AstroBank Public Company Limited

DISCLOSURES
IN ACCORDANCE WITH PILLAR III OF BASEL III
FOR THE YEAR ENDED 31 December 2019

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

NOVEMBER 2020

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1. INTRODUCTION

AstroBank Public Company Limited (the “Bank”) was incorporated as a private limited liability company, in accordance with the provisions of the Cyprus Companies Law, Cap. 113. The principal activities of the Bank are the provision of banking and financial services. During 2019, the Bank operated in Cyprus through 16 Retail Banking branches, 2 Service Centers for Large Corporate Companies, 1 Shipping Unit, Service Centers for SMEs and 2 Service Centers for International Business Services.

The Bank on 18 January 2019 acquired all the assets, liabilities and banking activities of USB Bank PLC (“USB”) which mainly relate to loans receivable, customer deposits, cash, debt securities and stock of properties. The transaction was supported by a capital increase of €54m of which: (a) €44m Ordinary Shares (5.648.267 shares €7,79 each), and (b) €10m Preference Shares (1.250.000 shares €8 each) which are eligible as AT1, and which were mainly provided by AstroBank’s current shareholders. The preference shares (PRCS) were converted during the year 2020 into 1.250.000 ordinary shares of nominal value €1 each and share premium of €7 each. On 14 November 2019, in an Extraordinary General Meeting the Bank approved the increase of the authorized ordinary share capital of the Bank from 22.750.000 ordinary shares of a nominal value of €1 each to 40.000.000 ordinary shares as per the terms and rights described in the Article of Association of the Company as amended by Special Resolution at the same date. During the year 2020, the Bank has issued and allotted 2.387.046 ordinary shares of nominal value €1 each at a share premium of €7,85 each, resulting in an increase in the issued share capital by €2.387.046 and an increase in share premium by €18.738.311. Following the conversion of the redeemable preference shares and the issue of share capital, the share capital and share premium amounted to €23.398.800 and €154.394.747 respectively.

On 26 November 2019 the Bank and National Bank of Greece S.A (‘NBG’) signed an agreement under which the Bank will acquire the whole of the share capital of NBG (Cyprus) Ltd (post carve-out of problematic loans) for a cash consideration of €38m (as adjusted depending on the audited financial statements` net asset value of NBG (Cyprus) Ltd as at the last calendar day of the month in which all conditions precedent have been fulfilled). The agreement is expected to be completed by the end of 2020 subject to the satisfaction of conditions precedent relating to regulatory approvals, delivery of certain information (including externally audited financial statements as at the closing month following conditions precedent satisfaction) by the seller and successful completion of the capital raise on the part of the Bank.

The Bank, following an international competitive bidding process, reached an agreement on 31 December 2019, with Qualco Holdco Limited, for the sale to the latter of 74,9% of Trusset Asset Management Limited, a newly formed company (owned 100% by the Bank), for the management of the Bank’s portfolio of Non Performing Exposures and Real Estate Owned Assets. The agreement is expected to be completed upon satisfaction of conditions precedent.

On 10 January 2020, the Bank`s name was changed from AstroBank Limited to AstroBank Public Company Limited.

2. SCOPE OF APPLICATION

The following information represents the Pillar III disclosures of the Bank for the year ended 31 December 2019, 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 Unit while the Board of Directors, following independent review and verification, grants final approval. 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 2019. The Bank has the following subsidiary companies, which have not been consolidated for regulatory purposes (note: for accounting purposes, the said subsidiaries are included in the consolidated audited financial statements of the Group):

Template 3 (EU LI3) – EBA Guidelines: Outline of the differences in the scopes of consolidation (entity by entity)

Subsidiary companies	Holding (%) 31 Dec 2019	Description of main activities	Basis of consolidation for regulatory purposes
EMF Investors Limited	100%	Dormant	The company is not consolidated and is deducted
AstroBank Insurance Agency Limited	100%	Insurance Broker	The company is not consolidated and is deducted
Adflikton Investments Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Costpleo Investments Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Cutsofiar Enterprises Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Gravieron Company Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Rockory Enterprises Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Bakkens Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Xepa Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Kaihur Investment Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Pertanam Enterprises Ltd	100%	Investment property owner	The company is not consolidated and is deducted

Alarconaco Enterprises Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Langesee Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Olemo Limited	100%	Investment property owner	The company is not consolidated and is deducted
Todero Limited	100%	Investment property owner	The company is not consolidated and is deducted
Castlehawk Limited	100%	Investment property owner	The company is not consolidated and is deducted
Dacibel Limited	100%	Investment property owner	The company is not consolidated and is deducted
Dicoder Limited	100%	Investment property owner	The company is not consolidated and is deducted
Amatorco Limited	100%	Investment property owner	The company is not consolidated and is deducted
Imagetech Ltd	100%	Intermediate Holding Company	The company is not consolidated and is deducted
Averrhoa Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Rowington Ventures Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Lardonia Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Sabatia Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Shortia Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Delaway Ltd	100%	Intermediate Holding Company	The company is not consolidated and is deducted
Olcinia Holdings Ltd	100%	Intermediate Holding Company	The company is not consolidated and is deducted
Crantenia Ventures Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Osperus Holdings Ltd	100%	Intermediate Holding Company	The company is not consolidated and is deducted
Kantadia Ventures Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Dusanic Holdings Ltd	100%	Intermediate Holding Company	The company is not consolidated and is deducted
Macerio Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Perekin Holdings Ltd	100%	Intermediate Holding Company	The company is not consolidated and is deducted
Azulito Ventures Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Perequito Holdings Ltd	100%	Intermediate Holding Company	The company is not consolidated and is deducted
Bequelia Ventures Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Serissa Holdings Ltd	100%	Intermediate Holding Company	The company is not consolidated and is deducted
Tipuana Ventures Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Naila Holdings Ltd	100%	Intermediate Holding Company	The company is not consolidated and is deducted

Lewisia Holdings Ltd	100%	Intermediate Holding Company	The company is not consolidated and is deducted
Snaresbrook Ventures Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Scaevola Ventures Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Ailanthus Holding Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Conaria Holding Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Callistem Holdings Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Yurania Investments Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Carbinor Consultants Ltd	100%	Secretarial Services to the Bank's Subsidiaries	The company is not consolidated and is deducted
Tomentos Holdings Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Viegiot Investments Ltd	100%	Investment property owner	The company is not consolidated and is deducted
A.P.M. Control Company Ltd	100%	Investment property owner	The company is not consolidated and is deducted
A.P.M. Firstsun Company Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Firstplatinum Company Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Openstar International Company Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Gianteto Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Meribas Ltd	100%	Investment property owner	The company is not consolidated and is deducted
Trusset Asset Management Ltd	100%	Dormant	The company is not consolidated and is deducted

Consolidation

The Audited Consolidated Financial Statements for the year 2019 were approved by the Board on 9 July 2020. The disclosures herein have been prepared based on the separate financial statements of the Bank as the subsidiary companies have not been consolidated for regulatory purposes. The main activities of the Investment Property subsidiary companies is the holding and administration of property acquired by the Bank in debt satisfaction. The Intermediate holding companies own shares of Investment property owner subsidiaries.

3. GOVERNANCE AND RISK MANAGEMENT

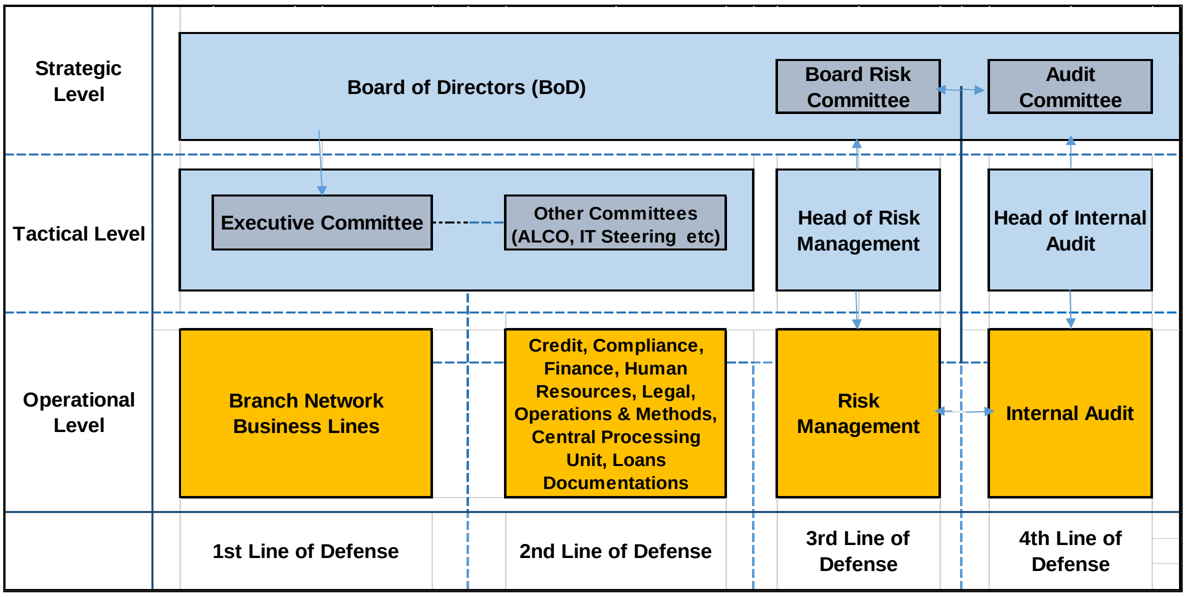
As a financial institution, the Bank is exposed to a number of risks, which mainly consist of Credit and Counterparty Credit Risk, Market and Liquidity Risk and Operational Risk. The Bank monitors and manages these risks through various control mechanisms, based on a risk management program that focuses 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.

The Bank applies a model of defined roles and responsibilities regarding the management of risk (defense lines), in line with the regulatory framework for evaluation of the organization of internal control systems (CRD IV) and with best banking practices.

Risk governance is organized in two key dimensions that generate a governance matrix in which units, committees and management bodies are located according to (a) the line of defense to which their activities belong to and (b) their hierarchical level.

The organizational structure is presented schematically in the following diagram:



3.1 Board of Directors

The Board of Directors is the supreme governing body. As at 31 December 2019 the Board consisted of three Executive directors and ten Non-Executive directors, of which six were also Independent. The Board is chaired by an Independent Non-Executive director.

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, 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 (Internal Capital Adequacy Assessment Process) , ILAAP (Internal Liquidity Adequacy Assessment Process) and Recovery Plan documents.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 the 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 2019, the Bank's Board of Directors held eight 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 assisting the Board for risk management in the Bank. As at 31 December 2019 the BRC comprised of three Independent Non-Executive directors (one is also the chairman). 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 management body in overseeing the effective implementation of the risk strategy by senior management including:

  (i) the development of mechanisms to ensure material exposures that are close to, or exceed approved risk limits are managed and, where necessary, mitigated in an effective and timely manner;

  (ii) the identification and escalation of breaches in risk limits and of material risk exposures in a timely manner.

- Establish the strategy of taking any form of risk and managing capital in a way that serves the business goals of the Bank and ensures the adequacy of the available resources in technical means and staff.
- Provide for the development of an internal risk management framework and its integration in the business decision-making process.
- Determine the principles for managing risks concerning their identification, projection, measurement, monitoring, audit and treatment, in accordance with the business strategy in force and the adequacy of the available resources.
- Assess annually, on the basis of the annual report of the Head of the RMU:
  - the adequacy and effectiveness of the Bank's risk management framework and supporting policies, and the compliance with the specified level of risk tolerance;

  - the appropriateness of the limits, the adequacy of projections and the overall adequacy of the equity capital in relation to the level and the form of the risks taken.
- Approve the proposals of the competent units regarding the adoption of the appropriate risk mitigation techniques at acceptable levels.
- Provide, at least annually, for the transaction of stress tests on credit risk, liquidity risk, market risk, as well as operational risk, using the appropriate techniques.
- Review and evaluate risk management information periodic reports, including the loan portfolio quarterly analysis, and stress test results, produced by RMU.
- Review and evaluate the ICAAP and ILAAP results, and if necessary, suggest to the Board a revision of the business strategy.
- Conduct a self-assessment and report its conclusions and recommendations, verbally or in writing to the Board, for improvements and changes.
- Formulate propositions and propose corrective actions to the BoD for any identified risk-related issues or weaknesses in carrying out the established strategy for the Bank's risk management or divergences regarding its implementation.
- Signing off the quality and integrity of risk-related data submitted to supervisory authorities including the Central Bank of Cyprus.
- Review and monitor risk tolerance levels by product, risk category and business line.
- Approve risk limits and tolerance levels where such authority is delegated by the BoD.
- Take any other necessary actions for carrying out effectively its mission.
- Advise the Board, drawing on the work of the Audit Committee, Risk Management Unit and external auditors, on the adequacy and effectiveness of the risk management framework.
- Ensure that risk parameters and risk models developed and used to quantify them are subject to periodic independent validation.
- Submit to the Board recommendations for the appointment or removal of the Head of the Risk Management Unit.

In addition, the BRC is responsible for monitoring the independence, adequacy and effectiveness of the Risk Management and Information Security Departments. During 2019, the BRC met seven 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 Controls 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 2019 the Audit Committee was made up of one Non-Executive director and four Independent Non-Executive directors of the Board, and it convened six times during the year.

3.2.3 Nomination and Remuneration Committee

As at 31 December 2019 the Nomination and Remuneration Committee comprised of a Non-Executive director (also the chairman) and two Independent Non-Executive directors. 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 2019 the Nomination and Remuneration Committee held two meetings. More information on its role and duties can be found in section 11 of these disclosures.

3.2.4 Board Credit Committee

The authority for approving serious deviations from the Credit Policy (related to the new and/or additional financing of an entity in the Exclusion List as defined in the Bank's Credit Policy lies in the hands of the Board Credit Committee, based on recommendation from the Senior Credit Committee. As at 31/12/2019 the Board Credit Committee was made up of two Non-Executive Members, one Executive Member and one Non-Executive Independent Member. The committee convened five times during the year.

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. The Members of the Management Body are University graduates in Finance, Business Administration, Law, Economics, etc. and have collective international and/or local experience in international, corporate and retail banking. Some of the Members have professional qualification relating to financial matters and all share skills related to finance, corporate governance, legal, audit, finance, strategy, risk, etc.

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. In an effort to ensure that the under-represented gender has a minimum percentage representation in the Management Body, the Bank has set a target to increase the proportion of women to 30% by the end of 2023.

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. The directorships presented are those that are in effect at the time of the preparation of the Pillar III Disclosures, i.e. September 2020. 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 to 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 Director (Independent)	-	4
Andreas Vassiliou	Non-Executive Director (Independent)	-	1
Bassam Najib Diab	Non-Executive Director	-	1
Constantinos Loizides	Executive Director	1	-
George Appios	Executive Director	1	-
George Kourris	Non-Executive Director (Independent)	-	3
George Liakopoulos	Non-Executive Director (resigned 30/05/2020)	-	1
Maria Dionyssiades	Non-Executive Director (Independent)	-	2
Marios Savvides	Executive Director	1	1 (alternate)
Maurice Sehnaoui	Non-Executive Director	1	1
Socrates Solomides	Non-Executive Director (Independent)	-	4
Costas Partassides	Non-Executive Director (Independent)	-	2
Hikmat Abou Zeid	Non-Executive Director	1	2

Note 1: The information in this table is based only on representations made by the directors to the Bank.
Note 2: According to his declaration, Mr. Partassides also held a third Non-Executive directorship position in a company that was considered dormant as at 31/12/2019.
Note 3: According to his declaration, Mr. Solomides also holds Non-Executive directorship positions in three closed-end funds belonging to the same group and currently under liquidation.
Note 4: Mr. Savvides submitted his resignation on 02/10/2020, which was accepted by the Board on 06/10/2020.

The following table presents the number of directorships held at the same time in other entities by each member of the Board of Directors of the Bank's subsidiary AstroBank Insurance Agency Ltd, who are not listed above:

Name of Director	Position within the Bank's subsidiary	No. of Directorships	
		Executive	Non-Executive
Triantafyllos Lysimachou	Non-Executive Director	_	3

Note: The information in this table is based only on representations made by the director to 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 the Anti-Money Laundering Compliance Officer and AML Risk Management Report.
- The ICAAP (Internal Capital Adequacy Assessment Process), ILAAP (Internal Liquidity Adequacy Assessment Process) and Recovery Plan.
- 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.
- Report every three years assessing the composition and operations of the management body and its committees prepared by External Consultants.
- Annual Financial Statements.
- Through updates by the Chairman of the BRC on the Quarterly Risk Management Report of the Risk Management Department provided to the BRC and to Senior Management.
- The Bank's financial results prepared by the Finance Department.
- Through updates by the Chairman of the relevant committee on the Quarterly Reports of Compliance and Internal Audit Departments to Audit Committee and Senior Management.

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 consider that the Bank 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.

Furthermore, the Board of Directors declares that the liquidity risk management arrangements and systems of the Bank are adequate with regards to its risk profile and strategy.

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 2019 is provided in Annex I.

3.9 Recovery Plan

The Bank's Recovery Plan (RP) is in line with the framework set out in the Bank Recovery and Resolution Directive ("BRRD") with reference to supporting Regulatory Technical Standards and Guidelines issued by the European Banking Authority ("EBA"). The RP presents a set of carefully selected options available to the Bank in order to address hypothetical severe financial difficulties resulting from idiosyncratic vulnerabilities or market-wide issues or a combination of both. During 2020, following the completion of the sale of the assets and liabilities of USB Bank to AstroBank Public Company Limited on 18/01/2019 and the completion of the integration project plan, the Bank updated on a combined entity basis the Recovery Plan which was submitted to the CBC in July 2020.

3.10 Internal Control Functions and other Departments

Risk Management Unit

The role of the Risk Management Unit (RMU) is to promote a risk management culture across the Bank, develop policies and supporting methodologies for identifying, assessing, and where possible mitigating the Bank's risk exposures, produce risk management information reporting that can be integrated to the Bank's decision making processes, and produce capital adequacy as well as other regulatory reports that fall under *ECB's "Capital Requirements Regulation- CRR -* Regulation (EU) 575/2013"and CBC's "*Capital Requirements Directive – CRD".* The roles and responsibilities of the Risk Management Department are in line with the CBC Directive on Governance – July 2014.

The Head of the RMU reports through a dotted line to one of the Executive Directors of the Bank and, through the Board Risk Committee, to the Board of Directors. The RMU is independent from any business activities and has access to all necessary information regarding the activities of all business lines, as well as to the information required to meet its obligations. Due to the small size of the Bank, the Information Security Department is also under the supervision of the Head of the RMU.

