



The Cyprus Development Bank Group
Interim Condensed Consolidated Financial Statements
For the period ended 30 June 2025

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DIRECTORS AND ADVISERS

Management Body

Christodoulos Patsalides, Chairman, Non-Executive

Andreas Hadjikyrou, Vice Chairman, Non-Executive

Avgoustinos Papathomas, Senior Independent, Non-Executive

Stalo Koumidou, Non-Executive

Konstantinos Mitropoulos, Non-Executive

Christodoulos Plastiras, Non-Executive

Dimitrios P. Sioufas, Non-Executive

Demetris Sparsis, Non-Executive

Loucas Marangos, Executive

Stella Avraam, Executive

Chief Executive Officer

Loucas Marangos

Secretary

Maria Agathokleous

Legal Advisers

Chrysafinis & Polyviou

Independent Auditors

Deloitte Limited

Registered office

50, Arch. Makarios III Avenue

Alpha House

1065 Nicosia

INTERIM MANAGEMENT REPORT

The Interim Condensed Consolidated Financial Statements ("Financial Statements") for the six-month period ended 30 June 2025 comprise of the Financial Statements of The Cyprus Development Bank Public Company Limited ("the Bank") and its subsidiary companies, which together are referred to as the Group.

PRINCIPAL ACTIVITIES

The principal activities of the Bank and its subsidiary companies, which remained unchanged from last year, are the provision of banking and financial services.

All subsidiary companies and details of acquisitions and disposals made during the period are presented in Note 17 to the Interim Consolidated Financial Statements.

FINANCIAL RESULTS

The results of the Group are set out in the Interim Consolidated Income Statement on page 15.

Income Statement Analysis

Total net income

Total net income for the period ended 30 June 2025 was €9,1 million, compared to €11,7 million for the period ended 30 June 2024, reflecting a decrease primarily due to lower net interest income.

Net interest income

Net interest income (NII) for the six-month period ended 30 June 2025 amounted to €7,4 million, down by 26% compared to €10,0 million for the six months ended 30 June 2024. Gross interest income for the six-month period ended 30 June 2025 was €9,5 million, a decrease of 27% from €12,9 million in the corresponding period of 2024, reflecting the impact of lower yields on the loan book as well as on liquid assets. Interest expense for the six-month period ended 30 June 2025 amounted to €2,1 million, down by 28% compared to €2,9 million for the six-month period ended 30 June 2024, primarily due to repricing of deposits at lower interest rates and the non-payment of interest on the Perpetual Unsecured Subordinated Note, as disclosed in Note 22 to the Interim Consolidated Financial Statements.

The Group's average interest earning assets for the period ended 30 June 2025 amounted to €559 million (30.06.2024: €545 million), an increase of 3% compared to the previous year. The net interest margin for the period ended 30 June 2025 was 2,66%, down by 101 bps from 3,67% in the corresponding period of 2024.

Non-interest income

Net non interest income for the six month period ended 30 June 2025 amounted to €1.731 thousand, increased by 1% compared to €1.716 thousand for the six month period ended 30 June 2024. Non interest income for the six month period comprised:

- Net fee and commission income: €1.281 thousand (30.06.2024: €1.432 thousand).
- Net foreign exchange gains: €50 thousand (30.06.2024: €46 thousand).
- Other income: €400 thousand (30.06.2024: €238 thousand).

INTERIM MANAGEMENT REPORT (continued)

FINANCIAL RESULTS (continued)

Income Statement Analysis (continued)

Non-interest income (continued)

Net fee and commission income decreased by 10% compared to the corresponding period of 2024, mainly due to lower fees and commissions from credit-related activity and payment transactions, as well as higher fee and commission expenses.

Net foreign exchange gains for the six month period ended 30 June 2025 comprised FX income of €93 thousand (30.06.2024: €38 thousand) from spreads on foreign currency transactions, offset by FX losses of €43K on revaluation of foreign currency positions (30.06.2024: €8 thousand gains).

Other income for the six month period ended 30 June 2025 rose significantly by 68% compared to the corresponding period in 2024, mainly due to one-off penalty charges arising from the termination of SPA agreements for the sale of property.

Expenses

Total expenses for the period ended 30 June 2025 amounted to €7,7 million, compared to €7,3 million for the period ended 30 June 2024, an increase of 5,5%. Expenses breakdown is as follows:

- Staff costs: €4,8 million representing 63% of total expenses.
- Other operating expenses: €2,0 million representing 26% of total expenses.
- Special levy on deposits and other levies/contributions: €0,40 million representing 5% of total expenses.
- Depreciation: €0,5 million representing 6% of total expenses.

Group staff costs for the six month period ended 30 June 2025 amounted to €4,8 million compared to €4,6 million for the period ended 30 June 2024, an increase of 3,8% driven by staff increments defined by collective agreements with the Cyprus Union of Bank Employees and the increase of cost of living allowance (COLA).

The Group's total other operating expenses for the six month period ended 30 June 2025 amounted to €2,0 million, an increase of 8,0% compared to €1,9 million for the corresponding period of 2024. The increase is mainly driven by higher regulatory fees and IT related expenses.

Special levy on deposits and other levies/contributions for the period ended 30 June 2025 amounted to €394 thousand compared to €425 thousand for the period ended 30 June 2024, down by 7%, mainly driven by the reduction of contributions to the Deposit Guarantee Fund as disclosed in Note 12 to the Interim Consolidated Financial Statements.

The depreciation charge for the period ended 30 June 2025 amounted to €469 thousand, representing a 33% increase compared to €353 thousand for the same period in 2024. The increase was primarily driven by capital expenditure on IT software and hardware.

INTERIM MANAGEMENT REPORT (continued)

FINANCIAL RESULTS (continued)

Income Statement Analysis (continued)

Expenses (continued)

The **cost to income ratio**, excluding special levy on deposits and other levies/contributions, was 80% for the six month period ended 30 June 2025, compared to 58% for the corresponding period in 2024. The increase was mainly driven by lower interest income, reflecting the impact of the lower interest rate environment.

Profit before provisions for impairment

Profit before provisions for the six-month period ended 30 June 2025 amounted to €1,4 million, compared to €4,4 million for the same period in 2024. The decrease was mainly driven by lower interest income as detailed above.

Provisions for impairment

For the six month period ended 30 June 2025, the Group performed normal adjustments to the ECL amount calculated at the year-end exercise but did not perform a revised ECL calculation.

The Group's total provisions for impairment for the six month period ended 30 June 2025 amounted to €359 thousand and related to impairment of loans and advances (30 June 2024: €556 thousand).

Taxation

The Group's tax charge for the six-month ended 30 June 2025 amounted to €148 thousand compared to €404 thousand for the six-month period ended 30 June 2024, the decrease driven by lower profitability.

Profit after tax

After tax profit for the six month period ended 30 June 2025 amounted to €0,9 million compared to €3,5 million for the corresponding period in 2024, the decrease driven by lower interest income as well as higher operating expenses as detailed above.

Return on average equity

Return on average equity on an annualised basis amounted to 3,6% for the six month-period ended 30 June 2025 (30 June 2024: 14,6%).

Statement of Financial Position Analysis

As at 30 June 2025, the Group's total assets stood at €563 million, down from €623 million as at 31 December 2024. This decrease primarily reflects a reduction in liquid assets driven by lower client deposits.

The Group Financial Position is set out in the Interim Consolidated Statement of Financial Position on page 16.

INTERIM MANAGEMENT REPORT (continued)

FINANCIAL RESULTS (continued)

Statement of Financial Position Analysis (continued)

Liquidity

As at 30 June 2025, the Group Liquidity Coverage Ratio ("LCR") stood at 331% (31 December 2024: 348%), well above the regulatory minimum requirement of 100%.

The liquidity surplus in LCR at 30 June 2025 amounted to €220 million (31 December 2024: €277 million).

As at 30 June 2025, the Group Net Stable Funding Ratio ("NSFR") stood at 231% (31 December 2024: 273%), with the minimum regulatory requirement at 100%.

Liquid assets

As at 30 June 2025, the Group's liquid assets amounted to €353 million, compared to €404 million at 31 December 2024. Liquid assets represented 63% of total assets at 30 June 2025 (31 December 2024: 65%) and consisted of €301 million in cash and balances with Central Bank (31 December 2024: €374 million), €7 million in balances with other banks (31 December 2024: €4 million) and €46 million in investments in debt securities (31 December 2024: €26 million).

Loans and advances to customers

At 30 June 2025, the Group's gross loans and advances stood at €203 million, down from €213 million at 31 December 2024. This decrease, reflects the resolution of non performing exposures and repayments which exceeded new lending during the period. The Bank continues to focus on growing its loan portfolio, with particular emphasis on meeting the needs of corporate clients.

Loan portfolio quality

Non-performing exposures (NPEs), as defined by the European Banking Authority (EBA), amounted to €32,7 million as at 30 June 2025, down by 13% from €37,7 million as at 31 December 2024. The reduction of NPEs during the six-month period was primarily driven by cures of €3,6 million and repayments of €2,0 million.

As a result, the NPE ratio improved to 16,1% at 30 June 2025 (31 December 2024: 17,7%). Net NPEs amounted to €18,4 million at 30 June 2025 (31 December 2024: €23,7 million), with the net NPEs to total assets ratio at 3,3% (31 December 2024: 3,8%). The NPE provision coverage ratio increased to 43,9% as at 30 June 2025, compared to 37,1% at 31 December 2024.

Stock of property

During the six month period ended 30 June 2025, the Group on boarded properties with value of €60 thousand (31 December 2024: €3,6 million) and completed the sale of five properties with total net book value of €735 thousand (30 June 2024: €nil).

Deposits

As at 30 June 2025, client deposits stood at €482 million, compared to €549 million at 31 December 2024. The decrease is partly attributable to seasonal factors, which affected deposit balances during the first half of the year. Customer deposits accounted for 86% of total assets as at 30 June 2025 (31 December 2024: 88%), while the net loans to deposit ratio stood at 39% (31 December 2024: 36%).

INTERIM MANAGEMENT REPORT (continued)

FINANCIAL RESULTS (continued)

Statement of Financial Position Analysis (continued)

Loan capital

At 30 June 2025, the Group's loan capital (including accrued interest) amounted to €11,3 million (31 December 2024: €11,3 million) and relates to an Unsecured Perpetual Subordinated Note of €5 million (31 December 2024: €5 million) which qualifies for classification as Additional Tier 1 Capital, and Subordinated Tier 2 Bonds of €6,3 million (31 December 2024: €6,3 million) which qualifies for classification as Tier 2 Capital.

Details about loan capital are disclosed in Note 22 to the Interim Consolidated Financial Statements.

Capital base

The Central Bank of Cyprus (CBC) sets and monitors capital requirements for the Group and for the Bank. The CBC requires the Group and the Bank to maintain a prescribed capital adequacy ratio, which is the ratio of total eligible capital to total risk weighted assets, in accordance with Regulation (EU) no. 575/2013 on prudential requirements for credit institutions and investment firms.

The Group's Common Equity Tier 1 ratio (CET 1) as at 30 June 2025 stood at 21,53% (31 December 2024: 22,25%), 10,44 pp above the minimum regulatory CET 1 ratio of 11,09%. The Overall Capital Ratio (OCR) as at 30 June 2025 stood at 25,11% (31 December 2024: 27,38%), 8,11 pp above the minimum regulatory OCR of 17,00%.

CET 1 capital amounted to €47,0 million as at 30 June 2025, down by 3,58% compared to €48,8 million as at 31 December 2024. While CET1 and Overall Capital Requirement (OCR) ratios benefited from organic capital generation—driven by profitability during the period and positive valuation adjustments through Other Comprehensive Income (OCI)—they were adversely affected by the introduction of additional supervisory measures on the legacy NPEs by the CBC, as part of the Supervisory Review and Evaluation Process for 2024 (SREP) Decision No. 10/2025 dated 27 June 2025, as explained below.

As part of the Supervisory Review and Evaluation Process for 2024 (SREP) Decision No. 10/2025 dated 27 June 2025, the CBC introduced additional supervisory measures, on the legacy non-performing exposures (NPEs) and on the immovable properties acquired in the course of satisfaction or settlement of debts.

Specifically, the CBC recommended that, for exposures classified as NPEs and falling outside the scope of Regulation (EU) 630/2019, the Bank should achieve a minimum provision coverage of 70% for secured NPEs older than seven years and for unsecured NPEs older than two years by 30 June 2025, with a linear path to full coverage by the end of 2027. The Bank adopted a prudent approach, applying 76% loss coverage on NPEs as at 30 June 2025, which is the target set by the CBC for 31 December 2025. Any shortfall compared to recorded provisions was deducted from CET1 capital. This had a negative impact of €3,3 million on CET 1 capital.

In addition, for REOs acquired in satisfaction of debts and held beyond the maximum regulatory holding period, the CBC requires the Bank to apply a prudential deduction from Common Equity Tier 1 (CET1) capital, based on a prescribed schedule linked to the length of time the assets have been held. The aforementioned deduction is applicable as from 1 July 2025.

INTERIM MANAGEMENT REPORT (continued)

FINANCIAL RESULTS (continued)

Statement of Financial Position Analysis (continued)

Capital base (continued)

Details of the capital base and capital adequacy of the Group are disclosed in Note 27.5 to the Interim Consolidated Financial Statements.

GOING CONCERN

The Group's Financial Statements have been prepared on a going concern basis following the assessment performed by the Board of Directors and Management on the Group's ability to continue as a going concern for a period of 12 months from the date of approval of these Interim Consolidated Financial Statements.

The Directors have considered the conditions that existed during 2025 and the developments up to the date of approval of these Interim Consolidated Financial Statements and they believe that the Group and the Bank are taking all necessary measures to ensure their viability and the development of their business in the current economic environment.

In making their assessment, the Directors and Management have reviewed a wide range of information relating to present and future conditions, including projections of profitability, liquidity, capital requirements and capital resources. This review took into consideration the 2025 Budget and financial projections for 2026-2027 (the "Plan"), approved by the Board in March 2025, as well as the operating environment (as set out in Note 32). The Plan has used conservative economic inputs to develop the Group's medium-term strategy and incorporates sensitivity scenarios to cater for downside risk and assesses how potential changes in underlying assumptions (such as higher risk weights, lower levels of lending, outflow of deposits, lower margins on loans and higher cost of deposits), could impact the Group's projected financial performance, capital adequacy and liquidity. The Directors and Management have paid particular attention to the challenges and uncertainties stemming from the macroeconomic developments as well as the current level of NPEs and evolution, and how the risks and uncertainties affect the future profitability, liquidity and capital adequacy of the Bank and the Group, and the ability to continue the operations in the normal course of business.

Capital

As at 30 June 2025, the Group's CET 1 ratio stood at 21,53%, which is 10,44 percentage points above the minimum regulatory CET 1 ratio of 11,09%. The overall Capital Ratio (OCR) as at 30 June 2025 stood at 25,11%, 8,11 percentage points above the minimum regulatory OCR of 17,00%.

The above ratios reflect the impact from the adoption of the CBC's recommendation on increasing provision coverage for secured NPEs older than seven years and unsecured NPEs older than two years. The CBC recommended a minimum 70% coverage to be achieved by 30 June 2025 and a linear adjustment path to full coverage by the end of 2027, as set out in the CBC's Supervisory Review and Evaluation Process Decision No. 10/2025 dated 27 June 2025. The Bank adopted a prudent approach, applying a 76% coverage on those NPEs subject to the CBC's recommendation, thereby meeting on 30 June 2025 the coverage target set by the CBC for 31 December 2025.

INTERIM MANAGEMENT REPORT (continued)

GOING CONCERN (continued)

Capital (continued)

The Directors and Management are closely monitoring and managing the capital of the Group and take actions to optimise capital usage and maintain capital ratios above minimum requirements. The following items have been considered in relation to the Group's capital adequacy for the period of assessment:

- The Group as at 30 June 2025 was in compliance with regulatory capital requirements having adequate buffers.
- Based on the Bank's approved Business Plan all capital ratios are maintained above regulatory capital requirements for the period of assessment (including Pillar 2 Guidance, MREL add on, and prudential backstops recommended by the CBC in SREP Decision No. 10/2025 dated 27 June 2025). The Board of Directors taking into consideration all available information, expects that the Group will be able to meet its capital requirements for the period of assessment.

Details on capital management are disclosed in Note 27.5 to the Interim Consolidated Financial Statements.

Funding and liquidity

The following items have been considered in relation to the Group's liquidity position:

- The Group enjoys a strong liquidity position and is compliant with all regulatory liquidity ratios. The Liquidity Coverage Ratio ("LCR") stood at 331% on 30 June 2025, well above the minimum requirement of 100%.
- The Group holds significant liquidity buffers that can be monetised in a period of stress. The LCR surplus as at 30 June 2025 amounted to €220 million.
- Based on the Group's approved Business Plan, together with relevant sensitivity scenarios, it is expected that the Group will be compliant with regulatory liquidity requirements for the period of the going concern assessment.

Non-performing exposures ("NPEs")

Effective management of the non performing portfolio and monetization of REOs remain key strategic objectives of the Group. During the six-month period ended 30 June 2025, gross NPEs continued to decline, dropping from €37,7 million as at 31 December 2024 to €32,7 million as at 30 June 2025, a decrease of 13%. On a net basis, NPEs stood at €18,4 million at 30 June 2025, down 23% from €23,7 million as at 31 December 2024. The NPE ratio on a gross basis stood at 16,1% (31 December 2024: 17,7%) and on a net basis stood at 9,8% (31 December 2024: 11,99%).

In its NPE Plan for 2025-2027 Management has formulated a recovery action plan for the organic reduction of NPEs. The plan defines the resolution strategy for each NPE exposure with the primary objective of expediting the resolution process. Implementation is closely monitored, and recovery strategies and action plans are frequently reviewed and updated to promptly address developments and introduce corrective actions as needed.

INTERIM MANAGEMENT REPORT (continued)

GOING CONCERN (continued)

Non-performing exposures ("NPEs") (continued)

Based on their assessment as above, the Directors have concluded that there are no material uncertainties that would cast significant doubt on the ability of the Group and the Bank to continue as a going concern for a period of twelve months from the date of approval of these Interim Consolidated Financial Statements.

