023
Key Financial Results	**€'000**	€'000
Net interest income	**274.359**	276.279
Operating income	**320.184**	313.919
Operating expenses	**53.810**	55.694
Profit from operations before impairments and provisions	**266.374**	258.225
Impairment allowances	**7.717**	18.995
Profit before income tax and government levies	**258.657**	239.230
Net profit	**214.006**	199.438
Balance Sheet and other Highlights	**€'000**	€'000
Customer deposits	**7.882.421**	7.098.945
Loans and advances to customers	**2.972.956**	2.844.345
Total assets	**9.300.766**	8.272.143
Equity	**1.078.964**	854.211
Invested assets under Management	**4.692.130**	3.926.000
Financial Ratios[1]	**%**	%
Cost to income	**16,8**	17,7
Return on equity	**22,1**	26,8
Loans to deposits	**37,7**	40,1
Cost of risk	**0,2**	0,6
NPE provisions coverage	**90,3**	80,3
Credit-impaired loans/gross loans	**2,3**	2,4
Capital adequacy ratio (all CET 1)	**37,4**	34,1
MREL ratio	**37,4**	35,3
Leverage ratio	**11,6**	10,6

[1] Definitions of the selected financial ratios are provided in the Appendix.

Management Report (continued)

Review of developments, position and performance of the Bank's business (continued)

The Bank delivered a robust financial performance during 2024 despite the effects of the continuing Russia-Ukraine war, the conflicts in the middle east and the increased risks emanating from the volatile geopolitical environment. Profitability increased, costs were maintained within the Bank's expectations and asset quality remained strong with improved indicators in this respect. Because of the increased profitability, capital generation continued with further strengthening of the Bank's capital indicators.

Profit after tax for the year amounted to €214 million recording 7,3% or €14,6 million increase compared to 2023's profit after tax which amounted to €199,4 million. The drivers for this year's increase in profitability are the maintenance of Net Interest Income ('NII') at high levels despite the increase in the cost of deposits, Commission and other Income, decrease in Operating Expenses and Impairments compared to last year.

NII reported a marginal decrease vs 2023 of 0,7%. Positive contribution to NII relates mainly to interest income from credit institutions due to the increase in the ECB Deposit Facility Rate from an average of 3,31% in 2023 to 3,73% in 2024 and increase in interest income from Investment securities through increased yields and expansion in the Bond portfolio by average €278 million in 2024. The positive effects were marginally offset by the increase in interest expense on Customers Deposits, resulting from an average increase in deposit balances by €304 million, and the increase in the cost of Deposits mainly due to the shift from Sight to Time Deposits. In comparison to 2023, time deposits increased by €909 million whereas sight deposits decreased by €125 million.

Interest Income from loans & advances to customers was marginally lower vs 2023 by 1% due to lower yields in line with respective market interest rates in 2024, partly offset by the increase in loan balances during the year.

Net Banking Fee and Commission Income for the year reported an increase of €4,9 million or 13,5% in comparison to the previous year and amounted to €41,8 million. Main commission income drivers include network and transactional activities, wealth management and lending related fees. Other operating income of €4 million relates mainly to gains from derivatives.

Cost discipline has always been one of the Bank's main priorities and this is supported by the low cost/income ratio of 16,8% recording a further improvement vs last year's respective ratio of 17,7%. This ratio is significantly better in comparison to the Bank's local peers as well as the EU Bank average of 53,8% as reported for the 4Q'24 by the European Banking Authority (EBA) quarterly risk dashboard.

Total operating expenses reported a decrease of 3,4% vs 2023. Staff Costs increased in line with the increase in headcount and salary increases. Depreciation and amortisation increased as expected, reflecting a full year of depreciation and amortisation of the Bank's investment in new technology which went operational from April 2023. Other operating expenses decreased by 21% vs 2023 mainly due cost savings in IT related expenditure and reduced regulatory costs.

Management Report (continued)

Review of developments, position and performance of the Bank’s business (continued)

In 2024, the Expected Credit Loss (ECL) charge on loans and advances along with other impairment allowances and provisions charge amounted to €7,7 million, reporting a decrease of €11,3 million compared to 2023. The reduction reflects a decrease in loan loss provisions of €9,6 million due to the strong collateralisation of the facilities as well as the supportive forecasted macro conditions which affected positively the ECLs. Additionally, included in the respective decrease is a reduction of €1,6 million mainly related to impairment on investments in subsidiaries and Bonds ECLs.

The Bank's credit portfolio continues to exhibit satisfactory quality, with all relevant metrics including forward looking indicators of credit risk securely aligned with established risk appetite thresholds. Provision coverage ratio at 90% vs 80% in 2023, ensuring adequate risk mitigation.

Return on equity at 22,1% in 2024 vs 26,8% in 2023. This compares favourably with the EU bank average of 10,5% as reported for the 4Q’24 by the EBA quarterly risk dashboard.

In addition to the increase in customer deposits of 11% or €783 million, invested assets under management recorded strong results and grew by 19,5% or €0,8 billion in comparison to 2023 reaching €4,7 billion.

The Bank’s market share in the Cyprus deposits market reached 14,1% from 13,6% as at end of 2023. The Bank’s overall average cost of deposits increased by 0,37%, from 0,98% for the year 2023 to 1,35% for the year 2024. The increase in the cost of deposits is related both to the increased interest rates offered in 2024 in line with market rates increase, as well as the shift from sight to time deposits vs 2023.

The Bank’s liquid assets continue to exceed the minimum regulatory requirements of 100% in relation to the Liquidity Coverage Ratio (LCR) which as at 31 December 2024 stood at 226% vs 236% of last year-end. The liquidity surplus in LCR amounted to €4,3 billion on 31 December 2024 compared to €3,9 billion surplus on 31 December 2023, on the back of increased deposit base that enhanced further the liquidity buffer of the Bank.

As at 31 December 2024, the Net Stable Funding Ratio (NSFR) stood at 185% compared to 230% at 31 December 2023, above the minimum regulatory requirement of 100%. The ratio exhibited a decrease versus the previous year’s as a result of actions taken to manage the interest rate risk which necessitated the establishment of long-term fixed rate exposures.

Loans & advances to customers amounted to €2,97 billion reporting €129 million or 4,5% net increase vs 2023. Total loans granted during 2024 amounted to ~€700 million gross of scheduled and unscheduled repayments. The loan credit expansion covered all the Bank’s main pillars with the Corporate Banking Division reporting the highest loans delta followed by the Private Banking Division. The Bank’s market share in the Cyprus loans market increased to 12,0% vs 11,7% of 2023.

The Bank has maintained its strong liquidity position with a Loans to Deposits ratio of 37,7% largely driven by a higher increase in deposits vs loans.

Management Report (continued)

Review of developments, position and performance of the Bank's business (continued)

In line with the Bank's Investment policy, the Bond portfolio increased by €544 million during 2024 so as to utilise ample liquidity surpluses and follow a conservative NII enhancement strategy through acquisitions of short- and medium-term high quality debt securities.

Total assets amounted to €9,3 billion vs €8,3 billion mainly due to the increase in customer deposits and profitability for the year.

Risk Weighted Assets (RWAs) increased by €358 million and reached €2,8 billion at the end of 2024 because of the increase of the Bank's loans & advances to customers, bond portfolio and operating income.

Total equity as of 31 December 2024 reported a 26% increase and amounted to €1.079 million, mainly led by this year's profitability. The strengthening of the Bank's capital base coupled by the active management of the RWAs resulted in an increase of the Bank's Capital adequacy and CET1 ratios at the end of 2024 by ~328bps to 37,4%. Similarly, the Bank's MREL ratio significantly improved vs the 2023 position and amounted to 37,4%.

The financial position, development and performance of the Bank as presented in these financial statements are considered satisfactory.

Business outlook and risks

The Cyprus economy continued charging ahead in 2024 and remained in a robust growth trajectory, scoring one of the best performances among Eurozone countries. According to CySTAT's latest flash estimate, Cyprus' seasonally and working day adjusted real GDP growth rate in the fourth quarter of 2024 was 2,9%. The impressive fiscal performance and the continued progress in the country's banking sector have led to credit rating improvements, despite the numerous challenges stemming from the volatile international economic and geopolitical setting and the high interest rates.

In its December 2024 macroeconomic forecast, the Central Bank of Cyprus (CBC) projects that the Cypriot economy will grow by 3,7% in 2024. For 2025 and 2026 the CBC expects Cyprus' GDP to grow by 3,0% and 3,1% respectively. According to the EU Commission's Autumn 2024 Economic Forecast, Cyprus' growth is expected to stand at 3,6% in 2024, 2,8% in 2025 and 2,5% in 2026.

Despite the challenging geopolitical and economic environment, the healthy growth of the tourism sector continues to contribute to the country's robust economic performance. For the period of January – December 2024, arrivals of tourists totaled 4.040 thousand compared to 3.845 thousand in the corresponding period of 2023, recording an increase of 5,1%. Arrivals in the previous years were 3,20 million in 2022, 1,94 million in 2021, 632 thousand in 2020 and 3,98 million in 2019. Tourist arrivals in 2024 have surpassed for the first time the record arrivals in the pre-pandemic period of 2019. For the period of January – December 2024, revenue from tourism is estimated at €3.209,4 million compared to €2.990,6 million in the corresponding period of 2023, recording an increase of 7,3%. Revenue from tourism in the full year 2019 stood at €2.683,0 million.

Management Report (continued)

Business outlook and risks (continued)

Inflation in Cyprus normalised to a large extent in the previous months and appears now under control and close to the 2% target. According to CySTAT, inflation (HICP) for the period January to December 2024 rose by 2,3%. According to the CBC's macroeconomic forecast, inflation is expected to drop to 1,9% in 2025. The EU Commission forecasts inflation in Cyprus to drop to 2,1% in 2025 and 2,0% in 2026 and comments that inflation is expected to decelerate and wage growth to stay high, boosting household purchasing power and consumption.

Supported by the robust economic growth, employment conditions strengthened and are expected to improve further as labor-intensive sectors such as tourism are forecast to continue growing. According to CySTAT, the unemployment rate in Cyprus declined from 5,8% in 2023 to 4,9% in 2024, while the 4,5% unemployment rate recorded in the third quarter of the year was the lowest level observed in the last 15 years. In its latest macroeconomic forecasts, CBC projects the unemployment rate to stand at 4,9% in 2025 and 4,7% in 2026. The EU Commission expects the unemployment rate to further reduce to 4,7% in 2025 and 4,5% in 2026.

Cyprus' fiscal performance has been one of the best among Eurozone countries, supported by the robust economic performance and the prudent management of the public finances. According to CySTAT's preliminary fiscal results, the General Government fiscal balance for the period of January – December 2024 presented a surplus of €1.507,8 million (4,5% of GDP) compared to a surplus of €631,5 million (2,0% of GDP) in the same period of 2023. Primary balance recorded a surplus of €1.941,7 million versus a surplus of €1.039,7 million in the corresponding period of 2023. According to the latest EU commission forecasts, the surplus is projected to normalise lower to 2,7% of GDP in 2025 and 2026.

According to the Finance Ministry's Public Debt Management Office, Cyprus Central Government debt declined to €21,2 billion as of the 31st December 2024, marking a reduction of €1,0 billion, or 4,6% compared with the previous quarter due to net debt redemptions and early repayments. As at the end of 2024, the General Government Debt stood at €21,8 billion and the debt-to-GDP at 65,0%, down from 73,6% in 2023. According to the EU Commission forecasts, the government debt-to-GDP ratio is expected to continue declining towards 61,4% in 2025 and 56,7% in 2026, largely due to primary surpluses and continued strong nominal GDP growth.

In the last months of 2024, Cyprus' credit rating and outlook improved markedly and completed an important milestone, being now at "A" rating levels. In November, Moody's upgraded Cyprus by two notches to A3 from Baa2 and assigned a stable outlook. According to the agency, the two-notch upgrade reflected a significant improvement in fiscal and debt metrics, which is expected to be sustained. Moody's highlighted that Cyprus has substantially reduced its government debt ratio since its peak in 2020, ranking among the countries with the largest reductions in debt ratio globally. Additionally, the agency expects the medium-term economic outlook for Cyprus to remain solid, driven by the steady expansion of high-productivity services sectors. The other two main rating agencies followed with similar upgrades. S&P upgraded Cyprus to A- from BBB+, stable outlook, with the agency stating that despite geopolitical risks, Cypriot economy is benefiting from labor and capital inflows from nearby conflict zones. Fitch also upgraded Cyprus to A- from BBB+, with a stable outlook. Fitch stated that the upgrade reflects the rapid decline in public debt, strong fiscal surpluses, limited fiscal risks, strong growth momentum, and an improving banking sector.

Management Report (continued)

Business outlook and risks (continued)

Despite the robust performance in the last years, the Global as well as the Cypriot economies face many headwinds in the coming years. The outlook remains uncertain with risks from a volatile geopolitical environment with ongoing conflicts and trade disputes, potential rekindling of inflationary pressures, continued tight monetary policy and high debt levels clouding the outlook and threatening to push the global economy to recession.

Environmental sustainability, social responsibility and governance

A. Our approach towards Sustainability

Eurobank Cyprus Ltd supports the transition towards a sustainable economy and considers sustainability and climate change as an opportunity. A key strategic objective is to adapt its business and operations in a way that addresses climate change challenges, accommodates social needs within its business model, and safeguards prudent governance for itself and its counterparties, in accordance with supervisory initiatives, and following international standards and best practices.

A. 1. Guiding Principles

The Bank is committed to actively contributing to the achievement of the United Nations Sustainable Development Goals (SDGs) and the 2030 Agenda goals as well as playing an active role in the implementation of the Paris Agreement on Climate Change.

Eurobank Cyprus Ltd also acknowledges and applies international standards related to Sustainability. The Bank is certified according to ISO 14001 (International Standard for Environmental Management), and it is listed in the European Eco-Management and Audit Scheme (EMAS) Register for Environmental Management, underscoring its commitment to environmental protection and sustainable practices. The Bank also follows ISO 14064 for measuring and validating its Greenhouse Gas (GHG) emissions (Scope 1 and Scope 2).

The adopted list of standards and framework evolves dynamically, in line with industry practice and sustainability-related emerging developments.

A.2. Net Zero Commitment

Eurobank Cyprus Ltd aims to align its operations, portfolio, and investments with the ultimate objective of reaching Net Zero by 2050. In this context, the Bank as a member of Eurobank Group, which is a signatory of the UN-convened Net Zero Banking Alliance, aligns its commitments to transitioning all GHG emissions from its lending and investing portfolio with pathways to net-zero by 2050 at the latest, with interim targets.

A.3. Bank's Sustainability Strategy

The Bank expresses the Environmental, Social, Governance (ESG) aspect of its business through the lens of Impact generation. To this end, the Bank is in close communication with Eurobank Group for the development of its Sustainability Strategy in a holistic approach across two pillars of impact: The **Operational Impact Strategy** and the **Financed Impact Strategy.** The strategy will be informed by the material sustainability matters identified through the Double Materiality assessment performed by the Group, and which are adopted by the Bank.

Management Report (continued)

Environmental sustainability, social responsibility and governance (continued)

The **Operational Impact Strategy** will focus on minimising the Bank's operational environmental footprint, ensuring that its own activities are sustainable, and aligning its operations with climate and sustainability goals.

The **Financed Impact Strategy** will focus on fostering favorable economic, social and environmental outcomes across all aspects of its financing activities, with a commitment to sustainability and responsible stewardship.

These two pillars of impact aim to capture the essence of the Bank's business effect on the climate, the protection of the natural environment, its contribution to addressing societal challenges, the prosperity of its own people, its contribution to raising business capacity in the markets where the Bank operates, and the internal processes that build and secure the confidence of its stakeholders.

B. Our 2024 Implementation Program

In 2024, the Bank continued its efforts on a number of activities on environmental impact (operational net zero, paperless banking, circular economy), on societal impact (diversity and inclusion, wellbeing, inclusive entrepreneurship, socio-economic), and governance and business impact (Ethics & transparency, ESG capacity) as well as on the Financed Impact, aiming to support customers and society in their transition efforts towards a more ESG-friendly economic environment.

B.1. Operational Impact Actions

Environmental Impact

Eurobank Cyprus Ltd is committed to minimising its environmental footprint and to promoting a sustainable economy.

In this context, the Bank adopted and promoted environmentally friendly practices in 2024, focusing on energy consumption, renewable energy sources, greenhouse gas emissions, and paper and water consumption. Indicatively, the Bank has proceeded with the following actions in 2024:

- Successful completion of the annual inspection and verification of ISO 14001:2015 - Environmental Management Systems and Eco-Management and Audit Scheme (EMAS).
- Measuring and validating of the operational Greenhouse Gas (GHG) emissions by ISO14064 and drafting a roadmap with specific actions to reduce its emissions by 2030, with the assistance of external certified professionals.
- Installation of Photovoltaic and other Energy Saving Systems and practices such as the use of energy-saving LED lamps and panels, application of new sunscreens on the windows, using motion and lighting management sensors, replacement of existing air conditions Systems with higher energy efficiency systems, upgrade and replacement of existing electronic devices (printers, PCs, laptops and screens).
- Recycling Papers, PMD, inks/toner cartridges and e-waste.
- Implementation of the Water Management Policy.
- Dissemination of informative material to staff about recycling, efficiency, energy, water saving, rational use of energy, electrical, etc. to improve the Bank's environmental culture and operational footprint.

Management Report (continued)

Environmental sustainability, social responsibility and governance (continued)

- Assessment of the Group e-learning module on ESG 'ESG and Me' which was launched to all members of staff in February 2025.

Societal Impact
The Bank recognises the significance and the impact of its activities for its members of staff, customers, and society.

Human capital constitutes the Bank's most valuable asset. Starting from the recruitment process, the Bank aims to establish a long-term and mutually beneficial relationship with every member of staff. To ensure equal and fair opportunities to all employees, the Bank follows several guidelines surrounding Recruitment, People & Talent Development, Compensation, Performance Management, Learning, Engagement & Communication, and Health & Safety.

Eurobank Cyprus Ltd is committed to maintain a work environment where its staff members' dignity, privacy and human rights are protected and personal respect for all employees is safeguarded.

The Bank acknowledges the seriousness of harassment in the workplace and confirms through the existence of its Anti-Harassment Policy that such conduct, is a punishable offence, is considered unacceptable and totally unjustified. In 2024, a digital learning program on Anti-Harassment Policy was provided to all members of staff.

Eurobank Cyprus Ltd is committed to fostering a culture of Diversity, Equity & Inclusion (DE&I) whereby the DE&I principles are integrated throughout the everyday working practices of the Bank, its governance model, and related commitments. The DE&I Policy outlines the Bank's corporate values, scope, related regulatory documents, commitments and approach to incorporating applicable regulatory requirements, initiatives as well as adopted international best practices in the formation of a diverse, equitable and inclusive working environment, responsive to different cultures and groups, where everyone can have the opportunity to flourish.

With the aim of creating a more human-centric work environment, the Bank emphasises also on the health and well-being of its members of staff. The Bank applies all measures required under national legislation to ensure the health and safety of its employees. Since 2023 the Bank has been implementing numerous initiatives included in a holistic well-being action plan to support employees facing daily challenges in their personal, family, and professional environment. During 2024, the Bank received a distinction by the Ministry of Labor and Social Insurance, for implementing good practices for the Health and Safety at the workplace based on its Holistic Wellbeing Action Plan.

Furthermore, Eurobank Cyprus Ltd is committed to addressing societal challenges and fostering innovation. During 2024, the Bank launched several CSR initiatives supporting society through charity and mobilisation of employee volunteer teams and actively supported entrepreneurship, research and innovation. A distinction awarded to the Bank by the Pan Cyprian Volunteerism Coordinative Council for its volunteerism initiatives organised in 2024 and the second half of 2023, recognizing the Bank's efforts to make a meaningful impact to the community.

Management Report (continued)

Environmental sustainability, social responsibility and governance (continued)

Governance & Business Impact

Sustainability at Eurobank Cyprus Ltd is deployed across an ESG governance structure that addresses both regulatory requirements and voluntary commitments. Board oversight with respect to Sustainability Strategy is addressed through the inclusion of ESG/sustainability items on the Board Meetings agenda as per international best practice. The Three Lines of Defence model enhances risk management and control by clarifying roles and responsibilities within the organisation. Eurobank Cyprus' governance structure also ensures that the management of relevant CR&E risks is integrated into the Bank's three lines of defence, as well as aims to further enhance the effective oversight of ESG and CR&E matters at management/Board level.

The established Environmental, Social & Governance Management Committee (ESGMC) is a Management Committee whose main purpose is to provide strategic direction on ESG/sustainability initiatives.

In order to develop, promote and evaluate corporate culture, the Bank established mechanisms for identifying, reporting and investigating concerns about behavior in contradiction of Code of Conduct.

A Policy for Reporting Illegal or Unethical Conduct is in place and a respective Policy Statement to facilitate its staff members and concerned third parties to submit reports – through recommended internal or external reporting channels – on any actual, attempted or suspected fraud or other unethical conduct, while eliminating any concerns that their report may result in adverse consequences for themselves. Furthermore, the Bank has developed policies on Anti-bribery and Corruption and implements adequate arrangements for the protection of whistleblowers.

The Bank is placing great emphasis on building capacity among its members of staff in order to be able to support its clients on their sustainability journey and their green transition. Eurobank Cyprus' internal awareness sessions regarding ESG and CR&E matters during 2024, covered both members of the management body and other stakeholders across the Bank (e.g. Business Units).

B.2. Financed Impact Actions

The EU Taxonomy Regulation (EU) 2020/852 of the European Parliament and of the Council was adopted in 2020 by the European Parliament and represents an important step for the EU to achieve the Paris Agreement's climate neutrality goals. It sets out the criteria to establish a common classification system for sustainable economic activities.

The EU Taxonomy Regulation determines whether an economic activity is environmentally sustainable and requires financial and non-financial undertakings subject to the Non-Financial Reporting Directive (NFRD) to disclose the alignment of their activities. Separate disclosure requirements and extensive criteria are established for financial and non-financial undertakings under Article 8 of EU Taxonomy Regulation Delegated Act (Commission Delegated Regulation (EU) 2021/2178).

In line with best established practices, the Bank has integrated the requirements of the EU Taxonomy Regulation in the context of its processes and procedures including the Sustainable Finance Assessment and the ESG Risk Assessment.

Management Report (continued)

Environmental sustainability, social responsibility and governance (continued)

Eurobank Cyprus Ltd has approved and implemented its Sustainable Finance Framework, which encompasses a wide range of sustainable lending activities and supports the identification and classification of sustainable financing, covering the portfolios of the Bank.

To adequately embed sustainable financing aspects into its practices, the Bank has developed governance structures as well as an assessment tool that facilitates the day-to-day implementation of the Sustainable Finance Framework. The assessment tool supports the process of assessing the financings/transactions against the criteria defined in the Sustainable Finance Framework and the EU Taxonomy.

Transitioning to a low-carbon and more circular economy entails both risks and opportunities for the economy and financial institutions. Taking into account the significant impact of climate-related and environmental (CR&E) risks both on financial institutions and on the global economy and in full alignment with applicable supervisory expectations, the adoption of a strategic approach for the management of risks and the identification of opportunities in relation to sustainability and climate change is of great importance to the Bank.

In relation to identifying and managing sustainability-risk related risks, including CR&E risks, the Bank implemented various actions. More specifically,

- The Bank developed and approved its CR&E Risks Management Policy aiming at fostering a holistic understanding of the effects of CR&E risks on its business model, as well as support decision-making and provide a robust governance under its Risk Management Framework.
- The Risk Identification and Materiality Assessment (RIMA) process is performed at least on an annual basis, or ad-hoc if necessary.
- The Bank has an established climate risk reporting dashboard with appropriate climate risk KRIs that are submitted to the management body on a regular basis, to effectively oversee CR&E risks across the Bank. Furthermore, the Bank performs sensitivity analysis on CR&E risks, as a risk driver to credit risk, that are included in its annual ICAAP exercise.
- Deployment of a unified ESG Questionnaire, which has been developed at interbank level with the coordination of the Association of Cyprus Banks. This questionnaire aims to standardise the assessment of ESG factors across Cyprus banks, ensuring compliance with regulatory expectations and international guidelines.
- The Bank developed and approved the ESG Risk Assessment Process for its corporate borrowers by combining its Climate Risk Scorecard with the Interbank ESG Questionnaire. The process will be operational within Q1-2025 following the relevant implementation in the Bank's systems.
- The Bank recognises the importance of relevant and reliable data for the provision of meaningful insights, suitable for decision-making purposes. Having already performed an assessment of sustainability data availability in its internal systems against regulatory requirements/expectations, the Bank continues to enhance its sustainability risk data aggregation capabilities and IT infrastructure accordingly.

Management Report (continued)

Environmental sustainability, social responsibility and governance (continued)

The Bank aims to implement a set of tools for the identification, measurement, and management of ESG risks, including CR&E, in the credit granting and monitoring processes. These will be utilised by the units involved across both the 1st and 2nd Line of Defense.

C. Corporate Reporting

Eurobank Cyprus Ltd as a member of Eurobank Group ensures alignment with existing and upcoming regulations/standards applicable to the Group. In this regard, the Bank provides the Group with the required data for the following ESG related disclosures:

- The Group's Annual Report - Business and Sustainability,
- The Group's Sustainability Statement as per the requirements of the Common Sustainability Reporting Directive (CSRD)[1] and the European Sustainability Reporting Standards (ESRS),
- The Group's Report on Pillar III ESG information as per CRR requirements,
- The Group's Report on Green Asset Ratios in alignment with EU Taxonomy requirements.

Furthermore, the Bank's environmental and energy management performance, with respect to the improvement of its operational footprint, is monitored through specific indicators and associated targets disclosed also in the Environmental Report (EMAS). This constitutes an environment and energy monitoring and self-improvement tool, in line with commitments, regulated by applicable standards, audited & verified by independent third party. Within the EMAS Report framework, the Bank discloses the Green House Gas emissions record in line with the ISO14064 standard.

The Group's ESG related reports are accessible to all interested parties through the Group's corporate website.

Going concern assessment

Taking into consideration the above factors as well as the Bank's capital and liquidity position and factors included in note 2 of the financial statements, the Board of Directors is satisfied that the financial statements of the Bank are prepared on a going concern basis.

Financial risk management

The Bank is exposed to risks, the most significant of which are credit risk, liquidity risk, and market risk. The Bank monitors, manages and mitigates these risks through various control mechanisms. Detailed information relating to the Bank's risk management is set out in note 4 of the financial statements.

[1] According to the European Commission's deadlines, Eurobank Cyprus Ltd should have applied CSRD for the financial year starting FY2025 with reporting in FY2026. The Group will adopt the consolidated reporting approach i.e. it will report for all its subsidiaries under the Group CSRD report, including Eurobank Cyprus Ltd as of 2025. Eurobank Cyprus Ltd will provide the required information (quantitative/qualitative) for consolidation and reporting by the Group during the reporting periods and timeframes specified by the Group.

Management Report (continued)

Future developments of the Bank

The Bank currently operates through a network of 8 Banking Centres in Nicosia, Limassol, Larnaca, Paphos and Famagusta. Significant future developments and plans of the Bank are disclosed in note 2 of the financial statements.

Results

The Bank's results for the year are set out on pages 21 and 22. Net profit for the year ended 31 December 2024 is retained.

Share capital

There were no changes in the Bank's share capital during the year ended 31 December 2024.

Board of Directors

The members of the Board of Directors of the Bank as at 31 December 2024 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2024 and up to the date of this report, except as disclosed below.

Mr. Michalis Louis, Chief Executive Officer (CEO) and Executive Member of the Bank's Board of Directors resigned, with effect from 17 September 2024, in the context of the acquisition of controlling interest by Eurobank S.A in Hellenic Bank Public Company Limited.

Mr. Andreas Petsas was appointed as the new CEO and Executive Member of the Bank's Board of Directors, with effect from 18 September 2024, following the Board of Directors decision of 17 September 2024 and regulatory approvals obtained.

Mr. Takis Phidia, non-executive member of the Board of Directors resigned from the Bank's Board, with effect from 28 January 2025.

There were no other significant changes in the distribution of responsibilities or compensation of the Board of Directors.

Bank Management

The Bank's Executive Committee as at 31 December 2024 and at the date of this report is shown on page 1.

Management Report (continued)

Events after the balance sheet date

Events after the balance sheet date are described in note 32 of the financial statements.

Auditors

The Independent Auditors, KPMG Limited, have expressed their willingness to continue in office.

By Order of the Board of Directors

Andreas Petsas
Chief Executive Officer

Nicosia, 25 April 2025

INDEPENDENT AUDITOR’S REPORT

TO THE MEMBERS OF

EUROBANK CYPRUS LTD

Report on the audit of the financial statements

Opinion

We have audited the separate financial statements of the parent company Eurobank Cyprus Ltd (the "Bank"), which are presented on pages 21 to 186 and comprise the balance sheet as at 31 December 2024, and the income statement, and the statements of comprehensive income, changes in equity and cash flow for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *"Auditors' responsibilities for the Audit of the Financial Statements"* section of our report. We remained independent of the Bank throughout the period of our appointment in accordance with the *International Code of Ethics (including International Independence Standards) for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code")* together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 2.1 of the financial statements, which describes the initiation of the Bank’s plans for its merger process as decided by the Board of Directors of the Bank. Our opinion is not modified in respect of this matter.

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

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

<table>
<tr><th colspan="2">Impairment of loans and advances to customers</th></tr>
<tr><td colspan="2">Refer to notes 3.1, 4.2.1.3 and 16 to the financial statements</td></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>As at 31 December 2024 the Bank reported total gross loans and advances to customers of €3.029.941 thousand and €56.985 thousand of expected credit losses (“ECL”).

Key judgments and estimates in respect of the timing and measurement of ECL include:
▪ Allocation of loans and advances to customers to stages 1, 2, or 3 using criteria in accordance with the relevant accounting standard;
▪ Accounting interpretations, modelling assumptions and estimations used to build the models that calculate ECL, including the determination of Probabilities of Default (‘PD’) which is considered the most significant judgemental aspect of the Bank’s ECL modelling approach;
▪ Inputs and assumptions used to estimate the impact of multiple economic scenarios, along with the weighted-probabilities used; and
▪ Measurements of individually assessed exposures.

As a result of the significance of the amount and the judgements and estimates involved, we have determined that ECL on loans and advances to customers is a key audit matter.</td><td>Our audit procedures in this area included, among others:

1. Selecting a sample of loans and advances to customers in stages 1 and 2 to independently assess the reasonableness of the stage allocation and therefore determine the appropriateness and completeness of staging within all three stages (stages 1, 2, and 3).

2. For stage 1 and stage 2 assets, with the support of our internal credit modelling specialists, we have:
▪ Inspected and assessed the model documentation and methodology for compliance with IFRS 9 and market practice.
▪ Using our industry knowledge and experience, we developed our independent expectation, using our model, for the ECL estimate. Where we have used the Bank’s methods, key assumptions and inputs in our independent expectation, we tested (using a risk based substantive testing) these methods, key assumptions and inputs. This included assessing the mathematical theory of the model/method used, through testing that the methodology applied was appropriate (compared to industry practice and IFRS 9), including where relevant, the mathematical integrity and statistical robustness of the model.
▪ Performed reconciliations between the databases used to calculate ECL and the accounting data including the testing of the flow and transformation of data between source systems to the impairment calculation engine.
▪ For the critical data used in the year end ECL calculation, accuracy was tested by reconciling/tracing to source systems/documents.

3. For a sample of stage 3 loans and advances to customers, we performed independent credit assessments, assessing the appropriateness of stage classification. This included an overall assessment of the</td></tr>
</table>

	main assumptions (including benchmarking to peer banks) used in estimating the expected recoveries, including realizable value of collaterals, and independently recalculated the ECL across all stage 3 loans and advances to customers, using our challenger assumptions. 4. For a sample of valuations used in ECL calculation, with the support of our internal valuation specialists, we developed independent expectations to determine the fair value of the property collaterals and compared with the fair values determined by the Bank's external valuers. Additionally, we assessed the competence and independence of the Bank's external experts. 5. We assessed the adequacy and appropriateness of disclosures for compliance with the IFRS Accounting Standards as adopted by the European Union.

Reporting on Other Information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as required by the Companies Law, Cap.113.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

With regards to the Management Report, our report is presented in the *"Report on other legal and regulatory requirements"* section.

Responsibilities of the Board of Directors and Those Charged with Governance for the Financial Statements

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

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

The Board of Directors and those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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

Auditors' responsibilities for the Audit of the Financial Statements (continued)

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

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

Report on Other Legal and Regulatory Requirements

Requirements of Article 10(2) of EU Regulation 537/2014:

1. Date of appointment and period of engagement

   We were first appointed auditors of the Bank on 6 July 2018 by the Annual General Meeting of the Bank's members to audit the financial statements of the Bank for the year ended 31 December 2018. Our total uninterrupted period of engagement, having been renewed annually by shareholders' resolution is 7 years covering the years ended 31 December 2018 to 31 December 2024.

2. Consistency of auditors' report to the additional report to the Audit Committee

   We confirm that our audit opinion on the financial statements expressed in this report is consistent with the additional report presented to the Audit Committee of the Bank, which is dated 23 April 2025.

3. Provision of Non-audit Services ('NAS')

   We have not provided any prohibited NAS referred to in Article 5 of EU Regulation 537/2014 as applied by Section 72 of the Auditors Law of 2017, L.53(I)2017 ("Law L53(I)/2017").

Other legal requirements

Pursuant to the additional requirements of Law L.53(I)/2017, and based on the work undertaken in the course of our audit, we report the following:

- In our opinion, the Management Report, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In the light of the knowledge and understanding of the business and the Bank's environment obtained in the course of the audit, we have not identified material misstatements in the Management Report.

Other matter

This report, including the opinion, has been prepared for and only for the Bank's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of Law L.53(I)/2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor’s report is Maria A. Papacosta.

Maria A. Papacosta, FCCA
Certified Public Accountant and Registered
Auditor for and on behalf of

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

25 April 2025

Eurobank Cyprus Ltd

Income Statement
for the year ended 31 December 2024

	Note	2024 €'000	2023 €'000
Interest income calculated using the effective interest method	5	**379.395**	349.083
Other interest income	5	**60.978**	43.790
Interest expense calculated using the effective interest method	5	**(108.530)**	(81.324)
Other interest expense	5	**(57.484)**	(35.270)
Net interest income		**274.359**	276.279
Banking fee and commission income	6	**46.988**	43.423
Banking fee and commission expense	6	**(5.189)**	(6.602)
Net banking fee and commission income		**41.799**	36.821
Net trading income	7	**3.898**	694
Net gains from other financial instruments	8	**99**	117
Other income		**29**	8
Net other operating income		**4.026**	819
Operating income		**320.184**	313.919
Staff costs	9	**(31.419)**	(29.815)
Depreciation and amortisation	19,20	**(7.089)**	(6.557)
Other operating expenses	10	**(15.302)**	(19.322)
Profit from operations before impairments and provisions		**266.374**	258.225
Impairment allowance on loans and advances	4.2.1.3	**(6.620)**	(16.260)
Other impairment allowances and provisions	11	**(1.097)**	(2.735)
Profit before income tax and government levies		**258.657**	239.230
Government levy on customer deposits	23	**(10.970)**	(7.782)
Income tax expense	12	**(33.681)**	(32.010)
Net profit		**214.006**	199.438

The notes on pages 26 to 186 form an integral part of these financial statements.

Statement of Comprehensive Income
for the year ended 31 December 2024

	2024 €'000		2023 €'000	
Net profit		**214.006**		199.438
Other comprehensive income:				
Items that are or may be subsequently reclassified to income statement:				
Debt securities at FVOCI (note 17)				
- net changes in fair value, net of tax	**11.007**		18.667	
- reclassified to income statement, net of tax	**(260)**	**10.747**	(210)	18.457
Other comprehensive income for the year, net of tax		**10.747**		18.457
Total comprehensive income for the year		**224.753**		217.895

The notes on pages 26 to 186 form an integral part of these financial statements.

Eurobank Cyprus Ltd

Balance Sheet
at 31 December 2024

	Note	2024 €'000	2023 €'000
Assets			
Cash and balances with central banks	13	**2.954.379**	2.728.283
Due from credit institutions	14	**1.291.114**	1.184.606
Derivative financial instruments	15	**23.023**	11.938
Loans and advances to customers	16	**2.972.956**	2.844.345
Investment securities	17	**1.968.903**	1.424.253
Investments in subsidiaries	18	**17.555**	15.011
Property and equipment	19	**20.887**	23.899
Intangible assets	20	**36.048**	33.464
Deferred tax assets	12	**1.586**	2.152
Other assets	21	**14.315**	4.192
Total assets		**9.300.766**	8.272.143
Liabilities			
Due to credit institutions	22	**208.163**	184.222
Derivative financial instruments	15	**1.844**	10.108
Due to customers	23	**7.882.421**	7.098.945
Current tax liabilities	12	**6.754**	7.084
Deferred tax liabilities	12	**2.963**	3.058
Other liabilities	24	**119.657**	114.515
Total liabilities		**8.221.802**	7.417.932
Equity			
Share capital	25	**12.010**	12.010
Share premium	25	**245.384**	245.384
Other reserves	17	**(415)**	(11.162)
Retained earnings		**821.985**	607.979
Total equity		**1.078.964**	854.211
Total equity and liabilities		**9.300.766**	8.272.143

On 25 April 2025 the Board of Directors of Eurobank Cyprus Ltd authorised the issuance of these financial statements.

Michael Redferne, Chair of the Board of Directors

Andreas Petsas, Chief Executive Officer

Demetris Shacallis, Chief Financial Officer

The notes on pages 26 to 186 form an integral part of these financial statements.

Eurobank Cyprus Ltd

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

	Share capital €'000	Share premium €'000	Fair value reserve €'000	Retained earnings €'000	Total equity €'000
Balance at 1 January 2023	12.010	245.384	(29.619)	408.541	636.316
Net profit	-	-	-	199.438	199.438
Other comprehensive income	-	-	18.457	-	18.457
Total comprehensive income for the year	-	-	18.457	199.438	217.895
Balance at 31 December 2023	12.010	245.384	(11.162)	607.979	854.211
Balance at 1 January 2024	**12.010**	**245.384**	**(11.162)**	**607.979**	**854.211**
Net profit	-	-	-	214.006	**214.006**
Other comprehensive income	-	-	10.747	-	**10.747**
Total comprehensive income for the year	**-**	**-**	**10.747**	**214.006**	**224.753**
Balance at 31 December 2024	**12.010**	**245.384**	**(415)**	**821.985**	**1.078.964**

The notes on pages 26 to 186 form an integral part of these financial statements.