The Risk Management Unit's overall mission is to:

- Ensure the appropriate implementation of risk management policies approved by the BoD, and where appropriate facilitate the business lines in doing so.
- Develop and implement methodologies for the identification, assessment/measurement and monitoring of risk exposures that arise from the Bank's operations.
- Propose internal limits for specific risk types and monitor their usage.
- Ensure regulatory compliance with CBC-defined risk limits.
- Design risk reports and produce risk management information for the Executive Management, ALCO and Board Risk Committee.
- Recommend to the BRC appropriate techniques for restraining risks within acceptable levels of tolerance or mitigating these further.
- Calculate capital adequacy requirements by using appropriate methodologies under CRR/Regulation (EU) 575/2013 Pillar I, produce CoRep (Common Reporting Templates), and ensure on-going regulatory compliance.
- Monitor the overall credit portfolio composition and recommend any corrective actions in avoiding concentration risk.
- Participate and consult in the new product evaluation process.
- Participate and consult in the development of risk-related internal procedures.
- Participate in the Provisioning Committee as a non-voting member and ensure the adequacy of the provisions. Participate also in the ALCO without taking part in the business decision making.
- Undertake the evaluation of the Bank's Internal Capital Adequacy Assessment Process (Regulation (EU) 575/2013 CRR Pillar II) and document it in the ICAAP document.
- Undertake the evaluation of the Bank's Internal Liquidity Adequacy Assessment Process (Article 86 of Directive 2013/36/EU for "Liquidity Risk) and document it in the ILAAP document.
- Undertake the development of the Recovery Plan in line with the framework set out in the Bank Recovery and Resolution Directive ("BRRD") with reference to supporting Regulatory Technical Standards and Guidelines issued by EBA.
- Act as a liaison between the Bank and regulatory authorities with regard to matters related to CRD/CRR requirements.
- Monitoring the risk exposures and determining the corresponding capital needs on an on-going basis.

- Use forward-looking tools such as scenario analysis and stress tests as part of risk identification and capital requirement calculation processes.
- Ensure the adequacy of the provisions calculated by Finance.

Internal Audit
The Internal Audit is an independent function, and reports to the Board through the Board's Audit Committee. The Internal Audit function reviews and assesses the effectiveness and completeness of the Bank's risk management framework as well as selected risk management processes including the capital adequacy calculation process, ICAAP and ILAAP. The roles and responsibilities of the Internal Audit comply with the CBC Governance Directive issued in July 2014.

Compliance Unit
The Compliance Unit establishes and implements appropriate mechanisms and activities to promote a corporate culture of compliance and integrity within the Bank to ensure that the compliance risk is being effectively managed. The policies and procedures among others mainly cover the areas of Money Laundering, Terrorism financing, acceptance of new clients, etc.

Other Departments and Committees
The other Departments and Committees actively engaged in the Bank's day-to-day risk management processes have clearly defined roles and responsibilities in risk-taking as well as managing risk. They operate under prudent banking practices and comply with the relevant regulatory requirements. In addition, effective internal controls through sound policies, procedures and processes are established to promote risk culture within the Bank and maintain the Bank's risk exposures within acceptable parameters. The Business Lines, Credit Division, and the various Approving Authorities (including the Credit Committees) operate within well-defined credit granting criteria and credit granting processes, which are in line with the Bank's policy and regulatory provisions.

4. CAPITAL BASE

The Bank's regulatory capital is comprised of Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1) items. CET1 items include ordinary share capital, share premium and reserves. The Bank deducts from its CET1 capital its intangible assets (computer software and other intangibles), its deferred tax assets that rely on future profitability and do not arise from temporary differences, its Additional Valuation Adjustments (AVA) as per Article 34 of the CRR, its investments in subsidiaries and the accumulated property revaluation and related deferred tax concerning the Bank's Head Office Building which is not readily available for immediate use and as such, does not qualify for inclusion in CET1. Moreover, AT1 capital consists of the preference shares issued on 17 January 2019 as part of the acquisition of USB Bank's business.

The Own Funds of the Bank as at 31 December 2019 and 2018 are analyzed in the table below:

Own Funds analysis	31 Dec 2019 €000	31 Dec 2018 €000
Share capital	19.762	14.113
Share premium	126.906	88.555
Retained earnings	25.071	7.782
Accumulated other comprehensive income	544	717
CET1 Capital before deductions	**172.283**	**111.167**
Deductions from CET1 Capital		
(-) Goodwill	-	-
(-) Other Intangible assets	(3.048)	(1.125)
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(2.976)	(5.034)
(-) Deferred tax assets that rely on future profitability and arise from temporary differences	-	-
(-) Qualifying holdings within the financial sector	(102)	(31)
(+) Other transitional adjustments to CET1 Capital	8.155	7.712
Excess from deduction from AT1 Capital over AT1 Capital (deducted from CET1 Capital)	-	-
Other adjustments	(628)	(29)
Total deductions from CET1 Capital	**1.401**	**(1.493)**
Total Common Equity Tier 1 Capital (CET1 Capital)	**173.684**	**112.660**
Additional Tier 1 Capital (AT1 Capital)	10.000	-
Total Original Own Funds (Tier 1 Capital)	**183.684**	**112.660**
Additional Own Funds (Tier 2 Capital)	-	-
Tier 2 Capital	**-**	**-**
Total Own Funds (Tier 1 Capital + Tier 2 Capital)	**183.684**	**112.660**

As at 31 December 2019, the Bank was subject to a minimum Overall Capital Requirement (OCR) of 13,35%, consisting of the Pillar I minimum 8%, the Pillar II Requirement of 2,85% plus the Capital Conservation Buffer of 2,50%. The Institution-specific Countercyclical Capital Buffer was calculated at approximately 0% due to the fact that, as at 31 December 2019, the Bank's relevant exposures for the purposes of the said buffer were mainly towards counterparties in Hong Kong and United Kingdom, which have Countercyclical Capital Buffer rate of 2,00% and 1% respectively and the exposures were insignificant. The Capital Conservation Buffer as from 1 January 2019 amounts to 2,5%.

SREP Process - Prudential requirements

The CBC's decision applicable from 1st January 2019, requires the Bank to maintain an OCR of 13,35% and to hold capital to meet a Total SREP Capital Requirements (TSCR) of 10,85% of the total risk exposure amount to be met at all times. The **OCR of 13,35%** includes the following elements:

- A TSCR (Total SREP Capital Requirement) of 10.85% which includes:
  - **8% minimum own funds requirement** to be maintained at all times in accordance with Article 92(1) of Regulation (EU) No 575/2013 (Pillar I) and
  - **2,85% additional own funds requirement** made up entirely of Common Equity Tier 1 capital (Pillar II) to be held in excess of the minimum own funds and to be maintained at all times.
- The combined buffer requirement as defined in Article 128(6) of the Directive 2013/36/EU, to the extent it is legally applicable. Based on this, banks are required to hold additional buffers to withstand future stress. The combined buffer requirement consists of:
  - **Capital Conservation Buffer: 2,5% as of 1.1.2019 (to be made entirely of CET1)**
  - Institution-specific Countercyclical Capital Buffer: Calculated as 0% by the Bank
  - Systemic Risk Buffer: 0%

The Bank's CAD Ratios as at 31 December 2019 are presented below:

• Common Equity Tier 1 ratio	:	12,69%
• Tier 1 ratio	:	13,42%
• Capital Adequacy Ratio	:	13,42%

The Bank following the acquisition of USB's business on 18 January 2019 was not in compliance with the minimum OCR and the Bank developed a financial and capital plan ("Plan"), which was submitted to Central Bank of Cyprus in April 2019. One of the most important objectives of the capital plan was to ensure that the Bank and its Group have sufficient resources and capital in order to meet capital requirements and to fund the future expansion of the Group, while at the same time continue to internally resolve non-performing loans.

As at 31 December 2019 the Bank's Capital Adequacy Ratio stood at 13.42% which is above the minimum OCR of 13.35% but below the OCR including Pillar II Guidance ('P2G'). Following the capital increases described in Note 46 of the 31/12/2019 financial statements the Bank's Capital Adequacy Ratio exceeds the OCR including Pillar II Guidance ('P2G').

Furthermore, in 2019, the CBC has designated AstroBank as an O-SII (Other Systemically Important Institution) and its OCR will increase with the introduction of the O-SII buffer of 0,5% with gradual applicability as from 1 January 2020. Following Covid-19 relaxations introduced, the O-SII buffer will remain constant at 0,25% throughout 2020 and 2021, will rise to 0,375% on 1st January 2022 and finally increase to 0,5% on 1st January 2023. As a result, the OCR of the Bank as of 1 January 2020 has increased to 13,60%.

Share Capital

The total number of fully paid shares as at 31 December 2019 amounted to 19.761.754 shares of nominal value €1,00 each. On 17 January 2019, as part of the acquisition of USB Bank's business, there was an increase in the Bank's ordinary share capital by €44m (5.648.267 shares at €1 nominal and €6,79 share premium per share) and an issue of preference shares eligible as Tier 1 capital of €10m (1.250.000 shares with a nominal value of €1 and a subscription price of €8 per share).

On 14 November 2019, in an Extraordinary General Meeting the Bank approved the increase of the authorized ordinary share capital of the Bank from 22.750.000 ordinary shares of a nominal value of €1 each to 40.000.000 ordinary shares as per the terms and rights described in the Article of Association of the Company as amended by Special Resolution at the same date.

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 Dec 2019	31 Dec 2018
Total Equity per Consolidated Financial Statements (excl. AT1 preference shares)	**172.366**	**111.793**
Deconsolidation of Subsidiaries	**(83)**	**(626)**
Total Equity per Financial Statements (excl. AT1 preference shares)	172.283	111.167
Investment in Subsidiaries	(102)	(31)
Intangible assets	(3.048)	(1.125)
Deferred tax assets that rely on future profitability and do not arise from temporary differences	(2.976)	(5.034)

Deferred tax assets that do not rely on future profitability	-	-
Reserves arising from revaluation of properties and other non-CET1-eligible reserves	(591)	-
Value Adjustment due to the requirements for prudent valuation	(38)	(29)
IFRS9 Transitional Arrangements	8.155	7.712
Total Common Equity Tier 1	**173.684**	**112.660**
Additional Tier 1	10.000	
Loan Capital (after deduction of Own Additional Tier 1 instruments)	-	-
Intangible assets	-	-
Total Additional Tier 1	**10.000**	**-**
Total Tier 1	**183.684**	**112.660**
Tier 2		
Loan Capital (after deduction of Own Tier 2 instruments)	-	-
Tier 2 amortisation	-	-
Property revaluation reserve and other unrealised gains	-	-
Total Tier 2	**-**	**-**
Total Own funds	**183.684**	**112.660**

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 2019 and 2018:

As at 31 December 2019 (€000)	Consolidated Statement of financial position based on IFRS	Deconsolidation of subsidiaries	Statement of financial position for regulatory purposes
Assets			
Cash and balances with Central Banks	241.825		241.825
Placements with other banks	90.502		90.502

Loans and advances to customers	997.891		997.891
Financial assets at fair value through other comprehensive income	6.227		6.227
Financial assets at amortised cost	698.533		698.533
Financial Assets at fair value through profit or loss	30.999		30.999
Property and equipment	27.814	(20)	27.793
Investment property	-		-
Stock of property	147.665		147.665
Investment in Subsidiary at cost	-	10	10
Derivative financial instruments	225		225
Intangible Assets	3.048		3.048
Right of use assets	8.133		8.133
Deferred tax asset	3.789		3.789
Other assets	9.428	207	9.635
Total assets	**2.266.078**	**197**	**2.266.275**
Liabilities			
Amounts due to other banks and deposits from banks	17.921		17.921
Deposits and other customer accounts	2.007.425	381	2.007.806
Derivative financial instruments	156		156
Current tax liability	111		111
Lease liabilities	5.837		5.837
Deferred tax liability	1.285		1.285
Other liabilities	50.976	(96)	50.880
Total liabilities	**2.083.712**	**285**	**2.083.996**
Equity			
Share capital	19.762		19.762
Share premium	126.906		126.906
Preference shares	10.000		10.000
Other Reserves	544		544
Retained Earnings/(Accumulated losses)	25.154	(88)	25.066
Total equity	**182.366**	**(88)**	**182.278**
Total liabilities and equity	**2.266.078**	**197**	**2.266.275**

As at 31 December 2018 (€000)	Consolidated Statement of financial position based on IFRS	Deconsolidation of subsidiaries	Statement of financial position per audited financial statements and regulatory reports
Assets			
Cash and balances with Central Banks	200.763		200.763
Placements with other banks	107.673		107.673
Loans and advances to customers	578.633	30	578.663
Financial Assets at fair value through profit or loss	22.909		22.909
Financial Assets through other Comprehensive Income	6.991		6.991
Financial Assets at amortized cost	371.358		371.358
Property, plant and equipment	24.488		24.488
Investment properties	75.827		75.827
Investment in Subsidiary at cost		10	10
Derivative financial instruments	63		63
Intangible Assets	1.125		1.125
Deferred tax asset	5.857		5.857
Other assets	1.778	(53)	1.725
Total assets	**1.397.465**	**(13)**	**1.397.452**
Liabilities			
Amounts due to other banks and deposits from banks	15.140		15.140
Deposits and other customer accounts	1.220.425	163	1.220.588
Derivative financial instruments	808		808
Current tax liability	108		108
Deferred tax liability	636		636
Other liabilities	48.555	(64)	48.491
Total liabilities	**1.285.672**	**99**	**1.285.771**
Equity			
Share capital	14.113		14.113
Share premium	88.555		88.555
Other Reserves	717		717
Retained Earnings	8.408	(112)	8.296
Total equity	**111.793**	(112)	**111.681**
Total liabilities and equity	**1.397.465**	**(13)**	**1.397.452**

The tables below disclose the components of regulatory capital as at 31 December 2019 and 2018 on both a transitional and a fully phased-in basis:

Transitional and Fully Phased-in Own Funds 31 December 2019 (€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	146.668	-	146.668
Retained earnings	25.071	-	25.071
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	544	-	544
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**172.283**	**-**	**172.283**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Intangible assets (net of related tax liability)	(3.048)	-	(3.048)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(2.976)	-	(2.976)
Other adjustments to CET1 capital	(730)		(731)
IFRS9 Transitional arrangements	8.155	(8.155)	-
(-) Additional deductions of CET1 capital due to Article 3 CRR			
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**1.401**	**(8.155)**	**(6.754)**
Common Equity Tier 1 (CET1) capital	**173.684**	**(8.155)**	**165.529**
Additional Tier 1 (AT1) capital: instruments			
Capital instruments and the related share premium accounts	10.000		10.000
Additional Tier 1 (AT1) capital before regulatory adjustments	**10.000**		**10.000**
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	**10.000**	**-**	**10.000**
Tier 1 capital (T1 = CET1 + AT1)	**183.684**	**(8.155)**	**175.529**
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)	**183.684**	**(8.155)**	**175.529**
Total risk weighted assets	**1.368.692**		**1.361.368**
Capital ratios and buffers			

Common Equity Tier 1	**12,69%**	**(0,53%)**	**12,16%**
Tier 1	**13,42%**	**(0,53%)**	**12,89%**
Total capital	**13,42%**	**(0,53%)**	**12,89%**

Transitional and Fully Phased-in Own Funds 31 December 2018 (€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	102.668	-	102.668
Retained earnings	-	-	-
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	8.499	-	8.499
Common Equity Tier 1 (CET1) Capital before regulatory adjustments	**111.167**	**-**	**111.167**
Common Equity Tier 1 (CET1) Capital: regulatory adjustments			
Intangible assets (net of related tax liability)	(1.125)	-	(1.125)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(5.034)	-	(5.034)
Other adjustments to CET1 Capital	(60)	-	(60)
IFRS9 Transitional arrangements	7.712	(7.712)	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**1.493**	**(7.712)**	**(6.219)**
Common Equity Tier 1 (CET1) Capital	**112.660**	**(7.712)**	**104.948**
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)	**112.660**	**(7.712)**	**104.948**
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)	**112.660**	**(7.712)**	**104.948**
Total Risk Weighted Assets	**786.789**	**(4.170)**	**782.618**
Capital Ratios and Buffers			
Common Equity Tier 1 Ratio	**14,32%**	**(0,91%)**	**13,41%**

Tier 1 Ratio	**14,32%**	**(0,91%)**	**13,41%**
Total Capital Adequacy Ratio	**14,32%**	**(0,91%)**	**13,41%**

4.3 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 2019. Exposures to foreign countries which did not exceed 10% of the total exposure (before Credit Conversion factor CCF), are included under the "Other" category.

Breakdown by country 31 Dec 2019 (€000)	General Credit Exposures	Own Funds Requirements				Own Funds requirement Weights	Countercyclical Buffer Rate
	Exposure value for SA	Of which: General Credit Exposure	Of which: Trading Book Exposures	Of which: Securitisation Exposures	Total		
	10	70	80	90	100	110	120
Cyprus	1.028.540	79.859	-	-	79.859	84,49%	0,00%
United Kingdom	1.974	117	-	-	117	0,12%	1,00%
Hong Kong	90	3	-	-	3	0,00%	2,00%
Czech Republic	0.4	0.03	-	-	0.03	0,00%	1,50%
France	0.8	0.05	-	-	0.05	0,00%	0,25%
Sweden	5	0.3	-	-	0.3	0,00%	2,50%
Other	205.745	14.544	-	-	14.544	15,39%	0,00%
Total	**1.236.355**	**94.523**	-	-	**94.523**	**100,00%**	

The following table presents the amount of Institution-specific Countercyclical Capital Buffer of the Bank, as at 31 December 2019.

