NATIONAL BANK OF GREECE
(CYPRUS) LIMITED

Annual Report and Financial Statements
Year ended 31 December 2023

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2023

CONTENTS

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	
Chair of the Board:	Philippos Mannaris, Independent, Non-Executive Member (appointed on 5/7/2023)
Vice Chairman:	Christos Christodoulou, Non-Independent, Non-Executive Member
Members:	Louka Katseli, Senior Independent Non-Executive Member Marinis Stratopoulos, Non-Independent, Non-Executive Member Christodoulos Seferis, Independent, Non-Executive Member Nicholas Defteras, Independent, Non-Executive Member Mark Klerides, Independent, Non-Executive Member (resigned on 22/03/2023) Maria Papakokkinou, Independent, Non-Executive Member (appointed on 30/01/2024) George Agioutantis, CEO, Executive Member (appointed on 14/03/2023) Ioannis Tzimos, General Manager, Executive Member

The Board of Directors, in year 2023 comprised the following Members:	
Chair of the Board:	Philippos Mannaris, Independent, Non-Executive Member (appointed on 5/7/2023)
Vice Chairman:	Christos Christodoulou, Non-Independent, Non-Executive Member
Members:	Louka Katseli, Senior Independent Non-Executive Member Marinis Stratopoulos, Non-Independent, Non-Executive Member Christodoulos Seferis, Independent, Non-Executive Member Nicholas Defteras, Independent, Non-Executive Member Mark Klerides, Independent, Non-Executive Member (resigned on 22/03/2023) George Agioutantis, CEO, Executive Member (appointed on 14/03/2023) Ioannis Tzimos, General Manager, Executive Member
Secretary	Christina Roussounides 15 Arch. Makarios III, 1065 Nicosia, Cyprus
Independent Auditors	PricewaterhouseCoopers Limited 43 Demostheni Severi Avenue, 1080 Nicosia, Cyprus
Legal Advisers	Chrysses Demetriades & Co Velaris & Velaris LLC
Registered Office	15 Arch. Makarios III, 1065 Nicosia, Cyprus

MANAGEMENT REPORT
YEAR ENDED 31 DECEMBER 2023

The Board of Directors presents the management report together with the audited financial statements of the National Bank of Greece (Cyprus) Limited (the "Bank") for the year ended 31 December 2023.

PRINCIPAL ACTIVITY

The main activity of the Bank is the provision of a wide range of banking and financial services. The Bank is a wholly owned subsidiary of National Bank of Greece S.A. ("parent bank").

OPERATING ENVIRONMENT

The operating environment of the Bank is presented in Note 38 of the financial statements.

REVIEW OF DEVELOPMENTS, POSITION AND PERFORMANCE OF THE BANK'S BUSINESS

As presented on page 13 of the financial statements, the profit of the Bank after taxation amounted to €5.605.028 (2022: profit of €2.902.930).

The main financial highlights for the year are set out below.

	2023	2022
	€'000	€'000
Net Interest Income	**14.552**	8.981
Fee and Commission Income	**3.200**	3.494
Other Income, other gains and net foreign exchange gains	**1.161**	1.816
Staff Costs	**(7.918)**	(7.480)
Other Operating Expenses	**(5.823)**	(5.892)
Reversal of impairment losses for ECL	**117**	623
Profit for the year after tax	**5.605**	2.903
Loans and Advances to Customers (net)	**300.763**	185.962
Deposits and other customer accounts	**388.805**	288.336
Total Assets	**536.559**	351.893
Total Equity	**69.571**	42.452

	2023	2022
Net Interest Margin (average assets)*	**3,9%**	2,6%
Cost to Income ratio	**72,6%**	93,6%
Return on average equity	**9,7%**	8,4%
Loans and Advances to Customers to Customer Deposits (net)	**77,4%**	64,5%
Non Performing Exposures ("NPEs") to Gross Loans	**7,4%**	17,8%
Total capital ratio and Core Equity Tier 1 ratio	**21,6%**	21,6%

**Average assets refers to the yearly average of all assets bearing interest*

MANAGEMENT REPORT (continued)
YEAR ENDED 31 DECEMBER 2023

BRANCH NETWORK

The Bank operates in Cyprus through 2 branches, in Nicosia and Limassol.

GOING CONCERN

Management has made an assessment of the Bank's ability to continue as a going concern.

Despite the uncertain global economic environment as described in Note 38 of the financial statements, the Board of Directors of the Bank has assessed that the Bank has the ability to continue its operations as a going concern on the basis of the Bank's liquidity and capital adequacy position (see Note 40 of the financial statements).

PRINCIPAL RISKS AND UNCERTAINTIES, RISK MANAGEMENT, AND USE OF FINANCIAL INSTRUMENTS BY THE BANK

The Bank is exposed to various risks, the most important of which are Credit Risk, Liquidity Risk, and Market Risk (including interest rate risk and foreign exchange risk). Detailed information relating to the Bank's risk exposures and risk management are set out in Note 39 of the financial statements.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Bank. The Bank has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from counterparty credit risk. The Bank's exposure and the credit ratings and credit worthiness of counterparties are regularly monitored and the counterparty credit exposure is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits approved by the Bank and which are reviewed and approved at least on an annual basis.

The loan portfolio is assessed on the basis of customer creditworthiness, sector of the economy in which the customer operates and the country of operation and is regularly audited by the Internal Audit department. The Bank's policy regarding the determination of the level of provisions for impairment is described in the summary of significant accounting policies.

Liquidity risk

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

Bank assets are mainly funded by deposits. The maturity of the deposits is actively monitored in order to avoid concentration of funding maturities at any point in time. The responsibility for the management of liquidity rests with the Bank's treasury department.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Bank's short, medium and long-term funding and liquidity requirements, in order to also ensure compliance with the applicable regulatory limits.

PRINCIPAL RISKS AND UNCERTAINTIES, RISK MANAGEMENT, AND USE OF FINANCIAL INSTRUMENTS BY THE BANK (continued)

Market risk

Market risk is the risk of loss from adverse changes in market prices. The Bank is exposed primarily to financial risks emanating from changes in foreign currency exchange rates and interest rates. The ways that these risks are dealt with are analysed below:

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It arises as a result of timing differences on the interest rate repricing of assets and liabilities. The Bank monitors on a continuous basis the interest rate movements and the repricing or maturity structure of its assets and liabilities.

Currency risk
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. It arises from an open position in a foreign currency, creating an exposure to a change in the relevant exchange rate. This may arise from the holding of financial assets in one currency funded by liabilities in another currency.

In order to manage currency risk, the Bank has approved open position limits for each currency. Adherence to the limits is monitored on a daily basis by the treasury department and the operations and support division.

GLOBAL ECONOMIC ENVIRONMENT / STRATEGIC TARGETS

In year 2023 the Cyprus economy has been confronted with many challenges as the global economy is experiencing uncertainties following the war in Ukraine and the Middle East. The Bank has limited direct exposure to both Ukraine and Russia as well as to Israel, and is continuously monitoring the current affairs and remains vigilant to take precautionary measures as required. The uncertainty added to inflationary pressures with ECB retaining its interest rates unchanged at the latest Governing Council meeting on 11 April 2024. The main refinancing operations rate remained at 4.5% while the ECB deposit facility rate is at 4.0%. The ECB's medium-term target for inflation is set at 2% and the market expectations are that interest rate reductions will start from mid of year 2024.

Cyprus has performed better than the euro area average growth of 0.5% as per the European Commission's data with Cyprus GDP growth being 2.5% while inflation was at a low average of 4% for year 2023 from the 8.1% in 2022 and from 5.4% in the Euro area for year 2023. Unemployment rate continued to decline from 6.8% in 2022 to 6.2% in year 2023 showing improved labour market conditions. Trade, transport and accommodation have largely contributed to the growth in the Cyprus economy. Accommodation is linked to the tourism and reflects the post covid recovery era.

Public debt has continued to be on a declining trend estimated at around 78% of GDP. Cyprus' fiscal performance and reform efforts have been acknowledged by the rating agencies, exhibited by the fact that Cyprus is now rated as an investment grade country by all Agencies.

The Cyprus banking sector continues to focus on reducing the non-performing exposures being around 7.8% of gross loans at the end of December 2023 as per the Central Bank of Cyprus statistics.

The Bank remains focused within this challenging environment to improve its asset quality through further reduction of the non-performing exposures and to grow with high quality lending focused on selected industries in line with the Bank's target risk profile. At the same time the Management is closely monitoring the geopolitical developments along with the macroeconomic conditions and assesses the situation as it is evolving in order to take any necessary measures to mitigate related risks.

MANAGEMENT REPORT (continued)
YEAR ENDED 31 DECEMBER 2023

GLOBAL ECONOMIC ENVIRONMENT / STRATEGIC TARGETS (continued)

The strategic pillars of the Bank for the medium term are:

- Enhance revenue generation via growth in high quality new lending
- Improve the asset quality with further reduction of the non-performing exposures
- Achieve a lean operating model through further automations and simplification of
- procedures
- Embedding a holistic ESG framework across the Bank

SHARE CAPITAL

On 8th of February 2023 the authorised and issued share capital of the Bank was increased by 5.848.000 ordinary shares of €1,71 each and on 18th of July 2023 the issued share capital was increased again by 5.848.000 ordinary shares of €1,71 each. The issued share capital as at 31 December 2023 following the above increases amounted to €83.295.810.

On 29th January 2024 the authorised and issued share capital of the Bank was increased by 35.087.700 ordinary shares of €1,71 each thus the total authorised and issued share capital of the Bank following this increase was €143.295.777.

On 3rd April 2024 the authorised and issued share capital of the Bank was increased by 1.300 ordinary shares of €1,71 each, thus the total authorised and issued share capital of the Bank to date is €143.298.000.

RESULTS

The Bank's results for the year ended 31 December 2023 are set out on pages 13 and 14. The profit for the year is transferred to retained earnings.

EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are disclosed in Note 41 of the Financial Statements.

BOARD OF DIRECTORS

The members of the Board of Directors at 31 December 2023 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2023, except for Mr. George Agioutantis who was appointed on 14 March 2023 and Mr. Philippos Mannaris who was appointed on 5 July 2023. Mr. Mark Klerides, who held office on 1 January 2023, resigned on 22 March 2023. Mrs. Maria Papakokkinou was appointed on 30 January 2024.

INDEPENDENT AUDITORS

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

By order of the Board of Directors

Philippos Mannaris	Christina Roussounides
Chairman	Secretary

Nicosia, 30 April 2024

Independent Auditor's Report

To the Members of National Bank of Greece (Cyprus) Limited

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the accompanying financial statements of parent company National Bank of Greece (Cyprus) Limited (the "Bank") give a true and fair view of the financial position of the Bank as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

What we have audited

We have audited the financial statements which are presented in pages 11 to 95 and comprise:

- the Balance sheet at 31 December 2023;
- the Income statement for the year ended 31 December 2023;
- the Statement of comprehensive income for the year ended 31 December 2023;
- the Statement of changes in equity for the year ended 31 December 2023;
- the Statement of cash flows for the year ended 31 December 2023; and
- the Notes to the financial statements, which include material accounting policy information.

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

Basis for opinion

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

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

Independence

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

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Credit loss allowance for loans and advances to customers, using the expected credit loss model in line with the requirements of IFRS 9 "Financial Instruments" We focused on this area because this is a complex accounting standard for which models have been developed by the Bank to calculate expected credit losses ("ECL") and significant judgments and estimates are involved in estimating expected credit losses on loans and advances to customers. Loans and advances to customers comprise a large portion of the Bank's total assets and in view of the significance of the judgments and estimates involved in estimating expected credit losses on loans and advances to customers we have considered this to be a key audit matter. Note 3 "Summary of Significant Accounting Policies", Note 5 "Critical Accounting Estimates and Judgments", Note 21 "ECL allowance on loans and advances to customers at amortised cost" and Note 39 "Risk Management" to the financial statements provide detailed information on the estimation of expected credit losses on loans and advances to customers, on credit risk management practices, credit risk exposures, as well as qualitative and quantitative information arising from expected credit losses on loans and advances to customers.	We updated our understanding of the models used by the Bank and further evaluated management's implementation process of these models for the calculation of expected credit losses ("ECL"). These included probability-weighted macroeconomic scenarios, staging criteria and loss given default estimates. We have focused on the following judgments and estimates which could give rise to material misstatement or are potentially subject to management bias: • Probability of default ("PD"); • Loss given default ("LGD"); • Exposure at default ("EAD"); • Forward looking information. Further, in obtaining sufficient audit evidence we: • Obtained an understanding and assessed the reasonableness of the key outputs calculated by the models; • Understood, evaluated the design and implementation and tested the operating effectiveness of key controls around the process of loan performance monitoring and the process of ECL data input management; • Evaluated, challenged and tested the key assumptions and judgments adopted by management; • Reviewed the Bank's methodology for ECL provisioning to establish key inputs used in the calculation engine and on a sample basis tested the key inputs used. Inputs used in the sample tested were compared to the ECL methodology to ensure consistency with policies; • Performed procedures to obtain comfort on the accuracy of the ECL calculation process through recalculation; • Performed procedures to ensure that the Bank applies the three-stage approach for categorisation of loans and advances to

Key Audit Matter	How our audit addressed the Key Audit Matter
	customers and that changes in credit quality since initial recognition are appropriately monitored, determined and measured as at the statement of financial position date; • Performed loan file reviews on a sample basis to inspect financial particulars and assessed the adequacy of ECL; • Assessed the disclosures made in the financial statements to ensure compliance with the relevant accounting standards. The results of the above procedures were satisfactory.

Reporting on other information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Bank on 5 October 2017 by the Board of Directors of the Bank for the audit of the financial statements for the year ended 31 December 2017. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 7 years.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Bank, which we issued on 29 April 2024 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

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

Other Legal Requirements

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

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

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

Other Matter

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

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

Anna Loizou
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

PwC Central, 43 Demostheni Severi Avenue
CY-1080 Nicosia Cyprus

30 April 2024

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

		2023	2022
	Note	€	€
Interest income	6	**17.144.505**	9.158.546
Interest expense	7	**(2.592.840)**	(177.603)
Net interest income		**14.551.665**	8.980.943
Fee and commission income	8	**3.200.425**	3.494.125
Net foreign exchange gains	9	**121.142**	235.619
Other income	10	**1.033.967**	1.414.836
Other gains	11	**5.473**	165.795
		18.912.672	14.291.318
Staff costs	13	**(7.917.919)**	(7.480.458)
Depreciation of property, plant and equipment	24, 25	**(484.762)**	(438.147)
Amortisation of intangible assets	27	**(591.192)**	(620.980)
Other operating expenses	14	**(4.747.434)**	(4.832.916)
		(13.741.307)	(13.372.501)
Profit before impairment charge for ECL on loans and advances to customers and other financial assets		**5.171.365**	918.817
Reversal of impairment losses for ECL on loans and advances to customers	21	**343.810**	279.929
(Impairment charge)/reversal of impairment losses for ECL on other financial assets	12	**(226.839)**	342.778
Reversal of impairments losses for ECL on financial assets		**116.971**	622.707
Profit before tax		**5.288.336**	1.541.524
Tax credit	15	**316.692**	1.361.406
PROFIT FOR THE YEAR		**5.605.028**	2.902.930

The notes on pages 16 to 95 form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 €	2022 €
PROFIT FOR THE YEAR		**5.605.028**	2.902.930
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gain on revaluation of properties	33	**255.168**	-
Changes in the fair value of equity investments designated at fair value through other comprehensive income	22, 33	**1.258.065**	383.806
Items that will not be reclassified to profit or loss		**1.513.233**	383.806
Other comprehensive income for the year, net of tax		**1.513.233**	383.806
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**7.118.261**	3.286.736

The notes on pages 16 to 95 form an integral part of the financial statements.

BALANCE SHEET AT 31 DECEMBER 2023

		2023	2022
	Note	€	€
ASSETS			
Cash and balances with Central Bank of Cyprus	16	**107.643.028**	21.427.521
Mandatory deposits with Central Bank of Cyprus	16	**3.275.798**	2.857.317
Deposits with other banks	17	**1.105.316**	1.832.258
Deposits with related banks	20(a)	**15.615.011**	18.374.753
Loans and advances to customers	19	**300.763.460**	185.962.203
Equity investments at fair value through other comprehensive income	22(a)	**9.443.368**	8.185.303
Equity investments at fair value through profit or loss	22(b)	**-**	7.241
Other financial assets at amortised cost	23	**64.470.919**	79.011.020
Investment in subsidiary	18	**1.709**	1.709
Property, plant and equipment	24	**9.914.261**	9.944.319
Stock of property	26	**10.009.757**	9.950.000
Right-of-use assets	25	**1.465.553**	558.074
Intangible assets	27	**4.521.146**	4.394.754
Other assets	28	**5.571.641**	6.462.446
Deferred income tax assets	15(b)	**2.757.979**	2.923.675
Total assets		**536.558.946**	351.892.593
LIABILITIES			
Deposits from other banks	29	**1.716.840**	3.297.428
Deposits and other customer accounts	30	**388.805.327**	288.336.192
Deposits from related banks	20(b)	**67.223.383**	11.582.856
Lease liabilities	25	**1.509.552**	609.676
Other liabilities	31	**6.851.293**	4.249.923
Deferred income tax liabilities	15(b)	**881.717**	1.364.105
Total liabilities		**466.988.112**	309.440.180
EQUITY			
Share capital	32	**83.295.810**	63.295.650
Revaluation reserves	33	**18.270.516**	16.757.283
Accumulated losses		**(31.995.492)**	(37.600.520)
Total equity		**69.570.834**	42.452.413
Total liabilities and equity		**536.558.946**	351.892.593

The financial statements have been approved by the Board of Directors on 30 April 2024.