RISK MANAGEMENT

As a financial organisation the Group is exposed to risks, the most significant of which are credit risk, market risk, liquidity risk and operational risk. The Group monitors and manages these risks through various control mechanisms. Information relating to the principal risks the Group faces and risk management is set out in Note 27 to the Interim Consolidated Financial Statements. In addition, in relation to legal risk arising from litigations, further information is disclosed in Note 31 to the Interim Consolidated Financial Statements.

SHAREHOLDERS

The shareholding structure as at 30 June 2025 is presented in Note 29 to the Interim Consolidated Financial Statements.

CAPITAL MANAGEMENT

The Central Bank of Cyprus (CBC) sets and monitors capital requirements for the Group and for the Bank. The CBC requires the Group and the Bank to maintain a prescribed capital adequacy ratio, which is the ratio of total eligible capital to total risk weighted assets, in accordance with Regulation (EU) no. 575/2013 on prudential requirements for credit institutions and investment firms.

As part of the Supervisory Review and Evaluation Process for 2024 (SREP) Decision No. 10/2025 dated 27 June 2025, the CBC introduced additional supervisory measures, on the legacy non-performing exposures (NPEs) and on the immovable properties acquired in the course of satisfaction or settlement of debts.

Specifically, the CBC recommended that, for exposures classified as NPEs and falling outside the scope of Regulation (EU) 630/2019, the Bank should achieve a minimum provision coverage of 70% for secured NPEs older than seven years and for unsecured NPEs older than two years by 30 June 2025, with a linear path to full coverage by the end of 2027. The Bank adopted a prudent approach, applying 76% loss coverage on NPEs as at 30 June 2025, which is the target set by the CBC for 31 December 2025. Any shortfall compared to recorded provisions was deducted from CET1 capital. This had a negative impact of €3,3 million on CET 1 capital. After factoring in profit for the period and positive valuation adjustments through OCI, CET1 capital as at 30 June 2025 decreased to €47,0 million from €48,8 as at 31 December 2024, a decrease of 3,58%.

In addition, for REOs acquired in satisfaction of debts and held beyond the maximum regulatory holding period, the CBC requires the Bank to apply a prudential deduction from Common Equity Tier 1 (CET1) capital, based on a prescribed schedule linked to the length of time the assets have been held. The aforementioned deduction is applicable as from 1 July 2025.

INTERIM MANAGEMENT REPORT (continued)

CAPITAL MANAGEMENT (continued)

At 30 June 2025 the Group was required to maintain on a consolidated basis, a minimum CET 1 ratio of 11,09% (31 December 2024: 11,09%) and an Overall Capital Ratio ("OCR") of 17,00% (31 December 2024: 17,00%).

As at 30 June 2025, the Group's CET 1 ratio stood at 21,53%, which is 10,44 percentage points above the minimum regulatory CET 1 ratio of 11,09%. The overall Capital Ratio (OCR) as at 30 June 2025 stood at 25,11%, 8,11 percentage points above the minimum regulatory OCR of 17,00%.

The Directors and Management are closely monitoring and managing the capital of the Group and take actions to optimize capital usage and maintain ratios above minimum requirements.

Details on capital management are disclosed in Note 27.5 to the Interim Consolidated Financial Statements.

STRATEGY AND PRIORITIES

The Group's medium-term strategic objectives remain focused on strengthening its balance sheet, enhancing the quality and efficiency of its assets, strengthening its capital position, and increasing operating profitability through the prudent growth of its loan portfolio which will boost both interest and fee income, as well as the diversification of income streams from fee generating activities. At the same time maintaining strong capital and liquidity ratios remains top priority for the Group.

Effective management of non-performing exposures is also a key focus. In its NPE Plan for 2025, Management has formulated a recovery action plan defining the resolution strategy for each major NPE exposure. The NPE Plan for 2025 targets a 34% reduction in NPEs, from €38 million at the end of 2024 to €25 million by the end of 2025, achieved entirely through organic actions. Implementation of these actions is closely monitored, with recovery strategies and action plans frequently reviewed and revised, based on developments and results, to promptly introduce corrective measures.

Given the Group's balance sheet structure, most of its interest-bearing assets are floating, which supports growth in net interest income when interest rates rise. The repricing of the loan portfolio, approximately 80% of which is Euribor based, along with balances held with the Central Bank and bank placements, has benefited from interest rate increases over the past two and a half years. In response to the current downward interest rate environment, the Group is considering measures to mitigate the impact of decreasing interest rates. These measures include the close monitoring of the cost of deposits and the prudent investment in fixed rate bonds.

The Group continues to manage its deposit base prudently in order to maintain healthy liquidity ratios and at the same time manage the cost of funding, leveraging market confidence in the sector. Management monitors closely its deposit base along with market developments regarding cost of deposits.

The Group focuses on the provision of asset management and investment and advisory services, through its subsidiary company Global Capital Securities and Financial Services Ltd which provides also related activities to Alternative Investment Funds.

The Group continues to invest in upgrading its technological infrastructure and systems that support the implementation of its business strategy. Key actions include modular upgrades to the core banking system and introduction of peripheral systems to enhance automation of processes.

INTERIM MANAGEMENT REPORT (continued)

STRATEGY AND PRIORITIES (continued)

Continued emphasis is also placed on ensuring the effectiveness of the Bank's risk management and compliance frameworks through prudent risk policies and measures designed to identify, assess and mitigate potential risks that could impact the Bank's operations and financial position. At the same time the Group is committed to maintaining and enhancing its organisational resilience, supported by robust corporate governance that is aligned with the Group's strategic priorities.

BRANCHES

The Group carries out its activities through its head office and two branches, one in Nicosia and one in Limassol.

MANAGEMENT BODY

The names of the members of the Management Body ("MB") as at the date of this report (alternatively referred to as "Directors", "Board of Directors" and "Board" in the Interim Consolidated Financial Statements) are set out on page 3.

RELATED PARTY TRANSACTIONS

Disclosed in Note 30 to the Interim Consolidated Financial Statements.

EVENTS AFTER THE REPORTING PERIOD

Disclosed in Note 33 to the Interim Consolidated Financial Statements.

INTERIM MANAGEMENT REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

In accordance with the relative legislation and the regulations of the Cyprus Stock Exchange, each of the Directors, whose names and functions are listed on page 3 confirms that to the best of each person's knowledge and belief:

- The interim unaudited financial statements of the Group have been prepared in accordance with the applicable International Financial Reporting Standards as adopted by the European Union and the provisions of the Law.
- The interim unaudited financial statements of the Group provide a true and fair view of the assets and liabilities, the financial position and profit and loss of the Group.
- The interim unaudited financial statements of the Group provide a true and fair view of the developments and the performance as well as the financial position of the Group, together with a description of the main risks and uncertainties, faced by the Group.

By the order of the Management Body



Christodoulos Patsalides
Chairman

Nicosia, 30 September 2025

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six-month period ended 30 June 2025

		Six months ended 30 June	
		2025	2024
		€'000	€'000
	Note		
Turnover		<u>11.444</u>	<u>14.793</u>
Interest income calculated using the effective interest method	5	9.486	12.921
Interest expense calculated using the effective interest method	6	<u>(2.122)</u>	<u>(2.941)</u>
Net interest income		7.364	9.980
Fee and commission income	7	1.508	1.588
Fee and commission expense	8	(227)	(156)
Net foreign exchange gains	9	50	46
Other income	10	<u>400</u>	<u>238</u>
Total net income		9.095	11.696
Staff costs	11	(4.796)	(4.619)
Other operating expenses	12	(2.014)	(1.865)
Special levy on deposits and other levies/contributions	12	(394)	(425)
Depreciation		<u>(469)</u>	<u>(353)</u>
Profit before provisions for impairment		1.422	4.434
Provisions for impairment		<u>(359)</u>	<u>(556)</u>
Profit before tax		1.063	3.878
Tax		<u>(148)</u>	<u>(404)</u>
Profit for the period after tax		<u>915</u>	<u>3.474</u>
Profit for the period attributable to:			
Owners of the Bank		927	3.469
Non-controlling interests		<u>(12)</u>	<u>5</u>
Profit for the period		<u>915</u>	<u>3.474</u>
Basic and fully diluted earnings per share (cent)	13	<u>2,14</u>	<u>8,02</u>

The notes on pages 21 to 85 form an integral part of the financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six-month period ended 30 June 2025

		Six months ended 30 June 2025 €'000	2024 €'000
	Note		
Profit for the period		915	3.474
Other comprehensive income (OCI)			
Items that are or may be reclassified in the consolidated income statement in subsequent periods			
Fair value reserve (debt instruments)			
Net gains on investments in debt instruments measured at fair value through OCI (FVOCI)	16	-	24
Total OCI that may be reclassified in the consolidated income statement in subsequent periods		-	24
Other comprehensive income for the period net of taxation		-	24
Total comprehensive income for the period		915	3.498
Attributable to:			
Owners of the Bank		927	3.493
Non-controlling interests		(12)	5
Total comprehensive income for the period		915	3.498

The notes on pages 21 to 85 form an integral part of the financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2025

		30 June 2025	31 December 2024
		€'000	€'000
ASSETS	Note		
Cash and balances with central banks	14	301.154	373.772
Balances with other banks	14	6.514	3.680
Investments in debt securities	16	45.820	26.211
Loans and advances	15	187.024	197.565
Investments in equities		324	426
Investments in associates	18	1.283	754
Stock of property	19	9.693	10.368
Receivables and other assets		2.711	1.614
Premises and equipment		7.144	7.346
Intangible assets		1.326	1.254
Total assets		562.993	622.990
LIABILITIES			
Bank borrowings		1.280	1.494
Client deposits	20	482.038	548.579
Deferred taxation		306	306
Accruals and other liabilities	21	16.427	11.228
Loan capital	22	11.262	11.263
Total liabilities		511.313	572.870
EQUITY			
Share capital	23	8.655	8.655
Share premium		16.048	16.048
Capital reduction reserve		14.653	14.653
Reserves		11.962	10.490
Equity attributable to owners of the parent company		51.318	49.846
Non-controlling interests		362	274
Total equity		51.680	50.120
Total liabilities and equity		562.993	622.990
Contingent liabilities and commitments	24	54.627	53.801

These Interim Condensed Consolidated Financial Statements have been approved and authorised for issue by the Management Body on 30 September 2025.


Mr. Christodoulos Patsalides
Chairman of the Board


Mr. Avgoustinos Papathomas
Member of the Board


Mr. Loucas Marangos
Member of the Board and Chief Executive Officer


Mrs. Stella Avraam
Member of the Board and Chief Financial Officer

The notes on pages 21 to 85 form an integral part of the financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2025

2025	Attributable to the parent company's owners							Non-controlling interests	Total
	Share capital	Share premium	Capital reduction reserve fund	Revaluation reserve	Revenue reserve	Total			
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance 1 January 2025	8.655	16.048	14.653	1.929	8.561	49.846	274		50.120
Correction in opening balance of subsidiaries reserves	-	-	-	-	545	545	100		645
Restated balance 1 January 2025	<u>8.655</u>	<u>16.048</u>	<u>14.653</u>	<u>1.929</u>	<u>9.106</u>	<u>50.391</u>	<u>374</u>		<u>50.765</u>
Total comprehensive income after taxation									
Profit for the period	-	-	-	-	927	927	(12)		915
Other comprehensive income	-	-	-	-	-	-	-		-
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>927</u>	<u>927</u>	<u>(12)</u>		<u>915</u>
Transfers between reserves									
Excess depreciation on revaluation surplus	-	-	-	(2)	2	-	-		-
Transfer to revenue reserve upon sale of equity investments at FVOCI	-	-	-	2	(2)	-	-		-
Total transfers between reserves	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>
Balance 30 June 2025	<u><u>8.655</u></u>	<u><u>16.048</u></u>	<u><u>14.653</u></u>	<u><u>1.929</u></u>	<u><u>10.033</u></u>	<u><u>51.318</u></u>	<u><u>362</u></u>		<u><u>51.680</u></u>

The notes on pages 21 to 85 form an integral part of the financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2025

	Attributable to the parent company's owners						Non-controlling interests	Total
	Share capital	Share premium	Capital reduction reserve fund	Revaluation reserve	Revenue reserve	Total		
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
2024								
Balance 1 January 2024	8.655	16.048	14.653	1.898	4.430	45.684	241	45.925
Correction in opening balance of subsidiaries reserves	-	-	-	-	56	56	10	66
Restated balance 1 January 2024	<u>8.655</u>	<u>16.048</u>	<u>14.653</u>	<u>1.898</u>	<u>4.486</u>	<u>45.740</u>	<u>251</u>	<u>45.991</u>
Total comprehensive income after taxation								
Profit for the period	-	-	-	-	3.469	3.469	5	3.474
Other comprehensive income	-	-	-	24	-	24	-	24
Total comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>24</u>	<u>3.469</u>	<u>3.493</u>	<u>5</u>	<u>3.498</u>
Transfers between reserves								
Excess depreciation on revaluation surplus	-	-	-	(3)	3	-	-	-
Total transfers between reserves	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance 30 June 2024	<u><u>8.655</u></u>	<u><u>16.048</u></u>	<u><u>14.653</u></u>	<u><u>1.919</u></u>	<u><u>7.958</u></u>	<u><u>49.233</u></u>	<u><u>256</u></u>	<u><u>49.489</u></u>

The notes on pages 21 to 85 form an integral part of the financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2025

		Six-month period ended 30 June	
		2025	2024
	Note	€'000	€'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Group profit for the period		915	3.474
<i>Adjustments for:</i>			
Net interest from debt securities		(367)	(277)
Premium/discount amortisation on debt securities		(352)	362
Interest on loan capital	6	224	567
Depreciation of premises and equipment		265	218
Amortisation of intangible assets		204	135
Net foreign exchange gains		(36)	(32)
Provisions for impairment		358	556
Interest expense on lease liability	6	18	21
Loss/(gain) on revaluation of investments at FVTPL		41	(19)
Tax		148	404
		<u>1.418</u>	<u>5.409</u>
<i>Change in:</i>			
Obligatory balances with Central Bank		260	(133)
Loans and advances		10.205	(1.582)
Client deposits		(66.541)	(2.758)
Bank borrowings		(214)	(211)
Working capital and other items of the statement of financial position		<u>5.001</u>	<u>2.187</u>
Net cash (to)/from operating activities before tax		(49.871)	2.912
Taxes and special contributions paid		<u>(126)</u>	<u>-</u>
Net cash (to)/from operating activities		<u>(49.997)</u>	<u>2.912</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of premises and equipment		(61)	(125)
Acquisition of intangible assets		(275)	(233)
Acquisition of debt securities	16	(25.990)	-
Proceeds on redemption of debt securities	16	6.712	12.811
Net interest from debt securities		<u>367</u>	<u>277</u>
Net cash (used in)/from investing activities		<u>(19.247)</u>	<u>12.730</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Principal element of lease payments		(87)	(87)
Interest paid on loan capital		<u>(226)</u>	<u>(566)</u>
Net cash to financing activities		<u>(313)</u>	<u>(653)</u>
Net (decrease)/increase in cash and cash equivalents		(69.557)	14.989
Effect of exchange rate fluctuations on cash and cash equivalents		35	32
Cash and cash equivalents at the beginning of the period		<u>372.456</u>	<u>298.077</u>
Cash and cash equivalents at the end of the period	26	<u>302.934</u>	<u>313.098</u>

The notes on pages 21 to 85 form an integral part of the financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

1. INCORPORATION AND PRINCIPAL ACTIVITIES

The Cyprus Development Bank Public Company Limited (the “Bank”) was incorporated in the Republic of Cyprus in 1963. The Bank’s business name is “cddb bank” and is the parent company of the cddb bank Group.

The principal activities of the Bank, which remained unchanged from last year, are commercial banking operations.

The principal activities of the subsidiary companies, Global Capital Securities and Financial Services Ltd, which remained the same as in the previous year, are portfolio management as well as the provision of financial advisory, investment banking and brokerage services.

The Interim Condensed Consolidated Financial Statements of the Group for the six-month period ended 30 June 2025 were authorised for issue by the Board of Directors on 30 September 2025.

2. BASIS OF PREPARATION

2.1 Going concern

The Group’s Financial Statements have been prepared on a going concern basis following the assessment performed by the Board of Directors and Management on the Group’s ability to continue as a going concern for a period of 12 months from the date of approval of these Interim Consolidated Financial Statements.

The Directors have considered the conditions that existed during 2025 and the developments up to the date of approval of these Interim Consolidated Financial Statements and they believe that the Group and the Bank are taking all necessary measures to ensure their viability and the development of their business in the current economic environment.

In making their assessment, the Directors and Management have reviewed a wide range of information relating to present and future conditions, including projections of profitability, liquidity, capital requirements and capital resources. This review took into consideration the 2025 Budget and financial projections for 2026-2027 (the “Plan”), approved by the Board in March 2025, as well as the operating environment (as set out in Note 32). The Plan has used conservative economic inputs to develop the Group’s medium-term strategy and incorporates sensitivity scenarios to cater for downside risk and assesses how potential changes in underlying assumptions (such as higher risk weights, lower levels of lending, outflow of deposits, lower margins on loans and higher cost of deposits), could impact the Group’s projected financial performance, capital adequacy and liquidity. The Directors and Management have paid particular attention to the challenges and uncertainties stemming from the macroeconomic developments as well as the current level of NPEs and evolution, and how the risks and uncertainties affect the future profitability, liquidity and capital adequacy of the Bank and the Group, and the ability to continue the operations in the normal course of business.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

2. BASIS OF PREPARATION (continued)

2.1 Going concern (continued)

2.1.1 Capital

As at 30 June 2025, the Group's CET 1 ratio stood at 21,53%, which is 10,44 percentage points above the minimum regulatory CET 1 ratio of 11,09%. The overall Capital Ratio (OCR) as at 30 June 2025 stood at 25,11%, 8,11 percentage points above the minimum regulatory OCR of 17,00%.