Eurobank Cyprus Ltd

Cash Flow Statement
for the year ended 31 December 2024

	Note	2024 €'000	2023 €'000
Cash flows from operating activities			
Profit before income tax and government levies		**258.657**	239.230
Adjustments for:			
Depreciation of property and equipment	19	**4.435**	4.072
Amortisation of intangible assets	20	**2.654**	2.485
Loss on property and equipment and intangible assets written off	19	**-**	23
Impairment allowance on loans and advances to customers	4.2.1.3	**5.047**	20.629
Impairment allowance/(reversal of impairment allowance) on credit related commitments and contingent liabilities	4.2.1.3	**1.573**	(4.369)
Impairment allowance on investments in subsidiaries	11	**656**	2.618
Foreign exchange differences on impairment allowance on loans and advances to customers	4.2.1.3	**142**	193
Foreign exchange differences on right-of-use assets	19	**-**	1
Other income on investment securities	30	**(101.963)**	(25.243)
		171.201	239.639
Changes in operating assets and liabilities			
Net (increase)/decrease in cash and balances with central banks	13	**(6.507)**	2.119
Net increase in derivative financial instruments	15	**(19.349)**	(4.779)
Net increase in loans and advances to customers	16	**(133.800)**	(135.249)
Disposals, write-offs and adjustments to right-of-use assets	19	**(26)**	(174)
Net increase in other assets	21	**(10.123)**	(2.247)
Net decrease in due to central banks		**-**	(605.322)
Net increase/(decrease) in due to credit institutions	22	**23.941**	(177.421)
Net increase/(decrease) in due to customers	23	**783.476**	(103.877)
Net increase in other liabilities	24	**6.074**	26.743
		643.686	(1.000.207)
Government levy on customer deposits paid	23	**(10.970)**	(7.782)
Income tax paid	12	**(33.540)**	(25.120)
Net cash flows from/(used in) operating activities[1]		**770.377**	(793.470)
Cash flows from investing activities			
Purchases of property and equipment	19	**(1.397)**	(778)
Purchases of intangible assets	20	**(5.238)**	(8.368)
Proceeds from disposals, maturities and redemptions of investment securities	17	**438.592**	184.204
Payments for acquisition of investment securities	17	**(910.135)**	(280.760)
Interest received on investment securities	17	**39.603**	40.686
Investments in subsidiaries	18	**(3.200)**	(17.619)
Net cash flows used in investing activities		**(441.775)**	(82.635)
Cash flows from financing activities			
Payment of lease liabilities[2]	27	**(2.505)**	(2.513)
Net cash flows used in financing activities		**(2.505)**	(2.513)
Net increase/(decrease) in cash and cash equivalents		**326.097**	(878.618)
Cash and cash equivalents at beginning of year	30	**3.841.977**	4.720.595
Cash and cash equivalents at end of year	30	**4.168.074**	3.841.977

[1]*Includes interest received of €407.228 thousand (2023: €345.803 thousand) and interest paid of €148.398 thousand (2023: €100.980 thousand).*
[2]*The Bank has classified cash payments for the principal portion of lease payments as financing activities and cash payments for the interest portion amounting to €217 thousand (2023: €287 thousand) as operating activities.*

The notes on pages 26 to 186 form an integral part of these financial statements.

Notes to the financial statements

1 General information

Country of incorporation

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

Principal activity

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

2 Basis of preparation and material accounting policies

2.1 Basis of preparation

The financial statements of the Bank have been prepared in accordance with IFRS® Accounting Standards, as adopted by the European Union ("IFRS Accounting Standards – EU"), and in particular with those standards and interpretations, issued and effective or issued and early adopted as at the time of preparing these financial statements. The financial statements of the Bank have also been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113.

The financial statements are prepared under the historical cost basis, except for the financial assets measured at fair value through other comprehensive income, financial assets and financial liabilities (including derivative instruments) measured at fair value through profit or loss and recognised financial assets and financial liabilities designated as hedged items in qualifying fair value hedging relationships (which otherwise would have been measured at amortised cost) measured at amortised cost adjusted for hedging gain or loss.

The accounting policies for the preparation of the financial statements have been consistently applied to the years 2024 and 2023, after taking into account the amendments in IFRS Accounting Standards - EU as described in note 2.1.1 (a) "New and amended standards adopted by the Bank". Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

The preparation of financial statements in accordance with IFRS requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingencies and commitments at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and conditions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3 of the financial statements.

These separate financial statements contain information about Eurobank Cyprus Ltd as an individual company and do not contain consolidated financial information as the parent of a group.

2 Basis of preparation and material accounting policies (continued)

2.1 Basis of preparation (continued)

The Bank is not required by the Cyprus Companies Law, Cap. 113, to prepare consolidated financial statements because the ultimate parent company, Eurobank Ergasias Services and Holdings S.A., publishes consolidated financial statements in accordance with Generally Accepted Accounting Principles in Greece and the Bank does not intend to issue consolidated financial statements for the year ended 31 December 2024.

The European Commission has concluded that since parent companies are required by the EU Accounting (2013/34/EU) Directive to prepare separate financial statements and since the Cyprus Companies Law, Cap. 113, requires the preparation of such financial statements in accordance with IFRS as adopted by the EU, the provisions in IFRS 10 'Consolidated Financial Statements' requiring the preparation of consolidated financial statements in accordance with IFRS do not apply. The consolidated financial statements of Eurobank Ergasias Services and Holdings S.A. are available at its website (www.eurobankholdings.gr).

The Bank's presentation currency is the Euro (€) being its functional currency. Except as indicated, financial information presented in Euro has been rounded to the nearest thousand.

Going concern considerations

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

a) Position of the Group

In 2024, despite the challenging international environment, the macroeconomic backdrop was supportive in the Group's three core markets. In particular, the economies of Greece, Bulgaria and Cyprus remained in expansionary territory, overperforming most of their European Union peers.

Growth in Greece as well as in Bulgaria and Cyprus is expected to receive a significant boost from EU-funded investment projects and reforms. Following a series of sovereign rating upgrades in the second half of 2023, the Greek government's long-term debt securities were considered investment grade by four out of the five Eurosystem-approved External Credit Assessment Institutions (DBRS: BBB(low), positive outlook, Fitch: BBB-, stable outlook; Scope: BBB, stable outlook; S&P: BBB-, positive outlook), and one notch below investment grade by the fifth one, Moody's (Ba1, positive outlook) as of 31 December 2024.

Regarding the outlook for the next 12 months, the major macroeconomic risks and uncertainties in Greece and our region are associated with: (a) the geopolitical tensions caused primarily by the war in Ukraine and the fragile situation in the Middle East, their implications regarding regional and global stability and security, and their repercussions on the global and the European economy, (b) an interruption or even a reversal of the disinflationary trend observed in the past 24 months and its impact on economic growth, employment, public finances, household budgets, firms' production costs, external trade and banks' asset quality, as well as any potential social and/or political ramifications this may entail, (c) the timeline of potential further interest rate cuts by the ECB and the Federal Reserve Bank, as persistence on high rates for longer may keep exerting pressure on sovereign and private borrowing costs and certain financial institutions' balance sheets, but early rate cuts entail the risk of a rebound in inflation, (d) the prospect of

2 Basis of preparation and material accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern considerations (continued)

a) Position of the Group (continued)

Greece's and Bulgaria's major trade partners, primarily the euro area, remaining stagnant or even facing a temporary downturn, (e) the elevated political and economic uncertainty stemming from the international and trade policy decisions of the new administration in the United States, (f) the persistently large current account deficits that have started to become once again a structural feature of the Greek economy, (g) the absorption capacity of the NGEU (Next Generation EU) and MFF (EU's long-term budget) funds and the attraction of new investments in the countries of presence, especially in Greece, (h) the effective and timely implementation of the reform agenda required to meet the RRF (Recovery and Resilience Facility) milestones and targets and to boost productivity, competitiveness, and resilience and (i) the exacerbation of natural disasters due to the climate change and their effect on GDP, employment, fiscal balance and sustainable development in the long run.

Materialisation of the above risks would have potentially adverse effects on the fiscal planning of the Greek government, as it could decelerate the pace of expected growth and on the liquidity, asset quality, solvency and profitability of the Greek banking sector. In this context, the Group's Management and Board are continuously monitoring the developments on the macroeconomic, financial and geopolitical fronts as well as the evolution of the Group's asset quality and liquidity KPIs and have maintained a high level of readiness, so as to accommodate decisions, initiatives and policies to protect the Group's capital, asset quality and liquidity standing as well as the fulfilment, to the maximum possible degree, of its strategic and business goals in accordance with the business plan for 2025-2027.

b) The Cyprus economy

The Cyprus economy continued charging ahead in 2024 and remained in a robust growth trajectory, scoring one of the best performances among Eurozone countries. According to CySTAT's latest flash estimate, Cyprus' seasonally and working day adjusted real GDP growth rate in the fourth quarter of 2024 was 2,9%. The impressive fiscal performance and the continued progress in the country's banking sector have led to credit rating improvements, despite the numerous challenges stemming from the volatile international economic and geopolitical setting and the high interest rates.

In its December 2024 macroeconomic forecast, the Central Bank of Cyprus (CBC) projects that the Cypriot economy will grow by 3,7% in 2024. For 2025 and 2026 the CBC expects Cyprus' GDP to grow by 3,0% and 3,1% respectively. According to the EU Commission's Autumn 2024 Economic Forecast, Cyprus' growth is expected to stand at 3,6% in 2024, 2,8% in 2025 and 2,5% in 2026.

Despite the challenging geopolitical and economic environment, the healthy growth of the tourism sector continues to contribute to the country's robust economic performance. For the period of January – December 2024, arrivals of tourists totaled 4.040 thousand compared to 3.845 thousand in the corresponding period of 2023, recording an increase of 5,1%. Arrivals in the previous years were 3,20 million in 2022, 1,94 million in 2021, 632 thousand in 2020 and 3,98 million in 2019. Tourist arrivals in 2024 have surpassed for the first time the record arrivals in the pre-pandemic period of 2019.

2 Basis of preparation and material accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern considerations (continued)

b) The Cyprus economy (continued)

For the period of January – December 2024, revenue from tourism is estimated at €3.209,4 million compared to €2.990,6 million in the corresponding period of 2023, recording an increase of 7,3%. Revenue from tourism in the full year 2019 stood at €2.683,0 million.

Inflation in Cyprus normalised to a large extent in the previous months and appears now under control and close to the 2% target. According to CySTAT, inflation (HICP) for the period January to December 2024 rose by 2,3%. According to the CBC's macroeconomic forecast, inflation is expected to drop to 1,9% in 2025. The EU Commission forecasts inflation in Cyprus to drop to 2,1% in 2025 and 2,0% in 2026 and comments that inflation is expected to decelerate and wage growth to stay high, boosting household purchasing power and consumption.

Supported by the robust economic growth, employment conditions strengthened and are expected to improve further as labor-intensive sectors such as tourism are forecast to continue growing. According to CySTAT, the unemployment rate in Cyprus declined from 5,8% in 2023 to 4,9% in 2024, while the 4,5% unemployment rate recorded in the third quarter of the year was the lowest level observed in the last 15 years. In its latest macroeconomic forecasts, CBC projects the unemployment rate to stand at 4,9% in 2025 and 4,7% in 2026. The EU Commission expects the unemployment rate to further reduce to 4,7% in 2025 and 4,5% in 2026.

Cyprus' fiscal performance has been one of the best among Eurozone countries, supported by the robust economic performance and the prudent management of the public finances. According to CySTAT's preliminary fiscal results, the General Government fiscal balance for the period of January – December 2024 presented a surplus of €1.507,8 million (4,5% of GDP) compared to a surplus of €631,5 million (2,0% of GDP) in the same period of 2023. Primary balance recorded a surplus of €1.941,7 million versus a surplus of €1.039,7 million in the corresponding period of 2023. According to the latest EU commission forecasts, the surplus is projected to normalize lower to 2,7% of GDP in 2025 and 2026.

According to the Finance Ministry's Public Debt Management Office, Cyprus Central Government debt declined to €21,2 billion as of 31 December 2024, marking a reduction of €1,0 billion, or 4,6% compared with the previous quarter due to net debt redemptions and early repayments. As at the end of 2024, the General Government Debt stood at €21,8 billion and the debt-to-GDP at 65,0%, down from 73,6% in 2023. According to the EU Commission forecasts, the government debt-to-GDP ratio is expected to continue declining towards 61,4% in 2025 and 56,7% in 2026, largely due to primary surpluses and continued strong nominal GDP growth.

In the last months of 2024, Cyprus' credit rating and outlook improved markedly and completed an important milestone, being now at "A" rating levels. In November, Moody's upgraded Cyprus by two notches to A3 from Baa2 and assigned a stable outlook. According to the agency, the two-notch upgrade reflected a significant improvement in fiscal and debt metrics, which is expected to be sustained. Moody's highlighted that Cyprus has substantially reduced its government debt ratio since its peak in 2020, ranking

2 Basis of preparation and material accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern considerations (continued)

b) The Cyprus economy (continued)

among the countries with the largest reductions in debt ratio globally. Additionally, the agency expects the medium-term economic outlook for Cyprus to remain solid, driven by the steady expansion of high-productivity services sectors. The other two main rating agencies followed with similar upgrades.

S&P upgraded Cyprus to A- from BBB+, stable outlook, with the agency stating that despite geopolitical risks, Cypriot economy is benefiting from labor and capital inflows from nearby conflict zones. Fitch also upgraded Cyprus to A- from BBB+, with a stable outlook. Fitch stated that the upgrade reflects the rapid decline in public debt, strong fiscal surpluses, limited fiscal risks, strong growth momentum, and an improving banking sector.

Despite the robust performance in the last years, the Global as well as the Cypriot economies face many headwinds in the coming years. The outlook remains uncertain with risks from a volatile geopolitical environment with ongoing conflicts and trade disputes, potential rekindling of inflationary pressures, continued tight monetary policy and high debt levels clouding the outlook and threatening to push the global economy to recession.

c) Initiation of Bank's plans for its merger process

On 27 March 2025, the Board of Directors of the Bank decided to launch a merger process of the Bank with Hellenic Bank Public Company Limited ("Hellenic Bank") through the absorption of the former by the latter, which will be completed in two steps. The merger will be implemented with a combined application of the Law for the Transfer of Banking Business and Collateral of 1997 (i.e. by transferring the banking business of the Bank) in exchange for shares in Hellenic Bank and by Scheme of reorganisation under the general provisions of the Cyprus Companies Law Cap.113, (i.e. where all assets, liabilities, business of one company may be absorbed by the another company). Upon the completion of the merger, subject to all necessary by Law approvals, including regulatory and shareholders approvals (of both merging banks), a) the Bank will cease to exist and b) Hellenic Bank, will retain its banking license, substituting the Bank as universal successor in the totality of its assets and liabilities transferred to Hellenic Bank, as they will appear in the balance sheet of Hellenic Bank on the date of the transfer.

d) Going concern assessment

Taking into consideration the factors mentioned earlier on, the Bank's financial, capital and liquidity position as described in the Management Report, the fact that the merger process described above is subject to regulatory and shareholders approvals (of both merging banks) and the continuation of the Bank's business operations by Hellenic Bank after their merger, the Board of Directors has been satisfied that the preparation of the financial statements of the Bank using the going concern basis of accounting is appropriate.

2 Basis of preparation and material accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 New and amended standards and interpretations

The Bank applied for the first time certain standards and amendments, which are effective for annual periods beginning on 1 January 2024. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(a) New and amended standards adopted by the Bank as of 1 January 2024

The following amendments to existing standards as issued by the International Accounting Standards Board (IASB) and endorsed by the EU that are relevant to the Bank's activities apply from 1 January 2024:

IAS 1, Amendments, Classification of Liabilities as Current or Non-Current and Non-current liabilities with covenants
The amendments, published in January 2020, introduce a definition of settlement of a liability, while they make clear that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. In addition, it is clarified that the assessment made at the end of the reporting period for liabilities' classification is not affected by the expectations about events after the reporting period and whether an entity will exercise its right to defer settlement of a liability.

The Board also clarified that when classifying liabilities as current or non-current, an entity can ignore only those conversion options that are classified as equity.

In October 2022, the IASB issued "Non-current Liabilities with Covenants (Amendments to IAS 1)" with respect to liabilities for which an entity's right to defer their settlement for at least 12 months after the reporting date, is subject to the entity complying with conditions after the reporting period (future covenants). The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. However, the amendments require a company to disclose information about these covenants in the notes to the financial statements.

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

IFRS 16, Amendments, Lease Liability in a Sale and Leaseback
The amendments require a seller-lessee to subsequently measure lease liabilities arising in a sale and leaseback transaction in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. Any gains and losses relating to the full or partial termination of a lease continue to be recognised when they occur. The amendment does not change the accounting for leases unrelated to sale and leaseback transactions.

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

2 Basis of preparation and material accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 New and amended standards and interpretations (continued)

(b) New standards, amendments to standards and interpretations not yet adopted by the Bank

A number of new standards and amendments to existing standards are effective after 2024, as they have not yet been endorsed by the EU or have not been early applied by the Bank. Those that may be relevant to the Bank are set out below:

IFRS 18, Presentation and Disclosure in Financial Statements (effective 1 January 2027, not yet endorsed by EU)
In April 2024, the IASB published the new standard IFRS 18 “Presentation and Disclosure in Financial Statements” which will replace IAS 1 “Presentation of Financial Statements”. The new standard sets out the requirements for presentation and disclosures in financial statements with focus on the income statement and reporting of financial performance, in order to ensure that financial statements provide relevant information that faithfully represents an entity’s financial position, performance, and cash flows.

Specifically, the new standard contains new guidance regarding the structure of the income statement, as well as disclosure requirements for Management-defined Performance Measures (MPMs). In addition, it provides enhanced guidance on aggregation and disaggregation of information on the face of financial statements and in the notes, while sets out general requirements for the classification and presentation of assets, liabilities, equity, income, and expenses.

The new standard is effective for annual periods beginning on or after January 1, 2027, with early adoption permitted and will also apply to comparative information.

The Bank is currently assessing the impact of IFRS 18 on its financial statements.

IAS 21, Amendments, Lack of Exchangeability (effective 1 January 2025)
The amendments to IAS 21” The Effects of Changes in Foreign Exchange Rates”, specify how an entity can determine whether a currency is exchangeable into another currency at the measurement date, and the spot exchange rate to use when it is not. In addition, when a currency is not exchangeable an entity should disclose information that would enable users of its financial statements to understand the related effects and risks as well as the estimated rates and techniques used.

The adoption of the amendments is not expected to impact the financial statements.

IFRS 9 & IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (effective 1 January 2026, not yet endorsed by EU)
In May 2024, the IASB issued “Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7”. The amendments clarify the requirements related to the derecognition of financial liabilities settled through electronic payment systems, provide additional guidance for the SPPI assessment of financial instruments with contingent features, non-recourse features, as well as for transactions that are contractually linked instruments.

2 Basis of preparation and material accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 New and amended standards and interpretations (continued)

(b) New standards, amendments to standards and interpretations not yet adopted by the Bank (continued)

IFRS 9 & IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (effective 1 January 2026, not yet endorsed by EU) (continued)
Additionally, the amendments introduce disclosure requirements regarding financial instruments with contingent features, as well as for investment in equity instruments designated at FVOCI.

The amendments are effective for annual reporting periods beginning on or after 1 January 2026 with earlier application permitted.

The Bank is currently assessing the impact of the amendments on its financial statements.

Annual improvements to IFRSs - Volume 11 (effective 1 January 2026, not yet endorsed by EU)
In July 2024, the IASB issued amendments to several IFRS standards, which resulted from the IASB's annual improvements process. This volume includes minor amendments to several standards namely:
- IFRS 1 "First-time Adoption of International Financial Reporting Standards" on Clarifications on hedge accounting for first-time adopters,
- IFRS 7 "Financial Instruments: Disclosures" and its accompanying Guidance on implementing IFRS 7 in disclosures related to derecognition, fair value and credit risk,
- IFRS 9 "Financial Instruments" on clarifications about lessee derecognition of lease liabilities and on definition of transaction price over the initial measurement of trade receivables,
- IFRS 10 "Consolidated Financial Statements" on the determination of a 'De Facto Agent', and
- IAS 7 "Statement of Cash-Flows" on definition of cost method.

The adoption of the amendments is not expected to impact the financial statements.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies

2.2.1 Foreign currency translation

(i) Functional and presentation currency

Items included in the Bank's financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Euro (€), which is the functional and presentation currency of the Bank. Except as indicated, financial information presented in Euro has been rounded to the nearest thousand.

(ii) Transactions in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at each reporting date and exchange differences are recognised in the income statement, except when deferred in equity as qualifying cash flow or net investment hedges.

Non-monetary assets and liabilities are translated into the functional currency at the exchange rates prevailing at initial recognition, except for non-monetary items denominated in foreign currencies that are measured at fair value which are translated at the rate of exchange at the date the fair value is determined. The exchange differences relating to these items are treated as part of the change in fair value and are recognised in the income statement or directly in other comprehensive income depending on the classification of the non-monetary item.

2.2.2 Derivative financial instruments and hedging

Derivative financial instruments, that mainly include foreign exchange contracts, forward currency agreements, currency and interest rate options (both written and purchased), as well as currency and interest rate swaps, are initially recognised in the balance sheet at fair value, on the date on which the derivative contracts are entered into, and are subsequently re-measured at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Fair values of derivatives are determined based on quoted market prices, including recent market transactions, or by using other valuation techniques, as appropriate. The principles for the fair value measurement of financial instruments, including derivative financial instruments, are described in notes 3.2 and 4.5.

Embedded derivatives

Embedded derivatives are components of hybrid contracts that also include non-derivative hosts with the effect that some of the cash flows of the combined instruments vary in a way similar to stand-alone derivatives.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.2 Derivative financial instruments and hedging (continued)

Embedded derivatives (continued)

Financial assets that contain embedded derivatives are recognised in the balance sheet in their entirety in the appropriate classification category, following the instruments' assessment of their contractual cash flows and their business model as described in note 2.2.12.

On the other hand, derivatives embedded in financial liabilities, are treated as separate derivatives when their risks and characteristics are assessed not to be closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are separated in the balance sheet and accounted for as stand-alone derivatives measured at fair value with changes in fair value recognised in the income statement.

Derivatives held for hedge accounting

The use of derivative financial instruments is inherent in the Bank's activities and aims principally at managing risks effectively.

Accordingly, the Bank, as part of its risk management strategy, may enter into transactions with external counterparties to hedge partially or fully exposure to interest rates, foreign currency rates, equity prices and other market factors that are generated from its activities.

The objectives of hedging with derivative financial instruments include:
- Reduce interest rate exposure that is in excess of the Bank's interest rate limits;
- Manage efficiently interest rate risk and achieve optimisation and stabilisation of the evolution of net interest margin and net interest income by tracking the evolution of interest rates and spreads and hedging the changes to the movements of the benchmark interest rates represented by the prevailing reference rates;
- Manage the overall fair value exposure on settled or unsettled (forward) transactions;
- Reduce variability deriving from the fair value changes of derivatives embedded in financial assets;
- Manage future variable cash flows;
- Reduce foreign currency risk or inflation risk;
- Reduce variability of the consideration to be paid/received to acquire/sell a debt security under a forward transaction;
- Reduce accounting exposure, i.e. the variability in the Bank's equity arising from translating a foreign net investment at different exchange rates.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.2 Derivative financial instruments and hedging (continued)

Hedge accounting

The Bank has elected, as a policy choice permitted under IFRS 9, to continue to apply hedge accounting in accordance with IAS 39, as endorsed by the European Union (IAS 39 carve-out). In 2023, the Bank introduced a new risk management strategy which is the fair value hedging of the core deposits held. Accordingly, the Bank applied for the first time the provisions of IAS 39 carve-out that enables entities to designate core deposits as hedged items in a portfolio hedge of interest rate risk. Under the EU carve-out version of IAS 39, certain requirements related to hedge accounting were removed, in order to facilitate (a) the application of fair value hedge accounting to the macro-hedges used for structural hedges including demand deposits and (b) the hedge effectiveness assessment by permitting the use of bottom layer approach for the determination of the fair value of hedged item, attributable to interest rate risk.

For hedge accounting purposes, the Bank forms a hedging relationship between a hedging instrument or group of hedging instruments and a related item or group of items to be hedged. A hedging instrument is a designated derivative or group of derivatives, or a designated non-derivative financial asset or financial liability whose fair value or cash flows are expected to offset changes in the fair value or cash flows of a designated hedged item or group of items. Specifically, the Bank designates certain derivatives as hedges of the exposure to changes in the fair value of recognised assets or liabilities on a single or portfolio basis or unsettled forward tranactions, or unrecognised firm commitments (fair value hedging).

In order to apply hedge accounting specified criteria should be met. Accordingly, at the inception of the hedge accounting relationship, the Bank documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank also documents its assessment, both at inception of the hedge and on an ongoing basis, of whether the derivatives that are used in the hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items and whether the actual results of each hedge are within a range of 80-125%. If a relationship does not meet the abovementioned hedge effectiveness criteria, the Bank discontinues hedge accounting prospectively. Similarly, if the hedging derivative expires or is sold, terminated or exercised, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.2 Derivative financial instruments and hedging (continued)

<u>*Hedge accounting (continued)*</u>

(i) Fair value hedging

The Bank applies fair value hedging primarily to hedge exposures to changes in the fair value attributable to interest rate risk with respect to the applicable benchmark rate and currency risk.

Hedged items

The items that qualify for fair value hedge accounting include financial assets and liabilities such as:
- fixed rate investment securities measured at AC or FVOCI;
- fixed rate term deposits and debt securities issued measured at amortised cost;
- portfolios of floating-rate loans and debt securities with embedded interest rate options (such as purchased interest rate floors) measured at AC;
- portfolios of fixed rate amortising loans (macro hedging) measured at AC;
- portfolios of liabilities (macro-hedging) and more specifically demand deposits with interest rates determined by the Bank and announced on its pricing list (sight/savings deposit rate) that are identified as interest rate-insensitive liabilities measured at AC. More specifically, demand deposits are liabilities with no contractual maturity that the customers have the flexibility to withdraw at any time. Despite their contractual terms, and due to their nature, part of the demand deposits behaves as a portfolio of longer-term fixed rate liabilities, as they remain insensitive to interest rate movements. This part of demand deposits represents the core deposits.

Hedge effectiveness assessment

The Bank uses the regression analysis or the dollar-offset method at inception (prospective measurement) and on an ongoing basis (retrospective measurement), in order to assess the effectiveness of fair value hedges, on a single or portfolio basis.

Specifically, the regression analysis is the default method of assessing effectiveness which applies to all single fair value hedging relationships and portfolios hedging of interest rate risk (macro-hedging) and demonstrates that there is high historical and expected future correlation between the interest rate risk designated as being hedged and the interest rate risk of the hedging instrument. If the regression coefficient of the equation, that represents the effectiveness ratio, ranges between -0.8 to -1.25, the hedge relationship is expected to be highly effective, further supported by the coefficient of determination (R2) which should be greater than 80% to confirm the statistical level of high effectiveness. For hedging relationships, that regression analysis is not available the dollar-offset method is used, which is a quantitative method that involves the comparison of the change in the fair value of the hedging instrument with the change in the fair value of the hedged item attributable to the hedged risk. The above comparison constitutes the dollar-offset ratio and should be within the range of 80% -125% for the hedge to be highly effective.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.2 Derivative financial instruments and hedge accounting (continued)

<u>*Hedge accounting (continued)*</u>

(i) Fair value hedging (continued)

Hedge effectiveness assessment (continued)

The Bank may also apply the hypothetical derivative method, an approach to the dollar offset method, where the hedged risk is modelled through hypothetical derivatives, which replicate the embedded derivative. The fair value of the hypothetical derivative is used as a proxy for the net present value of the hedged future cash flows against which changes in value of the actual hedging instrument are compared to assess effectiveness and measure ineffectiveness. Hedge ineffectiveness may arise in case of potential differences in the critical terms between the hedged item and the hedging instrument such as maturity, interest rate reset frequency and discount curves as well as differences between expected and actual cash flows.

In addition, for hedging relationships where the critical terms of the hedged item match the ones of the hedging instrument such as coupon, maturity, and payment frequency, it is presumed that by construction, effectiveness is expected to be highly effective.

The Bank has identified the following sources of ineffectiveness:
• Differences in the repricing frequency of the hedged items and hedging instruments.
• The use of different interest rate curves applied to discount the hedged items and hedging instruments.

Fair value hedging adjustments and discontinuation of hedge accounting

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement line “net trading income” together with the changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk (fair value hedging adjustments). Fair value hedging adjustments to the hedged items measured at amortised cost are recorded as part of their carrying value in the balance sheet, with the exception of hedging adjustments for portfolios of fixed rate assets in the context of macro-hedging (see below). If the hedged item would otherwise be measured at cost or amortised cost, then its carrying amount is adjusted accordingly.

The Bank discontinues hedge accounting prospectively in case the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the qualifying criteria for hedge accounting, or designation is revoked. In such cases, any adjustment to the carrying amount of the hedged item, for which the effective interest method is applied, is amortised to profit or loss in the income statement line “interest income” over the remaining period to maturity with amortisation commencing no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statement.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.2 Derivative financial instruments and hedge accounting (continued)

Hedge accounting (continued)

(i) Fair value hedging (continued)

Portfolio hedging of interest rate risk (macro-hedging)

With reference to portfolio hedging of interest rate risk, a dynamic hedging strategy is applied according to which the Bank voluntarily designates and de-designates the hedge relationship on a monthly basis.

For portfolios of financial assets, the Bank determines the designated hedged amount by identifying portfolios of homogenous fixed rate assets based on their contractual interest rates, maturity and other risk characteristics. Assets within the identified portfolios are allocated into repricing time periods based on their repricing/maturity dates or interest payment dates with assumptions made for expected prepayments and capital repayments. The hedging instruments are groups of interest rate swaps replicating in aggregate the amortization profile of the assets and designated appropriately to their repricing time periods. Following the above allocation into time buckets, the designated hedged principal and the resulting percentage of the asset portfolio hedged (hedge ratio) for each time bucket are determined.

For the core deposits' portfolios, the Bank determines their aggregated balances and allocation into time buckets by applying a modelled approach that is based on regulatory standards. More specifically, the portfolio of core deposits to be hedged is determined by an internal designated behavioural model that utilises a number of assumptions regarding the behaviour and evolution of demand deposits balances, which are assessed, monitored and documented in accordance with the Bank's Risk Management Framework. The approach involves the allocation of demand deposits in sub-categories considering their nature, i.e. retail and wholesale, their idiosyncratic behavioral analysis, their sensitivity on interest rates and their withdrawal patterns and expected maturity profile analysed in time buckets for a maximum period of ten years. Furthermore, the model performs a capacity check per time bucket to ensure that there is sufficient hedge capacity on the hedged item amortising profile, compared to the hedging instruments' profile in order to ensure that there is no over hedge.

Against this modelled interest rate exposure, the Bank then uses groups of interest rate swaps with maturity up to ten years, designated as hedging instruments, that receive fixed interest rate and pay floating interest rate based on the benchmark rate hedged. The groups of swaps are staggered to cover different periods in time replicating in aggregate the estimated amortisation profile of the hedged core deposits per time bucket. Additionally, their volume is re-assessed on a monthly basis. Following the above allocation into time buckets, the designated hedged principal and the resulting percentage of the portfolio hedged (hedge ratio) for each time bucket are determined.

For hedge effectiveness assessment purposes, the regression analysis is used to demonstrate that there is high historical and expected future correlation between the interest rate risk designated as being hedged and the interest rate risk of the hedging instrument, as described above.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.2 Derivative financial instruments and hedge accounting (continued)

Hedge accounting (continued)

(i) Fair value hedging (continued)

Portfolio hedging of interest rate risk (macro-hedging) (continued)

Fair Value hedging adjustments do not affect the carrying amount of the hedged assets or liabilities pool, but instead they are presented as a separate line item within balance sheet lines loans and advances to customers and due to customers respectively. Considering the designation and de-designation process for a portfolio hedging of interest rate risk is performed on a monthly basis, the hedging adjustments are recorded in the income statement line “net trading income/(loss)”, begin amortisation on the month they occur and are amortised per bucket on a straight line basis, until the maturity of the last designated time bucket.

Furthermore, the pool of hedging instruments is managed dynamically and therefore when new derivatives are added in the pool of hedging instruments, they are included in the next period’s hedge assessment and consequently the change in fair value in the month of their inception affects the profit and loss. Similarly, when existing swaps are de-designated, either to improve expected hedge effectiveness or to be liquidated, the respective change in fair value from de-designation up to the next designation or liquidation date, affects the profit or loss.

(ii) Derivatives not designated as hedging instruments for hedge accounting purposes

Changes in the fair value of derivative financial instruments that are entered into for trading purposes or as economic hedges of assets, liabilities or net positions in accordance with the Bank’s hedging objectives and risk management policies that may not qualify for hedge accounting, are recognised in the income statement under “net trading income”.

The fair values of derivative instruments held for trading, including those entered into as economic hedges, and hedge accounting purposes are disclosed in note 15.

2.2.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Bank has a legally enforceable right to set off the recognised amounts and intends either to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under Accounting Standards, or for gains and losses arising from a group of similar transactions such as in the Bank’s trading activity.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.4 Interest income and expense

Interest income and expense are recognised in the income statement for all interest bearing financial instruments on an accrual basis, using the effective interest rate (EIR) method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the gross carrying amount of the financial asset or to the amortised cost of a financial liability. When calculating the EIR for financial instruments other than purchased or originated credit-impaired, the Bank estimates future cash flows considering all contractual terms of the financial instrument but does not consider expected credit losses. For purchased or originated credit impaired (POCI) financial assets, the Bank calculates the credit-adjusted EIR, which is the interest rate that upon the original recognition of the POCI financial asset discounts the estimated future cash flows (including expected credit losses) to the fair value of the POCI asset.

The amortised cost of a financial asset or liability is the amount at which it is measured upon initial recognition minus principal repayments, plus or minus cumulative amortisation using the EIR (as described above) and for financial assets it is adjusted for the expected credit loss allowance (ECL). The gross carrying amount of a financial asset is its amortised cost before adjusting for ECL allowance.

The EIR calculation includes fees and points paid or received that are an integral part of the effective interest rate, transaction costs, and other premiums or discounts. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

The Bank calculates interest income and expense by applying the EIR to the gross carrying amount of non-impaired financial assets (exposures in Stage 1 and 2) and to the amortised cost of financial liabilities respectively.

For financial assets that have become credit-impaired subsequent to initial recognition (exposures in Stage 3), the Bank calculates interest income by applying the effective interest rate to the amortised cost of the financial asset (i.e. gross carrying amount adjusted for the ECL allowance). If the asset is no longer credit-impaired, then the EIR is applied again to the gross carrying amount with the exception of POCI assets for which interest income does not revert to gross basis calculation.

For inflation-linked instruments the Bank recognises interest income and expense by adjusting the effective interest rate on each reporting period due to changes in expected future cash flows, incorporating changes in inflation expectations over the term of the instruments. The adjusted effective interest rate is applied in order to calculate the new gross carrying amount on each reporting period.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.4 Interest income and expense (continued)

Presentation

Interest income and expense are presented separately in the income statement for all interest bearing financial instruments within net interest income.

Interest income calculated using the effective interest method presented in the income statement includes:
- interest on financial assets and financial liabilities measured at amortised cost;
- interest on debt instruments measured at FVOCI;
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense;
- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk; and
- negative interest on financial liabilities measured at amortised cost.

Interest expense calculated using the effective interest method presented in the income statement includes:
- financial liabilities measured at amortised cost;
- the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense;
- negative interest on financial assets measured at amortised cost; and
- Interest expense on lease liabilities

Other interest income and other interest expense presented in the income statement includes interest from/on derivative financial instruments measured at FVTPL.

2.2.5 Fees and commissions

Fee and commission received or paid that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and commission income is recognised over time as the related services are being provided to the customer, to the extent that it is highly probable that a significant reversal of the revenue amount recognised will not occur. Transaction-based fees such as foreign exchange transactions, imports-exports, remittances, bank charges and brokerage fees are recognised at the point in time when the transaction takes place. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

In the case of a contract with a customer that results in the recognition of a financial instrument in the Bank's financial statements which may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15, the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and subsequently applies IFRS 15 to the residual part.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.6 Net trading income

"Net trading income" comprises gains less losses related to derivative financial instruments.

2.2.7 Net gains from other financial instruments

Net gains from other financial instruments relates to financial assets at FVOCI, financial assets at AC and financial assets mandatorily measured at FVTPL. The line item includes fair value changes, gains and losses on disposal and impairment allowances.

2.2.8 Income tax

Income tax comprises current and deferred tax. It is recognised in the income statement except to the extent that it relates to items recognised directly in equity or OCI.

(i) Current income tax

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

It is calculated using tax rates enacted or substantively enacted at the balance sheet date.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The principal temporary differences arise from impairment and accounting write-offs relating to loans and advances to customers, depreciation of property and equipment and amortisation of computer software.

Deferred tax assets are recognised to where it is probable that future taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available. The Bank recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.8 Income tax (continued)

(ii) Deferred tax (continued)

Deferred tax related to debt securities at FVOCI is recognised in other comprehensive income, and is subsequently recognised in the income statement together with the deferred gain or loss.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(iii) Uncertain tax positions

The Bank determines and assesses all material tax positions taken, including all, if any, significant uncertain positions, in all tax years that are still subject to assessment (or when the litigation is in progress) by the tax authorities. In evaluating tax positions, the Bank examines all supporting evidence (Ministry of Finance circulars, individual rulings, case law, past administrative practices, ad hoc tax/legal opinions etc.) to the extent they are applicable to the facts and circumstances of the particular Bank's case/transaction.

