



**CONSOLIDATED
PILLAR 3 DISCLOSURES 2023**

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1. INTRODUCTION

1.1. Corporate Information

This document presents the Pillar 3 disclosure requirements of Ancoria Investments Plc (the “Holding Company”) and Ancoria Bank Limited (the “Bank” or the “Subsidiary”) together referred as the “Group” as at 31 December 2023. Given that the only operations of the Group are the operations of Ancoria Bank, the Pillar 3 report of the Group is dependent solely on the performance of the Bank’s operations. Therefore, references will be made to the Bank’s operations and governance arrangements, whereas figures will be shown at a Group level. It is noted that the Board of Directors of the Subsidiary, assisted by the Risk Committee and the Audit Committee of the Subsidiary, has overall responsibility for the establishment and oversight of the Group’s risk management framework and systems of internal controls.

Principal activity

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

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

On 14 October 2013, the Subsidiary filed an application with the CBC for a banking licence to enable it to operate as a Credit Institution under the Business of Credit Institutions Laws of 1997 and all amendments thereafter. The Bank was granted the banking license on 3 November 2014 and began operations as a Credit Institution in October 2015, following the fulfilment of licensing conditions imposed by the CBC.

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

1.2. Scope of application

The Bank is a Subsidiary of Ancoria Investments Plc, which is incorporated in Cyprus and holds 100% of the Bank’s issued share capital. Ancoria Investments Plc is owned by several legal entities as well as natural persons, and has no other significant activity, assets or liabilities, other than its holding in the Bank. Ancoria Investments Plc prepares its consolidated financial statements incorporating the financial statements of Ancoria Bank Limited.

Changes in group structure

Details for the changes in the group structure during the year ended 31 December 2023 can be found in section 4.1.

1.3. Basel III Regulatory Framework, CRR and CRD

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

Pillar 1.

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

Pillar 2.

Includes the Supervisory Review and Evaluation process (SREP) which assesses the internal capital and liquidity adequacy processes and whether additional capital or liquidity is required over and above the Pillar

I and provides for the monitoring and self-assessment of a bank's capital and liquidity adequacy and internal processes.

Pillar 3.

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

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

This document represents both quantitative and qualitative disclosures for the year ended 31 December 2023, in accordance with the requirements of article 433a of Part Eight of the CRR and the CRD, as amended by Regulation (EU) 2019/876 (the "CRR II") and Directive (EU) 2019/878 (the "CRD V"), respectively, and amending Regulation (EU) 2020/873 on certain adjustments in response to the COVID-19 pandemic. Relevant European Banking Authority ("EBA") Guidelines (EBA/ITS/2020/04), and the corresponding Commission Implementing Regulation EU (2021/637), were adopted where applicable.

1.4. Materiality

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

The Group may elect to exempt from this report information, which is considered as non-material, proprietary or confidential as per EBA GL/2014/14 guidelines¹. Information shall be regarded as material, if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. Information shall be regarded as proprietary to an institution if disclosing it publicly would undermine its competitive position. Information shall be regarded as confidential if there are obligations to customers or other counterparty relationships binding an institution to confidentiality. As of 27 July 2019, the CRR was updated by the CRR Amending Regulation (EU) 2019/876 known as CRRII. CRRII, which is an amendment to Regulation (EU) 575/2013 and defines proportionality as this is reflected in Part Eight, outlines the disclosures which are applicable to different institutions, depending on their size, complexity and on whether they are listed or non-listed institutions.

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

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

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

¹ Guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of Regulation (EU) No 575/2013 (<https://www.eba.europa.eu/regulation-and-policy/transparency-and-pillar-3/guidelines-on-materiality-proprietary-and-confidentiality-and-on-disclosure-frequency>)

1.5. Verification, frequency and publication

The Bank's Risk Management Function ("RMF") has an oversight of the framework and process followed by the Group for the preparation of Pillar 3 Disclosures for 2023. The document is reviewed by the Bank's Audit and Risk Committees and approved by the Board of Directors of both the Bank and the Holding Company prior to being publicly available. The Report is published annually on the Bank's website (<https://www.ancoriabank.com/pillar-3-disclosures/>), in conjunction with the Bank's Annual Financial Report, as per regulatory guidelines. Comparatives presented in the report are restated and indicated in the respective sections, where deemed necessary, to reflect any changes in the presentation of the current year.

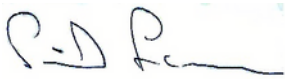
1.6. Attestation

The Boards of Directors of the Bank and the Holding Company are responsible for reviewing the effectiveness of the Bank's/Group's risk management arrangements and systems of financial and internal control. These aim to manage rather than eliminate the risks of not achieving business objectives, and – as such – offer reasonable but not absolute assurance against fraud, material misstatement and loss.

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

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

In addition, the Boards of Directors declare that the capital and liquidity management arrangements and systems of the Bank are adequate with regards to its risk profile and strategy.



On behalf of the Boards of Directors

Bo Sievert Larsson

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

2024

2. GOVERNANCE ARRANGEMENTS

2.1. Governance

Table – EU OVB

Risks faced by financial institutions can be summarised in the following main categories: credit risk, market risk, liquidity risk, operational risk and capital risk. The Group through its Subsidiary sets policies and procedures in order to mitigate, control, accept or transfer these risks according to the Group/Bank’s risk appetite. The Risk Management Function (‘RMF’) is responsible for the monitoring and adherence to the risk appetite and the monitoring of risks on a regular basis. The primary objectives of the RMF are to establish risk limits and then to ensure that exposures to risks are contained within the limits set. The Group through its Subsidiary regularly reviews its risk management framework to reflect the changes in market and economic conditions as well as effective best practice and to suggest amendments where weaknesses are identified in order to mitigate them.

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

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

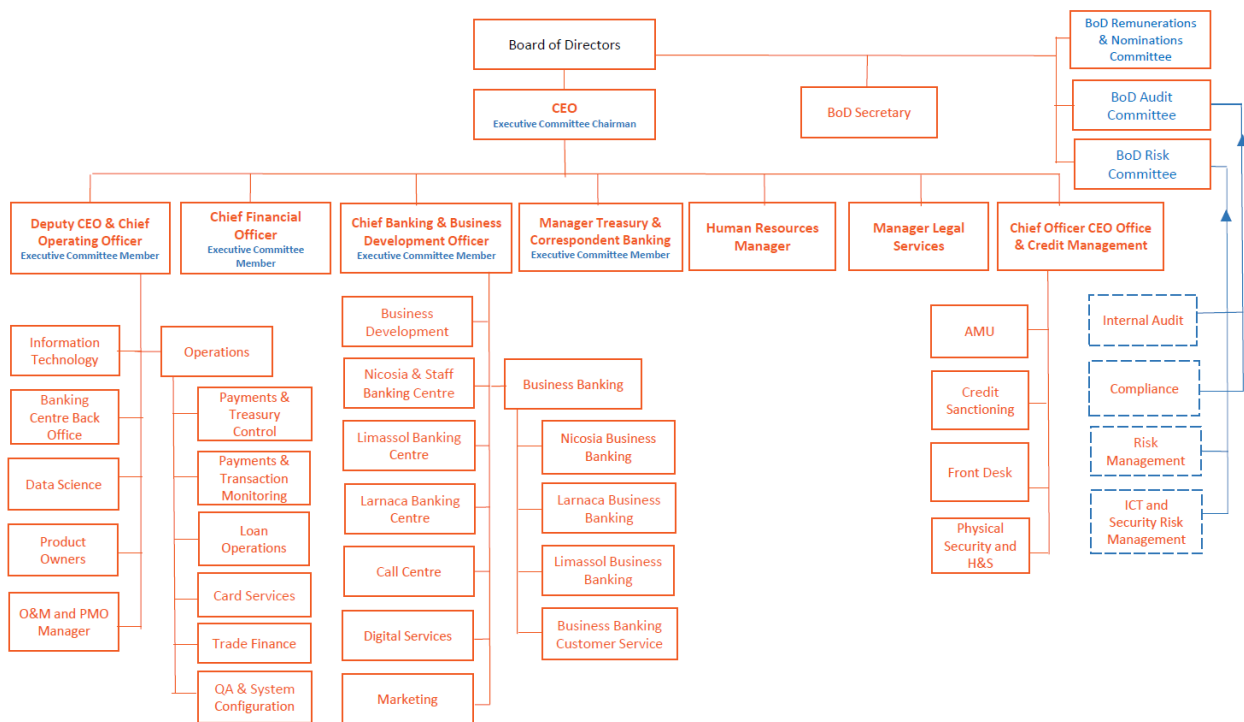


Figure 1: Governance

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

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

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

2.2. Board of Directors

The following table shows the number of directorships the directors of the Group's board held, including the directorship position held in the Group's Board of Directors in 2023. Positions in the Boards of the same group are regarded as one position. Positions in the Boards of organisations that are not engaged in profit-making activities are not presented in the table below.

Directorships as at 31 December 2023 shown in the table below:

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

- Mr. Charalambos Panayiotou resigned from the Board of Directors of Ancoria Investments Plc on 1st June 2023.
- Mr. Charidemos Theocharides resigned from the Board of Directors of Ancoria Investments Plc on 13th May 2023.
- Mr. Christos Papoutsas was appointed at the Board of Directors of Ancoria Investments Plc on 19th October 2023.

The following table shows the number of directorships the directors of the board of the Bank held, including the directorship position held in the Bank's Board of Directors in 2023. Positions in the Boards of the same group are regarded as one position. Positions in the Boards of organisations that are not engaged in profit-making activities are not presented in the table below.

Directorships as at 31 December 2023 shown in the table below:

Name	Position held with Ancoria Bank	Directorships – Executive	Directorships – Non-Executive
Bo Sievert Larsson	Non-executive	-	3
Dr Demetra Plati	Vice-Chairwoman - Non-Executive Independent	1	1
Charis Charalambous	Non-executive Senior Independent	1	1
Doros Loizides	Non-executive Independent	-	3
Alexandra Spyrou	Non-executive Independent	1	2

Ioannis Loizou	Executive	1	2
Nicolas Prentzas	Executive	1	-

- Dr. Andreas C. Kritiotis resigned from the Board of Directors of Ancoria Bank Limited on 19 May 2023.
- Mr. Charalambos Panayiotou resigned from the Board of Directors of Ancoria Bank Limited on 16 June 2023.
- Mr. Charidemos Theocharides resigned from the Board of Directors of Ancoria Bank Limited on 16 June 2023.
- Dr. Marios Clerides resigned from the Board of Directors of Ancoria Bank Limited on 31 January 2023.
- Mrs. Athena Papadopoulou resigned from the Board of Directors of Ancoria Bank Limited on 30 September 2023.
- Dr. Demetra Plati was appointed at the Board of Directors of Ancoria Bank Limited on 16 February 2023 and was appointed as Vice-Chair of the Board on 17 June 2023.
- Mr. Charis Charalambous was appointed at the Board of Directors of Ancoria Bank Limited on 12 June 2023 and was appointed as Senior Independent member on 27 June 2023.
- Mr. Doros Loizides was appointed at the Board of Directors of Ancoria Bank Limited on 4 September 2023.
- Mrs. Polina Antoniou was appointed as a non-executive independent director on 1 April 2024.
- The Board Credit Approval Committee was abolished on 13 September 2022 and its role was transferred to the Board of Directors. The Committee was re-established by a decision of the Board of Directors on 28 July 2023.
- There were no other significant changes in the composition or distribution of responsibilities of the Board of Directors during the year ended 31 December 2023.
- During 2023 the Board of Directors met 17 times (December 2022: 21 times) in its efforts to effectively discharge its duties while the Board of Directors Committees convened as follows:
 - Audit Committee – 5 times (December 2022: 9 times)
 - Risk Committee – 8 times (December 2022: 12 times)
 - Remunerations and Nominations Committee – 16 times (December 2022: 6 times)
 - Credit Committee - 2 times (The Credit Committee was abolished on 13 September 2022 and its role was transferred to the Board of Directors. The Committee was re-established by a decision of the Board of Directors on 28 July 2023.)

