AstroBank Limited

DISCLOSURES
IN ACCORDANCE WITH PILLAR III OF BASEL III
FOR THE YEAR ENDED 31 DECEMBER 2016

ACCORDING TO PART EIGHT OF THE EUROPEAN REGULATION No 575/2013 ON PRUDENTIAL REQUIREMENTS FOR CREDIT INSTITUTIONS AND INVESTMENT FIRMS

JULY 2017

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1. INTRODUCTION

AstroBank Limited (the "Bank") was incorporated as a private limited liability company under trade name Piraeus Bank (Cyprus) Limited, in accordance with the provisions of the Cyprus Companies Law, Cap. 113. The Bank was a wholly owned subsidiary of Piraeus Bank S.A up until the 28th of December 2016, when the completion of the transaction between Piraeus Bank S.A and the group of investors led by Holding M. Sehnaoui SAL was finalized.

Specifically, on 8th July 2016, an agreement for the sale and purchase of shares was signed between Piraeus Bank S.A ("the Seller") and Holding M. Sehnaoui SAL ("the Buyer"), a company incorporated in Lebanon. Under this agreement, the Seller agreed to sell shares of Piraeus Bank (Cyprus) Limited to the Buyer and the Buyer agreed to subscribe along with various investors for new shares in the Bank with the Seller agreeing to waive its pre-emption rights. The obligations of the Seller to sell the shares and the obligations of the Buyer to purchase the shares and to subscribe for or procure the subscription of the shares were conditional on the approval of all relevant supervisory authorities. All such approvals were granted on 20th December 2016 and on 28th December 2016. Following these changes, on 30th March 2017 the Bank changed its name from Piraeus Bank (Cyprus) Ltd to AstroBank Limited.

The completion, on 28th December 2016, of the transaction between Piraeus Bank S.A and a group of investors led by Holding M. Sehnaoui SAL sees AstroBank Limited enter 2017 with new shareholders, a new Board of Directors, a new name and a reappraisal of its strategic direction. The capital injection of €40m has significantly strengthened capital and liquidity and has enabled the redirection of the primary strategic focus towards growth and profitability through improved customer service, economies of scale, internal reorganization, operational efficiencies and innovation, whilst maintaining the key emphasis on the effective management of problematic loans. A transitional services agreement with Piraeus Bank S.A., which remains a significant shareholder with 17,6%, ensures the seamless continuation of the Bank's operational capability.

The principal activities of the Bank are the provision of banking and financial services. The Bank operates in Cyprus through 13 Retail Banking branches, 4 Service Centers for Large Corporate Companies and SMEs and 2 Service Centers for International Business Services.

2. SCOPE OF APPLICATION

The following information represents the Pillar III disclosures of the Bank for the year ended 31 December 2016, in accordance with the requirements of Part Eight of the EU Regulation No. 575/2013 on Prudential Requirements for Credit Institutions and Investment Firms and amending Regulation (EU) No. 648/2012 (the "Regulation" or "CRR"). The Bank's policy is to meet all Pillar III disclosure requirements as detailed in the CRR. The Pillar III disclosures are published on an annual basis on the Bank's website http://www.astrobank.com.

The responsibility for the preparation of the Pillar III disclosures lies with the Bank's Risk Management Department while final approval is granted by the Board of Directors, following independent review and verification.

The present disclosures have been prepared on a stand-alone basis, as per the stand-alone audited financial statements of the Bank for the year ended 31 December 2016. The Bank has the following subsidiary companies, which have not been consolidated for accounting or regulatory purposes:

Subsidiary companies	Holding (%) 31 December 2016	Description of main activities
EMF Investors Limited	100%	Dormant
AstroBank Insurance Agency Limited (Former Piraeus (Cyprus) Insurance Brokerage)	100%	Insurance Broker
Adflikton Investments Ltd	100%	Investment property owner
Costpleo Investments Ltd	100%	Investment property owner
Custsofiar Enterprises Ltd	100%	Investment property owner
Gravieron Company Ltd	100%	Investment property owner
Kaihur Investment Ltd	100%	Investment property owner
Pertanam Enterprises Ltd	100%	Investment property owner
Rockory Enterprises Ltd	100%	Investment property owner
Alarconaco Enterprises Ltd	100%	Investment property owner

Consolidation

During the preparation of the Pillar III disclosures, the preparation of the consolidated financial statements (to include also the Bank's subsidiary companies) for the year ended 31 December 2016 was also underway, in order to be compliant with IFRS10 and the Cyprus Companies' Law, Cap.113. The Audited Consolidated Financial Statements for the year 2016 were approved by the Board on 29 June 2017. No consolidated financial statements were prepared for the year ended 31 December 2015 as the Bank was a wholly-owned subsidiary company of Piraeus Bank S.A, incorporated in Greece and listed on the Athens Stock Exchange, which prepared consolidated financial statements according to IFRSs for the year ended 31 December 2015. The disclosures herein have been prepared based on the separate financial statements of the Bank.

3. GOVERNANCE AND RISK MANAGEMENT

As a financial institution, the Bank is exposed to a number of risks, which mainly consist of Credit and Counterparty Credit Risk, Market and Liquidity Risk and Operational Risk. The Bank monitors and manages these risks through various control mechanisms, based on a risk management program that focuses on the unpredictability of the economic environment in which it operates and which at the same time seeks to minimize potential adverse effects on its financial performance.

Risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, to monitor risks and to ensure adherence to limits. The risk management policies are reviewed regularly to reflect changes in market conditions as well as in the Bank's activities.

3.1 Board of Directors

The Board of Directors is the supreme governing body. As at 31 December 2016 the Board consisted of two Executive directors and six Non-Executive directors, of which four were also Independent. Following the change in shareholding, the composition of the Board changed as at 20 January 2017 by the appointment of five new directors and the resignation of one of the existing directors. The new composition consists of three Executive directors and nine Non-Executive directors, of which five are Independent. The Board is chaired by a new Independent Non-Executive director. It is also noted that further applications to CBC have been made for the appointment of more independent directors.

The constant pursuit of the Board is to enhance the long term economic value of the Bank and the defense of its general interests by always applying the provisions of the institutional framework, its internal regulations and the principles of corporate governance. The Board is mainly responsible for charting the strategy, establishing policies and monitoring compliance with them as well as for the overall supervision of the work and the activities of the Bank.

More specifically, the role and responsibilities of the Board include the following:

- Approve the Bank's Business Strategy, including the risk appetite framework, by prioritizing the current and future goals as well as the annual budget and planning for the allocation of use of Bank capital.
- Approve and oversee the implementation of risk strategy, including the approval of risk policies as well as of the ICAAP document.
- Ensure the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with the law and relevant standards.
- Approve the governance structure of the risk management framework.
- Monitor and periodically assess the effectiveness of the Bank's governance arrangements and take appropriate measures to address any deficiencies.
- Evaluate governance decisions or practices to ensure they:
    - are not in breach of the provisions of the CRR and all other applicable legislation and standards
    - are not detrimental to:
        - the sound and prudent management of the Bank

- the financial health of the Bank
- the legal interests of the Bank's stakeholders.

- Appoint the members of the Board Risk Committee and delegate authority to it and the Risk Management Department, as appropriate, for developing risk management strategy, policies and supporting methodologies.
- Appoint the members of the Board Audit Committee which is responsible for the monitoring and assessment of the adequacy and effectiveness of internal control and information systems.
- Appoint the members of the Board Nomination and Remuneration Committee which is responsible for the remuneration policies and practices as well as for the incentives for managing risks.
- Oversee and ensure the effective and consistent implementation of risk management policies and supporting methodologies at the business line level.
- Promote a risk awareness culture and common risk terminology across the Bank.
- Provide appropriate resources and means for effective risk management.
- Review and approve business objectives and ensure that these are in line with the Bank's appetite to Credit, Market & Liquidity and Operational Risk tolerance levels.
- Monitor risk-adjusted performance against business objectives, strategies and plans.
- Ensure that an independent risk management framework is in place in which risks are assessed effectively, objectively and in a timely manner.

During 2016, the Bank's Board of Directors held seven meetings.

In the context of achieving continuous improvement and proper management of the Bank, the Board delegates a number of its responsibilities to various Board Committees, as further analyzed in the section that follows.

3.2 Board Committees

3.2.1 Board Risk Committee

The Board has appointed a sub-committee, the Board Risk Committee ("BRC"), as the highest authority for risk management in the Bank. As at 31 December 2016 the BRC was chaired by a Non-Executive member of the Board of Directors, and its membership consisted of Non-Executive and Independent directors with the latter being the majority. On 20 January 2017, the BRC comprised of a new Independent Non-Executive director (also the chairman), one Independent Non-Executive director and one Non-Executive director.

Its terms of reference are approved by the Board. Members of the Risk Committee have appropriate knowledge, skills and expertise to fully understand and monitor the risk strategy and the risk appetite of the Bank.

The Board Risk Committee's mission is to assist the Board with relation to:

- The existence of an appropriate strategy for risk management and the establishment and oversight of risk appetite limits in a way that they fulfil the Bank's business objectives and ensure the adequacy of resources (including human resources).
- The establishment of principles and rules governing the risk control processes associated with

the identification, measurement, monitoring, control and management of risks.
- The development of an appropriate internal environment of risk awareness and the integration of appropriate risk management policies within the business decision process.
- The compliance, through rigorous and reliable processes, under the charter of the Risk Management Department and in accordance with the applicable regulatory framework.

In addition, the BRC is responsible for monitoring the independence, adequacy and effectiveness of the Risk Management Department.

During 2016, the BRC met four times.

3.2.2 Audit Committee

The Audit Committee aims to assist the Board with respect to carrying out its supervisory responsibilities for issues that primarily concern:
- The Bank's Internal Audit System.
- The procedures for preparing the annual and interim financial reports.
- The external auditors / accountants.
- The Internal Audit Unit (IAU).
- The Compliance Unit (CU).
- The observance of the Bank's Code of Conduct.