In addition, judgments concerning the recognition of a provision against the possibility of losing some of the tax positions are highly dependent on advice received from internal/external legal counselors. For uncertain tax positions with a high level of uncertainty, the Bank recognises, on a transaction by transaction basis, or together as a group, depending on which approach better predicts the resolution of the uncertainty using an expected value (probability-weighted average) approach: (a) a provision against tax receivable which has been booked for the amount of income tax already paid but further pursued in courts or (b) a liability for the amount which is expected to be paid to the tax authorities. The Bank presents in its balance sheet all uncertain tax balances as current or deferred tax assets or liabilities.

2.2.9 Property and equipment

Property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent expenditure is recognised in the asset's carrying amount only when it is probable that future economic benefits will flow to the Bank and the cost of the asset can be measured reliably. All other repair and maintenance costs are recognised in the income statement as incurred.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment, to their residual values over their estimated useful life as follows:

- Leasehold improvements: 12 years or over the lease term if shorter
- Motor vehicles and motorcycles: 5 years
- Equipment: 5 to 12 years

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.9 Property and equipment (continued)

Depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.2.11).

Gains and losses on disposal of property and equipment are determined by comparing proceeds with carrying amount and are included in "other operating expenses" in the income statement.

2.2.10 Intangible assets

Computer software

Acquired computer software licenses/programs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software and measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Bank is able to demonstrate: that the product is technically and commercially feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

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

Software is amortised on a straight-line basis in profit or loss over its estimated usefule life, from the date on which it is available for use. The annual amortisation rates used range between 8% and 33,33%. The useful life of the Bank's new core system is 20 years.

Amortisation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal of computer software are determined by comparing proceeds with carrying amount and are included in "other operating expenses" in the income statement.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.11 Impairment of non-financial assets

Non-financial assets, including property and equipment and intangible assets, are assessed for indications of impairment at each reporting date by considering both external and internal sources of information such as a significant reduction in the asset's value and evidence that the economic performance of the asset is or will be worse than expected. When events or changes in circumstances indicate that the carrying amount may not be recoverable, an impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows, where applicable. Non-financial assets for which an impairment loss was recognised in prior reporting periods, are reviewed for possible reversal of such impairment at each reporting date.

2.2.12 Financial assets

Financial assets - Classification and measurement

The Bank classifies financial assets based on the business model for managing those assets and their contractual cash flow characteristics. Accordingly, financial assets on initial recognition are classified into one of the following measurement categories: amortised cost, fair value through other comprehensive income or fair value through profit or loss.

Purchases and sales of financial assets are recognised on trade date, which is the date the Bank commits to purchase or sell the assets. Loans and advances originated by the Bank are recognised when cash is advanced to the borrowers.

Financial Assets measured at Amortised Cost (AC)

The Bank classifies and measures a financial asset at AC only if both of the following conditions are met and is not designated as at FVTPL:
(a) the financial asset is held within a business model whose objective is to collect contractual cash flows (hold-to-collect business model); and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

These financial assets are recognised initially at fair value plus or minus direct and incremental transaction costs and fees received that are attributable to the acquisition of these assets, and are subsequently measured at amortised cost, using the EIR method (as described in note 2.2.4 above).

Interest income, realised gains and losses on derecognition, and changes in expected credit losses from assets classified at AC, are included in the income statement.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.12 Financial assets (continued)

Financial assets - Classification and measurement (continued)

Financial Assets measured at Fair Value through Other Comprehensive Income (FVOCI)

The Bank classifies and measures a financial asset at FVOCI only if both of the following conditions are met and is not designated as at FVTPL:
(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (hold-to-collect-and-sell business model); and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

Financial assets that meet these criteria are debt instruments and are measured initially at fair value, plus or minus direct and incremental transaction costs that are attributable to the acquisition of these assets.

Subsequent to initial recognition, FVOCI debt instruments are re-measured at fair value through OCI, except for interest income, related foreign exchange gains or losses and expected credit losses, which are recognised in the income statement. Cumulative gains and losses previously recognised in OCI are transferred from OCI to the income statement when the debt instrument is derecognised.

Equity Instruments designated at FVOCI

The Bank may make an irrevocable election to designate an equity instrument at FVOCI. This designation, if elected, is made at initial recognition and on an instrument-by-instrument basis. Gains and losses on these instruments, including when derecognised, are recorded in OCI and are not subsequently reclassified to the income statement. Dividends received are recorded in the income statement.

Financial Assets measured at Fair Value through Profit and Loss (FVTPL)

The Bank classifies and measures all other financial assets that are not classified at AC or FVOCI, at FVTPL. Accordingly, this measurement category includes debt instruments such as loans and debt securities that are held within the hold–to-collect (HTC) or hold-to-collect-and-sell models (HTCS), but fail the SPPI assessment, equities that are not designated at FVOCI and financial assets held for trading. Derivative financial instruments are measured at FVTPL, with changes in fair value recognised in the income statement, unless they are designated as effective hedging instruments, where hedge accounting requirements under IAS 39 apply (as described in note 2.2.2).

Furthermore, a financial asset that meets the above conditions to be classified at AC or FVOCI, may be irrevocably designated by the Bank at FVTPL at initial recognition, if doing so eliminates, or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets measured at FVTPL are initially recorded at fair value and any unrealised gains or losses arising due to changes in fair value are included in the income statement.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.12 Financial assets (continued)

Financial assets - Classification and measurement (continued)

Business model and contractual characteristics assessment

The business model assessment determines how the Bank manages a group of assets to generate cash flows. That is, whether the Bank's objective is solely to collect contractual cash flows from the asset, to realise cash flows from the sale of assets, or both to collect contractual cash flows and cash flows from the sale of assets. In addition, the business model is determined after aggregating the financial assets into groups (business lines) which are managed similarly rather than at an individual instrument's level.

The business model is determined by the Bank's Executive Committee consistently with the operating model, considering how financial assets are managed in order to generate cash flows, the objectives and how performance of each portfolio is monitored and reported and any available information on past sales and on future sales' strategy, where applicable.

Accordingly, in making the above assessment, the Bank will consider a number of factors including the risks associated with the performance of the business model and how those risks are evaluated and managed, the related personnel compensation, and the frequency, volume and reasons of past sales, as well as expectations about future sales activity.

Types of business models

The Bank's business models fall into three categories, which are indicative of the key strategies used to generate returns.

The HTC business model has the objective to hold the financial assets in order to collect contractual cash flows. Financial assets classified within this business model include bonds, due from credit institutions and loans and advances to customers which are measured at amortised cost, subject to meeting the SPPI assessment criteria. Sales within this model are monitored and may be performed for reasons which are not inconsistent with this business model. More specifically, sales of financial assets due to credit deterioration, as well as, sales close to the maturity are considered consistent with the objective of hold-to-collect contractual cash flows regardless of value and frequency. Sales for other reasons may be consistent with the HTC model such as liquidity needs in any stress case scenario or sales made to manage high concentration level of credit risk. Such sales are monitored and assessed depending on frequency and value to conclude whether they are consistent with the HTC model.

The HTCS model has the objective both to collect contractual cash flows and sell the assets. Activities such as liquidity management, interest yield and duration are consistent with this business model, while sales of assets are integral to achieving the objectives of this business model. Financial assets classified within this business model include investment securities which are measured at FVOCI, subject to meeting the SPPI assessment criteria.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.12 Financial assets (continued)

Financial assets - Classification and measurement (continued)

Types of business models (continued)

Other business models include financial assets which are managed and evaluated on a fair value basis as well as portfolios that are held for trading. This is a residual category for financial assets not meeting the criteria of the business models of HTC or HTCS, while the collection of contractual cash flows may be incidental to achieving the business models' objective.

The Bank's business models are reassessed at least annually or earlier, if there is a sales' assessment trigger or if there are any changes in the Bank's strategy and main activities, as evidenced by the Bank's business plan, budget and NPE strategy.

Cash flow characteristics assessment

For a financial asset to be measured at AC or FVOCI, its contractual terms must give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. For the purpose of this assessment principal is defined as the fair value of the asset at initial recognition and interest as the consideration for the time value of money, credit risk, other basic lending risks and a profit margin.

More specifically, at initial recognition of a financial asset, an assessment is performed of whether the financial asset contains a contractual term that could change the amount or timing of contractual cash flows in a way that it would not be consistent with the above condition. The Bank considers the existence of various features, including among others, contractually linked terms, prepayment terms, deferred interest-free payments, extension and equity conversion options, terms that introduce leverage including index linked payments, features that change contractual cash flows based on the borrower meeting certain contractually specified environmental, social and governance (ESG) targets. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is considered to have failed the SPPI assessment and will be measured at FVTPL.

In addition, if a contractual feature could have an effect that is de-minimis on the contractual cash flows of the financial asset, it does not affect its classification. Moreover, a contractual feature is considered as not genuine by the Bank, if it affects the instrument's contractual cash flows only on the occurrence of an event that is extremely rare, highly abnormal and very unlikely to occur. In such a case, it does not affect the instrument's classification.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.12 Financial assets (continued)

Financial assets - Classification and measurement (continued)

Cash flow characteristics assessment (continued)

In case of special lending arrangements such as non-recourse loans, in its assessment of the SPPI criterion, the Bank considers various factors such as the nature of the borrower and its business, the pricing of the loans, whether it participates in the economic performance of the underlying asset and the extent to which the collateral represents all or a substantial portion of the borrower's assets. Moreover, for non-recourse loans, the Bank takes into consideration the borrower's adequacy of loss absorbing capital by assessing jointly the criteria of equity sufficiency, Loan to Value ratio (LTV), the Average Debt Service Coverage ratio (ADSCR) as well as the existence of corporate and personal guarantees.

In certain cases, when the time value of money element is modified in that the financial asset's interest rate is periodically reset but the reset frequency does not match the tenor of the interest rate or when a financial asset's interest rate is periodically reset to an average of particular short-term and long-term interest rates, a quantitative assessment is performed (the "Benchmark Test") in order to determine whether the contractual cash flows are SPPI.

In particular, the Bank assesses the contractual cash flows of the "real instrument", whose interest rate is reset with a frequency that does not match the tenor of the interest rate, and those of the "benchmark instrument", which are identical in all respects except that the tenor of the interest rate matches exactly the interest period. If the undiscounted cash flows of the former are significantly different from the benchmark cash flows due to the modified time value of money element, the financial asset does not meet the SPPI criterion. In its assessment, the Bank considers both the effect of the modified time value of money element in each reporting period and cumulatively over the life of the instrument. This is done, as far as the lifetime of the instrument is concerned, by comparing the cumulative projected undiscounted cash flows of the real and the benchmark instrument.

The Bank performs the SPPI assessment for its lending exposures on a product/type of contract basis for the portfolio where contracts are of standardised form, whereas for the remaining portfolio and debt securities, the assessment is performed on an individual basis.

Derecognition of financial assets

The Bank derecognises a financial asset when its contractual cash flows expire, or the rights to receive those cash flows are transferred in an outright sale in which substantially all risks and rewards of ownership have been transferred. In addition, a financial asset is derecognised even if rights to receive cash flows are retained but at the same time the Bank assumes an obligation to pay the received cash flows without a material delay (pass through agreement) or when substantially all the risks and rewards are neither transferred nor retained but the Bank has transferred control of the asset. Control is transferred if, and only if, the transferee has the practical ability to sell the asset in its entirety to unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.12 Financial assets (continued)

Derecognition of financial assets (continued)

The main transactions that are subject to the above de-recognition rules are repurchase agreements and stock lending transactions, where the assets transferred are not derecognised since the terms of the transaction entail the retention of all their risks and rewards.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI for financial assets at FVOCI, is recognised in the income statement, except for cumulative gains or losses of FVOCI equity instruments which are not reclassified from OCI to income statement at the date of derecognition.

Modification of financial assets that may result in derecognition

In addition, derecognition of financial asset arises when its contractual cash flows are modified and the modification is considered substantial enough so that the original asset is derecognised and a new one is recognised. Substantial modifications resulting in derecognition may include among others change in borrower, change in the asset's denomination currency, debt consolidation of unsecured exposure into a single new secured asset. The Bank records the modified asset as a "new" financial asset at fair value and the difference with the carrying amount of the existing one is recorded in the income statement as derecognition gain or loss.

The Bank may modify the contractual terms of a financial asset either as a concession granted to a client facing or that is about to face financial difficulties or due to other commercial reasons such as changes in market conditions, competition or customer retention.

Other modifications that do not affect significantly the risk profile of a financial asset and accordingly may not result in derecognition include:
- changes in interest rate that are not considered significant or grace periods;
- changes in collaterals that are not substantial;
- other changes in contractual terms, e.g. increase in maturity, capitalisation of accruals, etc.

In cases where the modification of the contractual cash flows is not considered substantial (following the derecognition assessment performed using the derecognition triggers provided above), the modification does not result in derecognition. The Bank recalculates the gross carrying amount of the financial asset and recognises the difference as a modification gain or loss, which is reflected in the income statement. When a modification includes debt forgiveness, the portion of the asset subject to forgiveness is derecognised first and then the calculation of the modification gain/loss is performed.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.12 Financial assets (continued)

Modification of financial assets that may result in derecognition (continued)

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as FVOCI is not recognised in the income statement on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

2.2.13 Reclassification of financial assets

The Bank reclassifies a financial asset only when it changes its business model for managing financial assets. Generally, a change in the business model is expected to be rare and occurs when the Bank either begins or ceases to perform an activity that is significant to its operations; for example, when a business line is acquired, disposed of or terminated. In the rare event when there is a change to the existing business models, the updated assessment is approved by the Bank's competent Committees and the amendment is reflected appropriately in the Bank's budget and business plan.

Changes in intention related to particular financial assets (even in circumstances of significant changes in market conditions), the temporary disappearance of a particular market for financial assets or a transfer of financial assets between parts of the Bank with different business models, are not considered by the Bank as changes in business model.

The reclassification is applied prospectively from the reclassification date, therefore previously recognised gains, losses (including impairment losses) or interest are not restated.

2.2.14 Financial liabilities

Classification and measurement

The Bank classifies its financial liabilities in the following categories: financial liabilities measured at amortised cost and financial liabilities measured at fair value through profit or loss.

Financial liabilities at amortised cost include amounts due to customers and due to credit institutions, which are initially recognized at fair value. Subsequently, they are measured at amortised cost under the effective interest method.

Financial liabilities at fair value through profit or loss comprise of two sub categories: financial liabilities held for trading and financial liabilities designated at fair value through profit or loss upon initial recognition. Financial liabilities held for trading, which include short positions of debt securities (sold but not yet purchased), are liabilities that the Bank incurs principally for the purpose of repurchasing in the near term for short term profit or in the context of economic hedging strategies of groups of assets and/or liabilities or net positions for which hedge accounting is not applied.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.14 Financial liabilities (continued)

Classification and measurement (continued)

The Bank may, at initial recognition, irrevocably designate financial liabilities at FVTPL when one of the following criteria is met:
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy; or
- the financial liability contains one or more embedded derivatives as components of a hybrid contract which significantly modify the cash flows that otherwise would be required by the contract.

Financial liabilities held for trading or designated at FVTPL are initially recognised at fair value. Changes in fair value are recognised in the income statement, except for changes in fair value attributable to changes in the Bank's own credit risk, which are recognised in OCI and are not subsequently reclassified to the income statement upon derecognition of the liabilities. However, if such treatment creates or enlarges an accounting mismatch in the income statement, all gains or losses of this financial liability, including the effects of changes in the credit risk, are recognised in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability of the Bank is replaced by another from the same counterparty on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as an extinguishment of the original liability and the recognition of a new liability and any difference arising is recognised in the income statement.

The Bank considers the terms to be substantially different, if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.15 Fair value measurement of financial instruments

Fair value of financial instruments 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 under current market conditions in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Bank uses other valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Bank has elected to use mid-market pricing as a practical expedient for fair value measurements within a bid-ask spread.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received unless the Bank determines that the fair value at initial recognition differs from the transaction price. In this case, if the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. Level 1 input) or based on a valuation technique that uses only data from observable markets, a day one gain or loss is recognised in the income statement. On the other hand, if the fair value is evidenced by a valuation technique that uses unobservable inputs, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price (day one gain or loss). Subsequently the deferred gain or loss is amortised on an appropriate basis over the life of the instrument or released earlier if a quoted price in an active market or observable market data become available or the financial instrument is closed out.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are measured at fair value on a recurring basis, the Bank recognises transfers into and out of the fair value hierarchy levels at the beginning of the quarter in which a financial instrument's transfer was effected.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.16 Impairment of financial assets

The Bank recognises allowance for expected credit losses that reflect changes in credit quality since initial recognition to financial assets that are measured at AC and FVOCI, including loans, lease receivables, debt securities, as well as financial guarantee contracts and loan commitments.

ECL are a probability-weighted average estimate of credit losses that reflects the time value of money. Upon initial recognition of the financial instruments in scope of the impairment policy, the Bank records a loss allowance equal to 12-month ECL, being the ECL that result from default events that are possible within the next twelve months. Subsequently, for those financial instruments that have experienced a significant increase in credit risk (SICR) since initial recognition, a loss allowance equal to lifetime ECL is recognised, arising from default events that are possible over the expected life of the instrument. If upon initial recognition, the financial asset meets the definition of POCI, the loss allowance is based on the change in the ECL over the life of the asset.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL. For all other financial assets subject to impairment, the general three-stage approach applies.

Accordingly, ECL are recognised using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – When there is no significant increase in credit risk since initial recognition of a financial instrument, an amount equal to 12-month ECL is recorded. The 12–month ECL represent a portion of lifetime losses, that result from default events that are possible within the next 12 months after the reporting date and is equal to the expected cash shortfalls over the life of the instrument or group of instruments, due to loss events probable within the next 12 months. Not credit-impaired financial assets that are either newly originated or purchased, as well as, assets recognised following a substantial modification accounted for as a derecognition, are classified initially in Stage 1.
- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. Lifetime ECL represent the expected credit losses that result from all possible default events over the expected life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.
- POCI - POCI assets are financial assets that are credit-impaired on initial recognition. They are not subject to stage allocation and are always measured on the basis of lifetime expected credit losses. Accordingly, ECL are only recognised to the extent that there is a subsequent change in the assets' lifetime expected credit losses. Any subsequent favourable change to their expected cash flows is recognised as impairment gain in the income statement even if the resulting expected cash flows exceed the estimated cash flows at initial recognition. Apart from purchased assets directly from the market or through a business combination, POCI assets may also include financial instruments that are considered new assets, following a substantial modification accounted for as a derecognition (refer to note 2.2.12).

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.16 Impairment of financial assets (continued)

Definition of default

To determine the risk of default, the Bank applies a default definition for accounting purposes, which is consistent with the European Banking Authority (EBA) definition for non-performing exposure and regulatory definition of default as applied by the Bank on 1 January 2021 (refer to note 4.2.1.3). The accounting definition of default is also consistent with the one used for internal credit risk management purposes.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that exposure have occurred:

- The borrower faces a significant difficulty in meeting his financial obligations.
- There has been a breach of contract, such as a default or unpaid amounts, above specified materiality thresholds, for more than 90 consecutive days.
- The Bank, for economic or contractual reasons relating to the borrower’s financial difficulty, has granted to the borrower a concession(s) that the Bank would not otherwise consider.
- There is a probability that the borrower will enter bankruptcy or other financial re-organisation.
- For POCI financial assets, a purchase or origination at a deep discount that reflects incurred credit losses is considered a detrimental event. The Bank assesses the deep discount criterion following a principle-based approach with the aim to incorporate all reasonable and supportable information which reflects market conditions that exist at the time of the assessment.

For debt securities, the Bank determines the risk of default using an internal credit rating scale. The Bank considers debt securities as credit-impaired if the internal rating of the issuer/counterparty corresponds to a rating equivalent to "C" (Moody's rating scale) or the external rating of the issuer/counterparty at the reporting date is equivalent to “C” (Moody’s rating scale) and the internal rating is not available.

Significant increase in credit risk (SICR) and staging allocation

Determining whether a loss allowance should be based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a SICR of the financial assets, issued loan commitments and financial guarantee contracts, since initial recognition.

At each reporting date, the Bank performs an assessment as to whether the risk of a default occurring over the remaining expected lifetime of the exposure has increased significantly from the expected risk of a default estimated at origination for that point in time.

The assessment for SICR is performed using both qualitative and quantitative criteria based on reasonable and supportable information that is available without undue cost or effort including forward looking information and macroeconomic scenarios as well as historical experience. Furthermore, regardless of the outcome of the SICR assessment based on the above triggers, the credit risk of a financial asset is deemed to have increased significantly when contractual payments are more than 30 days past due.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.16 Impairment of financial assets (continued)

Significant increase in credit risk (SICR) and staging allocation (continued)

As a primary criterion for SICR assessment, the Bank compares the residual lifetime probability of default (PD) at each reporting date to the residual lifetime PD for the same point in time which was expected at the origination.

The Bank may also consider as a SICR trigger when the residual lifetime PD at each reporting date exceeds certain predetermined values. The criterion may be applied in order to capture cases where the relative PD comparison does not result to the identification of SICR although the absolute value of PD is at levels which are considered high based on the Bank's risk appetite framework.

Internal credit risk rating (on a borrower basis) is also used as a basis for the identification of SICR with regards to lending exposures of the loan portfolio. Specifically, the Bank takes into consideration the changes of internal ratings by a certain number of notches. In addition, a watchlist status is also considered by the Bank as a trigger for SICR identification. Internal credit risk rating models include borrower specific information as well as forward-looking information regarding the prospects of the industry in which it operates. In addition, the assessment of SICR for debt securities is performed on an individual basis based on the number of notches downgrade in the internal credit rating scale since the origination date.

Forbearance measures as monitored by the Bank are considered as a SICR trigger and thus the exposures are allocated into Stage 2 upon forbearance, unless they are considered credit-impaired or the net present value of their cash flows before and after the restructuring exceed the threshold of 1%, in which case they are classified as Stage 3. Furthermore, regardless of the outcome of the SICR assessment based on the above triggers, the credit risk of a financial asset is deemed to have increased significantly when contractual payments are more than 30 days past due.

Furthermore, Management may apply temporary collective adjustments when determining whether credit risk has increased significantly since initial recognition on exposures that share the same credit risk characteristics to reflect macro-economic or other factors which are not adequately addressed by the current credit risk models. These factors may depend on information such as the type of the exposure, counterparty's specific information and the characteristics of the financial instrument while their application requires the application of significant judgment.

Transfers from Stage 2 to Stage 1

A financial asset, which is classified to Stage 2 due to SICR, is reclassified to Stage 1, as long as it does not meet anymore any of the Stage 2 Criteria.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.16 Impairment of financial assets (continued)

Transfers from Stage 2 to Stage 1 (continued)

Where forbearance measures have been applied, the Bank uses a probation period of two years, in order to fulfill the requirements for a transfer back to Stage 1. If at the end of that period the borrowers have made regular payments of a significant aggregate amount, there are no past due amounts over 30 days and the loans are neither credit-impaired, nor any other SICR criteria are met, they exit forborne status and are classified as Stage 1.

Transfers from Stage 3 to Stage 2

A financial asset is transferred from Stage 3 to Stage 2, when the criteria based on which the financial asset was characterised as credit-impaired, are no longer valid and/or the applicable probation period for the assets' return in non impaired status, ranging from three to twelve months, has passed.

Criteria for grouping of exposures based on shared credit risk characteristics

The assessment of loss allowance is performed either on an individual basis or on a collective basis for groups of similar items with homogeneous credit risk characteristics. The Bank applies the same principles for assessing SICR since initial recognition when estimating ECLs on a collective or on an individual basis.

The Bank segments its lending exposures on the basis of shared credit risk characteristics for the purposes of both assessing significant increase in credit risk and measuring loan loss allowance on a collective basis. The different segments aim to capture differences in PDs and in the rates of recovery in the event of default.

The shared credit risk characteristics used for the segmentation of exposures include several elements such as: portfolio type, asset class, industry, credit risk rating, geographical location of the borrower, forbearance status and days in arrears.

The Bank identifies individually significant exposures and performs the ECL measurement based on borrower specific information. This measurement is performed at a borrower level, hence the criteria are defined at this level, while both qualitative and quantitative factors are taken into consideration including forward looking information.

For remaining exposures, ECL are measured on a collective basis. This incorporates borrower specific information, collective historical experience of losses and forward-looking information. For debt securities, the measurement of impairment losses is performed on an individual basis.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.16 Impairment of financial assets (continued)

Measurement of Expected Credit Losses

The measurement of ECL is an unbiased probability-weighted average estimate of credit losses that reflects the time value of money, determined by evaluating a range of possible outcomes. A credit loss is the difference between the cash flows that are due to the Bank in accordance with the contractual terms of the instrument and the cash flows that the Bank expects to receive (i.e. cash shortfalls) discounted at the original EIR of the same instrument, or the credit-adjusted EIR in case of POCI. In measuring ECL, information about past events, current conditions and reasonable and supportable forecasts of future conditions are considered. For undrawn commitments ECL are calculated as the present value of the difference between the contractual cash flows due if the commitment was drawn and the cash flows expected to be received, while for financial guarantees ECL are measured as the expected payments to reimburse the holder less any amounts that the Bank expects to receive.

The Bank estimates expected cash shortfalls, which reflect the cash flows expected from all possible sources, including collateral, guarantees and other credit enhancements that are part of the contractual terms and are not recognised separately. In case of a collateralised financial instrument, the estimated expected cash flows related to the collateral reflect the amount and timing of cash flows that are expected from liquidation less the discounted costs of obtaining and selling the collateral, irrespective of whether liquidation is probable.

ECL are calculated over the maximum contractual period over which the Bank is exposed to credit risk, which is determined based on the substantive terms of the instrument, or in case of revolving credit facilities, by taking into consideration factors such as the Bank's expected credit risk management actions to mitigate credit risk and past practice.

Receivables from customers arising from the Bank's activities other than lending, are presented under Other Assets and are typically short term. Therefore, considering that usually there is no significant financing component, the loss allowance for such financial assets is measured at an amount equal to the lifetime expected credit losses under the simplified approach.

ECL Key Inputs

The ECL calculations are based on the term structures of the probability of default (PD), the loss given default (LGD), the exposure at default (EAD) and other input parameters such as the credit conversion factor (CCF). Generally, the Bank derives these parameters from internally developed statistical models and observed point-in-time and historical data, leveraging the existing infrastructure development for the regulatory framework and risk management practices.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.16 Impairment of financial assets (continued)

ECL Key Inputs (continued)

The PD, LGD and EAD used for accounting purposes may differ from those used for regulatory purposes. For the purposes of impairment measurement, PD is a point-in-time estimate whereas for regulatory purposes PD is a “through-the-cycle” estimate. In addition, LGD and EAD for regulatory purposes are based on loss severity experienced during economic downturn conditions, while for impairment purposes, LGD and EAD reflect unbiased and probability-weighted estimates.

The PD represents the likelihood of default assessed on the prevailing economic conditions at the reporting date, adjusted to take into account estimates of future economic conditions that are likely to impact the risk of default, over a given time horizon.

The Bank uses Point in Time (PiT) PDs in order to remove any bias towards historical data thus aiming to reflect management’s view of the future as at the reporting date, incorporating relevant forward looking information including macroeconomic scenarios.

Two types of PD are used for calculating ECL:
- 12-month PD, which is the estimated probability of default occurring within the next 12 months (or over the remaining life of the financial asset if this is less than 12 months). It is used to calculate 12-month ECL for Stage 1 exposures.
- Lifetime PD, which is the estimated probability of a default occurring over the remaining life of the financial asset. It is used to calculate lifetime ECLs for Stage 2, Stage 3 and POCI exposures.

For debt securities, PDs are obtained by an international rating agency using risk methodologies that maximise the use of objective non-judgmental variables and market data. The Bank assigns internal credit ratings to each issuer/counterparty based on these PDs. In case of counterparties for which no information is available, the Bank assigns PDs which are derived from internal models.

The exposure at default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest and expected drawdowns on committed facilities. The EAD includes both on and off balance sheet exposures. The on balance sheet exposure corresponds to the total amount that has been withdrawn and is due to be paid, which includes the outstanding principal, accrued interest and any past due amounts. The off balance sheet exposure represents the credit that is available to be withdrawn, in excess of the on balance sheet exposure.

Furthermore, the CCF factor is used to convert the amount of a credit facility and other off-balance sheet amounts to an EAD amount. It is a modelled assumption which represents a proportion of any undrawn exposure that is expected to be drawn prior to a default event occurring.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.16 Impairment of financial assets (continued)

ECL Key Inputs (continued)

LGD represents the Bank's expectation of the extent of loss on a defaulted exposure and it is the difference between the contractual cash flows due and those that the Bank expects to receive including any amounts from collateral liquidation. LGD varies by type of counterparty, type and seniority of claim, availability of collateral or other credit support, and is usually expressed as a percentage of EAD. The Bank distinguishes its loan portfolios into two broad categories i.e. secured and unsecured. The Bank estimates the LGD component using cure rates that reflect cash recoveries, estimated proceeds from collateral liquidation, estimates for timing realisation, realisation costs, etc.

Where the LGD's component values are dependent on macro – economic data, such types of dependencies are reflected by incorporating forward looking information, such as forecasted price indices into the respective models. The estimation of the aforementioned component values within LGD reflects available historical data which cover a reasonable period, i.e. a full economic cycle.

For debt securities, the LGD is typically based on historical data derived mainly from rating agencies' studies but may also be determined considering the existing and expected liabilities structure of the obligor and macroeconomic environment.

Furthermore, the seniority of the debt security, any potential collaterals by the obligor or any other type of coverage is taken into account for the calculation.

Forward-looking information

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk consider information about reasonable and supportable forecasts of future events and macroeconomic conditions. The estimation and application of forward-looking information requires significant judgment.

The Bank uses three macroeconomic scenarios (i.e. base, adverse and optimistic) to achieve the objective of measuring ECL in a way that reflects an unbiased and probability weighted outcome. The base scenario represents the most likely scenario and is aligned with the information used by the Bank for strategic planning and budgeting purposes.

The scenarios are reflected in the risk parameters, and namely, 12-month PD, Lifetime PD and LGD, hence 3 sets of each of these parameters are used, in line with the scenarios developed.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.16 Impairment of financial assets (continued)

Forward-looking information (continued)

The Bank then proceeds to the application of weights for each scenario, which represent the probability of occurrence for each of these scenarios. These weights are applied on the 3 sets of calculations of the parameters in order to produce a single scenario weighted risk parameter value which is subsequently used in both SICR assessment and in ECL measurement. ECL calculation incorporates forward-looking macroeconomic variables, including Real Consumption, Gross Capital Formation price indices etc.

Modified financial assets

In cases where the contractual cash flows of a financial asset have been modified and the modification is considered substantial enough (for the triggers of derecognition, refer to Derecognition of Financial Assets in note 2.2.12 above), the modification date is considered to be the date of initial recognition for impairment calculation purposes, including for the purposes of determining whether a significant increase in credit risk has occurred. Such a modified asset is typically classified as Stage 1 for ECL measurement purposes. However, in some circumstances following a modification that results in derecognition of the original financial asset, there may be evidence that the new financial asset is credit-impaired at initial recognition, and thus, the financial asset is recognised as an originated credit-impaired financial asset (POCI).

In cases where the contractual cash flows of a financial asset have been modified and the modification is not considered substantial enough, the Bank recalculates the gross carrying amount of the financial asset and recognises the difference as a modification gain or loss in the income statement and determines if the financial asset's credit risk has increased significantly since initial recognition by comparing the risk of a default occurring at initial recognition based on the original unmodified contractual terms and the risk of a default occurring at the reporting date, based on the modified contractual terms.

Presentation of impairment allowance

For financial assets measured at amortised cost, impairment allowance is recognised as a loss allowance reducing the gross carrying amount of the financial assets in the balance sheet. For debt instruments measured at FVOCI, impairment allowance is recognised in other comprehensive income and does not reduce the carrying amount of the debt instruments in the balance sheet. For off-balance sheet financial items arising from lending activities, impairment allowance is presented in "Other Liabilities". The respective ECL for the above financial items is recognised within impairment losses.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.16 Impairment of financial assets (continued)

Write-off of financial assets

Where the Bank has no reasonable expectations of recovering a financial asset either in its entirety or a portion of it, the gross carrying amount of that instrument is reduced directly, partially or in full, against the impairment allowance. The amount written-off is considered as derecognised. Subsequent recoveries of amounts previously written off decrease the amount of the impairment losses in the income statement.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

During 2021, the Bank updated the write off policy with the introduction of a new approval procedure. The policy defines in detail the circumstances under which a facility may be written off, in order for the Bank to accurately estimate the recoverable amount and also maximise recoveries through the use of appropriate tools such as forbearance and debt forgiveness.

The Risk Management Unit and the Debt Recovery Unit are closely monitoring cases of non-performing borrowers and jointly recommend the write off amount based on the recovery analysis performed for such borrowers.

2.2.17 Sale and repurchase agreements, securities lending and borrowing

(i) Sale and repurchase agreements

Securities sold subject to repurchase agreements (repos) continue to be recorded in the Bank's balance sheet as the Bank retains substantially all risks and rewards of ownership, while the liability to the counterparty is included in amounts due to other banks or due to customers, as appropriate, and measured at amortised cost. Securities purchased under agreements to resell (reverse repos) are recorded as loans and advances to other banks or customers, as appropriate, and measured at amortised cost. The difference between the sale and repurchase price in case of repos and the purchase and resale price in case of reverse repos is recognised as interest and accrued over the period of the repo or reverse repo agreements using the effective interest method.

(ii) Securities lending and borrowing

Securities lent to counterparties against the receipt of a fee continue to be recognised in the financial statements. Securities borrowed are recognised as trading liabilities when sold to third parties and measured at fair value with any gains or losses included in the income statement.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.18 Leases

The Bank enters into leases as a lessee.

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

When the Bank becomes the lessee in a lease arrangement, it recognises a lease liability and a corresponding right-of-use (RoU) asset at the commencement of the lease term when the Bank acquires control of the physical use of the asset.

Lease liabilities are presented within “Other liabilities” and RoU assets within “Property and equipment”. Lease liabilities are measured based on the present value of the future lease payments over the lease term, discounted using an incremental borrowing rate. The interest expense on lease liabilities is presented within net interest income.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the Bank’s estimate of the amount expected to be payable under a residual value guarantee or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the RoU asset, or is recorded in profit or loss if the carrying amount of the RoU asset has been reduced to zero.

The RoU asset is initially recorded at an amount equal to the lease liability and is adjusted for rent prepayments, initial direct costs, or lease incentives received. Subsequently, the RoU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset, with the depreciation presented within operating expenses.

When a lease contains extension or termination options that the Bank considers reasonably certain to be exercised, the expected future lease payments or costs of early termination are included within the lease payments used to calculate the lease liability.

2.2.19 Employee benefits

(i) Defined contribution plans

The Bank provides defined contribution pension plans where annual contributions are invested and allocated to specific asset categories. Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as “staff costs” in the income statement. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.19 Employee benefits (continued)

(ii) Short-term employee benefits

Short-term employee benefits are those expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.2.20 Related party transactions

Related parties of the Bank include:

a) an entity that has control over the Bank and entities controlled, jointly controlled or significantly influenced by this entity, as well as members of its key management personnel and their close family members;
b) an entity that has significant influence over the Bank and entities controlled by this entity;
c) members of key management personnel of the Bank, their close family members and entities controlled or jointly controlled by the abovementioned persons;
d) associates and joint ventures of the Bank and the Group;
e) fellow subsidiaries,
f) post-employment benefit plans established for the benefit of the Bank's employees.

Transactions of similar nature are disclosed on an aggregate basis. All banking transactions entered into with related parties are in the normal course of business and are conducted on an arm's length basis.

2.2.21 Provisions and contingent liabilities

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimates of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at each reporting date, taking into account the risks and uncertainties surrounding the amount of such expenditure. Where the effect of the time value of money is material, the amount of the provision is the present value of the estimated future expenditures expected to be required to settle the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If, subsequently, it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.21 Provisions and contingent liabilities (continued)

A provision is not recognised and a contingent liability is disclosed when it is not probable that an outflow of resources will be required to settle the obligation, when the amount of the obligation cannot be measured reliably or in case that the obligation is considered possible and is subject to the occurrence or non-occurrence of one or more uncertain future events.

2.2.22 Share capital

Ordinary shares are classified as equity.

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

Dividend distribution on shares is recognised as a deduction in the Bank's equity when approved by the General Meeting of shareholders and the required regulatory approvals, if any, are obtained. Interim dividends are recognised as a deduction in the Bank's equity when approved by the Board of Directors.

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

2.2.23 Financial guarantees and commitments to extend credit

Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Financial guarantees granted by the Bank to financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities, are initially recognised at fair value, being the premium received. Subsequent to initial recognition, such guarantees are measured at the higher of the amount of the ECL allowance, and the amount initially recognised less any cumulative amortisation of the fee earned, where appropriate.

Financial guarantees purchased by the Bank that are considered as integral to the contractual terms of the guaranteed instrument are not accounted for separately and the cash flows from the guarantee are taken into account in the measurement of the guaranteed instrument's expected credit losses, whereas any fees paid or transaction costs incurred for the acquisition of the financial guarantee are considered as part of the guaranteed asset's effective interest rate.

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.23 Financial guarantees and commitments to extend credit (continued)

Commitments to extend credit

Commitments represent off-balance sheet items where the Bank commits, over the duration of the agreement, to provide a loan with pre-specified terms to the customer. Such contractual commitments represent commitments to extend credit and standby letters and they are part of the normal lending activities of the Bank, for which an ECL allowance is recognised under IFRS 9.

ECL allowance for off-balance sheet exposures (financial guarantees granted and loan commitments) is included within "Other Liabilities".

2.2.24 Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash in hand, unrestricted deposits with central banks, all interbank placements and reverse sale agreements with other banks with original maturities of three months or less. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents.

Cash and cash equivalents are carried at amortised cost.

2.2.25 Government grants

Government grants are transfers of resources to the Bank by a government entity such as government, government agencies and similar bodies whether local, national or international, in return for compliance with certain past of future conditions related to the Bank's operating activities.

Government grants are recognised when there is reasonable assurance that the grant will be received and the Bank will comply with the conditions attached to it. The grants are recognised in the income statement on a systematic basis to match the way that the Bank recognises the expenses for which the grants are intended to compensate. In case of subsequent changes in the Bank's expectations of meeting the conditions attached to the government grants, the effect of such changes is recognised in the income statement.