……………………
George Agioutantis
CEO, Executive Member

……………………
Paola Ioannou Michalia
Chief Financial Officer

……………………
Ioannis Tzimos
General Manager, Executive Member

The notes on pages 16 to 95 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Share Capital	Property revaluation reserve	Revaluation reserve for financial assets at FVOCI	Accumulated losses (1)	Total
	€	€	€	€	€
Balance at 1 January 2022	51.300.000	8.382.166	7.991.311	(40.503.450)	**27.170.027**
Comprehensive loss:					
Profit for the year	-	-	-	2.902.930	**2.902.930**
Other comprehensive income for the year (Notes 22 & 33)	-	-	383.806	-	**383.806**
Total comprehensive loss for the year	-	-	383.806	2.902.930	**3.286.736**
Transactions with owners					
Issue of shares (Note 32)	11.995.650	-	-	-	**11.995.650**
Total transactions with owners	11.995.650	-	-	-	**11.995.650**
Balance at 31 December 2022/ 1 January 2023	63.295.650	8.382.166	8.375.117	(37.600.520)	**42.452.413**
Comprehensive income:					
Profit for the year	-	-	-	5.605.028	**5.605.028**
Other comprehensive income for the year (Notes 22, 24 & 33)	-	255.168	1.258.065	-	**1.513.233**
Total comprehensive income for the year	-	255.168	1.258.065	5.605.028	**7.118.261**
Transactions with owners					
Issue of shares (Note 32)	20.000.160	-	-	-	**20.000.160**
Total transactions with owners	20.000.160	-	-	-	**20.000.160**
Balance at 31 December 2023	83.295.810	8.637.334	9.633.182	(31.995.492)	**69.570.834**

(1) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, by the end of the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at the rate of 17% will be payable on such deemed dividend to the extent that the shareholders for deemed dividend distribution purposes at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents and domiciled. From 1 March 2019, the deemed dividend distribution is subject to a 1,70% contribution to the National Health System, increased to 2,65% from 1 March 2020, with the exception of April 2020 until June 2020 when the 1,70% rate was applicable. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year by the end of the period of two years from the end of the year of assessment to which the profits refer. This special contribution for defence is paid by the Company for the account of the shareholders.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

		2023	2022
	Note	€	€
Net cash used in operating activities	35	**48.057.759**	(112.029.906)
Cash flows from investing activities			
Purchase of intangible assets	27	**(717.584)**	(358.472)
Purchase of property, plant and equipment	24	**(113.589)**	(51.607)
Purchase of treasury bills		**(7.921.435)**	-
Proceeds from disposal and maturity of government bonds and treasury bills		**21.910.284**	6.186.000
Proceeds from disposal of equity investments at fair value through profit or loss		**12.816**	-
Dividend income received		**313.941**	323.927
Interest received on debt securities	23	**1.557.815**	1.650.743
Net cash from investing activities		**15.042.248**	7.750.591
Cash flows from financing activities			
Issue of share capital	32	**20.000.160**	11.995.650
Payment of principal portion of lease liability	25	**(327.582)**	(292.454)
Payment of interest portion of lease liability	25	**(37.204)**	(10.486)
Net cash from financing activities		**19.635.374**	11.692.710
Net increase/(decrease) in cash and cash equivalents		**82.735.381**	(92.586.605)
Credit losses on cash and cash equivalents		**76.810**	(264.825)
Cash and cash equivalents at beginning of the year		**41.459.471**	134.310.901
Cash and cash equivalents at end of the year	36	**124.271.662**	41.459.471

The notes on pages 16 to 95 from an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

1. GENERAL INFORMATION

Country of incorporation
National Bank of Greece (Cyprus) Limited (the "Bank") is incorporated in Cyprus as a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. Its parent and ultimate holding company is National Bank of Greece S.A. which is incorporated in Greece.

Principal activities
The principal activities of the Bank are the provision of a wide range of banking and financial services.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

During the current year the Bank adopted all the new and revised International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2023. This adoption did not have a material effect on the accounting policies of the Company.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with IFRSs as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2023 have been adopted by the EU through the endorsement procedure established by the European Commission.

These financial statements contain information about National Bank of Greece (Cyprus) Limited as an individual Bank and do not contain consolidated financial information as the parent of a group. The Bank has taken advantage of the exemption under IFRS 10 "Consolidated Financial Statements" and the Cyprus Companies Law, Cap.113 from the requirement to prepare consolidated financial statements as the Bank and its subsidiary are included in the consolidated financial statements of its parent bank, National Bank of Greece S.A., which prepares consolidated and separated financial statements in accordance with International Financial Reporting Standards as adopted by the EU that are available for public use. These consolidated financial statements are available at the National Bank of Greece S.A.'s website (www.nbg.gr).

The financial statements have been prepared on a going concern basis. Management has made an assessment of the Bank's ability to continue as a going concern. Despite the uncertain economic environment as described in Note 38 of the financial statements, the Board of Directors of the Bank has assessed that the Bank has the ability to continue its operations as a going concern on the basis of the Bank's liquidity and capital adequacy position.

The Bank's presentation currency is the Euro (€), which is also the Bank's functional currency.

The financial statements are prepared on a historical cost basis, except for land and buildings, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Foreign currency translation

Functional and presentation currency
Items included in the Bank's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Euro (€), which is the Bank's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in a foreign currency are translated using the closing rate as at the reporting date. Non-monetary items measured at historic cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are recognised in profit or loss, as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as financial assets at fair value through other comprehensive income are included in other comprehensive income.

Revenue

Recognition and measurement

Revenue represents the amount of consideration to which the Bank expects to be entitled in exchange for transferring the promised services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes); the transaction price. The Bank includes in the transaction price an amount of variable consideration as a result of rebates/discounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimations for rebates and discounts are based on the Bank's experience with similar contracts.

The Bank recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Bank can identify each party's rights and the payment terms for the services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Bank's future cash flows is expected to change as a result of the contract), it is probable that the Bank will collect the consideration to which it will be entitled in exchange for the services that will be transferred to the customer and when specific criteria have been met for each of the Bank's contracts with customers.

The Bank bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Bank considers only the customer's ability and intention to pay that amount of consideration when it is due.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Revenue (continued)

Identification of performance obligations

The Bank assesses whether contracts that involve the provision of a range of services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A service that is promised to a customer is distinct if the customer can benefit from the service, either on its own or together with other resources that are readily available to the customer (that is the service is capable of being distinct) and the Bank's promise to transfer the service to the customer is separately identifiable from other promises in the contract (that is the service is distinct within the context of the contract).

Fee and commission income

Fee and commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Bank's performance. Such income includes recurring fees for account maintenance, account servicing fees, guarantee issue fee and agency fee income whereby the Bank acts as an agent of a third party in entering and completing a transaction on pre-determined terms and conditions.

Fee and commission income is recognised at a point in time when the Bank satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes fees for processing payment transactions, fees for cash settlements and collection of cash disbursements.

Initial recognition of financial instruments

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

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Initial recognition of financial instruments (continued)

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at settlement date, which is the date on which the asset is delivered to the Bank. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument. Any change in fair value of the assets classified as financial assets at fair value through profit or loss or at other comprehensive income to be received during the period between the trade date and the settlement date is recognised in profit or loss and in OCI, respectively. However changes in the fair value of assets carried at amortized cost between trade date and settlement date are not recognized.

Financial assets – Classification

The Bank classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Bank's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Bank may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, classification will depend on whether the Bank has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Bank has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Bank commits to deliver a financial instrument. All other purchases and sales are recognized when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all the risks and rewards of ownership.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial assets – Measurement

At initial recognition, the Bank measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments
Subsequent measurement of debt instruments depends on the Bank's business model for managing the asset and the cash flow characteristics of the asset. The Bank classifies all of its debt instruments at amortised cost.

Under the amortised cost measurement category, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement. Financial assets measured at amortised cost (AC) comprise: cash and cash equivalents, bank deposits with original maturity over 3 months, Loans and advances to customers, Deposits with Banks, Cash Balances with Central Bank and Financial Assets at amoritsed cost.

Equity instruments
The Bank subsequently measures all equity investments at fair value. Where the Bank's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment, any related balance within the FVOCI reserve is reclassified to retained earnings. The Bank's policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. Dividends from such investments continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in "other gains/(losses)" in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Financial assets – impairment – credit loss allowance for Expected Credit Loss (ECL)

The Bank assesses on a forward-looking basis the ECL for all financial assets measured at AC and for the exposure arising from loan commitments and financial guarantee contracts. The Bank measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "(Impairment charges)/reversal of amount of impairment losses for ECL on other financial assets" and "Reversal of impairment losses for ECL on loans and advances to customers".

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial assets – impairment – credit loss allowance for Expected Credit Loss (ECL) (continued)

Debt instruments, loans and advances to customers and other financial assets measured at AC are presented in the balance sheet net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the balance sheet.

For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

For all financial assets that are subject to impairment under IFRS 9, the Bank applies the general approach – three stage model for impairment. The Bank applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL").

If the Bank identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 39, Credit risk section for a description of how the Bank determines when a SICR has occurred. If the Bank determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Bank's definition of credit impaired assets and definition of default is explained in Note 39, Credit risk section.

Financial assets – Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Bank has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Bank may write-off financial assets that are still subject to enforcement activity when the Bank seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – modification

The Bank sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Bank assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Bank derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Bank also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial assets – modification (continued)

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Bank compares the original and revised expected cash flows to assess whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Bank recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents for the purposes of the statement of cash flows, consist of balances with original maturity less than three months, including cash, unrestricted balances with central bank and amounts due from other banks.

Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Interest income and expense calculated using the effective interest method

Interest income for all financial assets carried at amortised cost and all debt financial assets carried at fair value through other comprehensive income is recognised in the profit or loss using the effective interest method. Interest expense for all interest bearing financial instruments is recognised in profit or loss using the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability, or a shorter period, if appropriate, to the gross carrying amount of a financial asset (i.e. excluding future credit losses) or to the amortised cost of a financial liability. The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument.

The effective interest calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

For purchased or originated credit-impaired ("POCI") financial assets – assets that are credit impaired at initial recognition, the Bank calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Interest income and expense calculated using the effective interest method (continued)

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

(a) POCI financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial assets; and

(b) Financial assets that are not "POCI" but have subsequently become credit-impaired (or "stage 3"), for which interest income is calculated using the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision).

When applying the effective interest method, the Bank amortises any fees, points paid or received, transaction costs and other premiums or discounts that are included in the calculation of the effective interest rate over the expected life of the financial instrument. However, a shorter period is used if this is the period to which the fees, points paid or received, transaction costs, premiums or discounts relate. This will be the case when the variable to which the fees, points paid or received, transaction costs, premiums or discounts relate is repriced to market rates before the expected maturity of the financial instrument. In such a case, the appropriate amortisation period is the period to the next such repricing date.

Transaction costs include fees and commission paid to agents, advisers, brokers and dealers, levies by regulatory agencies and security exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at FVTPL.

Dividend income

Dividends are received from financial assets measured at fair value through profit or loss (FVTPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the Bank to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are recognised as a financial liability at the time the guarantee is issued. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee in other income in profit or loss.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Financial guarantee contracts (continued)

At the end of each reporting period, the guarantee is subsequently at the higher of:

- the amount of the loss allowance determined in accordance with the expected credit loss model under IFRS 9 *Financial Instruments;* and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers*.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Credit related commitments

The Bank issues commitments to provide loans. Commitments to provide loans are initially recognised at their fair value, which is normally evidenced by the amount of fees received. Such loan commitment fees are deferred and included in the carrying amount of the loan on initial recognition. Loan commitments provided by the Bank are measured as the amount of the loss allowance calculated under IFRS 9.

At the end of each reporting period, the commitments are measured at

(i) the remaining unamortised balance of the amount at initial recognition, plus
(ii) the amount of the loss allowance determined based on the expected credit loss model.

For loan commitments (where those components can be separated from the loan), a separate provision for ECL is recognised as a liability in the statement of financial position. However, for contracts that include both a loan and an undrawn commitment and the Bank cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

Financial liabilities – measurement categories

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment

Land and buildings are shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Revaluations are performed with sufficient regularity such that the carrying amounts do no differ materially from those that would be determined using fair values at the balance sheet date. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on revaluation of land and buildings are credited in other comprehensive income and shown as revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to profit or loss.

The property revaluation reserve includes revaluation of property initially used by the Bank for its operations and subsequently transferred to investment properties.

On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Furniture and equipment and motor vehicles are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Depreciation is charged so as to write off the cost or valuation of assets, other than land over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The annual depreciation rates used are as follows:

Buildings and installations	3% to 20%
Furniture and equipment	10% to 20%
Motor vehicles	20%

No depreciation is charged on land.

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

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Stock of property

The Bank in its normal course of business acquires properties in exchange of debt for the sole purpose of managing these properties with an intention to be disposed of. These properties are recognised in the financial statements as 'Stock of property', reflecting the substance of these transactions. Stock of property is initially measured at cost and subsequently measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price, less the estimated costs necessary to make the sale. If net realisable value is below the cost of the stock of property, impairment is recognised in the income statement.

Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Bank and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortization and any accumulated impairment losses.

Expenditure which enhances or extends the performance of computer software programmer beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programmer are charged to the income statement of the year in which they were incurred.

Computer software costs are amortised using the straight-line method over their estimated useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use.

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

Useful economic lives and amortisation method are reviewed at the end of each reporting period with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of non financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Employee benefits

The Bank and the employees contribute to a defined contributions scheme.

Under the defined contributions scheme the Bank and members of staff pay fixed contributions into a separate provident fund. The Bank's contributions are recognised in the period they relate to and included in staff costs in the income statement. The Bank has no further payment obligations once the contributions have been paid.

Termination benefits

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits at the earlier of the following dates: (a) when the Bank can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Current and deferred income tax

Current income tax
Income tax payable/(receivable) is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense/(income) for the period except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the Bank operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Where tax losses can be relieved only by carry-forward against taxable profits of future periods a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the balance sheet.

The Bank does not offset current income tax liabilities and current income tax assets.

Deferred income tax
Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Current and deferred income tax (continued)

Deferred income tax (continued)

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

The tax effects of carry-forward of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to items recognised in other comprehensive income, is also recognised in other comprehensive income.

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

Special levy

According to the "Special Levy on Credit Institutions Law of 2011 to 2015", special levy is imposed on credit institutions on a quarterly basis, at the rate of 0,0375% on 31st December, 31st March, 30th June and 30th September on qualifying deposits held by each credit institution. The special levy is included in other operating expenses, Note 14.

Provisions

Provisions are recognized when the Bank has: (a) a present obligation (legal or constructive) arising from past events, (b) it is probable that the obligation will result in an outflow of resources embodying economic benefits and (c) a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Restructuring provisions comprise lease termination penalties and employee termination payments, and are recognised in the period in which the Bank becomes legally or constructively committed to payment. Costs related to the ongoing activities of the Bank are not provided in advance. Provisions are not recognised for future operating losses.

Share capital

Ordinary shares are classified as equity.

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

Other liabilities

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Deposits from banks and deposits from customers

Deposits from banks and deposits from customers are recognised initially at fair value, net of transaction costs incurred and are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in interest expense in the income statement using the effective interest rate method. Deposits from banks and deposits from customers are derecognised when they are extinguished, that is, when the obligation in discharged.

Related party transactions

Related parties include the parent and ultimate controlling party, fellow subsidiaries, other group companies under common control, directors and key management personnel, their close families, companies owned or controlled by them and companies whose financial and operating policies they can influence. Transactions of similar nature within the same category are disclosed on an aggregated basis.

Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

4. NEW ACCOUNTING PRONOUNCEMENTS

At the date of approval of these financial statements a number of new standards, interpretations and amendments to existing standards are effective for annual periods beginning after 1 January 2024 and have not been early applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Bank, except the following set out below:

- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). Amendments made to IAS 1 Presentation of Financial Statements in 2020 and 2022 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date. The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include: • the carrying amount of the liability • information about the covenants, and • facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants. The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible note. The amendments must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current. The Bank does not expect these amendments to have a material impact on its financial statements.