As at 31 December 2016 the Audit Committee was made up of three Independent Non-Executive and one Non-Executive directors of the Board, and it convened eight times during the year.

3.2.3 Nomination and Remuneration Committee

The Committee consists of four members and is chaired by an Independent Non-Executive Member of the Board. All its members are Non-Executive Directors and in their majority Independent. The Committee has a dual function by acting as a Nomination Committee for the replacement / succession of members of the Board, and as a Remuneration Committee. During 2016 the Nomination and Remuneration Committee held two meetings. More information on its role and duties can be found in section 11 of these disclosures.

3.3 Recruitment policy for the selection of members of the Management Body

Appointment to the Bank’s Board of Directors requires satisfying a set of criteria which include the candidates’ academic and employment background, the adequacy and relevance of their knowledge and skills to the business and specificities of the Bank, their ethos and reputation, their personal and professional integrity, their experience and capabilities, their financial standing as well as their management skills.

3.4 Diversity Policy for the selection of members of the Management Body

In order to encourage critical thinking and well-rounded opinions and decision-making, the Bank strives to achieve diversity in the composition of its Board, especially with regards to academic background, professional experience, skills and competencies, age, gender and ethnic/racial origin.

3.5 Number of directorships held by members of the Board

The following table presents the number of directorships held at the same time in other entities (including the one held at the Bank) by each member of the Bank's Board of Directors. Directorships in organisations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not taken into account for the purposes of the below. In addition, the number of directorships disclosed below include companies belonging in the same group which, based on Article 91 of EU Directive 2013/36/EU ("CRDIV"), can be considered as a single directorship.

Name of Director	Position within the Bank	No. of Directorships	
		Executive	Non-Executive
Shadi A. Karam	Chairman – Non-Executive	-	4
Andreas Vassiliou	Non-Executive Director	-	1
Bassam Najib Diab	Non-Executive Director	1	2
Constantinos Loizides	Non-Executive Director	1	1
George Appios	Executive Director	1	-
George Kourris	Non-Executive Director	-	2
George Liakopoulos	Non-Executive Director	-	1
Maria Dionyssiades	Non-Executive Director	-	1
Marios Savvides	Executive Director	1	0
Maurice Nicolas Sehnaoui	Non-Executive Director	1	1
Raoul Nehme	Executive Director	1	-
Socrates Solomides	Non-Executive Director	-	4

Note: The information in this table is based only on representations made by the directors of the Bank.

3.6 Information flow on risk to the Management Body

The information flow on risk to the Board is achieved, inter alia, through the following reports:

- Annual Report of the Compliance Unit.
- Annual Report of MLCO on the Combating of Money Laundering and Terrorism Financing.
- Annual Report of the Compliance Unit on Recording and Assessment of Money Laundering and Terrorist Financing Risk.
- Annual Report on the ICAAP and ILAAP.
- Annual Report of the Risk Management Department on Risk Management.
- Annual Report of the Information Security Department on the Security of Information.
- Annual Report of the Internal Audit Unit on the adequacy and effectiveness of the Internal Audit System.
- Annual Performance Assessment Report of the governing body as a whole, its committees and individual members including assessment of the Chairman of the Board of Directors.
- Report every three years assessing the adequacy of the Internal Control System on an individual and consolidated basis by External Auditors.
- Annual Financial Statements.
- Quarterly Risk Management Report of the Risk Management Department provided to the BRC and to Senior Management.

- Quarterly Impairment Report and other financial analysis of the Finance Department.

3.7 Board Declaration - Adequacy of the Risk Management arrangements

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

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

3.8 Risk Statement

The Bank aims to have sufficient liquidity and capital resources and maintain stable and recurring profitability. The risk appetite is determined so as not to exceed the risk capacity, given current business conditions, and ensure the Bank's operational smoothness, the achievement of its strategic objectives, as well as the achievement of satisfactory performance. In parallel, it aims to ensure that under adverse business and macroeconomic conditions (crisis scenarios), the risk capacity can be reasonably expected to absorb unexpected losses and/or commitments, safeguarding a minimum level of solvency as well as depositors and shareholders' interests.

A summary of the Board's Risk Appetite Statement as at 31 December 2016 is provided in Annex I.

4. CAPITAL BASE

The Bank's regulatory capital is comprised solely of Common Equity Tier 1 (CET1) items, which include ordinary share capital, share premium, reserves and minority interest. The Bank deducts from its CET1 capital its intangible assets (software and goodwill).

The Own Funds of the Bank as at 31 December 2016 are analyzed in the table below:

Own Funds analysis	2016 €000
Share capital	14.113
Share premium	187.840
Retained earnings	(99.286)
Accumulated other comprehensive income	315
CET1 Capital before deductions	**102.982**
Deductions from CET1 Capital	
(-) Other Intangible assets	(113)
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(6.028)
(-) Deferred tax assets that rely on future profitability and arise from temporary differences	(1.613)

(-) Qualifying holdings outside the financial sector which can alternatively be subject to a 1.250% risk weight	(54)
Other transitional adjustments to CET1 Capital	3.701
Excess from deduction from AT1 Capital over AT1 Capital (deducted from CET1 Capital)	(76)
Other adjustments	(231)
Total deductions from CET1 Capital	**(4.414)**
Total Common Equity Tier 1 Capital (CET1 Capital)	**98.568**
Additional Tier 1 Capital (AT1 Capital)	-
Total Original Own Funds (Tier 1 Capital)	**98.568**
Additional Own Funds (Tier 2 Capital)	-
Tier 2 Capital	**-**
Total Own Funds (Tier 1 Capital + Tier 2 Capital)	**98.568**

As at 31 December 2016, the Bank was subject to a minimum Capital Adequacy Ratio ("CAD ratio") of 8,625%, consisting of the Pillar 1 minimum 8% plus the Capital Conservation Buffer (0,625%) and the Institution-specific Countercyclical Capital Buffer (calculated at 0% due to the fact that, as at 31 December 2016, the Bank was not exposed to any of the countries with Countercyclical Capital Buffer rates above 0%). The Capital Conservation Buffer for the period 1 January 2017 up to 31 December 2017 will amount to 1,25%, resulting to an overall minimum CAD ratio of 9,25% (assuming no change in the Institution-specific Countercyclical Capital Buffer).

SREP Process

The Bank has received a decision by the ECB, which imposes a minimum total capital adequacy ratio of 11% on an individual basis and becoming applicable from 1st January 2017, which includes:

- The minimum own funds requirement of 8% to be maintained at all times in accordance with CRR Article 92(1), and
- An own funds requirement of 3% required to be held in excess of the minimum own funds requirement and to be maintained at all times in accordance with Article 16(2)(a) of Regulation (EU) No. 1024/2013, to consist entirely of Common Equity Tier 1 capital.

In addition, the Bank is subject to the overall capital requirement ("OCR") which includes, in addition to the 11% analyzed above, the other combined buffer requirement as defined in point (6) of Article 128 of Directive 2013/36/EU (i.e. capital conservation buffer, institution-specific countercyclical capital buffer and systemic risk buffers), to the extent that they are legally applicable. The combined buffer requirement for 2017 for the Bank includes only the capital conservation buffer of 1,25% bringing the OCR to 12,25% (assuming no change in the Institution-specific Countercyclical Capital Buffer). ECB has set a Pillar II capital guidance (which is utilized as an early warning signal and does not trigger the maximum distributable amount "MDA"), the effect of which is to require that the OCR be made entirely of CET1 capital.

The Bank's CAD Ratios as at 31 December 2016 are presented below:

- Common Equity Tier 1 ratio : 15,20%
- Tier 1 ratio : 15,20%
- Capital Adequacy Ratio : 15,20%

During 2016 the Bank complied with the minimum capital requirements (Pillar I and Pillar II) except for the period from 03/08/2016 to 28/12/2016. ECB was notified accordingly and the Bank's compliance with minimum capital requirements was restored upon the completion of the agreement of Piraeus Bank S.A. with Holding M. Sehnaoui for the sale of the Bank's shares with a simultaneous injection of €40m primary capital in the Bank. As a result, as at 31 December 2016 the Bank was in full compliance with the minimum regulatory capital requirements.

Share Capital

The total number of fully paid shares at 1 January 2016 amounted to 3.360.798 shares of nominal value €1,00 each. Following the granting of all necessary approvals from the supervisory authorities on 20th December 2016 and 28th December 2016 concerning the sale of shares of the Bank by Piraeus Bank S.A to Holding M. Sehnaoui SAL, and upon a unanimous resolution of the Board, 870.798 shares were sold by Piraeus Bank S.A to Holding M. Sehnaoui SAL ("HMS") and 10.752.689 ordinary shares were issued and allotted, at a price of €3,72 per share to a group of private investors led by Holding M. Sehnaoui SAL. Thus at 31 December 2016 the total number of fully paid shares amounted to 14.113.487 shares of nominal value €1,00 each.

4.1 Reconciliation between regulatory capital (on transitional basis) with equity as presented in the Financial Statements

The following table presents the reconciliation of equity as shown in the Financial Statements of the Bank, and regulatory capital (own funds) as this is calculated for regulatory purposes.