Amount of Institution-Specific Countercyclical Capital Buffer	31 Dec 2019 €000
Total Risk Exposure Amount	**1.368.692**
Institution-specific countercyclical buffer rate	0,00%
Institution-specific countercyclical buffer requirement	0

4.4 Template 1 (EULI1) EBA guidelines - Differences between accounting and regulatory scopes and mapping of consolidated Financial Statement Categories:

31 December 2019		Carrying values of items				
€000	Carrying values under scope of regulatory reporting	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and balances with Central Banks	241.825	241.825			241.825	
Placements with other banks	90.502	90.502			90.502	
Loans and advances to customers	997.891	997.891			997.891	
Financial assets at fair value through other comprehensive income	6.227	6.227			6.227	
Financial assets at amortised cost	698.533	698.533			698.533	
Financial Assets at fair value through profit or loss	30.999	30.999			30.999	
Property, plant and equipment	27.814	27.814			27.814	
Investment properties						
Stock of Property	147.665	147.665			147.665	
Investment in Subsidiary at cost						
Derivative financial instruments	225		225			
Intangible Assets	3.048					3.048
Right of use assets	8.133	8.133			8.133	
Deferred tax asset	3.789					3.789
Other assets	9.428	9.428			9.428	
Total assets	**2.266.078**	**2.259.017**	**225**	**0**	**2.259.017**	**6.837**
Liabilities						
Amounts due to other banks and deposits from banks	17.921				17.921	

Deposits and other customer accounts	2.007.425				2.007.425	
Derivative financial instruments	156		156		156	
Current tax liability	111				111	
Lease liabilities	5.837				5.837	
Deferred tax liabilitiy	1.285				1.285	
Other liabilities	50.976				50.976	
Total liabilities	**2.083.712**	**0**	**156**	**0**	**2.083.711**	**0**

31 December 2018		Carrying values of items				
€000	Carrying values under scope of regulatory reporting	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitization framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and balances with Central Banks	200.763	200.763			200.763	
Placements with other banks	107.673	107.673			107.673	
Loans and advances to customers	578.663	578.663			578.663	
Financial Assets at fair value through profit or loss	22.909	21.058			22.909	
Financial Assets through other Comprehensive Income	6.991	6.991			6.991	
Financial Assets at amortized cost	371.358	371.358			371.358	
Property, plant and equipment	24.488	24.488			24.488	
Investment properties	75.827	75.827			75.827	
Derivative financial instruments	63	-	63		63	
Intangible Assets	1.125	-			-	1.125
Deferred tax asset	5.857	823			823	5.034

Other assets	1.725	1.725			1.725	
Total assets	**1.397.442**	**1.389.369**	**63**		**1.390.460**	**6.159**
Liabilities						
Amounts due to other banks and deposits from banks	15.140				15.140	
Deposits and other customer accounts	1.220.588				1.220.588	
Derivative financial instruments	808		808		808	
Current tax liability	108				108	
Deferred tax liability	636				636	
Other liabilities	48.491				48.491	
Total liabilities	**1.285.771**		**808**		**1.285.771**	

4.5 Template 2 (EULI2) Main sources of differences between regulatory exposure amounts and carrying values in financial statements:

31-Dec-19	a	b	c	d	e
€000	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	2.266.078	2.259.017	225	0	2.259.017
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	(2.083.712)	0	(156)	0	(2.083.711)
Total net amount under the regulatory scope of consolidation	182.366	2.259.017	69	0	175.306
Off-balance-sheet amounts	184.489	44.533.			
Items not subject to capital requirements or subject to deduction from capital	(6.837)				
Liablities not subject to capital requirements	2.083.712				

Exposure amounts considered for regulatory purposes	**2.443.730**	**2.303.550..**	**69**	**0**	**175.306**

The Off Balance Sheet amounts in the column "Total" do not equal the amounts reported in the "Credit risk framework" as the latter are reported after the application of the Credit Conversion Factor (CCF).

31 December 2018 €000	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	1.397.442	1.389.369	63		1.390.460
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	(1.285.771)		(808)		(1.285.771)
Total net amount under the regulatory scope of consolidation	111.671	1.389.369	(745)		104.689
Off-balance-sheet amounts	112.856	28.558			
Items not subject to capital requirements or subject to deduction from capital	(6.159)				
Liabilities not subject to capital requirements	1.285.771				
Exposure amounts considered for regulatory purposes	**1.504.139**	**1.417.927**	**(745)**	**-**	**104.689**

**The Off Balance Sheet amounts in the column "Total" do not equal the amounts reported in the "Credit risk framework" as the latter are reported after the application of the Credit Conversion Factor (CCF).*

4.6 Template IFRS 9-FL: Comparison of Institution's own funds and capital and leverage ratios with the application of transitional arrangements for IFRS 9 or analogous ECLs

	Available capital amounts	As at 31 December 2019
1	Common Equity Tier 1 (CET1 Capital)	173.684
2	Common Equity Tier 1 (CET1 Capital) as if IFRS9 or analogous ECLs transitional arrangements had not been applied	165.529
3	Tier 1 Capital	10.000
4	Tier 1 Capital as if IFRS9 or analogous ECLs transitional arrangements had not been applied	10.000
5	Total Capital	183.684
6	Total Capital as if IFRS9 or analogous ECLs transitional arrangements had not been applied	175.529
	Risk-weighted assets (amounts)	
7	Total risk-weighted assets	1.368.692
8	Total risk-weighted assets as if IFRS9 or analogous ECLs transitional arrangements had not been applied	1.361.368
9	**Capital ratios**	

10	Common Equity Tier 1 (as a percentage of risk exposure amount)	12,69%
11	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS9 or analogous ECLs transitional arrangements had not been applied	12,16%
12	Tier 1 (as a percentage of risk exposure amount)	13,42%
13	Tier 1 (as a percentage of risk exposure amount) as if IFRS9 or analogous ECLs transitional arrangements had not been applied	12,89%
14	Total capital (as a percentage of risk exposure amount)	13,42%
	Total capital (as a percentage of risk exposure amount) as if IFRS9 or analogous ECLs transitional arrangements had not been applied	12,89%
	Leverage Ratio	
15	Leverage Ratio total exposure measure	2.319.834
	Leverage Ratio total exposure measure as if IFRS9 or analogous ECLs transitional arrangements had not been applied	2.314.481
16	Leverage Ratio	7,92%
17	Leverage Ratio as if IFRS9 or analogous ECLs transitional arrangements had not been applied	7,58%

The decrease of 163 basis points in CET 1 ratio (transitional basis) compared to last year was the result of the following:

5. Overall increase in RWAs mainly due to the acquisition of ex-USB on 18/01/2019 and due to new lending.
6. Overall net increase in CET 1 capital mainly due to:
    a. Increase in common shares by €44m
    b. Current year profit
    c. Increase in intangible assets and decrease in deferred tax asset.

	Available capital (amounts)	**As at 31 December 2018**
1	Common Equity Tier 1 (CET1 Capital)	112.660
2	Common Equity Tier 1 (CET1 Capital) as if IFRS9 or analogous ECLs transitional arrangements had not been applied	104.948
3	Tier 1 Capital	112.660
4	Tier 1 Capital as if IFRS9 or analogous ECLs transitional arrangements had not been applied	104.948
5	Total Capital	112.660
6	Total Capital as if IFRS9 or analogous ECLs transitional arrangements had not been applied	104.948
	Risk-weighted assets (amounts)	
7	Total risk-weighted assets	786.789
8	Total risk-weighted assets as if IFRS9 or analogous ECLs transitional arrangements had not been applied	782.618
9	**Capital ratios**	
10	Common Equity Tier 1 (as a percentage of risk exposure amount)	14,32%
11	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS9 or analogous ECLs transitional arrangements had not been applied	13,41%

12	Tier 1 (as a percentage of risk exposure amount)	14,32%
13	Tier 1 (as a percentage of risk exposure amount) as if IFRS9 or analogous ECLs transitional arrangements had not been applied	13,41%
14	Total capital (as a percentage of risk exposure amount)	14,32%
	Total capital (as a percentage of risk exposure amount) as if IFRS9 or analogous ECLs transitional arrangements had not been applied	13,41%
	Leverage Ratio	
15	Leverage Ratio total exposure measure	1.441.147
	Leverage Ratio total exposure measure as if IFRS9 or analogous ECLs transitional arrangements had not been applied	1.436.421
16	Leverage Ratio	7,82%
17	Leverage Ratio as if IFRS9 or analogous ECLs transitional arrangements had not been applied	7,31%

Note: The actual impact of adopting IFRS 9 on 1 January 2018 on provisions of loans and advances to customers measured at amortised cost is €6,0 million or an increase of 2,9% on provisions calculated in accordance with IAS 39 and the expected credit loss recognised on the Bank's bond portfolio is €0,7 million.

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 Pillar I capital requirements to be maintained by the Bank as at 31 December 2019 and 2018 and the overview of RWAs were as follows:

Template 4 EU OV1 EBA Guidelines – Overview of RWAs

€000	RWAs 31/12/2019	Minimum capital requirements 31/12/2019	RWAs 31/12/2018	Minimum capital requirements 31/12/2018
Credit risk (excluding CCR)	1.241.082	99.287	715.289	57.223
Of which the Standardised Approach	*1.241.082*	*99.287*	*715.289*	*57.223*
CCR	1.688	135	749	60
Of which Mark to Market	*1.100*	*88*	*749*	*60*
Market risk	8.240	659	3.217	257
Of which the Standardised Approach	*8.240*	*659*	*3.217*	*257*
Operational risk	115.649	9.252	65.475	5.238
Of which Basic Indicator Approach	*115.649*	*9.252*	*65.475*	*5.238*
Amounts below the thresholds for deduction (subject to 250% risk weight)	2.033	163	2.059	165
Total	**1.368.692**	**109.496**	**786.789**	**62.943**

Note: The overall increase in RWAs was mainly driven by lending growth and due to the acquisition of the ex-USB on 18/01/2019.

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, the Bank takes into consideration the assigned collaterals and guarantees that reduce its exposure to Credit Risk, as well as the nature and duration of the credit facility. The Bank has also set concentration Credit Risk limits 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 that 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 and the

EBA Guidelines. Significant exposures or delays are communicated to the Management which oversees the corresponding department for taking preventive or corrective measures.

Under the 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 2019, for each of the exposure classes, based on the Standardised Approach:

Exposure class	Risk Weighted Assets 31.12.2019 €000	Minimum Capital Requirements 31.12.2019 €000	Risk Weighted Assets 31.12.2018 €000	Minimum Capital Requirements 31.12.2018 €000
Central Governments and Central Banks	17.485	1.399	3.365	269
Regional Governments or local authorities	352	28	427	34
Public Sector Entities	0	0	0	0
Institutions	45.421	3.634	34.020	2.722
Corporate	412.954	33.036	218.784	17.503
Retail	48.424	3.874	27.778	2.222
Secured by mortgages on immovable property	82.551	6.604	43.255	3.460
Exposures in default	225.856	18.068	140.551	11.244
Items associated with particular high risk	196.257	15.701	132.336	10.587
Covered Bonds	15.683	1.255	6.070	486
Equity	7.901	632	6.642	531
Other Items	191.918	15.353	104.869	8.389
Total	**1.244.802**	**99.584**	**718.097**	**57.448**

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 ones of which are the following: Pledge on deposits, Bank letters of guarantee, Government Guarantees, Real Estate mortgages, Pledge on shares, Bonds or Treasury Bills, Stocks, 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, however, due to the acquisition of ex-USB and data availability this was possible only after the finalization of the data migration.

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 and by setting also internal limits. These are monitored on a quarterly basis. The Bank has also set up Counterparty credit limits for sovereign and financial institutions which are mainly grade driven (i.e. investment grade, non-investment grade/non-rated).

The Bank has set up internal limits for monitoring the customer loan portfolio sector concentration. These 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 rating. 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, but before the application of Credit Conversion Factors ("CCF"):

Breakdown by Credit Quality Steps	Exposure values before credit risk mitigation and net of provisions 31.12.2019 - €000	Exposure values after credit risk mitigation and net of specific provisions 31.12.2019 €000	Exposure values before credit risk mitigation and net of provisions 31.12.2018 - €000	Exposure values after credit risk mitigation and net of specific provisions 31.12.2018 €000
CQS 1	37.646	37.646	52.658	52.658
CQS 2	83.519	83.519	16.682	16.682
CQS 3	386.263	386.263	256.534	207.140
CQS 4	146.213	146.213	60.962	60.962
CQS 5	-	-	1.000	1.000
CQS 6	69.942	13.963	8.568	8.568
Unrated/Not Applicable	1.727.919	1.679.777	1.137.717	1.103.050
Total	**2.451.502**	**2.347.381**	**1.534.121**	**1.450.060**

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

As at 31 December 2019 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 updated 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.

Template 18 EU CR3 EBA guidelines – CRM Techniques – Overview

31 December 2019 €000	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral **	Exposures secured by financial guarantees***	Exposures secured by credit derivatives
Total loans*	886,790	307,856	252,356	55,500	N/A
Total debt securities					N/A
Total exposures	**886,790**	**307,856**	**252,356**	**55,500**	**N/A**
Of which defaulted	188,385	66,369	66,369		N/A

Note: The overall increase in Exposures (unsecured) was mainly driven by the acquisition of ex-USB on 18/01/2019 and by lending growth for which the collateral received was not eligible under the CRM techniques of CRR purposes.

* *Includes all customer loans, both on- and off-balance sheet. Excludes spot deals and derivatives.*
*** Includes mortgages on immovable property, cash, equities.*
*** Unfunded protection (i.e. guarantee).*

31 December 2018 €000	Exposures unsecured – Carrying amount	Exposures secured – Carrying amount	Exposures secured by collateral **	Exposures secured by financial guarantees***	Exposures secured by credit derivatives
Total loans*	522.426	221.371	164.491	56.880	N/A
Total debt securities	-	-	-	-	N/A
Total exposures	**522.426**	**221.371**	**164.491**	**56.880**	**N/A**
Of which defaulted	*102.523*	*56.344*	*56.344*	-	*N/A*

Note: The overall increase in Exposures (unsecured) was mainly driven by lending growth for which the collateral received was not eligible under the CRM techniques of CRR purposes.

The table below presents the total value of exposures by Asset Class and Credit Quality Step on the asset class and the credit rating of the item after the credit risk adjustments and before the credit conversion factors and credit risk mitigation:

As at 31.12.2019 Exposure classes	CQS 1	CQS 2	CQS 3	CQS 4	CQS 5	CQS 6	Unrated/Not Applicable	Grand Total
Central governments or central banks	10.708	36.797	281.591	126.874	0	4.804	350.910	**811.684**
Regional government or local authorities	0	0	1.318	0	0	0	2.563	**3.880**
Public sector entities	17.861	0	0	0	0	0	0	**17.861**
Multilateral development banks								**0**
International organisations								**0**
Institutions	9.076	46.722	8.989	4.034	0	65.139	13.234	**147.194**
Corporates	0	0	54.214	0	0	0	498.073	**552.287**
Retail	0	0	0	0	0	0	137.635	**137.635**
Secured by mortgages on immovable property	0	0	0	0	0	0	183.187	**183.187**
Exposures in default	0	0	0	0	0	0	190.647	**190.647**
Exposures associated with particularly high risk	0	0	0	0	0	0	136.243	**136.243**
Covered bonds	0	0	40.152	15.305	0	0	0	**55.457**
Institutions and corporates with a short-term credit assessment								**0**
Collective investment undertakings								**0**
Equity	0	0	0	0	0	0	7.901	**7.901**
Other items	0	0	0	0	0	0	207.527	**207.527**
Total	**37.646**	**83.519**	**386.263**	**146.213**	**0**	**69.942**	**1.727.919**	**2.451.502**

As at 31 December 2018 (€000) Exposure classes	CQS 1	CQS 2	CQS 3	CQS 4	CQS 5	CQS 6	Unrated/ Not Applicable	Grand Total
Central governments or central banks	-	-	198.687	43.476	-	-	243.967	**486.130**
Regional government or local authorities	-	-	-	-	-	-	4.494	**4.494**
Public sector entities	-	-	-	-	-	-	-	**-**
Multilateral development banks	52.016	-	-	-	-	-	-	**52.016**
International organisations	-	-	-	-	-	-	-	**-**
Institutions	642	16.682	56.823	5.700	1.000	8.568	20.328	**109.743**
Corporates	-	-	-	55	-	-	347.756	**347.811**
Retail	-	-	-	-	-	-	77.022	**77.022**
Secured by mortgages on immovable property	-	-	-	-	-	-	99.585	**99.585**
Exposures in default	-	-	-	-	-	-	127.374	**127.374**
Exposures associated with particularly high risk	-	-	-	-	-	-	91.605	**91.605**
Covered bonds	-	-	1.024	11.731	-	-	-	**12.755**
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	**-**
Collective investment undertakings	-	-	-	-	-	-	-	**-**
Equity	-	-	-	-	-	-	6.642	**6.642**
Other items	-	-	-	-	-	-	118.944	**118.944**
Total	**52.658**	**16.682**	**256.534**	**60.962**	**1.000**	**8.568**	**1.137.717**	**1.534.121**

Template 19 EU CR4 EBA Guidelines – Standardised approach – Credit Risk Exposure and CRM effects

As at 31 December 2019	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
Exposure classes	**On-balance-sheet amount***	**Off-balance-sheet amount**	**On-balance-sheet amount***	**Off-balance-sheet amount**	**RWAs**	**RWA density**
Central governments or central banks	811.684	-	867.184	-	17.485	2%
Regional government or local authorities	3.302	578	1.758	2	352	20%
Public sector entities	17.861	-	17.861	-	-	0%
Multilateral Development Banks	-	-	-	-	-	N/A
International organisations	-	-	-	-	-	N/A
Institutions	146.996	198	91.017	97	45.421	50%
Corporates	456.023	96.264	395.521	22.942	412.954	99%
Retail	83.605	54.030	60.187	9.092	48.424	70%
Secured by mortgages on immovable property	166.982	16.204	165.822	946	82.551	50%
Exposures in default	177.640	13.007	176.164	3.958	225.856	125%
Exposures associated with particularly high risk	126.405	9.838	125.919	4.919	196.257	150%
Covered bonds	55.457	-	55.457	-	15.683	28%
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	N/A
Collective investment undertakings	-	-	-	-	-	N/A
Equity	7.901	-	7.901	-	7.901	100%
Other items	207.527	-	207.527	-	191.918	92%
Total	**2.261.383**	**190.119**	**2.172.319**	**41.955**	**1.244.802**	

Note: The overall increase in Exposures and RWAs was mainly driven by the acquisition of ex-USB on 18/01/2019 and by lending growth.

As at 31 December 2018	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
Exposure classes	**On-balance-sheet amount***	**Off-balance-sheet amount**	**On-balance-sheet amount***	**Off-balance-sheet amount**	**RWAs**	**RWA density**
Central governments or central banks	486.130	-	543.010	-	3.365	1%
Regional government or local authorities	3.950	544	2.130	2	426	20%
Public sector entities	-	-	-	-	-	N/A
Multilateral development banks	52.016	-	52.016	-	-	0%

International organisations	-	-	-	-	-	N/A
Institutions	109.602	140	60.208	41	34.020	56%
Corporates	279.012	68.799	207.665	15.199	218.784	98%
Retail	44.890	32.132	33.228	6.482	27.778	70%
Secured by mortgages on immovable property	86.791	12.794	86.200	805	43.256	50%
Exposures in default	118.245	9.130	117.352	2.658	140.551	117%
Exposures associated with particularly high risk	86.064	5.541	85.454	2.770	132.336	150%
Covered bonds	12.755	-	12.755	-	6.070	48%
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	N/A
Collective investment undertakings	-	-	-	-	-	N/A
Equity	6.642	-	6.642	-	6.642	100%
Other items	118.944	-	118.944	-	104.869	88%
Total	**1.405.041**	**129.080**	**1.325.604**	**27.957**	**718.097**	**53%**

Note: The overall increase in Exposures and RWAs was mainly driven by lending growth.