4. NEW ACCOUNTING PRONOUNCEMENTS (continued)

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023). The IASB has issued new disclosure requirements about supplier financing arrangements ('SFAs'). These amendments require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements. The new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. The Bank does not expect these amendments to have a material impact on its financial statements.
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). In September 2022, the IASB finalised narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16 Leases which explain how an entity accounts for a sale and leaseback after the date of the transaction. The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate. The Bank does not expect these amendments to have a material impact on its financial statements.
- IFRS 18 Presentation and Disclosure in Financial Statements (issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027 but earlier adoption is permitted). In April 2024, the IASB completed its work to improve the usefulness of information presented and disclosed in financial statements. IFRS 18 introduces three sets of new requirements to improve Bank's reporting of financial performance and give investors a better basis for analysing and comparing Banks. It introduces three defined categories for income and expenses—operating, investing and financing—to improve the structure of the income statement, and requires all companies to provide new defined subtotals, including operating profit. The improved structure and new subtotals will give investors a consistent starting point for analysing Banks' performance and make it easier to compare Banks. Also, it requires Banks to disclose explanations of those Bank-specific measures that are related to the income statement, referred to as management-defined performance measures. The new requirements will improve the discipline and transparency of management-defined performance measures, and make them subject to audit. IFRS 18 sets out enhanced guidance on how to organise information and whether to provide it in the primary financial statements or in the notes. The changes are expected to provide more detailed and useful information. IFRS 18 also requires Banks to provide more transparency about operating expenses, helping investors to find and understand the information they need. The Bank does not expect these amendments to have a material impact on its financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the preparation of the financial statements the management of the Bank is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates and may cause a material adjustment to the carrying amounts of assets and liabilities.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Expected credit loss measurement (ECL)

Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 39. The following components have a major impact under each segment on credit loss allowance: definition of default, significant increase in credit risk ("SICR"), probability of default ("PD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Bank regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

In assessing LGDs for secured exposures, the Bank considers the range of relevant risk drivers, including: collateral type, geography (location of the collateral) and seniority of the lending exposure. Management exercises its judgment in determining the relevant valuation collateral haircuts used to determine the collateral values for LGD calculation and applied to consider liquidity and quality of pledged assets. When the collateral values exceed the individual credit exposures, the minimum LGD floor (LTV bucket ≤ 60%) is applied for the measurement of ECL.

In its collective assessment model, the Bank uses loan to value (LTV) buckets (≤60%, (60% - 80%], (80% - 100%], (100% - 150%], >150%) in order to assign an LGD for each bucket. As at 31 December 2023, if all loans were downgraded by 1 LTV bucket, this would have resulted in additional expected credit losses on loans and advances to customers of €0,9 million (2022: €0,6 million).

Macroeconomic Scenarios used in ECL measurement

The Bank determines the ECL, which is a probability-weighted amount by evaluating a range of possible outcomes. Management uses forward-looking scenarios and assesses the suitability of weights used. These are based on management's assumptions taking into account macroeconomic, market and other factors. Changes in these assumptions and in the external factors could significantly impact ECL. Macroeconomic inputs and weights per scenario are based on external market data.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Qualitative adjustments or overlays are occasionally made when inputs calculated do not capture all the characteristics of the market. These are reviewed and adjusted if considered necessary by the Bank's Management. In December 2023, the Risk Committee, approved the adjusted/increased LGD values for IBNR contracts (i.e contracts individually assessed with zero individual provision) as these have been proposed and calculated by the Bank's division. The proposed increase in ECL amounts regarding the IBNR contracts, was based on the increased uncertainty in the economy, following the COVID pandemic, the war in Ukraine, the significant increase in interest rates as well as the inflation rate during 2023. These unexpected market conditions (fluctuations) cannot be fully and timely captured by the methodologies in place used by Financial Institutions. This adjustment is captured under the approved Management Overlays Procedure Manual.

Economic and credit conditions within geographical areas are influenced by many factors with a high degree of interdependency so that there is no one single factor to which the Bank's ECL as a whole is particularly sensitive. The Bank uses three different economic scenarios.

Moreover, in 2023, the Bank has proceeded with the recalculation of the credit risk parameters used in the calculation of the ECL amount so that the calculated ECL accurately reflects the Bank's historical performance/information as well as to capture the current macroeconomic conditions of Cyprus economy. On this purpose, validation metrics and stationarity tests have also been performed to examine the validity of the existing macro-models used for approximating the LT-PDs. Based on the results of the tests performed, the Bank proceeded with the updating of its 1st generation macro models. The updated models for retail and corporate portfolios, contrary to the previous models, incorporate as independent/explanatory macro variables the Gross Domestic Product (GDP), Unemployment (UN) and Harmonized Index of Consumer Prices (HICP), variables commonly used by systemic banks in similar macro-model analysis. Moreover, a high degree of correlation on the abovementioned macro variables has been observed.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Macroeconomic Scenarios used in ECL measurement (continued)

The most significant year-end assumptions relating to macroeconomic scenarios used for the ECL estimate for the year 2023 under the three economic scenarios used by the Bank are set out below. The scenarios "base", "optimistic" and "adverse" were used for all portfolios.

		2024	**2025**	**2026**	**2027**
A. Retail					
			%		
GDP Nominal (y-o-y)	Base	5,2	5,5	5,1	4,8
	Optimistic	6,6	5,7	6,1	5,6
	Adverse	2,7	4,3	3,7	3,8
			%		
HICP (eop, y-o-y)	Base	2,3	2,0	1,9	1,8
	Optimistic	1,4	1,7	2,4	2,2
	Adverse	3,7	2,5	1,3	1,4
			%		
Unemployment	Base	6,0	5,7	5,5	5,3
	Optimistic	5,6	5,2	5,0	4,9
	Adverse	6,9	6,7	6,4	6,1
B. Corporate					
			%		
GDP Nominal (y-o-y)	Base	5,2	5,5	5,1	4,8
	Optimistic	6,6	5,7	6,1	5,6
	Adverse	2,7	4,3	3,7	3,8
			%		
Unemployment	Base	6,0	5,7	5,5	5,3
	Optimistic	5,6	5,2	5,0	4,9
	Adverse	6,9	6,7	6,4	6,1

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Macroeconomic Scenarios used in ECL measurement (continued)

The most significant year-end assumptions relating to macroeconomic scenarios used for the ECL estimate for the year 2022 are set out below. The scenarios "base", "optimistic" and "adverse" were used for all portfolios.

		2023	2024	2025	2026
A. Retail					
			%		
GDP Nominal (y-o-y)	Base	6,1	6,1	5,0	4,6
	Optimistic	6,6	7,5	6,1	5,7
	Adverse	5,0	3,4	3,1	3,3
			%		
HICP (eop, y-o-y)	Base	2,1	1,7	1,8	1,8
	Optimistic	1,5	2,2	2,2	2,2
	Adverse	3,7	1,1	1,3	1,3
			%		
Unemployment	Base	7,2	6,7	6,3	6,1
	Optimistic	6,6	6,2	5,8	5,6
	Adverse	7,9	7,3	6,9	6,6
B. Corporate					
			%		
GDP Nominal (y-o-y)	Base	6,1	6,1	5,0	4,6
	Optimistic	6,6	7,5	6,1	5,7
	Adverse	5,0	3,4	3,1	3,3
			%		
Unemployment	Base	7,2	6,7	6,3	6,1
	Optimistic	6,6	6,2	5,8	5,6
	Adverse	7,9	7,3	6,9	6,6

The weightings assigned to each economic scenario as at 31 December 2023 were as follows:

	Base	Optimistic	Adverse
Loans and Advances to Customers	60%	15%	25%

As at 31 December 2023, if the scenarios weights were changed as per the table below, this would have resulted in additional expected credit losses on the loans and advances to customers of €0,02 million.

Base	Optimistic	Adverse
60%	10%	30%

As at 31 December 2023, if the scenarios weights were changed as per the below table below, this would have resulted in additional expected credit losses on the loans and advances to customers of €0,04 million.

Base	Optimistic	Adverse
55%	5%	40%

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Macroeconomic Scenarios used in ECL measurement (continued)

As at 31 December 2023, if the scenarios weights were changed as per the below table below, this would have resulted in additional expected credit losses on the loans and advances to customers of €0,05 million.

Base	Optimistic	Adverse
50%	5%	45%

The weightings assigned to each economic scenarios as at 31 December 2022 were as follows:

	Base	Optimistic	Adverse
Loans and Advances to Customers	55%	15%	30%

As at 31 December 2022, if the scenarios weights were changed as per the table below, this would have resulted in additional expected credit losses on the loans and advances to customers of €0,01 million.

Base	Optimistic	Adverse
55%	10%	35%

As at 31 December 2022, if the scenarios weights were changed as per the below table below, this would have resulted in additional expected credit losses on the loans and advances to customers of €0,04 million.

Base	Optimistic	Adverse
50%	5%	45%

As at 31 December 2022, if the scenarios weights were changed as per the below table below, this would have resulted in additional expected credit losses on the loans and advances to customers of €0,05 million.

Base	Optimistic	Adverse
45%	5%	50%

As at 31 December 2023, if unemployment, GDP Nominal and Harmonised Index of Consumer Prices (HICP) were changed as per the below tabulated scenarios, this would have resulted in additional expected credit losses on the total portfolios as per the table below:

		ECL Impact_Total portfolio
Unemployment	**3,00%**	*€146.932*
GDP_Nominal	**-23,60%**	
HICP	**-18,60%**	

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Macroeconomic Scenarios used in ECL measurement (continued)

As at 31 December 2023, if unemployment, GDP Nominal and Harmonised Index of Consumer Prices (HICP) were changed as per the below tabulated scenarios, this would have resulted in additional expected credit losses on the total portfolios as per the table below:

		ECL Impact_Total portfolio
Unemployment	4,00%	*€181.328*
GDP_Nominal	-27,70%	
HICP	-21,70%	

As at 31 December 2023, if unemployment, GDP Nominal and Harmonised Index of Consumer Prices (HICP) were changed as per the below tabulated scenarios, this would have resulted in additional expected credit losses on the total portfolios as per the table below:

		ECL Impact_Total portfolio
Unemployment	5,00%	*€219.528*
GDP_Nominal	-32,00%	
HICP	-23,50%	

As at 31 December 2022, if unemployment, GDP Nominal and Harmonised Index of Consumer Prices (HICP) were changed as per the below tabulated scenarios, this would have resulted in additional expected credit losses on the total portfolios as per the table below:

		ECL Impact_Total portfolio
Unemployment	3,00%	*€44.886*
GDP_Nominal	-20,00%	
HICP	-16,90%	

As at 31 December 2022, if unemployment, GDP Nominal and Harmonised Index of Consumer Prices (HICP) were changed as per the below tabulated scenarios, this would have resulted in additional expected credit losses on the total portfolios as per the table below:

		ECL Impact_Total portfolio
Unemployment	4,00%	*€57.577*
GDP_Nominal	-24,60%	
HICP	-19,00%	

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Macroeconomic Scenarios used in ECL measurement (continued)

As at 31 December 2022, if unemployment, GDP Nominal and Harmonised Index of Consumer Prices(HICP) were changed as per the below tabulated scenarios, this would have resulted in additional expected credit losses on the total portfolios as per the table below:

		ECL Impact_Total portfolio
Unemployment	**5,00%**	
GDP_Nominal	**-29,30%**	*€122.102*
HICP	**-19,80%**	

Significant increase in credit risk ("SICR")

IFRS 9 does not include a definition of significant increase in credit risk. The Bank assesses whether significant increase in credit risk has occurred since initial recognition using predominantly quantitative and in certain cases qualitative information. The determination of the relevant thresholds to determine whether a significant increase in credit risk has occurred, involves management judgment.

In order to determine whether there has been a significant increase in credit risk, the Bank compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Bank considers all reasonable and supportable forward-looking information available without undue cost and effort, which includes a range of non-financial factors used for the determination of the internal credit risk of the borrower.

Expected lifetime of revolving facilities

Judgment is exercised on the measurement period of expected lifetime for revolving facilities. The Bank exercises judgment in determining the period over which ECL should be computed, on the basis of historical experience with respect to the typical average life of such facilities.

Business model assessment

The business model drives classification of financial assets. Management applies judgment in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment.

When assessing sales transactions, the Bank considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimizing potential losses due to credit deterioration are considered consistent with the "hold to collect" business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the "hold to collect" business model, provided that they are infrequent or insignificant in value, both individually and in aggregate. The Bank assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio. In addition, sales of financial assets expected only in a stress case scenario, or in response to an isolated event that is beyond the Bank's control, is not recurring and could not have been anticipated by the Bank, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Fair value of financial instruments

The best evidence of fair value is a quoted price in an actively traded market. The fair value of shares and other financial instruments that are not quoted in an active market is determined using valuation models.

Certain financial instruments are valued on the basis of valuation techniques that feature one or more significant inputs that are not observable. Valuation techniques that rely on non-observable inputs require a higher level of management judgment to calculate a fair value than those based wholly on observable inputs. Changes in these estimates and assumptions could affect the fair value of the relevant financial instruments.

More information on changes in the fair value of bonds, shares and other financial instruments is disclosed in Note 39.

Stock of property – estimation of net realizable value

Stock of property comprises real estate assets held with an intention to be disposed of. This principally relates to properties acquired through debt-for-property swaps.

Stock of property is measured at the lower of cost and net realisable value. The net realisable value is determined through valuation techniques, requiring significant judgment, taking into account all available reference points, such as expert valuation reports, current market conditions, the holding period of the asset, applying an appropriate illiquidity discount where considered necessary, and any other relevant parameters Selling expenses are deducted from the realisable value. Depending on the value of the underlying asset and available market information, the determination of costs to sell may require professional judgment which involves a high degree of uncertainty due to the relatively low level of market activity.

More information on the stock of property is disclosed in Note 26.

Income taxes

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax provisions in the period in which such determination is made.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Income taxes (continued)

Deferred tax assets are recognised by the Bank in respect of tax losses to the extent that is probable that future taxable profits will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies. These variables have been established on the basis of significant management judgment and are subject to uncertainty. It is possible that the actual future events could be different from the assumptions made, resulting in material adjustment to the carrying amount of deferred tax assets.

The assumptions with greater influence on deferred tax are disclosed in Note 15.

Fair value of properties held for own use

The properties held by the Bank for own use are measured at fair value less accumulated depreciation and impairment losses. Fair value is determined from valuations undertaken by professionally qualified valuers based on market signals for their existing use and is carried out at regular intervals so that the carrying amount does not differ materially from fair value.

In arriving at their estimates of the fair values of properties, the valuers use their market knowledge and professional judgment and do not rely solely on historical transactional comparable, taking into consideration that there is a greater degree of uncertainty than that which exists in a more active market. Depending on the nature of the underlying asset and available market information, the determination of the fair value of property may require the use of estimates such as future cash flows from assets and discount rates applicable to those assets. All these estimates are based on local market conditions existing at the reporting date.

If the estimated value per square meter used in the calculations for the properties held for own use was reduced by 15% the value of the properties would be €1,5m (2022: €1,4m) lower, with an equivalent impact on the revaluation reserve.

More information on inputs used is disclosed in Note 24.

6. INTEREST INCOME

	2023 €	2022 €
Loans and advances to customers at amortised cost	**14.023.691**	7.278.164
Deposits with banks and central bank at amortised cost	**2.113.244**	211.703
Other financial assets at amortised cost (Note 23)	**1.005.534**	1.385.658
Deposits with customers at amortised cost	**2.036**	283.021
	17.144.505	9.158.546

Interest income from loans and advances to customers includes interest on the net carrying amount of impaired loans and advances to customers amounting to €996.465 (2022: €1.372.099).

7. INTEREST EXPENSE

	2023 €	2022 €
Deposits and other customer accounts at amotised cost	**591.188**	7.694
Deposits from banks at amortised cost	**1.964.577**	159.232
Interest expense relating to leases (Note 25)	**37.075**	10.677
	2.592.840	177.603

8. FEE AND COMMISSION INCOME

	2023 €	2022 €
Fees	**1.120.460**	1.052.045
Commissions	**2.079.965**	2.442.080
	3.200.425	3.494.125

The Bank's fee and commission income are primarily recognised at a point in time. According to the Bank's policy some fees relating to loans (e.g. loan approval fees) as well as fees relating to issuance of guarantees are amortised over the life of the contract.

9. NET FOREIGN EXCHANGE GAINS

Net foreign exchange gains comprises the translation of monetary assets in foreign currency at the end of the reporting period, realised exchange gains or losses from transactions in foreign currency which have been settled during the year and the revaluation of foreign exchange derivatives.

10. OTHER INCOME

	2023 €	2022 €
Dividend income	**313.941**	323.927
Other income	**720.026**	1.090.909
	1.033.967	1.414.836

11. OTHER GAINS

	2023 €	2022 €
Fair value gain on equity investments classified as fair value through profit or loss	**5.473**	2.841
Gain on disposal of investment securities	**-**	162.954
	5.473	165.795

12. IMPAIRMENT CHARGE/(REVERSAL) OF IMPAIRMENT LOSSES FOR ECL ON OTHER FINANCIAL ASSETS

	2023 €	2022 €
Impairment charge/(reversal) of impairment losses on balances with banks – ECL	**76.847**	(264.825)
Impairment charge/(reversal) of impairment losses on other financial assets at amortised cost – ECL	**149.992**	(77.953)
	226.839	(342.778)

13. STAFF COSTS

	2023 €	2022 €
Salaries	**5.959.508**	5.864.870
Employer's contributions	**1.046.650**	970.265
Provident fund contributions	**508.302**	456.460
Other staff expenses	**403.459**	345.509
Voluntary exit scheme	**-**	(156.646)
	7.917.919	7.480.458

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

13. STAFF COSTS (continued)

The number of staff employed by the Bank as of 31 December 2023 was 125 (2022: 119). The average number of staff employed by the Bank for 2023 was 122 (2022: 128).