Reconciliation between Equity and Regulatory Capital (€000)	31 December 2016
Total Equity per Financial Statements	102.982
Investment in Subsidiaries	(54)
Intangible assets	(189)
Deferred tax assets that rely on future profitability and do not arise from temporary differences	(3.617)
Reserves arising from revaluation of properties and other non CET1 eligible reserves	-
Additional deductions of CET1 capital	(323)
Other adjustments	(231)
Total Common Equity Tier 1	**98.568**
Additional Tier 1	
Loan Capital (after deduction of Own Additional Tier 1 instruments)	-
Intangible assets	-

Total Additional Tier 1	**-**
Total Tier 1	**98.568**
Tier 2	
Loan Capital (after deduction of Own Tier 2 instruments)	-
Tier 2 amortisation	-
Property revaluation reserve and other unrealized gains	
Total Tier 2	**-**
Total Own Funds	**98.568**

4.2 Statement of financial position as presented in the Financial Statements and in the regulatory reports

The following table presents the statement of financial position in the Financial Statements and in regulatory reports, as at 31 December 2016:

As at 31 December 2016 (€000)	Statement of financial position per audited financial statements and regulatory reports
Assets	
Cash and balances with Central Banks	345.329
Placements with other banks	87.115
Receivables from debt securities	44.289
Loans and advances to subsidiaries	13.701
Loans and advances to customers	556.442
Available for sale financial assets	86.279
Financial Assets at fair value through profit or loss	11.860
Property, plant and equipment	24.086
Investment properties	17.821
Derivative financial instruments	1.069
Investment in subsidiaries	54
Intangible Assets	189
Tax receivable	-
Deferred tax asset	7.641
Other assets	1.133
Total assets	**1.197.006**
Liabilities	
Amounts due to other banks and deposits from banks	2.238
Deposits and other customer accounts	1.072.921
Derivative financial instruments	1.548
Current tax liability	94
Deferred tax liability	883
Other liabilities	16.339
Total liabilities	**1.094.023**

Equity	
Share capital	14.113
Share premium	187.840
Other Reserves	315
Accumulated losses	-99.286
Total equity	102.982
Total liabilities and equity	**1.197.006**

4.3 Regulatory Capital

The tables below disclose the components of regulatory capital as at 31 December 2016 on both a transitional and a fully phased-in basis:

Transitional and Fully Phased-in Own Funds 31 December 2016 (€000)	Transitional basis	Transitional impact	Fully Phased-in basis
Common Equity Tier 1 Capital: instruments and reserves			
Capital instruments and the related share premium accounts	201.953	-	201.953
Retained earnings	(99.286)	-	(99.286)
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	315	-	315
Common Equity Tier 1 (CET1) Capital before regulatory adjustments	**102.982**	**-**	**102.982**
Common Equity Tier 1 (CET1) Capital: regulatory adjustments			
Intangible assets (net of related tax liability)	(189)	-	(189)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(3.617)	(2.411)	(6.028)
Other transitional adjustments to CET1 Capital	(377)	(1.290)	(1.667)
Other adjustments	**(231)**		**(231)**
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**(4.414)**	(3.701)	(8115)
Common Equity Tier 1 (CET1) Capital	**98.568**	**(3.701)**	**94.867**
Additional Tier 1 (AT1) Capital: instruments			
Capital instruments and the related share premium accounts	-	-	-
Additional Tier 1 (AT1) Capital before regulatory adjustments	**-**	**-**	**-**
Additional Tier 1 (AT1) Capital: Regulatory adjustments	**-**	**-**	**-**
Other transitional adjustments to AT1 Capital	-	-	-
Total regulatory adjustments to Additional Tier 1 (AT1) Capital	**-**	**-**	**-**
Additional Tier 1 (AT1) Capital			
Tier 1 Capital (T1 = CET1 + AT1)	**98.568**	**(3.701)**	**94.867**
Tier 2 (T2) Capital: instruments and provisions			
Capital instruments and the related share premium accounts	-	-	-
Tier 2 (T2) Capital before regulatory adjustments	**-**	**-**	**-**
Tier 2 (T2) Capital: regulatory adjustments	**-**	**-**	**-**
Other transitional adjustments to T2 capital	-	-	-
Total regulatory adjustments to Tier 2 (T2) capital	**-**	**-**	**-**

Tier 2 (T2) capital	-	-	-
Total capital (TC = T1 + T2)	**98.568**	**(3.701)**	**94.867**
Total Risk Weighted Assets	**648.437**	**(3.221)**	**645.216**
Capital Ratios and Buffers			
Common Equity Tier 1	**15,20%**	0,50%	**14,70%**
Tier 1	**15,20%**	0,50%	**14,70%**
Total capital	**15,20%**	0,50%	**14,70%**

4.4 Countercyclical Capital Buffer

In accordance with Article 130(1) of the CRDIV Directive, institutions are required to maintain an institution-specific countercyclical capital buffer. In relation to this buffer, the European Commission's Delegated Regulation (EU) 2015/1555 further requires institutions to disclose the key elements of the calculation of their countercyclical capital buffer, in order to ensure transparency and comparability across institutions in the EU.

In this respect, the table below provides information on the geographical distribution of credit exposures relevant for the calculation of the Bank's countercyclical capital buffer as at 31 December 2016. Exposures to foreign countries which did not exceed 10% of the total, are included under the "Other" category.

Breakdown by country (€000)	General Credit Exposures	Own Funds Requirements				Own Funds requirement Weights	Countercyclical Buffer Rate
	Exposure value for SA	Of which: General Credit Exposures	Of which: Trading Book Exposures	Of which: Securitisation Exposures	Total		
	010	070	080	090	100	110	120
Cyprus	790.607	36.081	-	-	**36.081**	81%	0%
Other	167.988	8.492	-	-	8.492	19%	0%
Total	**958.595**	**44.573**	-	-	**44.573**	**100%**	**0%**

The following table presents the amount of institution-specific countercyclical capital buffer of the Bank, as at 31 December 2016.

Amount of institution-specific countercyclical capital buffer	€000
Total Risk Exposure Amount	**648.437**
Institution specific countercyclical buffer rate	0,00%
Institution specific countercyclical buffer requirement	-

5. CAPITAL REQUIREMENTS

The Bank follows the Standardised Approach ("STA") for the calculation of Credit risk and Market risk and the Basic Indicator Approach ("BIA") for Operational risk.

The capital required to be maintained by the Bank as at 31 December 2016 was as follows:

Risk type	Pillar 1 Capital Requirements €000
Credit Risk	46.032
Market Risk	-
Operational Risk	5.843
CVA Risk	-
Total Capital Requirements	**51.875**

6. CREDIT RISK

6.1 Definition of Credit Risk

In the ordinary course of its business the Bank is exposed to Credit Risk which is monitored through various control mechanisms. Credit Risk is the risk of financial loss to the Bank if a customer and/or other counterparty to a financial instrument fail to meet their contractual obligations and arises primarily from the Bank's loans and advances to customers and investment in debt securities.

6.2 Credit Risk Management Procedures

The Bank's Credit Risk management efforts focus on ensuring a disciplined risk culture, transparency and rational risk-taking, based on international common practices. Credit risk management methodologies are modified to reflect the changing financial environment.

The various Credit Risk assessment methods used are revised annually or whenever deemed necessary and are adjusted according to the Bank's overall strategy and short-term and long-term objectives. The various analyses of economic sectors and sub-sectors, combined with economic forecasts, provide the guidelines for the determination of the credit policy, which is revised from time to time.

6.3 Measurement of Credit Risk and adoption of credit limits

Having as target the minimization of Credit Risk, counterparty limits have been set taking into consideration the credit rating of the debtor, the assigned collaterals and guarantees that reduce the exposure of the Bank to Credit Risk, as well as the nature and duration of the credit facility. Regarding each debtor's credit rating analysis, this is carried out by taking into consideration the country's risk but also the economic sector in which it operates, as well as qualitative and quantitative characteristics.

At the same time, limits have been established for the approval of credit facilities and lending procedures provide for the segregation of duties in order to ensure the objectivity, independence and monitoring of new and existing loans.

During the approval process the total Credit Risk is examined for each counterparty or group of counterparties which are related at Bank level. At the same time, any concentration is analysed and monitored on a continuous basis, with an aim to restrict potential large openings and dangerous concentrations, so that these will be in line with existing credit policy limits. Concentration of Credit Risk can arise at the level of an economic sector, a counterparty or group of counterparties, country, currency or nature of collateral.

Past due advances are monitored on a continuous basis and a systematic segregation between performing and non–performing advances is carried out according to the internal policy of the Bank, which takes into account the criteria of the Central Bank of Cyprus. Significant exposures or delays are communicated to the Management which oversees the corresponding department for taking preventive or corrective measures.

Under the Credit Risk management framework, there is an evaluation of the effects of extreme but feasible scenarios on the quality of the loan portfolio and to the available capital, through simulation of crisis conditions (stress testing). The simulations examine separately each business and individual portfolio and estimate possible increases of unsecured advances which are likely to arise due to future decreases in collateral values. The unsecured exposures are calculated based on values after the application of haircuts as defined by the Credit Policy.

6.4 Standardised Approach for Credit risk

The minimum capital requirements for Credit Risk are calculated on the level of the exposure using a factor of 8% as defined by the CRR. The following table shows the Risk Weighted Assets and the corresponding minimum capital requirements as at 31 December 2016, for each of the exposure classes, based on the Standardised Approach:

Exposure class	Risk Weighted Assets €000	Minimum Capital Requirements €000
Central Governments and Central Banks	0	0
Regional Governments or local authorities	530	42
Multilateral Development Banks	0	0
Institutions	23.013	1.841
Corporate	84.420	6.754
Retail	21.210	1.697
Secured by mortgages on immovable property	40.187	3.215
Exposures in default	194.347	15.548
Items associated with particular high risk	123.359	9.869
Equity	5.929	474
Other Items	82.404	6.592
Total	**575.399**	**46.032**

6.5 Credit Risk Mitigation

The Bank implements various policies and methods in order to achieve effective mitigation of Credit Risk, of which the most important are listed below:

6.5.1 Credit Risk Policy

The degree of risk associated with any credit exposure depends on many factors, including general conditions of the economy and the market, the financial position of borrowers, the amount, type and duration of exposure and the existence of collateral and guarantees. The Bank has established policies and procedures as part of the overall Credit Risk management framework. At minimum, the existing policies and procedures provide guidance to the staff on the credit evaluation/appraisal process, credit approval authorities, loan administration and documentation, roles and responsibilities of staff in the various functions of credit, the various types of tangible and non-tangible collaterals that are acceptable by the Bank for granting credit facilities, the management of problematic loans and procedures for early remedial action.

Further to the establishment of credit policies and procedures which ensure that the credit granting activities are conducted in a safe and sound manner in order to minimize Credit Risk, an integrated Credit Risk management information reporting framework is applied to closely monitor and manage portfolio Credit and Counterparty risk as well as Credit Risk concentrations.