2.2.26 Investments in subsidiaries

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

2 Basis of preparation and material accounting policies (continued)

2.2 Material accounting policies (continued)

2.2.26 Investments in subsidiaries (continued)

Investments in subsidiaries are measured at cost less impairment. Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss recognised in prior years is reversed where appropriate if there has been a change in the estimates used to determine the recoverable amount.

2.2.27 Other payables

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

2.2.28 Fiduciary activities

The Bank provides custody, depositary, execution, investment management and advisory services to third parties that result in the holding or investing of assets on behalf of its clients. This involves the Bank making allocation, purchase and sale decisions in relation to a wide range of financial instruments. The Bank receives fee income for providing these services. Those assets that are held in a fiduciary capacity are not assets of the Bank and are not recognised in the financial statements. In addition, the Bank does not guarantee these investments and as a result it is not exposed to any credit risk in relation to them.

3 Critical accounting estimates and judgments in applying accounting policies

In the process of applying the Bank's accounting policies, Management makes various judgments, estimates and assumptions that may affect the reported amounts of assets and liabilities, revenues and expenses recognised in the financial statements within the next financial year and the accompanying disclosures. Estimates and judgments are continually evaluated and are based on current conditions, historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are recognised prospectively. The most significant areas in which the Bank makes judgments, estimates and assumptions in applying its accounting policies are set out below:

3.1 Impairment losses on loans and advances to customers

On the back of the overall economic uncertainty mentioned above, the Bank continued its robust performance, as evidenced by the level of its credit quality indicators at year end 2024 that outperformed the expected levels in terms of NPE ratio, whereas it remains cautious towards the risks that may eventually affect vulnerable corporate borrowers (like those that operate in the food industry, the energy sector, the supply of raw materials for the construction sector etc.) and erode the disposable income and the repayment capacity of private individuals.

3 Critical accounting estimates and judgments in applying accounting policies (continued)

3.1 Impairment losses on loans and advances to customers (continued)

In this context, in the fourth quarter of 2024, the Bank revised the key macroeconomic variables incorporated in the IFRS 9 expected credit losses' models, in order to reflect, to the extent possible, the recent developments in the local economy.

ECL measurement

The ECL measurement requires Management to apply significant judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in significant changes to the timing and amount of allowance for credit loss to be recognised.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. In addition, temporary adjustments may be required to capture new developments and information available, which are not reflected yet in the ECL calculation through the risk models.

The elements of the ECL models that are considered significant accounting judgments and estimates include:

Determination of a significant increase in credit risk

IFRS 9 does not include a definition of what constitutes a significant increase in credit risk (SICR). An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering primarily the change in the risk of default occurring over the remaining life of the financial instrument. The Bank assesses whether a SICR has occurred since initial recognition based on qualitative and quantitative reasonable and supportable forward-looking information that includes significant management judgment (note 2.2.16).

For lending exposures, the comparison of origination PD curves and the residual lifetime PD curves at each reporting date is approximated by changes in credit rating bands. Accordingly, SICR thresholds are based on the comparison of the origination and reporting date credit ratings, as such rating downgrades will represent a relative increase in residual lifetime PD. The Bank segments the exposures based on asset class, loan type and credit.

As of 31 December 2024 and 2023, the credit rating deterioration thresholds as per applicable borrower internal rating scale, that trigger allocation to Stage 2 per rating bands for the Bank's portfolio are set out in the table below:

Internal rating bands	SICR threshold range
1-2	Three notches or more
3-5	Two notches or more
6	One notch or more
≥7	SICR

3 Critical accounting estimates and judgments in applying accounting policies (continued)

3.1 Impairment losses on loans and advances to customers (continued)

Determination of scenarios, scenario weights and macroeconomic factors

To achieve the objective of measuring ECL, the Bank evaluates a range of possible outcomes in line with the requirements of IFRS 9 through the application of a minimum of three macroeconomic scenarios i.e. baseline, adverse and optimistic, in a way that reflects an unbiased and probability weighted outcome. Each of the scenarios is based on Management's assumptions around future economic conditions in the form of macroeconomic, market and other factors. Changes in these assumptions and in other external factors could significantly impact ECL. The probability weights for the above mentioned scenarios as applied by the Bank, were revised in the first quarter of 2024 in order to appropriately reflect Management's sentiment regarding future economic conditions in the form of macroeconomic, market and other factors as embodied in each of the three scenarios. More specifically, the scenario weights applied in the context of IFRS9 ECL measurement were revised as follows: adverse 30% - base 50% - optimistic 20% (31 December 2023: 25%-50%-25%), having an insignificant impact on impairment allowance for loans and advances to customers.

The key assumptions underlying in each macroeconomic scenario are provided below:

• *Base scenario:*
The baseline scenario assumes that a further spread of the war conflicts in the region (e.g., involving Iran through a full-scale war, which implies sanctions from Western countries) will be avoided. Furthermore, the geopolitical turbulence will de-escalate and be terminated both in the Middle East and Ukraine sometime in Q2 2025. Given this assumption, energy prices and inflation will not resurge and the path of monetary policy easing by the ECB will not be affected. Accordingly, multi-year low unemployment is expected to be the main growth driver of household consumption at least in 2025.
GDP growth is expected to remain in H2 2024 and H1 2025 near H1 2024 levels. A stronger GDP expansion should kick in H2 2025 and it is projected to continue in 2026 and part of 2027, supported mainly by exports, due to the termination of war conflicts in Ukraine and the Middle East, as well as from investment, on the back of a much loosened monetary policy stance. On the other hand, when the restoration of supply chains passing through the Middle East and Eastern Europe will have significantly progressed and key interest rates will be much lower, global demand and inflationary pressures are expected to moderately rebound, possibly since late 2026 and in 2027, weighing on exports of goods and consumption increases, and thus, on economic growth.

• *Optimistic scenario:*
A de-escalation of the war in Ukraine, as well as of the war conflicts in the Middle East region in the period ahead, resulting to their termination in Q1 2025, is assumed. This will lead to a decompression in energy and commodity prices, as disruptions in the supply chains and global trade (e.g., due to the Houthi rebel attacks) ease. Accordingly, inflation will decelerate quicker than in the baseline scenario resulting in a milder trim in disposable income and faster improving consumer confidence in 2025 and H1 2026, which will boost private consumption. The rapid disinflation will also enable the ECB to relax faster its tight monetary policy stance, boosting investments and business confidence. The termination of geopolitical tensions will lead to a gradual normalisation of trade relations with Russia and the Middle East countries since H2 2025, supporting economic activity in Cyprus mainly in internationally tradable services, such as shipping, tourism and logistics. On the other hand, much stronger global demand and easier international trade will lead to a

3 Critical accounting estimates and judgments in applying accounting policies (continued)

3.1 Impairment losses on loans and advances to customers (continued)

Determination of scenarios, scenario weights and macroeconomic factors (continued)

• *Optimistic scenario (continued):*
moderate rebound of inflationary pressures by the middle of the forecasting horizon, since early H2 2026, weighing on exports and consumption growth in 2027. Monetary policy easing will be put on hold in H2 2026 – H1 2027, to avoid an overheating of economies. Overall, under such conditions, GDP growth will stand on average at higher levels than those under the baseline scenario.

• *Adverse scenario:*
The adverse scenario assumes an escalation in the Middle East geopolitical tension, through expansion of war conflicts, but also through cuts in crude oil production from major regional exporters, with implications for oil supply chains and in general energy prices since early 2025, causing a rebound in inflationary pressures, albeit significantly milder than in the past (e.g., in 2022), due to the achieved diversification in Europe's energy supplies. These adverse developments are projected to end in Q3 2025. The war in Ukraine is expected to end sometime in Q2 2025, leading to a gradual relaxation of sanctions by Western countries on Russia afterwards. In turn, this development will partly mitigate the disruptions in oil supply chains due to the turbulence in the Middle East and the related inflationary pressures. The latter effect will also be limited by the disinflationary measures of the Cypriot government, given the fiscal space created from the fiscal overperformance in previous years. However, inflation will be higher than in the baseline scenario throughout the forecasting period. On the other hand, no adverse developments in the US–China political and trade relations after the 2024 US presidential elections are assumed. In this context, major central banks will be able to continue policy rate cuts, even at a slightly faster pace than in the baseline scenario as long as the war conflicts continue (up to Q3 2025), supporting investment. Exports, especially of services, will be the GDP component mostly negatively affected by the geopolitical tensions and will start recovering from H1 2026 onwards. Lower export demand and the resurgence of inflation will suppress Cyprus's household consumption and employment up until the middle of the forecasting horizon (Q1 2026). Accordingly, the Cypriot economy will return to recession during Q1–Q3 2025, however, it will be milder than that in the first year of the COVID-19 pandemic (-1,3% vs. -3,4%). A moderate economic rebound is expected to start from Q1 2026 onwards, leading to a 2,0% GDP growth in 2026 and expected to be strengthened in 2027 (+2,8%).

The optimistic and adverse scenarios originated from forecasts that were, respectively, more positive, or more negative regarding real consumption and gross fixed capital formation, in comparison to the baseline scenario. An environment with higher inflation relative to the baseline is assumed for the adverse scenario, linked to the escalation of geopolitical tensions, with implications for supply chains and primarily energy prices. For the optimistic scenario inflation remained at low levels while growth increased above the baseline scenario levels. The forecasts for these macroeconomic variables in the adverse/optimistic scenarios of the IFRS9 probability-weighted framework were estimated by combining economic theory, available data, macroeconomic projections and underlying assumptions from reputable institutions (IMF, European Commission, European Systemic Risk Board (ESRB) etc.) through expert judgment.

3 Critical accounting estimates and judgments in applying accounting policies (continued)

3.1 Impairment losses on loans and advances to customers (continued)

Forward-looking information

The Bank ensures that impairment estimates and macroeconomic forecasts applicable for business and regulatory purposes are fully consistent. Accordingly, the IFRS 9 baseline scenario applied in the ECL calculation coincides with the one used for ICAAP and business planning purposes. In addition, relevant experience gained from the stress tests imposed by the regulator, has been taken into account in the process of developing the macroeconomic scenarios, as well as impairments for stress testing purposes have been forecasted in line with IFRS 9 ECL methodology.

In terms of macroeconomic assumptions, the Bank assesses a number of indicators in projecting the risk parameters, namely Real Consumption, Gross Capital Formation and Residential and Commercial Property Price Indices. The arithmetic averages of the key annual forecasts per macroeconomic scenario for the next three year period following the reporting date used in the ECL measurement for the year ended 31 December 2024 and 2023, are set in the following table:

The averages of the scenarios' probability-weighted annual forecasts used in the ECL measurement for the year ended 31 December 2024 and 31 December 2023, are set in the following table:

Key macroeconomic indicators	31 December 2024 Average (2025-2027) annual forecast (%)			31 December 2023 Average (2024-2026) annual forecast (%)		
	Optimistic	**Base**	**Adverse**	**Optimistic**	**Base**	**Adverse**
Real Consumption	3,77%	3,30%	1,10%	n/a	n/a	n/a
Gross Capital Formation	7,54%	5,95%	2,07%	6,57%	5,90%	0,93%
Gross Domestic Product Growth	n/a	n/a	n/a	3,60%	3,23%	0,87%
Residential property prices' index	3,92%	3,15%	1,63%	2,13%	1,70%	0,85%
Commercial property prices' index	2,83%	2,25%	1,10%	1,59%	1,27%	0,63%

3 Critical accounting estimates and judgments in applying accounting policies (continued)

3.1 Impairment losses on loans and advances to customers (continued)

Forward-looking information (continued)

The above information is collected from the Group Economic Analysis & Financial Markets Research Unit and other sources such as the Ministry of Finance, the Central Bank of Cyprus and the European Community, incorporating also the Bank's management views on the future evolution of economic activity. A number of macroeconomic indicators are considered and assessed each year through advanced statistical methods in order to derive the most effective predictor of default given the Bank's historical data. During 2024, as a result of model's recalibration, the Bank updated the macroeconomic variables incorporated in ECL measurement, and Real Consumption has been assessed as a more appropriate indicator, replacing the Gross Domestic Product growth used in previous years.

Central Bank of Cyprus projections are available for the baseline scenario only. For the adverse and optimistic scenarios, a 50% decrease and 25% increase from the baseline scenario is assumed respectively.

Changes in the scenarios and weights, the corresponding set of macroeconomic variables and the assumptions made around those variables for the forecast horizon would have a significant effect on the ECL amount. The Bank independently validates all models and underlying methodologies used in the ECL measurement through competent resources, who are independent of the model development process.

Assessment of LGD

The Bank's assumptions on the expected recovery period, the collateral realisation haircut and costs to the Bank on the repossession and subsequent sale of the collaterals were developed as a factor to estimate LGD.

As at 31 December 2024, the scenario weighted average collateral realisation haircut used in the Stages 1 and 2 ECL calculation approximates to 27,57% (2023: 28,14%) for all scenarios. An additional 4% attributable to selling costs has also been included. The respective scenario weighted average recovery period for property collaterals approximates to 9,1 years (2023: 9 years), where for both 2024 and 2023, the recovery period for adverse, base and optimistic scenarios is 8, 9 and 10 years respectively, with different scenario weights between the two years.

For exposures in Stage 3, to achieve the objective of measuring ECL, the Bank calculates individually assessed loss allowances based on the weighted average of three scenarios, i.e. baseline, adverse and optimistic with the same probability weights as in the case of Stage 1 and 2 exposures.

The weighted probability scenarios are focused on the specific facts and circumstances of each borrower with key inputs/assumptions being the expected recovery period, the collateral realisation haircut and costs to the Bank on the repossession and subsequent sale of the collaterals.

Any changes in these assumptions or a variance between assumptions made and actual results could result in significant changes in the amount of required credit losses on loans and balances due to customers.

3 Critical accounting estimates and judgments in applying accounting policies (continued)

3.1 Impairment losses on loans and advances to customers (continued)

Assessment of LGD (continued)

As at 31 December 2024, the weighted average collateral realisation haircut used in Stage 3 ECL calculation approximates to 27,29% (2023: 26,32%) for all scenarios. An additional 4% attributable to selling costs has also been included. The respective scenario weighted average recovery period for property collaterals approximates to 8,40 years (2023: 8,50 years), where for 2024, the average recovery period for adverse, base and optimistic scenarios is 9,30, 8,30 and 7,32 years respectively, and for 2023, 9,49, 8,49 and 7,51 years respectively.

Development of ECL models, including the various formulas, choice of assumptions, inputs and interdependencies

For the purposes of ECL measurement the Bank performs the necessary model parameterisation based on observed point-in-time data on a granularity of monthly intervals. The ECL calculations are based on input parameters, i.e. exposure at default (EAD), PDs, loss given default (LGD), credit conversion factors (CCFs), etc., incorporating management's view of the future. The Bank also determines the links between macroeconomic scenarios and, economic inputs, such as the Gross Capital Formation and the effect on PDs. For EAD the carrying amount of the facility is used as at reference date; for off balance sheet exposures appropriate CCFs are applied. The CCF and expected lifetime of revolving facilities have been estimated based on past statistical data.

Furthermore, the PDs are unbiased rather than conservative and incorporate relevant forward-looking information including macroeconomic scenarios. The forecasting risk parameters models incorporate a number of macroeconomic variables, such as the Gross Capital Formation, which are used as independent variables for optimum predictive capability.

The ECL models are based on linear regressions and run under the different macroeconomic scenarios and relevant changes and shocks in the macro environment.

Segmentation of financial assets when their ECL is assessed on a collective basis

The Bank segments its exposures on the basis of shared credit risk characteristics upon initial recognition for the purposes of both assessing significant increase in credit risk and measuring loan loss allowance on a collective basis. The different segments aim to capture differences in PDs and in the rates of recovery in the event of default. On subsequent periods, the Bank re-evaluates the grouping of its exposures at least on an annual basis, in order to ensure that the groups remain homogeneous in terms of their response to the identified shared credit risk characteristics. Re-segmentation reflects management's perception in respect to the change of credit risk associated with the particular exposures compared to initial recognition. For the shipping portfolio, in respect of which the Bank has limited historical data, the PDs were derived using Group's information to supplement the internally available data.

3 Critical accounting estimates and judgments in applying accounting policies (continued)

3.1 Impairment losses on loans and advances to customers (continued)

Modeling and Management overlays / adjustments

A number of sophisticated models have been developed or modified to calculate ECL, while temporary management adjustments may be required to capture new developments and information available, which are not yet reflected in the ECL calculation through the risk models. Internal counterparty rating changes, new or revised models and data may significantly affect ECL. The models, and any overlays have been validated by the Model Governance and Validation Unit which is independent of the model development/calibration process and are approved by the Board Risk Committee (BRC). For 2024, the Bank re-estimated the post model adjustment for addressing potentially negative macro environment developments in the foreseeable future to €5,6 million (2023: €6,1 million).

Sensitivity analysis on lending portfolios

The sensitivity analysis when performed on certain key parameters can provide meaningful information only for portfolios where the risk parameters have a significant impact on the overall credit risk of a lending portfolio, particularly where such sensitivities are also used for internal credit risk management purposes. Otherwise, a sensitivity analysis on certain combinations of some risk parameters may not produce meaningful results, as in reality there are interdependencies between the various economic inputs, rendering any changes in the parameters, changes correlated in other factors.

Based on the above favourable and adverse scenario weighting variation, a re-estimation of key indicators linked to these variations, namely recovery periods, haircuts and PDs, was performed. In the first three scenarios of the below tables, the ECL was estimated with the application of 100% weight on each one of the base, adverse and optimistic IFRS 9 scenarios. As a result of the calibration cycle of 2024, the resulting PDs exhibit less macro-variable sensitivity than their 2023 counterparts. As a result, the sensitivity analysis for stage 1 and stage 2 portfolios appears to be more moderate than 2023.

The tables below present the estimated effect in the Bank's ECL measurement (including off-balance sheet items) per stage, due to combined changes of forecasts in key indicators:

	Increase/(decrease) on ECL for loans and advances to customers at amortised cost classified in 12 month ECL (Stage 1) and lifetime ECL not credit-impaired (Stage 2)			
	Stage 1		**Stage 2**	
	2024	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000
Full adverse IFRS9 scenario (100%)	**601**	8.615	**681**	6.901
Full optimistic IFRS9 scenario (100%)	**(467)**	(2.913)	**(567)**	(2.674)
Full base IFRS9 scenario (100%)	**(150)**	(2.406)	**(177)**	(2.126)
Increase the expected recovery period by 1 year	**31**	270	**72**	329
Decrease the expected recovery period by 1 year	**(22)**	(469)	**(55)**	(550)
Increase the collateral realisation haircut by 5%	**256**	559	**320**	668
Decrease the collateral realisation haircut by 5%	**(188)**	(538)	**(252)**	(631)
Increase in the PDs by 20%	**870**	1.414	**796**	1.086
Decrease in the PDs by 20%	**(870)**	(1.413)	**(1.042)**	(1.261)

3 Critical accounting estimates and judgments in applying accounting policies (continued)

3.1 Impairment losses on loans and advances to customers (continued)

Sensitivity analysis on lending portfolios (continued)

	Increase/(decrease) on ECL for loans and advances to customers at amortised cost classified in lifetime ECL credit-impaired (Stage 3)	
	2024	2023
	€'000	€'000
Macroeconomic projections as per the adverse IFRS9 scenario	**4.571**	3.933
Macroeconomic projections as per the optimistic IFRS9 scenario	**(2.978)**	(2.956)
Full base scenario: 100% base IFRS9 scenario	**(1.531)**	(489)
Increase the expected recovery period by 1 year	**1.257**	1.567
Decrease the expected recovery period by 1 year	**(1.072)**	(1.481)
Increase the collateral realisation haircut by 5%	**2.068**	2.790
Decrease the collateral realisation haircut by 5%	**(1.001)**	(2.362)

The Bank updates and reviews the reasonability and performs back testing of the applicable recovery periods and haircuts for ECL measurement, at least on an annual basis or earlier, based on facts and circumstances. In this context, experienced and dedicated staff within the Bank's Risk Management function monitors the risk parameters applied for the estimation of ECL. Furthermore, as part of the well-defined governance framework, any revisions to the methodology used are approved by the Bank competent committees and ultimately the BRC.

3.2 Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The fair value of financial instruments that are not quoted in an active market are determined by using other valuation techniques that include the use of valuation models. In addition, for financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using other valuation techniques.

The valuation models used include present value methods and other models based mainly on observable inputs and to a lesser extent to non-observable inputs, in order to maintain the reliability of the fair value measurement.

3 Critical accounting estimates and judgments in applying accounting policies (continued)

3.2 Fair value of financial instruments (continued)

Where valuation techniques are used to determine the fair values of financial instruments that are not quoted in an active market, they are validated and periodically reviewed by qualified personnel independent of the personnel that created them. All models are certified before they are used and are calibrated to ensure that outputs reflect actual data and comparative market prices. Fair values estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that market participants would take them into account in pricing the financial instrument. The main assumptions and estimates, considered by management when applying a valuation model include:

- the likelihood and expected timing of future cash flows;
- the selection of the appropriate discount rate, which is based on an assessment of what a market participant would regard as an appropriate spread of the rate over the risk-free rate; and
- judgment to determine what model to use in order to calculate fair value.

To the extent practicable, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require the Management to make estimates to reflect uncertainties in fair values resulting from the lack of market data inputs.

Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available. However, in most cases there will be some historical data on which to base a fair value measurement and consequently even when unobservable inputs are used, fair values will use some market observable inputs.

Information in respect of the fair valuation of the Bank’s financial assets and liabilities is provided in note 4.5.

3.3 Classification of financial instruments

The Bank applies significant judgment in assessing the classification of its financial instruments and especially, in the below areas:

Business model assessment

Judgment is exercised in order to determine the appropriate level at which to assess the business model. In assessing the business model of financial instruments, these are aggregated into groups (business lines) based on their characteristics, and the way they are managed in order to achieve the Bank’s business objectives. In general, the assessment is performed at the business unit level for lending exposures and based on the measurement category for debt securities. However, further disaggregation may be performed by business strategy, etc.

In assessing the business model for financial instruments, the Bank performs a past sales evaluation of the financial instruments and assesses their expected evolution in the future. Judgment is exercised in determining the effect of sales to a “hold to collect” business model depending on their objective and their acceptable level and frequency.

3 Critical accounting estimates and judgments in applying accounting policies (continued)

3.3 Classification of financial instruments (continued)

Contractual cash flow characteristics test (SPPI test)

The Bank performs the SPPI assessment of lending exposures and debt securities by considering all the features which might potentially lead to SPPI failure. Judgment is applied by the responsible business units when considering whether certain contractual features significantly affect future cash flows. Accordingly, for non-recourse financial assets, the Bank assesses jointly criteria such as the adequacy of equity, LTV (Loan-to-Value) and DSCR (Debt-Service-Coverage-Ratio) ratios as well as the existence of corporate and personal guarantees. Furthermore, in order to assess whether any variability in the cash flows is introduced by the modified time value of money element, the Bank performs a quantitative assessment (as described in note 2.2.12). Moreover, the Bank evaluates certain cases on whether the existence of performance-related terms exposes the Bank to asset risk rather to the borrower's credit risk.

The Bank has established a robust framework to perform the necessary assessments in accordance with Bank policies in order to ensure appropriate classification of financial instruments, including reviews by experienced staff.

3.4 Provisions and contingent liabilities

The Bank recognises provisions when it has a present legal or constructive obligation, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of its amount.

A provision is not recognised and a contingent liability is disclosed when it is not probable that an outflow of resources will be required to settle the obligation, when the amount of the obligation cannot be measured reliably or in case that the obligation is considered possible and is subject to the occurrence or non-occurrence of one or more uncertain future events.

Considering the subjectivity and uncertainty inherent in the determination of the probability and amount of the abovementioned outflows, the Bank takes into account a number of factors such as legal advice, the stage of the matter and historical evidence from similar cases.

Further information in relation to the Bank’s provisions and contingent liabilities is provided in note 28.

4 Financial risk management and fair value

4.1 Use of financial instruments

By their nature the Bank's activities are principally related to the use of financial instruments including derivatives. The Bank accepts deposits from customers, at both fixed and floating rates, and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Bank also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers within a range of credit standing. Such exposures include both on-balance sheet loans and advances and off-balance sheet guarantees and other commitments such as letters of credit.

The Bank also invests in financial instruments where it takes positions in traded on organised markets and over the counter instruments, including derivatives, to hedge interest rate and foreign currency risks as well as to utilise excess liquidity at favorable interest rates.

4.2 Financial risk factors

The Bank's activities expose it to a variety of financial risks, such as credit risk, market risk (including currency risk, interest rate risk and equity price risk), liquidity risk and operational and non-financial risk. The Bank's overall risk management strategy seeks to minimise any potential adverse effects on its financial performance, financial position and cash flows.

Risk Management objectives and policies

The Bank acknowledges that taking risks is an integral part of its operations in order to achieve its business objectives. Therefore, the Bank's management sets adequate mechanisms to identify those risks at an early stage and assesses their potential impact on the achievement of these objectives.

Due to the fact that economic, industry, regulatory and operating conditions will continue to change, risk management mechanisms are set in a manner that enable the Bank to identify and deal with the risks associated with those changes. The Bank's structure, internal processes and existing control mechanisms ensure both the independence principle and the exercise of sufficient supervision.

The Bank's Management considers effective risk management as a top priority, as well as a major competitive advantage, for the organisation. As such, the Bank has allocated significant resources for upgrading its policies, methods and infrastructure, in order to ensure compliance with the requirements of the European Central Bank, the guidelines of the European Banking Authority and the Basel Committee for Banking Supervision and the best international banking practices. The Bank implements a well-structured credit approval process, independent credit reviews and effective risk management policies for credit, market, liquidity and operational risk. The risk management policies implemented by the Bank are reviewed annually.

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

Risk Management objectives and policies (continued)

The maximum amount of risk which the Bank is willing to assume in the pursuit of its strategic objectives is articulated via a set of quantitative and qualitative statements for specific risk types, including specific tolerance levels as described in the Bank's Risk Appetite Framework. The objectives are to support the Bank's business growth, balance a strong capital position with higher returns on equity and to ensure the Bank's adherence to regulatory requirements.

Risk appetite that is clearly communicated throughout the Bank, determines risk culture and forms the basis on which risk policies and risk limits are established.

The Bank aims to adopt best practices regarding corporate governance, taking into account all relevant guidelines and regulatory requirements. The Bank has developed a well-established risk governance structure, based on clear ownership and accountability principles, efficient segregation of duties, prevention of conflicts of interest and strong independent oversight at all levels.

Board Risk Committee

The Board of Directors has delegated to the Board Risk Committee (BRC) the duties and responsibilities to approve all strategic risk management decisions (e.g. risk appetite, capital allocation, balance sheet profile and risk management structure). As such BRC plays a key role in the oversight of the risk management function of the Bank. The BRC, through its effective oversight, guides the Bank into strengthening further the risk control environment and assists fundamentally the Board of Directors into taking proper and sound strategic decisions.

Risk Management Unit

The purpose of the Risk Management Unit (RMU) is to establish and implement an appropriate system for the measurement and management of all significant risks inherent in the activities of the Bank. Among others, the functions of the RMU include the following:

- The utilisation of suitable methods employed for the identification and management of risks;
- The fine-tuning of limits based on specific parameters, by type of risk, counter-party, business sector, country, currency, facility, security, derivative, etc.;
- The setting-up of an early warning system for individual and connected portfolios;
- The carrying out of stress tests for all types of risks, on annual basis;
- Submission of various reports, at least on a quarterly basis to the Board of Directors and the executive management;
- Implementation of provisioning policy;
- Set up of risk policies & procedures.

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

Risk Management objectives and policies (continued)

Risk Management Unit (continued)

The RMU is headed by the Risk Executive who is appointed by the Board of Directors and is organised along the following departments:

- Credit Risk: (i) reviews all credit proposals and prepares risk assessments (ii) maintains records of all approved borrowers' limits & credit exposures.
- Market, Liquidity & Counterparty Risk: (i) monitors market risks to which the Bank is exposed to, (ii) monitors and reports counterparty exposures (iii) develops models and systems for the measurement of market risks (iv) monitors the liquidity of the Bank.
- Operational and Non-Financial Risk: assists the business units in (i) identifying, assessing, capturing, reporting, monitoring, preventing and mitigating all Operational Risk events of their ownership (ii) implementing an effective operational risk management program, providing reliable information on the most significant risks, measuring and monitoring the operational risk exposure undertaken by the Bank thus adding value through increased efficiency in risk management, efficient capital allocation, acknowledgement and accountability of risks.
- Credit Control: monitors and evaluates on an ongoing basis the quality of the credit portfolio, allocates provision charges per specific borrower or portfolios of borrowers and verifies adherence to the Bank's Credit Policy Manual. Furthermore, it is responsible for the regulatory and management reporting for all credit related matters.
- Risk Analytics and Planning: coordinates major risk related projects such as ICAAP, Recovery Plan etc. and develops the analytics infrastructure of the RMU.
- Model Governance and Validation: performs model validation and develops the model governance policies and processes applied by the Bank.

4.2.1 Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from Bank's activities and from the offered products and services. Taking into account that credit risk is the primary risk the Bank is exposed to, it is very closely managed and monitored according to the Bank's Risk Management Framework.

Country risk is the risk of losses arising from economic difficulties or political unrest in a country, including the risk of losses following nationalisation, expropriation and debt restructuring.

Foreign exchange lending risk refers to the risk of loss due to exchange rate movements which in the case of loans denominated in a foreign currency, can strongly influence a borrower's debt-servicing capacity, thus impacting credit risk.

Settlement risk is the risk arising when payments are settled, for example for trades in financial instruments, including derivatives and currency transactions. The risk arises when the Bank remits payments before it can ascertain that the counterparties' payments have been received.

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

Credit concentration risk is defined as the current or prospective risk to earnings and capital arising from excessive exposure placed with one counterparty or group of related counterparties whose likelihood of default is driven by common underlying factors e.g. geographical location, economic sector and industry. The Bank has in place concentration limits on single exposures, large exposures build up and sector limits which are closely monitored and reported to the executive management and the BRC.

Credit risk arises principally from the lending activities of the Bank, as well as from credit enhancements provided, such as financial guarantees and letters of credit. The Bank is also exposed to credit risk arising from other activities such as investments in debt securities, capital markets and settlement activities. Taking into account that credit risk is the primary risk the Bank is exposed to, it is very closely managed and monitored by specialised risk units, reporting to the Bank's Chief Risk Officer.

The Bank's lending policy is monitored on an ongoing basis depending on the overall lending strategy (affected by opportunities and threats detected in the local and international business environment), the introduction of new products and services or other criteria as decided by the Bank's Management. Internal procedures and policies are revised accordingly so as to reflect the needs created by the new environment.

(a) Credit approval process

The credit approval process is centralised through establishment of Credit Committees with escalating Credit Approval Levels. Credit Committees are authorised to approve new financing, renewals or amendments in the existing credit limits, in accordance with their approval authority level, depending on total limit amount and customer risk category as well as the value and type of collateral and the monitoring of the loan during its lifecycle.

(b) Credit risk monitoring

Risk Management Unit

The Risk Management Unit monitors and assesses on an ongoing basis the quality of the Bank's loan portfolio and operates independently from the business units of the Bank.

The Bank has in place a system for monitoring the delinquency of credit facilities and setting-up of adequate provisions for loan impairment in accordance to IFRS and local regulations. The monitoring system includes:

- monitoring of the borrower's financial condition, business evolution and overall creditworthiness;
- monitoring the compliance of the borrowers to the set financial and other covenants; and
- monitoring delinquencies (past dues).

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

(b) Credit risk monitoring (continued)

Credit Risk Unit

The Credit Risk Unit:

- reviews all proposals that require approval from the appropriate Credit Committee;
- is the Secretary of the local Credit Committees being responsible for the circulation of agendas, preparation of minutes and assurance of approvals;
- maintains records of all approved borrowers limits & credit exposures;
- validates independently the credit ratings assigned to borrowers;
- prepares internal and regulatory reports related to Credit Risk;
- reviews and aligns internal policies with supervisory requirements and international standards.

Credit Control Unit

The Credit Review (Control) Unit monitors and evaluates on an ongoing basis the quality of the credit portfolio, allocates provision charges per specific borrower or portfolios of borrowers in line with IFRS9 requirements and verifies adherence to the Bank's Credit Policy Manual. More specifically:

- submits a report on a periodic basis regarding the credit quality of the portfolio, provision charges and break down per sector of business activity for the corporate banking clients;
- monitors delinquencies and informs the responsible business units and the Bank's senior management for all customer cases with significant arrears;
- conducts field reviews on a periodic basis on specific business units and customer portfolios. Field reviews cover a pre-selected segment of customers based on criteria such as a) rating (all customer cases rated high risk are reviewed), b) largest exposures c) expired limits d) collateral shortfalls etc. A detailed report is submitted to the RMU and the responsible business units outlining the findings of the review and recommending appropriate action. A follow up review takes place within 6 months in order to ensure compliance;
- participates in the ICAAP and the Recovery Plan processes for all aspects relating to credit risk;
- supervises the rating process and is responsible for the proper functioning of the rating systems in use by the Bank;
- maintains appropriate records and follows up restructured loans;
- is responsible for the regulatory reporting regarding credit risk;
- drafts and maintains credit-related policies and provides relevant input to other Bank's policies, as required
- is responsible for the implementation of the impairment policy of the Bank, as approved by the BRC.

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

(c) Rating systems

The Bank applies various credit rating systems for the assessment and measurement of credit risk. These systems assign a specific rating to every borrower/counterparty which reflects the creditworthiness of the particular borrower and consequently the ability to repay funds on a timely manner. Credit rating takes under consideration various quantitative and qualitative factors.

The Bank periodically reviews rating systems and adapts them to particular market conditions, products or borrowers.

The Bank employs the following rating models for its portfolio:

- Moody's Risk Analyst model ("MRA") is used to assess the risk of borrowers for Corporate and Commercial Lending.
- Internal Credit Rating model ("ICR") is used for those customers that cannot be rated by MRA.
- Slotting rating models for specialised exposures.

MRA follows the Moody's fundamental analysis (FA) approach. The FA models belong to a family of models defined as Knowledge Based Systems and rely on a probabilistic reasoning approach. They use quantitative and qualitative information of individual obligors in order to assess their creditworthiness and determine their credit rating. In particular, MRA takes into account the company's balance sheets, profit & loss accounts and cash flow statements to calculate key ratios. Its ratio analysis includes assessments of each ratio's trend across multiple periods, both in terms of the slope and volatility of the trend. It also compares the value of the ratio for the most recent period with the quartile values for a comparable peer group. Moreover, MRA is supplied with a commonly used set of qualitative factors relating to the quality of the company's management, the standing of the company, including the company's transaction behavior towards the Bank, and the perceived riskiness of the industry. MRA is used for the assessment of all legal entities with full accountancy tax books irrespective of their legal form, and is calibrated on the Greek corporate environment.

The MRA is not employed for certain types of entities that use different accounting methods to prepare their financial statements, such as Insurance companies and brokerage firms. Moreover, entities such as start-ups that have not produced financial information for at least two annual accounting periods are not rated with MRA. In such cases, the Internal Credit Rating ("ICR") is utilized, which is a scorecard consisting of a set of quantitative and qualitative factors.

With reference to Specialised Lending portfolio (for which the Bank is using Slotting rating models) and in line with European Banking Authority (EBA) definitions, it comprises types of exposures towards entities specifically created to finance or operate physical assets, where the primary source of income and repayment of the obligation lies directly with the assets being financed. Accordingly, three of its product lines that are included in the Specialized Lending exposure class: Project Finance (assessed with the Project Finance Scorecard), Commercial Real Estate (assessed with the CRE investor & CRE Developer Scorecards) and Object Finance (assessed with the Object Finance Scorecard tailored for the Shipping portfolio).

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

(c) Rating systems (continued)

An assessment of the borrowers' viability and the identification of impairment triggers is performed using the "Unlikely to Pay" ("UTP") / impairment scorecard.

The rating systems consist an integral part of the banking decision-making and risk management processes:
- The credit approval or rejection, both at the origination and review process;
- The allocation of competence levels for credit approval;
- Risk-adjusted pricing;
- Internal capital allocation; and
- The impairment calculation (staging criteria and subsequent ECL estimation of forecasted risk parameters).

(d) Credit risk mitigation

A key component of the Bank's business strategy is to reduce risk by utilising various risk mitigating techniques. The most important risk mitigating means are collaterals' pledges, guarantees and netting agreements. The types of collaterals commonly accepted by the Bank are:
- Residential real estate, commercial real estate, industrial buildings and land;
- Receivables (trade debtors);
- Securities, including listed shares and bonds;
- Deposits;
- Guarantees and letters of support;
- Insurance policies;
- Equipment, mainly vessels.

A specific coverage ratio is pre-requisite, upon the credit relationship's approval and on ongoing basis, for each collateral type. For exposures, other than loans to customers (i.e. reverse repos, derivatives), the Bank accepts as collateral only cash or liquid bonds.

Valuation principles of collaterals

In defining the maximum collateral ratio for loans, the Bank considers all relevant information available, including the collaterals' specific characteristics, if market participants would take those into account when pricing the relevant assets.

The valuation and hence eligibility is based on the following factors:
- the collateral's fair value, i.e. the exit price that would be received to sell the asset in an orderly transaction under current market conditions;
- the fair value reflects market participants' ability to generate economic benefits by using the asset in its highest and best use or by selling it;
- a reduction in the collateral's value is considered if the type, location or condition (such as deterioration and obsolescence) of the asset indicate so; and
- no collateral value is assigned if a pledge is not legally enforceable.

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

(d) Credit risk mitigation (continued)

Valuation principles of collaterals (continued)

The Bank performs collaterals' valuation in accordance with its processes and policies. For real estate collaterals, the Bank employs external qualified appraisers based on predefined criteria (qualifications and expertise) and also utilises appropriate indices such as the index published by the Central Bank of Cyprus. The panel of appraisers is reviewed at least annually and updated if necessary. All appraisals take into account factors such as the region, age and marketability of the property and are based on International Valuation Standards (IVS).