The table below presents the breakdown by asset class and risk weight (Template 20 EU CR5 EBA guidelines – Standardised approach)

As at 31 December 2019 (€000)	Risk weight										Total	Of which unrated
Exposure classes	0%	20%	35%	50%	75%	100%	150%	250%	Others	Deducted		
Central governments or central banks	807,047	41,946	-	18,191	-	-	-	-	-	-	**867,184**	**350,910**
Regional government or local authorities	-	1,760	-	-	-	-	-	-	-	-	**1,760**	**1,760**
Public Sector Entities	17,861	-	-	-	-	-	-	-	-	-	**17,861**	**-**
Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-	**-**	**-**
International organisations	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Institutions	-	60,037	-	11,145	-	4,114	15,818	-	-	-	**91,114**	**13,203**
Corporates	-	-	-	-	-	413,692	4,771	-	-	-	**418,463**	**418,431**
Retail	-	-	-	-	69,279	-	-	-	-	-	**69,279**	**69,279**
Secured by mortgages on immovable property	-	-	101,176	28,700	6,516	30,376	-	-	-	-	**166,768**	**166,768**
Exposures in default	-	-	-	-	-	88,655	91,467	-	-	-	**180,122**	**180,122**
Exposures associated with particularly high risk	-	-	-	-	-	-	130,838	-	-	-	**130,838**	**130,838**
Covered bonds	-	40,152	-	15,305	-	-	-	-	-	-	**55,457**	**-**
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Collective investment undertakings	-	-	-	-	-	-	-	-	-	-	**-**	**-**
Equity	-	-	-	-	-	7,901	-	-	-	-	**7,901**	**7,901**
Other items	14,224	3,256	-	-	-	189,234	-	813	-	3,078	**210,605**	**210,605**
Total	**839,132**	**147,151**	**101,176**	**73,341**	**75,795**	**733,972**	**242,894**	**813**	**-**	**3,078**	**2,217,352**	**1,549,818**

Note: The overall increase in Exposures and RWAs was mainly driven by the acquisition of ex-USB on 18/01/2019 and by lending growth.

As at 31 December 2018 (€000) Exposure classes	Risk weight										Total	Of which unrated
	0%	20%	35%	50%	75%	100%	150%	250%	Others	Deducted		
Central governments or central banks	536.280	-	-	6.730	-	-	-	-	-	-	543.010	300.847
Regional government or local authorities	-	2.132	-	-	-	-	-	-	-	-	2.132	2.132
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	52.016	-	-	-	-	-	-	-	-	-	52.016	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	41.154	-	-	-	5.709	13.387	-	-	-	60.250	20.300
Corporates	-	-	-	-	-	222.864	-	-	-	-	222.864	222.809
Retail	-	-	-	-	39.711	-	-	-	-	-	39.711	39.710
Secured by mortgages on immovable property	-	-	56.601	10.042	3.197	17.165	-	-	-	-	87.005	87.005
Exposures in default	-	-	-	-	-	78.927	41.083	-	-	-	120.010	120.010
Exposures associated with particularly high risk	-	-	-	-	-	-	88.224	-	-	-	88.224	88.224
Covered bonds	-	1.024	-	11.731	-	-	-	-	-	-	12.755	-
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-

Collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	6.642	-	-			6.642	6.642
Other items	12.443	3.585	-	-	-	102.093	-	823		5.065	118.944	118.944
Total	**600.739**	**47.895**	**56.601**	**28.503**	**42.908**	**433.400**	**142.694**	**823**	**-**	**5.065-**	**1.353.563**	**1.006.623**

As at 31 December 2019 Exposure class	Funded Credit Protection €000	Unfunded Credit Protection €000
Central Governments and Central Banks	-	-
Regional Governments or local authorities	595	1.318
PSE	-	-
Institutions	55.979	-
Corporate	9.205	54.182
Retail	34.672	-
Secured by mortgages on immovable property	1.172	-
Exposures in default	2.013	-
Items associated with particular high risk	486	-
Covered Bonds	-	-
Equity	-	-
Other Items	-	-
Total	**104.122**	**55.500**

As at 31 December 2018 Exposure class	Funded Credit Protection €000	Unfunded Credit Protection €000
Central Governments and Central Banks	-	-
Regional Governments or local authorities	628	1.560
Multilateral Development Banks	-	-
Institutions	49.393	0
Corporate	16.774	55.320
Retail	15.164	0
Secured by mortgages on immovable property	597	-
Exposures in default	895	-
Items associated with particular high risk	610	-
Equity	-	-
Other Items	-	-
Total	**84.061**	**56.880**

6.7 Risk of impairment

Past due items

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

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

The Bank applies the IFRS 9 for the Bank's accounting for impairment losses for financial assets, which is a forward looking "expected credit loss model". This requires considerable judgement over how changes in economic factors affect expected credit losses (ECLs), which is determined on a probability-weighted basis.

The new impairment model applies to the following financial instruments that are not measured at FVTPL:

- financial assets that are measured at amortised cost or FVOCI;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

At initial recognition, impairment allowance (or provision in the case of commitments and guarantees) is required for ECL resulting from default events that are possible within the next 12 months (12-month ECL), unless assets are deemed as POCI. In the event of a significant increase in credit risk since initial recognition, impairment allowance is required resulting from all possible default events over the expected life of the financial instrument (lifetime ECL).

The Bank categorises its financial assets into Stage 1, Stage 2, Stage 3 and POCI for ECL measurement as described below:

- **Stage 1:** Financial assets which have not had a significant increase in Credit Risk since initial recognition are considered to be Stage 1 and 12-month ECL is recognised.

- **Stage 2:** Financial assets that are considered to have experienced a significant increase in Credit Risk since initial recognition are considered to be Stage 2 and lifetime losses are recognised.

- **Stage 3:** Financial assets which are considered to be credit-impaired (refer to Note 2 of the Bank's audited Financial Statements for financial year 2019 on how the Bank defines credit-impaired and default) and lifetime losses are recognised.

- **POCI:** Purchased or originated financial assets are financial assets that are credit-impaired on initial recognition. POCI assets include loans purchased or originated at a deep discount that reflect incurred credit losses. The Bank only recognizes the cumulative changes in lifetime ECLs since initial recognition.

The Bank calculates 12-month ECLs and lifetime ECLs either on an individual basis or on a collective basis. The individual assessment is performed for individually significant Stage 3 assets. A risk-based approach is used on the selection criteria of the individually assessed population NPE or forborne NPE exposures above a certain amount. The ECL is calculated on an individually assessed basis and all relevant considerations of the expected future cash flows are taken into account (i.e. the realisable value of the collateral, the business prospects of the customer).

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

Key impairment concepts

1. Significant Credit Risk increase for loans and advances to customers

The Bank uses staging criteria to determine whether the Credit Risk on a particular financial instrument has increased significantly since initial recognition. The criteria for determining whether Credit Risk has increased significantly include delinquency and forbearance measures and are in line with Stage 2 criteria as follows:

- Days in Arrears: Exposures with more than 30 days in arrears
- Forbearance flag: A performing account with an active forbearance flag in line with the European Banking Authority (EBA) definition
- Facilities with at least two instances of 30 days past due in the last 12 months
- Facilities with at least one recent instance of forbearance in the last 12 months
- Facilities with higher than a specific internal credit rating level as developed by the Bank for assessing the credit quality of the customers
- For legal entities: Deterioration by 3 notches or more in the customers' rating compared to the latest of a) customers' rating at the inception of the loan or b) 1 January 2018 rating and the final rating is greater than a specific level based on the internal credit rating of the Bank.
- The probation period for transferring exposures from Stage 3 to Stage 1 is two quarters. During the probation period the exposures are classified as Stage 2.

2. Significant Credit Risk increase for financial instruments other than loans and advances to customers

Low credit risk simplification is adopted for debt security instruments, loans and advances to banks and balances with central banks with external credit ratings that are rated as investment grade. For debt security instruments and balances with Central banks and placements with other banks with external credit ratings that are rated as investment grade, the assessment of low credit risk is based on the external credit rating. For debt securities and balances with Central banks and placements with other banks which are below investment grade, the low credit risk simplification does not apply and therefore an assessment of significant credit deterioration takes place, by comparing their credit rating at origination with the credit rating on the reporting date. Significant deterioration in credit risk is considered to have occurred when the rating of the exposures drops to such an extent that the new rating relates to a riskier category (i.e. from a non-investment grade to speculative and then to highly speculative).

All financial assets are transferred out of Stage 2 into Stage 1, if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above.

3. Credit impaired and definition of default

The Bank considers loans and advances to customers that meet the non-performing exposure (NPE) definition as per the EBA standards to be in default and hence Stage 3 (credit-impaired). Therefore, such loans have ECL calculated on a lifetime basis and are considered to be in default for credit risk management purposes.

As per the EBA standards and European Central Bank's (ECB) Guidance to Banks on Non-Performing Loans (which was published in March 2017), NPEs are defined as those exposures that satisfy one of the following conditions:

(i) The borrower is assessed as unlikely to pay its credit obligations in full without the realisation of the collateral, regardless of the existence of any past due amount or of the number of days past due.

(ii) Defaulted or impaired exposures as per the approach provided in the Capital Requirement Regulation (CRR), which would also trigger a default under specific credit adjustment, distress restructuring and obligor bankruptcy.

(iii) Material exposures as set by the Central Bank of Cyprus (CBC), which are more than 90 days past due.

(iv) Performing forborne exposures under probation for which additional forbearance measures are extended.

Performing forborne exposures under probation that present more than 30 days past due within the probation period.

When a specific part of the exposures of a customer that fulfils the NPE criteria set out above is greater than 20% of the gross carrying amount of all on balance sheet exposures of that customer, then the total customer exposure is classified as non-performing; otherwise only the problematic part of the exposure is classified as non-performing.

Exposures cease to be considered as NPEs and in such case are transferred out of Stage 3, only when all of the following conditions are met:

- The extension of forbearance measures does not lead to the recognition of impairment or default.
- One year has passed since the forbearance measures were extended. In case of grace period loans, the exposure can exit the NPE status one year after the end of the grace period.
- Following the forbearance measures and according to the post-forbearance conditions, there is no past due amount or concerns regarding the full repayment of the exposure.
- No unlikely-to-pay criteria exist for the debtor.
- The debtor has made post-forbearance payments of a not-insignificant amount of capital (different capital thresholds apply according to the restructuring type).

At the time an account ceases to be considered as NPE it exits Stage 3. If the loan is 30 days past due twice over the last 12 months it is transferred to Stage 2, otherwise it is transferred to Stage 1.

Debt securities, placements with other banks and balances with central banks are considered defaulted and transferred to Stage 3 if the issuers have failed to pay either interest or principal.

4. Scenarios and forward-looking inputs

The Bank uses reasonable and supportable information, including forward-looking information, in the calculation of ECLs. ECLs are the unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. ECLs are calculated for three macroeconomic scenarios, baseline, pessimistic and optimistic and the output is the weighted average ECL based on the assigned probability of each scenario.

Macroeconomic scenarios impact both the probability of default (PD) and the loss given default (LGD). Specifically, forward looking information is embedded in the PDs based on regression equations derived on the basis of historical data. Forward looking information embedded in the PDs relates to GDP growth, unemployment rates, industrial production, commercial price indices and residential price indices. This process involves consideration of external actual and forecast information provided by the Central Bank of Cyprus, Moody's Analytics and other providers of macroeconomic forecasts.

In regards to the LGD, the forward looking information is incorporated via the property indices for the types of properties (residential and commercial).

Predicted relationships between the key indicators and default and loss rates on the portfolios of financial assets have been developed based on an analysis of historical data over the past 6 years.

Qualitative adjustments or overlays are occasionally made when inputs calculated do not capture all the characteristics of the market at the reporting date.

5. Inputs into measurement of ECLs

The key inputs into the measurement of ECLs are the term structures of the following variables which are derived from statistical models and other historical data:

a. Probability of Default (PD)

PD represents the probability an exposure has to default and is calculated based on statistical models using a combination of Division, customer type and product type criteria and taking into consideration the Bank's historical default rates and forward-looking information based on macroeconomic inputs. For the purposes of the PD estimation the Bank uses the EBA definition of NPE as its definition of default. As a result, the Bank has applied a methodology that suits the Bank's portfolio, complexity and data availability.

The Bank's IFRS 9 PD estimation approach consists of the following key steps:

- Use historic default rates to estimate the Through The Cycle ("TTC") probabilities of default;
- Establish a model linking the default rates to macroeconomic variables thus, mapping external market dynamics onto the Bank's internal credit risk parameters, i.e. to fit a distribution function to the observed cumulative default rates using a transformation of the Weibull distribution;
- Obtain the point in time (PIT) PDs by adjusting the TTC conditional PD profile from step 1 using the forecasted default rate established in step 2 for years 1-3 and forecasted for the default rates based on appropriate long term assumptions with regards to economic activity. PDs are estimated on a number of observation basis in light of the limited number of observations. For Legal Entities the PDs are estimated at a debtor level and at a facility level for all other segments.

b. Loss Given Default (LGD)

LGD represents an estimate of the loss if default occurs at a given time. It is usually expressed as a percentage of the EAD. It takes into account parameters such as the collateral value which is discounted to the present value determining the amount of the expected shortfall.

The structure of the LGD model considers:

- Curing where the probability of cure model was derived based on historical observations.
- Non-curing including cash recovery or realisation of collaterals either voluntarily, i.e. debt for asset swap, or through forced sale, auctions and foreclosure and receivership.

c. Exposure At Default (EAD)

EAD represents the expected exposure in the event of a default during the life of a financial instrument. The EAD methodology is differentiated in the following categories: Revolving and Non-Revolving exposures. In case of Revolving exposures all future EAD changes are recognised by a credit conversion factor parameter. The credit conversion factor model is derived based on historical data from the last 6 years. For Non-Revolving exposures the term is based on the contractual term of the exposure and both on-balance sheet and off-balance sheet exposures are amortised in accordance with the principal contractual payment schedule of each exposure. In regards to the credit-impaired exposures, the EAD is equal to the on-balance sheet amount as at the reporting date. ECL is discounted at the effective interest rate at initial recognition or an approximation thereof.

6. ECL measurement period

The period for which lifetime losses are determined is based on the contractual life of a financial instrument. For revolving loans, the period for which lifetime losses are determined is set at 12 months representing the next review date of the facility, at which the Bank has the right to limit or to cancel the exposure. For irrevocable loan commitments and financial guarantee contracts, the measurement period is determined similarly to the period of the revolving facilities.

7. Purchased or originated credit impaired financial assets (POCI)

POCI financial assets are recorded at fair value on initial recognition. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses. For POCI financial assets, the Bank only recognises the cumulative changes in lifetime ECL since initial recognition in the loss allowance. POCI remain a separate category until derecognition. The following table presents the movement of accumulated impairment losses on the value of loans and advances, debt securities and equity securities - *Template 16 EU CR2- A EBA guidelines - Changes in the stock of general and specific credit risk adjustments:*

As at 31 December 2019 Movement of accumulated Expected Loss €000	Stage 1	Stage 2	Stage 3	POCI	Total
1 January 2019	4.339	2.181	146.778	27.810	181.108
Interest not recognised in the income statement	-	-	11.550	2.358	13.908
Write-offs	-	-	(26.492)	(6.216)	(32.707)
Provision on new exposures granted	3.128	-	-	728	3.856
Derecognition	(148)	(28)	(2.777)	(21)	(2.974)
Transfer to Stage 1	240	(239)	(1)	-	-
Transfer to Stage 2	(953)	3.445	(2.492)	-	-
Transfer to Stage 3	(555)	(474)	1.029	-	-
Change due to change in credit risk	(1.306)	(2.621)	2.050	(437)	(2.315)
Foreign exchange difference and other movement	(241)	(27)	(425)	-	(694)

31 December 2019	**4.504**	**2.236**	**129.222**	**24.221**	**160.182**
Individually assessed	-	2	104.664	14.508	119.174
Collectively assessed	4.504	2.234	24.558	9.713	41.008
	4.504	**2.236**	**129.222**	**24.221**	**160.182**

As at 31 December 2018 Movement of accumulated Expected Loss €000	Stage 1	Stage 2	Stage 3	POCI	Total
1 January 2018	2.889	346	180.076	26.781	210.093
Impact adopting IFRS 9 at 1 January 2018	897	659	3.778	477	5.811
Restated balance at 1 January 2018	**3.786**	**1.005**	**183.854**	**27.258**	**215.904**
Interest (provided) not recognised in the income statement			14.425	2.061	16.486
Write offs			(48.905)	(1.967)	(50.872)
Decrease due to derecognition	(706)	(99)	(3.076)	(8)	(3.888)
Transfer to Stage 1	600	(462)	(138)		-
Transfer to Stage 2	(127)	3.439	(3.310)		-
Transfers to Stage 3	(51)	(122)	173		-
Change due to change in Credit Risk (net)	855	(1.583)	3.121	539	2.934
Exchange difference and other movement	(18)	3	634	(73)	544
31 December 2018	**4.339**	**2.181**	**146.778**	**27.810**	**181.108**
Individually assessed		237	116.818	14.951	132.006
Collectively assessed	4.339	1.944	29.960	12.859	49.102
	4.339	**2.181**	**146.778**	**27.810**	**181.108**

6.8 Average exposure during 2019 and 2018 analysed by asset class

Template 7 (EU CRB-B) EBA guidelines – Total and average net amount of exposures:

As at 31 December 2019 €000	Net value of exposures at the end of the period	Average net exposures over the period
Central governments or central banks	811.684	833.165
Regional governments or local authorities	3.880	4.058
Public sector entities	17.861	9.252
Multilateral development banks	-	37.976
International organisations	-	-
Institutions	147.194	138.820
Corporates	552.287	508.618
Of which: SMEs	361.075	304.186
Retail	137.635	120.918
Of which: SMEs	55.218	45.961
Secured by mortgages on immovable property	183.186	202.838
Of which: SMEs	55.218	97.817
Exposures in default	190.647	205.320

Items associated with particularly high risk	136.243	151.845
Covered bonds	55.457	32.197
Claims on institutions and corporates with a short-term credit assessment	-	-
Collective investments undertakings	-	-
Equity exposures	7.901	8.225
Other exposures	207.527	205.074
Total standardised approach	2.451.502	2.458.308
Total	**2.451.502**	**2.458.308**

Note: The overall increase in Exposures was mainly driven by the acquisition of ex-USB on 18/01/2019 and by lending growth.