6.5.2 Collaterals and securities

The Bank receives collaterals and/or securities for customers' loans, reducing the overall Credit Risk and ensuring the timely repayment of claims. For this purpose, it has identified and incorporated in its credit policy, eligible categories of collaterals and securities, the main of which are the following: Pledge on deposits, Bank letters of guarantee, Government Guarantees, Real Estate mortgages Pledge on shares, stocks, bonds or Treasury Bills, Corporate and personal guarantees, etc.

The evaluation of related collaterals and/ or securities takes place, initially at the time of the approval of the loan based on their current or fair value, and they are re-evaluated at regular intervals. The collateral coverage of the customer loan portfolio is monitored and reported quarterly.

6.5.3 Loan commitments

The Bank makes loan commitments to customers, ensuring their future financing as and when required. Loan commitments involve the same Credit Risk as loans and claims of the Bank and mainly concern letters of credit and letters of guarantee. The remaining tenor of loan commitments is analyzed and systematically monitored, as in general, loan commitments with longer tenors pose a greater risk than those with shorter tenors.

6.5.4 Credit Risk limits

The monitoring of Counterparty Credit Risk is a key part of risk management. The Bank controls and mitigates the amount and concentration of Credit Risk by applying the credit limits for 'Large Exposures to Customers and their Connected Persons' as determined by the CRR. The Bank has set up internal limits for monitoring the customer loan portfolio concentration to the various industry sectors of the economy. The limits are updated from time to time based on the Bank's risk appetite and macro-economic factor changes.

Internal rating systems

The methods for evaluation of credit rating differ depending on the type of counterparty in the following categories: central governments (purchase and holding of bonds), financial institutions, large corporates and SMEs and individuals.

Individuals are evaluated based on two different methods of internal grading. The first method relates to existing customers and is based on the customers' repayment history and their general cooperation with the Bank, while the second method, which is applied to both existing and new customers, is based both on demographic factors and objective financial data (e.g. income, assets etc.).

For the evaluation of large corporate and SMEs, the system used is Moody's Risk Advisor (MRA), which evaluates the financial condition of the business based on its economic and qualitative data, but also based on the economic sector it operates in. The evaluation process is performed on a regular basis or when conditions require it so that the customer' s credit rating is representative of the Credit Risk being undertaken and functions as a risk warning signal.

The customer's credit rating is used during the process of approving credit facilities and the setting of respective credit limits, for internal calculations of the probability of default as well as for monitoring changes in the quality of the loan portfolio of the Bank, with the aim to develop the appropriate strategies for avoiding undertaking increased risks.

6.6 Use of External Credit Assessments Institutions' (ECAI) ratings

The Bank uses external credit ratings from Fitch, Moody's and Standard & Poor's for the purpose of determining the risk weight of the relevant Credit Risk exposures. In the cases where the three credit ratings available for a specific exposure differ, the Bank takes the two credit ratings that generate the lowest risk weights, and then uses the worst out of the two (i.e. the one generating the highest risk weight).

For debt securities not included in the trading book, the Bank uses the issue-specific credit rating when available, and only in the absence of such a rating it reverts to the issuer/counterparty credit assessment.

Credit ratings are mapped into Credit Quality Steps ranging from 1 to 6, as per the table below:

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

The following table provides a breakdown by Credit Quality Step of the Bank's Credit Risk exposures before and after Credit Risk mitigation. The values after Credit Risk mitigation represent exposures after the deduction of specific provisions and eligible financial collateral consisting of both funded and unfunded credit protection:

Breakdown by Credit Quality Steps	Exposure values before credit risk mitigation and net of provisions €000	Exposure values after credit risk mitigation and net of specific provisions €000
CQS 1	63.113	63.113
CQS 2	48	48
CQS 3	18.128	18.128
CQS 4	-	-
CQS 5	1.000	1.000
CQS 6	12.967	12.967
Unrated/Not Applicable	1.198.796	1.132.964
Total	**1.294.052**	**1.228.220**

The Bank obtains collaterals so as to better manage the Credit Risk that arises from loans and advances. The main types of collaterals that the Bank obtains are:

- Mortgages (Commercial and Residential)
- Government and bank guarantees
- Deposits
- Pledging of shares and bonds
- Other encumbrances, and
- Personal and corporate guarantees.

As at 31 December 2016 the unfunded credit protection recognized by the Bank consisted entirely of Cyprus government guarantees which received 0% risk weight.

The fair value of collaterals is determined using generally accepted valuation techniques, which include market price comparisons. Valuations are performed by independent third party valuation professionals and the fair values are amended using official, published property price indices.

The Bank has robust procedures and processes to control any risk arising from the use of collaterals and from the interaction with its overall risk profile, including the risk of disruption or reduction of credit protection, valuations and collateral risk, the risk of termination of the credit protection and concentration risk.

Exposure class	Funded Credit Protection €000	Unfunded Credit Protection €000
Central Governments and Central Banks	-	-
Regional Governments or local authorities	690	2.075
Multilateral Development Banks	-	-
Institutions	-	-
Corporate	47.780	60.484
Retail	9.756	-
Secured by mortgages on immovable property	393	-

Exposures in default	6.574	-
Items associated with particular high risk	639	-
Equity	-	-
Other Items	-	-
Total	**65.832**	**62.559**

6.7 Risk of impairment

Past due items

Past due loans are those accounts with arrears or in excess of authorized credit limits.

Impairment of loans

A receivable is subject to impairment when its carrying amount is greater than the expected recoverable amount. The term "receivable" includes loans and advances, letters of guarantee and letters of credit.

The Bank assesses at each reporting date whether there is objective evidence that a receivable or a group of receivables may have been impaired. If such evidence exists, the recoverable amount of the receivable or group of receivables is estimated and a provision for impairment is recognized. The amount of the provision is recognized in the income statement.

The Bank has defined policies and procedures for loan impairment and provisioning which are in line with Impairment and Provisioning Procedures Directives issued by the Central Bank of Cyprus.

The Bank initially assesses whether objective evidence of impairment exists on an individual basis for advances that the Bank considers significant. Advances that have been assessed on an individual debtor level and for which no objective evidence of impairment exists, significant or otherwise, are classified in groups with similar credit risk characteristics and collectively assessed for losses incurred but not yet reported.

The Bank assesses on an individual basis all the loans handled by the Recoveries Banking Unit. It also examines all significant corporate loans as well as all the advances of any borrower with aggregate outstanding balance greater that the defined limit of significance, provided that there are indications of impairment.

Objective evidence that a receivable or a group of receivables has been impaired or is not recoverable includes the following:

- Significant financial difficulties faced by the debtor.
- A breach of the terms of the loan contract (i.e. default or delinquency in interest or principal payments).
- The Bank, for financial or legal reasons relating to the debtor's financial difficulties, granting the debtor a concession that it would not consider under different circumstances.
- It is probable that the debtor will enter bankruptcy or financial reorganization.
- Observable data indicating that, from the date of initial recognition of those loans, there is a measurable decrease in the estimated future cash flows from a group of loans, although the decrease cannot yet be identified by examining each individual loan in the group separately,

including:

- Adverse changes in the payment status on the balance of the group of loans (e.g. increase in the number of past due payments due to sector problems), or

- Economic conditions on a national or local scale that correlate with delays in the payments of loans within the group of loans (e.g. increase in the unemployment rate within a geographical area, decrease in the value of property placed as collateral in the same geographical area, or unfavorable changes in the operating conditions of a sector, which affect the debtors included in a specific group).

For the purposes of an impairment assessment on a collective basis, advances are grouped based on their credit risk characteristics. The Bank adopts a standardised approach for collective impairment by using probabilities of default based on historical data and past experience. Loans and advances are grouped into portfolios which are considered to have similar credit risk characteristics. In addition, the historical information is supplemented by estimates from the Management, in order for the estimates to be representative of current economic conditions. When a loan is uncollectible, it is written off against the related provision for impairment, as long as such a provision exists. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Loans and other receivables are written off when either the ability to receive cash flows has ceased or the Bank has transferred substantially all the risks and rewards to third parties.

Impairment of Available for Sale financial assets

When there is objective evidence that equity titles classified as available for sale have a significant or a prolonged reduction in the fair value of the share less than its cost, then impairment indications exist. If there are such objective evidence for financial assets available for sale, the accumulated loss which is determined as the difference between the cost of purchase and the current fair value, less the impairment of the asset previously recognized, is transferred in equity and recognized in the Income Statement. If, at a subsequent period, the fair value of a debt title classified as available for sale, increases and the increase can objectively be associated with a fact that took place after the recognition of the impairment loss in the Income Statement, the impairment loss is reversed through the Income Statement.

Impairment of non-financial assets

Intangibles that have an indefinite useful life, including goodwill, are not subject to amortisation and are tested annually for impairment or more frequently if events and changes in circumstances indicate that they might be impaired. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The table below provides a breakdown of impaired and past due exposures by country of incorporation of the counterparty of the relevant exposures.