Collateral policy and documentation

Regarding collaterals, Bank's policy emphasises the need that collaterals and relevant processes are timely and prudently executed, in order to ensure that collaterals and relevant documentation are legally enforceable at any time. The Bank holds the right to liquidate collateral in the event of the obligor's financial distress and can claim and control cash proceeds from the liquidation process.

Counterparty risk

The Bank mitigates counterparty risk arising from treasury activities by entering into master netting arrangements and similar agreements, as well as collateral agreements with counterparties with which it undertakes a significant volume of transactions. The respective credit risk is reduced through a master netting agreement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis.

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

(d) Credit risk mitigation (continued)

Counterparty risk (continued)

In the case of derivatives, the Bank makes use of International Swaps and Derivatives Association (ISDA) contracts, which limit the exposure via the application of netting, and Credit Support Annex (CSAs), which further reduce the total exposure with the counterparty. Under these agreements, the total exposure with the counterparty is calculated on a daily basis taking into account any netting arrangements and collaterals.

The same process is applied in the case of repo transactions where standard Global Master Repurchase Agreements (GMRAs) are used. The exposure (the net difference between repo cash and the market value of the securities) is calculated on a daily basis and collateral is transferred between the counterparties thus minimising the exposure.

The Bank uses a comprehensive collateral management system for the monitoring of ISDA, CSAs and GMRAs, i.e. the daily valuation of the derivatives and the market value of the securities are used for the calculation of each counterparty's exposure. The collateral which should be posted or requested by the relevant counterparty is calculated daily.

With this system, the Bank monitors and controls the collateral flow in case of derivatives and repos, independently of the counterparty. The effect of any market movement that increases the Bank's exposure is reported and the Bank proceeds to collateral call accordingly

Forbearance practices on lending activities

Modifications of the loans' contractual terms may arise due to various factors, such as changes in market conditions, customer retention and other factors as well as due to the potential deterioration in the borrowers' financial condition.

Forbearance practices as monitored and reported by the Bank, based on the European Banking Authority Implementing Technical Standards (EBA ITS) guidelines, occur only in the cases where the contractual payment terms of a loan have been modified, as the borrower is considered unable to comply with the existing loan's terms due to apparent financial difficulties, and the Bank grants a concession by providing more favorable terms and conditions that it would not otherwise consider had the borrower not been in financial difficulties.

All other types of modifications granted by the Bank, where there is no apparent financial difficulty of the borrower and may be driven by factors of a commercial nature are not classified as forbearance measures.

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

(d) Credit risk mitigation (continued)

Classification of Forborne loans

Forborne loans are classified either as non-impaired (Stage 2), or as impaired (Stage 3) by assessing their delinquency and credit quality status.

Credit impaired forborne loans enter initially a probation period of one year where the borrowers' payment performance is closely monitored. If at the end of the abovementioned period, the borrowers have complied with the terms of the program and there are no past due amounts and concerns regarding the loans' full repayment, the loans are then reported as non-impaired forborne loans (Stage 2). In addition, non-impaired forborne loans, including those that were previously classified as credit impaired and complied with the terms of the program, are monitored over a period of two years. If, at the end of that period, the borrowers have made regular payments of a significant aggregate amount, there are no past due amounts over 30 days and the loans are neither credit impaired nor any other SICR criteria are met they exit forborne status and are classified as Stage 1. Particularly, the category of credit impaired forborne loans includes those that (a) at the date when forbearance measures were granted, were more than 90 days past due or assessed as unlikely to pay, (b) at the end of the one year probation period met the criteria of entering the non-impaired status and during the two years monitoring period new forbearance measures were extended or became more than 30 days past due, and (c) were initially classified as non-impaired and during the two years monitoring period met the criteria for entering the credit impaired status.

Impairment assessment

Where forbearance measures are extended, the Bank performs an assessment of the borrower's financial condition and its ability to repay, under the Bank's impairment policy as described in note 2.2.16. Accordingly, non-impaired (stage2) loans are assessed collectively while impaired (stage 3) are individually assessed.

4.2.1.1 Maximum exposure to credit risk before collateral held

The following tables represent the maximum credit risk exposure of the Bank at 31 December 2024 and 2023, without taking into account any collateral held or other credit enhancements that do not qualify for offset in the Bank's financial statements.

For on-balance sheet assets, the exposures set out below are based on the carrying amounts as reported in the balance sheet. For off-balance sheet items, exposures are shown at nominal amount that the Bank may be required to pay if the financial guarantee contracts and other commitments are called upon and the loan commitments are drawn down.

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.1 Maximum exposure to credit risk before collateral held (continued)

	2024 €'000		2023 €'000	
Credit risk exposures relating to on-balance sheet assets:				
Balances with central banks		**2.943.728**		2.718.768
Due from credit institutions at AC	**1.291.212**		1.184.607	
Less: impairment allowance	**(98)**	**1.291.114**	(1)	1.184.606
Derivative financial instruments		**23.023**		11.938
Loans and advances to customers at AC:				
Retail lending:				
- Mortgage	**13.078**		14.124	
- Consumer	**4.285**		4.375	
- Affluent banking	**126.166**		108.936	
- Credit cards	**999**		989	
Wholesale lending:				
- Large corporate	**1.789.737**		1.614.103	
- Wealth management	**501.619**		444.292	
- International business banking	**353.646**		489.021	
- Shipping	**240.411**		219.719	
Less: impairment allowance	**(56.985)**	**2.972.956**	(51.214)	2.844.345
Investment securities at FVOCI		**326.414**		458.252
Investment securities at AC	**1.641.492**		964.583	
Less: impairment allowance	**(1.206)**	**1.640.286**	(624)	963.959
Investment securities mandatorily at FVTPL		**2.203**		2.042
Other assets		**5.303**		2.890
Total		**9.205.027**		8.186.800
Credit risk exposures relating to off-balance sheet items (note 28):				
Financial guarantee contracts and other credit related commitments		**216.971**		214.900
Loan commitments		**721.776**		609.362
Less: impairment allowance		**(5.458)**		(3.885)
Total		**933.289**		820.377

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.2 Due from credit institutions

The credit quality of placements and settlement balances with credit institutions and reverse repurchase agreements receivable from credit institutions held at amortised cost, based on rating agencies' counterparty ratings, is analysed as follows as at 31 December 2024 and 2023:

	2024	2023
At amortised cost:	**€'000**	€'000
Aaa to Aa3	**71.972**	8.980
A1 to A3	**80.597**	57.343
Baa1 to Baa3	**1.137.540**	1.118.172
Not rated	**1.103**	112
Gross carrying amount	**1.291.212**	1.184.607
Less impairment allowance	**(98)**	(1)
Carrying amount	**1.291.114**	1.184.606

As at 31 December 2024 amounts due from credit institutions include reverse repurchase agreements of €1.077.585 thousand (2023: €1.098.322 thousand).

All reverse repurchase agreements receivables as at 31 December 2024 (2023: €1.072.906 thousand), have underlying securities which are rated as investment grade.

The movement in impairment allowance of amounts due from credit institutions in 2024 and 2023 is as follows:

	2024 12-month ECL €'000	2023 12-month ECL €'000
Balance at 1 January	**1**	2
New financial assets	**88**	
Impact of ECL net remeasurement	**10**	-
Financial assets that have been derecognised	**-**	(1)
Balance at 31 December	**99**	1

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers

(a) Credit quality of loans and advances to customers

Loans and advances to customers carried at amortised cost are allocated in stages depending on how ECL is measured.

Accordingly, loans reported as non-impaired include loans for which a "12-month ECL allowance" is recognised as they exhibit no significant increase in credit risk since initial recognition and loans for which a "Lifetime ECL allowance" is recognised as they exhibit a significant increase in credit risk since initial recognition but are not considered to be in default.

Credit-impaired loans category includes loans that are considered to be in default, for which a loss allowance equal to "Lifetime ECL" is recognised.

Loans and advances to customers carried at FVTPL are not subject to ECL measurement and therefore are not included in the quantitative information provided in the below sections for loans and advances measured at amortised cost, except where indicated.

The Bank's accounting policy regarding impairment of financial assets is set out in note 2.2.16.

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

Eurobank Cyprus Ltd

Notes to the financial statements

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers (continued)

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

	31 December 2024								
	Non-impaired		Credit-impaired		Impairment allowance				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total gross carrying amount / nominal exposure	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Carrying amount	Value of collateral
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Loans and advances to customers at amortised cost:									
Retail lending:									
- Mortgage	12.790	-	288	13.078	2	-	45	**13.031**	
Value of collateral	*11.854*	*-*	*288*						***12.142***
- Consumer	3.829	57	399	4.285	2	3	355	**3.925**	
Value of collateral	*1.021*	*2*	*345*						***1.368***
- Affluent banking	122.733	2.733	700	126.166	195	132	198	**125.641**	
Value of collateral	*114.973*	*2.182*	*555*						***117.710***
- Credit card	716	227	56	999	2	20	55	**922**	
Value of collateral	*51*	*-*	*3*						***54***
Wholesale lending:									
- Large corporate	1.582.583	164.689	42.465	1.789.737	2.183	2.298	34.307	**1.750.949**	
Value of collateral	*1.151.321*	*132.973*	*36.952*						***1.321.246***
- Wealth management	459.589	16.863	25.167	501.619	164	191	16.774	**484.490**	
Value of collateral	*431.202*	*14.765*	*22.990*						***468.957***
-International business banking	353.590	11	45	353.646	-	-	35	**353.611**	
Value of collateral	*353.352*	*10*	*13*						***353.375***
- Shipping	240.411	-	-	240.411	24	-	-	**240.387**	
Value of collateral	*240.372*	*-*	*-*						***240.372***
Total	**2.776.241**	**184.580**	**69.120**	**3.029.941**	**2.572**	**2.644**	**51.769**	**2.972.956**	***2.515.224***
Value of collateral	***2.304.146***	***149.932***	***61.146***	***2.515.224***					
Credit related commitments:									
Financial guarantee contracts and other credit related commitments	199.638	15.122	2.211	216.971	772	335	260		
Loan commitments	671.099	44.029	6.648	721.776	1.002	3.089	-		
	870.737	**59.151**	**8.859**	**938.747**	**1.774**	**3.424**	**260**		
Value of collateral	***255.088***	***15.143***	***3.466***	***273.697***					

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers (continued)

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

	31 December 2023								
	Non-impaired		Credit-impaired		Impairment allowance				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total gross carrying amount / nominal exposure	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Carrying amount	Value of collateral
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Loans and advances to customers at amortised cost:									
<u>Retail lending:</u>									
- Mortgage	14.026	-	98	14.124	9	-	98	14.017	
Value of collateral	*13.425*	*-*	*98*						*13.523*
- Consumer	3.939	7	429	4.375	6	-	429	3.940	
Value of collateral	*1.314*	*7*	*411*						*1.732*
- Affluent banking	107.581	1.334	21	108.936	203	41	17	108.675	
Value of collateral	*100.916*	*1.198*	*4*						*102.118*
- Credit card	927	21	41	989	6	-	28	955	
Value of collateral	*45*	*1*	*13*						*59*
<u>Wholesale lending:</u>									
- Large corporate	1.352.954	216.210	44.939	1.614.103	5.033	4.746	28.429	1.575.895	
Value of collateral	*1.055.086*	*191.472*	*42.452*						*1.289.010*
- Wealth management	401.842	19.446	23.004	444.292	635	480	11.011	432.166	
Value of collateral	*383.811*	*19.171*	*21.921*						*424.903*
-International business banking	488.945	28	48	489.021	-	-	26	488.995	
Value of collateral	*488.365*	*17*	*39*						*488.421*
- Shipping	219.719	-	-	219.719	17	-	-	219.702	
Value of collateral	*219.682*	-	-						*219.682*
Total	2.589.933	237.046	68.580	2.895.559	5.909	5.267	40.038	2.844.345	*2.539.448*
Value of collateral	*2.262.644*	*211.866*	*64.938*	*2.539.448*					
Credit related commitments:									
Financial guarantee contracts and other credit related commitments	208.402	5.834	664	214.900	118	177	219		
Loan commitments	550.521	53.259	5.582	609.362	1.035	2.336	-		
	758.923	59.093	6.246	824.262	1.153	2.513	219		
Value of collateral	*290.279*	*29.751*	*1.669*	*321.699*					

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers (continued)

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

The Bank assesses the credit quality of its loans and advances to customers and credit related commitments that are subject to ECL using internal credit rating systems for its portfolio which are based on a variety of quantitative and qualitative factors.

The following tables present the distribution of the gross carrying amount of loans and advances to customers carried at amortised cost and the nominal exposure of credit related commitments based on the credit quality classification categories and stage allocations used in 2024 and 2023:

		31 December 2024			
		Non-impaired		Credit-impaired	
		12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	Total gross carrying amount €'000
Retail lending:					
- Mortgage	Strong	12.790	-	-	**12.790**
	Impaired	-	-	288	**288**
- Consumer	Strong	3.783	2	-	**3.785**
	Satisfactory	46	55	-	**101**
	Impaired	-	-	399	**399**
- Affluent banking	Strong	101.572	341	-	**101.913**
	Satisfactory	21.161	2.389	-	**23.550**
	Watch list	-	3	-	**3**
	Impaired	-	-	700	**700**
- Credit card	Strong	633	5	-	**638**
	Satisfactory	83	220	-	**303**
	Watch list	-	2	-	**2**
	Impaired	-	-	56	**56**
Wholesale lending:					
- Large corporate	Strong	975.085	2.713	-	**977.798**
	Satisfactory	607.498	150.562	-	**758.060**
	Watch list	-	11.414	-	**11.414**
	Impaired	-	-	42.465	**42.465**
- Wealth management	Strong	425.246	470	-	**425.716**
	Satisfactory	34.343	15.198	-	**49.541**
	Watch list	-	1.195	-	**1.195**
	Impaired	-	-	25.167	**25.167**
- International business banking	Strong	351.509	11	-	**351.520**
	Satisfactory	2.081	-	-	**2.081**
	Impaired	-	-	45	**45**
- Shipping	Strong	240.378	-	-	**240.378**
	Satisfactory	33	-	-	**33**
		2.776.241	**184.580**	**69.120**	**3.029.941**

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers (continued)

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

		31 December 2023			
		Non-impaired		Credit-impaired	
		12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	Total gross carrying amount €'000
Retail lending:					
- Mortgage	Strong	13.484	-	-	13.484
	Satisfactory	542	-	-	542
	Impaired	-	-	98	98
- Consumer	Strong	3.906	7	-	3.913
	Satisfactory	33	-	-	33
	Impaired	-	-	429	429
- Affluent banking	Strong	81.405	410	-	81.815
	Satisfactory	26.176	924	-	27.100
	Impaired	-	-	21	21
- Credit card	Strong	667	1	-	668
	Satisfactory	260	19	-	279
	Watch list	-	1	-	1
	Impaired	-	-	41	41
Wholesale lending:					
- Large corporate	Strong	900.334	16.730	-	917.064
	Satisfactory	452.620	187.808	-	640.428
	Watch list	-	11.672	-	11.672
	Impaired	-	-	44.939	44.939
- Wealth management	Strong	370.715	1.215	-	371.930
	Satisfactory	31.127	17.001	-	48.128
	Watch list	-	1.230	-	1.230
	Impaired	-	-	23.004	23.004
- International business banking	Strong	486.636	18	-	486.654
	Satisfactory	2.309	10	-	2.319
	Impaired	-	-	48	48
- Shipping	Strong	219.686	-	-	219.686
	Satisfactory	33	-	-	33
		2.589.933	237.046	68.580	2.895.559

As at 31 December 2024 and 2023, there were no loans and advances to customers measured at FVTPL.

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers (continued)

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

	31 December 2024			
	Non-impaired		**Credit-impaired**	
	12-month ECL €'000	**Lifetime ECL not credit-impaired €'000**	**Lifetime ECL credit-impaired €'000**	**Total nominal exposure €'000**
Credit related commitments:				
Financial guarantee contracts and other credit related commitments:				
Strong	117.775	302	-	**118.077**
Satisfactory	81.863	14.607	-	**96.470**
Watch list	-	213	-	**213**
Impaired	-	-	2.211	**2.211**
Loan commitments:				
Strong	563.239	1.411	-	**564.650**
Satisfactory	107.860	39.338	-	**147.198**
Watch list	-	3.280	-	**3.280**
Impaired	-	-	6.648	**6.648**
	870.737	**59.151**	**8.859**	**938.747**

	31 December 2023			
	Non-impaired		Credit-impaired	
	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	Total nominal exposure €'000
Credit related commitments:				
Financial guarantee contracts and other credit related commitments:				
Strong	137.241	300	-	137.541
Satisfactory	71.161	5.349	-	76.510
Watch list	-	185	-	185
Impaired	-	-	664	664
Loan commitments:				
Strong	424.291	3.156	-	427.447
Satisfactory	126.230	46.609	-	172.839
Watch list	-	3.494	-	3.494
Impaired	-	-	5.582	5.582
	758.923	59.093	6.246	824.262

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers (continued)

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

The table below depicts the internal credit rating bands that correspond to the credit quality classification categories presented in the above tables.

Credit quality classification categories	Bank MRA Model	ICR Models	Slotting Rating Model
Strong	1 – 3.9	1 - 4	Strong / Good
Satisfactory	4 – 7.5	5 - 6	Satisfactory
Watch list	7.6 – 9.9	7 – 9	Watchlist / Weak
Impaired	10	10	NPL / Default

The following table presents exposure-weighted probabilities of default (PD) for performing exposures, based on the credit quality classification categories used in 2024 and 2023. For stage 1 exposures 12-month PDs were used, whereas for stage 2 exposures Lifetime PDs were used.

	31 December 2024		31 December 2023	
Credit Quality Classification Category	**Wholesale**	**Retail**	Wholesale	Retail
Strong	0,5%	1,1%	1,7%	1,9%
Satisfactory	7,3%	6,5%	10,5%	2,9%
Watchlist	55,2%	37,2%	62,2%	5,8%
Impaired	100%	100%	100%	100%

The tables on the next pages present the movement of the gross carrying amounts for loans and advances to customers carried at amortised cost by product line and stage in 2024 and 2023, respectively:

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers (continued)

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

	31 December 2024						
	Wholesale lending			Retail lending			
	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	Total €'000
Gross carrying amount at 1 January	**2.463.460**	**235.684**	**67.991**	**126.473**	**1.362**	**589**	**2.895.559**
New financial assets originated or purchased	761.521	-	-	25.426	-	-	**786.947**
Transfers:							
- To 12-month ECL	31.168	(31.145)	(23)	229	(216)	(13)	**-**
- To lifetime ECL not credit-impaired	(49.593)	56.293	(6.700)	(1.951)	1.932	19	**-**
- To lifetime ECL credit-impaired	(6.589)	(5.896)	12.485	(1.130)	-	1.130	**-**
Financial assets derecognised	(24.990)	-	-	(238)	(10)	-	**(25.238)**
Amounts written off	-	-	(1.777)	-	-	-	**(1.777)**
Repayments	(586.859)	(82.633)	(6.182)	(20.799)	(340)	(309)	**(697.122)**
Foreign exchange difference and other movements	48.055	9.260	1.883	12.058	289	27	**71.572**
Gross carrying amount at 31 December	**2.636.173**	**181.563**	**67.677**	**140.068**	**3.017**	**1.443**	**3.029.941**
Less impairment allowance	(2.371)	(2.489)	(51.116)	(201)	(155)	(653)	**(56.985)**
Carrying amount at 31 December	**2.633.802**	**179.074**	**16.561**	**139.867**	**2.862**	**790**	**2.972.956**

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers (continued)

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

	31 December 2023						
	Wholesale lending			Retail lending			
	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	Total €'000
Gross carrying amount at 1 January	2.355.843	228.334	69.783	120.269	1.103	216	2.775.548
New financial assets originated or purchased	727.380	-	-	26.631	-	-	754.011
Transfers:							
- To 12-month ECL	54.186	(40.934)	(13.252)	240	(233)	(7)	-
- To lifetime ECL not credit-impaired	(98.249)	103.804	(5.555)	(557)	555	2	-
- To lifetime ECL credit-impaired	(11.341)	(27.417)	38.758	(15)	-	15	-
Financial assets derecognised	(8.148)	-	-	(1.019)	-	-	(9.167)
Amounts written off	-	-	(16.834)	-	-	(37)	(16.871)
Repayments	(528.273)	(39.884)	(6.961)	(29.416)	(100)	(170)	(604.804)
Foreign exchange difference and other movements	(27.938)	11.781	2.052	10.340	37	570	(3.158)
Gross carrying amount at 31 December	2.463.460	235.684	67.991	126.473	1.362	589	2.895.559
Less impairment allowance	(5.685)	(5.226)	(39.466)	(224)	(41)	(572)	(51.214)
Carrying amount at 31 December	2.457.775	230.458	28.525	126.249	1.321	17	2.844.345

As at 31 December 2024, the above balances contain €523 million (2023: €434 million) of facilities secured by cash collateral. For these facilities no ECL is estimated as due to the nature of the credit enhancement, no credit risk is assumed for these exposures.

The contractual amount outstanding on lending exposures that were written off during the year ended 31 December 2024 and that are still subject to enforcement activity is €2.987 thousand (2023: €34.135 thousand).

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers (continued)

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

The following tables present the movement of the nominal amounts of financial guarantee contracts and other credit related commitments, and loan commitments by stage in 2024 and 2023 respectively:

	31 December 2024						
	Loan commitments			**Financial guarantee contracts and other credit related commitments**			
	12-month ECL €'000	**Lifetime ECL not credit-impaired €'000**	**Lifetime ECL credit-impaired €'000**	**12-month ECL €'000**	**Lifetime ECL not credit-impaired €'000**	**Lifetime ECL credit-impaired €'000**	**Total €'000**
Nominal amount at 1 January	**550.521**	**53.259**	**5.582**	**208.402**	**5.834**	**664**	**824.262**
Net increase/(decrease)	112.520	(355)	249	4.156	(2.279)	194	**114.485**
Transfers:							
- To 12-month ECL	14.333	(14.152)	(181)	207	(203)	(4)	-
- To lifetime ECL not credit-impaired	(5.492)	5.574	(82)	(12.866)	12.866	-	-
- To lifetime ECL credit-impaired	(783)	(297)	1.080	(261)	(1.096)	1.357	-
Nominal amount at 31 December	**671.099**	**44.029**	**6.648**	**199.638**	**15.122**	**2.211**	**938.747**

	31 December 2023						
	Loan commitments			Financial guarantee contracts and other credit related commitments			
	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	Total €'000
Nominal amount at 1 January	411.963	32.709	1.225	188.193	18.374	407	652.871
Net increase/(decrease)	162.039	2.100	(674)	22.251	(14.289)	(36)	171.391
Transfers:							
- To 12-month ECL	10.065	(10.065)	-	747	(747)	-	-
- To lifetime ECL not credit-impaired	(29.095)	29.112	(17)	(2.552)	2.552	-	-
- To lifetime ECL credit-impaired	(4.451)	(597)	5.048	(237)	(56)	293	-
Nominal amount at 31 December	550.521	53.259	5.582	208.402	5.834	664	824.262

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers (continued)

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

The following tables present the movement of the impairment allowances for loans and advances to customers by product line and stage in 2024 and 2023, respectively:

	31 December 2024						
	Wholesale lending			Retail lending			
	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	Total €'000
Balance at 1 January	**5.685**	**5.226**	**39.466**	**224**	**41**	**572**	**51.214**
New financial assets originated or purchased	1.770	-	-	137	-	-	**1.907**
Transfers:							
- To 12-month ECL	1.236	(1.227)	(9)	10	(5)	(5)	**-**
- To lifetime ECL not credit-impaired	(1.069)	5.839	(4.770)	(78)	59	19	**-**
- To lifetime ECL credit- impaired	(8)	(68)	76	(2)	-	2	**-**
Impact of ECL net remeasurement	(5.243)	(7.281)	15.628	(89)	60	65	**3.140**
Amounts written off	-	-	(1.777)	-	-	-	**(1.777)**
Recoveries from written off loans	-	-	2.359	-	-	-	**2.359**
Foreign exchange difference and other movements	-		143	(1)	-	-	**142**
Balance at 31 December	**2.371**	**2.489**	**51.116**	**201**	**155**	**653**	**56.985**

	31 December 2023						
	Wholesale lending			Retail lending			
	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	Total €'000
Balance at 1 January	3.892	3.446	37.835	349	13	95	45.630
New financial assets originated or purchased	2.354	-	-	60	-	-	2.414
Transfers:							
- To 12-month ECL	1.216	(1.168)	(48)	9	(2)	(7)	-
- To lifetime ECL not credit-impaired	(512)	4.966	(4.454)	(3)	1	2	-
- To lifetime ECL credit- impaired	(108)	(76)	184	-			-
Impact of ECL net remeasurement	(1.158)	(1.944)	21.476	(151)	27	(35)	18.215
Amounts written off	-	-	(16.834)	(37)	-	-	(16.871)
Recoveries from written off loans	-	-	1.633	-	-	-	1.633
Foreign exchange difference and other movements	1	2	(326)	(3)	2	517	193
Balance at 31 December	5.685	5.226	39.466	224	41	572	51.214

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers (continued)

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

The following tables present the movement of the impairment allowances on financial guarantee contracts and other credit related commitments, and loan commitments by stage in 2024 and 2023, respectively:

	31 December 2024						
	Loan commitments			**Financial guarantee contracts and other credit related commitments**			
	12-month ECL €'000	**Lifetime ECL not credit-impaired €'000**	**Lifetime ECL credit-impaired €'000**	**12-month ECL €'000**	**Lifetime ECL not credit-impaired €'000**	**Lifetime ECL credit-impaired €'000**	**Total €'000**
Balance at 1 January	**1.035**	**2.336**	**-**	**118**	**177**	**219**	**3.885**
Net increase/(decrease)	269	(733)	-	156	(35)	40	**(303)**
Transfers:							
- To 12-month ECL	51	(51)	-	1	(1)	-	**-**
- To lifetime ECL not credit-impaired	(319)	319	-	(212)	212	-	**-**
- To lifetime ECL credit- impaired	-	-	-	-	(8)	8	**-**
Impact of ECL net remeasurement	(34)	1.218	-	709	(10)	(7)	**1.876**
Balance at 31 December	**1.002**	**3.089**	**-**	**772**	**335**	**260**	**5.458**

	31 December 2023						
	Loan commitments			Financial guarantee contracts and other credit related commitments			
	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	Total €'000
Balance at 1 January	1.474	3.761	-	2.374	343	302	8.254
Net increase/(decrease)	1.389	(79)	-	(1.326)	(67)	(82)	(165)
Transfers:							
- To 12-month ECL	21	(21)	-	3	(3)	-	-
- To lifetime ECL not credit-impaired	(1.591)	1.591	-	(95)	95	-	-
- To lifetime ECL credit- impaired	-	-	-	-	(14)	14	-
Impact of ECL net remeasurement	(258)	(2.916)	-	(838)	(177)	(15)	(4.204)
Balance at 31 December	1.035	2.336	-	118	177	219	3.885

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers (continued)

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

Impairment allowances on financial guarantee contracts and other credit related commitments and loan commitments is presented within “Other liabilities” (note 24).

The impairment losses relating to loans and advances to customers and on financial guarantee contracts and other credit related commitments and loan commitments recognised in the Bank’s income statement for the year ended 31 December 2024 amounted to €6.620 thousand (2023: €16.260 thousand) and are analysed as follows:

	2024 **€’000**	2023 €’000
Impairment allowance on loans and advances to customers	**5.047**	20.629
Impairment allowance/(reversal of impairment allowance) on loan commitments	**720**	(1.864)
Impairment allowance/(reversal of impairment allowance) on financial guarantee contracts and other credit related commitments	**853**	(2.505)
Total	**6.620**	16.260

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers (continued)

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

Credit-impaired loans and advances to customers

The following tables present the ageing analysis of credit-impaired (Stage 3) loans and advances to customers by product line at their gross carrying amounts, as well as the respective cumulative impairment allowances and the value of collaterals held to mitigate credit risk as at 31 December 2024 and 2023, respectively:

	31 December 2024								
	Retail lending				Wholesale lending				
	Mortgage €'000	Consumer €'000	Affluent banking €'000	Credit card €'000	Large corporate €'000	Wealth management €'000	International business banking €'000	Shipping €'000	Lifetime ECL credit-impaired €'000
Up to 89 days	288	391	447	34	27.721	13.817	15	-	**42.713**
90 to 179 days	-	-	246	17	-	-	-	-	**263**
180 to 360 days	-	8	-	-	6.080	1.966	25	-	**8.079**
More than 360 days	-	-	7	5	8.664	9.384	5	-	**18.065**
Total gross carrying amount	**288**	**399**	**700**	**56**	**42.465**	**25.167**	**45**	**-**	**69.120**
Impairment allowance	(45)	(355)	(198)	(55)	(34.307)	(16.774)	(35)	-	**(51.769)**
Carrying amount	**243**	**44**	**502**	**1**	**8.158**	**8.393**	**10**	**-**	**17.351**
Value of collateral	**288**	**345**	**555**	**3**	**36.952**	**22.990**	**13**	**-**	**61.146**

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers (continued)

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

Credit-impaired loans and advances to customers (continued)

	31 December 2023								
	Retail lending				Wholesale lending				
	Mortgage €'000	Consumer €'000	Affluent banking €'000	Credit card €'000	Large corporate €'000	Wealth management €'000	International business banking €'000	Shipping €'000	Lifetime ECL credit-impaired €'000
Up to 89 days	-	417	21	11	33.320	11.827	25	-	45.621
90 to 179 days	-	-	-	17	3.334	8.296	15	-	11.662
180 to 360 days	-	-	-	10	6.257	514	1	-	6.782
More than 360 days	98	12	-	3	2.028	2.367	7	-	4.515
Total gross carrying amount	98	429	21	41	44.939	23.004	48	-	68.580
Impairment allowance	(98)	(429)	(17)	(28)	(28.429)	(11.011)	(26)	-	(40.038)
Carrying amount	-	-	4	13	16.510	11.993	22	-	28.542
Value of collateral	98	411	4	13	42.452	21.921	39	-	64.938

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers (continued)

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

Loans and advances to customers at amortised cost – overdue status

The following table sets out information about the overdue status of loans and advances to customers in Stages 1 and 2:

	31 December 2024			31 December 2023		
	Stage 1	**Stage 2**	**Total**	Stage 1	Stage 2	Total
	€'000	**€'000**	**€'000**	€'000	€'000	€'000
Current	2.766.102	182.985	**2.949.087**	2.567.118	235.912	2.803.030
Overdue less than 30 days	10.139	1.183	**11.322**	22.815	152	22.967
Overdue more than 30 days	-	412	**412**	-	982	982
Gross carrying amount	**2.776.241**	**184.580**	**2.960.821**	2.589.933	237.046	2.826.979
Impairment allowance	(2.572)	(2.644)	**(5.216)**	(5.909)	(5.267)	(11.176)
Carrying amount	**2.773.669**	**181.936**	**2.955.605**	2.584.024	231.779	2.815.803

Regulatory definitions

The new definition of default (DoD) for regulatory purposes introduced a new set of standards that will have a significant impact on governance, data, processes, systems and credit models. The new DoD is applicable from 1 January 2021 and is set in the Article 178 of Regulation (EU) No. 575/2013, the Commission Delegated Regulation (EU) 2018/171 and European Banking Authority Guidelines (EBA/GL/2016/07). In particular, the new DoD guidelines specify that days past due are counted from the date that both materiality thresholds are breached (an absolute amount of the total exposure and a relative as a percentage of the exposure), include conditions for a return to non-defaulted status (introduction of a probation period) and explicit criteria for classification of restructured loans as defaulted when the diminished financial obligation criterion is satisfied (difference between the net present value of cash flows before and after the restructuring exceeds the threshold of 1%). The DoD guidelines specify for corporate exposures an absolute threshold of €500 and a relative threshold of 1% of total exposure of the customer while for retail exposures the thresholds are €100 and 1% respectively. For an exposure to be classified as defaulted, it must exceed both thresholds for 90 consecutive days. The Bank's definition of default used for accounting purposes, is consistent with the DoD guidelines.

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers (continued)

(b) Forbearance

Modifications of the loans' contractual terms may arise due to various factors, such as changes in market conditions, customer retention and other factors as well as due to the potential deterioration in the borrowers' financial condition. The Bank has employed a range of forbearance solutions in order to enhance the management of customer relationships and the effectiveness of collection efforts, as well as to improve the recoverability of cash flows and minimise credit losses for both retail and wholesale portfolios.

The nature and type of forbearance options may include, but is not necessarily limited to, one or more of the following:
• arrears capitalisation;
• arrears repayment plan;
• reduced payment above interest only;
• interest-only payments;
• grace period;
• interest rate reduction;
• loan term extensions;
• split balance and gradual step-up of installment payment plans;
• partial debt forgiveness/write-down; and
• operational restructuring.

The following tables present an analysis of the Bank's forbearance activities for loans measured at amortised cost. The tables below are presented on a gross carrying amount basis, while cumulative impairment allowance is presented separately, in line with the Bank's internal credit risk monitoring and reporting.

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers (continued)

(b) Forbearance (continued)

The following table presents a summary of the types of the Bank's forborne activities:

	2024	2023
	€'000	€'000
Forbearance measures:		
Loan term extension	**33.937**	72.621
Arrears capitalisation	**2.204**	466
Reduced payment below interest owed	**186**	216
Interest rate reduction	**9.834**	8.065
Reduced payment above interest owed	**14.907**	18.461
Arrears repayment plan	**1.199**	1.367
Interest only	**13.758**	15.261
Grace period	**28.879**	29.875
Other	**629**	1.223
Total gross carrying amount	**105.533**	147.555
Less impairment allowance	**(27.933)**	(29.770)
Total carrying amount	**77.600**	117.785

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

	31 December 2024		
	Total loans & advances at amortised cost €'000	**Forborne loans & advances €'000**	**% of forborne loans & advances to total loans & advances**
Gross carrying amount:			
12-month ECL	2.776.241	-	-
Lifetime ECL not credit-impaired	184.580	68.508	37,1
Lifetime ECL credit-impaired	69.120	37.025	53,6
Total gross carrying amount	**3.029.941**	**105.533**	**3,5**
Impairment allowance:			
12-month ECL	2.572	-	-
Lifetime ECL not credit-impaired	2.644	391	14,8
Lifetime ECL credit-impaired	51.769	27.542	53,2
Total impairment allowance	**56.985**	**27.933**	**49,0**
Carrying amount	**2.972.956**	**77.600**	**2,6**
Collateral received	**2.515.224**	**101.123**	

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers (continued)

(b) Forbearance (continued)

	31 December 2023		
	Total loans & advances at amortised cost €'000	Forborne loans & advances €'000	% of forborne loans & advances to total loans & advances
Gross carrying amount:			
12-month ECL	2.589.933	-	-
Lifetime ECL not credit-impaired	237.046	101.180	42,7
Lifetime ECL credit-impaired	68.580	46.375	67,6
Total gross carrying amount	2.895.559	147.555	5,1
Impairment allowance:			
12-month ECL	5.909	-	-
Lifetime ECL not credit-impaired	5.267	1.630	30,9
Lifetime ECL credit-impaired	40.038	28.140	70,3
Total impairment allowance	51.214	29.770	58,1
Carrying amount	2.844.345	117.785	4,1
Collateral received	2.539.448	146.508	

The following table presents the movement of forborne loans and advances to customers:

	2024 €'000	2023 €'000
Gross carrying amount at 1 January	**147.555**	134.144
Forbearance measures in the year[1]	**5.754**	53.637
Repayment of loans	**(14.472)**	(21.344)
Write-offs of forborne loans	**(9)**	(2.251)
Loans & advances that exited forbearance status	**(28.245)**	(16.631)
Other	**(5.050)**	-
Gross carrying amount	**105.533**	147.555
Less impairment allowance	**(27.933)**	(29.770)
Carrying amount at 31 December	**77.600**	117.785

[1] Forbearance measures in the year depict loans to which forbearance measures were granted during the reporting period.

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers (continued)

(b) Forbearance (continued)

The following table presents the Bank's exposure to forborne loans and advances to customers by product line:

	2024	2023
	€'000	€'000
Retail lending:		
- Consumer	**291**	411
- Affluent banking	**419**	267
Wholesale lending:		
- Large corporate	**79.584**	117.796
- Wealth management	**25.239**	29.081
Total gross carrying amount	**105.533**	147.555
Less impairment allowance	**(27.933)**	(29.770)
Total carrying amount	**77.600**	117.785

The following table presents the Bank's exposure to forborne loans and advances to customers by geographical region. For this table, the Bank has allocated exposures to regions based on the country of residency/incorporation of counterparties.

	2024	2023
	€'000	€'000
Cyprus	**91.522**	134.255
Other European countries	**9.468**	8.937
Other countries	**4.543**	4.363
Total gross carrying amount	**105.533**	147.555
Less impairment allowance	**(27.933)**	(29.770)
Total carrying amount	**77.600**	117.785

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers (continued)

(b) Forbearance (continued)

The following table provides information on modifications due to forbearance measures on lending exposures which have not resulted in derecognition. Such financial assets were modified while they had an impairment allowance measured at an amount equal to lifetime ECL.

Modified lending exposures	2024 €'000	2023 €'000
Loans modified during the year with impairment allowance measured at an amount equal to lifetime ECL		
Gross carrying amount at 31 December	**13.033**	35.421
Loans modified since initial recognition at a time when impairment allowance was based on lifetime ECL		
Gross carrying amount at 31 December for which impairment allowance has changed to 12-month ECL measurement	**50.589**	14.669

In the year ended 31 December 2024, the gross carrying amount of loans previously modified for which the loan allowance has reverted to being measured at an amount equal to lifetime ECL amounted to €169 thousand (2023: €598 thousand).

(c) Collaterals held and other credit enhancements

The Loan-to-Value (LTV) ratio of the Bank's lending reflects the gross loan exposure less any cash collateral held at the balance sheet date over the market value of the property held as collateral.