2.3. Board of Directors Declaration

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

The Group has adequate systems to generate risk data for regulatory reporting purposes. In addition, the Group has in place a business continuity management procedure, with identified critical functions for business continuity and disaster recovery purposes which is annually reviewed. The Group has in place a business plan, a formal statement of business goals of both financial and operational nature and plans for achieving them. In its fully detailed form, it covers a financial year ending 31 December, however, it forms part of a condensed business plan spanning usually 3 years ahead. It is reviewed and approved by the Board of Directors on an annual basis and is monitored monthly through EXCO and at least quarterly by the Board of Directors.

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

2.4. Board Committees

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

Audit Committee

During 2023 the Committee has convened 5 times. The Committee's duties and responsibilities include:

- The monitoring and assessment on an annual basis, of the adequacy and effectiveness of internal control and information systems, based on reports from the internal audit function and the observations and comments of external auditors and competent supervisory authorities and subsequently the submission of proposals to the Board of Directors for addressing any weaknesses which have been identified;
- The monitoring of the financial reporting process and the integrity, accuracy and reliability of the Bank's financial statements and any formal announcements relating to the Bank's financial performance;
- The submission of proposals to the Board of Directors on the appointment, compensation, terms of engagement and substitution or rotation of the approved auditor and other external auditors;
- The assessment and monitoring of the independence, adequacy and effectiveness of the internal audit function;
- Advising the Board of Directors, drawing on the work of the compliance function on the adequacy and effectiveness of the framework for business conduct;
- Advising the Board of Directors, drawing on the work of the compliance function and external auditors, on the adequacy and effectiveness of the compliance framework;
- The assessment and monitoring of the independence, adequacy and effectiveness of the compliance function;
- The submission to the Board of Directors of recommendations for the appointment or removal of the heads of the internal audit and compliance functions;
- The review and approval of the annual audit plan of the internal audit function and the compliance programme of the compliance function;
- The oversight that Senior Management takes the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with policies, laws and regulations and other weaknesses identified by external auditors, the internal audit and the compliance functions and supervisory authorities;
- The annual appraisal of the heads of the internal audit function and compliance function and subsequently their submission to the Board;
- The carrying out of a self-assessment and reporting its conclusions and recommendations for improvements and changes to the Board;
- The monitoring of the establishment of accounting policies and practices.

Remunerations and Nominations Committee

During 2023 the Committee has convened 16 times. The Committee's duties and responsibilities include:

- The preparation of decisions regarding remuneration, including those which have implications for the risk of the Bank and which are to be taken by the Board of Directors;
- Takes into account the long-term interest of shareholders, investors and other stakeholders in the Bank and the public interest and ensures that:
 - these are closely linked with the Bank's business objectives and strategies;
 - these are in line with the CBC Governance Directive;
- Ensuring Non-executive members are not included in the beneficiaries of performance related remunerations;
- Identifying and recommending, for the approval by the Board of Directors, candidates to fill Board of Directors vacancies, evaluating the balance of knowledge, skills, diversity and experience of the Board of Directors and preparing a description of the roles and capabilities for a particular appointment and assessing the time commitment expected;
- The Committee decided to aim for a gender representation of at least 30% Board of Directors members of both genders and maintain a composition of Board of Directors members from different academic backgrounds and relevant experience to the business of the Bank and prepared a relevant diversity policy. The aforementioned targets have been met and the Committee monitors the matter; the targets, policy and its implementation were made public.

Risk Committee

During 2023 the Committee has convened 8 times. The Committee's duties and responsibilities include:

- Advises the Board of Directors:

- ✓ on the Bank's overall current and future risk appetite and strategy taking into account the requirements of relevant CBC Directives, the Bank's financial and risk profile and the capacity of the institution to manage and control risk;
- ✓ on the adequacy and effectiveness of the risk management framework, based on the input of the audit committee, risk management function and external auditors;
- ✓ on the adequacy and effectiveness of the information security framework, based on the input of the audit committee, information security manager and external auditors;
- ✓ to enable identification, measurement, assessment and reporting of risk in a timely and accurate manner:
 - ✓ to ensure the adequate protection of the institution's confidential and proprietary information;
 - ✓ on the adequacy of provisions and effectiveness of strategies and policies with respect to maintaining, on an ongoing basis, amounts, types and distribution of both internal capital and own funds adequate to cover the risks of the Bank;
 - ✓ on the adequacy and robustness of information and communication systems;
- Assists the Board of Directors in overseeing the effective implementation of the risk strategy by senior management including the management and mitigation of material exposures and the identification and escalation of breaches in risk limits in a timely manner;
- Reviews whether pricing of banking products offered to clients take into account in full the institution's business model and risk strategy;
- Examines whether incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings;
- Submits to the Board of Directors proposals and recommendations for corrective action, whenever weaknesses are identified in implementing the risk strategy and recommendations for the appointment or removal of the heads of the risk management function and information security function;
- Assesses and monitors the independence, adequacy and effectiveness of the risk management and information security functions;
- Ensures that risk parameters and risk models developed and used are subject to periodic independent validation;
- Carries out the annual appraisal of the heads of the risk management function and information security function and submits them to the Board of Directors;
- Reviews and approves the budgets of the risk management and information security functions, ensuring that they are sufficiently flexible to adapt to variations in response to development;
- Conducts a self-assessment and reports its conclusions and recommendations for improvements and changes to the Board of Directors.

Credit Committee

During 2023 the Committee has convened 2 times. The Committee's duties and responsibilities include the assessment and approval of:

- Loans above €5,000,001 or 10% of the regulatory capital, as per the Bank's latest monthly management accounts, at total group exposure, whichever is the lower.
- Facilities to independent board members up to €30,000.
- Facilities to non-independent board members up to €200,000. For housing loans that are fully collateralized, a higher amount can be granted (Loan to Value should not exceed 80%)
- Maximum unsecured amount in nominal value of €500,001 and over.
- Commercial renegotiation cases (excluding cases where only a reduction of interest rate is proposed and where all the provisions of the relevant policy "154-Commercial renegotiations – modifications of loans & de-recognition" are met).

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

For the recruitment and selection of members of the Board of Directors of the Bank, the Remuneration and Nominations Committee identifies, evaluates and recommends for approval to the Board candidates to be appointed as Directors. The Remuneration and Nominations Committee of the Board of Directors of the Bank engages a broad set of qualities and competencies when nominating for appointment or re-appointment, members of the Board of Directors. The candidates are assessed with regards to their ethos, integrity and honesty; their professional experiences and academic backgrounds in order to enhance the collective knowledge and experience of the Board; and the availability on their behalf to commit the necessary time

and effort to fulfil their responsibilities. The selection and succession of the directors is subject to the shareholders' approval, to whom the committee offers its opinion as to the reasoning of their selection.

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

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

The Bank, as regards to the Board's composition, embraces diversity and strongly believes that it brings benefits for the customers, staff and other bank stakeholders. Different perspectives help to ensure that the bank is better equipped to make sound and prudent decisions and also meet the demands of its customer base and other stakeholders.

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

3. Risk Management Framework

3.1. Overview

Table 1 – EU OVA

Risk management is considered to be an integral part of the Group's operations. The Board of Directors of the Bank, assisted by the Risk Committee and the Audit Committee of the Bank, has the overall responsibility for the establishment and oversight of the Group's risk management framework and systems of internal controls. As such, the Board of Directors and Executive Management of the Bank take all reasonable steps to recognize and assess risks and develop strategies to effectively manage, control and mitigate them. The Board, considering the importance of risk management on the Bank's operations, especially given the fragile economic conditions and the demanding regulatory environment in which the Bank operates, has defined the Bank's Risk Appetite Statement, which is in alignment with the Bank's overall strategic goals and objectives.

The Bank's risk management strategy is based on the following principles:

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

Risk Management Framework

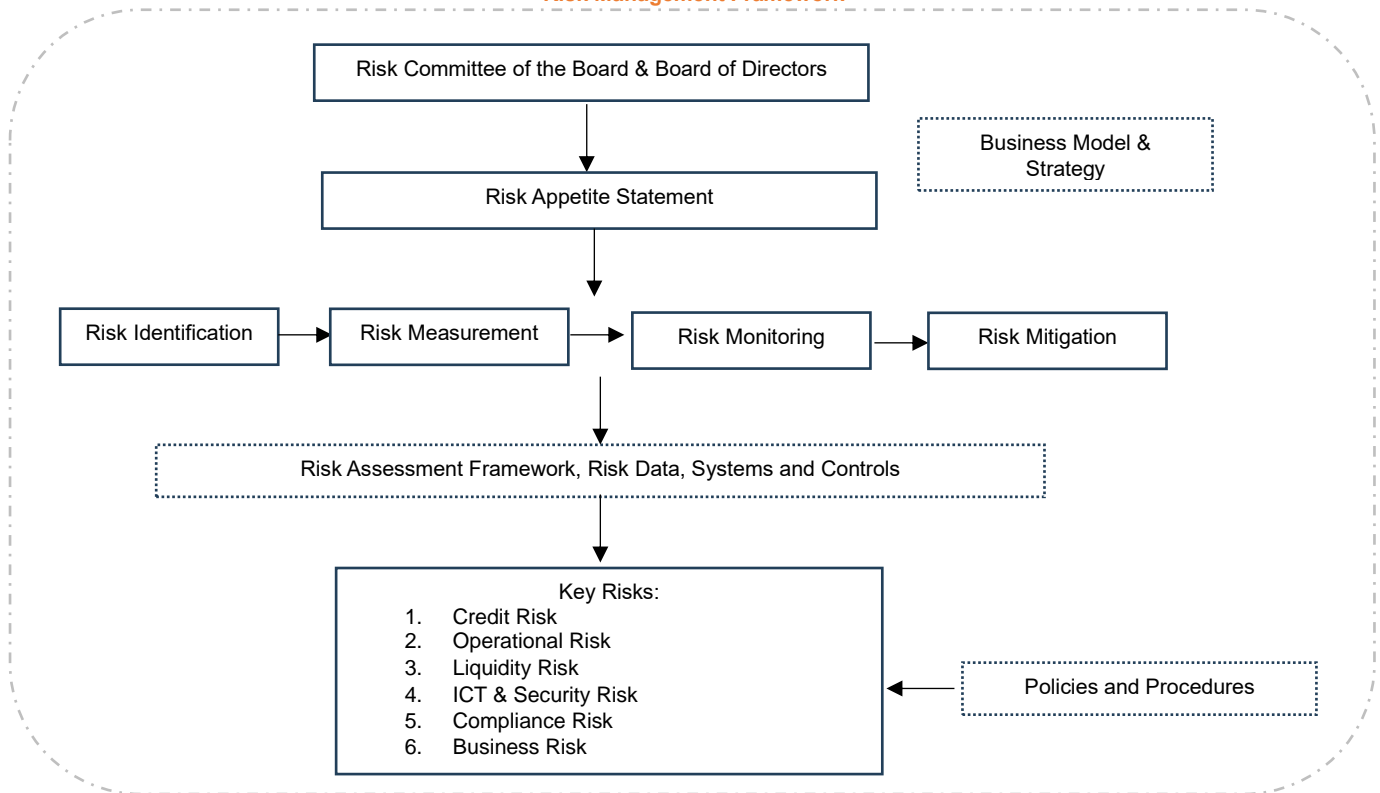


Figure 2: Risk Management Framework

Figure 2 above shows the architecture of the RMF's policies and frameworks. During 2023 and in the first two quarters of 2024 the following policies were approved/reviewed by the Board of Directors:

1. Credit Risk Management Policy
2. Capital and Own Funds Policy
3. ICT Risk Management Policy
4. Arrears Management Policy
5. Arrears Management Strategy
6. AML Policy
7. New Product Approval Policy
8. Pillar 3 Disclosures Policy
9. Pricing Policy
10. Sanctions Policy
11. Remuneration Policy
12. Information Security Policy
13. Stress Testing Policy
14. Customer Acceptance Policy
15. Project Management Policy
16. Outsourcing Risk Management Policy
17. Succession Planning Policy
18. BoD Diversity Policy
19. Procurement Policy
20. Risk Appetite Framework
21. Risk Assessment Framework
22. Treasury Risk Limits Policy
23. RMF Charter