Impaired and Past Due exposures and relevant Credit risk adjustments by country of counterparty								
Country of Counterparty	Impaired Exposures €000	Exposures with Days Past Due €000	Of Which: Exposures with Days Past Due but not Impaired €000	Total Impaired or Past Due Exposure Before Credit risk adjustments €000	Credit risk adjustments €000	Of which: Specific €000	Of which: Collective €000	Total Exposure after Credit risk adjustments €000
United Arab Emirates	-	1	1	1	1	-	1	-
Australia	-	1	1	1	-	-	-	1
Bulgaria	-	-	-	-	-	-	-	-
Belize	-	146	146	146	-	-	-	146
Cyprus	278.959	397.062	138.350	417.309	145.643	139.268	6.375	271.666
Germany	-	-	-	-	-	-	-	-
Egypt	-	-	-	-	-	-	-	-
Finland	-	1	1	1	1	-	1	-
United Kingdom	933	1.501	567	1.500	858	858	-	642
Greece	-	8.968	8.968	8.968	8	-	8	8.960
Guatemala	-	-	-	-	-	-	-	-
Israel	2	-	-	2	-	-	-	2
Italy	-	-	-	-	-	-	-	-
Lebanon	6.131	6.137	6	6.137	67	67	-	6.070
Nigeria	-	510	510	510	-	-	-	510
Portugal	-	-	-	-	-	-	-	-
Russia	185	232	46	231	188	186	2	43

Seychelles	-	-	-	-	-	-	-	-
Ukraine	-	-	-	-	-	-	-	-
USA	416	2.088	1.670	2.086	272	60	212	1.814
Virgin British Islands	-	1.767	1.767	1.767	-	-	-	1.767
South Africa	-	-	-	-	-	-	-	-
Total	**286.626**	**418.414**	**152.033**	**438.659**	**147.038**	**140.439**	**6.599**	**291.621**

The table below provides a breakdown of impaired and past due exposures by industry:

Impaired and Past Due exposures and relevant Credit risk adjustments by industry								
Industry	Impaired Exposures €000	Exposures with Days Past Due €000	Of Which: Exposures with Days Past Due but not Impaired €000	Total Impaired or Past Due Exposure Before Credit risk adjustments €000	Credit risk adjustments €000	Of which: Specific €000	Of which: Collective €000	Total Exposure after Credit risk adjustments €000
Accommodation and Food Services Activities	23.976	33.291	9.315	33.291	7.374	7.345	29	25.917
Administrative and support Service Activities	754	2.382	1.628	2.382	483	407	76	1.899
Arts, Entertainment and Recreation	99	567	469	568	79	56	23	489
Agriculture, Forestry and Fishing	1.645	1.650	5	1.650	1.079	1.079	-	571
Construction	65.447	116.187	51.678	117.125	38.316	37.806	510	78.809
Education	-	191	191	191	8	-	8	183
Electricity, Gas, Steam and Air conditioning supply	5.942	6.432	489	6.431	3.199	3.170	29	3.232
Financial and insurance Activities	17.499	6.568	4.620	22.119	6.616	5.428	1.188	15.503
Human health and social work activities	113	247	134	247	123	89	34	124
Information and Communication	44	99	55	99	38	37	1	61
Manufacturing	3.824	4.253	429	4.253	1.757	1.726	31	2.496
Mining and quarrying	3.249	4.313	1.063	4.312	1.073	1.027	46	3.239
Other Service activities	2.830	3.017	187	3.017	1.851	1.841	10	1.166
Private individuals	86.894	122.979	39.842	126.736	47.134	43.845	3.289	79.602
Professional, scientific and technical Activities	761	3.376	2.615	3.376	593	570	23	2.783
Real Estate Activities	34.515	42.503	7.988	42.503	15.730	15.486	244	26.773

Transport and Storage	940	13.785	12.845	13.785	680	342	338	13.105
Water supply, sewerage, waste management and remediation activities	18	18	-	18	16	16	-	2
Wholesale and retail trade, repair of motor vehicles and motorcycles	38.076	56.556	18.480	56.556	20.889	20.169	720	35.667
Total	**286.626**	**418.414**	**152.033**	**438.659**	**147.038**	**140.439**	**6.599**	**291.621**

The following table presents the movement of accumulated impairment losses on the value of loans and advances, debt securities and equity securities:

Movement of accumulated impairment	Individual impairment €000	Provisions to cover credit risk resulting from commitments and guarantees €000	Total €000
Balance as at 1 January 2016	150.310	661	150.971
Write-offs	(11.190)	-	(11.190)
Provision charge for the year	68.256	582	68.838
Provision recoveries and other adjustments	(50.883)	(395)	(51.278)
Foreign Exchange differences	96		96
Balance as at 31 December 2016	**156.589**	**848**	**157.437**
Collective impairment	**12.369**	**-**	**12.369**

6.8 Average exposure during 2016 analysed by asset class

Exposure class	Original exposure net of provisions €000	Average exposure €000
Central Governments and Central Banks	389.597	329.149
Regional Governments or local authorities	5.589	4.610
Public sector entities	-	164
Multilateral Development Banks	63.113	65.273
International Organisations	-	11.573
Institutions	91.412	80.843
Corporate	239.470	258.062
Retail	55.371	57.927
Secured by mortgages on immovable property	94.812	98.141
Exposures in default	175.008	202.482
Items associated with particular high risk	82.877	68.491
Equity	5.929	6.222
Other Items	90.874	69.527
Total	**1.294.052**	**1.252.464**

6.9 Total original exposure, net of provisions, analysed by country of counterparties' residence/incorporation

Exposures per Asset Class per Country of incorporation of Counterparty	Belgium €000	Cyprus €000	Denmark €000	United Kingdom €000	Lebanon €000	Russia €000	United States €000	British Virgin Islands €000	Other €000	Total €000
Central Governments and Central Banks	-	389.597	-	-	-	-	-	-	-	389.597
Regional Governments or local authorities	-	5.588	-	-	-	-	-	-	1	5.589
Multilateral Development Banks	63.113	-	-	-	-	-	-	-	-	63.113
Institutions	-	1.011	10.452	1.710	50.001	1.652	19.042	-	7.544	91.412
Corporate	-	187.588	-	75	-	715	3	26.166	24.923	239.470
Retail	3	52.648	25	117	35	355	73	27	2.087	55.371
Secured by mortgages on immovable property	-	92.227	-	671	-	440	645	-	830	94.812
Exposures in default	-	166.826	-	75	6.064	28	1.958	-	57	175.008
Items associated with particular high risk	-	82.877	-	-	-	-	-	-	-	82.877
Equity	-	-	-	-	-	-	-	-	5.929	5.929
Other Items									90.874	90.874
Total	**63.116**	**978.362**	**10.477**	**2.648**	**56.100**	**3.190**	**21.721**	**26.193**	**132.245**	**1.294.052**

6.10 Total original exposure, net of provisions, analysed by industry segment

€000	Accommodation and Food Services Activities	Administrative and support Service Activities	Construction	Education	Electricity, Gas, Steam and Air-conditioning supply	Financial and insurance Activities	Human health and social work activities	Manufacturing	Mining and quarrying	Private individuals	Professional, Scientific and technical Activities	Public Administration and defense ; Compulsory social security	Real Estate Activities	Transport and Storage	Water supply, sewerage, waste management and remediation activities	Wholesale and retail trade, repair of motor vehicles and motorcycles	Other	Total
Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	55.250	-	-	-	-	334347	389.597
Regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	5.589	-	-	-	-	-	5.589
Multilateral Development Banks	-	-	-	-	-	63.113	-	-	-	-	-	-	-	-	-	-	-	63.113
Institutions	-	-	-	-	-	91.412	-	-	-	-	-	-	-	-	-	-	-	91.412
Corporates	15.686	5.813	19.747	4.134	-	10.366	3.423	16.879	25.083	1.780	3.570	-	2.996	17.545	60.483	50.544	1421	239.470
Of which SME	15.686	5.813	7.529	2.752	-	10.147	3.423	13.908	25.083	1.638	2.332	-	2.996	14.097	-	34.837	996	*141.237*
Retail	1.009	543	1.001	187	364	676	51	1.669	14	35.878	1.241	-	3.282	771	8	7.501	1176	55.371

Of which SME	1.009	543	1.001	187	364	268	46	1.669	14	46	1.241	-	3.282	771	8	7.450	1.177	*19.076*
Secured by mortgages on immovable property	720	153	5.290	2.171	424	49	403	11.579	178	52.834	435	-	1.901	9.232	-	8.461	982	94.812
Of which SME	720	153	5.290	2.171	424	49	403	11.579	178	2.398	435	-	1.656	50	-	5.125	481	*31.112*
Exposures in default	16.653	1.475	15.407	-	2.789	15.885	1.018	2.232	3.772	62.844	473	-	13.432	5.561	2	31.806	1659	175.008
Items associated with particular high risk	-	-	61.805	-	-	253	-	-	-	2.823	-	-	17.996	-	-	-	-	82.877
Equity	-	-	-	-	-	5.929	-	-	-	-	-	-	-	-	-	-	-	5.929
Other items	-	-	-	-	-	5.984	-	-	-	-	-	-	14.175	-	-	-	70715	90.874
Total	34.068	7.984	03.250	6.492	3.577	93.667	4.895	32.359	29.047	56.159	5.719	60.839	53.782	33.109	60.493	98.312	410.300	1.294.052

6.11 Original Exposure values, net of provision, by residual maturity

Exposure Class	< 1 month €000	1 – 3 months €000	3 – 12 months €000	1 – 5 years €000	> 5 years €000	Undefined €000	Total €000
Central Governments and Central Banks	325.994	12.496	-	22.757	28.350	-	389.597
Regional Governments or local authorities	216	-	-	-	5.373	-	5.589
Multilateral Development Banks	-	-	63.113	-	-		63.113
Institutions	40.986	50.404	22	-	-		91.412
Corporate	40.897	1.898	42.608	28.402	125.665	-	239.470
Retail	16.253	1.780	4.947	12.576	19.815		55.371
Secured by mortgages on immovable property	17.010	8	335	7.241	70.218		94.812
Exposures in default	28.098	1.273	3.274	40.952	115.586	-14.175	175.008
Items associated with particular high risk	23.356	86	4.981	13.591	40.863	-	82.877
Equity	8.409	-	-	-	-	-2.480	5.929
Other Items	-	-	-	-	-	90.874	90.874
Total	**501.219**	**67.945**	**119.280**	**125.519**	**405.870**	**74.219**	**1.294.052**

6.12 Counterparty Credit Risk (CCR)

Derivatives

As at 31 December 2016 the Bank had open positions in derivative contracts which comprised of FX Forwards and FX Swaps. The Bank used the Mark-to-Market method to calculate its exposure to these derivatives. Details on these contracts and on the results of the Mark-to-Market calculations are shown in the table below:

Derivative type	Positive fair value €000	Negative fair value €000	Notional amount €000	Exposure before CRM €000	Exposure after CRM €000	RWAs pre SME factor €000	Capital Req. €000
FX Forwards	710	(690)	25.965	1.008	1.008	1.047	84
FX Swaps	300	(834)	149.962	1.800	1.800	2.435	195
Total	**1.010**	**(1.524)**	**175.925**	**2.808**	**2.808**	**3.482**	**279**

6.13 Wrong Way Risk

Wrong way risk occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty, i.e. changes in market rates have an adverse impact on the probability of default of a counterparty. This risk is not currently measured as it is not considered as significant.