As at 31 December 2018 €000	**Net value of exposures at the end of the period**	**Average net exposures over the period**
Central governments or central banks	486.130	549.088
Regional governments or local authorities	4.494	4.652
Public sector entities	-	-
Multilateral development banks	52.016	50.583
International organisations	-	-
Institutions	109.742	78.869
Corporates	347.811	301.509
Of which: SMEs	*170.645*	*140.868*
Retail	77.022	75.654
Of which: SMEs	*28.183*	*27.764*
Secured by mortgages on immovable property	99.585	93.070
Of which: SMEs	*35.401*	*28.429*
Exposures in default	127.375	131.809
Items associated with particularly high risk	91.605	75.191
Covered bonds	12.755	10.233
Claims on institutions and corporates with a short-term credit assessment	-	-
Collective investments undertakings	-	-
Equity exposures	6.642	6.320
Other items	118.944	121.033
Total Standardised Approach	***1.534.121***	***1.498.012***

Note: The overall increase in Exposures was mainly driven by lending growth.

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

Template 8 EU CRB-C EBA guidelines – Geographical breakdown of exposures (Other countries include immaterial exposures <=€2m in total for each country. The immaterial countries are listed in template 8 as per section 6.9)

Exposures per Asset Class per Country of incorporation of Counterparty As at 31.12.2019 €000	Belgium	Cyprus	Greece	United Kingdom	Lebanon	Russia	United States	British Virgin Islands	Italy	Hong Kong	France	Marshal Islands	Portugal	Spain	Other	Total
Central Governments and Central Banks	-	523.823	140.341	-	-	6.788	1.744	-	57.157	-	-	-	-	24.291	57.539	811.684
Regional Governments or local authorities	-	3.880	-	-	-	-	-	-	-	-	-	-	-	-	-	3.880
Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17.861	17.861
Institutions	21.076	5.213	69.794	411	7	1.477	6.000	-	-	-	-	-	-	4.034	39.182	147.194
Corporate	-	396.025	44.589	84	7.813	31	-	2.216	-	-	-	40.433	-	-	61.097	552.287
Retail	3	132.546	1.774	858	1.072	212	18	31	25	-	2	-	-	-	1.095	137.635
Secured by mortgages on immovable property	-	177.743	912	580	2.629	310	123	-	-	97	-	-	-	-	792	183.186
Exposures in default	-	188.473	8	1.051	20	32	658	-	-	-	-	-	-	-	405	190.647
Items associated with particular high risk	-	127.328	-	-	-	-	8.915	-	-	-	-	-	-	-	-	136.243
Covered Bonds	-	15.810	39.647	-	-	-	-	-	-	-	-	-	-	-	-	55.457
Equity	-	7.831	70	-	-	-	-	-	-	-	-	-	-	-	-	7.901
Other Items	-	207.527	0	-	-	-	-	-	-	-	-	-	-	-	-	207.527
Total	**21.080**	**1.786.199**	**297.134**	**2.986**	**11.540**	**8.849**	**17.459**	**2.246**	**57.182**	**97**	**2**	**40.433**	**-**	**28.325**	**177.971**	**2.451.502**

Note: The overall increase in Exposures was mainly driven by the acquisition of ex-USB on 18/01/2019 and by lending growth.

Exposures per Asset Class per Country of incorporation of Counterparty As at 31.12.2018 €000	Belgium	Cyprus	Greece	United Kingdom	Lebanon	Russia	United States	British Virgin Islands	Italy	Hong Kong	France	Marshal Islands	Portugal	Spain	Other	Total
Central Governments and Central Banks	-	375.155	37.990	-	-	6.730	-	-	39.422	-	-	-	26.833	-	-	486.130
Regional Governments or local authorities	-	4.494	-	-	-	-	-	-	-	-	-	-	-	-	-	4.494
Multilateral Development Banks	52.016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	52.016
Institutions	16.182	6.333	9.362	50.368	-	5.289	4.141	-	-		10.176	-	-	5.700	2.191	109.742
Corporate	-	287.745	13.470	83	27.266	55	-	2.292	-	7.360	-	9.528	-	-	12	347.811
Retail	3	74.229	1.387	91	194	209	128	21	-		-	-	-	-	760	77.022
Secured by mortgages on immovable property	-	97.641	49	615	128	344	-	-	-	108	-	-	-	-	700	99.585
Exposures in default	-	126.521	4	175	-	29	639	-	-	-	-	-	-	-	7	127.375
Items associated with particular high risk	-	82.881	-	-	-	-	8.724	-	-	-	-	-	-	-	-	91.605
Covered Bonds	-	-	12.755	-	-	-	-	-	-	-	-	-	-	-	-	12.755
Equity	-	6.642	-	-	-	-	-	-	-	-	-	-	-	-	-	6.642
Other Items	-	118.944	-	-	-	-	-	-	-	-	-	-	-	-	-	118.944
Total	**68.201**	**1.180.585**	**75.017**	**51.332**	**27.588**	**12.656**	**13.632**	**2.313**	**39.422**	**7.468**	**10.176**	**9.528**	**26.833**	**5.700**	**3.670**	**1.534.121**

Note: The overall increase in Exposures was mainly driven by lending growth.

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

Template 9 EU CRB-D EBA guidelines – Concentration of exposures by industry or counterparty types

As at 31 December 2019 €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	-	-	-	-	-	460.417	-	-	-	-	-	351.267	-	-	-	-	-	811.684
Regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	3.880	-	-	-	-	-	3.880
Public Sector Entities	-	-	-	-	-	17.861	-	-	-	-	-	-	-	-	-	-	-	17.861
Institutions	-	-	-	-	-	142.628	-	-	-	-	-	4.566	-	-	-	-	-	147.194
Corporates	65.140	6.552	31.286	1.697	600	30.935	4.505	40.414	12.892	10.996	29.173	54.524	89.383	79.428	-	90.132	4.630	552.287
Of which SME	*47.477*	*6.368*	*15.927*	*1.697*	*600*	*30.262*	*4.505*	*20.428*	*7.982*	*7.190*	*25.395*	*-*	*85.703*	*58.679*	*-*	*45.810*	*3.052*	*361.075*
Retail	1.462	868	10.998	487	230	1.509	898	5.803	3	82.530	3.626	-	7.775	1.802	24	17.612	2.010	137.635
Of which SME	*1.403*	*866*	*10.992*	*484*	*230*	*1.500*	*883*	*5.794*	*3*	*413*	*3.569*	*-*	*7.775*	*1.798*	*24*	*17.513*	*1.973*	*55.218*
Secured by mortgages on immovable property	14.255	115	4.154	-	263	12.572	280	12.649	-	96.703	1.353	-	9.124	2.208	-	24.644	4.866	183.186
Of which SME	*14.255*	*115*	*4.154*	*-*	*263*	*12.572*	*280*	*4.666*	*-*	*7.734*	*959*	*-*	*8.650*	*2.208*	*-*	*21.521*	*545*	*77.922*

Exposures in default	13.377	1.671	44.857	4.415	3.101	12.484	701	4.165	2.544	69.869	1.522	-	11.560	2.275	7	15.352	2.747	190.647
Items associated with particular high risk	929	-	85.982	-	-	20.333	-	81	-	7.366	-	-	18.915	-	-	1.463	1.174	136.243
Covered Bonds	-	-	-	-	-	31.115	-	-	-	-	-	-	-	-	-	-	24.342	55.457
Equity	-	-	-	-	-	5.839	-	-	-	-	-	-	-	-	-	-	2.061	7.901
Other items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	207.527	207.527
Total	**95.162**	**9.206**	**177.277**	**6.599**	**4.194**	**507.475**	**6.384**	**63.112**	**15.439**	**267.464**	**35.674**	**414.238**	**136.757**	**85.714**	**31**	**149.203**	**477.576**	**2.451.502**

Note: The overall increase in Exposures was mainly driven by the acquisition of ex-USB on 18/01/2019 and by lending growth.

As at 31 December 2018 '€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	-	-	-	-	-	100.494	-	-	-	-	-	200.900	-	-	-	-	184.736	486.130
Regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	4.494	-	-	-	-	-	4.494
Multilateral Development Banks	-	-	-	-	-	52.016	-	-	-	-	-	-	-	-	-	-	-	52.016
Institutions	-	-	-	-	-	109.738	-	-	-	-	-	-	-	-	-	-	3	109.741

Corporates	23.073	4.225	16.567	2.524	-	56.782	1.347	36.734	12.585	4.910	10.351	55.320	38.831	27.465	-	56.438	659	347.811
Of which SME	*6.260*	*4.225*	*5.261*	-	-	*36.492*	*1.347*	*23.705*	*12.585*	*4.910*	*6.539*	-	*32.451*	*10.880*	-	*25.471*	*519*	*170.645*
Retail	1.083	483	3.970	295	54	551	510	2.907	-	47.616	2.397	-	3.693	808	8	11.969	678	77.022
Of which SME	*1.037*	*418*	*3.838*	*280*	*49*	*269*	*366*	*2.715*	-	*533*	*2.201*	-	*3.585*	*774*	*8*	*11.524*	*586*	*28.183*
Secured by mortgages on immovable property	12.632	126	418	-	168	1.087	3.416	12.033	-	53.523	760	-	2.674	999	-	9.740	2.010	99.586
Of which SME	*12.632*	*126*	*156*	-	*168*	*1.087*	*3.416*	*4.160*	-	*385*	*760*	-	*2.258*	*999*	-	*8.681*	*577*	*35.401*
Exposures in default	6.506	1.356	32.600	4	2.731	14.489	770	784	-	43.823	343	-	6.374	4.335	-	11.793	1.467	127.375
Items associated with particular high risk	-	-	56.416	-	-	21.890	-	1.129	-	3.828	77	-	7.665	-	-	343	257	91.605
Covered Bonds	-	-	-	-	-	4.601	-	-	-	-	-	-	-	-	-	-	8.154	12.755
Equity	-	-	-	-	-	-	-	-	-	6.603	-	-	-	-	-	-	39	6.642
Other items	-	-	-	-	-	-	-	-	-	-	-	-	75.828	-	-	-	43.116	118.944
Total	43.294	6.190	109.971	2.823	2.953	361.648	6.043	53.587	12.585	160.303	13.928	260.714	135.065	33.607	8	90.283	241.119	1.534.121

Note: The overall increase in Exposures was mainly driven by lending growth

6.11 Original Exposure values, net of provision, by residual maturity
Template 10 EU CRB-E EBA guidelines – Maturity of exposures

As at 31 December 2019 Exposure Class €000	< 1 month	1 – 3 months	3 – 12 months	1 – 5 years	> 5 years	No Maturity	Total
Central Governments and Central Banks	140.200	121.375	32.899	220.167	297.043	-	811.684
Regional Governments or local authorities	200	-	-	1.159	2.522	-	3.880
Public Sector Entities	-	-	17.861	-	-	-	17.861
Institutions	91.270	2.173	11.307	27.512	5.176	9.756	147.194
Corporate	56.291	20.713	22.186	96.575	356.522	-	552.287
Retail	37.441	5.040	10.456	29.082	55.617	-	137.635
Secured by mortgages on immovable property	25.313	1	541	8.774	148.558	-	183.186
Exposures in default	50.810	278	12.537	44.896	82.126	-	190.647
Items associated with particular high risk	43.644	453	1.528	43.337	38.300	8.980	136.243
Covered Bonds	-	-	40.152	15.305	-	-	55.457
Equity	-	-	-	-	-	7.901	7.901
Other Items	-	-	-	-	-	207.527	207.527
Total	**445.167**	**150.033**	**149.467**	**486.807**	**985.864**	**234.164**	**2.451.502**

Note: The overall increase in Exposures was mainly driven by the acquisition of ex-USB on 18/01/2109 and by lending growth.

As at 31 December 2018 Exposure Class €000	< 1 month	1 – 3 months	3 – 12 months	1 – 5 years	> 5 years	No maturity	Total
Central Governments and Central Banks	202.992	20.654	66.892	81.451	114.141	-	486.130
Regional Governments or local authorities	165	10	-	-	4.319	-	4.494
Multilateral Development Banks	-	-	52.016	-	-	-	52.016
Institutions	92.721	17	54	5.739	5.225	5.986	109.742
Corporate	69.935	15.058	5.888	18.394	238.536	-	347.811
Retail	22.508	2.801	6.108	16.993	28.612	-	77.022
Secured by mortgages on immovable property	18.966	78	341	4.272	75.928	-	99.585
Exposures in default	16.169	2.952	8.085	22.940	77.229	-	127.375
Items associated with particular high risk	20.129	-	123	23.138	39.425	8.790	91.605
Covered Bonds	-	-	-	12.755	-	-	12.755
Equity	6.642	-	-	-	-	-	6.642
Other Items	-	-	-	-	-	118.944	118.944
Total	**450.227**	**41.570**	**139.507**	**185.682**	**583.415**	**133.720**	**1.534.121**

Note: The overall increase in Exposures was mainly driven by lending growth

6.12 Counterparty Credit Risk (CCR)

Derivatives

As at 31 December 2019 the Bank had open positions in derivative contracts which comprised of FX Swaps. The Bank used the Mark-to-Market method to calculate its exposure to the long positions in derivatives for capital requirements purposes. Details on these contracts and on the results of the Mark-to-Market calculations are shown in the table below:

As at 31 December 2019 €000 Derivative type	Positive fair value	Negative fair value	Notional amount	Exposure before CRM	Exposure after CRM	RWAs pre SME factor	Capital Req.
FX Swaps	103	-175	76.260	866	866	1.100	88
Total	**103**	**-175**	**76.260**	**866**	**866**	**1.100**	**88**

As at 31 December 2018 €000 Derivative type	Positive fair value	Negative fair value	Notional amount	Exposure before CRM	Exposure after CRM	RWAs pre SME factor	Capital Req.
FX Swaps	55	-153	68.920	745	745	749	60
Total	**55**	**-153**	**68.920**	**745**	**745**	**749**	**60**

Repo-style transaction

The Bank also had a repo-style transaction calculated using the comprehensive method and after applying standard supervisory volatility haircuts.

31 Dec 2019 €000	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure	RWAs pre & post SME factor	Capital Req
SFTs	58.916			55.979	2.937	587	47
Total	**58.916**			**55.979**	**2.937**	**587**	**47**

31 Dec 2018 €000	a Gross positive fair value or net carrying amount	b Netting benefits	c Netted current credit exposure	d Collateral held	e Net credit exposure	RWAs pre & post SME factor	Capital Req.
SFTs	50.006	-	50.006	49.393	613	123	10
Total	**50.006**	**-**	**50.006**	**49.393**	**613**	**123**	**10**

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 Credit quality of exposures by exposure class and instrument Template 11 EU CR1-A EBA guidelines

As at 31 December 2019 €000	a	b	c	d	e	f	g
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
Exposure Class	Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
Central governments or central banks	-	811.684	-	-	-	-	811.684
Regional governments or local authorities	-	3.884	4	-	-	-	3.880
Public sector entities	-	17.861	-	-	-	-	17.861
Multilateral development banks	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-
Institutions	-	147.195	1	-	-	-	147.194
Corporates	-	556.261	3.974	-	-	-	552.287
Of which: SMEs	-	*364.069*	*2.994*	-	-	-	*361.075*
Retail	-	138.559	924	-	3	-	137.635
Of which: SMEs	-	*55.329*	*111*	-	*3*	-	*55.218*
Secured by mortgages on immovable property	-	183.981	795	-	-	-	183.186
Of which: SMEs	-	*78.329*	*407*	-	-	-	*77.922*
Exposures in default	306.483	-	115.836	-	45.377	-	190.647
Items associated with particularly high risk	104.208	72.760	40.725	-	9.196	-	136.243
Covered bonds	-	55.457	-	-	-	-	55.457

Claims on institutions and corporates with a short- term credit assessment	-	-	-	-	-	-	-
Collective investments undertakings	-	-	-	-	-	-	-
Equity exposures	-	7.901	-	-	-	-	7.901
Other exposures	-	207.527	-	-	-	-	207.527
Total standardised approach	**410.691**	**2.203.069**	**162.258**	-	**54.576**	-	**2.451.502**
Of which: Loans*	396.851	769.183	161.310	-	-	-	1.004.724
Of which: Debt securities	-	-	-	-	-	-	-
Of which: Off- balance-sheet exposures	13.839	177.227	948	-	-	-	190.119

Note: The overall increase in Exposures was mainly driven by the acquisition of ex-USB on 18/01/2019 and by lending growth.

As at 31 December 2018 €000	a	b	c	d	e	f	g
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
Central governments or central banks	-	486.130	-	-	-	-	486.130
Regional governments or local authorities	-	4.501	7	-	-	-	4.494
Multilateral development banks	-	52.016	-	-	-	-	52.016
Institutions	-	109.742	-	-	-	-	109.742
Corporates	-	351.249	3.438	-	-	-	347.811
Of which: SMEs	-	*172.864*	*2.219*	-	-	-	*170.645*
Retail	-	78.290	1.268	-	17	-	77.022
Of which: SMEs	-	*28.301*	*118*	-	-	-	*28.183*
Secured by mortgages on immovable property	-	100.196	611	-	-	-	99.585
Of which: SMEs	-	*35.748*	*347*	-	-	-	*35.401*
Exposures in default	253.468	-	126.093	-	27.416	-	127.375
Items associated with particularly high risk	73.331	61.139	42.865	-	23.848	-	91.605
Covered Bonds	-	12.755	-	-	-	-	12.755
Equity exposures	-	6.642	-	-	-	-	6.642
Other items	-	118.944	-	-	-	-	118.944
Total standardised approach	***326.799***	***1.381.604***	***174.282***	-	***51.281***	-	***1.534.121***

Of which: Loans	317.369	471.177	173.688	-	-	-	614.858
Of which: Debt securities	-	-	-	-	-	-	-
Of which: Off-balance-sheet exposures	9.431	120.242	594	-	-	-	129.079

Note: The overall increase in Exposures was mainly driven by lending growth

6.15 Credit quality of exposures by industry or counterparty types
Template 12 EU CR1-B EBA guidelines

As at 31 December 2019	a	b	c	d	e	f	g
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
€000	Defaulted exposures	Non-defaulted exposures					(a +b-c-d)
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	22.473	81.524	8.835	-	1.715	-	95.162
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	3.433	7.575	1.801	-	611	-	9.206
AGRICULTURE. FORESTRY AND FISHING	-	-	3.056	-	36	-	(3.056)
ARTS. ENTERTAINMENT AND RECREATION	-	-	139	-	-	-	(139)
CONSTRUCTION	131.937	86.345	41.005	-	17.227	-	177.277
EDUCATION	4.455	2.195	52	-	5	-	6.599
ELECTRICITY. GAS. STEAM AND AIRCONDITIONING SUPPLY	6.805	1.099	3.710	-	3.329	-	4.194
FINANCIAL AND INSURANCE ACTIVITIES	14.764	494.070	1.359	-	912	-	507.475
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	832	5.719	166	-	-	-	6.384
INFORMATION AND COMMUNICATION	-	-	60	-	-	-	(60)
MANUFACTURING	6.246	59.121	2.254	-	-	-	63.112
MINING AND QUARRYING	3.383	12.982	926	-	-	-	15.439
OTHER SERVICE ACTIVITIES	7.482	473.784	435	-	3.671	-	480.831
PRIVATE INDIVIDUALS	147.855	192.068	72.458	-	21.140	-	267.464
PROFESSIONAL. SCIENTIFIC AND TECHNICAL ACTIVITIES	2.387	34.554	1.267	-	-	-	35.674
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	-	414.241	3	-	-	-	414.238
REAL ESTATE ACTIVITIES	26.626	119.768	9.638	-	2.208	-	136.757
TRANSPORT AND STORAGE	3.092	84.115	1.494	-	-	-	85.714
WATER SUPPLY. SEWERAGE. WASTE MANAGEMENT AND REMEDATION ACTIVITIES	33	24	26	-	-	-	31
WHOLESALE AND RETAIL TRADE. REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	28.888	133.888	13.573	-	3.722	-	149.203
Total	**410.691**	**2.203.069**	**162.258**	**-**	**54.576**	**-**	**2.451.502**

Note: The overall increase in Exposures was mainly driven by the acquisition of ex-USB on 18/01/2019 and by lending growth.