The Bank operates a defined contribution plan.

The Bank's contribution to the provident fund for the year 2023 was 9% (2022: 8,75%).

14. OTHER OPERATING EXPENSES

	2023 €	2022 €
Occupancy costs	**421.121**	448.278
Rentals	**53.735**	165.051
Repairs and maintenance	**1.149.013**	1.151.666
Other operating expenses	**2.669.476**	2.564.937
Special levy on deposits	**454.089**	502.984
	4.747.434	4.832.916

According to the "Special Levy on Credit Institutions Law of 2011 to 2015", special levy is imposed on credit institutions on a quarterly basis, at the rate of 0,0375% on 31st December, 31st March, 30th June and 30th September on qualifying deposits held by each credit institution.

The total fees charged by PwC Cyprus for audit services provided on the annual statutory financial statements for the year ended 31 December 2023 amounted to €50.000 (2022: €45.000). No audit services were provided by other PwC network firm.

PwC Cyprus and other PwC network firms have not provided any other assurance services, tax advisory services or non assurance related services.

15. INCOME TAX

(a) Tax recognised in profit or loss:

	2023 €	2022 €
Deferred tax credit	(316.692)	(1.361.406)
Total income tax credit	(316.692)	(1.361.406)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

15. INCOME TAX (continued)

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

	2023 €	2022 €
Profit before tax	**5.288.336**	1.541.524
Tax calculated at the applicable corporation tax rate of 12,5%	**661.042**	192.691
Tax effect of expenses not deductible for tax purposes	**134.102**	233.080
Tax effect of allowances and income not subject to tax	**(394.743)**	(228.164)
Tax impact of the remeasurement of recoverability of deferred tax asset	**(717.093)**	(1.559.013)
Income tax credit	**(316.692)**	(1.361.406)

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

Brought forward losses of only five years may be utilized.

Under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 30%.

In certain cases, dividends received from abroad may be subject to special contribution for defence at the rate of 17%. In addition, in certain cases, dividends received from other Cyprus tax resident companies may also be subject to special contribution for defence.

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

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities

	Difference between depreciation and wear and tear allowance €	Revaluation of land and buildings €	Total €
At 1 January 2022	497.347	881.717	**1.379.064**
Credited to:			
Other comprehensive income	(14.959)	-	**(14.959)**
At 31 December 2022/1 January 2023	482.388	881.717	**1.364.105**
Credited to:			
Profit or loss for the year	(80.986)	-	**(80.986)**
At 31 December 2023	401.402	881.717	**1.283.119**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

15. INCOME TAX (continued)

(b) Deferred income tax assets and liabilities (continued)

Deferred income tax assets

	Tax losses	Total
	€	€
At 1 January 2022	**1.577.227**	**1.577.227**
Charged to:		
Profit or loss for the year	1.346.448	1.346.448
At 31 December 2022/1 January 2023	**2.923.675**	**2.923.675**
Credited to:		
Profit or loss for the year	235.706	235.706
At 31 December 2023	**3.159.381**	**3.159.381**

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The assessment of the recognition of a deferred tax asset is a critical judgment, given the inherent uncertainties associated with projecting profitability over a long time period. The Bank performed its assessment for the recoverability of the deferred tax asset as at 31 December 2023 and 31 December 2022 taking into account the Bank's actual and historic performance, the key objectives of the Bank's strategy, the macroeconomic environment in Cyprus, the impact of tax legislations enacted as at the reporting date and the detailed financial business plan approved by the Board.

The financial projections have taken into account the key objectives of the Bank's strategy which are set out below:

- Further strengthening of the corporate banking services to boost revenue and fee generation as well as maximizing synergies with the NBG Group as an international hub;
- Further cleanup of our non-performing exposures to further strengthen our balance sheet; and
- Maintain healthy liquidity and capital base positions.

The key assumptions taken into consideration, amongst others, include the following:

- Income generation on the back of synergies with the NBG Group;
- Improvement of income through management of liquidity surplus; and
- Sustainment of cost of risk supported by asset quality organic actions.

The above assumptions are based on both internal and external information for attributing a value to each key assumption in the deferred tax asset forecasts.

The internal key variables include, amongst others, the Bank's strategy, plans and planned actions for (i) expansion of certain business lines and income streams, (ii) capital and liquidity management, (iii) cost management, (iv) cost of funding and (v) pricing of deposits and loans.

External key variables mainly include the interest rate evolution which impacts the business activity of the Bank, the Cypriot and European macroeconomic conditions and any changes in the regulatory framework.

The deferred tax credit of €0.3m for the year 2023 has been a result of the revised 3-year business plan of the Bank (2024-2026) which incorporates all the objectives and assumptions described above.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

16. CASH, BALANCES AND MANDATORY DEPOSITS WITH CENTRAL BANK OF CYPRUS

	2023	2022
	€	€
Cash in hand	**3.747.613**	10.134.223
Balances with the Central Bank of Cyprus:		
- due within three months	**103.984.199**	11.305.049
- between three months to one year	**3.275.798**	2.857.317
Total gross	**111.007.610**	24.296.589
ECL allowance	**(88.784)**	(11.751)
Total: net of ECL allowance	**110.918.826**	24.284.838

Cash and balances with central banks are classified as current.

Analysed as:

	2023	2022
	€	€
Cash and balances with Central Bank of Cyprus	**3.608.361**	9.426.188
Mandatory deposits with Central Bank of Cyprus	**3.275.798**	2.857.317
Money market placements with Central Bank of Cyprus	**104.034.667**	12.001.333
Total	**110.918.826**	24.284.838

17. DEPOSITS WITH OTHER BANKS

	2023	2022
	€	€
Interbank accounts	**1.105.360**	1.832.333
Total gross	**1.105.360**	1.832.333
ECL allowance	**(44)**	(75)
Total: net of ECL allowance	**1.105.316**	1.832.258

The maturity of the above balances is presented below:

	2023	2022
	€	€
Due within three months	**924.272**	1.644.725
Between three months and one year	**181.088**	187.608
Total gross	**1.105.360**	1.832.333
ECL allowance	**(44)**	(75)
Total: net of ECL allowance	**1.105.316**	1.832.258

17. DEPOSITS WITH OTHER BANKS (continued)

The fair value of the above balances approximates their carrying amount.

Placements with banks bear interest which is based on the interbank rate of the relevant term and currency.

Deposits with other banks are classified as "financial assets at amortised cost".

18. INVESTMENT IN SUBSIDIARY

The subsidiary company and its principal activity are described below:

Name	Participation	Principal activities	2023 €	2022 €
National Securities Cyprus Limited	**100%**	Dormant company	**1.709**	1.709

National Securities Cyprus Limited is registered in Cyprus.

19. LOANS AND ADVANCES TO CUSTOMERS

	2023 €	2022 €
Loans and advances to customers – at amortised cost	**313.016.328**	204.031.284
ECL allowance on loans and advances to customers at amortised cost (Note 21)	**(12.252.868)**	(18.069.081)
Total: net of ECL allowance	**300.763.460**	185.962.203

The analysis of gross advances based on their remaining contractual maturity at 31 December is presented below:

	2023 €	2022 €
Due within three months	**92.431.954**	102.458.392
Between three months and one year	**35.607.322**	333.517
Between one and five years	**113.268.217**	1.221.142
Over five years	**71.708.835**	100.018.233
Total: Gross	**313.016.328**	204.031.284

19. LOANS AND ADVANCES TO CUSTOMERS (continued)

The analyses of advances by industry sector is presented below:

	2023 €	2022 €
Trade and services	**152.084.980**	102.268.512
Construction	**21.843.103**	18.210.643
Manufacturing	**44.341.406**	20.132.060
Tourism	**10.424.294**	3.523.240
Retail	**35.064.546**	39.883.415
Energy	**13.242.196**	3.121.107
Transportation and telecommunication	**34.206.308**	14.831.443
Other	**1.809.495**	2.060.864
Total: Gross	**313.016.328**	204.031.284

Analysis by geographical area:

	2023 €	2022 €
Cyprus	**174.283.241**	176.627.490
Greece	**2.484.960**	2.693.199
Ireland	**65.013.520**	59.480
Netherlands	**15.008.554**	-
Romania	**12.364.543**	-
Serbia	**10.308.899**	263.766
Estonia	**10.325.414**	-
Spain	**7.238.338**	-
United Kingdom	**5.402.227**	9.917.765
Russia	**156.472**	249.475
Croatia	**3.497.793**	4.568.436
Other countries	**6.932.367**	9.651.674
Total: Gross	**313.016.328**	204.031.284

The fair value of loans and other advances to customers approximates their carrying amount at the balance sheet date. Loans and advances to customers are categorized as "financial assets at amortised cost".

20. BALANCES WITH RELATED BANKS

(a) Deposits with related banks

	2023 €	2022 €
National Bank of Greece S.A. (parent bank)	**15.615.578**	18.375.474
ECL allowance	**(567)**	(721)
Total: net of ECL allowance	**15.615.011**	18.374.753

20. BALANCES WITH RELATED BANKS (continued)

(a) Deposits with related banks (continued)

The maturity of the above balances is presented below:

	2023	2022
	€	€
Due within three months	**15.615.578**	18.375.474
ECL allowance	**(567)**	(721)
Total: net of ECL allowance	**15.615.011**	18.374.753

The fair value of the above balances approximates their carrying amount.

(b) Deposits from related banks

	2023	2022
	€	€
National Bank of Greece S.A. (parent bank)	**67.223.383**	11.582.856
	67.223.383	11.582.856

The maturity of the above balances is presented below.

	2023	2022
	€	€
Due within three months	**65.716.394**	11.582.856
Between three months and one year	**1.506.989**	-
	67.223.383	11.852.856

The fair value of the above balances approximates their carrying amount.

21. ECL ALLOWANCE ON LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST

	€
Balance at 1 January 2022	25.559.705
Reversal of impairment losses for the year	(279.929)
Write offs against provisions	(7.776.779)
Provision on accrued interest for interest income not recognised	566.084
Balance at 31 December 2022 (Note 19)	**18.069.081**
Impairment charge for the year	**2.352.162**
Write offs	**(8.314.876)**
Provision on accrued interest for interest income not recognised	**146.501**
Balance at 31 December 2023 (Note 19)	**12.252.868**

21. ECL ALLOWANCE ON LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST (continued)

Amounts recognised in profit or loss:

	2023 €	2022 €
Impairment charge for ECL/(Reversal of impairment losses) on loans and advances to customers at amortised cost	**2.352.162**	(279.929)
Bad debts recovered	**(2.695.972)**	-
	(343.810)	(279.929)

During the years ended 31 December 2023 the Bank has written off €8.294.257 (2022: €7.771.492) loans and advances that are subject to enforcement rights.

22. FINANCIAL ASSETS – INVESTMENTS IN EQUITY SECURITIES

(a) Equity investments at fair value through other comprehensive income (FVOCI) comprise the following:

	2023 €	2022 €
Listed equity securities:		
Master Card International Incorporation	**8.179.171**	6.921.106
Unlisted equity securities:		
JCC Payment Systems Ltd	**1.264.197**	1.264.197
Equity investments at fair value through other comprehensive income	**9.443.368**	8.185.303

The movement of financial assets at FVOCI is as follows:

	2023 €	2022 €
Carrying amount at 1 January	**8.185.303**	7.801.497
Net gain from changes in fair value recognised in OCI	**1.258.065**	383.806
Carrying amount at 31 December	**9.443.368**	8.185.303

(b) Equity investments at fair value through profit or loss (FVPL) comprise the following:

	2023 €	2022 €
Listed equity securities:		
Bank of Cyprus Holdings Public Company Ltd	-	7.241
Financial assets at fair value through profit or loss	-	7.241

22. FINANCIAL ASSETS – INVESTMENTS IN EQUITY SECURITIES (continued)

(b) The movement of financial assets at FVPL is as follows:

	2023 €	2022 €
Carrying amount at 1 January	**7.241**	7.241
Net gain from changes in fair value recognised in PL	**5.473**	-
Disposal	**(12.714)**	-
Carrying amount at 31 December	-	7.241

23. OTHER FINANCIAL ASSETS AT AMORTISED COST

Financial assets at amortised cost include the following debts investments:

	2023 €	2022 €
Government bonds	**64.524.346**	79.076.627
ECL allowance	**(53.427)**	(65.607)
Total: net of ECL allowance	**64.470.919**	79.011.020

	2023 €	2022 €
Listed on the Cyprus Stock Exchange	**36.209.866**	50.639.310
Listed on the Italian Stock Exchange	**28.314.480**	28.437.317
ECL allowance	**(53.427)**	(65.607)
Total: net of ECL allowance	**64.470.919**	79.011.020

The maturity of the above investments is presented below:

	2023 €	2022 €
Within three months	-	14.434.813
Between one and five years	**51.435.296**	28.437.317
Over five years	**13.089.050**	36.204.497
Total: Gross carrying amount	**64.524.346**	79.076.627
ECL allowance	**(53.427)**	(65.607)
Total: net of ECL allowance	**64.470.919**	79.011.020

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

23. OTHER FINANCIAL ASSETS AT AMORTISED COST (continued)

The movement of financial assets at amortised cost is as follows:

	2023 €	2022 €
At 1 January	**79.011.020**	85.348.840
Acquisitions	**7.921.435**	-
Disposals	**-**	(6.007.128)
Maturities and redemptions	**(21.855.828)**	-
Interest income (Note 6)	**1.005.534**	1.385.658
Interest received	**(1.557.815)**	(1.650.743)
ECL allowances	**(53.427)**	(65.607)
At 31 December	**64.470.919**	79.011.020

24. PROPERTY, PLANT AND EQUIPMENT

	Land, Buildings and installations €	Motor Vehicles €	Furniture and equipment €	Total €
Cost or valuation				
1 January 2022	9.968.317	193.722	3.750.797	**13.912.836**
Additions	-	-	51.607	**51.607**
Revaluations	-	-	-	**-**
Write-offs	-	-	-	**-**
31 December 2022/1 January 2023	9.968.317	193.722	3.802.404	**13.964.443**
Additions	35.436	-	78.153	**113.589**
Revaluations	69.084	-	-	**69.084**
Write-offs	(258.325)	(114.990)	(1.137)	**(374.452)**
31 December 2023	9.814.512	78.732	3.879.420	**13.772.664**
Accumulated depreciation				
1 January 2022	37.688	193.158	3.652.473	**3.883.319**
Charge for the year	93.043	398	43.365	**136.806**
Revaluation	-	-	-	**-**
Write-offs	-	-	-	**-**
31 December 2022/1 January 2023	130.731	193.556	3.695.838	**4.020.125**
Charge for the year	141.136	166	45.545	**186.847**
Revaluation	(186.084)	-	-	**(186.084)**
Write-offs	(47.230)	(114.990)	(265)	**(162.485)**
31 December 2023	38.553	78.732	3.741.118	**3.858.403**
Net book value				
31 December 2023	9.775.959	-	138.302	**9.914.261**
31 December 2022	9.837.586	166	106.566	**9.944.318**

24. PROPERTY, PLANT AND EQUIPMENT (continued)

Fair value measurement of the Bank's freehold land and buildings

The Bank's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Bank's land and buildings are performed by independent valuers not related to the Bank. The valuers have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The fair value of the properties was determined using the market comparable approach that reflects recent transaction prices for similar properties and discounted cash flow approach that reflects the annual return or potential return of the investor from the property held. The fair value of the land and buildings has been determined at the average value based on the valuations carried out by the Bank's two independent property valuers.

The Bank adopted a valuation technique using unobservable inputs. Accordingly, the fair value was classified as Level 3.

There has been no change to the valuation technique during the year.

The valuation levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (Level 3).

Details of the Bank's land and buildings and information about the fair value hierarchy as at 31 December are as follows:

	Quoted prices in active markets for identical assets (level 1) 2023 €	**Significant other observable inputs (level 2) 2023 €**	**Significant unobservable inputs (level 3) 2023 €**	**Total 2023 €**
Land	-	-	**6.511.500**	**6.511.500**
Buildings	-	-	**3.153.000**	**3.153.000**
	-	-	**9.664.500**	**9.664.500**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

24. PROPERTY, PLANT AND EQUIPMENT (continued)

	Quoted prices in active markets for identical assets (level 1) 2022 €	Significant other observable inputs (level 2) 2022 €	Significant unobservable inputs (level 3) 2022 €	Total 2022 €
Land	-	-	6.486.500	6.486.500
Buildings	-	-	3.101.000	3.101.000
	-	-	9.587.500	9.587.500

Information about fair value measurements using significant unobservable inputs (Level 3) – 31 December 2023

Description	Fair value at 31 December 2023 €	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair values
Land and office building – Nicosia	Land 6.019.000 Office building 3.002.000	Market comparable approach	Price per square meter	Approximately €350 - €650 for basements, €3.750 for ground floor and mezzanine (new building) and €7.750 for ground floor and mezzanine (preserved building)	The higher the price per square meter, the higher the fair value

Details of the Bank's land and buildings and information about the fair value hierarchy as at 31 December 2023 are as follows:

Description	Fair value at 31 December 2023 €	Valuation technique(s)	Rental value €	Discount rate	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair values
Land and office building – Larnaca	Land 492.500 Office building 151.000	Market comparable approach	N/A	N/A	Price per square meter	€1.300 for mezzanine floor and €3.600 for ground floor	The higher the price per square meter, the higher the fair value.
		Discounted cash flow approach	42.000	6,5%	Discount rate		The higher the discount rate, the lower the fair value.