6.14 Internal Capital Adequacy Assessment Process

The Bank's Pillar II capital assessment relies largely on the Pillar I Plus approach under which Pillar I capital requirements serve as a starting point and thereafter an assessment is conducted to investigate the possibility of whether an additional capital cushion should be set aside for:

(a) Pillar I risks (namely, credit and counterparty risk, operational risk, market risk) that may not be adequately covered by the regulatory capital requirements calculated under the Standardised Approach, and

(b) Pillar II risks that lie beyond the scope of the regulatory capital requirements calculated under Pillar I. Such risks typically include future non-performing loans (NPLs) from customer lending and their impact on projected earnings, concentration risk, interest rate risk, liquidity risk and business risk.

Pillar II capital is allocated to those risks where capital can actually serve as an effective cushion against future possible losses. No Pillar II capital is allocated under ICAAP for risks that capital cannot realistically absorb future possible losses, including catastrophic risks.

The Bank is currently in the process of preparing its ICAAP for the year 2016.

7. MARKET AND LIQUIDITY RISK

7.1 Definition of Market & Liquidity Risk

Liquidity Risk is the risk that the Bank cannot generate or source sufficient liquid funds in order to meet its immediate liabilities, without incurring significant economic costs.

Market Risk is analyzed into the following types of risks:

- Interest Rate Risk is the risk that the value of financial instruments and net interest income will decrease due to adverse movements in market interest rates. Interest Rate Risk arises due to timing differences in the re-pricing of interest rates or the maturity of assets and liabilities. Interest Rate Risk arises mainly from interest-bearing banking activities and from the Bank's loan portfolio, and is hedged to a large extent by acquiring placements in the inter-bank market.

- Currency Risk is the risk that the value of financial instruments and assets and liabilities fluctuates due to changes in exchange rates.

- Price Risk is the risk associated with changes in the market prices of various financial instruments (bonds, derivatives, equities, etc.) owned by the Bank.

7.2 Liquidity Risk Management Framework

The Bank operates within a Liquidity Risk management framework incorporating the following principles:

- The Bank shall have in place methodologies and supporting processes and systems in order to be able to constantly monitor prudential liquidity indicators and control its liquidity position. A liquidity limit structure, compliant with the relevant regulatory requirements, shall cover cash flow mismatches and the liquidity structure of assets for all major currencies in which the Banks operates.

- In addition to the assessment of the liquidity surplus under normal circumstances, a scenario-based stress testing methodology shall be deployed for the analysis of the Bank's liquidity profile after the deduction of 'hot monies' which may include short term deposits, customer term deposits that are likely to break, ECB funds that are subject to sovereign credit quality criteria, etc.

- The assumptions utilized in the Liquidity Risk management framework shall capture both Idiosyncratic and Systemic Risk factors.

- The Bank shall maintain adequately diversified funding sources by focusing on retail deposits rather than wholesale funding.

- Contingency plans for handling liquidity disruptions/crises shall exist and describe explicit processes for restoring cash flow shortfalls in a timely and cost effective manner.

Liquidity Risk is monitored and controlled by the Treasury Department, the Finance Department and the Risk Management Department. The conformity with the regulations set by the applicable Supervisory Authorities for liquidity ratios and mismatched maturity ratios both in Euro and in foreign currencies, and with internal limits are monitored on a daily basis. The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions without incurring unacceptable losses.

The monitoring and management of Liquidity Risk is achieved through the use and monitoring of the following:

- Balance in the Minimum Reserve Account as specified by the applicable Supervisory Authorities.
- Maturity mismatch indices between financial assets and financial liabilities for periods of up to one month.
- Available liquid assets to customer deposits ratios, in Euro and foreign currencies.
- Liquidity Coverage Ratio based on EU Regulation 2015/61 regarding the coverage requirement of Liquidity Risk.

During the first three months of 2016, there were periods during which the Bank was in breach of local prudential liquidity requirements due to customer deposit withdrawals (in the aftermath of the Greek financial crisis) and to the non-eligibility of the CY Government Bonds and T-Bills (following Cyprus' exit from the Troika program).

As at 31 December 2016, at the date of the finalization of its audited Financial Statements and throughout the year, the Bank was in compliance with the required minimum Liquidity Coverage Ratio of the European Central Bank.

7.3 Market Risk Management Framework

The Board of Directors, Board Risk Committee (BRC), Asset-Liability Committee (ALCO), Risk Management Department, Internal Audit Unit and Treasury Department are considered as the primary units involved in the Market Risk Management process.

- The Board of Directors approves the Market Risk Management Strategy and Policy, as well as any amendments to it. It ensures the implementation of the Market Risk Management Strategy and Policy, as well as the completeness and suitability of the Market Risk Limits Management framework. It is regularly – or ad hoc if necessary – updated on the evolution of market conditions as well as on the Bank's key financial figures which relate to Market Risks.

- The BRC preapproves the Market Risk Management Strategy and Policy, as well as any amendments, ensuring its alignment with the Risk Management Framework. It ensures the implementation of the Market Risk Management Strategy and Policy as well as the completeness and suitability of the Market Risk Limits Management framework. It is regularly – or ad hoc if necessary – updated on the evolution of market conditions as well as on the key financial figures of the Bank which relate to Market Risks. Lastly, it ensures the suitability and adequacy of the framework of policies, procedures, systems and general controls employed in the management of Market Risk.

- The role of the ALCO is to drive the Bank in maintaining its competitiveness and profitability, while at the same time ensuring that the risk undertaking will remain within the limits of the approved strategy. The ALCO sets and approves the Market Risk limits.

- Following propositions of the Bank's trading desk, the Risk Management Department develops and submits for approval to BRC – on behalf of the Bank – the Market Risk policy and any amendments to it.

  In addition to the above, the Risk Management Department monitors compliance with regulatory and internal limits, manages any limit breaches by creating the necessary reports and monitors compliance measures. It is also responsible for the measurement of risk by calculating various measures and generating reports, and for developing measurement methodologies aligned to international standards and best practices.

- The Internal Audit Unit is responsible for evaluating the effectiveness of the implementation of the Market Risk Management Policy. More specifically, it evaluates the effectiveness of the said policy and any related procedures, performs audit to ensure that the personnel of the involved units follows the approved policy and procedures, and verifies that the data related to Market Risk measurement are identified correctly in the systems. Finally, the Internal Audit Unit evaluates compliance of the policy with the principles required by the applicable regulatory framework.

- Lastly, the Treasury Unit submits to the ALCO proposals for particular actions in the context of enhancing the Market Risk strategy, participates in shaping the Policy and the limits framework, and ensures compliance with the predefined limits, justifying any limit breach and the application of necessary compliance actions.

The Bank has exposure to financial transactions included in Available for Sale (AFS) portfolios. These have short to medium term horizon and their profit derives from differences in buy-sell prices. These portfolios include positions which hedge risk deriving from other transactions in products categorized in Trading or AFS portfolios. As at 31 December 2016, the Bank did not have a Trading Book and therefore classified its AFS bonds and equities in the Banking Book.

7.3.1 Interest Rate Risk

Interest Rate Risk is measured using interest rate sensitivity gap analysis. The annual impact of any change in interest rates on profit is calculated by multiplying the net asset or liability position repricing in each time band with the assumed change in interest rates.

The Bank monitors Interest Rate Risk by measuring the sensitivity of Net Interest Income, for a period of 12 months, under various interest rate change scenarios. The table below shows the impact on Net Interest Income (over the next 12 months) as a result of a change of ±200 basis points in interest rates by currency as at 31 December 2016:

Change (€ milion)	Euro	US Dollar	Swiss Franc	Other currencies	Total
+200 basis points	0.09	(0.1)	(0.3)	(0.19)	(0.5)
-200 basis points	(0.09)	0.1	0.3	0.19	0.5

Interest Rate Risks are identified, measured and managed at all times and on a best effort basis. All Interest Rate Risks assumed are communicated to the Treasury Unit which is responsible for their effective management, within approved limits. Interest Rate Risk limits are set and monitored against the exposure of all interest rate sensitive assets and liabilities, both on and off balance sheet, and limit excesses are reported to the relevant parties immediately.

7.3.2 Currency Risk

Currency Risk may arise from the holding of assets in one currency funded by liabilities in another currency or from a spot or forward foreign exchange trade or from derivatives. The Bank enters into foreign exchange transactions in order to accommodate customer needs and to hedge its open positions. The Bank's Treasury Unit also enters into spot foreign exchange transactions within predefined and approved limits, as well as transactions in derivatives such as foreign exchange forwards and foreign exchange swaps.

The table below reflect the Bank's exposure to Currency Risk which stems from its open positions in the various currencies as at 31 December 2016. The analysis below assumes possible scenarios of movements to take place in specific foreign currencies against the Euro.

Currency	Change in exchange rates %	Impact on Income Statement €000
US Dollar	+10% (-10%)	63 (-63)
British Pound	+10% (-10%)	6 (-6)
Swiss Franc	+10% (-10%)	39 (-39)
Other currencies	+10% (-10%)	0 (0)

7.3.3 Price Risk

The Bank invests in listed and non-listed equity shares which, depending on the purpose of the investment, are classified in the appropriate portfolio. Currently all investments in equity securities, except for investments in subsidiaries, are classified as available for sale financial assets. European government bonds, including Cyprus government bonds listed in an active market, are also classified under this category.

Available for sale investments are non-derivative financial assets that are designated as available for sale or are not classified under another category of financial assets. Available for sale investments may be held for an undetermined period of time or may be sold in response to changes in market risks or liquidity requirements.