As at 31 December 2018	a	b	c	d	e	f	g
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values
€000	Defaulted exposures	Non-Defaulted exposures					(a +b-c-d)
ACCOMMODATION AND FOOD SERVICE ACTIVITIES	16.122	37.133	9.961	-	749	-	43.294
ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES	2.949	4.880	1.639	-	-	-	6.190
AGRICULTURE. FORESTRY AND FISHING	3.239	1.583	3.108	-	-	-	1.714
ARTS. ENTERTAINMENT AND RECREATION	673	669	379	-	-	-	963
CONSTRUCTION	101.289	55.761	47.079	-	10.938	-	109.971
EDUCATION	42	2.855	74	-	-	-	2.823
ELECTRICITY. GAS. STEAM AND AIRCONDITIONING SUPPLY	9.079	224	6.350	-	-	-	2.953
FINANCIAL AND INSURANCE ACTIVITIES	16.764	347.712	2.828	-	-	-	361.648
HUMAN HEALTH AND SOCIAL WORK ACTIVITIES	841	5.331	129	-	-	-	6.043
INFORMATION AND COMMUNICATION	463	575	358	-	-	-	680
MANUFACTURING	1.847	53.258	1.518	-	566	-	53.587
MINING AND QUARRYING	-	12.770	185	-	-	-	12.585
OTHER SERVICE ACTIVITIES	4.643	236.857	3.738	-	85	-	237.762
PRIVATE INDIVIDUALS	117.646	114.213	71.556	-	17.382	-	160.303
PROFESSIONAL. SCIENTIFIC AND TECHNICAL ACTIVITIES	986	13.672	730	-	335	-	13.928
PUBLIC ADMINISTRATION AND DEFENCE; COMPULSORY SOCIAL SECURITY	-	260.721	7	-	-	-	260.714
REAL ESTATE ACTIVITIES	20.026	124.140	9.101	-	5.450	-	135.065
TRANSPORT AND STORAGE	5.638	29.615	1.646	-	-	-	33.607
WATER SUPPLY. SEWERAGE. WASTE MANAGEMENT AND REMEDATION ACTIVITIES	-	8	-	-	-	-	8
WHOLESALE AND RETAIL TRADE. REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	24.553	79.626	13.896	-	15.776	-	90.283
Not Applicable	-	-	-	-	-	-	-
Total	**326.800**	**1.381.603**	**174.283**	**-**	**51.281**	-	**1.534.121**

Note: The overall increase in exposures was mainly driven by lending growth.

6.16 Credit quality of exposures by geography
Template 13 EU CR1-C EBA guidelines

As at December 2019	a	b	c	d	e	f	g
	Gross carrying values of						
€000	Defaulted exposures	Non-defaulted exposures	Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values (a+ b -c-d)
Albania	-	8	-	-	-	-	7
Australia	-	2	-	-	-	-	2
Austria	-	1.600	-	-	-	-	1.599
Bahrain	-	17	-	-	-	-	17
Belarus	-	4	-	-	-	-	4
Belgium	-	21.080	-	-	-	-	21.080
Belize	-	-	-	-	-	-	-
British Virgin Islands	-	2.256	9				2.246
Bulgaria	-	-	-	-	-	-	-
Canada	-	9.036	-	-	-	-	9.036
Cyprus	406.547	1.538.465	158.813	-	54.576	-	1.786.199
Egypt	-	215	1	-	-	-	215
Finland	-	10	-	-	-	-	10
France	-	2	-	-	-	-	2
Germany	-	17.882	-	-	-	-	17.882
Gibraltar	-	35	-	-	-	-	35
Greece	31	297.487	384	-	-	-	297.134
Hong Kong. SAR China	-	97	-	-	-	-	97
India	-	29	-	-	-	-	29
Iran. Islamic Republic of	-	22	-	-	-	-	22
Israel	6	40	4	-	-	-	42
Italy	-	57.182	-	-	-	-	57.182
Jersey	-	32.845	288	-	-	-	32.557
Jordan	-	40	-	-	-	-	40
Kyrgyzstan	-	12	-	-	-	-	12
Latvia	-	5.151	-	-	-	-	5.151
Lebanon	20	11.715	195	-	-	-	11.540
Luxembourg	-	3.606	-	-	-	-	3.606
Macedonia. Republic of	-	4	-	-	-	-	4
Marshall Islands	-	40.811	378	-	-	-	40.433
MDB	-	-	-	-	-	-	-
Netherlands	-	22.764	121	-	-	-	22.643
Nigeria	-	-	-	-	-	-	-
Poland	-	1.276	-	-	-	-	1.276
Portugal	-	-	-	-	-	-	-
Qatar	-	4.483	-	-	-	-	4.483
Romania	-	6.690	-	-	-	-	6.690
Russian Federation	229	8.819	198	-	-	-	s8.849
Serbia	-	18	-	-	-	-	18

Seychelles	-	-	-	-	-	-	-
Singapore	-	-	-	-	-	-	-
South Africa	-	28	-	-	-	-	28
Syrian Arab Republic (Syria)	-	4	-	-	-	-	4
Spain	-	28.325	-	-	-	-	28.325
Taiwan. Republic of China	-	-	-	-	-	-	-
Tunisia	-	13	-	-	-	-	13
Ukraine	269	17	-	-	-	-	286
United Arab Emirates	135	5.399	15	-	-	-	5.518
United Kingdom	2.552	1.944	1.511	-	-	-	2.986
United States of America	902	16.801	244	-	-	-	17.459
Other	-	66.838	94	-	-	-	66.744
Total	**410.691**	**2.203.069**	**162.258**	-	**54.576**	-	**2.451.502**

Note: The overall increase in Exposures was mainly driven by the acquisition of ex-USB on 18/01/2019 and by lending growth.

As at 31 December 2018	a	b	c	d	e	f	g
	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges	Net values (a+ b -c-d)
€000	Defaulted exposures	Non-defaulted exposures					
Albania	-	9	-	-	-	-	9
Australia	-	1	-	-	-	-	1
Austria	-	1.663	-	-	-	-	1.663
Bahrain	-	3	-	-	-	-	3
Belarus	-	2	-	-	-	-	2
Belgium	-	68.201	-	-	-	-	68.201
Belize	-	139	-	-	-	-	139
British Virgin Islands	-	2.330	17	-	-	-	2.313
Bulgaria	-	17	-	-	-	-	17
Canada	6	38	5	-	-	-	39
Cyprus	324.554	1.028.399	172.368	-	-	-	1.180.585
Egypt	-	115	1	-	-	-	114
Finland	1	10	1	-	-	-	10
France	-	10.176	-	-	-	-	10.176
Germany	-	21	-	-	-	-	21
Gibraltar	-	35	-	-	-	-	35
Greece	17	75.184	184	-	-	-	75.017
Hong Kong. SAR China	-	7.468	-	-	-	-	7.468
India	-	33	-	-	-	-	33
Iran. Islamic Republic of	-	23	-	-	-	-	23
Israel	5	458	5	-	-	-	458
Italy	-	39.422	-	-	-	-	39.422
Jersey	-	-	-	-	-	-	-
Jordan	-	1	-	-	-	-	1
Kyrgyzstan	-	12	-	-	-	-	12
Latvia	-	3	-	-	-	-	3
Lebanon	-	27.758	170	-	-	-	27.588
Luxembourg	-	642	-	-	-	-	642
Macedonia. Republic of	-	4	-	-	-	-	4
Marshall Islands	-	9.679	151	-	-	-	9.528
MDB	-	-	-	-	-	-	-
Netherlands	-	15	-	-	-	-	15
Nigeria	-	1	-	-	-	-	1
Poland	-	8	-	-	-	-	8

Portugal	-	26.833	-	-	-	-	26.833
Qatar	-	1	-	-	-	-	1
Romania	-	52	1	-	-	-	51
Russian Federation	210	12.629	183	-	-	-	12.656
Serbia	-	17	-	-	-	-	17
Seychelles	-	-	-	-	-	-	-
Singapore	-	-	-	-	-	-	-
South Africa	-	28	-	-	-	-	28
Syrian Arab Republic (Syria)	-	4	-	-	-	-	4
Spain	-	5.700	-	-	-	-	5.700
Taiwan. Republic of China	7	-	4	-	-	-	3
Tunisia	-	12	-	-	-	-	12
Ukraine	-	110	1	-	-	-	109
United Arab Emirates	1	195	2	-	-	-	194
United Kingdom	1.152	51.162	982	-	-	-	51.332
United States of America	847	12.991	208	-	-	-	13.630
Total	**326.800**	**1.381.604**	**174.283**	**-**	**-**	**-**	**1.534.121**

Note: The overall increase in Exposures was mainly driven by lending growth.

6.17 Non-performing and forborne exposures

The accounting definition of impaired and the regulatory definition of default and non-performing are generally aligned to a great degree. The Bank is in the process of full alignment of the default and credit impaired with the non-performing.

The new tables were completed on a best effort basis.

Template 1: Credit quality of forborne exposures (EBA/GL/2018/10)

The table below on the credit quality of forborne exposures presents the gross carrying amount broken down by exposure class, the related accumulated impairment, provisions, changes in fair value, and the collateral and financial guarantees received as at 31 December 2019:

As at 31 December 2019 €000	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment. accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
Loans and advances	56.609	123.401	117.710	99.348	723	9.084	159.204	110.303
Central Bank	0	0	0	0	0	0	0	0
General governments	0	0	0	0	0	0	0	0
Credit Institutions	0	0	0	0	0	0	0	0
Other financial corporations	3.295	12.610	12.610	12.610	72	361	15.087	11.907
Non-financial corporations	48.296	82.383	77.567	66.064	535	5.808	114.920	73.236
Households	5.018	28.408	27.533	20.674	116	2.915	29.197	25.160
Debt securities	0	0	0	0	0	0	0	0
Loan commitments given	48	2.046	2.046	1.774	0	0	0	0
Total	56.657	125.447	119.756	101.122	723	9.084	159.204	110.303

Note: During 2019 an increase has been observed in Performing accounts mainly as a result of the curing of the accounts which met the conditions and exited from the non-performing status.

Template 2: Quality of forbearance (EBA/GL/2018/10)
The table below presents the gross carrying amount of forborne exposures that have been forborne more than twice, as well as the gross carrying amount of the non-performing forborne exposures that have failed to meet the non-performing exit criteria as at 31 December 2019:

	As at 31 December 2019	Gross carrying amount of forborne exposures €000
1	Loans and advances that have been forborne more than twice	14.892
2	Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	77.135

Template 3: Credit quality of performing and non-performing exposures by past due days (EBA/GL/2018/10)
The table below on the credit quality of the performing and non-performing exposures presents the gross carrying amount broken down by exposure class, including a further breakdown of past-due exposures by the number of days that they have been past due as at 31 December 2019:

	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
As at 31 December 2019 €000		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
Loans and advances	1.072.774	1.047.449	25.310	400.382	85.770	8.949	8.241	17.801	61.412	85.841	132.368	387.830
Central Bank	224.345	224.345	0	0	0	0	0	0	0	0	0	0
General governments	3.305	3.305	0	0	0	0	0	0	0	0	0	0
Credit Institutions	90.740	90.740	0	0	0	0	0	0	0	0	0	0
Other financial corporations	53.120	44.337	8.784	14.693	12.650	0	0	38	2	195	1.809	14.691
Non-financial corporations	545.616	537.547	8.067	231.956	60.006	3.603	2.911	11.114	42.035	46.170	66.117	226.038
Of which SMEs	*208.202*	*205.349*	*2.851*	*192.840*	*37.260*	*3.558*	*2.622*	*9.512*	*34.433*	*42.154*	*63.301*	*186.922*
Households	155.648	147.175	8.459	153.733	13.114	5.346	5.330	6.649	19.375	39.476	64.442	147.101
Debt securities	706.568	706.568	0	0	0	0	0	0	0	0	0	0
Central Bank	0	0	0	0	0	0	0	0	0	0	0	0
General governments	567.367	567.367	0	0	0	0	0	0	0	0	0	0
Credit Institutions	139.201	139.201	0	0	0	0	0	0	0	0	0	0

Other financial corporations	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0	0	0	0	0	0
Off-balance-sheet exposures	176.015	0	0	13.723	0	0	0	0	0	0	0	13.861
Central Bank	3			0								0
General governments	578			0								0
Credit Institutions	3			0								0
Other financial corporations	2.440			0								2
Non-financial corporations	141.450			13.363								13.269
Households	31.541			360								590
Total	1.955.357	1.754.017	25.310	414.105	85.770	8.949	8.241	17.801	61.412	85.841	132.368	401.691

As at 31 December 2018		**Gross carrying values**					
		≤ 30 days	**> 30 days ≤ 60 days**	**> 60 days ≤ 90 days**	**> 90 days ≤ 180 days**	**> 180 days ≤ 1 year**	**> 1 year**
1	Loans	71.231	6.318	2.273	6.601	16.827	236.636
2	Debt securities	-	-	-	-	-	-
3	**Total exposures**	**71.231**	**6.318**	**2.273**	**6.601**	**16.827**	**236.636**

Note: The decrease in past-due exposures was mainly driven by effective restructurings, debt-to-asset swap transactions, write offs, etc.

Template 4: Performing and non-performing exposures and related provisions (EBA/GL/2018/10)

The table below presents the gross carrying amount, impairments, accumulated changes in fair value due to credit risk, accumulated partial write-offs and collateral and financial guarantees received, for both performing and non-performing exposures, with a breakdown by exposure class and staging as at 31 December 2019:

	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
€000		Of Which Stage 1	Of Which Stage 2		Of Which Stage 2	Of Which Stage 3		Of Which Stage 1	Of Which Stage 2		Of Which Stage 2	Of Which Stage 3			
Loans and advances	1.072.774	956.989	112.273	400.382	0	400.382	6.350	4.392	1.958	153.830	0	153.830	2.913	535.257	237.241
Central Bank	224.345	224.345	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	3.305	3.305	0	0	0	0	45	45	0	0	0	0	0	1.544	0
Credit Institutions	90.740	90.740	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial corporations	53.120	41.042	12.079	14.693	0	14.693	627	382	245	897	0	897	0	36.830	13.457
Non-financial corporations	545.616	460.388	81.715	231.956	0	231.956	4.443	3.356	1.087	81.772	0	81.772	539	374.330	148.513

Of which SMEs	*208.202*	*187.007*	*17.682*	*192.840*	*0*	*192.840*	*1.573*	*1.051*	*512*	*71.503*	*0*	*71.503*	*455*	*151.956*	*122.300*
Households	155.648	137.169	18.479	153.733	0	153.733	1.235	609	626	71.161	0	71.161	2.374	122.553	75.271
Debt securities	**706.568**	**706.568**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Central Bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	567.367	567.367	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit Institutions	139.201	139.201	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Off-balance-sheet exposures	**176.015**	**173.029**	**2.988**	**13.723**	**0**	**13.723**	**251**	**230**	**21**	**695**	**0**	**695**	**0**	**0**	**0**
Central Bank	3	3	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	578	578	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit Institutions	3	3	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial corporations	2.440	2.441	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	141.450	139.283	2.167	13.363	0	13.363	248	227	21	694	0	694	0	0	0
Households	31.541	30.721	821	360	0	360	3	3		1	0	1	0	0	0
Total	**1.955.357**	**1.836.586**	**115.261**	**414.105**	**0**	**414.105**	**6.601**	**4.622**	**1.979**	**154.525**	**0**	**154.525**	**2.913**	**535.257**	**237.241**

As at 31 December 2018	Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
		Of which performing but past due > 30 days and <= 90 days	Of which performing forborne	Of which non-performing				On performing exposures		On non-performing exposures		On non-performing exposures	Of which forborne exposures
					Of which defaulted	Of which impaired	Of which forborne		Of which forborne		Of which forborne		
Debt securities	377.185												
Loans and advances	1.054.728	5.228	39.988	323.544	319.861	303.335	81.580	-	-	174.588	13.773	138.408	98.609
Off-balance-sheet exposures	112.856			7.420	7.405			-		202			

Note: The decrease in non-performing and default exposures was mainly driven by debt-to-asset swap transactions, by classification of non-performing forborne exposures to performing after meeting the exit criteria, by write offs, etc. The accounting definition of impaired and the regulatory definition of default and non-performing are generally aligned to a great degree. The Bank is in the process of full alignment of the default and credit impaired with the non-performing.