3.2. Risk Appetite Statement

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

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

- the financial profile and position of the Bank
- the Bank's capacity to manage, control, and absorb risk
- the Bank's strategic, capital and financial plans as well as compensation programs
- the requirements of the Central Bank of Cyprus ("CBC") Governance and Management Arrangements Directive of 2021
- the Central Bank's conditional requirements for license to operate in the Republic of Cyprus
- capital, liquidity and other regulatory requirements applicable

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

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

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

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

3.3. Risk Management Function

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

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

Indicatively, the RMF is responsible for the following:

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

3.4. Basel III Framework, CRR and CRD

Basel III Framework comprises of three Pillars, all of which are detailed below:

- **Pillar 1** which sets forth the guidelines for calculating the minimum capital requirements to cover the credit risk, the market risk and the operational risk.
 - ✓ The Group has adopted the Standardised Approach for the calculation of the minimum capital against credit risk. Under this approach, exposures are classified in specified classes and are weighted using specific weights, depending on the class the exposures belong to and their credit rating.
 - ✓ The Group has applied the Comprehensive Approach for the recognition of collateral, as this enables the fairer recognition and more accurate estimation of the Bank’s capital.
 - ✓ The Group has adopted the Standardised Approach for the calculation of the minimum capital requirements for market risk, according to which the minimum capital requirement is estimated by adding together foreign exchange risk, position risk, if applicable, for debt and equity instruments and commodity risk capital requirements using predefined methodologies.
 - ✓ The Group uses the Basic Indicator Approach (“BIA”) for the calculation of the capital requirements for operational risk in accordance with CRR. Based on this approach, the operational risk capital requirement is estimated using a specific percentage on the average over three years of the relevant indicator on the basis of the last three twelve-monthly positive figures at the end of the financial year.
- **Pillar 2** which covers the Supervisory Review & Evaluation process (“SREP”) that includes rules to ensure that adequate capital and liquidity is in place to support any risk exposures of the Group and requires appropriate risk management, reporting and governance policies.
 - ✓ SREP is a holistic assessment of the Group’s business model, internal governance and institution-wide control arrangements, the risks to capital and its adequacy to cover these risks and the risks to liquidity and adequacy of liquidity resources to cover these risks.
 - ✓ The objective of SREP is for the CBC to form an up-to-date supervisory view of the Group’s risks and viability and to form the basis for supervisory measures and dialogue with the Group.

- ✓ Banks are assessing their capital needs relative to their risks with their Internal Capital Adequacy Assessment Process (“ICAAP”), while at the same time maintaining communication with supervisors on a continuous basis.
- ✓ In conjunction with the ICAAP, banks are required to prepare the Internal Liquidity Adequacy Assessment Process (“ILAAP”). The ILAAP acts as a control cycle through which the Group identifies, evaluates, manages and monitors its liquidity risks. The key objective behind ILAAP is to ensure the Bank has sufficient liquidity resources to support its business and be able to withstand any adverse future conditions which may threaten its liquidity position. The ILAAP forms an integral part of the Group’s risk management framework, plays a key role in the strategic planning of the Group and is used to facilitate the decision-making process.
- ✓ Finally, the Group is required to prepare a Recovery Plan report which aims to formulate the framework in terms of actions capable of restoring the Group’s capital asset quality, profitability and liquidity metrics under stress scenarios thus strengthening the Group’s ability to restore its financial and economic standing. The Group’s recovery plan builds on the ICAAP/ILAAP stress test and defines the “close to default scenarios”. All the above reports (ICAAP, ILAAP, and Recovery Plan) are submitted to the CBC and evaluated during the SREP.
- ✓ For the year ended 31 December 2023 the ICAAP and ILAAP reports have been submitted to the CBC on 31 May 2024 and were based on the 2023-year end results. The Recovery Plan has been submitted to the CBC on 11 September 2023 with reference date 31 December 2022. The Recovery Plan with reference date 31 December 2023 will be submitted to the CBC in Q3 2024.

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

EU OVC – ICAAP

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

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

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

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

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

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

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

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

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

Pillar I regulatory capital requirement	Pillar II Risks – ICAAP process	Management actions	Conclusions
<ul style="list-style-type: none"> • Minimum Capital requirement: 8% which does not include the following capital buffers introduced under CRR/CRDIV: <ul style="list-style-type: none"> ✓ Conservation Buffer ✓ Countercyclical Buffer ✓ Systemic Risk • Calculated using prescribed parameters for credit, operational and market risk 	<ul style="list-style-type: none"> • The Group’s latest business plan was approved by the Board of Directors. The business plan applies the Group’s 3-year strategic assumptions in order to create a baseline scenario for the Group’s profitability, financial position and capital position. • Material risk assessment through the Risk Assessment Framework and Pillar 2 capital allocation based on the conclusions of the material risk assessment. • Profit and Loss, Balance Sheet, Capital and Liquidity Projections for 3 years (both Baseline and Adverse Scenarios). • Assessment of current and future capital requirements. • Comparison of the regulatory capital obligations (as communicated in the latest CBC SREP letter and presented below) with the Group’s capital ratios, in order to ensure that the highest quality of capital is available to cover its regulatory and internal requirements both under the Baseline scenario and the Stress Scenario • Quantification of stress tests which may include the below: <ul style="list-style-type: none"> • Credit risk through an increase in Probability of defaults/ reduction in cure rates • Collateral risk through reduced property prices and higher liquidation costs • IRRBB based on adverse movements in interest rates • Business risk through a reduction in New 	<p>Management actions may include:</p> <ul style="list-style-type: none"> ✓ Capital raising ✓ Additional internal controls to reduce the possibility of occurrence or adversity of consequences 	<ul style="list-style-type: none"> • ICAAP report submission for evaluation to the Bank’s Asset and Liability Committee (“ALCO”), the Internal Auditor and the Board of Directors Risk Committee, and to the Board of Directors for approval before it is submitted to the CBC for the SREP. • A Capital Adequacy Statement with the Board’s opinion is submitted to the CBC.

	Lending and New Deposits • Operational Risk based on the BIA method and projected gross income.		
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The Group has prepared and submitted to the CBC its ICAAP / ILAAP report for the year 2023 on 31 May 2024.

The Bank has received its latest SREP communication in February 2023 which noted that the CBC has conducted the SREP of the Bank on a consolidated basis with a reference date of 31 December 2021, following the submission of the Bank's ICAAP report and also having regard to any other relevant information received after that date. The CBC's review aimed at assessing whether the Bank has in place robust governance arrangements and effective processes to identify, manage, monitor and report the current and future risks and adequate internal control mechanisms, and whether the Bank holds adequate capital to cover the nature and level of the risks to which the Bank is or might be exposed. Furthermore, CBC communicated the new capital requirements on a consolidated basis.

Namely, the latest SREP requirement has been set at 3,61%, (2022: 4,5%), amending the Total Capital Ratio requirement to 14,11% without Pillar 2 Capital Guidance and to 14,61% with Pillar 2 Capital Guidance. It is also noted that in December 2022, the Central Bank of Cyprus set the countercyclical buffer rate that is required to be maintained by authorised credit institutions operating in the Republic from 0% to 0,5%. The 0,5% requirement should have been met as from 30 November 2023 and has thus increased the total capital requirement of the Bank to around 15,11%. An additional circular was received from the CBC in June 2023, informing the credit institutions that the countercyclical buffer will further increase to 1% from 2 June 2024.

The accounting basis of the Bank is prepared in accordance with IFRS and is described in the Notes of the Group's Financial Statements for 2023.

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

3.5. Key metrics

The table below provides the key prudential and regulatory information and ratios covered by the CRR II, including own funds, RWAs, capital ratios, capital buffers requirements, requirements based on SREP, leverage ratio, liquidity coverage ratio and net stable funding ratio on a consolidated level. The table covers all 2023 quarters and the results as at 31 December 2022.

For all periods presented below, except for 31 December 2023 and 31 December 2022, capital ratios and leverage ratio disclosed are as in accordance with the regulatory reporting submissions, in which unaudited profits are excluded.

Table – EU KM1

Template EU KM1 – Key metrics template		A	b	C	d	e
		31 Dec 2023	30 Sep 2023	30 June 2023	31 Mar 2023	31 Dec 2022
		€	€	€	€	€
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	48.133.558	39.889.835	39.935.777	39.991.027	39.986.664
2	Tier 1 capital	53.133.558	44.889.835	44.935.777	44.991.027	44.986.664

3	Total capital	53.133.558	44.889.835	44.935.777	44.991.027	44.986.664
Risk-weighted exposure amounts						
4	Total risk exposure amount	230.838.845	211.170.419	216.022.484	227.713.009	229.469.264
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	20,85%	18,89%	18,49%	17,56%	17,43%
6	Tier 1 ratio (%)	23,02%	21,26%	20,80%	19,76%	19,60%
7	Total capital ratio (%)	23,02%	21,26%	20,80%	19,76%	19,60%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3,61%	3,61%	3,61%	3,61%	4,50%
EU 7b	of which: to be made up of CET1 capital (percentage points)	2,03%	2,03%	2,03%	2,03%	2,53%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	2,71%	2,71%	2,71%	2,71%	3,38%
EU 7d	Total SREP own funds requirements (%)	11,61%	11,61%	11,61%	11,61%	12,50%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2,50%	2,50%	2,50%	2,50%	2,50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0,00%	0,00%	0,00%	0,00%	0,00%
9	Institution specific countercyclical capital buffer (%)	0,51%	0,00%	0,00%	0,00%	0,00%

EU 9a	Systemic risk buffer (%)	0,00%	0,00%	0,00%	0,00%	0,00%
10	Global Systemically Important Institution buffer (%)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 10a	Other Systemically Important Institution buffer (%)	0,00%	0,00%	0,00%	0,00%	0,00%
11	Combined buffer requirement (%)	3,01%	2,50%	2,50%	2,50%	2,50%
EU 11a	Overall capital requirements (%)	14,62%	14,11%	14,11%	14,11%	15,00%
12	CET1 available after meeting the total SREP own funds requirements (%)	14,32%	12,36%	11,96%	11,03%	10,39%
Leverage ratio						
13	Total exposure measure	748.043.659	572.225.021	540.118.793	504.632.975	499.373.252
14	Leverage ratio (%)	7,10%	7,84%	8,32%	8,92%	9,01%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 14c	Total SREP leverage ratio requirements (%)	3,00%	3,00%	3,00%	3,00%	3,00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)						
EU 14d	Leverage ratio buffer requirement (%)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 14e	Overall leverage ratio	3,00%	3,00%	3,00%	3,00%	3,00%

	requirement (%)					
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	369.011.080	215.908.817	149.798.794	134.419.625	124.282.037
EU 16a	Cash outflows – Total weighted value	47.733.833	38.360.228	37.518.036	34.691.494	36.666.884
EU 16b	Cash inflows – Total weighted value	23.775.825	17.530.061	12.034.579	13.982.280	13.835.950
16	Total net cash outflows (adjusted value)	23.958.008	20.830.167	25.483.457	20.709.214	22.830.934
17	Liquidity coverage ratio (%)	1540%	1037%	588%	649%	544%
Net Stable Funding Ratio						
18	Total available stable funding	623.239.275	470.504.684	431.877.756	437.175.392	411.396.803
19	Total required stable funding	256.381.207	239.941.073	245.929.265	254.474.798	256.367.003
20	NSFR ratio (%)	243%	196%	175%	171%	160%

Liquidity

The improvement in liquidity ratios was mainly as a result of the significant increase in deposits. In addition, the deployment in fixed income securities during 2023 was primarily in High Quality Liquid assets (“HQLA”) and as a result there was no significant negative impact on LCR.

Capital adequacy and leverage ratio

On 31 December 2023 and 31 December 2022, the Bank fully met the minimum capital requirements. The Consolidated Common Equity Tier 1 ratio and the Consolidated Total Capital ratio as at 31 December 2023 were 20,85% and 23,02% respectively. Taking into consideration the latest communicated SREP requirement, the Total Capital Ratio requirement as of 1 January 2023 is set at 14,11% without Pillar 2 Capital Guidance and at 14,61% including Pillar 2 Capital Guidance, both on a standalone and on a consolidated level.