Available for sale financial assets are initially recognized at fair value (including transaction costs) and are subsequently measured at fair value based on the current prices, or when those are not readily available the value as per the valuation models as per the provisions of IAS 39. They are included in non-current assets, unless Management intends to dispose of the investments within twelve months from the balance sheet date.

Investments in Equities	Amount 31 December 2016 €000
Cost	
Balance 1 January 2016	12.165
Acquisitions	39
Disposals	-
Balance 31 December 2016 at cost	**12.204**
Fair value	
Balance 1 January 2016	12.165
Acquisitions	39
Disposals	-
Balance 31 December 2016 at fair value	**12.204**

8. OPERATIONAL RISK

8.1 Definition of Operational Risk

Operational Risk is defined as the risk of loss deriving from inadequate or failed internal processes, people and systems or from external events.

8.2 Operational Risk Management procedures

The Bank establishes policies and procedures for managing Operational Risk and ensures that these are adhered to in the conduct of its operations. Operational Risk is managed by establishing internal processes and controls involving:

- Segregation of duties, including independent authorization of transactions, the reconciliation and monitoring of transactions, documentation of controls and procedures.
- Compliance with regulatory and other legal requirements.
- Development of business continuity and disaster recovery plans.
- Personnel training.
- Risk mitigation by taking out insurance cover.
- Own knowledge of the business.
- Risk Control Self-Assessment (RCSA).
- Internal Audit Reports.
- External Audit Reports.

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

9. ASSET ENCUMBRANCE

An asset is classified as encumbered if it has been pledged as collateral against secured funding and other collateralized obligations and, as a result, is no longer available to the Bank for further collateral or liquidity requirements. The following table present an analysis of the encumbered and unencumbered assets and the extent to which these assets are currently pledged for funding or other purposes.

9.1 Encumbered and unencumbered assets by asset type

31 December 2016	Carrying value of encumbered assets €000	Fair value of encumbered assets €000	Carrying value of unencumbered assets €000	Fair value of unencumbered assets €000
Shares	-	-	12	12
Bonds	-	-	118	118
Other assets	-	-	1.067	-
Total	**-**	**-**	**1.197**	**-**

As at 31 December 2016 the Bank did not have any encumbered or unencumbered collateral received or own debt securities issued, nor were there any encumbered assets and off-balance-sheet items with its associated liabilities to report.

10. LEVERAGE RATIO

The Basel III framework introduced a simple, transparent, non-risk based Leverage Ratio to act as a credible supplementary measure to the risk-based capital requirements.

The Leverage Ratio is defined as the capital measure (i.e. the Bank's Tier 1 capital) divided by the exposure measure as this is defined in the European Commission's Regulation (EU) 2015/62 of 10 October 2014 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council. It is noted that the final calibration and any further adjustments to the definition will be completed by 2017, with a view to migrating to a Pillar I minimum capital requirement on 1 January 2018. The Bank calculates its Leverage Ratio as at the end of each quarter.

The minimum required level for the purposes of the Leverage Ratio is currently set at 3%. The Bank's Leverage Ratio as at 31 December 2016 amounted to 8,12%. During 2016 the Leverage Ratio ranged between 4,57% (30 September 2016) and 8,12% (31 December 2016). The main reason for the increase in the Leverage Ratio over the period was the notable rise in the Bank's Tier 1 capital (the numerator to the ratio), which was mainly the consequence of the completion of the acquisition and the injection of €40m in the form of additional share capital by 28th December 2016.

The Bank monitors its Leverage Ratio at least on a quarterly basis and all appropriate measures are taken where deemed necessary.

The following table provides a reconciliation of accounting assets and leverage ratio exposures for reporting date 31 December 2016:

31 December 2016		Applicable Amounts €000
1	Total assets as per published financial statements	1.197.006
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	-
4	Adjustments for derivative financial instruments	1.798
5	Adjustments for securities financing transactions "SFTs"	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	18.826
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	-
7	Other adjustments	(3.154)
8	**Total leverage ratio Exposure**	**1.214.476**

The table below provides a breakdown of total leverage ratio exposures by exposure type:

31 December 2016		CRR leverage ratio exposures €000
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	1.197.055
2	(Asset amounts deducted in determining Tier 1 capital)	(4.213)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	**1.192.842**
Derivative exposures		
4	Replacement cost associated with *all* derivatives transactions (i.e. net of eligible cash variation margin)	1.010
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	1.798
11	**Total derivative exposures**	**2.808**
Securities financing transaction exposures		
16	**Total securities financing transaction exposures**	**-**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	94.195
18	(Adjustments for conversion to credit equivalent amounts)	(75.369)
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**18.826**
Capital and total exposures		
20	**Tier 1 capital**	**98.568**
21	**Total leverage ratio exposures**	**1.214.476**
Leverage ratio		
22	**Leverage ratio (transitional definition)**	**8,12%**

The following table provides a breakdown of total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures) by exposure class:

31 December 2016	CRR leverage ratio exposures €000
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**1.197.055**
Trading book exposures	-
Banking book exposures, of which:	1.197.055
Covered bonds	-
Exposures treated as sovereigns	*452.156*
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	*66.082*
Institutions	*89.176*
Secured by mortgages of immovable properties	*84.164*
Retail exposures	*30.620*
Corporate	*123.429*

Exposures in default	*172.618*
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	*178.810*

11. REMUNERATION DISCLOSURES

This section discloses information relating to the remuneration policies and procedures of AstroBank Limited, and sets out some remuneration details with regards to those members of management and staff who as at 31 December 2016, were considered to have material impact on the Bank's risk profile.

The Bank's remuneration policy supports a performance culture that aligns the organization's objectives with the stakeholders' interests and motivates the employees to continue to act in a way that is beneficial for the Bank.

The remuneration policy is based on the following principles:

- Maximize performance
- Attract and retain talents
- Align earnings and reward with profitability, risk, capital adequacy and sustainable growth
- Comply with the regulatory framework
- Ensure internal transparency.

11.1 Nomination and Remuneration Committee

The Board has established a Nomination and Remuneration Committee ("NR Committee") with the objective of the delegation of its duties concerning the Bank's remuneration policy and the oversight required to ensure its proper implementation, maintenance and update.

In relation to nomination matters, the NR Committee:

- Proposes to the Board a person or persons suitable to succeed the Chairman or the Managing Director in case of resignation or permanent inability for any reason to perform their duties during their term of office.
- Proposes to the Board an individual or individuals suitable to replace the Directors in case of resignation, disqualification from the office or permanent inability to discharge their duties for any reason during their term of office. Non-acceptance of election as Board member shall be treated in the same way as a resignation.
- For the purposes of the first paragraph above, the Nomination Committee decides on setting the target for the representation of the under-represented sex in the governing body and prepares the policy on increasing the number of the under- represented sex on the governing body, in order to realize this objective. The aim of the policy and its application are published in accordance with the provisions of Article 435 paragraph (2) (c) of Regulation (EU) No. 575/2013.

- Ensures that decision-making by the Board is not dominated by a single person or small group of individuals in a manner prejudicial to the interests of the institution as a whole.

- Evaluates annually the skills, knowledge and expertise of the Directors, and reports thereon to the Board.

- Evaluates annually the structure, size, composition and performance of the Board of Directors and makes recommendations to the Board for any changes.

- Examines issues related to the design of succession.

- Reviews periodically the policy of the Board of Directors on the selection, development and appointment of senior management and the head of the internal audit department and makes recommendations to the Board.

- Reviews periodically the policy of the Bank on the recruitment, job rotation and promotion of staff and submits relevant reports to the Board.

- Reviews periodically, and at least annually, in cooperation with the Audit Committee and the Risk Management Committee, the composition, powers and independence of the Internal Audit Department and submits relevant reports to the Board.

As far as issues relating to remuneration, the NR Committee:

- Defines the policy of the Bank on remuneration and other benefits received by the Executive Members of the management and other employees of the Bank in accordance with the relevant Central Bank Directive and taking into account where applicable, the Collective Agreements between the Cyprus Bankers Employers' Association and the Cyprus Union of Bank Employees (ETYK).

- Reviews every year the Remuneration Policy and ensures its implementation.

- Ensures that the Executive Members of the Bank receive remuneration and benefits commensurate with their duties and responsibilities, capable to attract and retain executives of high caliber and efficiency and which are commensurate to those given by other financial institutions of comparable size and business operations in Cyprus and abroad. In determining the remuneration of each member, his/her contribution to the achievement of the Bank's objectives shall be taken into account.

- Aligns the interests of shareholders with those of the Executive Members of the Management through regular or special bonuses linked to the profitability or return on equity, or generally the financial results of the Bank.

- Examines the obligations arising in the case of early termination of contracts of Executive Directors / Directors (including their pension rights).

- Ensures that the Audit Department is involved in the design, review and implementation of the remuneration policy.

The NR Committee may meet with the frequency it deems necessary, but at least once year. During 2016 the Committee held two meetings.

As at 31st December 2016 the NR Committee was comprised of three Non-Executive Directors in the Bank's Board.

The Bank's Remuneration Policy is according to the signed collective agreement with the Bank Employees Trade Union (ETYK) and aims to be in line with the Bank's business strategy and objectives. The Remuneration Policy is consistent with the effective management of risk and does not provide for variable remuneration for the performance of any member of the staff and thus it does not encourage excessive risk-taking by staff members. In addition, the Remuneration Policy does not provide for the granting of any other type of incentive to staff members (such as the entitlement to shares, options or bonuses).

11.2 Assessment of employee performance

The management of the performance of human resources and the utilization of skills are crucial for the improvement of the efficiency of the Bank and for the continuous increase in the value given by the Bank to its clients, shareholders and collaborators. In the context of the need to set common criteria for measuring the efficiency and potential development of human capital and the Bank's business units, the following two automated evaluation systems are applied:

- Evaluation of Performance and Behaviour-Skills of human resources based on the "Cezanne" system.
- Evaluation of the professional behaviour of Bank executives based on "Lead 360" system.