The above ratios reflect the impact from the adoption of the CBC's recommendation on increasing provision coverage for secured NPEs older than seven years and unsecured NPEs older than two years. The CBC recommended a minimum 70% coverage to be achieved by 30 June 2025 and a linear adjustment path to full coverage by the end of 2027, as set out in the CBC's Supervisory Review and Evaluation Process Decision No. 10/2025 dated 27 June 2025. The Bank adopted a prudent approach, applying a 76% coverage on those NPEs subject to the CBC's recommendation, thereby meeting on 30 June 2025 the coverage target set by the CBC for 31 December 2025.

The Directors and Management are closely monitoring and managing the capital of the Group and take actions to optimise capital usage and maintain capital ratios above minimum requirements. The following items have been considered in relation to the Group's capital adequacy for the period of assessment:

- The Group as at 30 June 2025 was in compliance with regulatory capital requirements having adequate buffers.
- Based on the Bank's approved Business Plan all capital ratios are maintained above regulatory capital requirements for the period of assessment (including Pillar 2 Guidance, MREL add on, and prudential backstops recommended by the CBC in SREP Decision No. 10/2025 dated 27 June 2025). The Board of Directors taking into consideration all available information, expects that the Group will be able to meet its capital requirements for the period of assessment.

Details on capital management are disclosed in Note 27.5 to the Interim Consolidated Financial Statements.

2.1.2 Funding and liquidity

The following items have been considered in relation to the Group's liquidity position:

- The Group enjoys a strong liquidity position and is compliant with all regulatory liquidity ratios. The Liquidity Coverage Ratio ("LCR") stood at 331% on 30 June 2025, well above the minimum requirement of 100%.
- The Group holds significant liquidity buffers that can be monetised in a period of stress. The LCR surplus as at 30 June 2025 amounted to €220 million.
- Based on the Group's approved Business Plan, together with relevant sensitivity scenarios, it is expected that the Group will be compliant with regulatory liquidity requirements for the period of the going concern assessment.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

2. BASIS OF PREPARATION (continued)

2.1 Going concern (continued)

2.1.3 Non-performing exposures ("NPEs")

Effective management of the non performing portfolio and monetization of REOs remain key strategic objectives of the Group. During the six-month period ended 30 June 2025, gross NPEs continued to decline, dropping from €37,7 million as at 31 December 2024 to €32,7 million as at 30 June 2025, a decrease of 13%. On a net basis, NPEs stood at €18,4 million at 30 June 2025, down 23% from €23,7 million as at 31 December 2024. The NPE ratio on a gross basis stood at 16,1% (31 December 2024: 17,7%) and on a net basis stood at 9,8% (31 December 2024: 11,99%).

In its NPE Plan for 2025-2027 Management has formulated a recovery action plan for the organic reduction of NPEs. The plan defines the resolution strategy for each NPE exposure with the primary objective of expediting the resolution process. Implementation is closely monitored, and recovery strategies and action plans are frequently reviewed and updated to promptly address developments and introduce corrective actions as needed.

Based on their assessment as above, the Directors have concluded that there are no material uncertainties that would cast significant doubt on the ability of the Group and the Bank to continue as a going concern for a period of twelve months from the date of approval of these Interim Consolidated Financial Statements.

2.2 Statement of compliance

The Interim Condensed Consolidated Financial Statements have been prepared in accordance with the International Accounting Standard (IAS) applicable to interim financial reporting as adopted by the European Union (EU) (IAS 34).

The Interim Consolidated Financial Statements do not include all the information and disclosures required for the annual financial statements and should be read in conjunction with the Annual Consolidated Financial Statements of The Cyprus Development Bank Public Company Limited for the year ended 31 December 2024, prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU, which are available at the Bank's website www.cdb.com.cy.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

2. BASIS OF PREPARATION (continued)

2.3 Unaudited financial statements

The Interim Condensed Consolidated Financial Statements ("Financial Statements") for the six-month period ended 30 June 2025 have not been audited by the Group's external auditors.

2.4 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for investments classified at fair value through other comprehensive income, investments at fair value through profit or loss and properties for own use which are measured at fair value. Stock of property is measured at the lower of cost and net realisable value.

2.5 Changes in accounting policies, presentation and disclosures

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2025 and which are explained below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.5.1 New and amended standards and interpretations

IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (amendments)

These amendments help entities assess exchangeability between two currencies and determine the spot exchange rate, when exchangeability is lacking. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. The amendments to IAS 21 do not provide detailed requirements on how to estimate the spot exchange rate. Instead, they set out a framework under which an entity can determine the spot exchange rate at the measurement date. When applying the new requirements, it is not permitted to restate comparative information. Rather, it is required to translate the affected amounts at estimated spot exchange rates at the date of initial application, with an adjustment to retained earnings or to the reserve for cumulative translation differences. These amendments did not have an impact on the Group's results and financial position.

2.5.2 Standards and Interpretations issued by the IASB and adopted by the EU but not yet effective

IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures - Classification and Measurement of financial Instruments (amendments)

The IASB issued amendments to IFRS 9 and IFRS 7. The amendments: (a) clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system, (b) add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion, (c) add new disclosures for certain instruments with contractual terms that can change cash flows, (d) update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI). These amendments to IFRS 9 and IFRS 7 will be effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted. The Group does not expect these amendments to have a material impact on its results and financial position.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

2. BASIS OF PREPARATION (continued)

2.5 Changes in accounting policies, presentation and disclosures (continued)

2.5.2 Standards and Interpretations issued by the IASB and adopted by the EU but not yet effective (continued)

IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures (amendments)

The IASB issued targeted amendments to report the financial effects of nature-dependent electricity contracts, which are often structured as power purchase agreements (PPAs). The amendments include clarifying the application of the 'own-use' requirements, permitting hedge accounting if these contracts are used as hedging instruments; and adding new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows. The amendments will be effective for annual periods beginning on or after 1 January 2026. The Group does not expect these amendments to have an impact on its results and financial position.

Annual Improvements to IFRS Accounting Standards — Volume 11

The amendments contained in the Annual Improvements relate to:

- (i) IFRS 1 First-time Adoption of International Financial Reporting Standards - Hedge Accounting
a First-time Adopter
- (ii) IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS7
- (iii) IFRS 9 Financial Instruments - Derecognition of lease liabilities and Transaction price
- (iv) IFRS 10 Consolidated Financial Statements - Determination of a 'de facto agent'
- (v) IAS 7 Statement of Cash Flows - Cost Method.

These amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted. The Group will assess in due course the impact that these amendments might have on its results and financial position.

2.5.3 Standards and Interpretations issued by the IASB but not yet adopted by the EU

IFRS 18 Presentation and Disclosure in Financial Statements (new standard)

The new standard on presentation and disclosure in financial statements focuses on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to the structure of the statement of profit or loss, required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management defined performance measures) and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'. IFRS 18 will apply for reporting periods beginning on or after 1 January 2027 and will also apply to comparative information. The Group does not expect these amendments to have an impact on its results and financial position; however, presentational changes and additional disclosures will be required upon adoption.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

2. BASIS OF PREPARATION (continued)

2.5 Changes in accounting policies, presentation and disclosures (continued)

2.5.3 Standards and Interpretations issued by the IASB but not yet adopted by the EU (continued)

IFRS 19 Subsidiaries without Public Accountability: Disclosures (new standard)

The IASB issued a new accounting standard for subsidiaries. IFRS 19 Subsidiaries without Public Accountability will enable subsidiaries to keep only one set of accounting records in order to meet the needs of both their parent company and the users of their financial statements. In addition, the IFRS 19 will permit reduced disclosures better suited to the needs of the users of the financial statements while still maintaining the usefulness of the information. The new standard will be effective for annual periods beginning on or after 1 January 2027. The new standard does not apply to the financial statements of the Group.

2.6 Fair value of financial assets and liabilities

The Group applies the definition of fair value as set out in Note 25 to the Interim Consolidated Financial Statements. The Group includes disclosures in the financial statements, which are required under IFRS 13.

- Level 1: financial instruments valued using quoted (unadjusted) prices in active markets for identical assets.
- Level 2: investments valued using models for which all inputs which have a significant effect on fair value are market observable.
- Level 3: investments valued using models for which inputs which have a significant effect on fair value are not based on observable market data.

2.7 Functional and presentation currency

The financial statements of the Group are for the six-month period ended 30 June 2025 and are presented in Euro (€), which is the functional currency of the Bank and its subsidiaries in Cyprus.

2.8 Use of estimates and judgments

The preparation of financial statements in accordance with IFRSs requires from Management the exercise of judgment, to make estimates and assumptions that influence the application of accounting principles and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

Estimates and underlying assumptions are reviewed on a regular 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 in future periods if the revision affects both current and future periods.

Significant accounting estimates and judgments are set out in Note 4 to the Interim Consolidated Financial Statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those followed for the preparation of the annual consolidated financial statements for the year ended 31 December 2024, except for the adoption of new and amended standards and interpretations as explained in Note 2.5 to the Interim Consolidated Financial Statements.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent obligations and liabilities at balance sheet date and the reported amounts of income and expenses during the year of reporting. Despite the fact that these assumptions are based on the best possible knowledge of the Group's Management and the Board of Directors regarding current conditions and activities, actual results may eventually differ from those estimates.

Accounting estimates and judgments are reviewed and evaluated on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The assessment of these factors determines the basis under which judgement is being applied in connection with accounting principles affecting the value of assets and liabilities which are not immediately apparent from other sources.

4.1 Classification of financial assets

The Group exercises judgement upon determining the classification of its financial assets in relation to business models and future cash flows.

Judgement is also required to determine the appropriate level at which the assessment of business models needs to be performed. Further, the Group exercises judgement in determining the effect of sales of financial assets on its business model assessment.

In the event of disposals, the Group considers information about past sales and expectations about future sales, including the frequency, value and nature of such sales, when determining the objective of the business model. Sales or expected sales of financial assets may be consistent with a held-to-collect business model if those sales are incidental to the business model.

The following are examples of sales which are incidental to the held-to-collect business model:

- The sales are due to an increase in the credit risk of a financial asset. Irrespective of their frequency and value, sales due to an increase in the assets' credit risk are not inconsistent with a held-to-collect objective. This is because the credit quality of financial assets is relevant to the entity's ability to collect contractual cash flows.
- The sales are infrequent (even if they are significant) or are insignificant individually and in aggregate (even if they are frequent).
- The sales take place close to the maturity of the financial assets and the proceeds from the sales approximate the collection of the remaining contractual cash flows.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.1 Classification of financial assets (continued)

The Bank is assessing the significance of the amount of sales by comparing the portion sold with the overall size of the portfolio subject to the business model assessment.

The Group also applies judgement upon considering whether contractual features including interest rates could significantly affect future cash flows.

More details on investment in debt securities are presented in Note 16 to the Interim Consolidated Financial Statements.

4.2 Calculation of expected credit losses

The calculation of ECLs requires management to apply significant judgement and make estimates and assumptions. Changes to these estimates and assumptions can result in significant changes to the timing and amount of ECLs to be recognised. The Group's calculations are outputs of models, of underlying assumption on the choice of variable inputs and their interdependencies. Elements of ECL models that are considered accounting judgement and estimates include:

Assessment of significant increase in credit risk ("SICR")

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

In 2024 the Group proceeded with amendments in the backstop criteria adopted for the assessment of significant increase in credit risk. Specifically, the period during which exposures with material arrears over 30 days were considered to have increased credit risk was reduced from 12 months to 90 days. Furthermore, the additional 12-month probation period adopted in previous periods, was removed. These changes affected the staging classification for the year ending 31 December 2024, resulting in €25 million of exposures being reclassified from Stage 2 to Stage 1, with a corresponding impact of €37 thousand on ECL amount.

Determination of probability of default ("PD")

PD represents the likelihood of a borrower defaulting on its financial obligations either in the next twelve months or over the remaining lifetime of the exposure. The group calculates the PDs using internal statistical models for different segments, which are constructed based on the customer sector type and the combination of risk factors such as days past due bucket and forbearance status. The estimation of PDs is based on point in time unbiased PDs that are derived from TTC PDs through the application of a scaling factor that reflects the current economic conditions and incorporates forward looking information and macroeconomic inputs. For corporate segments the PDs are estimated at the debtor level while for retail portfolios are estimated at the facility level.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.2 Calculation of expected credit losses (continued)

An adjustment was applied on the forecasted default rates by the adopted models in the form of a scalar factor and utilisation of a floor. The adjustment aims to capture uncertainties in the macroeconomics forecasts and emerging risks such as high inflation and interest rates. These risks may have a prominent impact on default rates as they generally lack the necessary historical data that would allow the bank's regression models to capture.

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

Scenarios and macroeconomic factors

The Group 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 specific external studies on the Cyprus Economy. 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 Executive Provisioning Committee and endorsed by the Bank's Risk Committee.

The Group updated its forward-looking scenarios, factoring in updated macroeconomic assumptions and other monetary and fiscal developments in the national and the EU level including the Russian-Ukraine and Israel-Hamas military conflicts, the high inflation and increased interest rates.

The Group uses three different economic scenarios. The calculation of expected credit losses for both individually and collectively assessed exposures is the weighted average of three scenarios: baseline at 50% weight (2024: 50% weight), pessimistic at 30% weight (2024: 30% weight) and optimistic 20% weight (2024: 20% weight). In order to account for the increased uncertainty of the economic outlook the Group continues to utilise an increased weight for the pessimistic scenario of 30% compared to 25% and a decreased weight of the optimistic scenario of 20% compared to 25%.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.2 Calculation of expected credit losses (continued)

Scenarios and macroeconomic factors (continued)

The table below indicates the most significant macroeconomic variables as well as the scenario weights used by the Group as at 31 December 2024.

Cyprus Economy – Macroeconomic Parameters 31 December 2024

Scenarios			2024	2025	2026	2027	2028
Optimistic	Real GDP change	%	3,43	3,85	2,00	1,33	1,16
	Unemployment rate	%	4,97	4,98	4,99	4,92	4,98
	Consumer Price Index	%	1,83	2,55	2,94	2,88	3,05
	House Price index change	%	6,56	7,34	3,82	2,57	0,00
	Other properties price index change	%	3,00	4,77	2,41	1,27	0,00
Baseline	Real GDP change	%	3,43	2,51	1,65	1,53	1,19
	Unemployment rate	%	4,97	4,97	5,11	5,17	5,17
	Consumer Price Index	%	1,83	2,29	2,89	2,94	2,96
	House Price index change	%	6,56	4,70	3,00	2,50	0,00
	Other properties price index change	%	3,00	2,20	1,60	1,20	0,00
Pessimistic	Real GDP change	%	3,43	-1,61	-0,81	3,29	2,87
	Unemployment rate	%	4,97	7,20	8,79	8,08	7,25
	Consumer Price Index	%	1,83	1,34	2,08	2,92	2,64
	House Price index change	%	6,56	-4,41	-4,24	3,22	0,00
	Other properties price index change	%	3,00	-6,70	-5,55	1,91	0,00

Assessment of loss given default ("LGD")

A factor for the estimation of LGD is the timing of net recoverable amount from repossession or realisation of collaterals which mainly comprise real estate assets.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.2 Calculation of expected credit losses (continued)

Assessment of loss given default ("LGD") (continued)

Assumptions have been made about the future changes in property values, as well as the timing for the realisation of collateral, taxes and expenses related to the repossession and subsequent sale of the collateral as well as any other applicable haircuts. Indexation has been used to estimate updated market values of properties, while assumptions were made on the basis of a macroeconomic scenario for future changes in property.

The open market values of real estate collaterals are indexed from the valuation report date to the impairment test reference date, using the latest available property price indices by the CBC. In addition, a forward-looking indexation is applied in the collateral prices for estimating the future open market value at the time of liquidation. The future net liquidation value is capped at the market value indexed as at the reference date.

Under the pessimistic scenario, applied haircuts on real estate collaterals are increased by 5 pp and the timing of recovery of collaterals is increased by 0,5 year. Under the optimistic scenario applied haircuts are decreased by 5 pp and the timing of recovery of collaterals is decreased by 0,5 year. Under all scenarios, selling costs are assumed to be 5% of the recoverable amount of real estate collaterals and are additional to the liquidation haircuts applied to collaterals values.

The timing of recovery from real estate collaterals used in the collectively assessed provisions calculation for loans and advances to customers is set at 5 years for all property types under the baseline scenario as applied from the previous year. The weighted average liquidation period for all real estate collaterals is 5,0 years (2024: 5,0 years). Different liquidation haircuts are applied depending on the type and location of each collateral with the liquidation haircut including selling expenses ranging from 10%-49% under the baseline scenario and weighted average liquidation haircut of 18% (2024: 18%).

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

Sensitivity analysis

For the purposes of providing an indication of the change in accumulated impairment losses on loans and advances as a result of changes in key loan impairment assumptions, the Bank has performed a sensitivity analysis for the year ending 31 December 2024. The impact on the provisions for impairment of loans and advances is presented below:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.2 Calculation of expected credit losses (continued)

Sensitivity analysis (continued)

	Increase/(Decrease) of ECLs for loans and advances €'000
Baseline 100%, Optimistic 0%, Pessimistic 0%	(1.540)
Baseline 0%, Optimistic 100%, Pessimistic 0%	(3.550)
Baseline 0%, Optimistic 0%, Pessimistic 100%	4.933
Increase liquidation haircuts by 5 pp	812
Decrease liquidation haircuts by 5 pp	(770)
Increase PDs by 20%	185
Decrease PDs by 20%	(186)

4.3 Fair value of investment in debt securities and equity

The best evidence of fair value is a quoted price in an actively traded market. The fair value of investments in debt securities and equity that are not traded in an active market is determined by using valuation techniques. The Group uses valuation techniques that use observable market data, to the extent possible, where the reliability of the fair value measurement is relatively high. However, 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 judgement 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 details on investment in debt securities and equity are presented in Notes 16 and 25 to the Interim Consolidated Financial Statements.