The information presented below represents the Bank’s capital position under CRR / CRD IV. As mentioned previously, the Bank was in compliance with the regulatory capital ratios throughout the year.

		A	B	C	d	e
		31 Dec 2023	30 Sep 2023	30 June 2023	31 Mar 2023	31 Dec 2022
		€	€	€	€	€
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	48.576.700	40.286.756	40.332.698	40.387.948	40.383.583

2	Tier 1 capital	53.576.700	45.286.756	45.332.698	45.387.948	45.383.583
3	Total capital	53.576.700	45.286.756	45.332.698	45.387.948	45.383.583
Risk-weighted exposure amounts						
4	Total risk exposure amount	232.086.873	212.765.833	217.610.336	229.244.154	231.004.290
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	20,93%	18,93%	18,53%	17,62%	17,48%
6	Tier 1 ratio (%)	23,08%	21,28%	20,83%	19,80%	19,65%
7	Total capital ratio (%)	23,08%	21,28%	20,83%	19,80%	19,65%

4. SCOPE OF APPLICATION OF OWN FUNDS

4.1. Information relating to share capital

Ancoria Investments Plc

Authorised capital

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

Issued capital

As at 31 December 2023, the Company has a total issued share capital of 150.922 (2022: 150.922) ordinary shares of nominal value of €1 each at a total premium of €62.804.653 (2022: €62.804.653).

The shareholders of the Group as at 31 December 2023 and 2022 are listed below:

Name / relationship	Percentage of Share Capital in the parent company	
	31 December 2023 %	31 December 2022 %
Bo Sievert Larsson	67,94	54,86
Ancoria Insurance Ltd	13,25	13,25
Sievert Larsson Scholarship Foundation	12,71	12,71
Alastoral Property Co Ltd	6,05	-
Trading Point Holdings Ltd	-	6,49
Other shareholders	0,05	12,69
	100,00	100,00

Other shareholders comprise of 4 (2022: 52) different natural persons. As at 31 December 2023 the Company is ultimately controlled by Mr. Bo Sievert Larsson.

Ancoria Bank Limited

Authorised capital

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

Issued capital

As at 31 December 2023, there were 126.000 shares (2022: 126.000) issued ordinary shares with a nominal value of €1 each.

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

Other equity instruments

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

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

The table presented below provides a reconciliation of own funds items to the Consolidated audited Financial Statements for the years ended 31 December 2023 and 31 December 2022, in accordance with the requirements of Part Eight of the EU Regulation 575/2013 Article 437, using the format set out in Annex VII of the Commission Implementing Regulation (EU) 2021/637.

Table – EU CC1 – Composition of regulatory own funds

Composition of regulatory own funds		a	a	b
		31 December 2023	31 December 2022	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
		€	€	
Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	62.955.575	62.955.575	
2	Retained earnings	(15.016.537)	(23.296.275)	e.
3	Accumulated other comprehensive income (and other reserves)	1.463.109	1.463.109	
EU-3a	Funds for general banking risk	-	-	
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1	-	-	
5	Minority interests (amount allowed in consolidated CET1)	-	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	-	

6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	49.402.147	41.122.409	
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	(70)	(66)	e.
8	Intangible assets (net of related tax liability) (negative amount)	(1.268.500)	(1.135.679)	b. and e.
9	Not applicable	-	-	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	-	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	-	
12	Negative amounts resulting from the calculation of expected loss amounts	-	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	-	
15	Defined-benefit pension fund assets (negative amount)	-	-	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	-	
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-	

18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	
20	Not applicable	-	-	
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	-	
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	-	
EU-20c	of which: securitisation positions (negative amount)	-	-	
EU-20d	of which: free deliveries (negative amount)	-	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38-(3) CRR are met) (negative amount)	-	-	
22	Amount exceeding the 17,65% threshold (negative amount)	-	-	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	-	
24	Not applicable	-	-	

25	of which: deferred tax assets arising from temporary differences	-	-	
EU-25a	Losses for the current financial year (negative amount)	-	-	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	-	
26	Not applicable	-	-	
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)	-	-	
27a	Other regulatory adjustments	(19)	-	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(1.268.570)	(1.135.745)	d.
29	Common Equity Tier 1 (CET1) capital	48.133.558	39.986.664	d.
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	5.000.000	5.000.000	
31	of which: classified as equity under applicable accounting standards	5.000.000	5.000.000	
32	of which: classified as liabilities under applicable accounting standards	-	-	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1	-	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	-	
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	-	

34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	-	
35	of which: instruments issued by subsidiaries subject to phase out	-	-	
36	Additional Tier 1 (AT1) capital before regulatory adjustments	5.000.000	5.000.000	
Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	-	
41	Not applicable	-	-	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	-	
42a	Other regulatory adjustments to AT1 capital	-	-	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	-	

44	Additional Tier 1 (AT1) capital	5.000.000	5.000.000	
45	Tier 1 capital (T1 = CET1 + AT1)	53.133.558	44.986.664	
Tier 2 (T2) capital: instruments				
46	Capital instruments and the related share premium accounts	-		
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	-	
EU-47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	-	-	
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	-	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	-	
49	of which: instruments issued by subsidiaries subject to phase out	-	-	
50	Credit risk adjustments	-	-	
51	Tier 2 (T2) capital before regulatory adjustments	-	-	
Tier 2 (T2) capital: regulatory adjustments				
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	-	

54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	-	
54a	Not applicable	-	-	
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	-	
56	Not applicable	-	-	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	-	
EU-56b	Other regulatory adjustments to T2 capital	-	-	
57	Total regulatory adjustments to Tier 2 (T2) capital	-	-	
58	Tier 2 (T2) capital	-	-	
59	Total capital (TC = T1 + T2)	53.133.558	44.986.664	
60	Total Risk exposure amount	230.838.845	229.469.264	
Capital ratios and requirements including buffers				
61	Common Equity Tier 1 capital	20,85%	17,43%	
62	Tier 1 capital	23,02%	19,60%	
63	Total capital	23,02%	19,60%	
64	Institution CET1 overall capital requirements	9,54%	9,53%	
65	of which: capital conservation buffer requirement	2,50%	2,50%	
66	of which: countercyclical capital buffer requirement	0,51%	-	

67	of which: systemic risk buffer requirement	-	-	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	-	-	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage	2,03%	2,53%	
68	Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements	16,35%	12,93%	
National minima (if different from Basel III)				
69	Not applicable	-	-	
70	Not applicable	-	-	
71	Not applicable	-	-	
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	-	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-	-	
74	Not applicable	-	-	
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	194.941	1.059.045	
Applicable caps on the inclusion of provisions in Tier 2				

76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements	-	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-	
84	Current cap on T2 instruments subject to phase out arrangements	-	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-	

Notes

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

Scope of the prudent valuation standards

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

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

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

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

31 December 2023		a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		€	€	
Assets				
1	Cash and balances with Central Bank	285.051.204	285.051.204	
2	Placements with banks	13.684.969	13.793.343	f.
3	Loans and advances to customers	316.057.006	317.153.138	g.
4	Investments at fair value through other comprehensive income	69.840	69.840	
5	Investments at amortised cost	104.055.235	104.055.235	
6	Other assets	8.775.986	8.548.254	a.
7	Deferred tax asset	194.941	194.941	
8	Property and equipment	5.590.291	5.590.291	
9	Intangible assets	1.268.500	-	b.
10	Total assets	734.747.972	734.456.245	
Liabilities				
1	Customer deposits	671.975.357	671.975.357	
2	Other borrowings	4.707.700	4.707.700	
3	Lease liabilities	827.536	827.536	
4	Provisions and other liabilities	2.818.632	3.812.094	c.
5	Total liabilities	680.329.225	681.322.687	
Equity				
1	Share capital	150.922	150.922	
2	Share premium	62.804.653	62.804.653	
3	Revaluation reserve	16.605	-	d.
4	Other reserve	1.463.108	1.463.108	
5	Accumulated losses	(15.016.541)	(16.285.126)	b. and e.
6	Non-controlling interest	5.000.000	5.000.000	
7	Total shareholders' equity	54.418.747	53.133.558	
Total liabilities and equity		734.747.972	734.456.245	

31 December 2022		a	b	C
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		€	€	
Assets				
1	Cash and balances with Central Bank	100.030.570	100.030.570	
2	Placements with banks	8.625.937	8.625.937	
3	Loans and advances to customers	333.028.509	333.028.509	
4	Investments at fair value through other comprehensive income	65.475	65.475	
5	Investments at amortised cost	32.561.481	32.561.481	
6	Other assets	3.764.451	3.786.427	a.
7	Deferred tax asset	1.059.045	1.059.045	
8	Property and equipment	5.874.492	5.874.492	
9	Intangible assets	1.135.679	-	b.
10	Total assets	486.145.639	485.031.936	
Liabilities				
1	Customer deposits	429.742.902	429.742.902	
2	Other borrowings	5.936.727	5.936.727	
3	Lease liabilities	797.897	797.897	
4	Provisions and other liabilities	3.543.358	3.567.746	c.
5	Total liabilities	440.020.884	440.045.272	
Equity				
1	Share capital	150.922	150.922	
2	Share premium	62.804.653	62.804.653	
3	Revaluation reserve	12.240	-	d.
4	Other reserve	1.463.108	1.463.108	
5	Accumulated losses	(23.306.168)	(24.432.020)	e.
6	Non-controlling interest	5.000.000	5.000.000	
7	Total shareholders' equity	46.124.755	44.986.664	
Total liabilities and equity		486.145.639	485.031.936	

Notes

1. References provide the mapping of items of the statement of financial position prepared under the regulatory scope of consolidation used to calculate regulatory capital as reflected in the column "References" in Table "EU CC1 – Reconciliation of regulatory own funds to balance sheet in the audited financial statements".
2. Own funds is the result of regulatory capital after the deduction of retained earnings and other intangibles. Other intangibles refer mainly to software programs. The Group deducts from CET1 capital intangible assets in accordance with Article 36 of the CRR. Intangible assets, which include mainly computer software were deducted from CET1 capital. The amount deducted in 2023 and 2022 is reported within the 'Intangible assets' line in the tables above. The 'items not subject to capital requirements or subject to deduction from capital' comprise of intangible assets deductible from CET1 capital as per Article 36(i) (b) of the CRR (reference b.).
3. Differences in other assets and Placements with banks (references a. and f.) mainly arise due to different treatment between Financial Statements and regulatory capital calculations in netting-off of negative balances with their respective positive balance.
4. The Tables above outline a comparison between the basis for accounting and prudential purposes. Any differences between the carrying values reported in the published Financial Statements and the carrying values under the scope of regulatory purposes may exist due to the different basis for prudential purposes (e.g. intangible assets and adjustments to CET1 due to prudential filters), which form the basis for the calculation of the regulatory capital requirements (references a., b., d. and e.).
5. Under liabilities, balances shown in column 'Not subject to capital requirements or subject to deduction from capital' are balancing amounts in order for 'Carrying values under scope of regulatory consolidation' to agree to the sum of those in columns relating to the regulatory framework (reference c.). They mainly arise due to different treatment between Financial Statements and regulatory capital calculations in netting-off of negative balances with their respective positive balances.
6. Differences in Loans & Advances to customers (reference g.) mainly arise due to different treatment between Financial Statements and regulatory capital calculations due to netting-off of the Interest Rate adjustment and modifications.
7. During 2020 and 2021 the company issued redeemable notes of total nominal value €12.500.000 which were fully subscribed by the Company's existing shareholders. As these represented transactions with shareholders in their capacity as equity holders, the fair value of the redeemable notes at initial recognition was estimated by management and any gain or losses were recognised directly through equity resulting to the amount 1.463.108 being reported as "Other reserves". The redeemable notes were fully redeemed during 2022.

5. CAPITAL REQUIREMENTS

The Group has prepared and submitted its latest ICAAP / ILAAP reports with reference date the year end 2023.