24. PROPERTY, PLANT AND EQUIPMENT (continued)

Information about fair value measurements using significant unobservable inputs (Level 3) – 31 December 2022

Description	Fair value at 31 December 2022 €		Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair values
	Land	Office building				
Land and office building – Nicosia	5.994.000	2.950.000	Market comparable approach	Price per square meter	Approximately €350 - €650 for basements, €3.850 for ground floor and mezzanine (new building) and €7.850 for ground floor and mezzanine (preserved building)	The higher the price per square meter, the higher the fair value

Details of the Bank's land and buildings and information about the fair value hierarchy as at 31 December 2022 are as follows:

Description	Fair value at 31 December 2022 €		Valuation technique(s)	Rental value €	Discount rate	Unobservable inputs	Range of unobservable inputs (probability – weighted average)	Relationship of unobservable inputs to fair values
	Land	Office building						
Land and office building – Larnaca	492.500	151.000	Market comparable approach	N/A	N/A	Price per square meter	€1.300 for mezzanine floor and €3.600 for ground floor	The higher the price per square meter, the higher the fair value.
			Discounted cash flow approach	42.000	6,5%	Discount rate		The higher the discount rate, the lower the fair value.

25. RIGHT-OF-USE ASSET

This note provides information for leases where the Bank is a lessee. The Bank has no leases where it is the lessor.

(i) The Bank's leasing arrangements

The Banks leases various offices, branches and a saloon car. Rental contracts are typically made for fixed periods of 2 years to 6 years, but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

25. RIGHT-OF-USE ASSET (continued)

(ii) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2023	2022
	€	€
Right-of-use assets		
Buildings	**1.413.180**	558.074
Cars	**52.373**	-
Total	**1.465.553**	558.074
Lease liabilities		
Current	**389.496**	159.199
Non-current	**1.120.056**	450.477
Total	**1.509.552**	609.676

During the year ended 31 December 2023, the Bank recognized two new lease contracts relating to office buildings and one in relation to a saloon car. In relation to the lease contracts of the office buildings, the rental period for the first contract is for two years and includes option to extend for further two years and the lease period for the second contract is for 3 years with an extension option of further three years. In both cases the Bank has the right at any time after the expiry of the initial term to terminate the present rental agreements by providing three months notice to the lessor. Regarding to the saloon car the lease period is for 5 years.

(iii) Amounts recognised in profit or loss

The income statement shows the following amounts relating to leases:

	2023	2022
	€	€
Depreciation charge of right-of-use assets		
Buildings	**284.822**	301.341
Cars	**13.093**	-
Total	**297.915**	301.341
Interest expense (Note 7)	**37.075**	10.677
Total	**37.075**	10.677

The total cash outflow for leases in 2023 was €364.786 (2022: €302.940).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

26. STOCK OF PROPERTY

The carrying amount of stock of property is determined as the lower of cost and net realisable value. Impairment is recognised if the net realisable value is below the cost of the stock of property. During the year ended 31 December 2023 no impairment loss was recognised. At 31 December 2023, stock of €10.009.757 (2022: €9.950.000) is carried at cost. The stock of property includes residential properties and land (fields and plots).

The carrying amount of the stock of property is analysed in the tables below:

	2023	2022
	€	€
Balance at 1 January	**9.950.000**	-
Additions	**59.757**	9.950.000
Balance at 31 December	**10.009.757**	9.950.000

Analysis by type and country:

	Cyprus	Total
2023	€	€
Residential properties	**4.259.757**	**4.200.000**
Land (fields and plots)	**5.750.000**	**5.750.000**
Total	**10.009.757**	**9.950.000**

27. INTANGIBLE ASSETS

	Computer software
	€
At 1 January 2022	
Cost	13.177.668
Accumulated amortisation	(8.520.406)
Net book amount	4.657.262
Year ended 31 December 2022	
Opening net book amount	4.657.262
Additions	358.472
Amortisation charge	(620.980)
Closing net book amount	4.394.754
At 31 December 2022	
Cost	13.536.140
Accumulated amortisation	(9.141.386)
Net book amount	4.394.754

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

27. INTANGIBLE ASSETS (continued)

	Computer software €
Year ended 31 December 2023	
Opening net book amount	**4.394.754**
Additions	**717.584**
Amortisation charge	**(591.192)**
Closing net book amount	**4.521.146**
At 31 December 2023	
Cost	**14.253.724**
Accumulated amortisation	**(9.732.578)**
Net book amount	**4.521.146**

28. OTHER ASSETS

	2023 €	2022 €
Financial assets		
Debtors and other receivables	**1.805.009**	2.790.070
Receivable from property expropriation	**3.521.200**	3.346.720
Fair value of derivatives (1)	**74.706**	116.852
	5.400.915	6.253.642
Non-financial assets		
Prepaid expenses	**170.726**	208.804
Total other assets	**5.571.641**	6.462.446

(1) Forward foreign exchange contracts
The nominal value of the outstanding forward foreign exchange contracts as at 31 December 2023 was €6 million (2022: €6 million).

29. DEPOSITS FROM OTHER BANKS

	2023 €	2022 €
Interbank borrowing	**1.716.840**	3.297.428

29. DEPOSITS FROM OTHER BANKS (continued)

The maturity of the above balances is presented below:

	2023 €	2022 €
Due within three months	**1.345.704**	2.777.838
Between three months and one year	**371.136**	519.590
	1.716.840	3.297.428

The fair value of the above balances approximates their carrying amount.

30. DEPOSITS AND OTHER CUSTOMER ACCOUNTS

	2023 €	2022 €
Time and notice accounts	**127.252.832**	30.486.188
Demand and current accounts	**167.568.460**	163.653.968
Savings accounts	**93.984.035**	94.196.036
	388.805.327	288.336.192

Analysis by geographical area

	2023 €	2022 €
Cyprus	**333.191.602**	225.445.156
Greece	**35.808.405**	36.679.658
United Kingdom	**4.492.537**	4.757.318
Switzerland	**3.742.474**	4.418.098
United States	**3.132.468**	2.457.227
Russia	**1.538.591**	1.775.060
Malta	**824.131**	2.909.859
Seychelles	**205**	3.697.676
Other countries	**6.074.914**	6.196.140
	388.805.327	288.336.192

The fair value of the above balances approximates their carrying amount.

The maturity analysis of the above mentioned balances is presented below:

	2023 €	2022 €
Due within three months	**290.521.134**	276.341.296
Between three months and one year	**88.766.139**	11.994.896
Between one and five years	**9.518.054**	-
	388.805.327	288.336.192

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

31. OTHER LIABILITIES

	2023 €	2022 €
Liabilities		
Amounts due to suppliers	**400.082**	190.849
Receipts on behalf of third parties	**326.375**	413.912
Cheques – drafts payable	**595.249**	798.996
Other liabilities	**2.635.620**	1.203.761
Pending inward swifts	**1.957.969**	884.772
Value added tax payable	**140.566**	151.284
Provisions for staff unpaid leave	**308.197**	284.286
Provisions for litigations, claims and complaints	**81.000**	77.999
	6.445.058	4.005.859
Other provisions		
Provisions for forfeiture of letters of guarantee	**60.713**	44.565
Other	**345.522**	199.499
	406.235	244.064
Total	**6.851.293**	4.249.923

32. SHARE CAPITAL

	2023 Shares	2023 €	2022 Shares	2022 €
Authorised:				
Ordinary shares of Euro 1,71 each	**48.711.000**	**83.295.810**	37.015.000	63.295.650
Issued and fully paid				
Ordinary shares of Euro 1,71 each	**48.711.000**	**83.295.810**	37.015.000	63.295.650

On 11th of May 2022 the authorized share capital of the Bank was increased by 7.015.000 ordinary shares of €1,71 each and the total authorized share capital as at 31 December 2022 amounted to €63.295.650.

On 11th May 2022 the issued share capital of the Bank was increased by 3.400.000 ordinary shares of €1,71 each and on 20th June 2022 the issued share capital was increased again by 3.615.000 ordinary shares of €1,71 each. The issued share capital as at 31 December 2022 following the above increases amounted to €63.295.650.

On 8th of February 2023 the authorised and issued share capital of the Bank was increased by 5.848.000 ordinary shares of €1,71 each and on 18th of July 2023 the authorised and issued share capital was increased again by 5.848.000 ordinary shares of €1,71 each. The issued share capital as at 31 December 2023 following the above increases amounted to €83.295.810.

On 29th January 2024 the authorised and issued share capital of the Bank was increased by 35.087.700 ordinary shares of €1,71 each thus the total authorised and issued share capital of the Bank following this increase was €143.295.777.

On 3rd April 2024 the authorised and issued share capital of the Bank was increased by 1.300 ordinary shares of €1,71 each, thus the total authorised and issued share capital of the Bank to date is €143.298.000.

33. REVALUATION RESERVES

	Land and buildings €	Financial assets at FVTOCI €	Total €
Balance at 1 January 2022	**8.382.166**	**7.991.311**	**16.373.477**
Gains from changes in fair value (Note 22)	-	383.806	383.806
Balance at 31 December 2022/1 January 2023	**8.382.166**	**8.375.117**	**16.757.283**
Gains from changes in fair value (Note 24 & Note 22)	255.168	1.258.065	1.513.233
Balance at 31 December 2023	**8.637.334**	**9.633.182**	**18.270.516**

34. CONTINGENT LIABILITIES AND COMMITMENTS

The nominal value of the contingencies and commitments as at 31 December are presented below:

	2023 €	2022 €
Acceptances and Endorsements	**99.745**	56.112
Letters of Guarantee	**24.482.340**	18.124.860
Letters of Credit	**2.472.736**	791.665
Customers' credit limits that have been approved but have not been used	**116.629.307**	113.341.540
	143.684.128	132.314.177

Pending litigations and claims

The Bank is defendant in certain claims and legal actions and proceedings arising in the ordinary course of business. These actions and proceedings are generally based on alleged violations of consumer protection, banking, employment and other laws. None of these actions and proceedings is individually material. The Bank establishes provisions for all litigations, for which it believes it is probable that a loss will be incurred and the amount of the loss can be reasonably estimated. These provisions may change from time to time, as appropriate, in light of additional information. For the cases for which a provision has not been recognized, management is not able to reasonably estimate possible losses, since the proceedings may last for many years, many of the proceedings are in early stages, there is uncertainty as to the likelihood of the final result, there is uncertainty as to the outcome of pending appeals and there are significant issues to be resolved. However, in the opinion of management, after consultation with legal counsel, the final outcome of these matters is not expected to have a material adverse effect on the Bank's Balance Sheet, Income Statement and Cash Flow Statement, taking into account that as at 31 December 2023 the Bank has provided for cases under litigation the amount of €81.000 (2022: €77.999).

35. NET CASH FROM OPERATING ACTIVITIES

	Note	2023 €	2022 €
Profit before taxation		**5.288.336**	1.541.524
Depreciation of property, plant and equipment	24	**186.847**	136.806
Depreciation of right-of-use assets	25	**297.915**	301.341
Amortisation of intangible assets	27	**591.192**	620.980
Provision for unused annual leave		**23.911**	27.096
Impairment losses/(reversal of impairment losses) on loans and advances to customers	21	**2.352.162**	(279.929)
Impairment losses on other financial assets		**166.164**	-
Loss/(profit) from derivative financial instruments		**42.146**	(308.903)
Dividend income	10	**(313.941)**	(323.927)
Interest income on debt securities	6	**(1.005.534)**	(1.385.658)
(Reversal of impairment losses)/impairment losses on other financial assets at amortised cost		**(12.180)**	12.183
Write offs of property, plant and equipment		**258.325**	-
Lease modification		**(25.039)**	-
Loss on sale of fair value through profit or loss equity investment		**230**	-
Gains from fair value through profit or loss equity investment	11	**(5.473)**	(2.841)
		7.845.061	338.672
Increase in loans and other advances to customers		**(117.153.419)**	(2.709.064)
Increase/(decrease) in deposits and other customer accounts		**100.469.135**	(115.671.890)
Decrease/(increase) in deposits with other banks		**6.520**	(10.933)
Increase/(decrease) in obligatory balances with Central Bank of Cyprus		**(418.481)**	1.817.985
Decrease in deposits from other banks		**(1.580.588)**	(1.655.977)
Increase in deposits from related banks		**55.640.527**	10.638.792
Decrease in other assets		**890.805**	794.539
(Decrease)/increase in other liabilities		**2.358.199**	(5.572.030)
Net cash used in operating activities		**48.057.759**	(112.029.906)

36. CASH AND CASH EQUIVALENTS

Analysis of cash and cash equivalents

	2023 €	2022 €
Cash in hand (Note 16)	**3.747.613**	10.134.223
Non-obligatory balances with Central Bank of Cyprus (Note 16)	**103.984.199**	11.305.049
Deposits with related banks – due within three months (Note 20a)	**15.615.578**	18.375.474
Deposits with other banks – due within three months (Note 17)	**924.272**	1.644.725
	124.271.662	41.459.471

For the purpose of preparing the statement of cash flows, the maturities of cash equivalents relating to the balances with related and other banks and with the Central Bank of Cyprus, are based on their original contractual maturity.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

37. RELATED PARTY TRANSACTIONS

The parent and ultimate holding company (and also the Ultimate Controlling Party) of the Bank is National Bank of Greece S.A., a company registered in Greece, which prepares consolidated financial statements available for public use. The consolidated financial statements of National Bank of Greece S.A. are available at the National Bank of Greece S.A, website (www.nbg.gr) and its registered office is located at Eolou 86, 10559 Athens, Greece.

Details of transactions between the Bank and other related parties are disclosed below.

Trading transactions

During the year, the Bank entered into the following trading transactions with related parties:

Transaction with National Bank of Greece S.A – parent bank

	2023	2022
	€	€
Nature of transaction - Interest and other income		
Interest income	286.329	45.969
Commission income	1.028.957	1.358.377
Management fees	145.644	159.551
Other income	231.563	210.677
	1.692.493	1.774.574
Nature of transaction - Interest and other expenses		
Interest expense	1.961.781	79.339
Other expenses	240.133	450.894
	2.201.914	530.233

Transaction with subsidiaries of National Bank of Greece S.A

	2023	2022
	€	€
Nature of transaction - Other income		
Services rendered to CAC Coral Ltd	-	413.479
Other income	-	20.040
	-	433.519
Nature of transaction - Interest and other expenses		
Insurance costs	-	74.651
Maintenance expense	363.700	261.056
	363.700	335.707

37. RELATED PARTY TRANSACTIONS (continued)

Balances with related companies

The following balances were payable to related parties at the end of the reporting period:

	2023 €	2022 €
Deposits and other customer accounts		
National Securities S.A.-related party under common control	**11.593**	11.963
NBG Management Services Limited-related party under common control	**699.997**	-
National Securities (Cyprus) Limited-subsidiary	**1.352**	1.632
	712.942	13.595

Deposits with and from related banks are presented in Note 20 to the financial statements.

Other transactions

(i) During the year, credit facilities with a book value of €36 million were transferred to the Bank from NBG SA – Cyprus Branch.

(ii) During the year ended 31 December 2022, revolving credit facilities with a book value of €8 were transferred to the Bank from NBG London.

(iii) During the year ended 31 December 2022, non-revolving credit facilities with a book value of €24 million were transferred to the Bank from NBG SA – Cyprus Branch.

Key management personnel related transactions

	2023 €	2022 €
Loans and advances to members of the Board of Directors and connected persons	**66**	136
Deposits of members of the Board of Directors and connected persons	**465.952**	299.562
Interest expense	**1.609**	-

Connected persons include spouses, minor children and companies in which Directors or key management personnel hold, directly or indirectly, at least 20% of the voting shares.

All transactions with members of the Board of Directors and their connected persons are made on normal business terms as for comparable transactions with customers of a similar credit standing. All transactions with key management personnel are made on the same terms as those applicable to the rest of the Bank's employees.

37. RELATED PARTY TRANSACTIONS (continued)

The remuneration of Directors and other members of key management during the year was as follows:

	2023 €	2022 €
Fees paid to Directors as members of the Board	**135.223**	87.833
Executive Directors emoluments		
Salaries and other short-term benefits	**354.132**	302.065
Employer's contributions	**24.243**	22.057
	378.375	324.122
Total compensation	**513.598**	411.955

38. OPERATING ENVIRONMENT

In year 2023 the Cyprus economy has been confronted with many challenges as the global economy is experiencing uncertainties following the war in Ukraine and the Middle East. The Bank has limited direct exposure to both Ukraine and Russia as well as to Israel, and is continuously monitoring the current affairs and remains vigilant to take precautionary measures as required. The uncertainty added to inflationary pressures with ECB retaining its interest rates unchanged at the latest Governing Council meeting on 11 April 2024. The main refinancing operations rate remained at 4.5% while the ECB deposit facility rate is at 4.0%. The ECB's medium-term target for inflation is set at 2% and the market expectations are that interest rate reductions will start from mid of year 2024.