4.4 Income taxes

Significant estimates are required in determining the provision for income tax. For specific transactions and calculations, the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes may become due. Where the final tax is different from the amounts initially recognised in the consolidated income statement, such differences will impact the income tax expense, the tax liabilities and deferred tax assets or liabilities of the period in which the final tax is agreed with the relevant tax authorities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.5 Stock of property – estimation of net realisable value

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 judgement, which take 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 judgement which involves a large degree of uncertainty due to the relatively low level of market activity.

More details on stock of property are presented in Note 19 to the Interim Consolidated Financial Statements.

4.6 Exercise of significant influence or control

The Group determines whether it exercises significant influence or control on companies in which it has shareholdings. In performing this assessment, it considers its representation in the Board of Directors, the participation in policy-making processes including participation in decisions about dividends and other distributions, the execution of material transactions between the investor and the investee, the interchange of managerial personnel or the provision of essential technical information.

More details on exercise of significant influence or control are presented in Notes 17 and 18 to the Interim Consolidated Financial Statements.

4.7 Provisions for pending litigation, claims, regulatory and other matters

The accounting policy for provisions for pending litigation, claims, regulatory and other matters is described in Note 3.28 of the Annual Consolidated Financial Statements of the Cyprus Development Bank Public Company Limited for the year ended 31 December 2024. Judgment is required in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. Provisions for pending litigation, claims, regulatory and other matters usually require a higher degree of judgement than other types of provisions. For a description of the nature of uncertainties and assumptions and the effect of the amount and timing of pending litigation, claims, regulatory and other matters refer in Note 31 to the Interim Consolidated Financial Statements.

5. INTEREST INCOME CALCULATED USING THE EFFECTIVE INTEREST METHOD

	Six months ended 30 June	
	2025	2024
	€'000	€'000
Loans and advances at amortised cost	5.009	6.400
Balances with banks at amortised cost	4.110	6.244
Debt securities	367	277
	<u>9.486</u>	<u>12.921</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

6. INTEREST EXPENSE CALCULATED USING THE EFFECTIVE INTEREST METHOD

	Six months ended 30 June	
	2025	2024
	€'000	€'000
Bank borrowings	27	47
Client deposits	1.852	2.305
Balances with banks	1	1
Loan capital	224	567
Interest expense on lease liability	18	21
	<u>2.122</u>	<u>2.941</u>

7. FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2025	2024
	€'000	€'000
Credit related fees and commissions	198	249
Fund transfer commissions	366	389
Other banking and brokerage fees and commissions	944	950
	<u>1.508</u>	<u>1.588</u>

8. FEE AND COMMISSION EXPENSE

	Six months ended 30 June	
	2025	2024
	€'000	€'000
Fund transfer fees and commissions	134	92
Banking related fees and commissions	51	44
Brokerage fees and commissions	40	20
Management and performance fees	2	-
	<u>227</u>	<u>156</u>

9. NET FOREIGN EXCHANGE GAINS

Net foreign exchange gains comprise gains less losses related to the conversion of monetary assets and liabilities in foreign currency at the reporting date and realised exchange gains/(losses) from transactions in foreign currency settled during the period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

10. OTHER INCOME

	Six months ended 30 June	
	2025	2024
	€'000	€'000
Dividend income	-	55
Profit on disposal of stock of property	13	-
Profit/(loss) on revaluation of financial assets at FVTPL	(41)	19
Other income	<u>428</u>	<u>164</u>
	<u>400</u>	<u>238</u>

11. STAFF COSTS

	Six months ended 30 June	
	2025	2024
	€'000	€'000
Salaries	3.891	3.696
Employer's contributions	598	574
Other staff emoluments	-	56
Cost of retirement benefits	<u>307</u>	<u>293</u>
	<u>4.796</u>	<u>4.619</u>

The number of people employed by the Group as at 30 June 2025 was 137 (30 June 2024: 137).

Retirement benefits

The Bank operates a defined contribution plan for its permanent employees. This plan provides for employer contributions of 9% (2024: 9%) and employee contributions of 3% - 10% (2024: 3% - 10%) of the employees' gross salaries. The Bank's contributions are charged to the income statement.

The employees of Global Capital Securities and Financial Services Ltd are participating in the plan with employer contributions of 6% (2024: 6%) and employee contributions of 3% - 10% (2024: 3% - 10%) on the employees' gross salaries. The Company's contributions are charged to the income statement.

In December 2024, after obtaining the relevant approvals from the members and the employer, the plan was transferred and forms part of the Provident Fund of the Cyprus Bank Employees.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

12. OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2025	2024
	€'000	€'000
Consultancy and legal fees	142	212
Regulatory fees	282	162
IT related expenses	676	570
Marketing, subscriptions and donations	211	202
Utilities	133	130
Other operating expenses	<u>570</u>	<u>589</u>
	<u>2,014</u>	<u>1,865</u>

Special levy on deposits and other levies/contributions as presented in the consolidated income statement are set out below:

	Six months ended 30 June	
	2025	2024
	€'000	€'000
Contribution to Deposit Guarantee Fund	-	51
Special levy on deposits of credit institutions in Cyprus	<u>394</u>	<u>374</u>
	<u>394</u>	<u>425</u>

From 1 January 2020 to 3 July 2024, the Bank made semi-annual contributions to the Deposit Guarantee Fund (DGF), until the target level of 0,8% of covered deposits was reached, as required by the Management Committee of the Deposit Guarantee and Resolution of Credit and Other Institutions Schemes (DGS). In July 2025, the Bank was notified that the DGS Management Committee resolved to increase the target level from 0,8% to 1,25% of covered deposits. To reach this new target, member institutions will be required to make 10 semi-annual contributions over a 5-year period, beginning in the second half of 2025 and ending in the first half of 2030.

The special levy on credit institutions in Cyprus (the Special Levy) is imposed on the level of deposits as at the end of the previous quarter, at the rate of 0,0375% per quarter.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

13. BASIC AND DILUTED EARNINGS PER SHARE

	Six months ended 30 June	
	2025	2024
Basic and diluted profit per share		
Profit attributable to the owners of the parent company (€'000)	<u>927</u>	<u>3.469</u>
Weighted average number of shares in issue during the period ('000)	<u>43.276</u>	<u>43.276</u>
Basic and fully diluted profit per share (cent)	<u>2,14</u>	<u>8,02</u>

	Six months ended 30 June	
	2025	2024
Weighted average number of ordinary shares in issue		
Weighted average number of shares in issue during the period ('000)	<u>43.276</u>	<u>43.276</u>

14. CASH AND BALANCES WITH CENTRAL BANKS AND OTHER BANKS

	30 June 2025 €'000	31 December 2024 €'000
Cash	1.035	843
Balances with central banks	<u>300.119</u>	<u>372.929</u>
	<u>301.154</u>	<u>373.772</u>
Balances with other banks	6.515	3.680
Stage 1 – 12 month expected credit losses	<u>(1)</u>	<u>-</u>
	<u>6.514</u>	<u>3.680</u>

Balances with central banks include mandatory deposits for liquidity purposes which amount to €4.735 thousand (31 December 2024: €4.995 thousand) for the Group.

For cash and cash equivalents as per statement of cash flows, refer to Note 26 to the Interim Consolidated Financial Statements.

The credit rating analysis of balances with central banks and balances with other banks by independent credit rating agencies is set out in Note 27 to the Interim Consolidated Financial Statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

15. LOANS AND ADVANCES

	30 June 2025 €'000	31 December 2024 €'000
Loans and advances	202.693	212.580
Changes to contractual cash flows due to modifications	(178)	(196)
Impairment losses individually assessed	(14.663)	(13.982)
Impairment losses collectively assessed	<u>(828)</u>	<u>(837)</u>
	<u>187.024</u>	<u>197.565</u>

Additional analysis and information regarding credit risk and analysis of the provisions for doubtful accounts are set out in Note 27 to the Interim Consolidated Financial Statements.

An analysis of the movement of gross loans and advances to customers according to stages, of the Group is presented in the table below:

	30 June 2025				
	Stage 1 €'000	Stage 2 €'000	Stage 3 €'000	POCI €'000	Total €'000
1 January	137.350	30.956	34.787	9.487	212.580
Transfers to stage 1	3.077	(3.008)	(69)	-	-
Transfers to stage 2	(2.378)	3.355	(977)	-	-
Transfers to stage 3	(51)	(8)	59	-	-
New loans originated	7.659	-	20	-	7.679
Loans derecognised or repaid	(17.126)	(3.320)	(2.120)	(406)	(22.972)
Write offs	-	-	(58)	(2)	(60)
Interest accrued and other adjustments	<u>3.423</u>	<u>872</u>	<u>918</u>	<u>253</u>	<u>5.466</u>
30 June	<u>131.954</u>	<u>28.847</u>	<u>32.560</u>	<u>9.332</u>	<u>202.693</u>

	31 December 2024				
	Stage 1 €'000	Stage 2 €'000	Stage 3 €'000	POCI €'000	Total €'000
1 January	107.936	51.705	40.797	9.596	210.034
Transfers to stage 1	21.349	(21.337)	(12)	-	-
Transfers to stage 2	(6.798)	8.059	(1.261)	-	-
Transfers to stage 3	(1.614)	(5.025)	6.639	-	-
New loans originated	31.521	1.000	1.510	-	34.031
Loans derecognised or repaid	(22.905)	(5.697)	(9.365)	(490)	(38.457)
Write offs	(1)	-	(6.351)	(252)	(6.604)
Interest accrued and other adjustments	<u>7.862</u>	<u>2.251</u>	<u>2.830</u>	<u>633</u>	<u>13.576</u>
31 December	<u>137.350</u>	<u>30.956</u>	<u>34.787</u>	<u>9.487</u>	<u>212.580</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

16. INVESTMENTS IN DEBT SECURITIES

	30 June 2025 €'000	31 December 2024 €'000
Securities at amortised cost		
Government bonds	17.877	20.394
Corporate bonds	<u>27.943</u>	<u>5.817</u>
	<u>45.820</u>	<u>26.211</u>
Securities at FVOCI		
	-	-
	<u>45.820</u>	<u>26.211</u>

All debt securities are listed.

The movement of debt securities was as follows:

	30 June 2025 €'000	31 December 2024 €'000
Securities at amortised cost		
Balance at 1 January	26.223	42.355
Acquisitions	25.990	952
Maturities	(6.712)	(16.711)
Amortisation of discounts/premiums and interest	<u>352</u>	<u>(373)</u>
	45.853	26.223
Stage 1 - 12 month expected credit losses	<u>(33)</u>	<u>(12)</u>
Balance 30 June/ 31 December	<u>45.820</u>	<u>26.211</u>
	30 June 2025 €'000	31 December 2024 €'000
Securities at FVOCI		
Balance at 1 January	-	3.042
Maturities	-	(3.000)
Amortisation of discounts/premiums and interest	-	(66)
Mark to market valuation	<u>-</u>	<u>24</u>
Balance 30 June/ 31 December	<u>-</u>	<u>-</u>

Additional analysis and information regarding market risk are set out in Note 27 to the Interim Consolidated Financial Statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

17. SUBSIDIARY COMPANIES

The companies included in the consolidated financial statements and their activities are:

	<u>Shareholding</u>		<u>Activities</u>
	30 June 2025 %	31 December 2024 %	
In Cyprus:			
Global Capital Limited	84,64	84,64	Portfolio management, provision of financial advisory and brokerage services

Global Capital Limited is the parent company of the two below companies that are registered and operate in Cyprus. The companies of the group are:

	<u>Shareholding</u>		<u>Activities</u>
	30 June 2025 %	31 December 2024 %	
Global Capital Securities and Financial Services Limited	99,99	99,99	Portfolio management, provision of financial advisory services and brokerage services
Global Capital Finance Limited	100,00	100,00	Inactive

At 30 June 2025 the Bank had 100% shareholding in the Cyprus registered Special Purpose Entities (SPEs) listed below whose activity is the ownership and management of immovable properties acquired in satisfaction of client debts.

- Tsemberio Holding Limited
- Glumar Limited
- Welbon Limited
- Primesky Limited
- Starwiz Limited

Acquisition, dissolution and disposal of subsidiaries

There were no acquisitions or disposals of subsidiaries during the period ended 30 June 2025 and for the year ended 31 December 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

18. INVESTMENTS IN ASSOCIATES

The Group through its subsidiary company Global Capital Limited, acquired 83.999 thousand shares in CLR Investment Fund Public Ltd, an investment company listed in the Cyprus Stock Exchange (participation of 29,15%). The details of the investment are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Effective shareholding</u>		<u>Activities</u>
		30 June 2025	31 December 2024	
		%	%	
CLR Investment Fund Public Limited	Cyprus	24,674	24,674	Investments in securities listed in the Cyprus Stock Exchange, in strategic investments and in business participations in private companies

The Group's interest in CLR Investment Fund Public Ltd is accounted for using the equity method in the consolidated financial statements.

19. STOCK OF PROPERTY

	30 June 2025	31 December 2024
	€'000	€'000
Stock of property	9.693	10.368
	<u>9.693</u>	<u>10.368</u>

The Bank in its normal course of business, as part of its non-performing exposures management, acquires properties in exchange of debt, which are held either directly or by Special Purpose Entities ("SPEs") set up and controlled by the Bank for the sole purpose of managing these properties with the intention to be disposed of.

The initial measurement of the acquired property is based on the carrying amount of the debt settled. Subsequently to initial recognition, stock of property is measured at the lower of cost and net realizable value. Impairment is recognised if the net realisable value is below the cost of stock of property. For the six months period ended 30 June 2025 no impairment loss was recognized in the consolidated income statement (31 December 2024: €576 thousand).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

19. STOCK OF PROPERTY (continued)

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

	30 June 2025 €'000	31 December 2024 €'000
Net book value 1 January	10.368	8.579
Additions	60	3.592
Disposal of stock of property	(735)	(1.227)
Movement in impairment loss provision	-	(576)
Balance 30 June/ 31 December	<u>9.693</u>	<u>10.368</u>

20. CLIENT DEPOSITS

	30 June 2025 €'000	31 December 2024 €'000
Demand deposits	258.338	308.289
Fixed-term or notice deposits	<u>223.700</u>	<u>240.290</u>
	<u>482.038</u>	<u>548.579</u>

21. ACCRUALS AND OTHER LIABILITIES

	30 June 2025 €'000	31 December 2024 €'000
Accrued expenses and other liabilities	4.703	4.908
Items in the course of settlement	9.970	4.488
Deferred income	223	232
Lease liability	779	848
Provision for financial guarantees and commitments	189	189
Provision for pending litigation	350	350
Tax payable	<u>213</u>	<u>213</u>
	<u>16.427</u>	<u>11.228</u>

Deferred income relates to the advance consideration received from customers for guarantees and letters of credit (LCs) extended, which are valid for a specific period of time as per the terms of each individual guarantee/LC extended. Deferred income will be recognised as revenue over the period of time to which it relates.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

22. LOAN CAPITAL

	Contractual interest rate	30 June 2025		31 December 2024	
		€'000 Nominal value	€'000 Carrying value	€'000 Nominal value	€'000 Carrying value
Perpetual Unsecured Subordinated Note	13,75%	5.000	5.002	5.000	5.002
Subordinated Tier 2 Bonds	7,125%	<u>6.250</u>	<u>6.260</u>	<u>6.250</u>	<u>6.261</u>
		<u>11.250</u>	<u>11.262</u>	<u>11.250</u>	<u>11.263</u>

Perpetual Unsecured Subordinated Note

On 3rd August 2017, the Bank issued at par a €5.000.000 Perpetual Unsecured Subordinated Note. The interest rate on the Note is fixed at 13,75% per annum, payable semi-annually on 30th June and 31st December of each year. The payment of interest can be cancelled by the Bank (the Issuer) at its discretion, provided that at the time of such interest payment:

- (a) The Capital Ratio of the Bank for the six months' period prior to the interest payment date concerned shall be below the Regulatory Minimum Capital Ratio as determined by the Central Bank of Cyprus (the Competent Authority) increased by 200 basis points;
- (b) The interest payment shall cause the Capital Ratio of the Bank to fall below its Regulatory Minimum Capital Ratio, as determined by the Competent Authority for the six months' period prior to the Interest Payment Date concerned increased by 200 basis points.

Any interest payment cancelled, as indicated above, shall not accumulate or be payable at any time thereafter. For the period ended 30 June 2025, the conditions for payment of interest were not met, and consequently no interest was paid or accrued on the Note.

The issuer has the option to redeem the Note in full but not in part on the fifth anniversary from the issue date, which is 3rd August 2022, or any interest payment due date for interest payment thereafter. The right to exercise such redemption option is subject to prior permission by the Competent Authority upon demonstrating that the Note has been replaced by own funds instruments of equal or higher quality or that following such redemption own funds would exceed minimum capital requirements as determined by the Competent Authority.

Upon the occurrence of a trigger event, being defined as a Core Equity Tier 1 ratio ("CET1") below 5,125%, the principal amount of the Note shall be written down proportionately with other such loss absorbing instruments to the extent necessary to restore CET1 to 5,125%.

The Perpetual Unsecured Subordinated Note qualifies for classification as Additional Tier 1 Capital.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

22. LOAN CAPITAL (continued)

Subordinated Tier 2 Bonds

In December 2021, the Bank issued €6,25 million unsecured Subordinated Bonds of 10-year duration. The Bonds carry a fixed interest rate of 7,125% payable every six months, on 23 June and 23 December each year. The Bonds mature on 23 December 2031. The Bank has the option to redeem the bonds in whole or in part before their contractual maturity, provided that 5 years have lapsed from the date of issuance, and subject to regulatory consents. The Bank also has the right but not the obligation to exercise an option for the early call, redemption, repayment, or purchase of the Bonds during the first five years following their date of their issuance, under specific circumstances as these are stated in Article 78(4) of the CRR and subject to regulatory consents. The Subordinated Tier 2 Bond qualifies for classification as Tier 2 Capital.

The Bonds were listed in the Emerging Companies Bond Market ("ECBM") of the Cyprus Stock Exchange ("CSE") on 29 September 2022.