The Bank received its latest SREP communication in February 2023 which, amongst others, communicated the new capital requirements on a consolidated basis.

Namely the latest SREP requirement has been set at 3,61% (2022: 4,5%), amending the Total Capital Ratio requirement to 14,11% without Pillar 2 Capital Guidance and to 14,61% with Pillar 2 Capital Guidance. It is also noted that in December 2022, the Central Bank of Cyprus set the countercyclical buffer rate that is required to be maintained by authorised credit institutions operating in the Republic from 0% to 0,5%. The 0,5% requirement should had been met as from 30 November 2023. An additional circular was received from the CBC in June 2023, informing the credit institutions that the countercyclical buffer will further increase to 1% from 2 June 2024.

The MREL Requirement of the Bank, as set by the Resolution Department of the Central Bank of Cyprus, stands at an additional 2,5% over and above the total SREP capital requirement and an additional 1,25% of the total leverage ratio exposure. These requirements must be met from 1 January 2024.

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

The Group's regulatory capital as at 31 December 2023, is calculated in accordance with the provisions of the EU Regulation 575/2013.

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

Table – EU OV1 – Overview of total risk weighted exposure amounts

2023		Total risk exposure amounts (TREA)		Total own funds requirements
		A	B	C
		31 December 2023	30 September 2023	31 December 2023
		€	€	€
1	Credit risk (excluding CCR)	205.618.245	196.017.371	16.449.460
2	Of which the standardised approach	205.618.245	196.017.371	16.449.460

3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which slotting approach	-	-	-
EU 4a	Of which equities under the simple risk weighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	Counterparty credit risk – CCR	-	-	-
7	Of which the standardised approach	-	-	-
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	-	-	-
EU 8b	Of which credit valuation adjustment – CVA	-	-	-
9	Of which other CCR	-	-	-
10	Not applicable	-	-	-
11	Not applicable	-	-	-
12	Not applicable	-	-	-
13	Not applicable	-	-	-
14	Not applicable	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	-	-	-
17	Of which SEC-IRBA approach	-	-	-

18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	-	-	-
EU 19a	Of which 1250% / deduction	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	-	-	-
21	Of which the standardised approach	-	-	-
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	25.220.600	15.151.047	2.017.648
EU 23a	Of which basic indicator approach	25.220.600	15.151.047	2.017.648
EU 23b	Of which standardised approach	-	-	-
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	194.941	329.380	-
25	Not applicable	-	-	-
26	Not applicable	-	-	-
27	Not applicable	-	-	-
28	Not applicable	-	-	-
29	Total	230.838.845	211.170.418	18.467.108

2022		Total risk exposure amounts (TREA)		Total own funds requirements
		A	B	c
		31 December 2022	30 September 2022	31 December 2022
		€	€	€
1	Credit risk (excluding CCR)	214.318.217	211.882.802	17.145.457
2	Of which the standardised approach	214.318.217	211.882.802	17.145.457
3	Of which the Foundation IRB (F-IRB) approach	-	-	-
4	Of which slotting approach	-	-	-
EU 4a	Of which equities under the simple risk weighted approach	-	-	-
5	Of which the Advanced IRB (A-IRB) approach	-	-	-
6	Counterparty credit risk – CCR	-	-	-
7	Of which the standardised approach	-	-	-
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a CCP	-	-	-
EU 8b	Of which credit valuation adjustment – CVA	-	-	-
9	Of which other CCR	-	-	-
10	Not applicable	-	-	-

11	Not applicable	-	-	-
12	Not applicable	-	-	-
13	Not applicable	-	-	-
14	Not applicable	-	-	-
15	Settlement risk	-	-	-
16	Securitisation exposures in the non-trading book (after the cap)	-	-	-
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	-	-	-
EU 19a	Of which 1250% / deduction	-	-	-
20	Position, foreign exchange and commodities risks (Market risk)	-	-	-
21	Of which the standardised approach	-	-	-
22	Of which IMA	-	-	-
EU 22a	Large exposures	-	-	-
23	Operational risk	15.151.047	11.974.050	1.212.084
EU 23a	Of which basic indicator approach	15.151.047	11.974.050	1.212.084
EU 23b	Of which standardised approach	-	-	-
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject	1.059.045	-	-

	to 250% risk weight)			
25	Not applicable	-	-	-
26	Not applicable	-	-	-
27	Not applicable	-	-	-
28	Not applicable	-	-	-
29	Total	229.469.264	223.856.852	18.357.541

Notes

1. The credit RWAs have decreased by around €10 million during 2023, mainly due to the below:
 - a. decrease / settlement during the year in loans and advances, including some in the exposure class 'Items associated with particular high risk'.
 - b. reclassification of exposures between the various exposure classes.
2. The operational RWAs have increased by €10 million during 2023, mainly due to the increase in the operating income of the Bank, for the last three years.
3. In the above tables "Amounts below the thresholds for deduction" (subject to 250% risk weight) relate to the deferred tax asset recognised based on the anticipated future utilisation of tax losses carried forward by the Bank as supported by its approved Business plan. The deferred tax asset was below the thresholds set by CRR II regarding deduction from capital and thus was subject to 250% risk weight according to CRR II.

6. CREDIT RISK – EU CRA

6.1. Credit Risk Definition

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

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

6.2. Credit Risk Management procedures

The Group, through its Subsidiary, the Bank, has in place both a Credit Risk Management Policy and a Credit Risk Strategy that is reflected in the Bank's overall Risk Appetite Statement.

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

Risk Management Function

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

- has the responsibility to identify, evaluate and assess the credit risk of the Bank and the responsibility to make proposals on the management of and controls on credit risk through various mechanisms on the basis of the strategic goals as determined by the Board of Directors
- recommends establishing and developing credit policies and procedures based on European and local directives, regulations, and guidelines, best practices performed internationally, and adjusts internal policies and procedures as appropriate
- contributes to setting the procedure for granting of credit facilities to customers of the Bank according to the Bank's Risk Appetite Statement and Credit Risk Policy as set by the Board of Directors
- is responsible for setting, with the collaboration of the Organisations and Methods (the "O&M") department, appropriate procedures for the management of credit risk
- sets limits and principles of financing and assesses the new banking products and new banking activities of the Bank.

Credit granting Organizational framework, policies and procedures

Regarding the loan origination process, the Bank has written and published procedures that clearly indicate the roles and responsibilities of personnel involved and is in line with the Directive issued by the Central Bank of Cyprus ("CBC") on Credit Granting and Review Processes. Segregation of duties is present throughout the process as relationship officers prepare applications and provide an opinion but cannot approve a credit facility. The approval process of credit facilities aims in minimising credit risk by evaluating the creditworthiness of the counterparty, the collateral offered and the type of credit facility. Emphasis is given on the customer's repayment ability and any collaterals assigned act as a fall-back position in times of financial difficulties. Credit risks from connected customer accounts are consolidated and monitored on a single customer group basis. The Bank utilises internally developed credit scoring models as part of its lending procedures.

Credit risk monitoring and reporting

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

Arrears Management Process

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

The relevant policy has been formulated to provide all stakeholders with a comprehensive understanding of how arrears are to be managed by the Bank and ensure that all staff has a current and consistent guidance. The Bank has developed a comprehensive and detailed arrears management strategy ('AMS') to effectively manage arrears and deal with borrowers in financial difficulties in a systematic, organised and professional manner and this is submitted to the CBC for assessment. The AMS includes a clearly defined approach for each of the main category of credit facilities it serves and an operational plan covering the main components of arrears management.

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

Credit Sanctioning department

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

Approving authorities

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

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

6.3. Measures and credit limits

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

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

Counterparty Credit Risk ('CCR')

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

include repurchase agreements, securities or commodities lending or borrowing, long settlement transactions, derivatives and margin lending transactions. As at 31 December 2023 the Group did not have any outstanding repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions, margin lending transactions or derivative instruments transactions, and thus no CCR.

Credit risk concentration

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

Collateral and other credit enhancements

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

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

The Group has relevant and clear policies and procedures for:

- Accepting different types of collateral.
- Classifying collateral.
- Regularly monitoring and assessing collateral values.
- Ensuring that collateral is legally enforceable, adequate and realisable.
- Identifying and managing any concentrations arising from collateral.

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

Securities act as a credit risk mitigation measure in the case of customer default. In other words, credit facilities are collateralised as a safety net in case of future adverse deviations in the servicing ability of borrowers. Collaterals are classified into the following categories:

- Own collateral – i.e. belonging to the respective borrower
- Third Party collateral – i.e. belonging to a third party and to not the respective borrower

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

As at 31 December 2023, the main types of collateral obtained by the Group consisted of:

- Legal Pledge of Cash Deposit – Cash Collateral
- Mortgages – Legal Charge on Property
- Guarantees (e.g. Personal, Corporate, Government, Bank Guarantees)
- Fixed Charges
- Floating Charges on company assets
- Assignment of Life Insurance Policies
- Assignment of General Insurance Policies
- Pledge on marketable securities (shares, debt securities, etc.)

6.4. Application of the standardized approach

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

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

6.5. Nominated ECAI's

For the purposes of applying the Standardized Approach, the ratings of nominated External Credit Assessment Institutions (ECAI) which are recognized by the CBC are used.

For the purpose of applying the Standardized Approach, the Group adopts the three ratings approach as described in Article 138 of EU Regulation 575/2013 for all asset classes.

The Group complies with the standard assignment of external ratings of each nominated ECAI with the credit quality steps, as per the table below:

Table – EU CRD

Credit Step	Quality	Moody's Ratings	S&P Ratings	Fitch Ratings	DBRS Ratings
1		Aaa to Aa3	AAA to AA-	AAA to AA-	AAA to AA-
2		A1 to A3	A+ to A-	A+ to A-	A+ to A-
3		Baa1 to Baa3	BBB+ to BBB-	BBB+ to BBB-	BBB+ to BBB-
4		Ba1 to Ba3	BB+ to BB-	BB+ to BB-	BB+ to BB-
5		B1 to B3	B+ to B-	B+ to B-	B+ to B-
6		Caa1 and below	CCC+ and below	CCC+ and below	CCC+ and below

6.6. Credit Risk mitigation techniques (CRM)

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

6.7. Countercyclical Capital Buffer

The Countercyclical capital buffer as at 31 December 2023 is set to 0,5% as communicated by the Central Bank of Cyprus on a quarterly basis. The new rate of 0,5% is applicable from 30 November 2023. In a subsequent announcement in June 2023, CBC announced that the countercyclical buffer will further increase to 1% from 2 June 2024.

As set out in Article 130(1) of Directive 2013/36/EU, the Group's specific countercyclical capital buffer consists of the weighted average of the countercyclical buffer rates (CcyB) that apply in the countries where the relevant credit exposures are located. The Group's specific countercyclical capital buffer as at 31 December 2023 has been found to be 0,51%, given that the majority of the exposures are in Cyprus.

6.8. Risk of impairment

Measurement of exposures

Financial instruments at fair value through profit or loss ('FVTPL') are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value is the price

that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Measurement categories

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

After the initial recognition, an expected credit loss ('ECL') allowance is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

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

Business model assessment

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

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

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

Cash flow characteristics and assessment whether contractual cash flows are SPPI

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

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

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

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

- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features), and convertible features.

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

Reclassifications and changes in the business model

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

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

Impairment of financial assets methodology

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

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

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

Equity instruments are not subject to impairment assessment.

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

ECL measurement reflects an unbiased and probability weighted amount determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The Group categorises its financial assets into Stage 1, Stage 2, Stage 3 and POCI for ECL measurement as described below:

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

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

Stage 3: Financial assets which are considered to be credit-impaired (refer below on how the Group defines credit-impaired and default) and lifetime losses are recognised.

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

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

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

Individually assessed loans

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

Collectively assessed loans

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

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

The Group uses certain criteria to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The criteria for determining whether credit risk has increased significantly include delinquency and forbearance measures and deterioration in credit score for loans and advances, and deterioration of external credit rating for debt securities and placements with banks.