The LTV ratio as at 31 December 2024 and 2023 is presented below:

	2024 €'000	2023 €'000
Less than 50%	**1.023.349**	824.065
50%-70%	**594.195**	603.576
71%-80%	**131.091**	74.301
81%-90%	**36.771**	73.354
91%-100%	**50.661**	63.505
101%-120%	**20.043**	12.996
121%-150%	**11.843**	19.808
Greater than 150%	**94.308**	76.376
Total exposure	**1.962.261**	1.747.981
Average LTV	**67%**	72%

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers (continued)

(c) Collaterals held and other credit enhancements (continued)

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

	31 December 2024				
	Value of collateral received				**Guarantees**
	Real Estate	**Financial**	**Other**	**Total**	**received**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Retail lending	114.705	16.568	-	131.273	-
Wholesale lending	1.588.291	578.907	210.889	2.378.087	5.862
Total	**1.702.996**	**595.475**	**210.889**	**2.509.360**	**5.862**

	31 December 2023				
	Value of collateral received				Guarantees
	Real Estate	Financial	Other	Total	received
	€'000	€'000	€'000	€'000	€'000
Retail lending	105.004	12.427	2	117.433	-
Wholesale lending	1.535.854	669.062	203.918	2.408.834	13.180
Total	1.640.858	681.489	203.920	2.526.267	13.180

The collaterals presented in the above table under category "Other", include bonds, shares, vessels and other investments.

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.4 Debt securities

The movement in impairment allowance of investment securities in 2024 and 2023 is as follows:

	31 December 2024			
	Investment securities at FVOCI			**Investment securities at amortised cost**
	12-month ECL	**Lifetime ECL not credit-impaired**	**Total**	**12-month ECL**
	€'000	**€'000**	**€'000**	**€'000**
Balance at 1 January	566	-	566	624
New financial assets purchased	188	-	188	4.020
Impact of ECL net remeasurement	(287)	-	(287)	(3.367)
Financial assets disposed during the year	(70)	-	(70)	-
Financial assets redeemed during the year	(83)	-	(83)	(63)
Effect of changes in foreign exchange rates	(8)	-	(8)	(8)
Balance at 31 December	**306**	**-**	**306**	**1.206**

	31 December 2023			
	Investment securities at FVOCI			Investment securities at amortised cost
	12-month ECL	Lifetime ECL not credit-impaired	Total	12-month ECL
	€'000	€'000	€'000	€'000
Balance at 1 January	628	148	776	344
New financial assets purchased	14	-	14	428
Transfer from 12-month ECL to Lifetime ECL not credit-impaired	161	(161)	-	-
Impact of ECL net remeasurement	(230)	13	(217)	(114)
Financial assets disposed during the year	-	-	-	(27)
Financial assets redeemed during the year	(7)	-	(7)	(7)
Balance at 31 December	566	-	566	624

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.4 Debt securities (continued)

The tables below present an analysis of debt securities by external credit rating agency designation at 31 December 2024 and 2023, respectively, based on Moody's ratings or their equivalent:

	31 December 2024		
	Investment securities at FVOCI €'000	**Investment securities at amortised cost €'000**	**Total €'000**
Aaa	133.884	747.198	**881.082**
Aa1 to Aa3	6.822	189.933	**196.755**
A1 to A3	37.872	478.200	**516.072**
Baa1 to Baa3	130.273	164.675	**294.948**
Ba1 to Ba3	17.563	18.338	**35.901**
Not rated	-	43.148	**43.148**
Gross carrying amount	**326.414**	**1.641.492**	**1.967.906**
Impairment allowance	-	(1.206)	**(1.206)**
Carrying amount	**326.414**	**1.640.286**	**1.966.700**

	31 December 2023		
	Investment securities at FVOCI €'000	Investment securities at amortised cost €'000	Total €'000
Aaa	160.392	498.661	659.053
Aa1 to Aa3	12.478	22.867	35.344
A1 to A3	72.800	37.803	110.603
Baa1 to Baa3	189.445	311.340	500.785
Ba1 to Ba3	23.137	30.641	53.778
Not rated	-	63.271	63.271
Gross carrying amount	458.252	964.583	1.422.835
Impairment allowance	-	(624)	(624)
Carrying amount	458.252	963.959	1.422.211

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.4 Debt securities (continued)

The carrying amount of debt securities rated lower than A3 is analysed as follows:

	31 December 2024			
	Sovereigns	**Banks & other financial institutions**	**Other**	**Total**
	€'000	**€'000**	**€'000**	**€'000**
Cyprus	-	27.772	-	**27.772**
Other European countries	224.914	68.977	47.206	**341.097**
Other countries	4.861	-	-	**4.861**
Carrying amount	**229.775**	**96.749**	**47.206**	**373.730**

	31 December 2023			
	Sovereigns	Banks & other financial institutions	Other	Total
	€'000	€'000	€'000	€'000
Cyprus	350.337	21.571	-	371.908
Other European countries	99.180	74.983	71.362	245.525
Carrying amount	449.517	96.554	71.362	617.433

4.2.1.5 Concentration of credit risk

The Bank holds diversified portfolios across markets and countries and implements limits on concentrations arising from the geographical location or the activity of groups of borrowers that could be similarly affected by changes in economic or other conditions, in order to mitigate credit risk.

The following tables break down the Bank's exposure into loans and advances to customers and exposures of credit related commitments at their gross carrying amount and nominal amount respectively by stage, product line, industry and geographical region and impairment allowance by product line, industry and geographical region.

Eurobank Cyprus Ltd

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4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.5 Concentration of credit risk (continued)

(a) Geographical sectors

For this table, the Bank has allocated exposures to regions based on the country of activity/economic interest of counterparties.

	31 December 2024												
	Cyprus				Other European countries				Other countries				
	Gross carrying/nominal amount				Gross carrying/nominal amount				Gross carrying/nominal amount				
	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	Impairment allowance €'000	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	Impairment allowance €'000	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	Impairment allowance €'000	Total gross carrying amount / nominal amount less imp. allowance €'000
Loans and advances to customers													
Retail lending:													
- Mortgage	12.790	-	288	(47)	-	-	-	-	-	-	-	-	**13.031**
- Consumer	3.829	57	399	(360)	-	-	-	-	-	-	-	-	**3.925**
- Affluent banking	119.907	2.733	700	(521)	1.542	-	-	(3)	1.284	-	-	(1)	**125.641**
- Credit cards	711	227	56	(77)	3	-	-	-	2	-	-	-	**922**
Wholesale lending:													
- Large corporate	974.045	152.919	40.749	(37.041)	583.883	8.142	1.177	(1.481)	24.655	3.628	539	(266)	**1.750.949**
- Wealth management	273.959	11.861	17.717	(14.522)	177.595	4.767	7.450	(2.601)	8.035	235	-	(6)	**484.490**
- International business banking	268.317	1	40	(32)	84.329	10	-	-	944	-	5	(3)	**353.611**
- Shipping	61.843	-	-	(15)	178.561	-	-	(9)	7	-	-	-	**240.387**
Total	**1.715.401**	**167.798**	**59.949**	**(52.615)**	**1.025.913**	**12.919**	**8.627**	**(4.094)**	**34.927**	**3.863**	**544**	**(276)**	**2.972.956**
Off-balance sheet items													
Financial guarantee contracts and other credit related commitments	196.689	14.618	2.209	(1.311)	2.730	503	-	(56)	219	1	2	-	**215.604**
Loan commitments	520.386	34.620	6.541	(3.474)	93.020	6.613	4	(457)	57.693	2.796	103	(160)	**717.685**
Total	**717.075**	**49.238**	**8.750**	**(4.785)**	**95.750**	**7.116**	**4**	**(513)**	**57.912**	**2.797**	**105**	**(160)**	**933.289**

Eurobank Cyprus Ltd

Notes to the financial statements

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.5 Concentration of credit risk (continued)

(a) Geographical sectors (continued)

	31 December 2023												
	Cyprus				Other European countries				Other countries				
	Gross carrying/nominal amount				Gross carrying/nominal amount				Gross carrying/nominal amount				
	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	Impairment allowance €'000	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	Impairment allowance €'000	12-month ECL €'000	Lifetime ECL not credit-impaired €'000	Lifetime ECL credit-impaired €'000	Impairment allowance €'000	Total gross carrying amount / nominal amount less imp. allowance €'000
Loans and advances to customers													
Retail lending:													
- Mortgage	13.484	-	98	(107)	542	-	-	-	-	-	-	-	14.017
- Consumer	3.939	7	429	(435)	-	-	-	-	-	-	-	-	3.940
- Affluent banking	105.230	1.334	22	(257)	1.412	-	-	(2)	938	-	-	(2)	108.675
- Credit cards	917	21	41	(34)	5	-	-	-	5	-	-	-	955
Wholesale lending:													
- Large corporate	847.529	202.835	43.293	(36.035)	467.974	10.866	1.108	(1.902)	37.452	2.509	537	(271)	1.575.895
- Wealth management	247.491	14.664	16.362	(8.838)	148.429	4.537	6.641	(3.244)	5.923	245	-	(44)	432.166
- International business banking	412.396	23	17	(13)	75.591	5	2	(2)	957	-	30	(11)	488.995
- Shipping	65.580	-	-	(9)	154.120	-	-	(8)	19	-	-	-	219.702
Total	1.696.566	218.884	60.262	(45.728)	848.073	15.408	7.751	(5.158)	45.294	2.754	567	(328)	2.844.345
Off-balance sheet items													
Financial guarantee contracts and other credit related commitments	201.199	5.834	662	(513)	1.457	-	-	(1)	5.746	-	2	-	214.386
Loan commitments	451.580	44.100	5.524	(3.022)	48.047	6.628	21	(137)	50.894	2.531	37	(212)	605.991
Total	652.779	49.934	6.186	(3.535)	49.504	6.628	21	(138)	56.640	2.531	39	(212)	820.377

As at 31 December 2024 and 2023, there were no loans and advances to customers measured mandatorily at FVTPL.

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.5 Concentration of credit risk (continued)

(a) Geographical sectors (continued)

	31 December 2024				
	Multilateral development banks €'000	Cyprus €'000	Other European countries €'000	Other countries €'000	Total €'000
On-balance sheet assets					
Balances with central banks	-	2.943.728	-	-	**2.943.728**
Due from credit institutions at AC	-	31	1.224.306	66.875	**1.291.212**
Derivative financial instruments	-	26	22.991	6	**23.023**
Investment debt securities at FVOCI	-	39.613	157.770	129.031	**326.414**
Investment debt securities at AC	65.511	443.446	633.040	499.495	**1.641.492**
Other investment securities mandatorily at FVTPL	-	2.203	-	-	**2.203**
Other assets	-	5.004	299	-	**5.303**
Gross carrying amount	**65.511**	**3.434.051**	**2.038.406**	**695.407**	**6.233.375**
Balances with central banks	-	-	-	-	**-**
Due from credit institutions at AC	-	-	95	3	**98**
Investment debt securities at AC	25	507	392	282	**1.206**
Other assets	-	-	-	-	**-**
Impairment allowance	**25**	**507**	**487**	**285**	**1.304**
Carrying amount	**65.486**	**3.433.544**	**2.037.919**	**695.122**	**6.232.071**

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.5 Concentration of credit risk (continued)

(a) Geographical sectors (continued)

	31 December 2023				
	Multilateral development banks €'000	Cyprus €'000	Other European countries €'000	Other countries €'000	Total €'000
On-balance sheet assets					
Balances with central banks	-	2.718.768	-	-	2.718.768
Due from credit institutions at AC	-	32	1.140.719	43.856	1.184.607
Derivative financial instruments	-	222	11.715	1	11.938
Investment debt securities at FVOCI	-	63.671	236.110	158.471	458.252
Investment debt securities at AC	24.528	308.516	321.617	309.922	964.583
Other investment securities mandatorily at FVTPL	-	2.042	-	-	2.042
Other assets	-	1.860	961	69	2.890
Gross carrying amount	24.528	3.095.111	1.711.122	512.319	5.343.080
Balances with central banks	-	-	-	-	-
Due from credit institutions at AC	-	-	1	-	1
Investment debt securities at AC	14	280	197	133	624
Other assets	-	-	-	-	-
Impairment allowance	14	280	198	133	625
Carrying amount	24.514	3.094.831	1.710.924	512.186	5.342.455

All assets shown in the tables above are classified in 12-month ECL category.

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4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.5 Concentration of credit risk (continued)

(b) Industry sectors

The following tables break down the Bank's main exposures into balance sheet assets and credit related commitments at their gross carrying amount and nominal amount respectively by stage, product line and industry sector and impairment allowance by product line and industry sector.

	31 December 2024																				
	Commerce & services				Private Individuals				Construction				Manufacturing				Other				
	Gross carrying amount				Gross carrying amount				Gross carrying amount				Gross carrying amount				Gross carrying amount				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Imp. allowance	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Imp. allowance	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Imp. allowance	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Imp. allowance	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Imp. allowance	Total carrying amount
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Loans and advances to customers																					
Retail lending:																					
- Mortgage	-	-	-	-	12.790	-	288	(47)	-	-	-	-	-	-	-	-	-	-	-	-	**13.031**
- Consumer	31	17	3	(4)	3.798	40	390	(350)	-	-	-	-	-	-	6	(6)	-	-	-	-	**3.925**
- Affluent banking	2.451	-	-	(2)	120.127	2.733	700	(523)	50	-	-	-	-	-	-	-	105	-	-	-	**125.641**
- Credit cards	81	77	5	(13)	631	142	51	(63)	4	-	-	-	-	-	-	-	-	8	-	(1)	**922**
Wholesale lending:																					
- Large corporate	1.346.597	135.013	33.638	(29.988)	15.073	1.744	5.483	(5.170)	29.137	9.856	1.223	(1.416)	190.591	17.367	2.121	(2.203)	1.185	709	-	(11)	**1.750.949**
- Wealth management	268.718	10.987	20.340	(13.182)	190.418	4.635	4.725	(3.930)	439	-	-	-	6	-	102	(11)	8	1.241	-	(6)	**484.490**
- International business banking	321.591	11	35	(35)	8.093	-	10	-	-	-	-	-	23.906	-	-	-	-	-	-	-	**353.611**
- Shipping	240.390	-	-	(24)	21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**240.387**
Total	**2.179.859**	**146.105**	**54.021**	**(43.248)**	**350.951**	**9.294**	**11.647**	**(10.083)**	**29.630**	**9.856**	**1.223**	**(1.416)**	**214.503**	**17.367**	**2.229**	**(2.220)**	**1.298**	**1.958**	**-**	**(18)**	**2.972.956**

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.5 Concentration of credit risk (continued)

(b) Industry sectors (continued)

	31 December 2023																				
	Commerce & services				Private Individuals				Construction				Manufacturing				Other				
	Gross carrying amount				Gross carrying amount				Gross carrying amount				Gross carrying amount				Gross carrying amount				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Imp. allowance	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Imp. allowance	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Imp. allowance	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Imp. allowance	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Imp. allowance	Total carrying amount
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Loans and advances to customers																					
Retail lending:																					
- Mortgage	-	-	-	-	14.026	-	98	(107)	-	-	-	-	-	-	-	-	-	-	-	-	14.017
- Consumer	67	-	-	(1)	3.871	7	425	(429)	-	-	-	-	-	-	5	(5)	-	-	-	-	3.940
- Affluent banking	2.428	-	-	(3)	105.020	1.334	21	(258)	17	-	-	-	-	-	-	-	116	-	-	-	108.675
- Credit cards	165	-	6	(7)	756	21	35	(27)	6	-	-	-	-	-	-	-	-	-	-	-	955
Wholesale lending:																					
- Large corporate	1.167.786	188.463	38.983	(31.774)	9.990	865	2.235	(2.167)	31.067	10.050	1.395	(1.223)	143.096	16.014	2.325	(3.007)	1.016	818	-	(37)	1.575.895
- Wealth management	233.690	12.824	19.512	(8.783)	166.861	6.123	3.395	(3.336)	442	-	-	(5)	55	-	96	-	794	500	-	(2)	432.166
- International business banking	456.665	18	37	(22)	8.358	9	12	(4)	-	-	-	-	23.919	-	-	-	3	-	-	-	488.995
- Shipping	219.701	-	-	(17)	18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	219.702
Total	2.080.502	201.305	58.538	(40.607)	308.900	8.359	6.221	(6.328)	31.532	10.050	1.395	(1.228)	167.070	16.014	2.426	(3.012)	1.929	1.318	-	(39)	2.844.345

As at 31 December 2024 and 2023, there were no loans and advances to customers measured mandatorily at FVTPL.

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4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.5 Concentration of credit risk (continued)

(b) Industry sectors (continued)

	31 December 2024																				
	Commerce & services				Private Individuals				Construction				Manufacturing				Other				
	Nominal amount				Nominal amount				Nominal amount				Nominal amount				Nominal amount				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Imp. allowance	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Imp. allowance	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Imp. allowance	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Imp. allowance	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Imp. allowance	Total nominal amount less imp. allowance
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Off-balance sheet items																					
Financial guarantee contracts and other credit related commitments	134.835	3.555	2.040	(965)	2.106	12	2	(6)	56.993	11.502	-	(356)	4.151	53	169	(40)	1.553	-	-	-	**215.604**
Loan commitments	487.066	39.967	5.688	(3.797)	58.646	2.137	816	(155)	23.299	890	30	(21)	101.134	1.021	114	(111)	954	14	-	(7)	**717.685**
Total	**621.901**	**43.522**	**7.728**	**(4.762)**	**60.752**	**2.149**	**818**	**(161)**	**80.292**	**12.392**	**30**	**(377)**	**105.285**	**1.074**	**283**	**(151)**	**2.507**	**14**	**-**	**(7)**	**933.289**

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4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.5 Concentration of credit risk (continued)

(b) Industry sectors (continued)

	31 December 2023																				
	Commerce & services				Private Individuals				Construction				Manufacturing				Other				
	Nominal amount				Nominal amount				Nominal amount				Nominal amount				Nominal amount				
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Imp. allowance	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Imp. allowance	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Imp. allowance	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Imp. allowance	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Imp. allowance	Total nominal amount less imp. allowance
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Off-balance sheet items																					
Financial guarantee contracts and other credit related commitments	128.974	4.649	499	(451)	2.378	6	2	(1)	74.045	916	-	(25)	2.702	263	163	(37)	303	-	-	-	214.386
Loan commitments	341.227	36.868	5.206	(2.097)	67.023	440	172	(164)	17.280	12.156	-	(281)	123.782	3.786	204	(823)	1.209	9	-	(6)	605.991
Total	470.201	41.517	5.705	(2.548)	69.401	446	174	(165)	91.325	13.072	-	(306)	126.484	4.049	367	(860)	1.512	9	-	(6)	820.377

Eurobank Cyprus Ltd

Notes to the financial statements

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.5 Concentration of credit risk (continued)

(b) Industry sectors (continued)

	31 December 2024							
	Central banks €'000	Sovereigns €'000	Commerce & services €'000	Banks & other financial institutions €'000	Private individuals €'000	Construction €'000	Other €'000	Total €'000
On-balance sheet assets								
Balances with central banks	2.943.728	-	-	-	-	-	-	**2.943.728**
Due from credit institutions at AC	-	-	-	1.291.212	-	-	-	**1.291.212**
Derivative financial instruments	-	-	41	22.982	-	-	-	**23.023**
Investment debt securities at FVOCI	-	238.264	-	68.506	-	-	19.644	**326.414**
Investment debt securities at AC	-	1.226.281	-	279.009	-	-	136.202	**1.641.492**
Other investment securities mandatorily at FVTPL	-	-	-	2.203	-	-	-	**2.203**
Other assets	-	-	5.303	-	-	-	-	**5.303**
Gross carrying amount	**2.943.728**	**1.464.545**	**5.344**	**1.663.912**	**-**	**-**	**155.846**	**6.233.375**
Balances with central banks	-	-	-	-	-	-	-	**-**
Due from credit institutions at AC	-	-	-	98	-	-	-	**98**
Investment debt securities at AC	-	979	-	210	-	-	17	**1.206**
Other assets	-	-	-	-	-	-	-	**-**
Impairment allowance	**-**	**979**	**-**	**308**	**-**	**-**	**17**	**1.304**
Carrying amount	**2.943.728**	**1.463.566**	**5.344**	**1.663.604**	**-**	**-**	**155.829**	**6.232.071**

Eurobank Cyprus Ltd

Notes to the financial statements

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.5 Concentration of credit risk (continued)

(b) Industry sectors (continued)

	31 December 2023							
	Central banks €'000	Sovereigns €'000	Commerce & services €'000	Banks & other financial institutions €'000	Private individuals €'000	Construction €'000	Other €'000	Total €'000
On-balance sheet assets								
Balances with central banks	2.718.768	-	-	-	-	-	-	2.718.768
Due from credit institutions at AC	-	-	-	1.184.607	-	-	-	1.184.607
Derivative financial instruments	-	-	82	11.718	10	128	-	11.938
Investment debt securities at FVOCI	-	342.573	-	77.646	-	-	38.033	458.252
Investment debt securities at AC	-	645.528	-	132.580	-	-	186.475	964.583
Other investment securities mandatorily at FVTPL	-	-	-	2.042	-	-	-	2.042
Other assets	-	-	2.821	-	-	-	69	2.890
Gross carrying amount	2.718.768	988.101	2.903	1.408.593	10	128	224.577	5.343.080
Balances with central banks	-	-	-	-	-	-	-	-
Due from credit institutions at AC	-	-	-	1	-	-	-	1
Investment debt securities at AC	-	434	-	145	-	-	45	624
Other assets	-	-	-	-	-	-	-	-
Impairment allowance	-	434	-	146	-	-	45	625
Carrying amount	2.718.768	987.667	2.903	1.408.447	10	128	224.532	5.342.455

All assets shown in the tables above are classified in 12-month ECL category.

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.6 Other financial assets

Balances with central banks

As at 31 December 2024 the Bank held balances with central banks of €2.943.728 thousand (2023: €2.718.768 thousand), which are not rated. The Central Bank of Cyprus is not rated by itself. The rating of Republic of Cyprus, which was A3 (Moody's rating scale) as at 31 December 2024, can be used as an approximation.

Investment securities – equity shares

The Bank did not hold equity shares as at 31 December 2024 and 2023.

Investment securities – UCIT funds

As at 31 December 2023 the Bank held UCIT funds of €2.203 thousand (2023: €2.042 thousand) which are not rated.

4.2.2 Market risk

The Bank takes on exposure to market risks which is the risk of potential financial loss due to an adverse change in market variables. Changes in interest rates, foreign exchange rates, credit spreads, equity prices and other relevant factors, such as the implied volatilities of the above, can affect the Bank's income or the fair value of its financial instruments. The market risks the Bank is exposed to are managed and monitored by the Market, Counterparty and Liquidity Risk Unit (MCLRU).

The MCLRU reports to the Bank's Risk Executive, and its main responsibilities include:

- Monitoring of all key market & Interest Rate Risk in the Banking Book (IRRBB) risk indicators (VaR, sensitivities, interest rate gaps) of the Bank;
- Implementation of Stress Testing methodologies for market risk and IRRBB (historical and hypothetical);
- Monitoring and reporting of market, counterparty and IRRBB risk limits utilisation;
- Measuring and monitoring the liquidity risk of the Bank; and
- Development, maintenance and expansion of risk management infrastructure.

4.2.2 Market risk (continued)

The market risks the Bank is exposed to are the following:

Interest rate risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is further split into “General” and “Specific”. The former refers to changes in the fair value of positions due to the movements of benchmark interest rates, while the latter refers to changes in the fair value of position due to the movements of specific issuer yields and credit spreads.

Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected adverse movements arise. The Bank’s Risk Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken and exposures are monitored daily.

The Bank uses internal reports for the monitoring of IRRBB taking into account FVOCI and AC portfolios (loans, deposits and debt securities), including sensitivity of NII and sensitivity of Bank’s EVE (Economic Value of Equity) on multiple scenarios of interest rates. For the calculation of these sensitivities, the Bank is applying behavioural modelling for its non-maturity deposits (NMDs). The Bank takes all appropriate measures to limit the interest rate risk associated with these financial instruments either by matching interest-bearing financial assets with interest bearing financial liabilities of the same re-pricing maturity, or entering into interest rate swaps to hedge interest rate risk. Additionally, the Bank is monitoring credit spread risk in the banking book (CSRBB).

Currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Risk Committee sets limits on the level of exposures which are monitored daily.

Equity price risk

Equity price risk is the risk of the decrease of fair values as a result of changes in the levels of equity indices and the value of individual stocks. The equity price risk that the Bank undertakes arises mainly from equity positions.

Notes to the financial statements

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.2 Market risk (continued)

Interest Rate Gap Analysis (IR Gap)

The following table provides the interest rate repricing gap of the Bank, which analyses the structure of interest rate mismatches within the balance sheet. The Bank's financial assets/liabilities are included in their notional/outstanding amounts and categorized based on either (i) the next contractual repricing date if floating rate or (ii) the maturity if fixed rate (or call date where applicable).

	31 December 2024				
	less than 1 month	**1-3 months**	**3-12 months**	**1-5 years**	**More than 5 years**
Cash & bank balances	3.290.680	372.960	46.029	542.498	-
Loans & advances to customers	1.202.570	1.159.517	282.004	297.171	36.719
Investment securities	185.231	151.893	201.473	956.388	734.073
Due to banks	111.841	41.674	69.558	9.906	-
Customer deposits	3.937.191	1.485.402	1.197.225	886.358	350.484
Derivative assets	881.918	107.984	626.968	463.856	22.345
Derivative liabilities	1.536.036	51.619	141.127	181.653	173.000

	31 December 2023				
	less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years
Cash & bank balances	3.126.839	786.050	-	-	-
Loans & advances to customers	1.143.380	1.451.571	163.410	38.620	53.938
Investment securities	153.751	108.912	221.155	806.531	275.971
Due to banks	87.442	35.247	19.385	30.703	11.432
Customer deposits	3.956.601	775.840	1.150.382	924.783	295.310
Derivative assets	589.134	153.259	90.896	187.795	53.806
Derivative liabilities	793.222	128.472	31.839	68.868	49.947

Non maturity deposits in EUR are allocated according to behavioral maturity.

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.2 Market risk (continued)

MtM Volatility - VaR summary

The Bank measures the financial risk of the FVOCI portfolio using a "Value at Risk" (VaR) model.

The VaR model is used to measure the amount of potential negative change in the market value of the FVOCI portfolio over a specified period of time and at a given confidence level. The Bank uses a VaR model based on 99% confidence level and a holding period of 10-day. The methodology used for the calculation is Monte Carlo simulation (full re-pricing of the positions is performed).

The VaR model is designed to measure market risk in a normal market environment. It is assumed that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to certain limitations. Given this, actual outcomes are monitored regularly, via back testing process, to test the validity of the assumptions and the parameters used in the VaR calculation.

Since VaR constitutes an integral part of the Bank's market risk control regime, VaR limits have been established and actual exposure is reviewed daily. However, the use of this approach does not prevent losses outside of these limits in the event of extraordinary market movements.

The below table shows VaR by risk type for the Bank's FVOCI portfolio:

	2024	2023
	€'000	€'000
Interest rate risk	**605**	2.106
Foreign exchange risk	**33**	320
Issuer specific risk	**675**	1.032
Total VaR	**620**	2.233

The largest portion of the Bank's VaR figure is attributable to the risk associated with interest rate and credit spread risk factors. The aggregate of the VaR results per risk factor does not constitute the Bank's total VaR due to correlations and consequent diversification effects among risk factors.

The decrease in the size of the FVOCI portfolio (by circa €140 million in notional amount terms), as well as the reduced volatility observed in the markets, reduced the negative MtM of the FVOCI bond portfolio as at the end of 2024 compared to the end of 2023.

Notes to the financial statements

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.2 Market risk (continued)

MtM Volatility - VaR summary (continued)

The interest rate risk exposure of the Bank's fixed income portfolio is analysed into time bands as shown in the following tables:

	31 December 2024				
	less than 1 month €'000	**1-3 months €'000**	**3-12 months €'000**	**1-5 years €'000**	**More than 5 years €'000**
Investment securities	**122.316**	**201.976**	**164.718**	**789.593**	**693.519**
Fixed coupon bonds	8.000	173.506	164.718	789.593	693.519
Variable coupon bonds	114.316	28.470	-	-	-

	31 December 2023				
	less than 1 month €'000	1-3 months €'000	3-12 months €'000	1-5 years €'000	More than 5 years €'000
Investment securities	149.665	104.363	201.705	709.579	282.438
Fixed coupon bonds	4.525	70.136	201.705	709.579	282.438
Variable coupon bonds	145.140	34.227	-	-	-

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.2 Market risk (continued)

Foreign exchange risk

The following tables present the Bank's exposure to foreign currency exchange risk as at 31 December 2024 and 2023, respectively:

	31 December 2024						
	USD €'000	GBP €'000	CHF €'000	RUB €'000	Other €'000	Euro €'000	Total €'000
ASSETS							
Cash and balances with central banks	895	568	9	-	2	2.952.905	2.954.379
Due from credit institutions	135.107	12.881	21.600	1.042	19.981	1.100.503	1.291.114
Derivative financial instruments	3.973	82	1	-	-	18.967	23.023
Loans and advances to customers	264.574	613.903	5.108	-	1	2.089.370	2.972.956
Investment securities	743.749	-	-	-	-	1.225.154	1.968.903
Investments in subsidiaries	-	-	-	-	-	17.555	17.555
Property and equipment	-	-	-	-	-	20.887	20.887
Intangible assets	-	-	-	-	-	36.048	36.048
Deferred tax assets	-	-	-	-	-	1.586	1.586
Other assets	330	1	-	-	-	13.984	14.315
Total assets	1.148.628	627.435	26.718	1.042	19.984	7.476.959	9.300.766
LIABILITIES							
Due to credit institutions	17.444	872	3.204	-	50	186.593	208.163
Derivative financial instruments	143	924	-	-	-	777	1.844
Due to customers	1.673.682	236.383	28.826	1.012	21.859	5.920.659	7.882.421
Current tax liabilities	-	-	-	-	-	6.754	6.754
Deferred tax liabilities	-	-	-	-	-	2.963	2.963
Other liabilities	8.144	145	10	25	111	111.222	119.657
Total liabilities	1.699.413	238.324	32.040	1.037	22.020	6.228.968	8.221.802
Equity	(2.010)	-	-	-	-	1.080.974	1.078.964
Net on balance sheet position	(548.775)	389.111	(5.322)	5	(2.036)	167.017	-
Derivative foreign exchange position	548.778	(389.111)	5.322	(5)	2.036	(167.020)	-
Total foreign exchange position	**3**	**-**	**-**	**-**	**-**	**(3)**	**-**

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.2 Market risk (continued)

Foreign exchange risk (continued)

	31 December 2023						
	USD	GBP	CHF	RUB	Other	Euro	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
ASSETS							
Cash and balances with central banks	607	506	9	-	2	2.727.159	2.728.283
Due from credit institutions	354.412	3.405	949	1.231	10.280	814.329	1.184.606
Derivative financial instruments	1.538	38	-	-	22	10.340	11.938
Loans and advances to customers	292.285	517.709	10.500	-	2.907	2.020.944	2.844.345
Investment securities	578.929	-	-	-	-	845.324	1.424.253
Investments in subsidiaries	-	-	-	-	-	15.011	15.011
Property and equipment	-	-	-	-	-	23.899	23.899
Intangible assets	-	-	-	-	-	33.464	33.464
Deferred tax assets	-	-	-	-	-	2.152	2.152
Other assets	149	20	8	6	16	3.993	4.192
Total assets	1.227.920	521.678	11.466	1.237	13.227	6.496.615	8.272.143
LIABILITIES							
Due to credit institutions	23.890	522	-	-	281	159.529	184.222
Derivative financial instruments	61	945	-	-	-	9.102	10.108
Due to customers	1.602.993	241.441	13.956	1.205	18.237	5.221.113	7.098.945
Current tax liabilities	-	-	-	-	-	7.084	7.084
Deferred tax liabilities	-	-	-	-	-	3.058	3.058
Other liabilities	4.004	130	-	25	150	110.206	114.515
Total liabilities	1.630.948	243.038	13.956	1.230	18.668	5.510.092	7.417.932
Equity	(9.912)	8	-	-	-	864.115	854.211
Net on balance sheet position	(393.116)	278.632	(2.490)	7	(5.441)	122.408	-
Derivative foreign exchange position	393.148	(278.632)	2.490	(7)	5.441	(122.440)	-
Total foreign exchange position	32	-	-	-	-	(32)	-

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.3 Liquidity risk

The Bank is exposed to daily calls on its available cash resources due to deposits withdrawals, maturity of secured or unsecured funding (repurchase agreements and money market takings), loan draw-downs and forfeitures of guarantees, margin calls and payments on cash-settled derivatives and risk mitigation contracts. The Bank maintains cash resources to meet all of these needs. The Risk Committee sets liquidity limits to ensure that sufficient funds are available to meet such calls.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because past performance supports that the third parties generally do not draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

Liquidity Risk Management Framework
The Bank's Liquidity Risk Management Policy defines the following supervisory and control structure:
- Board Risk Committee's role is to approve all strategic liquidity risk management decisions and monitor the quantitative and qualitative aspects of liquidity risk;
- Bank's Assets and Liabilities Committee has the mandate to form and implement the liquidity policies and guidelines in conformity with Bank's risk appetite, and to review at least monthly the overall liquidity position of the Bank;
- Bank's Treasury is responsible for the implementation of the Bank's liquidity strategy and the daily management of the Bank's liquidity; and
- Bank's Market, Counterparty and Liquidity Risk Sector is responsible for measuring, monitoring and reporting the liquidity of the Bank.

The following list summarises some of the main reports which are produced on a periodic basis:
- Daily monitoring of the Bank's customers deposits base;
- The regular analysis of the Bank's liquidity buffer;
- Stress test scenarios. These scenarios evaluate the impact of a number of stress scenarios on the Bank's liquidity position;
- The regulatory report of Liquidity Coverage Ratio (LCR);
- The regulatory report of Net Stable Funding Ratio (NSFR);
- The regulatory report of Additional Liquidity Monitoring Metrics (ALMM);
- Regular monitoring of the liquidity gap of the Bank.

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.3 Liquidity risk (continued)

The tables below present maturity analysis of financial assets as at 31 December 2024 and 2023, respectively, based on their contractual undiscounted cash flows. Derivative assets are reported in the liquidity analysis at current market value. Loans without contractual maturities are presented in the "less than 1 month" time bucket.

	31 December 2024				
	Less than 1 month €'000	**1 – 3 months €'000**	**3 months to 1 year €'000**	**Over 1 year €'000**	**Total €'000**
Cash and balances with central banks	2.954.379	-	-	-	**2.954.379**
Due from credit institutions	202.097	509.557	46.894	580.440	**1.338.988**
Loans and advances to customers	502.171	83.344	300.072	3.192.798	**4.078.385**
Investment securities – debt securities	70.543	123.471	206.460	1.900.678	**2.301.152**
Investment securities – other equity	2.203	-	-	-	**2.203**
Derivative financial instruments	17.078	369	53	5.523	**23.023**
Other assets	3.477	-	-	1.826	**5.303**
	3.751.948	**716.741**	**553.479**	**5.681.265**	**10.703.433**

	31 December 2023				
	Less than 1 month €'000	1 – 3 months €'000	3 months to 1 year €'000	Over 1 year €'000	Total €'000
Cash and balances with central banks	2.728.283	-	-	-	2.728.283
Due from credit institutions	1.197.161	-	-	-	1.197.161
Loans and advances to customers	597.235	50.212	295.771	2.750.814	3.694.032
Investment securities – debt securities	47.504	35.284	246.915	1.335.007	1.664.710
Investment securities – other equity	2.042	-	-	-	2.042
Derivative financial instruments	3.034	138	19	8.747	11.938
Other assets	2.791	-	-	99	2.890
	4.578.050	85.634	542.705	4.094.667	9.301.056

The above assets are used from a liquidity management perspective to manage liquidity risk arising from the contractual maturity analysis of financial liabilities as disclosed in the following tables.

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.3 Liquidity risk (continued)

The next tables analyse the cash flows payable by the Bank under derivative and non-derivative financial liabilities and off-balance sheet items into relevant maturity groupings based on the remaining period at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows. Liabilities from derivatives are reported using current market values. Liabilities without contractual maturities (sight and saving deposits) are presented in the “less than 1 month” time bucket.

	31 December 2024				
	Less than 1 month €’000	**1 – 3 months €’000**	**3 months to 1 year €’000**	**Over 1 year €’000**	**Total €’000**
Financial liabilities					
Non-derivative liabilities:					
- Due to credit institutions	87.420	41.929	70.237	10.001	**209.587**
- Due to customers	5.676.478	1.349.979	858.924	12.717	**7.898.098**
- Other liabilities	88.133	1.790	12.440	12.724	**115.087**
of which: lease liabilities	*183*	*426*	*2.402*	*12.724*	***15.735***
	5.852.214	**1.394.124**	**944.003**	**48.166**	**8.238.507**
Derivative financial instruments:	93	2	243	1.506	**1.844**

	31 December 2024		
	Less than 1 year €’000	**Over 1 year €’000**	**Total €’000**
Off-balance sheet items			
Financial guarantee contracts and other credit related commitments	216.971	-	**216.971**
Loan commitments	721.776	-	**721.776**
Capital expenditure	1.187	150	**1.337**
	939.934	**150**	**940.084**

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.3 Liquidity risk (continued)

	31 December 2023				
	Less than 1 month €'000	1 – 3 months €'000	3 months to 1 year €'000	Over 1 year €'000	Total €'000
Financial liabilities					
Non-derivative liabilities:					
- Due to credit institutions	122.411	468	19.629	43.927	186.435
- Due to customers	5.724.760	532.475	794.900	64.218	7.116.353
- Other liabilities	85.303	1.741	9.260	15.454	111.757
of which: lease liabilities	*204*	*403*	*1.840*	*15.454*	*17.901*
	5.932.474	534.684	823.789	123.599	7.414.545
Derivative financial instruments:	5.694	2.646	510	1.258	10.108

	31 December 2023		
	Less than 1 year €'000	Over 1 year €'000	Total €'000
Off-balance sheet items			
Financial guarantee contracts and other credit related commitments	214.900	-	214.900
Loan commitments	609.362	-	609.362
Capital expenditure	677	150	827
	824.939	150	825.089

With regards to derivatives, the current market value (allocated per time bucket) is presented as a good proxy of the expected outflow.