23. SHARE CAPITAL

	30 June 2025		31 December 2024	
	No. of shares	Share Capital €'000	No. of shares	Share Capital €'000
Authorised:				
Ordinary shares of €0,20 each	<u>704.849.584</u>	<u>140.970</u>	<u>704.849.584</u>	<u>140.970</u>
Issued and fully paid:				
Ordinary shares of NV €0,20 each	<u>43.275.979</u>	<u>8.655</u>	<u>43.275.979</u>	<u>8.655</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

24. CONTINGENT LIABILITIES AND COMMITMENTS

The nominal amounts of contingent liabilities and commitments as at 30 June 2025 and 31 December 2024 are as follows:

<i>Contingent liabilities</i>	30 June 2025 €'000	31 December 2024 €'000
Guarantees issued	<u>16.201</u>	<u>19.820</u>
<i>Commitments</i>	30 June 2025 €'000	31 December 2024 €'000
Documentary credits	1.108	1.008
Undrawn commitments for loans and advances granted to clients	19.615	18.089
Undrawn commitments for non-funded facilities	<u>17.703</u>	<u>14.884</u>
	<u>38.426</u>	<u>33.981</u>
Contingent liabilities and commitments	<u>54.627</u>	<u>53.801</u>

Documentary credits represent bank commitments for payment to third parties, on condition that the terms of the documentary credit are satisfied, including the presentation of the required documents. The repayment by the client is usually immediate.

Undrawn commitments represent agreements to provide loans, overdrafts or other facilities to a clients which remain unutilised.

Capital Commitments

Commitments for contracted capital expenditure as at 30 June 2025 amount to €176 thousand (31 December 2024: €351 thousand).

Contingent liabilities for material litigation

Details of material litigation of the Group are disclosed in Note 31 to the Interim Consolidated Financial Statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

25. FAIR VALUE

Fair value represents the amount for which an asset could be exchanged, or the amount paid to transfer or settle a liability, between knowledgeable, willing parties in an arm's length transaction. The fair value of the Group's and of the Bank's financial instruments, which are not shown on the calculated fair value, are measured at amortized cost using the effective interest method less provision for impairment. The fair value of loans and advances to customers equals the amount shown in the statement of financial position after deducting provisions for impairment.

Where possible, the Group calculates the fair value of financial assets using prices in active markets. A market is considered active if prices are available in a stable and continuous basis where real transactions between market participants are frequently carried out under normal commercial practice.

When the market for some financial instruments is not active, the Group calculates fair value using various methods of valuation. Such valuation methods may include the use of prices from recent transactions made at an arm's length, the use of the current fair value of other similar instruments and discounted cash flow methods. The chosen valuation method is compatible with generally accepted accounting methodologies used to determine the value of financial instruments. The data used in the valuation techniques represent market expectations and measurements of the relationship between risk-return relating to the financial instruments.

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

- Level 1: financial instruments valued using quoted (unadjusted) prices in active markets for identical assets.
- Level 2: investments valued using models for which all inputs which have a significant effect on fair value are market observable.
- Level 3: investments valued using models for which inputs which have a significant effect on fair value are not based on observable market data.

For assets and liabilities that are recognised in the financial statements at fair value, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period. During the period ended 30 June 2025 and year ended 31 December 2024, the Group did not make any transfers into and out of the fair value hierarchy levels.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

25. FAIR VALUE (continued)

Financial instruments measured at fair value

The following table presents an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

30 June 2025

	Note	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Financial assets					
Investments at FVTPL					
Equities		-	-	324	324
		-	-	324	324
Financial liabilities					
		-	-	-	-

31 December 2024

	Note	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Financial assets					
Investments at FVTPL		-	-	-	-
Equities		-	-	426	426
		-	-	426	426
Financial liabilities					
		-	-	-	-

There were no transfers between levels during 2025 and 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

25. FAIR VALUE (continued)

Non-financial assets measured at fair value

The following table presents an analysis of non-financial assets recorded at fair value by level of the fair value hierarchy.

30 June 2025	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Non-financial assets				
Land and buildings	-	-	5.769	5.769
31 December 2024	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Non-financial assets				
Land and buildings	-	-	5.814	5.814

There were no transfers between levels during 2025 and 2024.

Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level of the fair value hierarchy into which each fair value measurement is categorised.

30 June 2025	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Financial assets				
Cash and balances with central banks	-	301.154	-	301.154
Balances with other banks	-	6.514	-	6.514
Loans and advances	-	-	187.024	187.024
Debt securities at amortised cost	4.910	41.154	-	46.064
Investments in associates	-	-	252	252
	<u>4.910</u>	<u>348.822</u>	<u>187.276</u>	<u>541.008</u>
Financial liabilities				
Bank borrowings	-	-	1.280	1.280
Client deposits	-	-	482.038	482.038
Loan capital	-	-	11.262	11.262
Provision for financial guarantees and commitments	-	-	189	189
	<u>-</u>	<u>-</u>	<u>494.769</u>	<u>494.769</u>

There were no transfers between levels during 2025 and 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

25. FAIR VALUE (continued)

Financial instruments not measured at fair value (continued)

31 December 2024	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Financial assets				
Cash and balances with central banks	-	373.772	-	373.772
Balances with other banks	-	3.680	-	3.680
Loans and advances	-	-	197.565	197.565
Debt securities at amortised cost	988	25.188	-	26.176
Investments in associates	-	-	252	252
	<u>988</u>	<u>402.640</u>	<u>197.817</u>	<u>601.445</u>
Financial liabilities				
Bank borrowings	-	-	1.494	1.494
Client deposits	-	-	548.579	548.579
Loan capital	-	-	11.263	11.263
Provision for financial guarantees and commitments	-	-	189	189
	<u>-</u>	<u>-</u>	<u>561.525</u>	<u>561.525</u>

There were no transfers between levels during 2025 and 2024.

The assumptions and methodologies underlying the calculation of fair values of financial instruments carried at fair value under level 2 and level 3 hierarchy and for financial assets not carried at fair value are as follows:

Investments in associates

Investment in CLR Investment Fund Public Limited is accounted for using the equity method in the consolidated financial statements. For the purpose of calculating the fair value this investment is categorised under level 3. The shares of CLR Investment Fund Public Limited are listed on the Cyprus Stock Exchange and for the calculation of the fair value the Group uses the price of the share as of 30 June 2025 and 31 December 2024.

Balances with other banks

Since balances with banks are short-term, the fair value is an approximation of the carrying value.

Loans and advances to customers

The fair value of loans and advances to customers is based on the present value of expected future cash flows. Future cash flows have been based on the future expected loss rate per loan portfolio, taking into account expectations for the credit quality of the borrowers. In estimating future cash flows, the Group makes assumptions on expected repayments, timing and value of collateral realisation.

Premises

Premises consist of the Bank's freehold land and building in Nicosia used for own account. The fair value of premises is determined using valuations performed by external, accredited independent valuers.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

26. CASH AND CASH EQUIVALENTS

	30 June 2025 €'000	31 December 2024 €'000
Cash	1.035	843
Balances with central banks	295.385	367.934
Balances with other banks	<u>6.514</u>	<u>3.680</u>
	<u>302.934</u>	<u>372.457</u>

Cash and cash equivalents include cash and unrestricted balances with Central Banks and cash with other banks with maturity of less than three months.

27. RISK MANAGEMENT

The Group, as a financial organisation, is exposed to risks, the most important of which are credit risk, market risk, liquidity risk and operational risk.

The Group implements internal mechanisms to continuously and systematically monitor the risks mentioned above, aiming to prevent an undue concentration of these risks. The nature of these risks and the approach to managing them are provided below. The risks outlined below should not be considered an exhaustive or all-encompassing list of potential risks, uncertainties, or mitigating factors. Other factors that have not yet been identified or are not currently significant may also impact the Group negatively.

27.1 Credit risk

In the ordinary course of its business the Group is exposed to credit risk. Credit risk emanates from the potential inability of clients to repay their loans and other credit facilities and the non-compliance with their contractual obligations. Credit risk is monitored through various control mechanisms in order to prevent undue risk concentration and to price facilities and products on a risk adjusted basis.

The Group establishes the financing policies and sets limits on credit exposures to clients and ensures that these policies and limits, as well as the related credit sanctioning procedures and controls, are adhered to in the conduct of the Bank's operations. Credit risk from connected clients' accounts is monitored on an aggregated basis. The Bank classifies its corporate and SME clients into risk grades based on quantitative ratings from external models, combined with qualitative internal assessments, in accordance with the Bank's grading methodology. Grading parameters include the client's track record with the Bank and other financial institutions, management quality and succession, market position, repayment capability, and financial score based on the latest financial information. These parameters are weighted and mapped to the corresponding Loss Given Default (LGD) to determine the final client grade.

The Group's policy relating to recognition of income on loans and advances and provisions for impairment of doubtful accounts is stated in Notes 3 and 4.2 to the Financial Statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

27. RISK MANAGEMENT (continued)

27.1 Credit risk (continued)

The Group sets limits for the composition of the portfolio of loans and advances and monitors compliance with them. The credit risk exposure of the Group is diversified across the various sectors of the economy. The terms of loans and advances may be renegotiated due to deterioration in the client's financial position. The Group implements a restructuring policy in order to maximise collection and minimise the risk of default. The revised terms usually include extending maturity, changing timing of interest and principal payments and amendments of terms of loan covenants.

Internal Audit undertakes audits of the Group's portfolio of loans and advances and of the Group's credit processes.

The Group assesses the credit risk associated with investments in liquid funds, mainly debt securities and placements with banks. To manage these exposures, the Group has established counterparty and country limits.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

27. RISK MANAGEMENT (continued)

27.1 Credit risk (continued)

Credit quality analysis

		30 June 2025				
	Note	Stage 1 €'000	Stage 2 €'000	Stage 3 €'000	POCI €'000	Total €'000
Balances with central banks and other banks						
Aaa - Aa3		1.873	-	-	-	1.873
A1 - A3		302.326	-	-	-	302.326
Baa1 - Baa3		1.808	-	-	-	1.808
Unrated		627	-	-	-	627
	14	306.634	-	-	-	306.634
Loss allowance		(1)	-	-	-	(1)
Carrying amount	14	306.633	-	-	-	306.633
Loans and advances to customers at amortised cost - gross carrying amount						
Grade 1-3: Low-medium risk		130.154	26.265	-	9.165	165.584
Grade 4-5: Special mention		1.800	2.582	-	-	4.382
Non-performing		-	-	32.560	167	32.727
	15	131.954	28.847	32.560	9.332	202.693
Loss allowance and changes to contractual cash flows due to modifications	15	(502)	(637)	(14.307)	(223)	(15.669)
Carrying amount	15	131.452	28.210	18.253	9.109	187.024
Debt securities						
A1 - A3		20.126	-	-	-	20.126
Baa1 - Baa3		25.727	-	-	-	25.727
	16	45.853	-	-	-	45.853
Loss allowance	16	(33)	-	-	-	(33)
Carrying amount	16	45.820	-	-	-	45.820
Financial guarantees and loan commitments						
Gross amount	24	54.455	122	1	49	54.627
Loss allowance	21	(188)	(1)	-	-	(189)
Carrying amount		54.267	121	1	49	54.438

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

27. RISK MANAGEMENT (continued)

27.1 Credit risk (continued)

Credit quality analysis (continued)

		31 December 2024				
	Note	Stage 1 €'000	Stage 2 €'000	Stage 3 €'000	POCI €'000	Total €'000
Balances with central banks and other banks						
Aaa - Aa3		1.594	-	-	-	1.594
A1 - A3		372.932	-	-	-	372.932
Baa1 - Baa3		1.343	-	-	-	1.343
Ba1 - Ba3		145	-	-	-	145
Unrated		595	-	-	-	595
	14	376.609	-	-	-	376.609
Loss allowance		-	-	-	-	-
Carrying amount	14	376.609	-	-	-	376.609
Loans and advances to customers at amortised cost - gross carrying amount						
Grade 1-3: Low-medium risk		136.591	28.935	-	6.596	172.122
Grade 4-5: Special mention		759	2.021	-	-	2.780
Non-performing		-	-	34.787	2.891	37.678
	15	137.350	30.956	34.787	9.487	212.580
Loss allowance and changes to contractual cash flows due to modifications	15	(523)	(495)	(13.689)	(308)	(15.015)
Carrying amount	15	136.827	30.461	21.098	9.179	197.565
Debt securities						
A1 - A3		8.797	-	-	-	8.797
Baa1 - Baa3		3.565	-	-	-	3.565
Ba1 - Ba3		13.861	-	-	-	13.861
	16	26.223	-	-	-	26.223
Loss allowance	16	(12)	-	-	-	(12)
Carrying amount	16	26.211	-	-	-	26.211
Financial guarantees and loan commitments						
Gross amount	24	53.490	201	47	63	53.801
Loss allowance	21	(159)	(1)	(29)	-	(189)
Carrying amount		53.331	200	18	63	53.612

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

27. RISK MANAGEMENT (continued)

27.1 Credit risk (continued)

Concentration of loans and advances by economic sector

	30 June 2025				
	Stage 1 €'000	Stage 2 €'000	Stage 3 €'000	POCI €'000	Total €'000
Services	35.544	9.244	10.519	4	55.311
Construction & real estate	45.910	11.503	1.429	9.179	68.021
Industry	4.337	-	1.666	-	6.003
Hotels & catering	19.783	7.765	2.461	-	30.009
Agriculture	899	-	4.267	-	5.166
Transport and storage	1.139	-	1	-	1.140
Other sectors	<u>24.342</u>	<u>335</u>	<u>12.217</u>	<u>149</u>	<u>37.043</u>
	131.954	28.847	32.560	9.332	202.693
Loss allowance and changes to contractual cash flows due to modifications	<u>(502)</u>	<u>(637)</u>	<u>(14.307)</u>	<u>(223)</u>	<u>(15.669)</u>
Carrying amount	<u>131.452</u>	<u>28.210</u>	<u>18.253</u>	<u>9.109</u>	<u>187.024</u>

	31 December 2024				
	Stage 1 €'000	Stage 2 €'000	Stage 3 €'000	POCI €'000	Total €'000
Services	34.128	10.206	11.006	101	55.441
Construction & real estate	51.426	12.176	1.815	9.238	74.655
Industry	5.374	-	2.994	-	8.368
Hotels & catering	19.574	8.565	2.355	-	30.494
Agriculture	926	-	4.180	-	5.106
Transport and storage	1.809	-	1	-	1.810
Other sectors	<u>24.113</u>	<u>9</u>	<u>12.436</u>	<u>148</u>	<u>36.706</u>
	137.350	30.956	34.787	9.487	212.580
Loss allowance and changes to contractual cash flows due to modifications	<u>(523)</u>	<u>(495)</u>	<u>(13.689)</u>	<u>(308)</u>	<u>(15.015)</u>
Carrying amount	<u>136.827</u>	<u>30.461</u>	<u>21.098</u>	<u>9.179</u>	<u>197.565</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

27. RISK MANAGEMENT (continued)

27.1 Credit risk (continued)

Analysis of performing loans and advances by risk grade

	30 June 2025 €'000	31 December 2024 €'000
<u>Carrying amount</u>		
Grade 1-3: Low-medium risk	164.466	171.180
Grade 4-5: Special mention	<u>4.202</u>	<u>2.688</u>
	<u>168.668</u>	<u>173.868</u>
Of which loans and advances with renegotiated terms	<u>20.454</u>	<u>20.630</u>
<u>Value of collateral security*</u>		
Grade 1-3: Low-medium risk	143.014	145.330
Grade 4-5: Special mention	<u>4.106</u>	<u>2.416</u>
	<u>147.120</u>	<u>147.746</u>
Of which loans and advances with renegotiated terms	<u>16.530</u>	<u>17.960</u>

**Collateral securities are stated at market value capped to the carrying amount of loans and advances.*

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

27. RISK MANAGEMENT (continued)

27.1 Credit risk (continued)

Analysis of loans and advances by borrower category

30 June 2025

30 June 2025	Performing loans and advances			Non-performing loans and advances
	Total loans and advances €'000	Non-restructured €'000	Restructured €'000	Total €'000
<i>Loans and advances to corporate legal entities</i>				
Services	37.789	27.079	2.371	29.450
Construction & real estate	56.270	42.546	13.717	56.263
Industry	3.334	2.501	-	2.501
Hotels & catering	26.114	24.183	917	25.100
Agriculture	3.404	-	-	-
Transport and storage	1.139	1.139	-	1.139
	128.050	97.448	17.005	114.453
<i>Loans and advances to retail legal entities</i>				
Services	12.699	9.925	1.461	11.386
Construction & real estate	10.394	9.141	420	9.561
Industry	2.669	1.836	-	1.836
Hotels & catering	2.911	980	484	1.464
Agriculture	1.457	899	-	899
Transport and storage	1	-	-	-
Other sectors	15	-	-	-
	30.146	22.781	2.365	25.146
<i>Loans and advances to private individuals</i>				
Loans and advances for the purchase/construction of immovable property				
Owner occupied	23.293	15.916	269	16.185
Consumer Loans	13.549	10.107	-	10.107
Current accounts	3.204	1.521	-	1.521
Credit facilities to sole traders	4.451	1.065	1.489	2.554
	44.497	28.609	1.758	30.367
Total loans and advances	202.693	148.838	21.128	169.966
Provisions and changes to contractual cash flows due to modifications	(15.669)	(624)	(674)	(1.298)
Carrying amount	187.024	148.214	20.454	168.668

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

27. RISK MANAGEMENT (continued)

27.1 Credit risk (continued)

Analysis of loans and advances by borrower category (continued)