Cyprus has performed better than the euro area average growth of 0.5% as per the European Commission's data with Cyprus GDP growth being 2.5% while inflation was at a low average of 4% for year 2023 from the 8.1% in 2022 and from 5.4% in the Euro area for year 2023. Unemployment rate continued to decline from 6.8% in 2022 to 6.2% in year 2023 showing improved labour market conditions. Trade, transport and accommodation have largely contributed to the growth in the Cyprus economy. Accommodation is linked to the tourism and reflects the post covid recovery era.

Public debt has continued to be on a declining trend estimated at around 78% of GDP. Cyprus' fiscal performance and reform efforts have been acknowledged by the rating agencies, exhibited by the fact that Cyprus is now rated as an investment grade country by all Agencies.

The Cyprus banking sector continues to focus on reducing the non-performing exposures being around 7.8% of gross loans at the end of December 2023 as per the Central Bank of Cyprus statistics.

The Bank remains focused within this challenging environment to improve its asset quality through further reduction of the non-performing exposures and to grow with high quality lending focused on selected industries in line with the Bank's target risk profile. At the same time the Management is closely monitoring the geopolitical developments along with the macroeconomic conditions and assesses the situation as it is evolving in order to take any necessary measures to mitigate related risks.

39. RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk and interest rate risk) and liquidity risk. The Bank's overall risk management policies focus on the unpredictability of financial markets and seek to minimise the potential adverse effects on the Bank's financial performance, financial position and cash flows.

a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Bank. Credit risk arises mainly from loans and advances to banks, customers and loan commitments, but can also arise from financial guarantees, investments in debt securities and other exposures resulting from its trading activities including derivatives, other financial assets and balance with central banks.

The Bank has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Bank's exposure and the credit ratings of its counterparties are regularly monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits approved by the Bank and which are reviewed and approved at least on an annual basis.

The loan portfolio is assessed on the basis of customer creditworthiness, the sector of the economy in which the customer operates and the country of operation and is regularly examined by the Bank's Internal Audit department.

Credit concentration risk

Credit concentration risk arises from exposures to each counterparty, groups of connected counterparties, and counterparties in the same economic sector, geographic region or from the same activity. The following categories of credit concentration risk are recognized by the Bank:

- Single-name concentrations (including group of connected clients);
- Industry concentrations;
- Geographical concentrations;
- Collateral and guarantees concentration.

For the purposes of managing and monitoring concentration risks the Bank has established appropriate limits, a monitoring and reporting framework as well as appropriate measures and methodologies for the allocation of capital as mitigant.

Maximum exposure to credit risk and collateral and other credit enhancements

The main types of collateral obtained by the Bank for loans and advances to customers are mortgages of properties, blocked deposits, bank guarantees, pledges of equity securities of public companies, fixed and floating charges over corporate assets, assignment of life insurance policies and personal and corporate guarantees.

Collateral held as security for other financial assets is determined by the nature of the instrument. Debt securities and other eligible bills are generally unsecured.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Maximum exposure to credit risk and collateral and other credit enhancements (continued)

The table below represents the maximum exposure to credit risk, the tangible and measurable collateral and other credit enhancements held as well as the net exposure to credit risk. Personal guarantees are an additional form of collateral, but are not included in the information below as their fair value cannot be easily and accurately estimated.

		Fair value of collateral and credit enhancements held by the Bank					
	Maximum exposure to credit risk €	Cash €	Securities €	Property €	Other €	Total collateral €	Net exposure to credit risk €
2023							
Balances with Central Bank of Cyprus	107.171.213	-	-	-	-	-	107.171.213
Deposits with banks	16.720.327	-	-	-	-	-	16.720.327
Loans and advances to customers	300.763.460	60.979.910	779	103.956.294	7.287.690	172.224.673	128.538.787
Debt securities at amortised cost	64.470.919	-	-	-	-	-	64.470.919
Other financial assets	5.400.915	-	-	-	-	-	5.400.915
On-balance sheet total	494.076.834	60.979.910	779	103.956.294	7.287.690	172.224.673	321.852.161
Contingent liabilities and commitments							
Acceptances and endorsements	99.745						
Letters of guarantee	24.482.340						
Letters of credit	2.472.736						
Undrawn credit lines and other commitments to lend	116.629.307						
Off-balance sheet total	143.684.128						
Total credit risk exposure	637.760.962						

For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported on the balance sheet.

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Maximum exposure to credit risk and collateral and other credit enhancements (continued)

		Fair value of collateral and credit enhancements held by the Bank					
	Maximum exposure to credit risk €	Cash €	Securities €	Property €	Other €	Total collateral €	Net exposure to credit risk €
2022							
Balances with Central Bank of Cyprus	14.150.615	-	-	-	-	-	14.150.615
Deposits with banks	20.207.011	-	-	-	-	-	20.207.011
Loans and advances to customers	185.962.203	11.652.042	7.957.418	89.519.963	11.016.565	120.145.988	65.816.215
Debt securities at amortised cost	79.011.020	-	-	-	-	-	79.011.020
Other financial assets	6.253.642	-	-	-	-	-	6.253.642
On-balance sheet total	305.584.491	11.652.042	7.957.418	89.519.963	11.016.565	120.145.988	185.438.503
Contingent liabilities and commitments							
Acceptances and endorsements	56.112						
Letters of guarantee	18.124.860						
Letters of credit	791.665						
Undrawn credit lines and other commitments to lend	113.341.540						
Off-balance sheet total	132.314.177						
Total credit risk exposure	437.898.668						

For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported on the balance sheet.

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Forborne exposures

The credit tools commonly used by the Bank to manage liquidity problems faced by its clients in the repayment of their debts is the restructuring of their finances by renegotiating the current terms of the loan agreement.

Regulation EU no. 575/2013 established the framework for prudential requirements on the management by credit institutions of loans arrears and non-performing loans.

The European Banking Authority (EBA) published in 2014 its technical standards with respect to non-performing and forborne exposures. Exposures include all debt instruments (loans and advances and debt securities) and off-balance sheet exposures, except those held for trading exposures.

According to the EBA technical standards, forborne exposures are those debt contracts in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor (including part of total refinancing of a debt contract) which aim to address existing or anticipated difficulties on the part of the debtor to service debt in accordance with the current repayment schedule. Changes in the terms and conditions of a contract that do not occur because the customer is not able to meet the terms and conditions of the contract due to financial difficulties do not constitute forbearance measures.

The most significant prerequisite for the forbearance of an exposure is the existence of customer repayment ability i.e. the customer is viable.

The forbearance measures to be taken and their duration thereof are determined on the basis of specific customer information, based on the prevailing economic conditions and in accordance with relevant legislation or regulatory Directives.

Every effort is being taken by the Bank for the proper assessment of the new repayment schedule on the basis of the forbearance measures, in order to avoid a new default.

The below tables present the Bank's forborne exposures in accordance with the EBA technical standards, the tangible and measurable collateral and other credit enhancements held and the net exposure to credit risk.

	Maximum exposure to credit risk €	Fair value of collateral €	Net exposure to credit risk €
2023			
Stage 2	**3.641.533**	**3.609.412**	**32.121**
Stage 3	**10.367.405**	**9.713.154**	**654.251**
	14.008.938	**13.322.566**	**686.372**

	Maximum exposure to credit risk €	Fair value of collateral €	Net exposure to credit risk €
2022			
Stage 2	4.126.828	4.023.400	103.428
Stage 3	12.836.650	12.089.464	747.186
	16.963.478	16.112.864	850.614

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Other financial assets at amortised cost

Other financial assets at amortised cost include loans and advances to customers, financial assets at amortised costs, cash and balances with Central Bank of Cyprus, Deposits with other and related banks.

The Bank considers the probability of default upon initial recognition of financial asset at amortised cost and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Bank compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower/counterparty;
- significant increases in credit risk on other financial instruments of the same borrower/counterparty;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Bank has identified the GDP and the unemployment rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Bank. Where loans or receivables have been written off, the Bank continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Bank uses three categories for loans, receivables, other receivables, debt securities at amortised cost which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit rating companies, such as Moody's and Fitch.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Credit quality of loans and other advances to customers

A summary of the assumptions underpinning the Company's expected credit loss model is as follows:

Category	*Company definition of category*	*Basis for recognition of expected credit loss provision*	*Basis for calculation of interest revenue*
Performing	Counterparties have a low risk of default and a strong capacity to meet contractual cash flows.	Stage 1: 12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	Gross carrying amount.
Underperforming	Counterparties for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due as well as any breach on the recorded 12 month and lifetime PD thresholds and ratings downgrades. In addition the forbearance status is considered.	Stage 2: Lifetime expected losses	Gross carrying amount.
Non-performing	Interest and/or principal repayments are 90 days past due. Also the contamination rule (pulling effect) is in place with regards to corporate portfolio.	Stage 3: Lifetime expected losses	Amortised cost carrying amount (net of credit allowance).

Over the term of the loans and advances to customers, financial assets at amortised cost, cash and balance with Central Bank of Cyprus, Deposits with other and related banks, the Bank accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Bank considers historical loss rates for each category of customers, and adjusts for forward looking macroeconomic data.

The Bank provides for credit losses against loans and advances to customers, financial assets at amortised cost, cash and balances with Central Bank of Cyprus, Deposits with other and related banks. The following tables contain an analysis of the credit risk exposure of each class of financial instruments for which an ECL allowance is recognised. The gross carrying amounts below also represent the Bank's maximum exposure to credit risk on these assets as at 31 December 2023 and 31 December 2022.

The following tables analyse the Bank's loans and advances in accordance with internal credit rating category.

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

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

Loans and advances to customers

Bank's internal credit rating RMIII	Gross carrying amount €	Credit loss allowance €	Carrying amount (net of impairment provision) €
A1	76.902.519	433.082	76.469.437
A2	102.074.358	304.643	101.769.715
B1	50.893.400	346.162	50.547.238
B2	21.657.353	186.680	21.470.673
C1	13.788.177	118.063	13.670.114
C2	5.964.970	32.479	5.932.491
D1	4.989.575	44.327	4.945.248
D2	4.531.368	12.911	4.518.457
E1	140.858	1.146	139.712
E2	2.327.720	32.423	2.295.297
F	16.442.507	8.884.815	7.557.692
Total as at 31 December 2023	**299.712.805**	**10.396.731**	**289.316.074**

RMIII

Relates to the Bank's main rating tool/software which covers the needs for quantitative (throughout financial data/figures) and qualitative analysis of firms. The model, which has been internally developed by NBG SA (calibrated and validated locally) deals with all types of enterprises that may or may not produce full financial data.

Bank's internal credit rating – Empirical Model	Gross carrying amount €	Credit loss allowance €	Carrying amount (net of impairment provision) €
LOW	4.972.349	32.706	4.939.643
MEDIUM	1.405.577	7.161	1.398.416
CONSIDERABLE	260	26	234
HIGH	81.026	22	81.004
D	6.844.311	1.816.222	5.028.089
Total as at 31 December 2023	**13.303.523**	**1.856.137**	**11.447.386**
Total portfolio as at 31 December 2023	**313.016.328**	**12.252.868**	**300.763.460**

Empirical Model

Relates to the Bank's rating tool which covers the needs (solely) for qualitative analysis of firms under special lending (financing for developing purposes, project finance, object finance and income producing real estate).

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

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

Bank's internal credit rating - RMIII	Gross carrying amount €	Credit loss allowance €	Carrying amount (net of impairment provision) €
A1	55.472.745	51.287	55.421.458
A2	5.961.265	16.542	5.944.723
B1	41.247.936	73.007	41.174.929
B2	13.504.767	32.264	13.472.503
C1	30.192.534	98.676	30.093.858
C2	6.305.642	4.389	6.301.253
D1	1.417.099	19.711	1.397.388
D2	2.587.832	1.855	2.585.977
E1	391.893	2.582	389.311
E2	1.136.526	4.993	1.131.533
F	28.937.717	14.564.624	14.373.093
Total as at 31 December 2022	**187.155.956**	**14.869.930**	**172.286.026**

Bank's internal credit rating – Empirical Model	Gross carrying amount €	Credit loss allowance €	Carrying amount (net of impairment provision) €
LOW	4.890.799	69.145	4.821.654
MEDIUM	1.713.285	1.418	1.711.867
CONSIDERABLE	395.719	393	395.326
HIGH	812.117	9.144	802.973
D	9.063.408	3.119.051	5.944.357
Total as at 31 December 2022	**16.875.328**	**3.199.151**	**13.676.177**
Total portfolio as at 31 December 2022	**204.031.284**	**18.069.081**	**185.962.203**

Cash and balances with Central Bank of Cyprus

Internal credit assessment	Expected credit loss rate	Gross carrying amount (€)	(ECL) €	Carrying amount (net of impairment provision) (€)
Performing	0,083%	107.259.997	(88.784)	107.171.213
Underperforming	N/A	-	-	-
Not performing	N/A	-	-	-
Total as at 31 December 2023		**107.259.997**	**(88.784)**	**107.171.213**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Due from other and related banks

Internal credit assessment	Expected credit loss rate	Gross carrying amount (€)	(ECL) (€)	Carrying amount (net of impairment provision) (€)
Performing	0,004%	16.720.938	(611)	16.720.327
Underperforming	N/A	-	-	-
Not performing	N/A	-	-	-
Total as at 31 December 2023		**16.720.938**	**(611)**	**16.720.327**

Financial assets at amortised cost – Cyprus & Italian Government bonds and treasury bills

Internal credit assessment	Expected credit loss rate	Gross carrying amount (€)	(ECL) (€)	Carrying amount (net of impairment provision) (€)
Performing	0,083%	64.524.346	(53.427)	64.470.919
Underperforming	N/A	-	-	-
Not performing	N/A	-	-	-
Total as at 31 December 2023		**64.524.346**	**(53.427)**	**64.470.919**

Cash and balances with Central Bank of Cyprus

Internal credit assessment	Expected credit loss rate	Gross carrying amount (€)	(ECL) €	Carrying amount (net of impairment provision) (€)
Performing	0,063%	14.162.366	(11.751)	14.150.615
Underperforming	N/A	-	-	-
Not performing	N/A	-	-	-
Total as at 31 December 2022		**14.162.366**	**(11.751)**	**14.150.615**

Due from other and related banks

Internal credit assessment	Expected credit loss rate	Gross carrying amount (€)	(ECL) (€)	Carrying amount (net of impairment provision) (€)
Performing	0.004%	20.207.807	(796)	20.207.011
Underperforming	N/A	-	-	-
Not performing	N/A	-	-	-
Total as at 31 December 2022		**20.207.807**	**(796)**	**20.207.011**

Financial assets at amortised cost – Cyprus & Italian Government bonds and treasury bills

Internal credit assessment	Expected credit loss rate	Gross carrying amount (€)	(ECL) (€)	Carrying amount (net of impairment provision) (€)
Performing	0.083%	79.076.627	(65.607)	79.011.020
Underperforming	N/A	-	-	-
Not performing	N/A	-	-	-
Total as at 31 December 2022		**79.076.627**	**(65.607)**	**79.011.020**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Loans and advances to customers – total loans

The following table discloses the changes in the credit loss allowance and gross carrying amount for loans to customers between the beginning and the end of the year ended 2023:

	Credit loss allowance				Gross carrying amount			
	Stage 1 12 month ECL €	Stage 2 Lifetime ECL €	Stage 3 Lifetime ECL €	Total €	Stage 1 12 month ECL €	Stage 2 Lifetime ECL €	Stage 3 Lifetime ECL €	Total €
Opening balances at 1 January 2023	216.235	177.596	17.675.250	18.069.081	138.748.501	29.003.044	36.279.739	204.031.284
Transfers:								
Transfer from Stage 1 to Stage 2	(9.706)	117.194	-	107.488	(15.078.442)	15.078.442	-	-
Transfer from Stage 1 to Stage 3	(2.380)	-	59.176	56.796	(328.616)	-	328.616	-
Transfer from Stage 2 to Stage 1	7.637	(31.319)	-	(23.682)	8.031.482	(8.031.482)	-	-
Transfer from Stage 2 to Stage 3	-	(3.004)	152.735	149.731	-	(993.468)	993.468	-
Transfer from Stage 3 to Stage 1	8.616	-	(146.633)	(138.017)	281.925	-	(281.925)	-
Transfer from Stage 3 to Stage 2	-	9.829	(130.502)	(120.673)	-	1.267.587	(1.267.587)	-
New financial assets originated or purchased	527.246	10.125	107.270	644.641	147.475.780	2.944.008	3.402	150.423.190
Changes in PDs/LGDs/EADs	506.257	18.207	1.026.297	1.550.762	-	-	-	-
Changes in interest accruals	-	-	-	-	6.892.259	1.453.036	1.109.771	9.455.066
Write offs	(703)	-	(8.189.058)	(8.189.761)	(21.868)	(15)	(8.272.373)	(8.294.256)
Repayments	-	-	-	-	(28.666.090)	(8.326.572)	(5.606.293)	(42.598.954)
Provision of accrued interest not recognised	-	-	146.502	146.502	-	-	-	-
Closing balances as at 31 December 2023	1.253.202	298.629	10.701.037	12.252.868	257.334.931	32.394.580	23.286.818	313.016.329

* Stage 3 exposures may shift to stage 2 if obligations are met for a continuous period of 12 months

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Loans and advances to customers – mortgage loans

The following table discloses the changes in the credit loss allowances and gross carrying amount for loans to customers between the beginning and the end of the reporting period:

	Credit loss allowance				Gross carrying amount			
	Stage 1 12 month ECL €	Stage 2 Lifetime ECL €	Stage 3 Lifetime ECL €	Total €	Stage 1 12 month ECL €	Stage 2 Lifetime ECL €	Stage 3 Lifetime ECL €	Total €
Opening balances at 1 January 2023	5.149	51.023	3.009.315	3.065.487	14.220.756	11.654.274	7.369.443	33.244.473
Transfers:	-	-	-	-	-	-	-	-
Transfer from Stage 1 to Stage 2	(1.531)	13.300	-	11.769	(4.906.200)	4.906.200	-	-
Transfer from Stage 1 to Stage 3	(389)	-	24.529	24.140	(203.497)	-	203.497	-
Transfer from Stage 2 to Stage 1	4.672	(21.380)	-	(16.708)	2.442.012	(2.442.012)	-	-
Transfer from Stage 2 to Stage 3	-	(2.378)	145.722	143.344	-	(588.148)	588.148	-
Transfer from Stage 3 to Stage 1	2	-	(243)	(241)	34.566	-	(34.566)	-
Transfer from Stage 3 to Stage 2	-	9.633	(5.677)	3.956	-	590.359	(590.359)	-
New financial assets originated or purchased	(90)	129	16.781	16.820	264.962	198.667	-	463.629
Changes in PDs/LGDs/EADs	733	14.540	1.005.935	1.021.208	-	-	-	-
Changes in interest accruals	-	-	-	-	475.904	485.560	295.182	1.256.646
Write offs	-	-	(360.805)	(360.805)	(500)	-	(386.561)	(387.061)
Repayments	-	-	-	-	(2.867.338)	(2.247.210)	(255.333)	(5.369.881)
Provision of accrued interest not recognised	-	-	48.892	48.982	-	-	-	-
Closing balances as at 31 December 2023	8.546	64.867	3.884.539	3.957.952	9.460.665	12.557.690	7.189.451	29.207.806

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Loans and advances to customers – consumer loans

The following table discloses the changes in the credit loss allowances and gross carrying amount for loans to customers between the beginning and the end of the reporting period:

	Credit loss allowance				Gross carrying amount			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	€	€	€	€	€	€	€	€
Opening balances at 1 January 2023	17.939	28.792	571.929	618.660	3.509.637	1.985.151	1.135.039	6.629.827
Transfers:								
Transfer from Stage 1 to Stage 2	(1.605)	7.572	-	5.967	(325.460)	325.460	-	-
Transfer from Stage 1 to Stage 3	(1.981)	-	34.580	32.599	(85.102)	-	85.102	-
Transfer from Stage 2 to Stage 1	555	(8.155)	-	(7.600)	141.673	(141.673)	-	-
Transfer from Stage 2 to Stage 3	-	(570)	5.923	5.353	-	(44.031)	44.031	-
Transfer from Stage 3 to Stage 1	(485)	-	(18.279)	(18.764)	36.268	-	(36.268)	-
Transfer from Stage 3 to Stage 2	-	191	(3.488)	(3.297)	-	68.355	(68.355)	-
New financial assets originated or purchased	363	4.471	(25.738)	(20.904)	84.758	197.158	3.402	285.318
Changes in PDs/LGDs/EADs	7.534	(1.591)	77.514	83.457	-	-	-	-
Changes in interest accruals	-	-	-	-	156.006	60.469	50.267	266.742
Write offs	(5)	-	(14.288)	(14.293)	(62)	(15)	(14.348)	(14.425)
Repayments	-	-	-	-	(671.326)	(569.170)	(69.629)	(1.310.125)
Provision for accrued interest not recognised	-	-	24.002	24.002	-	-	-	-
Closing balances as at 31 December 2023	**22.315**	**30.710**	**652.154**	**705.180**	**2.846.392**	**1.881.704**	**1.129.241**	**5.857.337**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Loans and advances to customers – corporate loans

The following table discloses the changes in the credit loss allowances and gross carrying amount for loans to customers between the beginning and the end of the reporting period:

	Credit loss allowance				Gross carrying amount			
	Stage 1 12 month ECL €	Stage 2 Lifetime ECL €	Stage 3 Lifetime ECL €	Total €	Stage 1 12 month ECL €	Stage 2 Lifetime ECL €	Stage 3 Lifetime ECL €	Total €
Opening balances at 1 January 2023	193.147	97.781	14.094.006	14.384.934	121.018.108	15.363.618	27.775.257	164.156.983
Transfers:								
Transfer from Stage 1 to Stage 2	(6.750)	96.322	-	89.752	(9.846.782)	9.846.782	-	-
Transfer from Stage 1 to Stage 3	(10)	-	67	57	(40.017)	-	40.017	-
Transfer from Stage 2 to Stage 1	2.410	(1.784)	-	626	5.447.797	(5.447.797)	-	-
Transfer from Stage 2 to Stage 3	-	(56)	1.090	1.034	-	(361.289)	361.289	-
Transfer from Stage 3 to Stage 1	9.099	-	(128.111)	(119.012)	211.091	-	(211.091)	-
Transfer from Stage 3 to Stage 2	-	5	(121.337)	(121.332)	-	608.873	(608.873)	-
New financial assets originated or purchased	526.973	5.525	116.227	648.725	147.126.060	2.548.183	-	149.674.243
Changes in PDs/LGDs/EADs	497.990	5.258	(57.151)	446.097	-	-	-	-
Changes in interest accruals	-	-	-	-	6.260.349	907.007	764.322	7.931.678
Write offs	(698)	-	(7.813.965)	(7.814.663)	(21.306)	-	(7.871.464)	(7.892.770)
Repayments	-	-	-	-	(25.127.426)	(5.510.191)	(5.281.331)	(35.918.948)
Provision for accrued interest not recognized	-	-	73.518	73.518	-	-	-	-
Closing balances as at 31 December 2023	1.222.341	203.051	6.164.344	7.589.736	245.027.874	17.955.186	14.968.126	277.951.186

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Loans and advances to customers – total loans

The following table discloses the changes in the credit loss allowance and gross carrying amount for loans to customers between the beginning and the end of the reporting period:

	Credit loss allowance				Gross carrying amount			
	Stage 1 12 month ECL €	Stage 2 Lifetime ECL €	Stage 3 Lifetime ECL €	Total €	Stage 1 12 month ECL €	Stage 2 Lifetime ECL €	Stage 3 Lifetime ECL €	Total €
Opening balances at 1 January 2022	261.917	515.223	24.782.565	25.559.705	113.322.108	50.636.391	54.524.416	218.482.915
Transfers:								
Transfer from Stage 1 to Stage 2	(12.465)	40.662	-	28.197	(10.488.954)	10.488.954	-	-
Transfer from Stage 1 to Stage 3	(12.704)	-	172.917	160.213	(2.354.890)	-	2.354.890	-
Transfer from Stage 2 to Stage 1	32.028	(146.964)	-	(114.936)	22.918.819	(22.918.819)	-	-
Transfer from Stage 2 to Stage 3	-	(28.563)	129.619	101.057	-	(1.104.478)	1.104.478	-
Transfer from Stage 3 to Stage 1	(631)	-	(34.780)	(35.411)	500.452	-	(500.452)	-
Transfer from Stage 3 to Stage 2	-	3.165	(278.522)	(275.356)	-	1.035.504	(1.035.504)	-
New financial assets originated or purchased	52.645	4.159	24.026	80.830	34.386.794	426.804	-	34.813.598
Changes in PDs/LGDs/EADs	(103.517)	(209.828)	83.310	(230.027)	-	-	-	-
Changes in interest accruals	-	-	-	-	4.513.033	1.026.460	1.360.157	6.899.650
Write offs	(3.755)	(3.766)	(7.763.774)	(7.771.295)	(3.755)	(3.766)	(7.763.774)	(7.771.295)
Repayments	-	-	-	-	(24.045.106)	(10.584.007)	(13.764.471)	(48.393.584)
Provision of accrued interest not recognised	2.717	3.508	559.889	566.114	-	-	-	-
Closing balances as at 31 December 2022	216.235	177.596	17.675.250	18.069.081	138.748.501	29.003.043	36.279.739	204.031.284

* Stage 3 exposures may shift to stage 2 if obligations are met for a continuous period of 12 months.

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Loans and advances to customers – mortgage loans

The following table discloses the changes in the credit loss allowance and gross carrying amount for mortgage loans to customers between the beginning and the end of the reporting period:

	Credit loss allowance				Gross carrying amount			
	Stage 1 12 month ECL€	Stage 2 Lifetime ECL €	Stage 3 Lifetime ECL €	Total €	Stage 1 12 month ECL €	Stage 2 Lifetime ECL €	Stage 3 Lifetime ECL €	Total €
Opening balances at 1 January 2022	11.762	44.176	5.185.144	5.241.082	23.956.423	5.230.162	13.956.022	43.142.607
Transfers:								
Transfer from Stage 1 to Stage 2	(3.577)	20.250	-	16.673	(8.146.302)	8.146.302	-	-
Transfer from Stage 1 to Stage 3	(2)	-	240	238	(42.348)	-	42.348	-
Transfer from Stage 2 to Stage 1	1.380	(5.109)	-	(3.729)	1.218.822	(1.218.822)	-	-
Transfer from Stage 2 to Stage 3	-	(2.419)	6.642	4.223	-	(151.758)	151.758	-
Transfer from Stage 3 to Stage 1	(34)	-	(2.419)	(2.453)	339.685	-	(339.685)	-
Transfer from Stage 3 to Stage 2	-	322	(48.444)	(48.122)	-	188.420	(188.420)	-
New financial assets originated or purchased	45	8	-	53	146.534	111.667	-	258.201
Changes in PDs/LGDs/EADs	(4.488)	(6.672)	(465.904)	(477.064)	-	-	-	-
Changes in interest accruals	-	-	-	-	424.232	315.613	404.448	1.144.293
Write offs	-	-	(1.792.418)	(1.792.418)	-	-	(1.792.418)	(1.792.418)
Repayments	-	-	-	-	(3.676.290)	(967.310)	(4.864.610)	(9.508.210)
Provision of accrued interest not recognised	63	467	126.474	127.004	-	-	-	-
Closing balances as at 31 December 2022	5.149	51.023	3.009.315	3.065.487	14.220.756	11.654.274	7.369.443	33.244.473

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Loans and advances to customers – consumer loans

The following table discloses the changes in the credit loss allowance and gross carrying amount for consumer loans to customers between the beginning and the end of the reporting period:

	Credit loss allowance				Gross carrying amount			
	Stage 1 12 month ECL €	Stage 2 Lifetime ECL €	Stage 3 Lifetime ECL €	Total €	Stage 1 12 month ECL €	Stage 2 Lifetime ECL €	Stage 3 Lifetime ECL €	Total €
Opening balances at 1 January 2022	66.387	61.272	576.248	703.907	6.021.941	1.374.818	1.150.023	8.546.782
Transfers:								
Transfer from Stage 1 to Stage 2	(7.207)	15.960	-	8.753	(1.425.582)	1.425.582	-	-
Transfer from Stage 1 to Stage 3	(5.328)	-	29.003	23.675	(82.533)	-	82.533	-
Transfer from Stage 2 to Stage 1	794	(28.762)	-	(27.968)	245.379	(245.379)	-	-
Transfer from Stage 2 to Stage 3	-	(7.262)	(17)	(7.279)	-	(86.404)	86.404	-
Transfer from Stage 3 to Stage 1	(67)	-	(14.678)	(14.745)	19.127	-	(19.127)	-
Transfer from Stage 3 to Stage 2	-	142	(29.688)	(29.546)	-	82.271	(82.271)	-
New financial assets originated or purchased	526	3.691	501	4.718	42.828	201.007	-	243.835
Changes in PDs/LGDs/EADs	(38.761)	(17.389)	13.622	(42.528)	-	-	-	-
Changes in interest accruals	-	-	-	-	173.570	62.999	38.720	275.289
Write offs	(240)	(751)	(25.528)	(26.519)	(240)	(751)	(25.528)	(26.519)
Repayments	-	-	-	-	(1.484.853)	(828.992)	(95.715)	(2.409.560)
Provision for accrued interest not recognised	1.835	1.891	22.466	26.192	-	-	-	-
Closing balances as at 31 December 2022	17.939	28.792	571.929	618.660	3.509.637	1.985.151	1.135.039	6.629.827

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Loans and advances to customers – corporate loans

The following table discloses the changes in the credit loss allowance and gross carrying amount for corporate loans to customers between the beginning and the end of the reporting period:

	Credit loss allowance				Gross carrying amount			
	Stage 1 12 month ECL €	Stage 2 Lifetime ECL €	Stage 3 Lifetime ECL €	Total €	Stage 1 12 month ECL €	Stage 2 Lifetime ECL €	Stage 3 Lifetime ECL €	Total €
Opening balances at 1 January 2022	183.768	409.775	19.021.173	19.614.716	83.343.744	44.031.411	39.418.371	166.793.526
Transfers:								
Transfer from Stage 1 to Stage 2	(1.681)	4.452	-	2.771	(917.070)	917.070	-	-
Transfer from Stage 1 to Stage 3	(7.374)	-	143.674	136.300	(2.230.009)	-	2.230.009	-
Transfer from Stage 2 to Stage 1	29.854	(113.093)	-	(83.239)	21.454.617	(21.454.617)	-	-
Transfer from Stage 2 to Stage 3	-	(18.882)	122.994	104.112	-	(866.316)	866.316	-
Transfer from Stage 3 to Stage 1	(530)	-	(17.683)	(18.213)	141.640	-	(141.640)	-
Transfer from Stage 3 to Stage 2	-	2.701	(200.390)	(197.689)	-	764.813	(764.813)	-
New financial assets originated or purchased	52.074	460	23.525	76.059	34.197.432	114.130	-	34.311.562
Changes in PDs/LGDs/EADs	(60.268)	(185.767)	535.592	(3.366.153)	-	-	-	-
Changes in interest accruals	-	-	-	-	3.915.232	647.849	916.989	5.480.070
Write offs	(3.515)	(3.015)	(5.945.828)	(5.952.358)	(3.515)	(3.015)	(5.945.828)	(5.952.358)
Repayments	-	-	-	-	(18.883.963)	(8.787.707)	(8.804.147)	(43.856.421)
Provision for accrued interest not recognized	819	1.150	410.949	412.918	-	-	-	-
Closing balances as at 31 December 2022	193.147	97.781	14.094.006	14.384.934	121.018.108	15.363.618	27.775.257	164.156.982

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a borrower as required. Guarantees which represent irrevocable assurances that the Bank will make payments in the event that a counterparty cannot meet its obligations to third parties, carry the same credit risk as loans and advances. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans or guarantees. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down.

The Bank monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

An analysis of credit related commitments by credit quality based on credit risk grades at 31 December 2023 is as follows:

	Stage 1 (12-months ECL) €	Stage 2 (lifetime ECL for SICR) €	Stage 3 (lifetime ECL for credit impaired) €	Total €
Issued letters of guarantees/letters of credit and acceptances and endorsements	21.767.221	4.764.970	522.630	27.054.821
Provision for issued letters of guarantees/credit	(707)	(161)	(1.533)	(2.401)

	Stage 1 (12-months ECL) €	Stage 2 (lifetime ECL for SICR) €	Stage 3 (lifetime ECL for credit impaired) €	Total €
Loan commitments - unutilised credit facilities	113.443.574	3.030.147	155.586	116.629.307
Provision for loan commitments	(32.350)	(8.455)	(17.507)	(58.312)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Credit related commitments (continued)

Movements in the provision for loan commitments were as follows:

	Stage 1 (12-months ECL) €	Stage 2 (lifetime ECL for SICR) €	Stage 3 (lifetime ECL for credit impaired) €	Total provision €
Provision for loan commitments at 1 January 2023	12.981	5.318	23.005	41.304
Loan commitments (fees charged)	13.264	2.847	897	17.008
Other movements	6.105	290	(6.395)	-
Provision for loan commitments at 31 December 2023	32.350	8.455	17.507	58.312

Movements in the provision for letters of guarantees/credit were as follows:

	Stage 1 (12-months ECL) €	Stage 2 (lifetime ECL for SICR) €	Stage 3 (lifetime ECL for credit impaired) €	Total provision €
Provision for letters of guarantees/letters of credit and acceptances and endorsements at 1 January 2023	995	13	2.253	3.261
Issued guarantees (fees charged)	298	141	(1.299)	(860)
Other movements	(586)	7	579	-
Provision for letters of guarantees/letters of credit and acceptances and endorsements at 31 December 2023	707	161	1.533	2.401

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2022

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Credit related commitments (continued)

An analysis of credit related commitments by credit quality based on credit risk grades at 31 December 2022 is as follows.