Template 5: Quality of Non Performing exposures by geography (EBA/GL/2018/10)

The table below presents the gross carrying amount of performing and non-performing exposures and the related accumulated impairment, provisions and accumulated change in fair value due to credit risk by geographical location of the debtor as at 31 December 2019:

	Gross carrying amount/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non - performing		Of which subject to impairment			
€000			Of which defaulted				
On Balance-Sheet Exposures	**2.179.726**	**400.382**	**387.830**	**361.315**	**160.181**		**0**
CYPRUS CY	1.525.475	394.153	384.327	358.446	157.865		0
GREECE GR	294.957	0	31	0	127		0
Other countries	359.294	6.229	3.472	2.869	2.189		0
Off-balance-sheet exposures	**189.740**	**13.723**	**13.644**			**946**	
CYPRUS CY	178.980	13.703	13.624			924	
Other countries	10.760	20	20			22	
Total	2.369.466	414.105	401.474	361.315	160.181	946	0

Template 6: Credit quality of loans and advances by industry (EBA/GL/2018/10)

The table below presents the gross carrying amount of loans and advances to non-financial corporations and the related accumulated impairment and accumulated change in fair value due to credit risk by industry of the counterparty as at 31 December 2019:

	Gross carrying amount/nominal amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non - performing		Of which loans and advances subject to impairment		
As at 31 December 2019 €000			Of which defaulted			
Agriculture. forestry and fishing	6.484	4.881	4.881	4.881	2.824	0
Mining and quarrying	12.541	3.383	3.383	3.383	1.055	0
Manufacturing	38.493	6.074	6.074	6.074	2.465	0
Electricity. gas. steam and air conditioning supply	10.174	6.775	6.775	6.303	3.915	0
Water supply	54.229	33	33	33	336	0
Construction	172.946	116.375	116.324	113.080	40.331	0
Wholesale and retail trade	115.997	32.388	27.518	26.894	13.655	0
Transportation and storage	78.342	2.553	2.553	1.756	1.520	0

Accommodation and food service activities	95.549	21.412	21.412	19.543	8.014	0
Information and communication	2.111	92	92	92	0	0
Financial and insurance activities	4.510	997	0	997	14	0
Real estate activities	127.175	25.896	25.896	17.120	8.716	0
Professional. scientific and technical activities	32.596	1.272	1.272	938	1.234	0
Administrative and support service activities	8.557	3.288	3.288	3.288	1.864	0
Public administration and defence. compulsory social security	0	0	0	0	0	0
Education	5.680	3.857	3.857	3.857	0	0
Human health and social work activities	5.633	773	773	161	121	0
Arts. entertainment and recreation	1.343	912	912	210	128	0
Other services	5.212	995	995	948	22	0
Total	777.572	231.956	226.038	209.558	86.215	0

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Template 7: Collateral valuation - Loans and Advances (EBA/GL/2018/10)

The table below presents the gross carrying amount of loans and advances collateralized, the related accumulated impairment and the value of the collateral/financial guarantees received and the partial write-offs for these exposures broken down by past due bucket, as at 31 December 2019:

	Loans and advances											
		Performing		Non-performing								
			Of which: past due > 30 days ≤ 90 Days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past Due > 90 days						
As at 31 December 2019 €000							Of which: Past due > 90 days ≤ 180 days	Of which: Past due > 180 days ≤ 1 year	Of which: Past due > 1 year ≤ 2 years	Of which: Past due > 2 years ≤ 5 years	Of which: Past due > 5 years ≤ 7 years	Of which: Past due > 7 years
Gross carrying amount	1.473.156	1.072.773	25.310	400.382	85.770	314.612	8.949	8.241	17.801	61.412	85.841	132.368
Of which secured	931.020	595.576	23.226	335.444	82.478	252.966	8.067	7.016	16.092	52.034	77.573	92.184
Of which secured with immovable property	786.978	458.927	22.506	328.050	81.358	246.692	7.848	6.838	15.021	50.215	76.829	89.941
Of which instruments with LTV higher than 60% and lower or equal to 80%	723	201	1	521	28	494	0	0	0	0	0	0

Of which instruments with LTV higher than 80% and lower or equal to 100%	234,290	160,507	848	73,784	25,461	48,323	0	0	0	0	0	0
Of which instruments with LTV higher than 100%	551,824	298,214	21,656	253,610	55,799	197,811	0	0	0	0	0	0
Accumulated impairment for secured assets	102.254	4.233	508	98.021	4.174	93.847	224	528	2.019	14.120	32.961	43.995
Collateral												
of which value capped at the value of exposure	765.550	534.588	21.411	230.963	74.810	156.153	7.800	6.526	14.007	37.855	43.233	46.732
of which immovable property	*627.115*	*405.091*	*20.130*	*222.025*	*72.045*	*149.980*	*7.190*	*6.378*	*12.954*	*36.292*	*41.797*	*45.369*
of which value above the cap	6.947	669	9	6.278	901	5.377	330	254	259	984	2.180	1.370
of which immovable property	*4.431*	*515*	*4*	*3.916*	*376*	*3.540*	*70*	*242*	*132*	*695*	*1.115*	*1.286*
Financial Guarantees Received	56,524	56,524	0	0	0	0	0	0	0	0	0	0
Accumulated Partial Write-Off	2.913	12	0	2.898	465	2.433	0	0	0	219	183	2.031

Template 8: Changes in the stock of non-performing loans and advances (EBA/GL/2018/10)
The table below presents the movements of the gross carrying amount of non-performing loans and advances during 2019 with specific details of the net cumulative recoveries related to these changes:

As at 31 December 2019 €000	Gross carrying amount €000	Related net accumulated recoveries €000
Initial stock of non-performing loans and advances	323.544	
Inflows to non-performing portfolios	170.974	
Outflows from non-performing portfolios	(94.136)	
Outflow to performing portfolio	(12.397)	
Outflow due to loan repayment, partial or total	(12.173)	
Outflow due to collateral liquidation		
Outflow due to taking possession of collateral	(14.990)	
Outflow due to sale of instruments		
Outflow due to risk transfer		
Outflow due to write-off	(54.576)	
Outflow due to other situations		
Outflow due to reclassification as held for sale		
Final stock of non-performing loans and advances	**400.382**	

Template 9: Collateral obtained by taking possession and execution processes (EBA/GL/2018/10)
The table below presents the value at initial recognition of collateral obtained by taking possession and held in the Bank's Balance Sheet as at 31 December 2019, as well as the accumulated negative changes to the initial recognition value of the respective collaterals broken down by asset category:

		a	b
	As at 31 December 2019 €000	Collateral obtained by taking possession	
		Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)		
2	Other than PP&E		
3	Residential immovable property	51.190	(1.661)
4	Commercial Immovable property	98.893	(757)
5	Movable property (auto, shipping, etc.)		
6	Equity and debt instruments		
7	Other		
8	**Total**	**150.083**	**(2.418)**

Template 10: Collateral obtained by taking possession and execution processes – vintage breakdown (EBA/GL/2018/10)

The table below presents the collateral obtained by taking possession, the value at initial recognition and the related accumulated negative changes to the initial value including the vintage of the foreclosed assets:

		Debt balance reduction*		Total collateral obtained by taking possession									
						Foreclosed <= 2 years		Foreclosed > 2 years <= 5 years		Foreclosed > 5 years		Of which non-current assets held-for-sale	
		Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
1	Property, plant and equipment (PP&E)												
2	Other than PP&E												
3	Residential immovable property			51.190	(1.661)	17.825	(351)	19.722	(550)	13.643	(760)		
4	Commercial Immovable property			98.893	(757)	12.679	(570)	77.560	1.085	8.654	(1.272)		
5	Movable property (auto, shipping, etc.)												
6	Equity and debt instruments												
7	Other												
8	Total			150.083	(2.418)	30.505	(921)	97.281	535	22.297	(2.032)		

*The debt balance reduction data is not readily available in the Bank’s system as the relevant loans that were settled due to debt to asset swap transactions or foreclosure were closed. The Bank is currently in the process of gathering this information from the customer files and the said data will be presented in the 2020 disclosures.

6.18 Changes in the stock of defaulted and impaired loans and debt securities Template 17 EU CR2-B – EBA guidelines

As at 31 December 2019	Gross carrying value defaulted exposures €000
Opening balance	**319.861**
Loans and debt securities that have defaulted or impaired since the last reporting period	151.544
Returned to non-defaulted status	(14.009)
Amounts written off	(54.576)
Loans that have been resolved through Debt-to-Asset Swap	(14.990)
Other changes	
Closing balance	**387.830**

Note: The increase in the defaulted exposures was mainly due to the acquisition of the ex-USB on 18/01/2019.

As at 31 December 2018	Gross carrying value defaulted exposures €000
Opening balance	**401.275**
Loans and debt securities that have defaulted or impaired since the last reporting period	27.332
Returned to non-defaulted status	(44.224)
Amounts written off	(51.200)
Loans that have been resolved through Debt-to-Asset Swap	(6.942)
Other changes	(6.380)
Closing balance	**319.861**

Note: The decrease in defaulted exposures was mainly driven by debt-to-asset swap transactions, by classification of non-performing forborne exposures to performing and non-defaulted after meeting the exit criteria, by write offs, etc.

6.19 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. Through the ICAAP Stress Test process the risks are assessed on a forward-looking assessment in adverse conditions.

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. Stress Testing is a key risk management tool to ensure that the Bank's financial position and risk profile provide sufficient resilience to withstand the impact of adverse economic stress. The stress testing program may include Sensitivity analysis and reverse Stress Testing that explore scenarios that might cause the Bank's capital or liquidity position to fall below the minimum regulatory requirements.

The Bank prepares the ICAAP report annually. The report for 2019 was approved by the Board of Directors and was submitted to the CBC in July 2020. The ICAAP process demonstrates that the Bank has sufficient capital under both the base case and stress scenarios.

The Board signs a capital adequacy statement on an annual basis as part of the ICAAP.

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. -The Bank manages interest rate risk through the monitoring on a regular basis of interest rate gaps by currency and time band.

- Currency Risk is the risk that the value of financial instruments and assets and liabilities fluctuates due to changes in exchange rates. Currency risk arises from a positive or negative open position in a foreign currency, exposing the Bank to changes in the relevant exchange rate. This 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.

- 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 regulatory liquidity indicators and control its liquidity position. A liquidity limit structure, compliant with the relevant regulatory requirements, shall cover the liquidity structure of assets for all major currencies in which the Bank 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 be withdrawn early, 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 MIS Regulatory Department, the Finance Department and the Risk Management Unit.

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

- The concentration, diversity and maturity profile of customer deposits.

- Adopting pricing policies that contribute to establishing a stable depository base.

- Maintaining a balance in the Minimum Reserve Account as specified by the applicable Supervisory Authorities.

- Monitoring Liquidity Monitoring Metrics (ALMM) under Article 415(3)(b) of Regulation (EU) No 575/2013.

- Liquidity Coverage Ratio based on EU Regulation 2015/61 regarding the coverage requirement of Liquidity Risk.

The Bank uses liquidity stress testing and conducts an ILAAP annually to determine its liquidity tolerance and liquidity buffers. The ILAAP report gives an overview of the Bank's approach to liquidity risk management and the Board's assessment of the prudent level of liquidity resources that the Bank should hold based on its liquidity risk appetite. The liquidity stress testing covers three scenarios: An idiosyncratic, market-wide and a combined stress (i.e. combination of the idiosyncratic and market-wide). The methodology and assumptions used in the stress testing are based on conservative assumptions driven by the Liquidity Coverage Ratio (LCR) specifications and the various results are used by the Bank into developing liquidity and funding plans.

The Bank prepares the ILAAP report annually. The report for 2019 was approved by the Board of Directors and was submitted to the CBC in July 2020. The ILAAP process demonstrates that the Bank and its Group have sufficient liquidity resources to support its business and be able to withstand any adverse future conditions which may threat its liquidity position.

The Board signs a liquidity adequacy statement on an annual basis as part of the ILAAP.

As at 31 December 2019, 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. The LCR was in effect from 1 October 2015 with a regulatory limit of 60% increasing to 100% from 1 January 2018.

LCR ratio %	
As at 31 December 2019	324%
Average for the year	461%
Maximum percentage for the year	773%
Minimum percentage for the year	324%

LCR ratio %	
As at 31 December 2018	553%
Average for the year	378%
Maximum percentage for the year	553%
Minimum percentage for the year	314%

The table below shows a quantitative analysis of LCR which complements Article 435(1)(f) of Regulation 575/2013 (Template EU LIQ1 EBA guidelines EBA/GL/2017/01 on LCR disclosure):

31 December 2019 Scope of consolidation: solo	Total unweighted value (average)				Total weighted value (average)			
€ million	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Quarter ending on	Mar-19	Jun-19	Sep-19	Dec-19	Mar-19	Jun-19	Sep-19	Dec-19
Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12

	HIGH-QUALITY LIQUID ASSETS								
1	**Total high-quality liquid assets (HQLA)**					**687.372**	**743.646**	**814.920**	**873.482**
	CASH – OUTFLOWS								
2	**Retail deposits and deposits from small business customers, of which:**	**360.668**	**441.819**	**519.683**	**588.140**	**33.677**	**40.499**	**46.837**	**53.235**
3	Stable deposits	80.048	112.527	146.622	159.732	4.002	5.626	7.331	7.987
4	Less stable deposits	280.619	329.292	373.062	428.407	29.675	34.873	39.506	45.248
5	**Unsecured wholesale funding**	**638.092**	**658.591**	**709.516**	**779.325**	**229.492**	**238.029**	**258.177**	**285.390**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	105	5	73	270	22	0	16	62
7	Non-operational deposits (all counterparties)	637.988	658.586	709.443	779.055	229.470	238.029	258.161	285.328
8	Unsecured debt								
9	Secured wholesale funding								
10	Additional requirements								
11	Outflows related to derivative exposures and other collateral requirements								
12	Outflows related to loss of funding on debt products								
13	Credit and liquidity facilities								
14	Other contractual funding obligations	11.715	13.243	15.068	15.250	1.097	1.247	1.431	1.447
15	Other contingent funding obligations	106.332	122.067	135.074	151.522	19.644	23.001	25.812	28.811
16	TOTAL CASH OUTFLOWS					**283.910**	**302.776**	**332.257**	**368.882**
	CASH - INFLOWS								
17	Secured lending (e.g. reverse repos)								
18	Inflows from fully performing exposures	201.366	227.292	245.328	262.577	117.976	141.329	154.696	164.142
19	Other cash inflows	3.307	3.292	3.363	3.572	3.307	3.292	3.363	3.572
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
EU-19b	(Excess inflows from a related specialised credit institution)								
20	**TOTAL CASH INFLOWS**	**204.673**	**230.583**	**248.691**	**266.149**	**121.283**	**144.620**	**158.059**	**167.714**
EU-20a	Fully exempt inflows								
EU-20b	Inflows subject to 90% cap								
EU-20c	Inflows subject to 75% cap	204.673	230.583	248.691	266.149	121.283	144.620	158.059	167.714

TOTAL ADJUSTED VALUE

21	**LIQUIDITY BUFFER**		**687.372**	**743.646**	**814.920**	**873.482**
22	**TOTAL NET CASH OUTFLOWS**		**162.627**	**158.156**	**174.198**	**201.168**
23	**LIQUIDITY COVERAGE RATIO (%)**		**443%**	**486%**	**493%**	**461%**

31 December 2018 Scope of consolidation: solo		Total unweighted value (average)				Total weighted value (average)			
€ million		€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Quarter ending on		Mar-18	Jun-18	Sep-18	Dec-18	Mar-18	Jun-18	Sep-18	Dec-18
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
	HIGH-QUALITY LIQUID ASSETS								
1	**Total high-quality liquid assets (HQLA)**					**525.248**	**557.695**	**593.039**	**619.563**
	CASH – OUTFLOWS								
2	**Retail deposits and deposits from small business customers, of which:**	**220.555**	**235.574**	**256.588**	**280.934**	**21.362**	**22.656**	**24.564**	**26.940**
3	Stable deposits	38.905	42.003	45.512	49.036	1.945	2.100	2.276	2.452
4	Less stable deposits	181.649	193.571	21.076	231.898	19.416	20.556	22.288	24.488
5	**Unsecured wholesale funding**	**601.285**	**618.959**	**631.880**	**621.808**	**211.066**	**218.611**	**224.898**	**222.196**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	184	260	204	203	37	54	41	41
7	Non-operational deposits (all counterparties)	601.102	618.700	631.676	621.605	211.029	218.557	224.857	222.155
8	Unsecured debt								
9	Secured wholesale funding								
10	Additional requirements								
11	Outflows related to derivative exposures and other collateral requirements								
12	Outflows related to loss of funding on debt products								
13	Credit and liquidity facilities								
14	Other contractual funding obligations	2.093	3.287	5.002	8.476	169	276	439	776
15	Other contingent funding obligations	83.907	86.246	88.010	89.826	16.825	16.595	16.438	16.405
16	TOTAL CASH OUTFLOWS					**249.421**	**258.138**	**266.339**	**266.318**
	CASH - INFLOWS								
17	Secured lending (e.g. reverse repos)								
18	Inflows from fully performing exposures	165.482	162.524	164.012	173.425	87.733	82.962	84.776	94.023
19	Other cash inflows	2.444	2.878	3.220	3.385	2.444	2.878	3.220	3.385
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)								
EU-19b	(Excess inflows from a related specialised credit institution)								
20	**TOTAL CASH INFLOWS**	**167.926**	**165.402**	**167.232**	**176.810**	**90.177**	**85.840**	**87.996**	**97.408**

EU-20a	Fully exempt inflows								
EU-20b	Inflows subject to 90% cap								
EU-20c	Inflows subject to 75% cap	167.926	165.402	167.232	176.810	90.177	85.840	87.996	97.408
				TOTAL ADJUSTED VALUE					
21	**LIQUIDITY BUFFER**					**525.248**	**557.695**	**593.039**	**619.563**
22	**TOTAL NET CASH OUTFLOWS**					**159.244**	**172.298**	**178.343**	**168.910**
23	**LIQUIDITY COVERAGE RATIO (%)**					**332%**	**324%**	**332%**	**378%**

7.3 Market Risk Management Framework

The Board of Directors, Board Risk Committee (BRC), Asset-Liability Committee (ALCO), Risk Management Unit, the Middle Office, the Internal Audit Unit and Treasury & Capital Markets 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 Unit 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 Unit with the support of the Middle Office 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 audits to ensure that the personnel of the involved units follow 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 & Capital Markets Department 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 Financial Assets at Fair Value Through Profit and Loss. 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 portfolio. The Bank maintains small positions in its Trading Book and as a result market risk is not significant.

The table below shows the capital requirements for the Trading Book by risk category:

Template 34 EU MR1 EBA guidelines – Market risk under the standardised approach

As at 31 December 2019 €000	RWAs	Capital requirements
Outright products		
Interest rate risk (general and specific)	8.240	659
Equity risk (general and specific)	-	-
Foreign exchange risk	-	-
Total	**8.240**	**659**

As at 31 December 2018 €000	RWAs	Capital requirements
Outright products		
Interest rate risk (general and specific)	3.217	257
Equity risk (general and specific)	-	-
Foreign exchange risk	-	-
Total	**3.217**	**257**

Fair value of bonds, shares and other financial instruments

The best evidence of fair value is a quoted price in an actively traded market. The fair value of bonds, shares and other financial instruments that are not traded in an active market is determined by using valuation techniques. The majority of valuation techniques employed by the Bank use only observable market data and so the reliability of the fair value measurement is relatively high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant inputs that are not observable. Valuation techniques that rely on non-observable inputs require a higher level of management judgement to calculate a fair value than those based wholly on observable inputs. Changes in these estimates and assumptions could affect the fair value of the relevant financial instruments.