31 December 2024

31 December 2024	Performing loans and advances				Non-performing loans and advances
	Total loans and advances €'000	Non-restructured €'000	Restructured €'000	Total €'000	€'000
<i>Loans and advances to corporate legal entities</i>					
Services	37.164	29.009	-	29.009	8.155
Construction & real estate	63.488	44.718	16.111	60.829	2.659
Industry	3.259	2.457	-	2.457	802
Hotels & catering	25.654	24.027	1.627	25.654	-
Agriculture	3.366	-	-	-	3.366
Transport and storage	1.002	1.002	-	1.002	-
	<u>133.933</u>	<u>101.213</u>	<u>17.738</u>	<u>118.951</u>	<u>14.982</u>
<i>Loans and advances to retail legal entities</i>					
Services	13.041	9.939	1.211	11.150	1.891
Construction & real estate	9.817	8.583	12	8.595	1.222
Industry	5.110	2.917	-	2.917	2.193
Hotels & catering	3.871	1.019	497	1.516	2.355
Agriculture	1.459	926	-	926	533
Transport and storage	808	807	-	807	1
Other sectors	15	-	-	-	15
	<u>34.121</u>	<u>24.191</u>	<u>1.720</u>	<u>25.911</u>	<u>8.210</u>
<i>Loans and advances to private individuals</i>					
Loans and advances for the purchase/construction of immovable property					
Owner occupied	23.202	15.812	-	15.812	7.390
Consumer Loans	13.552	10.067	-	10.067	3.485
Current accounts	3.122	1.548	-	1.548	1.574
Credit facilities to sole traders	4.650	1.130	1.483	2.613	2.037
	<u>44.526</u>	<u>28.557</u>	<u>1.483</u>	<u>30.040</u>	<u>14.486</u>
Total loans and advances	212.580	153.961	20.941	174.902	37.678
Provisions and changes to contractual cash flows due to modifications	<u>(15.015)</u>	<u>(723)</u>	<u>(311)</u>	<u>(1.034)</u>	<u>(13.981)</u>
Carrying amount	<u>197.565</u>	<u>153.238</u>	<u>20.630</u>	<u>173.868</u>	<u>23.697</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

27. RISK MANAGEMENT (continued)

27.1 Credit risk (continued)

Analysis of loans and advances on the basis of origination date

	Total loans and advances			Loans and advances to legal entities			Loans and advances to private individuals - Immovable property			Loans and advances to private individuals - Other		
30 June 2025	Total	Non-performing	Provision and modification amount	Total	Non-performing	Provision and modification amount	Total	Non-performing	Provision and modification amount	Total	Non-performing	Provision and modification amount
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Within one year	38.533	-	149	32.946	-	146	3.800	-	2	1.787	-	1
Between one and two years	23.950	-	117	19.041	-	70	3.191	-	41	1.718	-	6
Between two and three years	17.378	-	28	15.303	-	26	1.561	-	-	514	-	2
Between three and five years	24.961	-	107	17.763	-	104	3.994	-	1	3.204	-	2
Between five and seven years	17.129	102	448	11.272	60	441	3.047	-	1	2.810	42	6
Between seven and ten years	22.556	2.840	1.488	20.023	2.065	839	354	-	-	2.179	775	649
Over ten years	58.186	29.785	13.332	41.848	16.472	8.029	7.346	7.108	1.849	8.992	6.205	3.454
	<u>202.693</u>	<u>32.727</u>	<u>15.669</u>	<u>158.196</u>	<u>18.597</u>	<u>9.655</u>	<u>23.293</u>	<u>7.108</u>	<u>1.894</u>	<u>21.204</u>	<u>7.022</u>	<u>4.120</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

27. RISK MANAGEMENT (continued)

27.1 Credit risk (continued)

Analysis of loans and advances on the basis of origination date (continued)

	Total loans and advances			Loans and advances to legal entities			Loans and advances to private individuals - Immovable property			Loans and advances to private individuals - Other		
31 December 2024	Total	Non-performing	Provision and modification amount	Total	Non-performing	Provision and modification amount	Total	Non-performing	Provision and modification amount	Total	Non-performing	Provision and modification amount
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Within one year	32.253	-	65	26.061	-	61	4.219	-	2	1.973	-	2
Between one and two years	10.852	-	11	7.301	-	8	3.012	-	2	539	-	1
Between two and three years	18.137	-	3	13.955	-	2	2.705	-	-	1.477	-	1
Between three and five years	25.302	30	156	19.883	2	153	2.713	-	1	2.706	28	2
Between five and seven years	18.699	69	216	13.557	59	209	2.592	-	1	2.550	10	6
Between seven and ten years	21.357	2.756	1.422	19.093	1.989	801	319	-	-	1.945	767	621
Over ten years	85.980	34.823	13.142	68.204	21.142	8.050	7.642	7.390	1.776	10.134	6.291	3.316
	<u>212.580</u>	<u>37.678</u>	<u>15.015</u>	<u>168.054</u>	<u>23.192</u>	<u>9.284</u>	<u>23.202</u>	<u>7.390</u>	<u>1.782</u>	<u>21.324</u>	<u>7.096</u>	<u>3.949</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

27. RISK MANAGEMENT (continued)

27.1 Credit risk (continued)

Analysis of non-performing loans and advances on the basis of arrears

30 June 2025

	Non-performing loans and advances €'000	Provisions €'000	Carrying amount €'000	Value of collateral security* €'000
<i>Arrears</i>				
Less than three months	9.470	2.819	6.651	6.597
Between three and six months	783	212	571	561
Between six months and one year	5.486	1.895	3.591	3
Over one year	<u>16.988</u>	<u>9.445</u>	<u>7.543</u>	<u>5.054</u>
Total	<u>32.727</u>	<u>14.371</u>	<u>18.356</u>	<u>12.215</u>

Of which loans and advances with renegotiated terms

<u>17.555</u>	<u>5.951</u>	<u>11.604</u>	<u>9.021</u>
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31 December 2024

	Non-performing loans and advances €'000	Provisions €'000	Carrying amount €'000	Value of collateral security* €'000
<i>Arrears</i>				
Less than three months	18.987	4.693	14.294	10.636
Between three and six months	83	12	71	70
Between six months and one year	2.853	827	2.026	2.026
Over one year	<u>15.755</u>	<u>8.449</u>	<u>7.306</u>	<u>4.817</u>
Total	<u>37.678</u>	<u>13.981</u>	<u>23.697</u>	<u>17.549</u>

Of which loans and advances with renegotiated terms

<u>20.953</u>	<u>5.821</u>	<u>15.132</u>	<u>12.500</u>
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*Collateral securities are stated at market value capped to the carrying amount of loans and advances.

Credit committees determine the amount and type of collateral and other risk mitigation required for the granting of new loans to customers, having knowledge of Credit Sanctioning Department's assessment and for material exposures the Risk Department's assessment.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

27. RISK MANAGEMENT (continued)

27.1 Credit risk (continued)

The main types of collateral obtained by the Group are mortgages on real estate, cash collateral, bank guarantees, government guarantees, pledges of equity securities and debt instruments, fixed and floating charges over corporate assets, assignment of life insurance policies and personal and corporate guarantees. Onboarding and subsequent management of acquired properties due to DFAS or repossession is carried out through a rigorous and transparent process. A dedicated Acquisitions and Disposals Committee (ADC) with senior executive participation has been formed which meets regularly for this purpose whilst all major decisions are brought before the Board of Directors.

The table below presents the maximum exposure to credit risk, the tangible and measurable collaterals held and the net exposure to credit risk from loans and advances. Personal and corporate guarantees are an additional form of collateral but are not included below since it is impracticable to estimate their fair value.

30 June 2025	Maximum exposure to credit risk €'000	Value of collateral				Net exposure to credit risk €'000
		Cash €'000	Property €'000	Other €'000	Total collateral €'000	
Loans and advances to customers						
Performing						
Stage 1	131.452	8.804	106.871	527	116.202	15.250
Stage 2	28.210	2.115	19.940	-	22.055	6.155
POCI	9.006	-	8.863	-	8.863	143
	<u>168.668</u>	<u>10.919</u>	<u>135.674</u>	<u>527</u>	<u>147.120</u>	<u>21.548</u>
Non-performing						
Stage 3	18.253	-	12.111	1	12.112	6.141
POCI	103	-	103	-	103	-
	<u>18.356</u>	<u>-</u>	<u>12.214</u>	<u>1</u>	<u>12.215</u>	<u>6.141</u>
	<u>187.024</u>	<u>10.919</u>	<u>147.888</u>	<u>528</u>	<u>159.335</u>	<u>27.689</u>

31 December 2024

Loans and advances to customers

Performing

Stage 1	136.827	7.128	109.332	1.631	118.091	18.736
Stage 2	30.461	892	20.066	2.183	23.141	7.320
POCI	6.580	-	6.514	-	6.514	66
	<u>173.868</u>	<u>8.020</u>	<u>135.912</u>	<u>3.814</u>	<u>147.746</u>	<u>26.122</u>

Non-performing

Stage 3	21.098	-	13.521	1.429	14.950	6.148
POCI	2.599	-	2.599	-	2.599	-
	<u>23.697</u>	<u>-</u>	<u>16.120</u>	<u>1.429</u>	<u>17.549</u>	<u>6.148</u>
	<u>197.565</u>	<u>8.020</u>	<u>152.032</u>	<u>5.243</u>	<u>165.295</u>	<u>32.270</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

27. RISK MANAGEMENT (continued)

27.1 Credit risk (continued)

Provisions for impairment of doubtful accounts on loans and advances

The table below discloses the accumulated impairment losses on the value of loans and advances as per IFRS 9.

	30 June 2025				
	Stage 1 €'000	Stage 2 €'000	Stage 3 €'000	POCI €'000	Total €'000
1 January	523	495	13.689	308	15.015
Transfers to Stage 1	2	(2)	-	-	-
Transfers to Stage 2	(1)	142	(141)	-	-
Transfers to Stage 3	-	(2)	2	-	-
Exchange differences	-	-	-	6	6
Changes to contractual cash flows due to modifications not resulting in derecognition	(13)	(5)	-	-	(18)
Write offs	-	-	(58)	(2)	(60)
Interest (provided) not recognised in the income statement	-	-	470	6	476
Loans derecognised or repaid	(9)	-	(225)	(100)	(334)
Change due to models and inputs	-	9	570	5	584
30 June	<u>502</u>	<u>637</u>	<u>14.307</u>	<u>223</u>	<u>15.669</u>

POCI: Purchased or originated as Credit Impaired

During the period ended 30 June 2025 exposures of € 60 thousand (31 December 2024: €6.604 thousand) were written off, out of which €nil thousand (31 December 2024: €4.989) relate to accounting write offs.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

27. RISK MANAGEMENT (continued)

27.1 Credit risk (continued)

Provisions for impairment of doubtful accounts on loans and advances (continued)

	31 December 2024				
	Stage 1 €'000	Stage 2 €'000	Stage 3 €'000	POCI €'000	Total €'000
1 January	838	1.538	16.923	251	19.550
Transfers to Stage 1	177	(165)	(12)	-	-
Transfers to Stage 2	(79)	351	(272)	-	-
Transfers to Stage 3	(188)	(729)	917	-	-
Exchange differences	-	-	-	(6)	(6)
New loans originated	79	76	244	-	399
Loans derecognised or repaid	(310)	(658)	(2.647)	-	(3.615)
Changes to contractual cash flows due to modifications not resulting in derecognition	(18)	4	-	-	(14)
Write offs	(1)	-	(6.351)	(252)	(6.604)
Interest (provided) not recognised in the income statement	-	-	1.146	82	1.228
Change due to models and inputs	25	78	3.741	233	4.077
31 December	523	495	13.689	308	15.015

27.2 Market Risk

Market risk is the risk of loss from adverse changes in market prices - namely from changes in interest rates, exchange rates and security prices.

27.2.1 Price risk

Debt securities price risk

Debt securities price risk is the risk of loss as a result of adverse changes in the prices of debt securities held by the Bank. Debt security prices change as the credit risk of the issuer changes and/or as the interest rate changes for fixed rate securities. The Bank invests a significant part of its liquid assets in sovereign debt securities. The current portfolio of debt securities comprises of debt securities at amortised cost. Changes in the value of securities at FVOCI affect the equity of the Group, whereas changes in the value of securities at amortised cost have no effect on equity. The Group's policy relating to valuation of debt securities, is stated in Note 3 to these Interim Consolidated Financial Statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

27. RISK MANAGEMENT (continued)

27.2 Market Risk (continued)

27.2.1 Price risk (continued)

Concentration of debt securities

	30 June 2025 €'000	31 December 2024 €'000
By sector		
Sovereigns	17.878	20.394
Corporate bonds	<u>27.942</u>	<u>5.817</u>
	<u>45.820</u>	<u>26.211</u>
By country		
Cyprus	12.243	12.196
Spain	4.773	-
Italy	6.981	4.887
France	9.235	-
Other countries	<u>12.588</u>	<u>9.128</u>
	<u>45.820</u>	<u>26.211</u>

27.2.2 Interest rate risk

Interest rate risk arises as a result of changes in the rates of interest and re-pricing timing mismatches on assets and liabilities. The Group closely monitors fluctuations in interest rates on a continuous basis and the relationship of assets and liabilities, which are subject to interest rate fluctuations, and takes measures to contain to acceptable levels the effects of these changes on the Group's profitability.

Interest rate risk is measured using interest rate sensitivity gap analysis, where the annual impact of any change in interest rates on profit is calculated by multiplying the net asset or liability position re-pricing in each time band with the assumed change in interest rates.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

27. RISK MANAGEMENT (continued)

27.2 Market Risk (continued)

27.2.2 Interest rate risk (continued)

The interest rate sensitivity gap analysis indicating the effect on the Group's profit of changes in interest rates is shown in the tables below:

30 June 2025

	Up to one month €'000	Between one and three months €'000	Between three months and one year €'000	Between one and five years €'000	Over five years €'000	Non- interest bearing €'000	Total €'000
ASSETS							
Cash and balances with central banks	300.104	-	-	-	-	1.050	301.154
Balances with other banks	3.295	3.179	-	-	-	40	6.514
Loans and advances	67.463	16.562	98.870	-	-	4.129	187.024
Investments in equities	-	-	-	-	-	324	324
Investments in debt securities	4.804	-	4.533	28.023	7.908	552	45.820
Investments in associates	-	-	-	-	-	1.283	1.283
Premises and equipment	-	-	-	-	-	7.144	7.144
Intangible assets	-	-	-	-	-	1.326	1.326
Stock of property	-	-	-	-	-	9.693	9.693
Receivables and other assets	-	-	-	-	-	2.711	2.711
Total assets	<u>375.666</u>	<u>19.741</u>	<u>103.403</u>	<u>28.023</u>	<u>7.908</u>	<u>28.252</u>	<u>562.993</u>
LIABILITIES & EQUITY							
Bank borrowings	-	-	1.270	-	-	10	1.280
Client deposits	52.700	28.585	133.405	457	7.033	259.858	482.038
Deferred taxation	-	-	-	-	-	306	306
Accruals and other liabilities	-	-	-	-	-	16.427	16.427
Loan capital	-	-	-	-	11.250	12	11.262
Share capital	-	-	-	-	-	8.655	8.655
Reserves	-	-	-	-	-	43.025	43.025
Total liabilities and equity	<u>52.700</u>	<u>28.585</u>	<u>134.675</u>	<u>457</u>	<u>18.283</u>	<u>328.293</u>	<u>562.993</u>
Net position	<u>322.966</u>	<u>(8.844)</u>	<u>(31.272)</u>	<u>27.566</u>	<u>(10.375)</u>	<u>(300.041)</u>	<u>-</u>
Change in interest rates -1% - effect on profit	<u>(3.230)</u>	<u>88</u>	<u>313</u>	<u>(276)</u>	<u>104</u>	<u>-</u>	<u>(3.001)</u>
Change in interest rates +1% - effect on profit	<u>3.230</u>	<u>(88)</u>	<u>(313)</u>	<u>276</u>	<u>(104)</u>	<u>-</u>	<u>3.001</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

27. RISK MANAGEMENT (continued)

27.2 Market Risk (continued)

27.2.2 Interest rate risk (continued)

31 December 2024

	Up to one month €'000	Between one and three months €'000	Between three months and one year €'000	Between one and five years €'000	Over five years €'000	Non- interest bearing €'000	Total €'000
ASSETS							
Cash and balances with central banks	372.899	-	-	-	-	873	373.772
Balances with other banks	2.607	1.000	-	-	-	73	3.680
Loans and advances	74.183	15.401	103.020	-	-	4.961	197.565
Investments in equities	-	-	-	-	-	426	426
Investments in debt securities	-	6.518	7.431	11.904	-	358	26.211
Investments in associates	-	-	-	-	-	754	754
Premises and equipment	-	-	-	-	-	7.346	7.346
Intangible assets	-	-	-	-	-	1.254	1.254
Stock of property	-	-	-	-	-	10.368	10.368
Receivables and other assets	-	-	-	-	-	1.614	1.614
Total assets	<u>449.689</u>	<u>22.919</u>	<u>110.451</u>	<u>11.904</u>	<u>-</u>	<u>28.027</u>	<u>622.990</u>
LIABILITIES & EQUITY							
Bank borrowings	-	-	1.484	-	-	10	1.494
Client deposits	49.481	48.604	136.051	706	5.456	308.281	548.579
Deferred taxation	-	-	-	-	-	306	306
Accruals and other liabilities	-	-	-	-	-	11.228	11.228
Loan capital	-	-	-	-	11.250	13	11.263
Share capital	-	-	-	-	-	8.655	8.655
Reserves	-	-	-	-	-	41.465	41.465
Total liabilities and equity	<u>49.481</u>	<u>48.604</u>	<u>137.535</u>	<u>706</u>	<u>16.706</u>	<u>369.958</u>	<u>622.990</u>
Net position	<u>400.208</u>	<u>(25.685)</u>	<u>(27.084)</u>	<u>11.198</u>	<u>(16.706)</u>	<u>(341.931)</u>	<u>-</u>
Change in interest rates -1% - effect on profit	<u>(4.002)</u>	<u>257</u>	<u>271</u>	<u>(112)</u>	<u>167</u>	<u>-</u>	<u>(3.419)</u>
Change in interest rates +1% - effect on profit	<u>4.002</u>	<u>(257)</u>	<u>(271)</u>	<u>112</u>	<u>(167)</u>	<u>-</u>	<u>3.419</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

27. RISK MANAGEMENT (continued)

27.2 Market Risk (continued)

27.2.2 Interest rate risk (continued)

During 2024 the Group implemented a new methodology for monitoring interest rate risk in the banking book ("IRRBB"), performing six shock scenarios in line with regulatory requirements. The table below sets out the impact on the Group's equity, from possible changes in the interest rates under various interest rate scenarios for the Euro being the main currency of the Group, in line with the EBA guidelines.