It should be noted that the above table represents the worst-case scenario since it is based on the assumption that all liabilities will be paid earlier than expected (all sight deposits are withdrawn overnight and all term deposits are withdrawn at their contractual maturity). Historical experience shows that even in a period of a systemic financial crisis the likelihood of such an event is remote.

The Bank holds a diversified portfolio of cash and high liquid assets to support payment obligations and contingent deposit withdrawals in a stressed market environment. The Bank's assets held for managing liquidity risk comprise:

a) Cash and balances with central banks in excess of Minimum Reserve Requirement (2024: €2.876.960 thousand vs 2023: €2.657.371 thousand);
b) Eligible bonds and other financial assets for collateral purposes (2024: €2.775.583 thousand vs 2023: €2.364.386 thousand); and

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.3 Liquidity risk (continued)

c) Current accounts with credit institutions and interbank placings maturing within one month (2024: €103.555 thousand vs 2023: €72.667 thousand).

The Bank's liquidity buffers are well above the minimum regulatory requirements and allow the Bank to meet business as usual needs as well as to absorb any unexpected liquidity shocks.

4.2.4 Operational & Non-Financial risks

For the purpose of managing Non-Financial Risks (NFRs) holistically, the Bank has adopted the Eurobank Group Non-Financial Risk Management (NFRM) Framework, which is defined by exclusion, that is, any risk other than the financial risks such as credit, market, and liquidity. It includes operational risk and reputational risk as well as specific aspects of other risks, such as technology and third-party risk. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events (definition includes legal risk but excludes business, strategic and reputational risk).

The Bank is in the process of implementing the Risk Appetite Framework to cover NFRs, which sets out the mechanisms through which the Bank establishes its risk appetite and ensures that its risk profile remains within that appetite to bear risk in relation to the internal and external events as well as other constraints.

The Board of Directors monitors through the Risk Committee the operational risk level and profile including the level of operational losses, their frequency and severity, and through the Audit Committee, the status of operational risk-related control issues. The Risk Management Unit sponsors any operational risk related initiative and ensures implementation of the Non-Financial Risk Management policy.

The Bank is exposed to a variety of non-finacial risks, such as internal and external fraud, transaction execution errors, system failures, catastrophes, third party risk, risk of losses due to damage of physical assets and risks arising from improper use of products or business practices.

The prime responsibility for non-finacial risk management lies with the respective heads of each business unit. To this end, every business unit:

- Identifies, evaluates and monitors its non-financial risks and implements risk mitigation techniques;
- Assesses control efficiency;
- Reports all relevant issues; and
- Has access to and uses the common methods and tools introduced by Operational Risk Sector, in order to facilitate identification, evaluation and monitoring of operational risk.

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.4 Operational & Non-Financial risks (continued)

The NFRM Framework is built on principles, governance & organisation, processes and infrastructure.

The Bank has in place systems and procedures for monitoring and managing operational risk events which are reported to the Risk Management Unit through the Incident Report, describing the particular event that took place, the underlying root cause(s), the associated product/service, the business process during which it occurred, any remediation activity that has been undertaken and the gross actual loss, potential loss or gain that resulted due to the event's occurrence. Near misses as well as operational risk events with a timing impact are also reported.

Overall, the NFRM Framework functioned in an efficient way mitigating impact from non-financial risks during 2024.

Sustainability Risk

Sustainability risks are neither new nor stand-alone risks, rather they are transverse risks, manifesting through existing risk types. As sustainability risks interact with other risks and result in direct distributional impacts and indirect macroeconomic impacts, the Bank understands that careful consideration of the cross-cutting nature thereof is necessary in order to ensure the optimal implementation of adaptation activities.

Specifically, sustainability risks are defined as potential losses arising from any negative financial impact for the Bank, stemming from current or prospective impacts of any climate-related & environmental, social or governance event(s) on Bank's counterparties or invested assets.

Definitions of sustainability risks include the following:

- Climate-Related and Environmental risks: Climate-related and environmental risks are defined as the risks deriving from potential loss or negative impact to the Bank, including loss/ damage to physical assets, disruption of business or system failures, transition expenditures and reputational effects from the adverse consequences of climate change and environmental degradation.
- Social risk: Social risk refers to potential losses arising from any negative financial impact on the Bank stemming from the current or prospective impacts of social factors (such as human rights violation, income inequality, customer safety & protection and consumers' changing preferences) on the Bank's counterparties or invested assets.
- Governance risk: Governance risk refers to potential losses arising from any negative financial impact on the Bank stemming from the current or prospective impacts of governance factors (such as anti-financial crime, non-compliance with policies or regulations and governance practices) on the Bank's counterparties or invested assets.

The Bank has in place a framework for the management of sustainability risks that includes policies for the management of Climate and Environmental Risks, frameworks for sustainable financing and investing and ESG risk assessment processes for eligible borrowers.

4 Financial risk management and fair value (continued)

4.2 Financial risk factors (continued)

4.2.5 Interest Rate Benchmark reform – IBOR

In 2023, following the cessation of the remaining USD LIBOR tenors (overnight, 1-, 3-, 6-, 12-month), the Bank successfully implemented its IBOR reform transition program, on the outstanding exposures that referenced the above rates, mainly referring to loans to customers. Specifically, within 2023, loans to customers have transitioned to the new alternative benchmark rates (SOFR) on their first roll date after cessation date.

4.3 Financial assets pledged as collateral

The Bank may sell or re-pledge any securities obtained through reverse repurchase agreements and has an obligation to return the securities. The counterparty retains substantially all the risks and rewards of ownership and therefore the securities are not recognised by the Bank. As at 31 December 2024, the Bank had obtained through reverse repurchase agreements securities of face value of €1.174.310 thousand and fair value €1.162.784 thousand (2023: €1.265.419 thousand and €1.200.938 thousand, respectively). None of these securities have been lent out through securities lending agreements as at 31 December 2024 and 2023.

As at 31 December 2024 and 2023, the cash value of the assets transferred by the Bank through repurchase agreements amounted to €nil.

4.4 Capital management

The Bank's capital adequacy position is presented in the following table:

	2024 **€'000**	2023 €'000
Ordinary shareholders' equity	**1.078.964**	854.211
Less: other regulatory adjustments	**(17.007)**	(7.430)
Total Tier 1 capital	**1.061.957**	846.781
Total regulatory capital	**1.061.957**	846.781
Risk Weighted Assets	**2.842.932**	2.485.254
Ratios:	**%**	%
Core Tier 1	**37,4**	34,1
Tier 1	**37,4**	34,1
Capital Adequacy Ratio	**37,4**	34,1

4 Financial risk management and fair value (continued)

4.4 Capital management (continued)

The Bank has sought to maintain an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) which have been incorporated in the European Union legislation through the Directive 2013/36/EU (known as CRD IV) along with the Regulation No 575/2013/EU (known as CRR), as they are in force. The above Directive has been transposed into Cyprus legislation by (i) Business of Credit Institutions Law of 1997 (L66(I)/1997) (as amended and applied), (ii) Directive on Internal Governance of Credit Institutions of 2021 (as amended and applied), and (iii) The Macroprudential Oversight of Institutions Law 2015 (L6(I)/2015) (as amended and applied).

On 19 June 2024, Regulation 2024/1623/EU and Directive 2024/1619/EU of the European Parliament and of the Council of 31 May 2024, amending Regulation 575/2013/EU and Directive 2013/36/EU, respectively, were published in the Official Journal of the European Union. The revised CRR (CRR3) will, in general, become applicable from 1 January 2025, with a transitional period envisaged for certain rules set out therein. EU member states will need to transpose the revised CRDIV (CRD6) into national law, to be applied from 11 January 2026.

Supplementary to the above, in the context of Internal Capital Adequacy Assessment Process (ICAAP), the Bank considers a broader range of risk types and the Bank's risk management capabilities. ICAAP aims ultimately to ensure that the Bank has sufficient capital to cover all material risks that it is exposed to over a three-year horizon.

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

According to the 2023 SREP decision, from January 2024 the Pillar 2 Requirement (P2R) for the Bank stands at 2,25% in terms of total capital (or at 1,27% in terms of CET1 capital), reflecting the improved Bank's financial position particularly in terms of asset quality. Thus, for year 2024, the Bank was required to meet a Common Equity Tier 1 Ratio of at least 10,13% and a Total Capital Adequacy Ratio of at least 14,61% (Overall Capital Requirement or OCR) including Combined Buffer Requirement (CBR) of 4,36%, which is covered with CET1 capital and sits on top of the Total SREP Capital Requirement (TSCR).

The Other Systemically Important Institutions buffer (O-SII) imposed on the Bank by the Central Bank of Cyprus for the year 2024 is 0,75%, expected to increase by 0,125% to 0,875% on 1 January 2025 and by another 0,125% to a total of 1,00% by 1 January 2026. For this reason, the Bank decided to use 0,875% to calculate the CBR for 2024.

4 Financial risk management and fair value (continued)

4.4 Capital management (continued)

Moreover, based on the SREP decision, the ECB expects the Bank to adhere to a Pillar 2 guidance (P2G) of 1,25% from 1 January 2024 onwards (down from 1,5% applicable until 2023) which is over and above the OCR, bringing the total OCR and Pillar 2 guidance to 15,86%.

The breakdown of the Bank's CET1 and Total Capital requirements inclusive of P2G as at 31 December 2024 is presented below.

	CET1 Capital Requirements	Total Capital Requirements
Minimum regulatory requirement	**4,50%**	**8,00%**
Pillar 2 Requirement (P2R)	1,27%	2,25%
Total SREP Capital Requirement (TSCR)	**5,77%**	**10,25%**
Combined Buffer Requirement (CBR)		
Capital conservation buffer (CCoB)	2,50%	2,50%
Countercyclical capital buffer (CCyB)	0,98%	0,98%
Other systemic institutions buffer (O-SII)	0,875%	0,875%
Overall Capital Requirement (OCR)	**10,13%**	**14,61%**
Pillar 2 Guidance (P2G)	**1,25%**	**1,25%**
Overall Capital Requirement and Pillar 2 Guidance	**11,38%**	**15,86%**

The Bank's Overall Capital Requirement is projected to rise to 14,75% by December 2025 (due to the increase by 0,125% of the O-SII buffer to 1,00% imposed on the Bank by the Central Bank of Cyprus), in terms of total capital (or projected at 11,25% in terms of CET1 capital). The countercyclical capital buffer is calculated on a quarterly basis in accordance with the countercyclical capital buffer rates applicable in each country to which the Bank has exposures.

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

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

Based on the latest official SRB's decision in December 2023, the fully calibrated MREL-TREA (final target) to be met by the Bank by 1 January 2024 is set at 23,17% of its total risk weighted assets ("RWAs"), plus a fully-loaded combined buffer requirement (CBR) of 4,48%. The SRB's decision also included an MREL-LRE minimum requirement of 5,91% of the Bank's total leverage exposure measure. The final MREL target is updated by the SRB on an annual basis.

4 Financial risk management and fair value (continued)

4.4 Capital management (continued)

Minimum Requirements for Eligible Own Funds and Eligible Liabilities (MREL) (continued)
The SRB revised its MREL Policy, which, among others, introduces some changes in the determination of MREL requirement for subsidiaries of resolution entities, which will lead to a reduction in the Bank's MREL requirement. The updated MREL requirement (excluding CBR) is set at 22,55% from Q1 2025 onwards vs 23,17% for 2024.

The binding MREL-TREA target, which is applicable on 31 December 2024, stands at 27,53% of RWAs, including a CBR of 4,36%. As at 31 December 2024, the Bank's MREL ratio stands at 37,4% of RWAs (31 December 2023: 35,28%), which is above the aforementioned binding MREL target.

The Bank exercised its right to call for an early redemption in full of its MREL liabilities on 31 May 2024 of €30 million following the approval from the Single Resolution Board for an early redemption without replacement nor the issuance of a new MREL eligible instrument.

Leverage
The regulatory framework has introduced the leverage ratio as a non-risk based measure which is intended to restrict the build-up of excessive leverage from on and off balance sheet items in the banking sector. The leverage ratio is defined as Tier 1 capital divided by the total exposure measure and is a binding requirement at the beginning of 2018. The Bank submits to the regulatory authorities the leverage ratio on quarterly basis and monitors the level and the factors that affect the ratio.

The level of the leverage ratio with reference date 31 December 2024 amounts to 11,6% (31 December 2023: 10,6%), according to the transitional definition of Tier 1 capital, which is significantly over the 3% minimum threshold applied by the competent authorities as well as above the 5,91% MREL-LRE minimum set by SRB.

The Pillar III Disclosures Report (unaudited) of the Bank for the year ended 31 December 2024 with respect to the requirements of the Capital Requirements Regulation (EU) No 575/2013 as amended by CRR II applicable as at the reporting date, is published on the Bank's website www.eurobank.com.cy.

4.5 Fair value of financial assets and liabilities

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

4 Financial risk management and fair value (continued)

4.5 Fair value of financial assets and liabilities (continued)

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

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

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

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

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

Notes to the financial statements

4 Financial risk management and fair value (continued)

4.5 Fair value of financial assets and liabilities (continued)

Financial instruments carried at fair value

The fair value hierarchy categorisation of the financial assets and liabilities carried at fair value as at 31 December 2024 and 2023 is presented in the following tables:

	At 31 December 2024		
	Level 1	**Level 2**	**Total**
	€'000	**€'000**	**€'000**
Financial assets measured at fair value on a recurring basis:			
Derivative financial instruments designated as fair value hedges	-	5.042	**5.042**
Derivatives for which hedge accounting is not applied/held for trading	-	17.981	**17.981**
Investment securities at FVOCI	314.738	11.676	**326.414**
Investment securities mandatorily at FVTPL	2.203	-	**2.203**
Total financial assets measured at fair value on a recurring basis	**316.941**	**34.699**	**351.640**
Financial liabilities measured at fair value on a recurring basis:			
Derivative financial instruments designated as fair value hedges	-	1.159	**1.159**
Derivatives for which hedge accounting is not applied/held for trading	-	685	**685**
Total financial liabilities measured at fair value on a recurring basis	-	**1.844**	**1.844**

	At 31 December 2023		
	Level 1	Level 2	Total
	€'000	€'000	€'000
Financial assets measured at fair value on a recurring basis:			
Derivative financial instruments designated as fair value hedges	-	7.994	7.994
Derivatives for which hedge accounting is not applied/held for trading	-	3.994	3.994
Investment securities at FVOCI	400.774	57.478	458.252
Investment securities mandatorily at FVTPL	2.042	-	2.042
Total financial assets measured at fair value on a recurring basis	402.816	69.466	472.282
Financial liabilities measured at fair value on a recurring basis:			
Derivative financial instruments designated as fair value hedges	-	505	505
Derivatives for which hedge accounting is not applied/held for trading	-	9.603	9.603
Total financial liabilities measured at fair value on a recurring basis	-	10.108	10.108

Changes in fair values are recognised as gains or losses in the income statement and included in "net gains from other financial instruments". Interest income is included in "other interest income" in the income statement.

The Bank recognizes transfers into and out of the fair value hierarchy levels at each year end in which a financial instrument's transfer was effected. During the year ended 31 December 2024, the Bank transferred debt securities measured at FVOCI of €17.877 thousand from level 2 to level 1 (2023: €27.363 thousand from level 2 to level 1) and debt securities measured at Amortised Cost of €136.740 thousand from level 2 to level 1 (2023: €99.925 thousand from level 2 to level 1, and €54.635 thousand from level 1 to level 2).

All gains or losses arising from changes in fair values are unrealised.

Notes to the financial statements

4 Financial risk management and fair value (continued)

4.5 Fair value of financial assets and liabilities (continued)

Valuation processes and techniques

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

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

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

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

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

Notes to the financial statements

4 Financial risk management and fair value (continued)

4.5 Fair value of financial assets and liabilities (continued)

Valuation processes and techniques (continued)

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

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

Financial instruments not carried at fair value

The fair value hierarchy categorisation of the Bank's financial assets and liabilities not carried at fair value on the balance sheet is presented in the following tables:

	At 31 December 2024				
	Level 1 €'000	Level 2 €'000	Level 3 €000	Fair Value €000	Carrying amount €'000
Financial assets not carried at fair value:					
Balances with central banks	-	2.943.728	-	**2.943.728**	**2.943.728**
Due from credit institutions	-	1.291.114	-	**1.291.114**	**1.291.114**
Loans and advances to customers	-	-	3.049.110	**3.049.110**	**2.972.956**
Investment securities at AC	1.349.279	308.715	-	**1.657.994**	**1.640.286**
Other assets	-	5.303	-	**5.303**	**5.303**
	1.349.279	**4.548.860**	**3.049.110**	**8.947.249**	**8.853.387**
Financial liabilities not carried at fair value:					
Due to credit institutions	-	208.163	**-**	208.163	**208.163**
Due to customers	-	7.882.421	**-**	7.882.421	**7.882.421**
Other liabilities	-	114.199	**-**	114.199	**114.199**
	-	**8.204.783**	**-**	**8.204.783**	**8.204.783**

4 Financial risk management and fair value (continued)

4.5 Fair value of financial assets and liabilities (continued)

Financial instruments not carried at fair value (continued)

	At 31 December 2023				
	Level 1 €'000	Level 2 €'000	Level 3 €000	Fair Value €000	Carrying amount €'000
Financial assets not carried at fair value:					
Balances with central banks	-	2.718.768	-	2.718.768	2.718.768
Due from credit institutions	-	1.184.606	-	1.184.606	1.184.606
Loans and advances to customers	-	-	2.899.823	2.899.823	2.844.345
Investment securities at AC	593.513	371.402	-	964.915	963.959
Other assets	-	2.890	-	2.890	2.890
	593.513	4.277.666	2.899.823	7.771.002	7.714.568
Financial liabilities not carried at fair value:					
Due to credit institutions	-	184.222	-	184.222	184.222
Due to customers	-	7.098.945	-	7.098.945	7.098.945
Other liabilities	-	110.630	-	110.630	110.630
	-	7.393.797	-	7.393.797	7.393.797

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

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

4 Financial risk management and fair value (continued)

4.5 Fair value of financial assets and liabilities (continued)

Financial instruments not carried at fair value (continued)

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

4.6 Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the Bank acts in a fiduciary capacity such as nominee, trustee or agent.

4.7 Offsetting of financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Bank's balance sheet according to IAS 32 'Financial Instruments: Presentation' criteria; or
- are subject to enforceable master netting arrangements or similar agreements that cover similar financial instruments, irrespective of whether they are offset in balance sheet.

Regarding the former, financial assets and financial liabilities are offset and the net amount is reported in the balance sheet when, there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously (the offset criteria), as also set out in the Bank's accounting policy 2.2.3.

Regarding the latter, the International Swaps and Derivatives Association (ISDA) and similar master netting arrangements do not meet the criteria for offsetting in the balance sheet, as they create a right of set-off that is enforceable only following an event of default, insolvency or bankruptcy of the Bank or the counterparties or following other predetermined events. In addition, the Bank and its counterparties may not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Similar agreements to ISDA include derivative clearing agreements, global master repurchase agreements and global master securities lending agreements. Similar financial instruments include derivatives, repos and reverse repos agreements and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not subject to this disclosure unless they are offset in the balance sheet.

4 Financial risk management and fair value (continued)

4.7 Offsetting of financial assets and financial liabilities (continued)

The following tables present financial assets and financial liabilities that meet the criteria for offsetting and thus are reported on a net basis in the balance sheet, as well as amounts that are subject to enforceable master netting arrangements and similar agreements for which the offset criteria mentioned above are not satisfied. The latter amounts, which mainly relate to derivatives, repurchase agreements and reverse repurchase agreements, are not set off in the balance sheet.

In respect of these transactions, the Bank receives and provides collateral in the form of marketable securities and cash that are included in the tables below under columns “financial instruments” and “cash collateral” at their fair value.

Financial assets and liabilities are disclosed in the below tables at their recognised amounts which are at amortised cost, except for derivative financial instruments which are measured at fair value.

The amount set off in the balance sheet reported in column (b) is the lower of (i) the gross amount before offsetting reported in column (a) and (ii) the amount of the related instrument that is eligible for offsetting. Similarly, the amounts in columns (d) and (e) are limited to the exposure reported in column (c) for each individual instrument in order not to understate the ultimate net exposure.

Notes to the financial statements

4 Financial risk management and fair value (continued)

4.7 Offsetting of financial assets and financial liabilities (continued)

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2024 and 31 December 2023:

	31 December 2024					
				Amounts subject to master netting and similar arrangements not offset in the balance sheet		
	Gross amounts before offsetting in the balance sheet	Gross amounts offset in the balance sheet	Net amounts after offsetting in the balance sheet	Financial instruments including non-cash collaterals	Cash collateral received/ pledged	Net amount
	(a)	(b)	(c) = (a) – (b)	(d)	(e)	(c) – (d) – (e)
	€000	€000	€000	€000	€000	€000
Assets						
Placements with credit institutions	46.117	-	46.117	-	46.117	-
Settlement balances with credit institutions	13.838	-	13.838	-	13.838	-
Loans and advances to customers	4.725	4.373	352	-	-	352
Reverse repurchase agreements receivables	1.077.585	-	1.077.585	1.077.585	-	-
Derivative financial instruments	22.980	-	22.980	-	22.980	-
Total	**1.165.245**	**4.373**	**1.160.872**	**1.077.585**	**82.935**	**352**
Liabilities						
Deposits from credit institutions	75.247	-	75.247	-	75.247	-
Settlement balances with credit institutions	13.641	-	13.641	-	6.423	7.218
Due to customers	4.373	4.373	-	-	-	-
Derivative financial instruments	1.265	-	1.265	-	1.265	-
Total	**94.526**	**4.373**	**90.153**	**-**	**82.935**	**7.218**

4 Financial risk management and fair value (continued)

4.7 Offsetting of financial assets and financial liabilities (continued)

	31 December 2023					
				Amounts subject to master netting and similar arrangements not offset in the balance sheet		
	Gross amounts before offsetting in the balance sheet	Gross amounts offset in the balance sheet	Net amounts after offsetting in the balance sheet	Financial instruments including non-cash collaterals	Cash collateral received/ pledged	Net amount
	(a)	(b)	(c) = (a) – (b)	(d)	(e)	(c) – (d) – (e)
	€000	€000	€000	€000	€000	€000
Assets						
Placements with credit institutions	13.516	-	13.516	-	13.516	-
Settlement balances with credit institutions	6.329	-	6.329	-	6.329	-
Loans and advances to customers	6.519	4.400	2.119	-	-	2.119
Reverse repurchase agreements receivables	1.098.322	-	1.098.322	1.098.322	-	-
Derivative financial instruments	11.693	-	11.693	-	11.693	-
Total	1.136.379	4.400	1.131.979	1.098.322	31.538	2.119
Liabilities						
Deposits from credit institutions	2.435	-	2.435	-	2.435	
Settlement balances with credit institutions	6.007	-	6.007	-	19.844	(13.837)
Due to customers	4.400	4.400	-	-	-	-
Derivative financial instruments	9.259	-	9.259	-	9.259	-
Total	22.101	4.400	17.701	-	31.538	(13.837)

The gross amounts of financial assets and financial liabilities and their net amounts disclosed in the above tables have been measured in the Balance Sheet on the following bases:

- assets and liabilities with credit institutions: amortised cost;
- loans and advances to customers: amortised cost;
- reverse repurchase agreements receivables; amortised cost;
- derivative financial instruments: fair value; and
- due to customers: amortised cost.

4 Financial risk management and fair value (continued)

4.7 Offsetting of financial assets and financial liabilities (continued)

The tables below show a reconciliation of the net amounts of financial assets and financial liabilities presented in the balance sheet:

	31 December 2024				
	Net amounts €'000	**Line item in the balance sheet**	**Carrying amount in the balance sheet €'000**	**Financial assets/ liabilities not in scope of offsetting disclosures €'000**	***Note***
Types of financial assets:					
Placements with credit institutions	46.117	Due from credit institutions	148.410	102.293	*14*
Settlement balances with credit institutions	13.838	Due from credit institutions	65.119	51.281	*14*
Loans and advances to customers	352	Loans and advances to customers	2.972.956	2.972.604	*16*
Reverse repurchase agreements receivables	1.077.585	Due from credit institutions	1.077.585	-	*14*
Derivative financial instruments	22.980	Derivative financial instruments	23.023	43	*15*
Types of financial liabilities:					
Deposits from credit institutions	75.247	Due to credit institutions	134.160	58.913	*22*
Settlement balances with credit institutions	13.641	Due to credit institutions	74.003	60.362	*22*
Due to customers	-	Due to customers	7.882.421	7.882.421	*23*
Derivative financial instruments	1.265	Derivative financial instruments	1.844	579	*15*

	31 December 2023				
	Net amounts €'000	Line item in the balance sheet	Carrying amount in the balance sheet €'000	Financial assets/ liabilities not in scope of offsetting disclosures €'000	*Note*
Types of financial assets:					
Placements with credit institutions	13.516	Due from credit institutions	40.317	26.801	*14*
Settlement balances with credit institutions	6.329	Due from credit institutions	45.967	39.638	*14*
Loans and advances to customers	2.119	Loans and advances to customers	2.844.345	2.842.226	*16*
Reverse repurchase agreements receivables	1.098.322	Due from credit institutions	1.098.322	-	*14*
Derivative financial instruments	11.693	Derivative financial instruments	11.938	245	*15*
Types of financial liabilities:					
Deposits from credit institutions	2.435	Due to credit institutions	138.341	135.906	*22*
Settlement balances with credit institutions	6.007	Due to credit institutions	45.881	39.874	*22*
Due to customers	-	Due to customers	7.098.945	7.098.945	*23*
Derivative financial instruments	9.259	Derivative financial instruments	10.108	849	*15*

5 Net interest income

	2024 €'000	2023 €'000
Interest income		
Interest income calculated using the effective interest method		
Interest from amounts due from credit institutions - *measured at amortised cost*	**163.540**	149.487
Interest from loans and advances to customers - *measured at amortised cost*	**162.626**	164.213
Interest from investment securities		
- measured at amortised cost	**43.768**	28.646
- measured at FVOCI	**9.461**	6.737
Total interest income calculated using the effective interest method	**379.395**	349.083
Other interest income		
Interest from derivative financial instruments - *measured at FVTPL*		
- hedge accounting	**16.634**	8.332
- no hedge accounting	**44.344**	35.458
Total other interest income	**60.978**	43.790
Interest expense		
Interest expense calculated using the effective interest method		
Interest on due to credit institutions - *measured at amortised cost*[1]	**(8.294)**	(11.304)
Interest on due to customers - *measured at amortised cost*	**(100.019)**	(69.733)
Interest on lease liabilities (note 27)	**(217)**	(287)
Total interest expense calculated using the effective interest method	**(108.530)**	(81.324)
Other interest expense		
Interest on derivative financial instruments - *measured at FVTPL*		
- hedge accounting	**(18.069)**	(8.501)
- no hedge accounting	**(39.415)**	(26.769)
Total other interest expense	**(57.484)**	(35.270)
Net interest income	**274.359**	276.279

[1]*In 2023 it included the benefit attached to the TLTRO III program.*

Notes to the financial statements

5 Net interest income (continued)

The amounts reported above include interest income and expense, calculated using the effective interest method, that relate to the following financial assets and financial liabilities:

	2024 **€'000**	2023 €'000
Financial assets measured at amortised cost	**8.848.086**	7.711.677
Financial assets measured at FVOCI	**326.414**	458.252
Total	**9.174.500**	8.169.929
Financial liabilities measured at amortised cost	**8.090.584**	7.283.167

Interest income recognised by quality of loans and advances to customers is further analysed below:

	2024 **€'000**	2023 €'000
Interest income on non credit-impaired loans and advances	**160.034**	161.421
Interest income on credit-impaired loans and advances	**2.592**	2.792
Total	**162.626**	164.213

6 Net banking fee and commission income

	2024 **€'000**	2023 €'000
Banking fee and commission income		
Bank transfer commissions	**11.106**	11.829
Other fees and commissions	**35.882**	31.594
Total banking fee and commission income	**46.988**	43.423
Banking fee and commission expense		
Fees on lien agreements (note 31)	**(447)**	(1.809)
Other fees and commissions	**(4.742)**	(4.793)
Total banking fee and commission expense	**(5.189)**	(6.602)
Net banking fee and commission income	**41.799**	36.821

6 Net banking fee and commission income (continued)

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

	2024	2023
	€'000	€'000
Lending related activities	**2.800**	1.950
Wealth management	**9.803**	8.075
Network and other transactional activities	**34.385**	33.398
Total banking fee and commission income	**46.988**	43.423
Fee and commission expense	**(5.189)**	(6.602)
Net banking fee and commission income	**41.799**	36.821

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

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

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

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

- *Wealth management services, including safekeeping of assets and asset management services*
  Fees from these services are calculated based on a fixed percentage of the value of assets managed/held and deducted from the customer's account balance on a monthly basis. The respective revenue is recognised over time as the services are provided. Fees from wealth management services, including safekeeping of assets and asset management services amount to €2.532 thousand (2023: €1.511 thousand).

The net fee and commission income presented above includes income of €46.085 thousand (2023: €43.239 thousand) and expense of €5.189 thousand (2023: €6.602 thousand) related to financial assets and financial liabilities not measured at FVTPL.

7 Net trading income

	2024 €'000	2023 €'000
Net gain from the ineffective portion of derivatives in qualifying hedging relationships	**3.933**	928
Net loss on derivative financial instruments (no hedge accounting)	**(35)**	(234)
	3.898	694

Gains from derivative financial instruments of €3,9 million comprise mainly a) €35 thousand loss resulting from fair value changes of derivatives not designated in hedge accounting relationships (31 December 2023: €234 thousand loss) and b) €3,9 million gains from portfolio hedging of interest rate risk (of which € 3,8 million relate to macro hedging) (31 December 2023: € 0,9 million gains), which arise from hedge ineffectiveness.

8 Net gains from other financial instruments

	2024 €'000	2023 €'000
Net gains on revaluation of investment securities mandatorily at FVTPL:		
– UCIT funds	**99**	117
Net gains from investment securities	**99**	117

During the years ended 31 December 2024 and 2023 the Bank did not sell any financial assets measured at amortised cost.

9 Staff costs

	2024 €'000	2023 €'000
Salaries and other related costs	**24.166**	21.974
Social insurance and other costs	**3.382**	4.429
Directors' fees and remuneration (note 31)	**2.146**	1.672
Retirement benefit costs – defined contributions plan	**1.725**	1.740
	31.419	29.815

The average number of employees of the Bank during the year 2024 was 490 (2023: 458).

The Defined Contribution Plan is managed by an Administrative Committee composed of representatives of both the members and the employer.

The Bank contributes up to 10% of the gross monthly salary of the members of staff and up to 30% on an ad-hoc basis.

10 Other operating expenses

	2024 €'000	2023 €'000
Loss on disposal/write down of property and equipment and intangible assets	-	23
Expenses relating to short term leases and other related maintenance expenses	39	139
Repairs and maintenance	5.613	6.469
Auditors' remuneration for statutory audit	179	208
Auditors' remuneration for other assurance engagements	55	111
Auditors' remuneration for non-assurance engagements	62	50
Professional fees	1.615	1.362
Advertising and promotion	2.407	1.290
Other administrative expenses	5.332	9.670
	15.302	19.322

11 Other impairment allowances and provisions

	2024 €'000	2023 €'000
Provisions on operational risk events	40	40
Reversal of impairment allowance on investment securities at FVOCI	(269)	(205)
Impairment allowance on investment securities at AC	573	283
Impairment allowance/(reversal of impairment allowance) on due from credit institutions	97	(1)
Impairment allowance on investments in subsidiaries (note 18)	656	2.618
	1.097	2.735

The impairment of investment in subsidiaries for 2024 amounts to €656 thousand (2023: €2.618 thousand) and represents the difference between the carrying value of the investment in the subsidiary compared to its recoverable amount.

12 Income tax expense

	2024 €'000	2023 €'000
Current tax:		
- Corporation tax	32.311	29.952
- Withholding tax	899	1.027
Total current tax	33.210	30.979
Deferred tax charge	471	1.031
Total income tax expense	33.681	32.010

12 Income tax expense (continued)

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

	2024 €'000	2023 €'000
Profit before income tax and government levies	**258.657**	239.230
Tax calculated at the applicable corporation tax rate of 12,5%	**32.332**	29.904
Tax effect of expenses not deductible for tax purposes	**1.852**	2.091
Tax effect of allowances and income not subject to tax	**(1.873)**	(2.043)
Withholding tax	**899**	1.027
Deferred tax charge	**471**	1.031
Income tax expense	**33.681**	32.010

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

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

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

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

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

There is no income tax effect relating to components of other comprehensive income (2023: €nil).

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

12 Income tax expense (continued)

Other taxation related matters

Loan Restructuring Exemption – An exemption from Capital gains tax (CGT)/Income Tax/Corporate Tax/Land Registry Fees/Stamp Duties is available on all transfers of immovable property (IP) or shares of companies owning IP as a result of loan restructuring arrangements concluded between Credit Institutions and borrowers. Following an amendment to the Laws this exception has been extended and will be available until 31 December 2019. With an amendment to the Tax Laws, published in the Official Gazette on 17 July 2018, the definition of restructuring has been broadened as to include transfers/disposals of property to third persons, non-related with the borrower, following the consent of the Credit Institution. These restructuring arrangements, however, will be restricted to facilities which were rendered non-performing on or prior to 31 December 2015. The restriction however was included in the general definition of restructurings and subsequently as from 17 July 2018 and until a new amendment to the provisions of the relevant Laws is effected, the tax exemptions will be applicable only to restructuring arrangements the facilities of which were rendered non-performing on or prior to 31 December 2015. With an additional amendment to the Laws the definition of Creditor has been broadened so as to include companies which acquire credit facilities pursuant to the Sale of Loans Law. Through this amendment the tax exemptions for loan restructurings will also be available for loan restructurings effected by these companies. Another amendment to the Law provisions with effect from 15 March 2019 broadens the term borrower so as to include 3rd degree related persons to the borrower. Through this amendment debt to asset restructurings may be concluded with immovable property which is not mortgaged however is owned by the related to the borrower persons.

Deferred tax

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

The movement in deferred tax assets and liabilities (non-current) is as follows:

	31 December 2024		
	Balance at 1 January €'000	**Recognised in profit or loss €'000**	**Balance at 31 December €'000**
Allowance for expected credit losses	1.896	(594)	1.302
Other temporary differences	(2.802)	123	(2.679)
Net tax assets/(liabilities)	**(906)**	**(471)**	**(1.377)**

	31 December 2023		
	Balance at 1 January €'000	Recognised in profit or loss €'000	Balance at 31 December €'000
Allowance for expected credit losses	2.171	(275)	1.896
Other temporary differences	(2.046)	(756)	(2.802)
Net tax assets/(liabilities)	125	(1.031)	(906)

12 Income tax expense (continued)

Pillar II income taxes

On 20 December 2021, the OECD/G20 Inclusive Framework (IF) on Base Erosion and Profit Shifting (BEPS) released the Model Global Anti-Base Erosion (GloBE) rules (Model Rules) under Pillar Two aiming to ensure that income is taxed at an appropriate rate. These Model Rules set forth the "common approach" for a Global Minimum Tax at 15% for multinational enterprises with consolidated revenues of more than €750 million. The Eurobank Group has identified potential exposure to Pillar Two income taxes in respect of profits earned in Cyprus as the Pillar Two effective tax rate is lower than 15% in Cyprus mainly due to its nominal corporate tax rate (CIT) applying on profits (the current CIT in Cyprus is 12,5%).

In December 2024, Cyprus enacted new tax legislation to implement a domestic minimum top-up tax, which is effective from 1 January 2025. As a result, from 2025, the Bank will be liable for the top-up tax in relation to its operations instead of the Group.

13 Cash and balances with central banks

	2024	2023
	€'000	€'000
Cash in hand	**10.651**	9.515
Balances with central banks	**2.943.728**	2.718.768
Total	**2.954.379**	2.728.283

Cash and balances with central banks are classified as current.

As at 31 December 2024 and 2023, the impairment allowance on balances with central banks within the scope of IFRS 9 impairment requirements amounted to €nil.

The Bank is required to hold a minimum level of deposits (minimum reserve requirement - MRR) with the Central Bank of Cyprus on an average basis over maintenance periods (i.e. six week periods); these deposits are calculated as 1% of certain liabilities, mainly customers' deposits, and can be withdrawn at any time provided that the MRR is met over the determined period of time. As at 31 December 2024, the mandatory reserves with the Central Bank of Cyprus amounted to €77.419 thousand (2023: €70.912 thousand). MRR deposits placed to the European Central Bank (ECB) were remunerated at the ECB's deposit facility rate (DFR) until September 2023 and at zero (0%) thereafter.

14 Due from credit institutions

	2024 €'000	2023 €'000
Due from credit institutions at amortised cost:		
Reverse repurchase agreements receivables	**1.077.585**	1.098.322
Placements with credit institutions[1]	**148.410**	40.317
Current accounts and settlement balances with credit institutions	**65.119**	45.967
Total	**1.291.114**	1.184.606
Maturity analysis:		
Current:		
- on demand up to 7 days	**138.378**	114.271
- between 7 days and 3 months	**564.122**	1.070.335
- between 3 months and 1 year	**46.117**	-
	748.617	1.184.606
Non-current:		
- 1 to 5 years	**542.497**	-
	1.291.114	1.184.606

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

As at 31 December 2024, the impairment allowance on amounts due from credit institutions at amortised cost within the scope of IFRS 9 impairment requirements amounted to €98 thousand (2023: €1 thousand).

15 Derivative financial instruments

The Bank utilises the following derivative instruments for both hedging and non-hedging purposes.

Currency forwards represent commitments to purchase or sell foreign and domestic currency.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e., cross-currency interest rate swaps). Except for certain currency swaps, no exchange of principal takes place. The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities, except in the cases where the counterparty is a Eurobank group entity.