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 2019:

As at 31 December 2019 Change (€ million)	Euro	US Dollar	Swiss Franc	Total (absolute values)
+200 basis points	(5.20)	(1.80)	(0.10)	7.20
-200 basis points	5.20	1.80	0.10	7.20

As at 31 December 2018 Change (€ million)	Euro	US Dollar	Swiss Franc	Total (absolute values)
+200 basis points	(4.3)	(1.1)	(0.1)	5.6
-200 basis points	4.3	1.1	0.1	5.6

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 reflects the Bank's exposure to Currency Risk which stems from its open positions in the various currencies as at 31 December 2019. The analysis below assumes possible scenarios of movements to take place in specific foreign currencies against the Euro.

As at 31 December 2019	Change in exchange rates	Impact on Income Statement
Currency	%	€000
US Dollar	+10% (-10%)	+187 (-187)
British Pound	+10% (-10%)	+4 (-4)
Swiss Franc	+10% (-10%)	-152 (+152)
Other currencies	+10% (-10%)	-63 (+63)

As at 31 December 2018 Currency	Change in exchange rates %	Impact on Income Statement €000
US Dollar	+10% (-10%)	14 (-14)
British Pound	+10% (-10%)	3 (-3)
Swiss Franc	+10% (-10%)	9 (-9)
Other currencies	+10% (-10%)	5 (-5)

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 at FVTOCI and FVTPL.

For more information in relation to equities refer to notes 19 & 20 of the Financial Statements for the year ended 31 December 2019.

As at 31 December 2019 Investments in Equities	Amount 31 December 2019 €000
Cost	
Balance 1 January 2019	-
Acquisitions	-
Disposals	-
Gain recognised in the consolidated income statement	-
Balance 31 December 2019 at cost	**-**
Fair value	
Balance 1 January 2019	22.349
Acquisitions	1.339
Disposals	-
Gain recognised in the consolidated income statement	(143)
Losses recognised in the consolidated statement of other comprehensive income	(764)
Foreign exchange gains	191
Balance 31 December 2019 at fair value	**22.973**

As at 31 December 2018 Investments in Equities	Amount 31 December 18 €000
Cost	
Balance 1 January 2018	12.204
Acquisitions	65
Disposals	-
Gain recognised in the consolidated income statement	1.355
Balance 31 December 2018 at cost	**13.624**
Fair value	
Balance 1 January 2018	12.204
Acquisitions	65
Disposals	-
Gain recognised in the consolidated income statement	1.355
Balance 31 December 2018 at fair value	**13.624**

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. This definition also includes legal, conduct and reputational risks. The underlying causes of the Operational Risk are mitigated through procedures, systems and internal controls.

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 and 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 tables 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 19	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			24.548	24.562
Bonds			712.786	14.253
Other assets			1.541.874	1.541.874
Total			**2.279.208**	**1.580.689**

31 December 2018	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	-	-	22.349	22.349
Bonds	-	-	379.036	1.851
Other assets	-	-	1.003.843	1.003.843
Total	**-**	**-**	**1.405.228**	**1.405.228**

As at 31 December 2019 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. 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 2019 amounted to 7,92%. During 2019 the Leverage Ratio ranged between 7,40% (30 June 2019) and 7,92% (31 December 2019), primarily due to the reduction of the exposure measure (denominator) and the increase of the Tier 1 capital (numerator) of the Leverage Ratio by the end of the fourth quarter.

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 2019:

31 December 2019		Applicable Amounts €000
1	Total assets as per published financial statements	2.267.145
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	641
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)	53.633
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	(1.585)
8	**Total leverage ratio Exposure**	**2.319.834**

31 December 2018		Applicable Amounts €000
1	Total assets as per published financial statements	1.397.465
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	682
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)	35.748
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	7.252
8	**Total Leverage Ratio Exposure**	**1.441.147**

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

31 December 2019		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)	2.213.173
2	(Asset amounts deducted in determining Tier 1 capital)	-6.754
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	**2.206.419**
Derivative exposures		
4	Replacement cost associated with *all* derivatives transactions (i.e. net of eligible cash variation margin)	96

5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	770
11	**Total derivative exposures**	**866**
Securities financing transaction exposures		
16	**Total securities financing transaction exposures**	**58.916**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	191.069
18	(Adjustments for conversion to credit equivalent amounts)	(137.436)
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**53.633**
Capital and total exposures		
20	**Tier 1 capital**	**183.684**
21	**Total leverage ratio exposures**	**2.319.834**
Leverage ratio		
22	**Leverage ratio (transitional definition)**	**7,92%**

31 December 2018		**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)	1.360.867
2	(Asset amounts deducted in determining Tier 1 capital)	(6.219)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	1.354.648
Derivative exposures		
4	Replacement cost associated with *all* derivatives transactions (i.e. net of eligible cash variation margin)	55
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	689
11	**Total derivative exposures**	745
Securities financing transaction exposures		
16	**Total securities financing transaction exposures**	**50.006**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	129.674
18	(Adjustments for conversion to credit equivalent amounts)	(93.926)
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**35.748**
Capital and total exposures		
20	**Tier 1 capital**	**112.660**
21	**Total leverage ratio exposures**	**1.441.147**
Leverage ratio		
22	**Leverage ratio (transitional definition)**	**7,82%**

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

31 December 2019	CRR leverage ratio exposures €000
Total on-balance sheet exposures (excluding derivatives. SFTs. and exempted exposures). of which:	**2.187.973**
Trading book exposures	6.218
Banking book exposures. of which:	2.181.755
Covered bonds	*55.457*
Exposures treated as sovereigns	*811.684*
Exposures to regional governments. MDB. international organisations and PSE NOT treated as sovereigns	*55.500*
Institutions	*87.214*
Secured by mortgages of immovable properties	*166.982*
Retail exposures	*83.605*
Corporate	*401.840*
Exposures in default	*177.640*
Other exposures (e.g. equity. securitisations. and other non-credit obligation assets)	*341.833*

31 December 2018	CRR leverage ratio exposures €000
Total on-balance sheet exposures (excluding derivatives. SFTs and exempted exposures). of which:	**1.356.140**
Trading book exposures	1.851
Banking book exposures. of which:	*1.354.289*
Covered bonds	*12.755*
Exposures treated as sovereigns	*486.130*
Exposures to regional governments. MDB. international organisations and PSE NOT treated as sovereigns	*55.966*
Institutions	*58.851*
Secured by mortgages of immovable properties	*86.791*
Retail exposures	*44.890*
Corporate	*279.012*
Exposures in default	*118.244*
Other exposures (e.g. equity. securitisations. and other non-credit obligation assets)	*211.650*

11. REMUNERATION DISCLOSURES

This section discloses information relating to the remuneration policies and procedures of AstroBank Public Company Limited and sets out some remuneration details with regards to those members of management and staff who, as at 31 December 2019 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 is responsible to:

- Propose 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.

- Propose 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, decide on setting the target for the representation of the under-represented sex in the governing body and prepare 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.

- Ensure 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.

- Evaluate annually the skills, knowledge and expertise of the Directors, and report thereon to the Board.
- Evaluate annually the structure, size, composition and performance of the Board of Directors and make recommendations to the Board for any changes.
- Examine issues related to the design of succession.
- Review 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 make recommendations to the Board.
- Review periodically the policy of the Bank on the recruitment, job rotation and promotion of staff and submit relevant reports to the Board.
- Review periodically, and at least annually, in cooperation with the Audit Committee and the Board Risk Committee, the composition, powers and independence of the Internal Audit Department and submit relevant reports to the Board.

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

- Define 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).
- Review every year the Remuneration Policy and ensure its implementation.
- Ensure 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.
- Align 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.
- Examine the obligations arising in the case of early termination of contracts of Executive Directors / Directors (including their pension rights).

- Ensure that the Internal 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 per year. During 2019 the Committee held two meetings.

As at 31st December 2019 the NR Committee was comprised of three Non-Executive Directors in the Bank's Board.

11.2 Remuneration Policy

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 encourage excessive risk-taking by staff members~~.~~

11.2.1 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.

As a result of the merging of ex-USB and AstroBank in 2019, the restructuring of the Bank's organizational structure and the subsequent reshuffling of staff, no performance assessment was carried out for 2019 since the condition of reporting to one's supervisor for at least 6 months was in most cases not feasible.

11.2.2 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 as per the Collective Agreement is set to a minimum of 33% of the total number of staff of the Bank, and a calculation of the established posts percentage 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 2019 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.

11.2.3 Variable remuneration

Variable Remuneration covers all permanent employees (with at least 6 months permanent service within the year that the bonus will be paid) with special emphasis on staff who have a material impact on the Bank's Risk Profile, the staff of Control Functions and any employee whose total earnings are in the same level of remuneration as Senior Executives and is based on the guidelines of the Central Bank of Cyprus.

Identification of staff whose activities have or may have a material impact on the Bank's Risk Profile is made by an annual self-assessment and is based on the Qualitative and Quantitative Criteria set out in Commission Delegated Regulation (EU) No 604/2014.

The ratio between fixed earnings and variable earnings is such that the fixed component shall be a high proportion of total remuneration in order to allow the Bank to be flexible to distribute variable remuneration and to be able not to pay variable remuneration. The Bank determines that the variable remuneration shall not exceed fifty percent (50%) of fixed earnings. Shareholders or owners of the Bank may approve a higher ratio between fixed and variable earnings but should not exceed one hundred percent (100%) of the fixed earnings of each individual.

During 2019**, variable remuneration** was granted to one Bank employee and was entirely in the form of cash.

11.2.4 Analysis of remuneration of senior management and other code staff

31 December 2019 Item	Senior Management	Other Code Staff[1]	Total
Number of beneficiaries	40	11	**51**
Fixed remuneration – Total cost - €'000	5.379	1.071	**6.450**
Variable remuneration	153	-	**153**
Total remuneration – Total cost - €'000	**5.532**	**1.071**	**6.603**
Of which:			
Outstanding deferred remuneration	*37*	*-*	***37***
New severance payments (1 beneficiary)	*80*	*-*	***80***

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

31 December 2018 Item	Senior Management	Other Code Staff[2]	Total
Number of beneficiaries	30	12	**42**
Fixed remuneration – Total cost - €'000	2.944	996	**3.940**
Variable remuneration	75	-	**75**
Total remuneration – Total cost - €'000	**3.019**	**996**	**4.015**
Of which:			
Outstanding deferred remuneration			
New sign-on payments / severance payments	*75*	-	***75***

11.2.5 Analysis of remuneration by business area

31 December 2019 Position	Senior Management €000	Other Risk Takers €000	Total €000
Executive Board Members	927		927
Non-Executive Independent and Non-Independent Board Members	837		837
Independent Control Functions	273	55	328
Corporate	1.378	111	1.489
Investment Banking	759		759
Retail Banking	1.251	905	2.157
Asset Management	107		107
Other Functions			
Total	**5.532**	**1.071**	**6.603**

31 December 2018 Position	Senior Management €000	Other Risk Takers €000	Total €000
Executive Board Members	598		598
Non-Executive Independent and Non-Independent Board	509		509

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

Members			
Independent Control Functions	263	52	315
Corporate	600	83	683
Investment Banking	330		330
Retail Banking	719	861	1.580
Asset Management			
Other Functions			
Total	**3.019**	**996**	**4.015**

During the year 2019, the Bank paid an amount of €80.000 for the termination of the employment of one employee whose professional activities had a material impact on the risk profile of the Bank.

No deferred remuneration was awarded, neither any sign-on payments were made to any employee. However, the Bank has outstanding deferred remuneration amounting to €36.700 to one employee, all of which is vested.

In addition, during 2019, the Bank did not offer to any employee remuneration payment which exceeded the threshold of €1 million.

12. OPERATING ENVIRONMENT

Cyprus Economy Performance

Following the 2013 economic crisis, Cyprus recorded a strong economic recovery presenting 5 years of consecutive growth (2015-2019). In year 2019 real GDP increased by 3,2%, following an increase of 4,1% in 2018. According to the Labour Force Survey data, in year 2019 the unemployment rate dropped to 7,1% compared to 2018 when the yearly average unemployment rate was 8,4%.

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The fiscal consolidation measures introduced through the economic adjustment programme from 2013 onwards resulted in a budget surplus of 1,7% of GDP in 2017 and 3,0% of GDP in 2018 and 2,7% of GDP in 2019. The 2018 surplus excludes the fiscal burden associated with the orderly resolution of the Cyprus Cooperative Bank, which is associated to the increase in public debt from 93,9% of GDP at the end of 2017 to 100,6% of GDP at the end of 2018. The 2019 budget surplus allowed the decline of total public debt to 95,5% of GDP (Cyprus Statistical Service).

The Cypriot banking sector continued the decreasing trend in non-performing loan portfolios to €9 billion as at the end of 2019 from €10.4 billion at the end of 2018 while funding conditions remained favourable.

Economic Outlook
The COVID-19 outbreak, both domestically and globally, has led to a major revision in initial economic projections. The IMF in its January 2020 update was expecting a 3,3% global economic growth in 2020 followed by a 3,4% growth in 2021, but in their latest release in April 2020 have revised expectations to a contraction of 3,0% in 2020 and a rebound with a 5,8% growth in 2021 as economic activity normalises. In this latest IMF update, Euro Area is expected to contract by 7,5% in 2020 and United States by 5,9%. In its turn Cyprus economy is expected to contract by 6,5% in 2020 and return back to growth in 2021 by 5,6% expansion.

Fiscal support measures introduced by the Cyprus Government will limit contraction but unavoidably deteriorate the Government's fiscal position. The sovereign risk ratings of the Cyprus Government improved considerably in recent years reflecting the improved domestic financial conditions and the improved confidence in the Cyprus banking sector. In September 2019, Moody's Ratings affirmed its Ba2 Cyprus Sovereign rating and upgraded its outlook to positive. S&P Global Ratings maintains an investment grade rating (BBB-) with a stable outlook since September 2018, which was affirmed in March 2020. In October 2019 Fitch affirmed its rating of BBB- and upgraded its outlook to positive.

Amid the impact on the economy from the COVID-19 outbreak, Moody's Rating updated their credit opinion in April 2020 and revised their forecasts for the Cypriot economy. According to the update, the outbreak will weigh on near term growth and fiscal prospects, but the impact on the credit profile is expected to be temporary. In its turn, Fitch affirmed its rating in April 2020 but revised its outlook from positive to stable, reflecting the significant impact the COVID-19 pandemic might have on the Cypriot economy and public debt.

13. Adoption of new International Financial Reporting Standard

<u>IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019)</u>

The standard is effective for annual periods beginning on or after 1 January 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model and there is no distinction between operating and finance leases. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

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 of 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
Total Capital Adequacy Ratio
Leverage Ratio
LIQUIDITY RISK
Liquid Assets/Deposits
LCR
NSFR
CREDIT RISK & ASSET QUALITY
NPE Ratio
NPE Provisions Coverage
90 DPD Ratio
Concentration Limits
OTHER LIMITS
Direct Exposures to Sovereign
Indirect Exposures to Sovereign
Non-Investment Grade Non-EU debt securities
PROFITABILITY
NIM (annualized YTD)
Cost to Income (excluding extraordinary income and expenses)
Return on Equity

The following table sets out a number of the Bank's Key Performance Indicators utilized to monitor its risk profile based on the actual results as at 31 December 2019 and 2018:

Key Performance Indicators		2019	2018
Capital	CET1 and Total Capital (Transitional) Ratio	12,7% and 13,4%	14,3%
Efficiency	Net Interest Margin	2,3%	1,9%
	Cost / Income	78,0%	90,7%
	NPEs Provisions Coverage Ratio	54,9%	56,0%
	NPE Ratio	42,0%	42,6%
Liquidity	Liquid assets / Deposits	52,0%	56,3%
	NSFR	166%	164%
	Liquidity Coverage Ratio	324,0%	552,9%
Profitability	Return on Average Assets	0,8%	0,8%
	Return on Average Equity	10,2%	8,8%

Risk Appetite Monitoring and Escalation Process

The Risk Management Department monitors the Risk Appetite Limits regularly through early warning triggers and informs the Executive Management in order to trigger corrective actions. Breaches are also reported to the Board Risk Committee and Board at their next scheduled meeting or earlier if deemed necessary.

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

	CET1	AT1 & T2
Issuer	AstroBank	AstroBank
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier)	-	-
Governing law(s) of the instrument	Cyprus Law	Cyprus Law
Regulatory treatment		
Transitional CRR rules	CET1	AT1
Post-transitional CRR rules	CET1	AT1
Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated
Instrument type	Share capital	Share capital
Amount recognised in regulatory capital	€19.8mln	€10mln
Nominal amount of instrument	€19.761.754	€10.000.000
Issue price	€1,00	€1,00
Redemption price	N/A	N/A
Accounting classification	Shareholders equity	Shareholders equity
Date of conversion of existing shares and issuance of new shares	17 January 2019	17 January 2019
Original date of issuance	05 July 2007	17 January 2019
Perpetual or dated	Perpetual	Perpetual
Original maturity date	No maturity	No maturity
Issuer call subject to prior supervisory approval	n/a	No, subject to trigger event
Optional call date, contingent call dates and redemption amount	n/a	Optional
Subsequent call dates, if applicable	n/a	n/a
Coupons / dividends		
Fixed or floating dividend/coupon	Floating	Floating
Coupon rate and any related index	n/a	n/a
Existence of a dividend stopper	n/a	Yes
Fully discretionary, partially discretionary or mandatory (in terms of timing)	n/a	Yes
Fully discretionary, partially discretionary or mandatory (in terms of amount)	n/a	Yes
Existence of step up or other incentive to redeem	n/a	n/a
Non-cumulative or cumulative	n/a	Non-cumulative
Convertible or non-convertible	n/a	Convertible
If convertible, conversion trigger(s)	n/a	CET1 ratio <5,125%
If convertible, fully or partially	n/a	Fully
If convertible, conversion rate	n/a	1:1
If convertible, mandatory or optional conversion	n/a	optional
If convertible, specify instrument type convertible into	n/a	Ordinary Share
If convertible, specify issuer of instrument it converts into	n/a	AstroBank
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	Unsecured & rank junior
Non-compliant transitional features	No	n/a
If yes, specify non-compliant features	n/a	n/a