Interest Rate Scenario	Impact on Equity	
	30.06.2025	31.12.2024
	€'000	€'000
Parallel up	(224)	(704)
Parallel down	(2.828)	(2.764)
Steepening	72	26
Flattening	(430)	(439)
Short up	(96)	(187)
Short down	(1.726)	(2.015)

The table below sets out the impact on the Group's net interest income, from possible changes in the interest rates under various interest rate scenarios for the Euro being the main currency of the Group, in line with the EBA guidelines.

Interest Rate Scenario	Impact on Net Interest Income	
	30.06.2025	31.12.2024
	€'000	€'000
Parallel up	1.133	1.085
Parallel down	(3.473)	(3.618)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

27. RISK MANAGEMENT (continued)

27.2 Market Risk (continued)

27.2.3 Currency risk

Currency risk arises from adverse movements in the rates of exchange when there is a net currency position (asset or liability) in one or more currencies. Net currency positions are monitored on a daily basis and the Group takes such measures so that this risk is contained within acceptable limits. The foreign exchange position limits prescribed by the Central Bank of Cyprus are adhered to.

	30 June 2025			31 December 2024		
	Net open position	Change in exchange rates	Effect on profits	Net open position	Change in exchange rates	Effect on profits
	€'000	%	€'000	€'000	%	€'000
Currency						
US Dollar	470	+10	47	612	+10	61
British Pound	6	+10	1	30	+10	3
Russian Rouble	186	+30	56	210	+30	63
Other currencies	22	+10	2	44	+10	4
US Dollar	470	-10	(47)	612	-10	(61)
British Pound	6	-10	(1)	30	-10	(3)
Russian Rouble	186	-30	(56)	210	-30	(63)
Other currencies	22	-10	(2)	44	-10	(4)

27.3 Liquidity Risk

Liquidity risk refers to possible losses that may be incurred due to a potential inability of the Group to meet fully or promptly its cash flow obligations. This risk includes the possibility that the Group may have to raise funding at higher cost.

The Group's banking business requires a steady flow of funds, both to replace existing deposits as they mature and to satisfy customer requests for additional borrowings. Undrawn borrowing facilities are also taken into consideration in managing the liquidity position.

Treasury manages liquidity risk on a continuous basis by closely monitoring the relationship between cash flow obligations and liquid assets and timely action is being taken to secure financial resources to meet the Group's funding requirements. Treasury assesses on a continuous basis, and informs ALCO at regular time intervals, the adequacy of the liquid assets and takes the necessary actions to ensure a comfortable liquidity position.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

27. RISK MANAGEMENT (continued)

27.3 Liquidity Risk (continued)

Key liquidity ratios

The Group Liquidity Coverage Ratio ("LCR") is calculated based on the Delegated Regulation (EU) 2015/61. It is designed to establish a minimum level of high-quality liquid assets sufficient to meet an acute stress lasting for 30 calendar days. The regulatory minimum requirement has been set at 100%. The Group also calculates its Net Stable Funding Ratio ("NSFR") as per Capital Requirements Regulation II ("CRR II"), enforced in June 2021, with the limit set at 100%. The NSFR is the ratio of available stable funding to required stable funding. NSFR has been developed to promote a sustainable maturity structure of assets and liabilities.

The LCR of the Group as at 30 June 2025 was 331% (31 December 2024: 348%), well above the regulatory minimum requirement of 100%. The NSFR of the Group as at 30 June 2025 was 231% (31 December 2024: 273%), well above the regulatory minimum requirement of 100%.

Encumbered assets

Balances with other banks as at 30 June 2025 included encumbered amounts of €1 million (31 December 2024: €1 million).

27.4 Operational risk

Operational risk is the risk of loss arising from a variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from other external events. It is inherent in every business organisation and covers a wide range of risks not directly attributable to any of the other risk types. The Bank is exposed to a variety of operational risks, such as: internal and external fraud, transaction execution errors, system failures, natural disasters, risk of losses due to damage of physical assets and risks arising from improper use of products or business practices.

The Group establishes policies and procedures for managing operational risk and monitors the adherence to these in the conduct of the Group's operations. Operational risk is managed by establishing internal processes and controls involving:

- Segregation of duties, including independent authorisation of transactions, the reconciliation and monitoring of transactions, documentation of controls and procedures;
- Compliance with regulatory and other legal requirements;
- Development of business continuity plans and disaster recovery plans;
- Personnel training;
- Risk mitigation by taking out insurance cover.

Internal Audit has the responsibility of reviewing periodically the above procedures and controls.

Business Continuity Plans and Disaster Recovery Plans have been developed by the Group and are regularly updated to ensure continuity and timely recovery of operations after a potentially catastrophic event.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

27. RISK MANAGEMENT (continued)

27.5 Capital management

The primary objective of the Group's capital management is to ensure compliance with the applicable regulatory capital requirements and to maintain healthy capital adequacy ratios which can support the Group's business and safeguard the interest of its shareholders and all other stakeholders.

The Central Bank of Cyprus (CBC) sets and monitors capital requirements for the Group and for the Bank. The capital requirements of the subsidiary company Global Capital Securities and Financial Services Ltd are set and monitored by the Cyprus Securities and Exchange Commission.

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

On 27 June 2019, the revised rules on capital and liquidity (Regulation (EU) 2019/876 (CRR II) and Directive (EU) 2019/878 (CRD V)) came into force. As an amending regulation, the existing provisions of CRR apply, unless they are amended by CRR II. Certain provisions took immediate effect (primarily relating to Minimum Requirement for Own Funds and Eligible Liabilities (MREL)), but most changes became effective as of June 2021. The key changes introduced consist of, among others, changes to qualifying criteria for Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Tier 2 (T2) instruments, introduction of requirements for MREL and a binding Leverage Ratio requirement (as defined in the CRR) and a Net Stable Funding Ratio (NSFR).

The amendments that came into effect on 28 June 2021 are in addition to those introduced in June 2020 through Regulation (EU) 2020/873, which among other, brought forward certain CRR II changes in light of the COVID-19 pandemic. The main adjustments of Regulation (EU) 2020/873 that had an impact on the Group's capital ratio relate to the acceleration of the implementation of the new SME discount factor (lower RWAs).

In October 2021, the European Commission adopted legislative proposals for further amendments to CRR, CRD and the Bank Recovery and Resolution Directive (BRRD), collectively known as the '2021 Banking Package'. Among other things, the 2021 Banking Package aims to implement certain elements of Basel III that have not yet been transposed into EU law. The 2021 Banking Package includes:

- A proposal for a Regulation (sometimes referred to as 'CRR III') to amend the CRR with regard to requirements on credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor.
- A proposal for a Directive (sometimes referred to as 'CRD VI') to amend the CRD with regard to requirements on supervisory powers, sanctions, third country branches and ESG risks.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

27. RISK MANAGEMENT (continued)

27.5 Capital management (continued)

- A proposal for a Regulation to amend both the CRR and the BRRD with regard to requirements on the prudential treatment of Global Systemically Important Institutions (G SIs) with a multiple point of entry resolution strategy and a methodology for the indirect subscription of instruments eligible for meeting the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) requirements.

The 2021 Banking Package is subject to amendment in the course of the EU's legislative process, and its scope and terms may change prior to implementation. Additionally, the terms and effects of the proposed amendments to the CRD and the BRRD will depend, in part, on how they are transposed by each member state.

The European Council's proposal on CRR and CRD was published on 8 November 2022. In February 2023, the European Parliament's Economic and Monetary Affairs (ECON) Committee voted to adopt Parliament's proposed amendments to the Commission's proposal. In June 2023, negotiators from the Council presidency and the European Parliament reached a provisional agreement on amendments to the CRR and the CRD, which were endorsed in December 2023 by the preparatory bodies of the Council and European Parliament. Following these decisions, the legal texts were published on the Council and the Parliament websites. In April 2024, the European Parliament voted to adopt the amendments to the CRR and the CRD; Regulation (EU) 2024/1623 (known as CRR III) and Directive (EU) 2024/1619 (known as CRD VI) were published in the EU's official journal in June 2024, with entry into force 20 days from the date of publication. Most provisions of CRR III became effective on 1 January 2025, with certain measures subject to transitional arrangements or phased in over time.

Member states shall adopt and publish, by 10 January 2026, the laws, regulations and administrative provisions necessary to comply with CRD VI and shall apply most of those measures by 11 January 2026.

Basel III Framework comprises of three Pillars:

- **Pillar 1 – Minimum capital requirements:** Sets forth guidelines for calculating the minimum capital requirements to cover credit risk, market risk, and operational risk.
The Group uses the Standardised Approach for calculating minimum capital requirements against credit risk and the financial collateral simple method for credit risk mitigation purposes. The Group adopts the Basic Indicator Approach for the calculating capital requirements for operational risk, based on which the operational risk capital requirement is estimated using a 15% (as defined in CRR) of the average sum of total net income on a three-year basis net of non-recurring income.
- **Pillar 2 – Supervisory Review and Evaluation Process ("SREP"):** Aims to enhance the link between an institution's risk profile, its risk management and risk mitigations systems, and its capital planning.
 - An internal assessment by the institution on internal governance, risk management, stress testing frameworks, business model and strategy, known as the Internal Capital and Liquidity Adequacy Assessment Process ('ICAAP/ILAAP').

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

27. RISK MANAGEMENT (continued)

27.5 Capital management (continued)

- A Supervisory Review and Evaluation Process ('SREP'), which ensures that institutions have adequate arrangements, strategies, processes, mechanisms, capital and liquidity to manage and cover the risks to which they are or might be exposed to. This includes risks arising from stress testing exercises and risks an institution may pose to the financial system.

- **Pillar 3 – Market discipline:** Sets out required disclosures to allow market participants to assess key information relevant to the capital structure, risk exposures, risk assessment processes and hence the capital adequacy of the Bank.

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

The Group closely monitors its capital adequacy to ensure compliance with supervisory authority requirements as well as to maintain a base to support and develop its activities and safeguard the interest of its shareholders.

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

The CBC requires the Group to maintain a prescribed capital adequacy ratio, which is the ratio of total eligible capital to total risk weighted assets, in accordance with Regulation (EU) no. 575/2013 on prudential requirements for credit institutions and investment firms.

The minimum Pillar 1 total capital requirement is 8% which should be met by at least 6% Tier 1 (T1) capital of which 4,5% minimum Common Equity Tier 1 (CET 1) capital, and with up to 2,00% by Tier 2 capital.

The Group is also subject to additional capital requirements for risks which are not covered by the Pillar1 capital requirements (Pillar 2 addons). Applicable Regulation allows a part of the Pillar 2 Requirements (P2R) to be met also with AT1 and T2 capital and does not require solely the use of CET1. In the context of the annual SREP for 2024 conducted by CBC and based on the final SREP decision No. 10/2025 received on 27 June 2025, Pillar 2 requirement was maintained at 5,50%. Additionally, the final SREP decision No. 10/2025 maintained Pillar 2 Guidance at the same level which should be comprised entirely of CET 1 capital and held over and above the OCR.

In addition to the total SREP capital requirement, the Group is also required to maintain a Capital Conservation Buffer of 2,50% to be met entirely by CET 1 Capital.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

27. RISK MANAGEMENT (continued)

27.5 Capital management (continued)

On 30 November 2022, the CBC, following the revised methodology described in its macroprudential policy, decided to increase the countercyclical buffer (CCyB) rate from 0,00% to 0,50% for the risk weighted exposures in the Republic of Cyprus of each licensed credit institution incorporated in the Republic. The new rate of 0,50% was applicable from 30 November 2023. In June 2023, the CBC, announced its decision to raise the CCyB rate from 0,50% to 1,00%, with effect as from 2 June 2024. In January 2025, the CBC announced its decision to increase the CCyB rate from 1,00% to 1,50% with effect as from 14 January 2026. As at 30 June 2025, the Group's CCyB has been calculated at approximately 1,0% (31 December 2024: approximately 1,0%).

Based on the above, on 30 June 2025 the Group was required to maintain on a consolidated basis a minimum CET 1 ratio of % 11,09 (31.12.2024: 11,09%) and an overall capital adequacy ratio of 17,00% (31.12.2024: 17,00%) as shown below:

Minimum CET1 Regulatory Capital Requirements	30 June 2025	31 December 2024
Pillar 1 – CET 1 Requirement	4,50%	4,50%
Pillar 2 – CET 2 Requirement	3,09%	3,09%
Capital Conservation Buffer	2,50%	2,50%
Countercyclical Buffer	<u>1,00%</u>	<u>1,00%</u>
Minimum CET 1 Regulatory Requirements	<u>11,09%</u>	<u>11,09%</u>
Minimum Total Capital Regulatory Requirements	30 June 2025	31 December 2024
Pillar 1 – Total Capital Requirement	8,00%	8,00%
Pillar 2 – Total Capital Requirement	5,500%	5,50%
Capital Conservation Buffer	2,50%	2,50%
Countercyclical Buffer	<u>1,00%</u>	<u>1,00%</u>
Minimum Total Capital Regulatory Requirements	<u>17,00%</u>	<u>17,00%</u>

Loss Coverage on Non-Performing Exposures (NPEs) and Real Estate Owned Assets (REOs)

As part of the Supervisory Review and Evaluation Process for 2024 (SREP) Decision No. 10/2025 dated 27 June 2025, the CBC introduced additional supervisory measures, on the legacy non-performing exposures (NPEs) and on the immovable properties acquired in the course of satisfaction or settlement of debts.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

27. RISK MANAGEMENT (continued)

27.5 Capital management (continued)

Specifically, the CBC recommended that, for exposures classified as NPEs and falling outside the scope of Regulation (EU) 630/2019, the Bank should achieve a minimum provision coverage of 70% for secured NPEs older than seven years and for unsecured NPEs older than two years by 30 June 2025, with a linear path to full coverage by the end of 2027. The Bank adopted a prudent approach, applying 76% loss coverage on NPEs as at 30 June 2025, which is the target set by the CBC for 31 December 2025. Any shortfall compared to recorded provisions was deducted from CET1 capital. This had a negative impact of €3,3 million on CET 1 capital. After factoring in profit for the period and positive valuation adjustments through OCI, CET1 capital as at 30 June 2025 decreased to €47,0 million from €48,8 as at 31 December 2024, a decrease of 3,58%.

In addition, for REOs acquired in satisfaction of debts and held beyond the maximum regulatory holding period, the CBC requires the Bank to apply a prudential deduction from Common Equity Tier 1 (CET1) capital, based on a prescribed schedule linked to the length of time the assets have been held. The aforementioned deduction is applicable as from 1 July 2025.

CET 1 ratio as at 30 June 2025 stood at 21,53%, 10,44 percentage points above the minimum regulatory CET 1 of 11,09%. The Group's Overall Capital Ratio (OCR) as at 30 June 2025 stood at 25,11%, 8,11 percentage points above the minimum regulatory OCR of 17,00%.

The capital ratios as at 30 June 2025, reflect the impact from the adoption of the CBC's recommendation on increasing provision coverage for secured NPEs older than seven years and unsecured NPEs older than two years as detailed above. The Bank adopted a prudent approach, applying a 76% coverage on those NPEs subject to the CBC's recommendation, thereby meeting on 30 June 2025 the coverage target set by the CBC for 31 December 2025.

The Decrease of Tier 2 capital from €6.250 thousand as at 31 December 2024 to €2.822 thousand as at 30 June 2025 is driven by capital reductions resulting from holding Tier II instruments in other financial sector entities. In accordance with the Capital Requirements Regulation (CRR III), institutions are required to deduct from their own Tier 2 capital the aggregate amount by which the holdings by the institution of Tier 2 instruments of other financial sector entities exceed 10 % of the CET1 capital of the institution. As a result, the Bank's Tier 2 capital was reduced to reflect these deductions, in line with the applicable prudential requirements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

27. RISK MANAGEMENT (continued)

27.5 Capital management (continued)

The Group's regulatory capital is analysed as follows:

<i>Common Equity</i>	It includes share capital, share premium, retained earnings, current year's profits, revaluation and other reserves. Intangible assets and deferred tax assets that rely on future profitability and do not arise from temporary differences are deducted from Common Equity Tier I Capital subject to transitional provisions.
<i>Tier 1 Capital:</i>	
<i>Additional Tier 1 Capital:</i>	It includes the Perpetual Unsecured Subordinated Note (Note 22).
<i>Tier 2 Capital:</i>	It includes Unsecured Subordinated Tier 2 Bonds net of deductions resulting from holdings in Tier 2 instruments issued by other financial sector entities (Note 22).

The Group's regulatory capital position as at 30 June 2025 and 31 December 2024 was as follows:

	30 June 2025 €'000	31 December 2024 €'000
Transitional basis:		
Regulatory capital		
Common Equity Tier 1	47.017	48.763
Additional Tier 1	5.000	5.000
Tier 2	2.822	6.250
Total regulatory capital	<u>54.839</u>	<u>60.013</u>
Risk weighted assets		
Credit risk	192.841	181.211
Operational risk	25.573	37.942
Total risk weighted assets	<u>218.414</u>	<u>219.153</u>
Common Equity Tier 1 ratio	<u>21,53%</u>	<u>22,25%</u>
T1 Capital ratio	<u>23,82%</u>	<u>24,53%</u>
Overall capital adequacy ratio	<u>25,11%</u>	<u>27,38%</u>

The above capital ratios include unaudited profits for the six-month period ended 30 June 2025.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

27. RISK MANAGEMENT (continued)

27.6 Leverage Ratio Requirements

The Basel III framework introduced the leverage ratio as a non-risk-based measure which is intended to restrict the build-up of excessive leverage from on and off-balance sheet items in the banking sector. The leverage ratio is defined as Tier 1 capital divided by the total exposure measure and is a binding requirement as from 1 January 2018. The leverage ratio is submitted to the regulatory authorities on a quarterly basis.