	Stage 1 (12-months ECL) €	Stage 2 (lifetime ECL for SICR) €	Stage 3 (lifetime ECL for credit impaired) €	Total €
Issued letters of guarantees/letters of credit and acceptances and endorsements	17.974.632	217.099	780.906	18.972.637
Provision for issued letters of guarantees/credit	(995)	(13)	(2.253)	(3.261)

	Stage 1 (12-months ECL) €	Stage 2 (lifetime ECL for SICR) €	Stage 3 (lifetime ECL for credit impaired) €	Total €
Loan commitments – unutilised credit facilities	109.098.794	4.079.731	163.015	113.341.540
Provision for loan commitments	(12.981)	(5.318)	(23.005)	(41.304)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Credit related commitments (continued)

Movements in the provision for loan commitments were as follows:

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total provision
	€	€	€	€
Provision for loan commitments at 1 January 2022	61.557	19.655	46.750	127.962
Loan commitments (fees charged)	(61.985)	(11.863)	(12.810)	(86.658)
Movements between stages	13.409	(2.474)	(10.935)	-
Provision for loan commitments at 31 December 2022	12.981	5.318	23.005	41.304

Movements in the provision for letters of guarantees/credit were as follows:

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total provision
	€	€	€	€
Provision for letters of guarantees/letters of credit and acceptances and endorsements at 1 January 2022	2.841	277	3.620	6.738
Issued guarantees (fees charged)	(2.856)	(1)	(620)	(3.477)
Other movements	1.010	(263)	(747)	-
Provision for letters of guarantees/letters of credit and acceptances and endorsements at 31 December 2022	995	13	2.253	3.261

The total outstanding contractual amount of undrawn credit lines and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

39. RISK MANAGEMENT (continued)

a) Credit risk (continued)

Credit quality of the Bank's assets exposed to credit risk other than loans and other advances to customers – Analysis by credit rating agency

Balances with Central Bank of Cyprus and deposits with banks are analysed by Moody's rating as follows:

	2023 €	2022 €
Aaa – Aa3	**123.196**	295.525
A1 – A3	**619.790**	705.908
Baa1 – Baa3	**123.140.476**	822.419
Ba1 – Ba2	-	32.525.368
Unrated	**8.078**	8.406
	123.891.540	34.357.626

Investments in debt securities, comprising of government bonds and treasury bills, are analysed by Moody's rating as follows:

	2023 €	2022 €
Baa2/Ba1	**36.156.439**	50.573.703
Baa3	**28.314.480**	28.437.317
	64.470.919	79.011.020

	2023 €	2022 €
Issued by:		
Cyprus sovereign	**36.156.439**	50.573.703
Italy sovereign	**28.314.480**	28.437.317
	64.470.919	79.011.020

	2023 €	2022 €
Classified as:		
Financial assets at amortised cost	**64.470.919**	79.011.020

39. RISK MANAGEMENT (continued)

b) Liquidity risk

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

Bank assets are mainly funded by deposits. The maturity of the deposits is actively monitored in order to avoid concentration of funding maturities at any point in time. The responsibility for the management of liquidity rests with the treasury department and the operations and support division.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Bank's short, medium and long-term funding and liquidity requirements, in order to also ensure compliance with the limits set by the applicable regulatory limits.

Analysis of financial assets and financial liabilities by remaining contractual maturity

The following liquidity tables analyse the financial assets and financial liabilities of the Bank into relevant maturity groupings based on their remaining contractual maturity at 31 December and is based on undiscounted cash flows.

Financial assets

The financial assets are presented on the same basis as the one provided to the management of the Bank and to the Central Bank of Cyprus, as this presentation is considered to be the most appropriate presentation of the Bank's liquidity. Accordingly, the analysis of the financial assets does not include any interest receivable cash flows.

Current accounts, overdrafts and amounts in arrears are included within the first maturity time band which reflects their contractual maturity. All other loans and advances to customers are analysed according to their contractual repayment schedule.

Balances with banks are analysed in the time bands according to the number of days remaining from 31 December until their contractual maturity date. Financial assets with no contractual maturity (i.e. equity securities) are included in the "over 5 years" time band. The investments are classified in the relevant time band according to their contractual maturity.

Financial liabilities

All financial liabilities for the repayment of which notice is required, are included in the relevant time bands as if notice had been given on 31 December. Fixed deposits are classified in time bands based on their contractual maturity.

Contingent liabilities and commitments

The limits of loans and advances are commitments to provide credit to customers. The limits are granted for predetermined periods and can be cancelled by the Bank after giving relevant notice to the customers. Thus, the unutilised credit facilities are included within the first maturity time band.

39. RISK MANAGEMENT (continued)

b) Liquidity risk (continued)

Analysis of financial assets and financial liabilities by remaining contractual maturity (continued)

	Less than 1 month €	Between 1-3 months €	Between 3 months to 1 year €	Between 1-5 years €	Over 5 years €	Total €
2023						
Financial assets						
Cash and balances with Central Bank of Cyprus	107.643.028	-	3.275.798	-	-	110.918.826
Deposits with banks	16.539.850	181.088	-	-	-	16.720.938
Loans and advances to customers	90.167.217	2.264.737	35.607.322	113.268.217	71.708.835	313.016.328
Equity investments at fair value through profit or loss	-	-	-	-	-	-
Equity investments at fair value through other comprehensive income	-	-	-	-	9.443.368	9.443.368
Other financial assets at amortised costs	-	-	-	51.435.296	13.089.050	64.524.346
Other financial assets	182.572	1.587.384	109.759	3.521.200	-	5.400.915
	214.621.451	4.033.209	38.992.879	168.224.713	94.241.253	520.113.505
Financial liabilities						
Deposits from banks	66.569.501	492.597	1.878.125	-	-	68.940.223
Deposits and other customer accounts	286.294.210	4.226.924	88.766.139	9.518.054	-	388.805.327
Other financial liabilities	3.109.421	-	3.147.551	188.086	-	6.445.058
	355.973.132	4.719.521	93.791.815	9.706.140	-	464.190.608
Off-balance sheet items						
Acceptances and endorsements	58.406	41.339	-	-	-	99.745
Letters of guarantee	332.857	1.509.364	7.170.873	14.836.399	632.847	24.482.340
Letters of credit	-	2.472.736	-	-	-	2.472.736
Amount of unutilised credit facilities	116.629.307	-	-	-	-	116.629.307
	117.020.570	4.023.439	7.170.873	14.836.399	632.847	143.684.128

	Less than 1 month €	Between 1-3 months €	Between 3 months to 1 year €	Between 1-5 years €	Over 5 years €	Total €
2022						
Financial assets						
Cash and balances with Central Bank of Cyprus	21.427.521	-	2.857.317	-	-	24.284.838
Deposits with banks	20.207.011	-	-	-	-	20.207.011
Loans and advances to customers	102.335.863	122.529	333.517	1.221.142	100.018.233	204.031.284
Equity investments at fair value through profit or loss	-	-	-	-	7.241	7.241
Equity investments at fair value through other comprehensive income	-	-	-	-	8.185.303	8.185.303
Other financial assets at amortised costs	14.434.813	-	-	28.437.317	36.204.497	79.076.627
Other financial assets	176.159	2.653.231	77.532	3.346.720	-	6.253.642
	158.581.367	2.775.760	3.268.366	33.005.179	144.415.274	342.045.946

39. RISK MANAGEMENT (continued)

b) Liquidity risk (continued)

Analysis of financial assets and financial liabilities by remaining contractual maturity (continued)

	Less than 1 month €	Between 1-3 months €	Between 3 months to 1 year €	Between 1-5 years €	Over 5 years €	Total €
Financial liabilities						
Deposits from banks	14.361.118	-	-	519.166	-	14.880.284
Deposits and other customer accounts	272.966.701	3.374.596	11.994.895	-	-	288.336.192
Other financial liabilities	1.134.815	-	2.654.178	216.866	-	4.005.859
	288.462.634	3.374.596	14.649.073	736.032	-	307.222.335
Off-balance sheet items						
Acceptances and endorsements	56.112	-	-	-	-	56.112
Letters of guarantee	257.056	1.084.269	3.355.062	12.627.093	801.380	18.124.860
Letters of credit	-	791.665	-	-	-	791.665
Amount of unutilised credit facilities	113.341.540	-	-	-	-	113.341.540
	113.654.708	1.875.934	3.355.062	12.627.093	801.380	132.314.177

c) Market risk

Market risk is the risk of loss from adverse changes in market prices. The Bank is exposed primarily to financial risks emanating from changes in foreign currency exchange rates and interest rates.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It arises as a result of timing differences on the interest rate repricing of assets and liabilities. The Bank monitors on a continuous basis the interest rate movements and the repricing or maturity structure of its assets and liabilities.

Interest rate risk is measured using interest rate sensitivity gap analysis where the difference between assets and liabilities repricing in each time band is calculated, separately for each currency. The difference is then multiplied with the assumed change in interest rates for the period from the repricing date until twelve months from the date of the analysis, in order to find the annual impact on earnings of any changes in interest rates for the next twelve months for each currency.

Sensitivity analysis
The table below indicates the effect on the Bank's net profit and equity, if interest rates for the main currencies were 200 basis points higher (2022: 50 basis points). A positive number below indicates an increase in profit. For a decrease of 200 basis points there would be an equal and opposite impact on the net profit and equity.

39. RISK MANAGEMENT (continued)

c) Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis (continued)

	Euro €'000	USD Dollars €'000	British Pound €'000	Other currencies €'000	Total €'000
Change in interest rates					
2023					
+200 b.p. in all currencies	**394**	**106**	**28**	**(22)**	**(506)**
2022					
+50 b.p. in all currencies	(856)	-	-	-	(856)

Currency risk
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. It arises from an open position in a foreign currency, creating an exposure to a change in the relevant exchange rate. This may arise from the holding of financial assets in one currency funded by liabilities in another currency.

In order to manage currency risk, the Bank has approved open position limits for each currency. Adherence to the limits is monitored on a daily basis by the treasury department and the operations and support division.

The table below sets out the Bank's foreign exchange risk resulting from its open foreign exchange positions. A positive number below indicates an increase in profit/equity. For a corresponding decrease there would be an equal and opposite impact on profit/equity.

	Open position €'000	Change in exchange rate %	Impact on net profit/ equity €'000
Currency			
2023			
US Dollar	**25**	**+5**	**1**
British Pound	**135**	**+5**	**7**
Other currencies	**465**	**+5**	**19**
2022			
US Dollar	1.455	+5	73
British Pound	29	+5	1
Other currencies	796	+5	40

39. RISK MANAGEMENT (continued)

d) Operational risk

Operational risk is the risk of loss arising from fraud, error, omission, systems failure or other external events. The Bank manages operational risk through the various established policies, limits and written procedures. The Risk Management Unit, in cooperation with all units and divisions, is responsible for managing the Bank's operational risk. Furthermore, this is supported by the reviews undertaken by the Internal Audit division.

e) Regulatory risk

The operations of the Bank are supervised by the Central Bank of Cyprus. Licensed banking institutions in Cyprus have to comply with the requirements of both the European Union and Cyprus regulatory frameworks. Legal or regulatory changes may be introduced in the future either by the European Union or by the Central Bank of Cyprus which may adversely affect the results and financial position of the Bank.

f) Fair value of financial instruments

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.

With reference to the above, the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

Fair value measurements recognised in the statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques.

- The fair values of equity investments at fair value through other comprehensive income that are traded on an active market are determined with reference to quoted market prices. Unquoted equity securities are valued using valuation techniques that include inputs from non-observable data. The non-observable inputs to the models for the valuation of unquoted equity investments include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry in which the investee operates.
- The fair values of derivative instruments are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2023

39. RISK MANAGEMENT (continued)

f) Fair value of financial instruments (continued)

The following table provides the Bank's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	Level 1	Level 2	Level 3	Total
	€	€	€	€
2023				
Financial assets at FVTPL				
Derivative financial assets	-	**74.706**	-	**74.706**
Financial assets at FVOCI				
Equities	**8.179.171**	-	**1.264.197**	**9.443.368**
Total	**8.179.171**	**74.706**	**1.264.197**	**9.518.074**

	Level 1	Level 2	Level 3	Total
	€	€	€	€
2022				
Financial assets at FVTPL				
Derivative financial assets	-	116.852	-	**116.852**
Equities	7.241	-	-	**7.241**
Financial assets at FVOCI				
Equities	6.921.106	-	1.264.197	**8.185.303**
Total	**6.928.347**	**116.852**	**1.264.197**	**8.309.396**

During 2023 and 2022 there were no transfers between levels.

Reconciliation of Level 3 fair value measurements

	Unlisted equity investments	
	2023	2022
	€	€
Balance of 1 January	**1.264.197**	1.044.488
Gains recognised in other comprehensive income	-	219.709
Balance at 31 December	**1.264.197**	1.264.197

For the valuation at fair value of the investments in equity securities which are classified as Level 3, a valuation method based on the Bank's equity at which the investment is held as well as estimates of the management of the Bank have been used.

39. RISK MANAGEMENT (continued)

f) Fair value of financial instruments (continued)

The following table presents the carrying amounts and the fair value of financial instruments not measured at fair value, grouped into Levels 1 to 3.

	Level 1 €	Level 2 €	Level 3 €	Fair value for disclosure purposes €	Carrying amount €
2023					
Financial assets measured at amortised cost					
Loans and advances to customers	-	-	300.763.460	300.763.460	300.763.460
Deposits with banks	-	16.720.327	-	16.720.327	16.720.327
Financial assets at amortised cost	61.381.780	-	-	61.381.780	64.470.919
Financial liabilities measured at amortised cost					
Deposits and other customer accounts	-	388.805.327	-	388.805.327	388.805.327
Deposits from banks	-	68.940.223	-	68.940.223	68.940.223

	Level 1 €	Level 2 €	Level 3 €	Fair value for disclosure purposes €	Carrying amount €
2022					
Financial assets measured at amortised cost					
Loans and advances to customers	-	-	185.962.203	185.962.203	185.962.203
Deposits with banks	-	20.207.011	-	20.207.011	20.207.011
Financial assets at amortised cost	71.657.780	-	-	71.657.780	79.011.020
Financial liabilities measured at amortised cost					
Deposits and other customer accounts	-	288.336.192	-	288.336.192	288.336.192
Deposits from banks	-	14.880.284	-	14.880.284	14.880.284

The cash and balances with central bank and deposits due from and due to banks are financial instruments whose carrying value is a reasonable approximation of fair value, because they are mostly short-term in nature.

40. CAPITAL MANAGEMENT

The Bank manages its capital to ensure that the Bank complies with regulatory capital requirements and that the Bank maintains adequate capital ratios in order to support its business and to maximise shareholders' value.

As from 1 January 2014, the new Capital Requirements Regulation (CRR) and amended Capital Requirements Directive IV (CRD IV) became effective, comprising the European regulatory package designed to transpose the new capital, liquidity and leverage standards of Basel III into the European Union's legal framework. CRR establishes the prudential requirements for capital, liquidity and leverage that entities need to abide by. It was immediately binding on all EU member states. CRD IV governs access to deposit-taking activities, internal governance arrangements including remuneration, board composition and transparency. Unlike the CRR, CRD IV needs to be transposed into national laws, which allows national regulators to impose additional capital buffer requirements. CRR introduced significant changes in the prudential regulatory regime applicable to banks including amended minimum capital adequacy ratios, changes to the definition of capital and the calculation of risk weighted assets and the introduction of new measures relating to leverage, liquidity and funding.

The Bank has chosen to apply the EU transitional arrangements for regulatory capital purposes (EU Regulation 2017/2395) according to which the capital impact of the changes introduced by IFRS 9 at the beginning of 2018, is 'phased in' over a 5-year period. During the 'phased-in' 5-year period the IFRS9 impairment provisions are added back to CET1 capital according to the following weighting factors: 0.95, 0.85, 0.7, 0.5 and 0.25 in 2018, 2019, 2020, 2021 and 2022 respectively.

On 7 June 2019, the EU banking reform package has been published in the Official Journal of the European Union which includes the Directive (EU) 2019/878 (CRD V) and the Regulation (EU) 2019/876 (CRR II), entered into force on 27 June 2019. The Regulation (EU) 2019/876 (CRR II) includes a number of amendments regarding the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirement.

During 2023, the Bank's Total Capital Ratio was at all times above the applicable regulatory thresholds.

41. EVENTS AFTER THE REPORTING PERIOD

On 29th January 2024 the authorised and issued share capital of the Bank was increased by 35.087.700 ordinary shares of €1,71 each thus the total authorised and issued share capital of the Bank following this increase was €143.295.777.

Following the agreement signed on 28 March 2024 between National Bank of Greece SA and National Bank of Greece (Cyprus) Ltd in exchange of good and valuable consideration comprising the National Bank of Greece (Cyprus) Ltd issuing and allotting 1.300 ordinary shares of €1,71 each in favor of National Bank of Greece SA, National Bank of Greece SA transferred the assets and liabilities of the National Bank of Greece SA Cypriot Branch to National Bank of Greece (Cyprus) Ltd.

Also, according to the provisions of the agreement, National Bank of Greece (Cyprus) Ltd settled fully and finally any loans that the Branch owed to National Bank of Greece SA (inter-banking loans) up to 1st April 2024. The transfer was initiated on the 1st of April 2024 and concluded on 2nd of April 2024.

Following the completion of the agreement, the following provisional balances of gross loans €211 million, customer deposits €5 million, €208 million of interbank balances and approximately €440 million of off balance sheet items were transferred to the Bank.

To effect the above transaction, on the 3rd of April 2024 the authorised share capital of the Bank was increased by €2.223 by the issuing and allotment of 1.300 ordinary shares of €1,71 each, thus the total authorised and issued share capital of the Bank to date is €143.298.000. The shares registered in the name of National Bank of Greece SA on the 3rd of April 2024.

Independent auditor's report on pages 6 to 10.