Non-performing exposures (Exposures in default)

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

On 31 December 2023, an amount of €5.273.722 (2022: €1.014.553) was classified by the Group as NPE for its on balance sheet exposures. NPEs are defined as all those exposures towards an obligor, when any of the following events has occurred:

- a) the obligor is assessed as unlikely to pay (UTP) its credit obligations in full without realisation of collateral, regardless of the existence of any past due amount or of the number of days past due,
- b) the obligor has material credit obligations past due on a continuous basis, more than 90 regulatory days past due
- c) a Distressed restructuring resulting in a diminished financial obligation higher than the specified threshold of 1%
- d) Performing forbore exposures under probation for which additional forbearance measures are extended.
- e) Performing forbore exposures under probation that present more than 30 days past due within the probation period.
- f) Defaulted or impaired exposures as per the approach provided in the Capital Requirement Regulation (CRR), which would also trigger a default under specific credit adjustment, distress restructuring and obligor bankruptcy.

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

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

Materiality threshold

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

- a) The sum of all amounts past due owed by the obligor equals:
 - i. 100 EUR – for Retail Exposures
 - ii. 500 EUR – for exposures other than retail exposures AND
- b) Sum of all amounts past due owed by the obligor equals to 1% of all on-balance-sheet exposures to that obligor

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

Forborne exposures

On 31 December 2023, €432.472 (2022: €2.922.129) were classified as performing forborne exposures and €55.292 (2022: €58.497) were classified as non-performing forborne exposures totalling to €487.764 (2022: €2.980.626).

EBA/GL/2022/13 amending EBA/GL/2018/10 – Template 1 – Credit quality of forborne exposures

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

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

31-Dec-23		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forbore exposures	
		Performing forbore	Non-performing forbore			On performing forbore exposures	On non-performing forbore exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
	Of which defaulted		Of which impaired						
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	432.472	55.292	55.292	55.292	(1.236)	(37.195)	449.263	18.027
020	Central banks	-	-	-	-	-	-	-	-
030	General governments	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-
050	Other financial corporations	-	-	-	-	-	-	-	-
060	Non-financial corporations	354.250	-	-	-	(1.236)	-	353.014	-
070	Households	78.222	55.292	55.292	55.292		(37.195)	96.249	18.027
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	127.245	-	-	-	(5.944)	-	127.245	-
100	Total	559.717	55.292	55.292	55.292	(7.180)	(37.195)	576.508	18.027

31-Dec-22		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forbore exposures	
		Performing forbore	Non-performing forbore			On performing forbore exposures	On non-performing forbore exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
	Of which defaulted		Of which impaired						
005	Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
010	Loans and advances	2.922.129	58.497	55.557	58.497	(31.672)	(17.116)	2.883.064	40.599
020	<i>Central banks</i>	-	-	-	-	-	-	-	-
030	<i>General governments</i>	-	-	-	-	-	-	-	-
040	<i>Credit institutions</i>	-	-	-	-	-	-	-	-
050	<i>Other financial corporations</i>	-	-	-	-	-	-	-	-
060	<i>Non-financial corporations</i>	2.011.680	-	-	-	(13.413)	-	1.998.267	-
070	<i>Households</i>	910.449	58.497	55.557	58.497	(18.259)	(17.116)	884.797	40.599
080	Debt Securities	-	-	-	-	-	-	-	-
090	Loan commitments given	15.536	-	-	-	-	-	15.536	-
100	Total	2.937.665	58.497	55.557	58.497	(31.672)	(17.116)	2.898.600	40.599

EBA/GL/2022/13 amending EBA/GL/2018/10 – Template 4 – Performing and non-performing exposures and related provisions

The table EU CR1 provides an overview of the credit quality of non-performing exposures and related impairments, provisions and valuation adjustments by portfolio and exposure class.

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
31-Dec-23		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	Cash balances at central banks and other demand deposits	294.197.482	294.197.482	-	-	-	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	312.772.165	287.174.059	25.598.106	5.273.723	-	5.273.723	(1.412.284)	(1.268.954)	(143.330)	(576.597)	-	(576.597)	-	289.048.886	4.697.126
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	141	-	141	-	-	-	(4)	-	(4)	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	184.279	177.567	6.712	-	-	-	(5.151)	(4.955)	(196)	-	-	-	-	174.488	-
060	Non-financial corporations	139.001.109	126.988.986	12.012.123	4.146.587	-	4.146.587	(888.543)	(811.894)	(76.649)	(265.291)	-	(265.291)	-	119.832.442	3.881.296
070	Of which SMEs	136.783.172	124.771.391	12.011.781	4.146.587	-	4.146.587	(800.936)	(724.297)	(76.639)	(182.402)	-	(182.402)	-	119.832.442	3.881.296
080	Households	173.586.636	160.007.506	13.579.130	1.127.136	-	1.127.136	(518.586)	(452.105)	(66.481)	(311.306)	-	(311.306)	-	169.041.956	815.830
090	Debt securities	104.089.480	104.089.480	-	-	-	-	(34.245)	(34.245)	-	-	-	-	-	-	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

110	General governments	71.036.361	71.036.361	-	-	-	-	(23.646)	(23.646)	-	-	-	-	-	-	-
120	Credit institutions	23.657.354	23.657.354	-	-	-	-	(7.397)	(7.397)	-	-	-	-	-	-	-
130	Other financial corporations	5.836.751	5.836.751	-	-	-	-	(1.459)	(1.459)	-	-	-	-	-	-	-
140	Non-financial corporations	3.559.014	3.559.014	-	-	-	-	(1.743)	(1.743)	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	38.386.016	37.519.204	866.812	399.694	-	399.694	(147.243)	(141.172)	(6.071)	(102.954)	-	(102.954)	-	21.508.091	97.194
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
170	General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
180	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
190	Other financial corporations	5.146	5.146	-	-	-	-	(5)	(5)	-	-	-	-	-	4.772	17.382
200	Non-financial corporations	26.491.764	25.814.211	677.553	320.032	-	320.032	(135.502)	(129.558)	(5.944)	(102.954)	-	(102.954)	-	12.547.859	79.812
210	Households	11.889.106	11.699.847	189.259	79.662	-	79.662	(11.736)	(11.609)	(127)	-	-	-	-	8.955.460	-
220	Total	749.445.143	722.980.225	26.464.918	5.673.417	-	5.673.417	(1.593.772)	(1.444.371)	(149.401)	(679.551)	-	(679.551)	-	310.556.977	4.794.320

31-Dec-22		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	
		Gross carrying amount/nominal amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures				Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3				
005	Cash balances at central banks and other demand deposits	103.803.620	103.803.620	-	-	-	-	-	-	-	-	-	-	-	-	-	
010	Loans and advances	333.137.902	309.817.233	23.320.669	1.014.554	-	1.014.554	(1.008.202)	(782.761)	(225.441)	(115.745)	-	(115.745)	-	305.461.241	895.529	
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
030	General governments	15	-	15	-	-	-	-	-	-	-	-	-	-	-	-	
040	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
050	Other financial corporations	1.038.269	1.026.189	12.080	340	-	340	(1.215)	(1.028)	(187)	(297)	-	(297)	-	973.239	-	
060	Non-financial corporations	154.054.848	141.035.599	13.019.249	223.602	-	223.602	(568.546)	(545.016)	(23.530)	(65.606)	-	(65.606)	-	131.170.322	157.884	
070	Of which SMEs	151.494.166	138.475.125	13.019.041	223.322	-	223.322	(503.291)	(479.764)	(23.527)	(65.336)	-	(65.336)	-	131.170.322	157.884	
080	Households	178.044.770	167.755.445	10.289.325	790.612	-	790.612	(438.441)	(236.717)	(201.724)	(49.842)	-	(49.842)	-	173.317.680	737.645	
090	Debt securities	32.572.615	32.572.615	-	-	-	-	(11.134)	(11.134)	-	-	-	-	-	-	-	
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
110	General governments	19.779.016	19.779.016	-	-	-	-	(6.940)	(6.940)	-	-	-	-	-	-	-	
120	Credit institutions	4.546.482	4.546.482	-	-	-	-	(1.049)	(1.049)	-	-	-	-	-	-	-	
130	Other financial corporations	2.843.949	2.843.949	-	-	-	-	(997)	(997)	-	-	-	-	-	-	-	
140	Non-financial corporations	5.403.168	5.403.168	-	-	-	-	(2.148)	(2.148)	-	-	-	-	-	-	-	
150	Off-balance-sheet exposures	37.653.891	35.761.807	1.892.084	17.361	-	17.361	(88.399)	(87.052)	(1.347)	(579)	-	(579)	-	20.001.636	14.340	
160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
170	General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
180	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
190	Other financial corporations	176.050	176.050	-	-	-	-	-	-	-	-	-	-	-	108.626	-	

200	Non-financial corporations	22.236.577	21.006.920	1.229.657	-	-	-				-	-	-		9.818.442	-
210	Households	15.241.264	14.578.837	662.427	17.361	-	17.361				(579)	-	(579)		10.074.568	14.340
220	Total	507.168.028	481.955.275	25.212.753	1.031.915	-	1.031.915	(1.107.735)	(890.947)	(226.788)	(116.324)	-	(116.324)	-	325.462.877	909.869

EBA/GL/2022/13 amending EBA/GL/2018/10 – Template 3 – Credit quality of performing and non-performing exposures by past due days

The table EU CQ3 provides an overview of credit quality of performing and non-performing exposures by past due days, as per Commission Implementing Regulation (EU) No 680/2014.

31-Dec-23		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures				Non-performing exposures							
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	294.197.482	294.197.482	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	312.772.165	305.443.105	7.329.060	5.273.723	2.459.699	2.220.911	338.029	3.101	249.901	2.082	-	5.249.558
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	141	15	126	-	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	184.279	183.183	1.096	-	-	-	-	-	-	-	-	-
060	Non-financial corporations	139.001.109	138.938.174	62.935	4.146.587	2.323.932	1.556.209	37.543		228.272	631		4.122.422
070	Of which SMEs	136.783.172	136.720.579	62.593	4.146.587	2.323.932	1.556.209	37.543		228.272	631		4.122.422
080	Households	173.586.636	166.321.733	7.264.903	1.127.136	135.767	664.702	300.486	3.101	21.629	1.451		1.127.136
090	Debt securities	104.089.480	104.089.480	-	-	-	-	-	-	-	-	-	-
100	Central banks			-	-	-	-	-	-	-	-	-	-
110	General governments	71.036.361	71.036.361	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	23.657.354	23.657.354	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	5.836.751	5.836.751	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	3.559.014	3.559.014	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	38.386.016			399.694								472.494
160	Central banks	-			-								-
170	General governments	-			-								-
180	Credit institutions	-			-								-
190	Other financial corporations	5.146			-								-
200	Non-financial corporations	26.491.764			320.032								392.832
210	Households	11.889.106			79.662								79.662
220	Total	749.445.143	703.730.067	7.329.060	5.673.417	2.459.699	2.220.911	338.029	3.101	249.901	2.082	-	5.722.052

31-Dec-22		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	103.803.620	103.803.620	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	333.137.902	332.060.502	1.077.400	1.014.554	192.533	180.239	400.880	4.746	235.558	598	-	1.009.936
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	15	15	-	-	-	-	-	-	-	-	-	-
040	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	1.038.269	1.037.627	642	340	-	-	-	-	340	-	-	340
060	Non-financial corporations	154.054.848	153.939.423	115.425	223.602	10.232	-	-	-	212.772	598	-	223.498
070	Of which SMEs	151.494.166	151.378.949	115.217	223.322	10.232	-	-	-	212.772	318	-	223.218
080	Households	178.044.770	177.083.437	961.333	790.612	182.301	180.239	400.880	4.746	22.446	-	-	786.098
090	Debt securities	32.572.615	32.572.615	-	-	-	-	-	-	-	-	-	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	19.779.016	19.779.016	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	4.546.482	4.546.482	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	2.843.949	2.843.949	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	5.403.168	5.403.168	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	37.653.891			17.361								17.361
160	Central banks	-			-								-
170	General governments	-			-								-
180	Credit institutions	-			-								-
190	Other financial corporations	176.050			-								-
200	Non-financial corporations	22.236.577			-								-
210	Households	15.241.264			17.361								17.361
220	Total	507.168.028	468.436.737	1.077.400	1.031.915	192.533	180.239	400.880	4.746	235.558	598	-	1.027.297

7. MARKET RISK – EU MRA

7.1. Definition of Market Risk

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

7.2. Monitoring

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

The ALCO:

Is responsible to

- Review the implementation of the Market Risk Management Policy.
- Ensure compliance with regulatory as well as internal Market Risk limits.