The Leverage Ratio of the Group as at 30 June 2025 was 8,91% (31 December 2024: 8,39%), well above the 3% minimum threshold applied by the competent authorities.

27.7 Minimum Requirement for Own Funds and Eligible Liabilities (MREL)

The Bank, within the framework of the Bank Recovery and Resolution Directive ("BRRD"), is subject to the minimum requirement for own funds and eligible liabilities ("MREL"). The framework, which entered into effect on 1 January 2016, provides authorities with a set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system. This is achieved by requiring banks to have a funding structure with a certain proportion of liabilities that can be written off or converted into equity in the event of a bank failure.

On 27 June 2019, as part of the reform package for strengthening the resilience and resolvability of European banks, the BRRD II came into effect and it must be transposed into National Law. BRRD II was transposed and implemented in Cyprus law in early May 2021. In addition, certain provisions on MREL have been introduced in CRR II which also came into force on 27 June 2019 as part of the reform package and took immediate effect.

The Central Bank of Cyprus in its capacity as the National Resolution Authority of Less Significant Institutions (LSIs) sets and monitors minimum MREL requirements. With letter dated 30 May 2025, "Adoption of the Resolution Plan for the year 2024 and determination of the minimum requirement for own funds and eligible liabilities ("MREL")" and the Final Decision dated 2 July 2025, the CBC in its capacity as the Resolution Authority, has set a binding MREL target with which the Bank must comply at all times, equal to 16,50% of the Total Risk Exposure Amount (TREA), and 4,50% of the Total Leverage Ratio Exposure (LRE), based on the financial and supervisory data as at 31 December 2023. The own funds used by the Bank to meet the Combined Buffer Requirement (CBR) is not eligible to meet its MREL requirements expressed in terms of risk weighted assets. The MREL ratio of the Group as at 30 June 2025 stood at 21.61% (31 December 2024: 23,88%), 511 bps above the MREL requirement of 16,50%. The Group leverage ratio (LR) as at 30 June 2025 stood at 8,91% (31 December 2024: 8,39%), well above the regulatory requirement of 4,50%. The Group's MREL requirement as at 30 June 2025 was met with regulatory capital.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

28. ANALYSIS OF ASSETS AND LIABILITIES BY EXPECTED MATURITY

	30 June 2025			31 December 2024		
	Less than	Over one	Total	Less than	Over one	Total
	one year	year		one year	year	
	€'000	€'000	€'000	€'000	€'000	€'000
ASSETS						
Cash and balances with central banks	296.419	4.735	301.154	368.777	4.995	373.772
Balances with other banks	6.514	-	6.514	3.680	-	3.680
Loans and advances	54.047	132.977	187.024	57.658	139.907	197.565
Investments in equities	-	324	324	-	426	426
Investments in associates	-	1.283	1.283	-	754	754
Investments in debt securities	9.889	35.931	45.820	14.308	11.903	26.211
Premises and equipment	-	7.144	7.144	-	7.346	7.346
Intangible assets	-	1.326	1.326	-	1.254	1.254
Stock of property	9.693	-	9.693	10.368	-	10.368
Receivables and other assets	1.764	947	2.711	699	915	1.614
Total assets	378.326	184.667	562.993	455.490	167.500	622.990
LIABILITIES						
Bank borrowings	428	852	1.280	431	1.063	1.494
Client deposits	474.506	7.532	482.038	542.417	6.162	548.579
Deferred taxation	-	306	306	-	306	306
Accruals and other liabilities	15.118	1.309	16.427	9.741	1.487	11.228
Loan capital	12	11.250	11.262	13	11.250	11.263
Total liabilities	490.064	21.249	511.313	552.602	20.268	572.870

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

The investments are classified in the relevant time band based on expectations as to their realisation. In most cases this is the maturity date, unless there is an indication that there is an intention to sell.

Performing loans and advances are classified based on the contractual repayment schedule. Performing overdraft accounts are classified in the "less than one year" time band. The Stage 3 loans and overdrafts are classified in the "over one year" time band.

Stock of property is classified in the relevant time band based on expectations as to its realisation.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

28. ANALYSIS OF ASSETS AND LIABILITIES BY EXPECTED MATURITY (continued)

Customer deposits are classified according to their contractual maturity. Current account balances are classified under the "less than one year" time band.

The expected maturity of all prepayments, accrued income and other assets and accruals, deferred income and other liabilities is the same as their contractual maturity. If they do not have a contractual maturity, the expected maturity is based on the timing the asset is expected to be realised and the liability is expected to be settled.

29. SHAREHOLDERS

The shareholding structure as at 30 June 2025 is shown below:

	Shareholding structure as at 30 June 2025	
	Number of shares	% of total
7Q Invest AIF V.C.I.C. PLC I Multi Opportunities	6.681.171	15,44%
7Q Holdings Ltd	1.188.447	2,75%
7Q Financial Services Ltd	781.250	1,80%
Path Holdings Ltd	8.197.836	18,94%
Menelaos Shiacolas	7.058.982	16,31%
Delphis Ependysis Ltd	6.064.370	14,01%
8Safe International Ltd	4.284.322	9,90%
Intergaz Ltd	4.106.922	9,49%
Leon Investment SARL	2.102.881	4,86%
Leonidas Ioannou	1.510.571	3,49%
Adamos Christodoulou	695.000	1,61%
Shareholders with holdings below 1%	604.227	1,40%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

30. RELATED PARTY TRANSACTIONS

Fees and emoluments of members of the Management Body and key management personnel

	Six months ended 30 June	
	2025	2024
	€'000	€'000
Director emoluments		
<i>Executives</i>		
Salaries and other benefits	164	146
Employer's contributions for social insurance, etc	16	20
Retirement benefits	<u>13</u>	<u>12</u>
	193	178
<i>Non-executives</i>		
Fees	<u>128</u>	<u>128</u>
	<u>321</u>	<u>306</u>

Key management personnel emoluments

Salaries	253	240
Employer's contributions for social insurance, etc	33	31
Retirement benefits	<u>21</u>	<u>20</u>
	<u>307</u>	<u>291</u>
Total	<u>628</u>	<u>597</u>

Members of the Management Body and connected persons

Connected persons include spouses, minor children and companies in which members of the Management Body, hold directly or indirectly, at least 20% of the voting rights in a general meeting, or act as directors of the entities concerned or have guaranteed credit exposures of such entities.

Key management personnel

Key management personnel emoluments include the remuneration of the members of the EXCO committee with voting rights.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

30. RELATED PARTY TRANSACTIONS (continued)

Members of the Management Body and connected persons (continued)

Transactions with members of the Management Body and connected persons:

	30 June 2025 €'000	31 December 2024 €'000
Loans and advances	<u>330</u>	<u>143</u>
Deposits	<u>586</u>	<u>739</u>
Loan capital - Subordinated Tier 2 Bonds	<u>555</u>	<u>556</u>
Unutilised limits	<u>4</u>	<u>4</u>
Assets under custody	<u>2.757</u>	<u>2.548</u>
	Six months ended 30 June 2025 €'000	2024 €'000
Interest and other income for the period	<u>3</u>	<u>3</u>
Interest expense for the period	<u>(22)</u>	<u>(23)</u>

All transactions with members of the Management Body and their connected persons are made on normal business terms.

Key Management personnel who are not Directors and their connected persons

Connected persons include spouses, minor children and companies in which the key management personnel who were not Directors hold, directly or indirectly, at least 20% of the voting rights in a general meeting, or act as directors of the entities concerned or have guaranteed credit exposures of such entities.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

30. RELATED PARTY TRANSACTIONS (continued)

Key Management personnel who are not Directors and their connected persons (continued)

	30 June 2025 €'000	31 December 2024 €'000
Loans and advances	<u>31</u>	<u>35</u>
Deposits	<u>317</u>	<u>256</u>
Unutilised limits	<u>47</u>	<u>46</u>
	Six months ended 30 June 2025 €'000	2024 €'000
Interest and other income	<u>1</u>	<u>1</u>
Interest expense for the period	<u>(1)</u>	<u>(1)</u>

Transactions with key management personnel are made according to the terms applicable to the rest of the personnel of the Bank.

Transactions with shareholders

Pursuant to the provisions of IAS 24, related parties are considered, among others, the shareholders who have significant influence over the Bank or/and hold directly or indirectly more than twenty percent (20%) of the issued capital of the Bank.

Connected persons include the entities controlled by shareholders with significant influence as they are defined above.

As at 30 June 2025 and 31 December 2024, there were no shareholders who had significant influence over the Bank and/or held directly or indirectly more than 20% of the issued share capital of the Bank.

During the period ended 30 June 2025, there were no purchases of goods and services from Shareholders with significant influence and their connected persons as defined above (31 December 2024: €nil).

All transactions with Shareholders and their connected persons are at an arm's length basis.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

30. RELATED PARTY TRANSACTIONS (continued)

Transactions with associates

	30 June 2025 €'000	31 December 2024 €'000
Loans and advances	<u>573</u>	<u>593</u>
Other trading receivables	<u>-</u>	<u>-</u>
Trading account payable	<u>373</u>	<u>673</u>
	Six months ended 30 June 2025 €'000	2024 €'000
Interest income for the period	<u>13</u>	<u>16</u>
Other trading income for the period	<u>21</u>	<u>37</u>

Transactions with subsidiaries

The Bank is the holding company of the Group. The Bank enters into transactions with its subsidiaries in the normal course of business. Transactions with the subsidiaries have been eliminated on consolidation.

31. MATERIAL LITIGATION

As at 30 June 2025, there were pending litigations against the bank arising in the ordinary course of the Bank's business. Based on the information available, the Group in 2024 has recorded a provision of €350,000 against these cases.

Claims relating to execution of transactions

A client of the Bank has filed an action against the Bank claiming certain wrongdoings by the Bank in accepting transfer instructions which allegedly relate to fraud by a third person. The Bank is closely monitoring this claim.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

32. OPERATING ENVIRONMENT

During the first half of 2025, the Cypriot economy continued to build on the positive trajectory established in previous years, following the post-pandemic recovery trend of 2022–2024. Forecasts suggest that GDP growth for 2025 will be around 3%, slightly below the 2024 annual growth rate of 3,5%, while 2026 is expected to deliver growth close to 3%. The 2025 and 2026 growth performance significantly outpaces that of the Euro Area, where the latest forecasts for 2025 and 2026 are 1,2% and 10%, respectively. Inflation in Cyprus is expected to align with the 2% target, while the unemployment rate is projected to decline to 4,7% in 2025 and 4,6% in 2026. At the same time, the Government Debt-to-GDP ratio is forecasted to fall from 65% in 2024 to 58% in 2025 and to 52% in 2026. Supported by robust fiscal performance, the primary surplus is projected to reach to 3,3% of GDP in 2025 (from 2,9% in 2024). Since 2024, Cyprus maintains an investment-grade rating from all major credit rating agencies (Fitch Ratings, Moody's, and Standard & Poor's). Despite the resilience and strong performance of the Cypriot economy, the global environment continues to present significant challenges and economic uncertainty, primarily due to ongoing geopolitical tensions and trade uncertainties.

Amid a gradual return to a more normalized economic and inflationary environment, inflation in Cyprus declined to 2,3% in 2024, approaching the medium-term target of 2%. Looking ahead, the European Commission projects inflation at 2% for both 2025 and 2026, while the Central Bank of Cyprus forecasts 1,5% for 2025 and 2% for 2026. Cyprus is expected to perform slightly better than the EU and Euro Area in terms of inflation during 2024 and 2025 and remain close to or marginally below their forecasted levels in 2026. Geopolitical, economic, and trade developments continue to pose risks to price stability, mainly through their direct impact on energy and food prices.

Despite the gradual decline in the ECB Deposit Facility rate and the resulting narrowing of spreads earned, banks have managed to maintain strong profitability, strengthen their overall financial position, and, in some cases, distribute dividends to shareholders. To counter the pressure from the narrowing deposit spreads, Cypriot banks are focusing on new strategies for the expansion of their loan portfolios, enhancing non-banking revenues, increasing holdings of high-quality bonds and hedging exposures. Banks also benefit from the fact that a significant share of deposits remains non-interest-bearing. Overall, in Q1 2025, Cypriot banks reported total profits of €262 million, compared to €344 million in Q1 2024 (a record year) and €301 million in Q1 2023.

The stabilisation of the non performing exposures at relatively low levels helps the banks operate in a more stable and predictable environment. According to the relevant Central Bank data, the ratio of Non Performing Loans to Total Loans decreased to 5,9% in May 2025, compared to 6,2% in December 2024 and 7,4% in May 2024. Despite the improvement the NPE ratio of the Cyprus Banking Sector remains well above the EU average of 2,3%.

The Capital adequacy ratio continued to improve in H1 2025, with the CET1 Capital Ratio reaching 26% (December 2024: 24,7%), Total Tier 1 Capital Ratio at 27,3% (December 2024: 25,9%) and Overall Capital Adequacy Ratio at 29,7% (December 2024: 28,2%). Banks in Cyprus maintain strong liquidity and funding bases, with the Liquidity Coverage Ratio reaching 333,3% and the Net Stable Funding Ratio reaching 188,1% (data as of December 2024).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

32. OPERATING ENVIRONMENT (continued)

Total deposits reached €56,6 billion in June 2025, reflecting an increase of 1,3% since December 2024 and 6,2% year on year. Meanwhile, the interest rate on new household deposits with maturities up to one year declined to 1,13%, down from 1,79% in December 2024, 2,29% in December 2023, and 0,35% in December 2022.

Total loans at the end of June 2025 amounted to €26,5 billion, marking an increase of 3,5% compared to December 2024 and 4,9% compared to June 2024. These growth rates are notably higher than those observed in recent years; for reference, the annualised growth rate over the preceding two-year period (2022–2024) was negative, at -0,9%. In terms of the drivers behind this expansion, new pure loans to households during the first half of 2025 reached €814,1 million, representing a year-on-year increase of 18,2%, while pure new loans to non-financial corporations totalled €1.673 million, a substantial increase of 70,5% compared to H1 2024. The surge in lending to non-financial corporations may reflect a strategic shift by Cypriot banks to diversify revenue streams beyond the domestic market, particularly through an active expansion of their lending activities to Greek enterprises.

While Cypriot banks are generally expected to maintain a cautious stance and prudent investment policies amid potential economic and geopolitical uncertainties, their increased lending exposure in Greece may introduce an element of additional risk. Nonetheless, this risk is currently considered controlled, supported by strict lending criteria and close regulatory oversight.

In the first half of 2025 the tourism sector yielded one more strong performance, further establishing its position as a key pillar of the Cyprus economy. According to the Cyprus Statistical Service, for the period January to June 2025 the tourism revenues were €1,38 billion achieving an increase of 21,3% over the same period for 2024. The number of tourist arrival increased by 11,5%, from 1.652 thousand in H1 2024 to 1.843 thousand in H1 2025. The numbers so far suggest 2025 will be a better year than 2024, which in turn was a record year with tourist arrivals reaching 4,04 million (+5,1% over 2023) and tourism revenues reaching €3,21 billion (+7,3%).

As regards the real estate sector, it continued to record high levels of activity and further establishing its importance as regards the performance of the Cyprus economy. Strong demand from both local and foreign buyers, combined with limited supply, continued to drive growth in transaction volumes.

During the first eight months of 2025 small declines were recorded as regards the number of transfers of sale (12.448, down by -0,8%) and number of properties (13.750, down by -1,5%). However, the value recorded a significant increase, with declared amount reaching €2,83 billion (+10,6%) and accepted amount €3,05 billion (+9,6%). As regards the number of registered contract of sales for the same period, an increase of 13% was achieved as the number of contracts of sale increased from 10.345 to 11.689.

In the first three months of 2025, according to the Residential Property Price Index of the Central Bank, residential property prices increased by 1,9%, with flats at +1,8% and houses at +1,4%. It is worth noting that the annualised change since December 2019 is 4,8% p.a. for all residential property, +3,6% p.a. for houses and +7,4% p.a. for apartments. For this period (December 2019 to March 2025), the annualised change at a district level was +6,6% p.a. for Paphos, +6,4% p.a. for Limassol, +5,5% p.a. for Famagusta, +5,4% p.a. for Larnaca and +2,1% p.a. for Nicosia.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2025

32. OPERATING ENVIRONMENT (continued)

Based on data sourced from the RICS Cyprus Property Price, for the first half of 2025, house prices increased on average by 2,9%, office prices by 2,6%, apartment prices by 2,5%, warehouse prices by 1,6% and retail prices by 0,6%. At a district level, Larnaca recorded an average increase of 5,6%, followed by Famagusta at 1,8%, Nicosia at 1,5%, Paphos at 0,7% and Limassol at 0,5%. The average change for the entire Cyprus for this period was 2,04%. Overall, the data suggest that prices continued to increase, though with a different profile across sectors and districts.

As a member of the Eurozone for nearly 18 years, Cyprus's banking system and broader economy are significantly influenced by the monetary policy decisions of the European Central Bank (ECB). Following a decade of zero or negative interest rates, the ECB began tightening policy in July 2022 in response to a sharp rise in inflation, aiming to return it to its medium-term target of 2%. Inflation in the euro area peaked at 8,4% in 2022, driven primarily by adverse geopolitical developments, including energy market disruptions.

In this context, the ECB raised its Deposit Facility Rate from -0,5% in July 2022 to 4,0% by September 2023. As inflation gradually declined and concerns about economic growth emerged, the ECB began easing monetary policy, lowering the Deposit Facility Rate to 2%, with the final rate cut implemented in June 2025. Since then, the ECB has maintained its key interest rates, citing that inflation has returned to its medium-term target of 2%.

The ECB Governing Council has reiterated its commitment to adjusting all monetary policy instruments within its mandate to ensure that inflation stabilizes sustainably at the target level and to preserve the smooth transmission of monetary policy. It also acknowledges the overall resilience of the euro area economy amid a challenging global environment, while emphasizing that the outlook remains exceptionally uncertain, particularly due to ongoing trade tensions.

33. EVENTS AFTER THE REPORTING PERIOD

No significant non-adjusting events have taken place since 30 June 2025.



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