These systems form part of the constant quest for continuous development of the human resources of the Bank. The aim of the projects is to modernize staff administration procedures and to give autonomy to staff to have a direct and effective communication with subordinates / superiors which contributes significantly to the creation of suitable relations for continuous development and improvement of employees.

11.3 Fixed remuneration

Fixed remuneration within the Bank is structured based on salary scales which are determined according to each employee's grade and basic salary. The percentage of established posts is set at 33% of the total number of staff of the Bank, and a calculation of the 33% of established posts is performed annually on 31st October, with the purpose of any resulting changes to become effective on 1st January of the following year. It is noted that the percentage of established posts as at 31 December 2016 was well above the minimum percentage as defined in the collective agreement. Non-Executive directors receive a fixed remuneration package approved by the NR Committee each year.

11.4 Variable remuneration

The Bank rewards performance based on predefined quantitative and qualitative targets, both short and long term. The criteria employed take into account the Bank's medium- and long-term strategy, align the interests of employees with the interests of the organization and the shareholders and ensure that excessive risk-taking or short-term orientation is avoided, while they are also linked to the performance of the individual and the unit concerned. A summary of the most important criteria in evaluating employee performance is presented below:

- Qualitative criteria
  - Effectiveness and Orientation to Goals
  - Business initiative
  - Influence and Perseverance
  - Crisis and creativity
  - Change management and flexibility
  - Create a Contact Network
  - Managing and developing individuals

- Quantitative criteria
  - The quantitative criteria are determined according to the employee's role, duties and responsibilities.

During 2016, no variable remuneration was granted to any Bank employee.

11.5 Analysis of remuneration of senior management and other code staff

Item	Senior Management	Other Code Staff[1]	Total
Number of beneficiaries	23	30	**53**
Fixed remuneration – Total cost - €'000	2.009	2.256	**4.265**
Variable remuneration	-	-	**-**
Total remuneration – Total cost - €'000	**2.009**	**2.256**	**4.265**
Outstanding deferred remuneration	-	-	-
New sign-on payments / severance payments	-	-	-

[1] Other Code Staff includes staff whose actions could have a material impact on the Bank's risk profile

11.6 Analysis of remuneration by business area

Position	Senior Management €000	Other Risk Takers €000	Total €000
Executive Board Members	354	-	354
Non-Executive Board Members	321	-	321
Independent Control Functions	197	-	197
Corporate	515	853	1.368
Investment Banking	157	159	316
Retail Banking	465	851	1.316
Asset Management	-	71	71
Other Functions	-	322	322
Total	**2.009**	**2.256**	**4.265**

12. OPERATING ENVIRONMENT

Following a long and relatively deep economic recession, the Cyprus economy began to record positive growth in 2015 which accelerated during 2016. The restrictive measures and capital controls which were in place since March 2013 were lifted in April 2015 and on the back of the strength of the economy’s performance and the strong implementation of required measures and reforms, Cyprus exited its economic adjustment program in March 2016.

In recognition of the progress achieved on the fiscal front and the economic recovery, as well as the enactment of the foreclosure and insolvency framework, the international credit rating agencies have proceeded with a number of upgrades of the credit ratings for the Cypriot sovereign, and although the rating continues to be "non-investment grade", the Cyprus government has regained access to the capital markets. Fitch Ratings upgraded the rating of the Republic of Cyprus one notch to BB- with a positive outlook in October 2016, S&P Global Rating by one notch to BB with a positive outlook in September 2016 and by one notch to BB+ with a stable outlook in March 2017 and Moody’s Investors Service by two notches to B1 with a stable outlook in November 2015. In November 2016 Moody’s Investors Service improved the outlook on the Republic of Cyprus from stable to positive.

The outlook for the Cyprus economy over the medium term remains positive, however, there are downside risks to the growth projections emanating primarily from the high levels of non performing exposures in the banking sector, uncertainties in the property markets, as well as potential deterioration in the external environment for Cyprus. Also the continuation of the recession in Russia in conditions of protracted declines in oil prices; weaker than expected growth in the euro area as a result of worsening global economic conditions; slower growth in the UK with a weakening of the pound as a result of uncertainty regarding the outcome of the Brexit negotiations; and political uncertainty in Europe in view of the refugee crisis.

This operating environment may have a significant impact on the Bank’s operations and financial position. Management is taking necessary measures to ensure sustainability of the Bank’s operations. However, the future effects of the current economic situation are difficult to predict and management’s current expectations and estimates could differ from actual results.

ANNEX I – Summary of the Bank's Risk Appetite Statement

The Bank's Risk Appetite is determined so as not to exceed the risk capacity, given current business conditions, and ensure the Bank's operational smoothness, the implementation of its strategic objectives as well as the achievement of satisfactory performance. In parallel, it is ensured that under adverse business and macroeconomic conditions the risk capacity can absorb unexpected losses and/or commitments, safeguarding a minimum level of solvency as well as depositors and shareholders' interests.

The risk appetite statements are in the form of qualitative statements and quantitative limits and indicate how the Bank addresses material risks at an aggregated level. The quantitative measures, specify the risk appetite statements in particular risk categories as defined by specific Key Risk Indicators (e.g. solvency risk, liquidity risk, etc.) which are utilized to monitor the Bank's risk Profile.

The qualitative risk appetite statements delineate the Bank's position during the development and implementation of the Strategic Plan, both in general terms and in respect of special risk types. The quantitative statements are a set of key measurable indicators that define the maximum level of risk that the Bank wishes to undertake.

Some of the main risk appetite statements are presented below:

RISK APPETITE STATEMENTS

- The overall Bank Risk Appetite Framework ("RAF") is set with due regard to current economic and business conditions.
- The RAF is dynamic and subject to revision from time to time to reflect changing economic and business conditions.
- The aim of the RAF is not to minimize risk per se but achieve a reasonable balance between risk and return, within an overall conservative perspective.
- The Bank must maintain sufficient liquidity and capital buffers and achieve stable and recurring profitability.
- The Bank aims to maintain a culture of continuous improvement of processes, policies, models and tools for measuring and monitoring risk exposures.
- The Bank aims to maintain an internal communication policy and culture that strengthens the confidence of customers, shareholders and employees.
- The Bank aims to ensure the availability and adequacy of resources necessary for the effective operation of the RAF.
- The Bank aims in the avoidance for any Anti-money Laundering (AML) & Counter Terrorist Financing (CTF) risks.
- The Bank aims to take all necessary measures to ensure compliance with all applicable laws and regulations.

- The Bank aims to maintain a strong and stable capital base that supports its business plans and safeguards the ability to continue its operations smoothly.
- The Bank endeavors to maintain capital adequacy ratios in the medium term, above the minimum regulatory limits, in order to ensure the confidence of depositors and shareholders providing sufficient armor against the challenges of economic and business conditions.
- The Bank shall maintain adequate infrastructure, policies, processes and methodologies to support and meet the supervisory and regulatory compliance needs.

The following Key Risk Indicators are utilized to monitor the Bank's Risk Profile:

SOLVENCY RISK
CET1 Ratio 1
LIQUIDITY RISK
Net Loans/Deposits
Liquid Assets/Deposits
LCR
Buffer Amount above Local Regulatory Requirement (as a percentage of total deposits)
CREDIT RISK & ASSET QUALITY
NPE Ratio (not factoring the PB SA guarantee)
NPE Provisions Coverage
90 DPD Ratio
OTHER LIMITS
Direct Exposures to Cyprus Government Debt Securities
Indirect Exposures to Cyprus Government
Non-Investment Grade Non-EU debt securities
PROFITABILITY
NIM (annualized YTD)
Cost to Income (excluding extraordinary income and expenses)

AstroBank Limited

Pillar III Disclosures for the year ended 31 December 2016

ANNEX II – Description of main features of CET1, AT1 and Tier 2 instruments

	CET1	AT1 & T2
Issuer	AstroBank	n/a
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier)	-	-
Governing law(s) of the instrument	Cyprus Law	n/a
Regulatory treatment		
Transitional CRR rules	CET1	n/a
Post-transitional CRR rules	CET1	n/a
Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo & consolidated	n/a
Instrument type	Share capital	n/a
Amount recognised in regulatory capital	€14,1mln	n/a
Nominal amount of instrument	€14.113.487	-
Issue price	€1,00	-
Redemption price	N/A	-
Accounting classification	Shareholders equity	-
Date of conversion of existing shares and issuance of new shares	28 December 2016	-
Original date of issuance	05 July 2007	-
Perpetual or dated	Perpetual	-
Original maturity date	No maturity	-
Issuer call subject to prior supervisory approval	n/a	-
Optional call date, contingent call dates and redemption amount	n/a	-
Subsequent call dates, if applicable	n/a	n/a
Coupons / dividends		
Fixed or floating dividend/coupon	Floating	n/a
Coupon rate and any related index	n/a	n/a
Existence of a dividend stopper	n/a	n/a
Fully discretionary, partially discretionary or mandatory (in terms of timing)	n/a	n/a
Fully discretionary, partially discretionary or mandatory (in terms of amount)	n/a	n/a
Existence of step up or other incentive to redeem	n/a	n/a
Non-cumulative or cumulative	n/a	n/a
Convertible or non-convertible	n/a	n/a
If convertible, conversion trigger(s)	n/a	n/a
If convertible, fully or partially	n/a	n/a
If convertible, conversion rate	n/a	n/a
If convertible, mandatory or optional conversion	n/a	n/a
If convertible, specify instrument type convertible into	n/a	n/a
If convertible, specify issuer of instrument it converts into	n/a	n/a
Write-down features	No	n/a
If write-down, write-down trigger(s)	n/a	n/a
If write-down, full or partial	n/a	n/a
If write-down, permanent or temporary	n/a	n/a
If temporary write-down, description of write-up mechanism	n/a	n/a
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	n/a	n/a
Non-compliant transitional features	No	n/a
If yes, specify non-compliant features	n/a	n/a