Treasury:

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

The Risk Management Function:

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

The Internal Audit:

- Evaluates and reports on the adequacy and effectiveness of all Market Risk policy practices.

7.3. Foreign Currency Risk

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

As the Group broadly maintains a matching of assets and liabilities in other currencies, there are no material open positions in any foreign currency, and consequently the impact on net loss and equity of reasonably possible changes in exchange rates is not expected to be significant. The Group does not maintain branches/subsidiaries in a country with a currency other than the reporting currency.

In order to limit the Foreign Exchange Risk, relevant Limits are in place.

The Bank has limited exposure to foreign currency risk as demonstrated In the Table below:

Table: Foreign currency exposure

Currency	31/12/2023	31/12/2022
GBP	37.496	279.480
USD	38.537	54.538
Other	57.685	187.768
Total of net Long Positions	133.538	521.786
Total of net Short Positions	-	-

7.4. Interest Rate Risk

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

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

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

A parallel increase in market interest rates across all currencies within a 12-month period by 100 basis points would result in an increase in the profit before tax by €1.393.918 (2022: decrease in the profit before tax by €82.396). A parallel decrease in market interest rates across all currencies within a 12-month period by 100 basis points would result in a decrease in profit after tax by €1.393.918 (2022: increase in profit after tax by €82.396). The specific sensitivity analysis does not assume application of interest rate floors.

7.5. Price Risk

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

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

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

The Bank is not exposed to commodity price risk.

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

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

No sensitivity analysis is presented as any reasonable change in the fair value of the equity instruments would not result in a material impact on post-tax profit in 2023 and 2022, considering the immaterial size of equities classified as FVOCI.

7.6. Capital Requirements

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

The market risk capital requirement for both 31 December 2023 and 31 December 2022 was €nil.

8. LIQUIDITY RISK

8.1. Definition of Liquidity Risk

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

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

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

8.2. Monitoring Process

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

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

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

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

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

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

8.3. Regulatory Ratios

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

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

The liquidity position of the Group as at 31-12-2023 as measured through key regulatory ratios is set below:

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

Regulatory Liquidity Ratios	Regulatory Requirement	Position as at 31 December 2023
LCR	≥100%	1540%
NSFR	≥100%	243%

Table 1: Group's Regulatory Liquidity Position as at 31 Dec 2023

Note 35 of the published Financial Statements analyses the main sources of funding.

8.4. Disclosures (tables and templates)

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

	Value (€) / Percentage (%) 2023	Value (€) / Percentage (%) 2022
Liquidity buffer	369.011.080	124.282.037
Net liquidity outflow	23.958.008	22.830.934
Liquidity coverage ratio (%)	1540%	544%
Denominator calculations		
Total Outflows	47.733.833	36.666.884
Reduction for inflows subject to 75% Cap	23.775.825	13.835.950
Net liquidity outflow	23.958.008	22.830.934

Table EU LIQA Liquidity: Coverage Ratio breakdown

The Group monitors the NSFR, which also stems from CRR. NSFR has been developed to provide a sustainable maturity structure of assets and liabilities. It calculates the proportion of available stable funding over required stable funding for the assets. The minimum requirement of NSFR is 100% and must be calculated as per CRR II requirements on a quarterly basis. NSFR became a regulatory indicator when Capital Requirements Regulation 2 (CRR II) was enforced with the limit set at 100% in June 2021. On 31st December 2023 the Group's NSFR stood at 243% based on CRR II.

31/12/2023	Unweighted value by residual maturity			Weighted value
	< 6 months	≥ 6 months to < 1 year	≥ 1 year	
Available Stable Funding Amounts				
Capital items and instruments	-	-	53.133.558	53.133.558
Own funds			53.133.558	53.133.558
Other capital instruments	-	-	-	-
Retail deposits	289.990.429	246.790.397	30.801.353	525.640.417
Stable deposits	177.703.674	57.022.728	12.240.098	235.230.180
Less stable deposits	112.286.755	189.767.669	18.561.255	290.410.237
Financial customers and central banks	30.716.803	8.455.384	1.261.560	11.133.359
Liabilities provided by the ECB or the central bank of a Member State	30.716.803	8.455.384	1.261.560	11.133.359
Other non-financial customers (except central banks)	47.392.734	11.056.732	4.107.208	33.331.941
Liabilities provided by the central government of a Member State or a third country	4.129.915	5.539.728	-	4.834.822
Liabilities provided by non-financial corporate customers	43.262.819	5.517.004	4.107.208	28.497.120
Total available stable funding (ASF)				623.239.275
Required Stable Funding Amounts				
Total high-quality liquid assets (HQLA)				1.687.402
Securities other than liquid assets	0	467.480	19.078.865	16.450.775
Non-HQLA securities and	0	467.480	19.078.865	16.450.775

exchange traded equities				
Loans	32.875.360	16.970.432	261.397.488	215.538.915
Other loans and advances to financial customers	13.793.343		802	1.380.136
Loans to non-financial customers other than central banks where those loans are assigned a risk weight of 35% or less	6.281.796	5.834.954	130.273.146	90.735.920
Other loans to non-financial customers other than central banks	12.800.221	11.135.478	131.123.540	123.422.859
Other assets	321.311	300.448	19.480.755	20.102.514
Off-balance sheet items	15.970.332	2.278.841	21.237.595	2.601.600
Total RSF				256.381.207
Net Stable Funding Ratio (%)				243%

Table: Net Stable Funding Ratio breakdown

31/12/2022	Unweighted value by residual maturity			Weighted value
	< 6 months	≥ 6 months to < 1 year	≥ 1 year	
Available Stable Funding Amounts				
Capital items and instruments	-	-	44.986.664	44.986.664
Own funds			44.986.664	44.986.664
Other capital instruments	-	-	-	-
Retail deposits	312.912.738	18.990.281	16.918.375	325.346.651
Stable deposits	182.075.657	12.235.517	9.307.855	193.903.470
Less stable deposits	130.837.081	6.754.764	7.610.520	131.443.181
Financial customers and central banks	16.291.473	4.867.756	2.713.552	10.722.486
Liabilities provided by the ECB or the central bank of a Member State	16.291.473	4.867.756	2.713.552	10.722.486
Other non-financial customers (except central banks)	52.156.775	1.163.015	3.681.108	30.341.003
Liabilities provided by the central government of a Member State or a third country	207.308	-	-	103.654
Liabilities provided by non-financial corporate customers	51.949.467	1.163.015	3.681.108	30.237.349
Total available stable funding (ASF)				411.396.803
Required Stable Funding Amounts				
Total high-quality liquid assets (HQLA)				2.482.992
Securities other than liquid assets	307.926	-	4.387.758	3.883.557
Non-HQLA securities and	307.926	-	4.387.758	3.883.557

exchange traded equities				
Loans	26.270.098	20.034.324	277.462.531	229.670.915
Other loans and advances to financial customers	8.626.049		51	862.656
Loans to non-financial customers other than central banks where those loans are assigned a risk weight of 35% or less	5.408.253	5.647.925	129.370.177	89.618.704
Other loans to non-financial customers other than central banks	12.235.796	14.386.399	148.092.303	139.189.555
Other assets	44.612	51.994	18.002.677	18.099.283
Off-balance sheet items	13.006.226	3.688.729	23.237.003	2.230.256
Total RSF				256.367.003
Net Stable Funding Ratio (%)				160%

9. OPERATIONAL RISK – EU ORA

9.1. Definition of Operational Risk

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

The Group understands the importance of having high standards of corporate governance and efficient as well as effective management practices in place that will safeguard it from the various risks. The management of operational risk is mainly focused on a strong internal control governance framework and is continuously adjusted to incorporate best practices.

Examples of risks monitored as part of operational risk include:

- Human Resources Risk
- Legal and Compliance Risk
- Reputational Risk
- ICT and Security Risk

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

9.2. Management of the Operational Risk

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

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

The Board of Directors:

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

The Board of Directors Risk Committee:

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

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

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

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

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

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

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

9.3. Monitoring (Procedures, Systems and Mitigating Techniques)

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

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

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

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

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

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

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

9.4. Business Resilience and Continuity Risk Management

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

9.5. Capital Requirements

The Group uses the Basic Indicator Approach for the calculation of the capital requirements for operational risk, based on which the operational risk capital requirement is estimated using a specific percentage of 15% of the average over three years of the relevant indicator (sum of a list of various elements related to interest and other income) as set out in Article 316 of CRR. RWA and capital requirements of operational risk can be found in Table - EU OV1 – Overview of total risk exposure amounts.

10. REMUNERATION

10.1. Remuneration Policy – EU REMA

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

10.2. Principles

The Group, through the Bank, follows a set of principles, as required by the relevant legislation, in a manner and to the extent that is appropriate to its size, internal organisation and the nature, scope and complexity of its activities.

1. Characteristics of the Policy

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

2. Design & Review of the Policy

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

3. Disclosure to Shareholders

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

4. Identification Policy for 'Identified Staff'

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

5. Categories of Remuneration

- The Policy distinguishes between two categories of remuneration, basic fixed, and variable remuneration, whose characteristics are outlined below:

- ✓ **Basic Fixed Remuneration** primarily reflects the relevant professional experience and organisational responsibility of a staff member, as set out in the relevant job description as part of the terms of employment. It is reviewed on an annual basis as part of the Bank's Salary Review Process and the individual's performance assessment and the Bank's Salary Benchmarks are taken into consideration.
- ✓ **Variable Remuneration** is based on a combination of the assessment of the performance of the individual, the business unit / department concerned, and the Bank's overall results, and takes into account the risks taken. When assessing individual performance both financial and non-financial criteria are taken into account. Relevant thresholds of the maximum variable component of remuneration are in place. .

6. All Staff

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

7. Identified Staff:

Additional principles apply for identified staff, including the following:

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

- Variable remuneration for identified staff is paid partly upfront and partly deferred.

8. Determining Fixed & Variable Remuneration

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

Remuneration	BoD Members		Identified staff <i>(other than Executive Members)</i>	Heads of Internal Control Functions	All other staff
	Non-Executive	Executive			
Suggested by:	Remuneration & Nominations Committee (R&NC)	R&NC	Division Heads <i>(excluding their own remuneration)</i> & Manager Human Resources	R&NC	Division / Departmental Heads & Human Resources Manager
Approved by:	Shareholders at the Annual General Meeting (AGM)	BoD	Senior Management	BoD	Senior Management

9. Performance Measurement

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

10. Remuneration of the Board of Directors

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

11. Remuneration of Internal Control Functions

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

12. Conflicts of Interest

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

13. Establishment of a Remuneration & Nominations Committee

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

- Ensures that the remuneration policy and practices of the Bank are subject to a central and independent internal review, at least annually. The review should include an analysis of whether the remuneration policy is gender neutral.