15 Derivative financial instruments (continued)

Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. In consideration for the assumption of foreign exchange or interest rate risk, the seller receives a premium from the purchaser. Options may be either exchange-traded or negotiated between the Bank and a customer (OTC). The Bank is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks at the reporting date. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which the instruments are favourable or unfavourable and thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

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

	31 December 2024			
	Assets		Liabilities	
	Contract/ notional amount € '000	Fair values € '000	Contract/ notional amount € '000	Fair values € '000
Derivatives for which hedge accounting is not applied/held for trading				
- Currency options	103.413	6	103.413	6
- Currency forward and spot deals	29.602	49	28.984	82
- Interest rate and currency interest rate swaps	40.389	522	40.389	523
- Currency swaps	929.126	17.401	911.682	71
- Cap and floor interest rate options	13.305	3	13.305	3
		17.981		**685**
Derivatives designated as fair value hedges				
- Interest rate swaps[1]	1.126.922	5.042	1.127.648	1.159
		5.042		**1.159**
Total derivatives assets/liabilities		**23.023**		**1.844**

15 Derivative financial instruments (continued)

	31 December 2023			
	Assets		Liabilities	
	Contract/ notional amount € '000	Fair values € '000	Contract/ notional amount € '000	Fair values € '000
Derivatives for which hedge accounting is not applied/held for trading				
- Currency options	2.201	10	2.215	10
- Currency forward and spot deals	24.452	196	22.889	26
- Interest rate and currency interest rate swaps	61.346	728	61.346	1.238
- Currency swaps	665.034	2.870	665.034	8.199
- Cap and floor interest rate options	27.446	140	27.446	130
		3.944		9.603
Derivatives designated as fair value hedges				
- Interest rate swaps[1]	292.661	7.994	292.661	505
		7.994		505
Total derivatives assets/liabilities		11.938		10.108

[1] It includes deals that are transacted for macro hedging during the reporting month and will be included in the pool of hedging instruments at the end of the month.

	Fair Values			
	2024		2023	
	Assets €'000	**Liabilities €'000**	Assets €'000	Liabilities €'000
Maturity analysis:				
Current	**17.500**	**338**	3.192	8.850
Non-current	**5.523**	**1.506**	8.746	1.258
	23.023	**1.844**	11.938	10.108

The Bank uses certain derivatives and other financial instruments, designated in a qualifying hedged relationship, to reduce its exposure to market risks. The hedging practices applied by the Bank, as well as the relevant accounting policy, are disclosed in note 2.2.2. In particular:

(a) Fair value hedges

The Bank hedges a portion of its existing interest rate risk resulting from any potential change in the fair value of fixed rate debt securities held, or fixed rate loans, denominated both in local and foreign currencies, using interest rate swaps whereby the fixed legs represent the economic risks of the hedged items. The Bank uses pay fixed/receive floating interest rate swaps to hedge its fixed rate debt securities held and loans. In 2024, the Bank recognized a gain of €744 thousand (2023: €17.410 thousand loss) from changes in the carrying amount of the hedging instruments and €764 thousand

15 Derivative financial instruments (continued)

(a) Fair value hedges (continued)

loss (2023: €17.204 thousand gain) from changes in the fair value of the hedged items attributable to the hedged risk. The amount of hedge ineffectiveness recognized for 2024 in “Net trading income/(loss)” was €20 thousand loss (2023: €206 thousand loss).

(b) Fair value hedges – portfolios of liabilities

The Bank hedges a portion of its existing interest rate risk resulting from any potential change in the fair value of a portfolio of demand deposits attributable to changes in the benchmark interest rates (macro-hedging). Despite their contractual terms and due to their nature, part of the demand deposits are interest rate-insensitive and hence behave similarly to fixed interest rate liabilities. Accordingly, the Bank enters into a group of interest rate swaps that receives fixed interest rate and pays floating interest rate based on the benchmark rate and its volume is re-assessed on a monthly basis. In 2024, the Bank recognized a gain of €1.577 thousand (2023: €4.478 thousand gain) from changes in the carrying amount of the hedging instruments and €1.418 thousand loss (2023: €5.055 thousand loss) from changes in the fair value of the designated hedged items attributable to the hedged risk. Accordingly, the amount of hedge ineffectiveness recognized for 2024 in “Net trading income/(loss)” was €159 thousand gain (2023: €577 thousand loss).

At 31 December 2024 and 2023, the amounts relating to items designated as fair value hedged items were as follows:

	31 December 2024		
	Carrying amount/ Exposure designated as hedged €'000	**Accumulated amount of FV hedge adjustments on the hedged item €'000**	**Change in value as the basis for recognising hedge ineffectiveness €'000**
Assets			
Loans and advances to customers[1]	86.495	(249)	(256)
Investment securities			
- Debt securities at AC[1]	250.341	(4.590)	(558)
Liabilities			
Due to customers	800.000	(1.418)	(1.418)
Total	**1.136.836**	**(6.257)**	**(2.232)**

15 Derivative financial instruments (continued)

	31 December 2023		
	Carrying amount/ Exposure designated as hedged €'000	Accumulated amount of FV hedge adjustments on the hedged item €'000	Change in value as the basis for recognising hedge ineffectiveness €'000
Assets			
Loans and advances to customers[1]	34.498	160	777
Investment securities			
- Debt securities at AC[1]	26.095	(4.063)	10.310
- Debt securities at FVOCI	-	-	6.117
Liabilities			
Due to customers	228.458	(5.055)	(5.055)
Total	289.051	(8.958)	12.149

[1]For loans and advances to customers hedges, debt securities at amortised cost included in portfolio hedges and due to customers hedges, the exposure designated as hedged is presented.

At 31 December 2024, the accumulated amounts of fair value hedge adjustments remaining in the balance sheet for any items that have ceased to be adjusted for hedging gains and losses were €6.658 thousand liabilities for debt securities held at AC (2023: €8.215 thousand liabilities), and €4.315 thousand liabilities for adjustments related to debt securities held at FVOCI (2023: €8.142 thousand liabilities). The respective fair value hedge adjustments relating to macro-hedging, amounted to €5.649 thousand liabilities for deposits (2023 : €2.442 thousand liabilities).

At 31 December 2024 and 2023, the maturity profile of the nominal amount of the financial instruments designated by the Bank in fair value hedge relationships and hedged items is presented in the tables below:

	31 December 2024		
	Maturity 1 to 5 years €'000	**Maturity over 5 years €'000**	**Total €'000**
Interest rate swap - Loans and advances to customers	86.495	-	86.495
Interest rate swap - Investment securities at AC	86.550	153.877	240.427
Due to customers	800.000	-	800.000
Total	**973.045**	**153.877**	**1.126.922**

15 Derivative financial instruments (continued)

	31 December 2023		
	Maturity 1 to 5 years €'000	Maturity over 5 years €'000	Total €'000
Interest rate swap - Loans and advances to customers	22.985	11.206	34.191
Interest rate swap - Investment securities at AC	-	30.000	30.000
Due to customers	-	228.471	228.471
Total	22.985	269.677	292.662

In addition, the Bank uses other derivatives, not designated in a qualifying hedge relationship, to manage its exposure primarily to interest rate and foreign currency risks. Non qualifying hedges are derivatives entered into as economic hedges of assets and liabilities for which hedge accounting was not applied. The said derivative instruments are monitored and have been classified for accounting purposes along with those held for trading.

All derivatives are under collateral agreements and are covered by ISDA agreements with Eurobank S.A.

The Bank's exposure in derivative financial assets, as categorised by counterparty's geographical region and industry sector, is presented in note 4.2.1.5.

Information on the fair value measurement and offsetting of derivatives is provided in notes 4.5 and 4.7, respectively.

16 Loans and advances to customers

	31 December 2024 €'000	31 December 2023 €'000
Loans and advances to customers at amortised cost:		
- Gross carrying amount	**3.029.941**	2.895.559
- Impairment allowance	**(56.985)**	(51.214)
Carrying amount	**2.972.956**	2.844.345
Maturity analysis:		
Current	**361.953**	648.840
Non-current	**2.611.003**	2.195.505
	2.972.956	2.844.345

The carrying amount of loans and advances to customers includes fair value changes of loans in portfolio hedging of interest rate risk of €249 thousand (losses) (2023: €160 thousand (gains)).

Notes to the financial statements

16 Loans and advances to customers (continued)

The below table presents the carrying amount of loans and advances to customers per business unit and per stage as at 31 December 2024 and 2023:

	31 December 2024				31 December 2023			
	12-month ECL €000	Lifetime ECL not credit-impaired €000	Lifetime ECL credit-impaired €000	Total amount €000	12-month ECL €000	Lifetime ECL not credit-impaired €000	Lifetime ECL credit-impaired €000	Total amount €000
<u>Retail Lending:</u>								
- Mortgage								
Gross carrying amount	12.790	-	288	13.078	14.026	-	98	14.124
Impairment allowance	(2)	-	(45)	(47)	(9)	-	(98)	(107)
Carrying amount	12.788	-	243	13.031	14.017	-	-	14.017
- Consumer								
Gross carrying amount	3.829	57	399	4.285	3.939	7	429	4.375
Impairment allowance	(2)	(3)	(355)	(360)	(6)	-	(429)	(435)
Carrying amount	3.827	54	44	3.925	3.933	7	-	3.940
- Affluent banking								
Gross carrying amount	122.733	2.733	700	126.166	107.581	1.334	21	108.936
Impairment allowance	(195)	(132)	(198)	(525)	(203)	(41)	(17)	(261)
Carrying amount	122.538	2.601	502	125.641	107.378	1.293	4	108.675
- Credit cards								
Gross carrying amount	716	227	56	999	927	21	41	989
Impairment allowance	(2)	(20)	(55)	(77)	(6)	-	(28)	(34)
Carrying amount	714	207	1	922	921	21	13	955
<u>Wholesale Lending:</u>								
- Large corporate loans								
Gross carrying amount	1.582.583	164.689	42.465	1.789.737	1.352.954	216.210	44.939	1.614.103
Impairment allowance	(2.183)	(2.298)	(34.307)	(38.788)	(5.033)	(4.746)	(28.429)	(38.208)
Carrying amount	1.580.400	162.391	8.158	1.750.949	1.347.921	211.464	16.510	1.575.895
- Wealth management loans								
Gross carrying amount	459.589	16.863	25.167	501.619	401.842	19.446	23.004	444.292
Impairment allowance	(164)	(191)	(16.774)	(17.129)	(635)	(480)	(11.011)	(12.126)
Carrying amount	459.425	16.672	8.393	484.490	401.207	18.966	11.993	432.166
- International business banking loans								
Gross carrying amount	353.590	11	45	353.646	488.945	28	48	489.021
Impairment allowance	-	-	(35)	(35)	-	-	(26)	(26)
Carrying amount	353.590	11	10	353.611	488.945	28	22	488.995
- Shipping loans								
Gross carrying amount	240.411	-	-	240.411	219.719	-	-	219.719
Impairment allowance	(24)	-	-	(24)	(17)	-	-	(17)
Carrying amount	240.387	-	-	240.387	219.702	-	-	219.702
Total								
Gross carrying amount	2.776.241	184.580	69.120	3.029.941	2.589.933	237.046	68.580	2.895.559
Impairment allowance	(2.572)	(2.644)	(51.769)	(56.985)	(5.909)	(5.267)	(40.038)	(51.214)
Carrying amount	**2.773.669**	**181.936**	**17.351**	**2.972.956**	2.584.024	231.779	28.542	2.844.345

In 2024 loans of €2.359 thousand (2023: €2.432 thousand) that were written off in prior years were recovered.

17 Investment securities

	31 December 2024 €'000	31 December 2023 €'000
Investment securities at FVOCI	**326.414**	458.252
Investment securities at amortised cost	**1.640.286**	963.959
Investment securities mandatorily at FVTPL	**2.203**	2.042
	1.968.903	1.424.253
Maturity analysis:		
Current	**349.488**	276.791
Non-current	**1.619.415**	1.147.462
	1.968.903	1.424.253

The tables below disclose the gross carrying amount, impairment allowance and carrying amount per stage of investment securities as at 31 December 2024 and 2023:

	31 December 2024 €'000	31 December 2023 €'000
Debt securities at FVOCI:		
Carrying amount	**326.414**	458.252
Debt securities at amortised cost:		
-Gross carrying amount	**1.641.492**	964.583
-Impairment allowance	**(1.206)**	(624)
Carrying amount	**1.640.286**	963.959
Total of debt securities	**1.966.700**	1.422.211
Other investment securities mandatorily at FVTPL:		
UCIT funds	**2.203**	2.042
Carrying amount	**2.203**	2.042
Total of investment securities	**1.968.903**	1.424.253

All investment securities are classified in 12-month ECL category.

17 Investment securities (continued)

The investment securities per category are analysed as follows:

	31 December 2024			
	Investment securities at FVOCI €'000	**Investment securities at amortised cost €'000**	**Investment securities mandatorily at FVTPL €'000**	**Total €'000**
Debt securities:				
- Cyprus government bonds	22.051	432.730	-	**454.781**
- Other government bonds	216.213	792.572	-	**1.008.785**
- Multilateral development banks	-	65.486	-	**65.486**
- Banks and other financial institutions	68.506	213.313	-	**281.819**
- Other issuers	19.644	136.185	-	**155.829**
Total debt securities	**326.414**	**1.640.286**	-	**1.966.700**
Other investment securities:				
UCIT funds	-	-	2.203	**2.203**
Total other investment securities	**-**	**-**	**2.203**	**2.203**
Total of investment securities	**326.414**	**1.640.286**	**2.203**	**1.968.903**

	31 December 2023			
	Investment securities at FVOCI €'000	Investment securities at amortised cost €'000	Investment securities mandatorily at FVTPL €'000	Total €'000
Debt securities:				
- Cyprus government bonds	47.305	303.032	-	350.337
- Other government bonds	295.269	342.062	-	637.331
- Multilateral development banks	-	24.514	-	24.514
- Banks and other financial institutions	77.646	107.921	-	185.567
- Other issuers	38.032	186.430	-	224.462
Total debt securities	458.252	963.959	-	1.422.211
Other investment securities:				
UCIT funds	-	-	2.042	2.042
Total other investment securities	-	-	2.042	2.042
Total of investment securities	458.252	963.959	2.042	1.424.253

As at 31 December 2024 and 2023, all investment securities, with the exception of UCIT funds, are listed.

17 Investment securities (continued)

The movement of investment securities in 2024 and 2023 is as follows:

	31 December 2024			
	Investment securities at FVOCI €'000	Investment securities at amortised cost €'000	Investment securities mandatorily at FVTPL €'000	Total €'000
Gross carrying amount at 1 January	**458.252**	**964.583**	**2.042**	**1.424.877**
Additions	39.851	870.284	-	**910.135**
Disposals and redemptions	(197.859)	(229.542)	-	**(427.401)**
Repayments	-	(12.221)	-	**(12.221)**
Amortisation of discounts/premiums and interest	(2.930)	16.556	-	**13.626**
Net gains from changes in fair values	14.834	-	99	**14.933**
Changes in fair value due to hedging	-	1.030	-	**1.030**
Foreign exchange and other movements	14.266	30.802	62	**45.130**
Gross carrying amount at 31 December	**326.414**	**1.641.492**	**2.203**	**1.970.109**
Impairment allowance	-	(1.206)	-	**(1.206)**
Carrying amount at 31 December	**326.414**	**1.640.286**	**2.203**	**1.968.903**

	31 December 2023			
	Investment securities at FVOCI €'000	Investment securities at amortised cost €'000	Investment securities mandatorily at FVTPL €'000	Total €'000
Gross carrying amount at 1 January	494.490	828.578	1.959	1.325.027
Additions	-	280.760	-	280.760
Disposals and redemptions	(44.206)	(118.026)	-	(162.232)
Repayments	-	(24.067)	-	(24.067)
Amortisation of discounts/premiums and interest	(4.099)	(1.204)	-	(5.303)
Net gains from changes in fair values	21.355	-	117	21.472
Changes in fair value due to hedging	-	2.095	-	2.095
Foreign exchange and other movements	(9.288)	(3.553)	(34)	(12.875)
Gross carrying amount at 31 December	458.252	964.583	2.042	1.424.877
Impairment allowance	-	(624)	-	(624)
Carrying amount at 31 December	458.252	963.959	2.042	1.424.253

17 Investment securities (continued)

Fair value reserve: Revaluation of investment securities

The fair value reserve comprises:
- the cumulative net change in fair value of equity securities measured at FVOCI; and
- the cumulative net change in the fair value of debt securities measured at FVOCI until the assets are derecognised or reclassified. This amount is increased by the amount of loss allowance.

The movement of the reserve is as follows:

	2024	2023
	€'000	€'000
Balance at 1 January	**(11.162)**	(29.619)
Net gains from changes in fair value	**14.834**	21.355
Net (losses)/gains from fair value hedging discontinuance	**(3.827)**	3.429
Net losses from changes in fair value of IRS	**-**	(6.117)
Reversal of impairment allowance of investment securities at FVOCI	**(260)**	(210)
Balance at 31 December	**(415)**	(11.162)

18 Investments in subsidiaries

The following is a listing of the Bank's subsidiaries as at 31 December 2024 and 2023:

Company name
Foramonio Limited
Lenevino Holdings Limited
Neviko Ventures Limited
Rano Investments Limited
Amvanero Limited
Revasono Holdings Limited
Volki Investments Limited
Zivar Investments Limited
Elerovio Holdings Limited
Adariano Investments Limited
Afinopio Investments Limited
Ovedrio Holdings Limited
Primoxia Holdings Limited

All companies are registered and operate in Cyprus, are 100% owned by the Bank and have been set up to acquire properties from customers in settlement of their obligations with the Bank.

Acquisitions of subsidiaries

During the years ended 31 December 2024 and 2023 there were no acquisitions or set ups of new subsidiaries.

18 Investments in subsidiaries (continued)

Dissolution and disposal of subsidiaries

During the years ended 31 December 2024 and 2023 there were no dissolutions or disposals of subsidiaries.

Carrying value of investments in subsidiaries

The movement in the carrying value of investments in subsidiaries is as follows:

	2024 €'000	2023 €'000
Balance at 1 January	**15.011**	10
Acquisitions of subsidiaries	**-**	3
Contributions to additional share capital in subsidiaries	**3.200**	17.616
Impairment allowance on investments in subsidiaries (note 11)	**(656)**	(2.618)
Balance at 31 December	**17.555**	15.011

The recoverable amounts for the subsidiaries have been calculated based on their fair value less cost to sell, determined using the adjusted net assets of the subsidiaries. Adjusted net assets, are based on the fair value adjustment of the properties held by the subsidiaries. The management assessed that adjusted net asset values of the investees constitute an appropriate basis for the fair values based on the evaluation of the operating profile and the composition of the asset/liability portfolio of the investees. In particular, the subsidiaries do not carry any trading activities but rather act purely as direct property-holding entities that arose from repossed assets. The fair values of the properties are level 3, and the key significant input used in determining the fair value are the price per square meter of the underlying properties. An increase in the price per square meter would increase the fair value and hence the fair value less costs to sell.

19 Property and equipment

The movement of property and equipment is as follows:

	31 December 2024				
	Leasehold improvements €'000	Motor vehicles and motorcycles €'000	Equipment €'000	Right-of-use assets €'000	Total €'000
Cost					
Balance at 1 January	14.951	71	8.757	26.930	**50.709**
Additions	263	-	734	400	**1.397**
Disposals/write offs	-	(30)	(57)	-	**(87)**
Changes due to remeasurements	-	-	-	(5)	**(5)**
Effect of changes in foreign exchange rates	-	-	-	26	**26**
Balance at 31 December	**15.214**	**41**	**9.434**	**27.351**	**52.040**
Accumulated depreciation					
Balance at 1 January	9.321	66	6.280	11.143	**26.810**
Charge for the year	1.203	5	743	2.484	**4.435**
Write offs	-	(30)	(57)	-	**(87)**
Changes due to remeasurements	-	-	-	(31)	**(31)**
Effect of changes in foreign exchange rates	-	-	-	26	**26**
Balance at 31 December	**10.524**	**41**	**6.966**	**13.622**	**31.153**
Net book value at 31 December	**4.690**	**-**	**2.468**	**13.729**	**20.887**

19 Property and equipment (continued)

	31 December 2023				
	Leasehold improvements €'000	Motor vehicles and motorcycles €'000	Equipment €'000	Right-of-use assets €'000	Total €'000
Cost					
Balance at 1 January	14.876	71	8.225	26.769	49.941
Additions	75	-	703	-	778
Write offs	-	-	(171)	-	(171)
Changes due to remeasurements	-	-	-	174	174
Effect of changes in foreign exchange rates	-	-	-	(13)	(13)
Balance at 31 December	14.951	71	8.757	26.930	50.709
Accumulated depreciation					
Balance at 1 January	8.416	60	5.756	8.680	22.912
Charge for the year	905	6	686	2.475	4.072
Write offs	-	-	(162)	-	(162)
Effect of changes in foreign exchange rates	-	-	-	(12)	(12)
Balance at 31 December	9.321	66	6.280	11.143	26.810
Net book value at 31 December	5.630	5	2.477	15.787	23.899

As at 31 December 2024, the right-of-use assets amounting to €13.729 thousand (2023: €15.787 thousand) refer to leased office and banking centre premises of €13.430 thousand (2023: €15.701 thousand) and motor vehicles of €299 thousand (2023: €86 thousand).

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

In December 2024 the Bank signed an agreement for the acquisition of its Head Office building, reported under right-of-use asset as at 31 December 2024, for a total consideration of €19 million, and proceeded with an advanced payment of €7 million (note 21) . The completion of the agreement took place on 25 February 2025 with the transfer of title deed and the repayment of remaining consideration of €12 million in line with the agreement.

Notes to the financial statements

20 Intangible assets

Intangible assets comprise of computer software.

The movement of computer software is as follows:

	2024	2023
	€'000	€'000
Cost		
Balance at 1 January	**45.533**	37.255
Additions	**5.238**	8.368
Write offs	**-**	(90)
Balance at 31 December	**50.771**	45.533
Accumulated depreciation		
Balance at 1 January	**12.069**	9.660
Charge for the year	**2.654**	2.485
Write offs	**-**	(76)
Balance at 31 December	**14.723**	12.069
Net book value at 31 December	**36.048**	33.464

Additions in 2023 mainly related to the new core accounting system the implementation of which was finalised in the same year.

21 Other assets

	2024	2023
	€'000	€'000
Prepaid expenses	**1.991**	1.302
Prepayments for acquisition of non-current assets	**7.021**	-
Other assets	**5.303**	2.890
	14.315	4.192
Current	**4.750**	3.567
Non-current	**9.565**	625
	14.315	4.192

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

As at 31 December 2024, prepayments for acquisition of non-current assets relate to €7.021 million prepaid for the acquisition of the Bank's Head Office building (note 19).

22 Due to credit institutions

	2024 €'000	2023 €'000
Borrowings from international financial and similar institutions	**9.906**	12.032
Deposits from banks received as collateral	**29.130**	2.435
Current accounts and settlement balances with banks	**44.873**	43.446
Interbank takings	**124.254**	126.309
Total	**208.163**	184.222
Maturity analysis:		
Current:		
- on demand up to 7 days	**74.003**	142.087
- between 7 days and 3 months	**64.503**	11.432
- between 3 months and 1 year	**69.657**	600
	208.163	154.119
Non-current:		
- 1 to 5 years	**-**	30.103
	-	30.103
	208.163	184.222

On 31 May 2022, Eurobank S.A. extended to the Bank a €30 million 3-year non-callable in 2, senior non-preferred loan to cover MREL requirement. The interest rate was fixed for 3 years at 3,86%. The loan was repaid in full following the approval of the SRB for early redemption without replacement nor the issuance of a new MREL-eligible instrument on 31 May 2024. The balance of the loan as at 31 December 2023 amounted to €30.103 thousand and was included in "Deposits due to credit institutions".

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

23 Due to customers

	2024	2023
	€'000	€'000
Current accounts	**3.980.168**	4.105.104
Notice accounts	**3.026**	4.041
Term deposits	**3.893.909**	2.984.785
Carrying amount	**7.877.103**	7.093.930
Fair value changes of deposits in portfolio hedging of interest rate risk	**5.318**	5.015
	7.882.421	7.098.945
Maturity analysis:		
- up to 1 month	**5.674.696**	5.722.378
- between 1 month and 3 months	**1.344.889**	530.043
- between 3 months and 1 year	**850.499**	784.354
- between 1 year and 5 years	**12.336**	62.170
- more than 5 years	**1**	-
	7.882.421	7.098.945

Total client deposits pledged as collateral for credit facilities granted to clients as at 31 December 2024 amounted to €595.475 thousand (2023: €681.489 thousand).

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

Special levy on total deposits is imposed by legislation to all Banks and Credit Institutions operating in Cyprus. The special levy is calculated on the level of deposits at previous quarter-end at the rate of 0,0375% per quarter and is payable in quarterly instalments. The government levy on customer deposits for the year ended 31 December 2024 amounted to €10.970 thousand (2023: €7.782 thousand). Following an amendment of the Imposition of Special Credit Institution Tax Law in 2017, the Single Resolution Fund contribution which is charged annually by the Single Resolution Board, is offset by the special levy up to the level of the total annual special levy charge. No contribution was paid to the Single Resolution Fund during the year ended 31 December 2024 (2023: €2.986 thousand).

24 Other liabilities

	2024 €'000	2023 €'000
Impairment allowance on financial guarantees and credit related commitments (note 4.2.1.3)	**5.458**	3.885
Lease liabilities (note 27)	**14.847**	16.773
Balances under settlement[1]	**46.464**	48.970
Duties and other taxes	**3.008**	3.020
Suppliers and creditors	**2.625**	1.520
Other liabilities and accruals	**47.255**	40.347
	119.657	114.515
Maturity analysis:		
Current	**107.157**	**99.978**
Non-current	**12.500**	**14.537**
	119.657	**114.515**

[1]*Includes settlement balances relating to bank cheques and remittances, credit card transactions, other banking and brokerage activities.*

As at 31 December 2024 and 2023, other liabilities and accruals mainly consist of staff related and trading balances. As at 31 December 2024, they also include provisions for operational risk events of €676 thousand (2023: €638 thousand).

25 Share capital

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

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

	No. of shares	Ordinary shares €'000	Share premium €'000	Total €'000
Authorised				
At 31 December 2024 & 2023	**1.500**	**15.000**	**-**	**15.000**
Issued				
At 31 December 2024 & 2023	**1.201**	**12.010**	**245.384**	**257.394**

There were no changes in the Bank's share capital during the years ended 31 December 2024 and 2023.

All shares have the same rights.

25 Share capital (continued)

There are no restrictions on the transfer of ordinary shares and no restrictions on the exercise of voting rights other than the restrictions imposed by the Business of Credit Institutions Law of Cyprus which provides that the approval of the Central Bank of Cyprus is required before the acquisition of shares in the Company, exceeding certain thresholds.

There are no restrictions on the payment of dividends other than those imposed by the Business of Credit Institutions Law of Cyprus under certain circumstances.

Dividends

Net profit for the year ended 31 December 2024 is retained. The Board of Directors will consider during 2025 the payment of a dividend.

26 Transfers of financial assets

The Bank enters into transactions by which it transfers recognised financial assets directly to third parties.

(a) The Bank enters into reverse repos transactions with the Group. As at 31 December 2024, the Bank had obtained through reverse repos securities of face value of €1.174 million providing cash to the Group of €1.074 million (31 December 2023: €1.265 million and €1.098 million, respectively). The Bank may sell or pledge any securities obtained through reverse repos and has an obligation to return the securities. The counterparty, the Group, retains substantially all the risks and rewards of ownership and therefore the securities are not recognised by the Bank.

(b) The Bank enters into security lending transactions, i.e., fee based, non-collateralised securities lending transactions. The Bank (the Lender) is lending a series of sovereign securities and the Borrowers are paying to the Lender on a monthly basis a fee in the range of 0,33%-0,51% (2023: 0,36%-0,51%). The bonds that are used for security lending are from the Bank's own portfolio and are High Quality Liquid Assets (HQLAThe Bank is unable to use, sell or pledged transferred assets unless they are substituted with other assets of similar rating and values for the duration of the transaction. As at 31 December 2024, the securities used for security lending transactions amounted in face value to €381 million (31 December 2023: €271 million).

27 Leases – where the Bank is the lessee

The Bank leases a number of banking centre and office premises as well as motor vehicles.

The majority of the Bank's property leases are under agreements with an average term 3 years, with options to extend or terminate the lease according to the terms of each contract, while motor vehicles generally have lease terms of up to 5 years. Extension options held by the Bank are included in the lease term when it is reasonably certain that they will be exercised based on its assessment. Depending on the terms of each lease contract, lease payments are adjusted in line with the Consumer Price Index, as published by the Cyprus Statistical Service, plus an agreed fixed percentage.

Information about leases for which the Bank is a lessee is presented in note 19 as "right-of-use assets" the nature of which is as below:

	2024	2023
	€'000	€'000
Buildings	**13.430**	15.701
Motor vehicles	**299**	86
	13.729	15.787

Right-of-use assets

	31 December 2024		
	Property	**Motor vehicles**	**Total**
	€'000	**€'000**	**€'000**
Balance at 1 January 2024	15.701	86	**15.787**
Additions	105	295	**400**
Changes due to reassessments	26	-	**26**
Depreciation charge for the year	(2.402)	(82)	**(2.484)**
Balance at 31 December 2024	13.430	299	**13.729**

	31 December 2023		
	Property	Motor vehicles	Total
	€'000	€'000	€'000
Balance at 1 January 2023	17.914	175	18.089
Changes due to reassessments	174	-	174
Depreciation charge for the year	(2.386)	(89)	(2.475)
Effect of changes in foreign exchange rates	(1)	-	(1)
Balance at 31 December 2023	15.701	86	15.787

27 Leases – where the Bank is the lessee (continued)

Lease liabilities

The lease liability included under other liabilities amounted to €14.847 thousand as at 31 December 2024 (31 December 2023: €16.773 thousand) (note 24). The maturity analysis of lease liabilities as at 31 December 2024, based on the contractual undiscounted cash flows, is presented in note 4.2.3.

Amounts recognised in profit or loss

	2024	2023
	€'000	€'000
Interest on lease liabilities	**217**	287

Amounts recognised in the cash flow statement

	2024	2023
	€'000	€'000
Total cash outflow for leases	**2.505**	2.513

Extension options

Some leases of office premises contain extension options exercisable by the Bank. Where practicable, the Bank seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Bank and not by the lessors. The Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

28 Contingencies and commitments

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

28 Contingencies and commitments (continued)

	2024 €'000	2023 €'000
Contingent liabilities:		
Financial guarantee contracts	**210.745**	211.133
Credit related commitments	**6.226**	3.767
	216.971	214.900
Commitments:		
Loan commitments	**721.776**	609.362

Impairment allowance on credit related commitments and contingent liabilities is presented within "Other liabilities" (note 24).

Capital commitments

As at 31 December 2024 commitments for contracted capital expenditures amounted to €13.316 thousand (2023: €827 thousand) of which €11.979 thousand were for the acquisition of the Bank's Head Office building (2023: nil) (note 19), €292 thousand (2023: €94 thousand) were for leasehold improvements and €1.045 thousand (2023: €733 thousand) for the acquisition of computer software.

Legal proceedings

As at 31 December 2024 and 2023 there were no significant pending litigation, claims or assessments against the Bank, the outcome of which would have a material effect on the Bank's financial position or operations.

29 Fiduciary activities

The Bank provides custody, investment management and advisory services to third and related parties which involve the Bank making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. At the balance sheet date the Bank had investment custody accounts with fair value amounting to approximately €4.692.130 thousand (2023: €3.926.000 thousand).

30 Cash and cash equivalents and other information on cash flow statement

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

	2024 €'000	2023 €'000
Cash in hand (note 13)	**10.651**	9.515
Balances with central banks, excluding mandatory deposits (note 13)	**2.866.309**	2.647.856
Balances with credit institutions (note 14)	**1.291.114**	1.184.606
	4.168.074	3.841.977

30 Cash and cash equivalents and other information on cash flow statement (continued)

Other income on investment securities presented in operating activities is analysed as follows:

	2024	2023
	€'000	€'000
Reversal of impairment allowance	**304**	78
Amortisation of premiums/discounts and accrued interest (note 5)	**(53.229)**	(35.383)
Foreign exchange differences and other movements	**(45.112)**	12.867
Changes in fair value due to hedging discontinuance (note 17)	**(3.827)**	3.429
Net changes in fair value of investment securities at FVOCI (note 17)	**-**	(6.117)
Net gains on revaluation of investment securities at FVTPL (note 17)	**(99)**	(117)
	(101.963)	(25.243)

Changes in liabilities arising from financing activities

During the year ended 31 December 2024, changes in the Bank's liabilities arising from financing activities of €2.505 thousand (2023: €2.513 thousand) are attributable to payments of lease liabilities.

31 Related party transactions and balances

The immediate controlling party of the Bank is Eurobank S.A. registered in Greece. Eurobank Ergasias Services and Holdings S.A. is the parent company of Eurobank S.A. and produces consolidated financial statements available for public use.

The Board of Directors of Eurobank Ergasias Services and Holdings S.A. is the same as the Board of Directors of Eurobank S.A. and part of the key management personnel of Eurobank S.A. provides services to Eurobank Ergasias Services and Holdings S.A. according to the terms of the relevant agreement between the two entities.

Following the changes in the Company's share capital in the third quarter of 2024, Fairfax Group holds 33,29% of Eurobank Ergasias Services and Holdings S.A.'s total number of voting rights as at 31 December 2024 (31 December 2023: 32,93%) and is considered to have significant influence over Eurobank Ergasias Services and Holdings S.A. On 7 February 2025, Eurobank Ergasias Services and Holdings S.A. announced that it has been informed by Fairfax, that following the sale of 80 million ordinary shares of the company on 23 January 2025, it holds 32,89% of Eurobank Ergasias Services and Holdings S.A.'s total number of voting rights and as such, Fairfax continues to have significant influence over Eurobank Ergasias Services and Holdings S.A.

(i) Related party transactions and outstanding balances

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

Notes to the financial statements

31 Related party transactions and balances (continued)

(i) Related party transactions and outstanding balances (continued)

The outstanding balances with related parties are as follows:

	Eurobank Ergasias Services and Holdings S.A. and Eurobank S.A.		Subsidiaries		Other related entities		With key management personnel[3]	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
Balances:								
Due from credit institutions	**1.137.445**	1.118.166	**-**	-	**122**	68	**-**	-
- of which reverse repurchase agreements (note 14)	***1.077.585***	*1.098.322*	**-**	-	**-**	-	**-**	-
Loans and advances to customers[1]	**-**	-	**2**	21	**-**	6.541	**507**	452
Investment securities	**-**	-	**-**	-	**5.052**	-	**-**	-
Derivative financial instruments - Assets	**22.980**	11.703	**-**	-	**-**	-	**-**	-
Due to credit institutions	**167.025**	134.752	**-**	-	**-**	-	**-**	-
Derivative financial instruments - Liabilities	**1.265**	9.252	**-**	-	**-**	-	**-**	-
Due to customers[2]	**-**	-	**1.219**	339	**4.077**	3.799	**4.210**	4.562
Other liabilities	**981**	404	**-**	-	**177**	296	**-**	-

[1]Total collaterals in relation to loans and advances to key management personnel amounted to €315 thousand (2023: €326 thousand).
[2]Due to customers with other related entities include balances with the Bank's Defined Contribution Plan of €120 thousand (2023: €468 thousand).

Notes to the financial statements

31 Related party transactions and balances (continued)

(i) Related party transactions and outstanding balances (continued)

The transactions during the year with related parties were as follows:

	Eurobank Ergasias Services and Holdings S.A. and Eurobank S.A.		Subsidiaries		Other related entities		Key management personnel[3]	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
Transactions:								
Interest income	**106.873**	92.956	**95**	897	**372**	459		22
Interest expense	**64.808**	41.664	**-**	-	**-**	-		33
Banking fee and commission income	**2.290**	-				74	**-**	-
Banking fee and commission expense								
– fees on lien agreement (note 6)	**447**	1.809	**-**	-	**-**	-	**-**	-
– other	**203**	544	**-**	-	**346**	521	**-**	-
Net trading income	**5.109**	3.812	**-**	-	**-**	-	**-**	-
Staff costs excluding retirement benefit costs	**-**	-	**-**	-	-	-	**3.095**	2.461
Defined contribution plan	**-**	-	**-**	-	-	-	**287**	224
Directors' remuneration	**-**	-	**-**	-	-	-	**1.859**	1.586
Other operating expenses	**1.277**	994	**-**	-	**265**	236	**-**	-

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

31 Related party transactions and balances (continued)

(ii) Lien agreements

As of 31 December 2024 the Bank has in place lien agreements from Eurobank S.A. of €102.499 thousand (2023: €73.854 thousand), which act as guarantees for the purposes of securing loans and advances to customers and financial guarantees.

Based on the lien agreements, in case of default of any of the issuers of the underlying assets, the Bank can set off the receivable amounts with the equivalent funds placed by Eurobank S.A.

32 Events after the balance sheet date

Details of events after the balance sheet date are provided in the following notes:

Note 2.1 (c) - Initiation of Bank's plans for the merger process
Note 19 - Property and equipment
Note 31 - Related party transactions and balances

Appendix

Definition of financial ratios included in the Management Report for 2024

- **Cost to income ratio:** Total operating expenses divided by total operating income.

- **Return on equity:** Net profit for the year divided by the average equity (the arithmetic average of equity at the end of the reported year and at the end of the previous year).

- **Loans to deposits:** Loans and advances to customers divided by due to customers at the end of the reported year.

- **Cost of risk:** Impairment allowance on loans and advances charged in the reported year, divided by the average balance of loans and advances to customers (the arithmetic average of loans and advances to customers at the end of the reported year and at the end of the previous year).

- **NPE provisions coverage:** Impairment allowance for loans and advances to customers, including impairment allowance for credit related commitments (off balance sheet items) divided by NPEs at the end of the reported period.

- **Credit-impaired loans/gross loans:** NPEs divided by gross loans and advances to customers (the balance of loans and advances to customers before impairment allowance).

- **Capital adequacy ratio:** Total regulatory capital as defined by Regulations (EU) No 575/2013 and No 2395/2017, divided by total Risk Weighted Assets (RWA).

- **MREL ratio:** Total regulatory capital (as above) plus MREL Eligible liabilities Under Directive 2014/59 (“BRRD” or “Bank Recovery and Resolution Directive”), as amended by Directive 2019/879 (“BRRD2”) divided by total RWAs.

- **Leverage ratio:** The leverage ratio is calculated as total regulatory capital divided by total exposure measure, as defined by Regulations (EU) No 575/2013 and No 2395/2017.