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

10.3. Fees and Emoluments of Members of the Board of Directors

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

Template - EU REM1 - Remuneration awarded for the financial year

2023			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	7	2	3	9
2		Total fixed remuneration	155.812	532.595	324.214	621.981
3		Of which: cash-based	155.812	532.595	324.214	621.981
4		(Not applicable in the EU)	-	-	-	-
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-

EU-5x	Variable remuneration	Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)	-	-	-	-
7		Of which: other forms	-	-	-	-
8		(Not applicable in the EU)	-	-	-	-
9		Number of identified staff	-	-	-	2
10		Total variable remuneration	-	-	-	268
11		Of which: cash-based	-	-	-	268
12		Of which: deferred	-	-	-	-
EU-13a		Of which: shares or equivalent ownership interests	-	-	-	-
EU-14a		Of which: deferred	-	-	-	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		Of which: deferred	-	-	-	-
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration		155.812	532.595	324.214	622.249

2022			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	9	2	3	8
2		Total fixed remuneration	133.979	360.160	240.156	400.169
3		Of which: cash-based	133.979	360.160	240.156	400.169
4		(Not applicable in the EU)	-	-	-	-
EU-4a		Of which: shares or equivalent ownership interests	-	-	-	-
5		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-5x		Of which: other instruments	-	-	-	-
6		(Not applicable in the EU)	-	-	-	-
7	Of which: other forms	-	-	-	-	
8	(Not applicable in the EU)	-	-	-	-	
9	Variable remuneration	Number of identified staff				1
10		Total variable remuneration	-	-	-	1.000
11		Of which: cash-based	-	-	-	1.000
12		Of which: deferred	-	-	-	-
EU-13a	Of which: shares or equivalent ownership interests	-	-	-	-	

EU-14a		Of which: deferred	-	-	-	-
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
EU-14b		Of which: deferred	-	-	-	-
EU-14x		Of which: other instruments	-	-	-	-
EU-14y		Of which: deferred	-	-	-	-
15		Of which: other forms	-	-	-	-
16		Of which: deferred	-	-	-	-
17	Total remuneration		133.979	360.160	240.156	401.169

- The list of identified staff for 2023 has been revised and hence there are differences compared to the identified staff for 2022.

Template - EU REM5 - Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

2023		a	b	c	d	e	f	g	h	i	j	
		Management body remuneration			Business areas							
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total	
1	Total number of identified staff										21	
2	Of which: members of the MB	7	2	9								
3	Of which: other senior management				-	1	-	2	-	-		
4	Of which: other identified staff				-	-	-	5	4	-		
5	Total remuneration of identified staff	155.812	532.595	688.407	-	164.055	-	520.400	262.008	-		
6	Of which: variable remuneration	-	-	-	-	-	-	268	-	-		
7	Of which: fixed remuneration	155.812	532.595	688.407	-	164.055	-	520.132	262.008	-		

2022		a	b	c	d	e	f	g	h	i	j	
		Management body remuneration			Business areas							
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total	
1	Total number of identified staff										22	
2	Of which: members of the MB	9	2	11								
3	Of which: other senior management				-	1	-	2	-	-		
4	Of which: other identified staff				-	-	-	4	4	-		
5	Total remuneration of identified staff	133.979	360.160	494.139	-	90.560	-	361.274	189.491	-		
6	Of which: variable remuneration	-	-	-	-	-	-	1.000	-	-		
7	Of which: fixed remuneration	133.979	360.160	494.139	-	90.560	-	360.274	189.491	-		

11. LEVERAGE RATIO

11.1. Definition of Leverage Ratio

Leverage ratio is calculated as the ratio, expressed as a percentage, of the Bank's capital measure divided by the Bank's total exposure measure, as per Article 429 of the EU Regulation 575/2013. Total capital consists of entirely Tier 1 capital using the fully phased-in definition.

11.2. Monitoring

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

This ratio must be closely monitored in order to manage this risk of excessive leverage. The ratio can be affected from disposal of assets (e.g. loans) or from increase of assets and changes in capital.

The Group's leverage ratio for year end 2023 is significantly above the regulatory minimum of 3%. The main reasons for the total exposure increase are due to the increase in loans and advances and the increase in cash and balances with Central Banks as a result of the increase in customer deposits in the year.

11.3. Disclosure

EU LR2 – LRCom: Leverage ratio common disclosure

Item (€'000)	Leverage ratio exposure	
	2023	2022
On-balance sheet exposures		
On-balance sheet items (excluding derivatives and SFTs, but including collateral)	734.456.576	485.031.936
Asset amounts deducted in determining Basel III Tier 1 capital	-1.268.570	-1.135.745
Total on-balance sheet exposures	733.188.006	483.896.191
Other off-balance sheet exposures		
Off-balance sheet exposure at gross notional amount	39.486.769	39.931.957
Adjustments for conversion to credit equivalent amounts	-24.631.116	-24.454.896
Off-balance sheet items	14.855.653	15.477.061
Capital and total exposures		
Tier 1 capital	53.133.558	44.986.664
Total exposures	748.043.659	499.373.252
Leverage ratio		
	7,10%	9,01%

Key Leverage Metrics	a	b
	31 Dec 2023	31 Dec 2022
	€	€
Leverage ratio		
Total exposure measure	748.043.659	499.373.252
Leverage ratio (%)	7,10%	9,01%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)		
Additional own funds requirements to address the risk of excessive leverage (%)	-	-
of which: to be made up of CET1 capital (percentage points)	-	-
Total SREP leverage ratio requirements (%)	3,00%	3,00%
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)		
Leverage ratio buffer requirement (%)	-	-
Overall leverage ratio requirement (%)	3,00%	3,00%

12. ASSET ENCUMBRANCE

Encumbered and unencumbered assets analysed by asset type

An asset is classified as encumbered if it has been pledged as collateral against secured funding and other collateralised obligations and, as a result, is no longer available to the Bank for further collateral or liquidity requirements. An asset is classified as unencumbered if it has not been pledged as collateral against secured funding and other collateralised obligations. Unencumbered assets are further analysed into those that are available and can be potentially pledged and those that are not readily available to be pledged. Relevant analysis can be found in Note 34 of the Consolidated Annual Financial Report for 2023.

As at 31 December 2023 and as at 31 December 2022, the Group had no encumbered assets.

13. ADOPTION OF NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS

13.1. Basis of preparation of the Financial Statements

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

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

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

Going concern

The Group's consolidated financial statements have been prepared on a going concern basis following the assessment performed by the Company's Board of Directors and Management on the Group's ability to continue as a going concern for a period of at least twelve months from the date of approval and issuance of the consolidated financial statements. Further details can be found in Note 2.1 of the Consolidated Financial Statements.

13.2. Adoption of new and revised IFRSs

During the current year, the Group has adopted all new and revised IFRSs that are relevant to its operations and are effective for accounting periods beginning on or after 1 January 2023. The adoption of these new and revised standards and interpretations did not have a material effect on the accounting policies of the Group.

At the date of approval of the consolidated financial statements a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2024 and have not been applied in preparing these financial statements. These are listed below:

a) Adopted by the EU

Standard / Interpretation	Effective for annual periods beginning on or after
Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022)	1 January 2024
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023)	1 January 2024
Amendments to IAS 1 Presentation of Financial Statements: Non-current Liabilities with Covenants(issued on 31 October 2022)	1 January 2024

b) Not yet adopted by the EU

Standard / Interpretation	Effective for annual periods beginning on or after
Amendments to IAS 21: The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023)	1 January 2025
IFRS 18: Presentation and Disclosure in Financial Statements (issued on 9 April 2024)	1 January 2027

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

14. APPENDICES

14.1. Glossary

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

14.2. Information flow on risk to Board of Directors

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

No.	Report Name	Report Owner	Report Recipient	Frequency
1	ALCO Risk Report	RMF	ALCO/RC	Monthly/ Quarterly
2	Risk Appetite Statement Monitoring	RMF	ALCO/RC	Monthly/Quarterly
3	Quarterly Risk Management Report	RMF	RC	Quarterly
4	Quarterly ICT and Security Risk Management Report	ICT and SRM	RC	Quarterly
5	Quarterly Internal Auditor’s Report	IAF	AC/BoD /CBC	Quarterly
6	Quarterly Compliance Report	CF	AC	Quarterly
7	Annual Risk Management Report	RMF	RC/BoD/CBC	Annually
8	Annual ICT and Security Risk Management Report	ICT and SRM	RC/BoD/CBC	Annually
9	Annual Outsourcing Officer’s Report	Outsourcing Officer	RC/BoD/CBC	Annually
10	Annual Internal Auditor’s Report	IA	AC/BoD/CBC	Annually
11	Annual Compliance Report	CF	AC/BoD/CBC	Annually
12	Annual MLCO Report	MLCO	AC/BoD/CBC	Annually
13	Annual AML Risk Based Approach Report	MLCO	AC/BoD/CBC	Annually
14	Internal Capital Adequacy Process (ICAAP)	RMF	RC/BoD/CBC	Annually
15	Internal Liquidity Adequacy Process (ILAAP)	RMF	RC/BoD/CBC	Annually
16	Recovery Plan	RMF	RC/BoD/CBC	Annually
17	Review of Policies	Depending on policy owner	RC or AC /BoD	Annually

14.3. References to EBA guidelines and mapping to Pillar 3

Templates	Compliance Reference	Section
EU KM1	Overview of risk weighted exposure amounts	Section 3.5
EU OV1	Overview of risk weighted exposure amounts	Section 5
EU OVC	ICAAP information	Section 3.4
EU OVA	Institution risk management approach	Section 3.1
EU OVB	Disclosure on governance arrangements	Section 2.1
EU CC1	Composition of regulatory own funds	Section 4.2
EU CC2	Reconciliation of regulatory own funds to balance sheet in the audited financial statements	Section 4.2
EU LIQA	Liquidity risk management	Section 8.4
EU CRA	General qualitative information about credit risk	Section 6
EU MRA	Qualitative disclosure requirements related to market risk	Section 7
Template 1 – EU CQ1	Credit quality of forborne exposures - EBA/GL/2022/13 amending EBA/GL/2018/10	Section 6.8
Template 3 – EU CQ3	Credit quality of performing and non-performing exposures by past due days - EBA/GL/2022/13 amending EBA/GL/2018/10	Section 6.8
Template 4 – EU CR1	Performing and non-performing exposures and related provisions- EBA/GL/2022/13 amending EBA/GL/2018/10	Section 6.8
F90.01	EBA/GL/2020/07_Overview of EBA-compliant moratoria (legislative and non-legislative)	Section 6.8
F91.03	EBA/GL/2020/07_Loans and advances with expired EBA-compliant moratoria (legislative and non-legislative)	Section 6.8
EU CRD	External ratings of each nominated ECAIs	Section 6.5

14.4. References to CRR article

CRR Ref.	Title	Compliance Reference (Document Sections)
General principles		
Article 431	Requirements to publish Pillar 3 disclosures requirements	Publication on Bank’s website.
Article 432	Non-material, proprietary or confidential information based on EBA Guidelines	Introduction – Materiality Introduction – Verification, frequency and publication
Article 433	Frequency of disclosure and publication in conjunction with the date of publication of the financial statements	Introduction – Verification, frequency and publication
Article 434	Means of disclosures at least in one appropriate medium	Introduction – Basel III framework
Technical criteria on transparency and disclosure		
Article 435	Risk management objectives and policies	Governance and Risk Management, Risk Management Framework and Annex I
Article 436	Scope of application	Introduction – Scope of Application
Article 437	Requirements regarding Own funds resources	Capital Requirements
Article 438	Capital requirements	Risk Management Framework – Internal Capital and Liquidity Assessment Process, Capital Requirements
Article 439	Exposure to counterparty credit risk	Credit Risk – Credit risk disclosures
Article 440	Capital buffers	Capital Requirements
Article 441	Indicators of global systemic importance	Not applicable to the Bank
Article 442	Credit risk adjustments and impairment	Credit Risk – Credit risk disclosures
Article 443	Unencumbered assets	Asset Encumbrance
Article 444	Use of ECAs	Credit Risk – Nominated External Credit Assessment Institutions
Article 445	Exposure to market risk	Capital Requirements, Market Risk
Article 446	Operational risk	Operational Risk
Article 447	Exposures in equities not included in the trading book	Not applicable to the Bank
Article 448	Exposure to interest rate risk on positions not included in the trading book	Market Risk – Interest Rate Risk
Article 449	Exposure to securitisation positions	Not applicable to the Bank
Article 450	Remuneration policy	Remuneration Policy & Practices
Article 451	Leverage ratio	Leverage
Qualifying requirements for the use of particular instruments or methodologies		
Article 452	Use of the IRB Approach to credit risk	Not applicable to the Bank

Article 453	Use of credit risk mitigation techniques	Credit Risk – Credit Risk Management Procedures
Article 454	Use of the Advanced Measurement Approaches to operational risk	Not applicable to the Bank
Article 455	Use of Internal Market Risk Models	Not applicable to the Bank