AstroBank Public Company Limited

DISCLOSURES
IN ACCORDANCE WITH PILLAR III OF BASEL III
FOR THE YEAR ENDED 31 December 2020

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

JULY 2021

AstroBank Public Company Limited

Pillar III Disclosures for the year ended 31 December 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 2020, 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.

During the year 2020, the Bank examined and approved the request for conversion of 1.250.000 redeemable preference shares into 1.250.000 ordinary shares of nominal value €1 each and a share premium of €7 each. In addition, during the year 2020, the Bank has issued and allotted 2.613.035 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 €2,6 million and an increase in share premium by €20,5 million. Following the conversion of the redeemable preference shares and the issue of share capital, the share capital and share premium amounted to €23,6 million and €155,4 million respectively. Moreover, during 2020 the Bank issued a €16.403.595 unsecured and subordinated Tier 2 Bond. The Bond was priced at par with a coupon of 8% per annum, payable quarterly. The Bond matures ten years from the issuance date. The Bank may redeem all of the Bonds on any Interest Payment Date following the fifth anniversary of the issuance date of the relevant Bond, subject to applicable regulatory consents.

A Share and Purchase Agreement ("SPA") was signed on the 26th of November 2019 between AstroBank and National Bank of Greece for the sale of the 100% stake of National Bank of Greece (Cyprus) Ltd. The deadline for completion ("Long Stop Date") has expired and therefore AstroBank has terminated the SPA in accordance with the terms and provisions thereof. An arbitration proceeding will commence in relation to the amount deposited by AstroBank to National Bank of Greece (Cyprus) Ltd of €3.8 million as part of the SPA.

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 was completed on 21 August 2020 and the Bank retains 25,1% of QQuant Master Servicer Cyprus Ltd.

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 2020, 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 2020. 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 (%)**	**Description of main activities**	
	31-Dec-20		**Basis of consolidation for regulatory purposes**
Carbinor Consultants Limited	100%	Secretarial services to the Bank's SPVs	The company is not consolidated and is deducted
Meribas Limited	100%	Director of the Bank's SPVs	The company is not consolidated and is deducted
A.P.M. Control Company Limited	100%	Property holding	The company is not consolidated and is deducted
A.P.M. Firstsun Company Limited	100%	Property holding	The company is not consolidated and is deducted
Adflikton Investments Limited	100%	Property holding	The company is not consolidated and is deducted
Ailanthus Holding Limited	100%	Property holding	The company is not consolidated and is deducted
Alarconaco Enterprises Limited	100%	Property holding	The company is not consolidated and is deducted
Amatorco Limited	100%	Property holding	The company is not consolidated and is deducted
Averrhoa Limited	100%	Property holding	The company is not consolidated and is deducted
Azulito Ventures Limited	100%	Property holding	The company is not consolidated and is deducted
Bakkens Limited	100%	Property holding	The company is not consolidated and is deducted
Bequelia Ventures Limited	100%	Property holding	The company is not consolidated and is deducted
Callistem Holdings Limited	100%	Property holding	The company is not consolidated and is deducted
Castlehawk Limited	100%	Property holding	The company is not consolidated and is deducted
Conaria Holding Limited	100%	Property holding	The company is not consolidated and is deducted
Costpleo Investments Limited	100%	Property holding	The company is not consolidated and is deducted
Crantenia Ventures Limited	100%	Property holding	The company is not consolidated and is deducted
Cutsofiar Enterprises Limited	100%	Property holding	The company is not consolidated and is deducted
Dacibel Limited	100%	Property holding	The company is not consolidated and is deducted

Dicoder Limited	100%	Property holding	The company is not consolidated and is deducted
Firstplatinum Company Limited	100%	Property holding	The company is not consolidated and is deducted
Gianteto Limited	100%	Property holding	The company is not consolidated and is deducted
Gravieron Company Limited	100%	Property holding	The company is not consolidated and is deducted
Kaihur Investment Limited	100%	Property holding	The company is not consolidated and is deducted
Kantadia Ventures Limited	100%	Property holding	The company is not consolidated and is deducted
Lardonia Limited	100%	Property holding	The company is not consolidated and is deducted
Macerio Limited	100%	Property holding	The company is not consolidated and is deducted
Olemo Limited	100%	Property holding	The company is not consolidated and is deducted
Openstar International Company Limited	100%	Property holding	The company is not consolidated and is deducted
Pertanam Enterprises Limited	100%	Property holding	The company is not consolidated and is deducted
Rockory Enterprises Limited	100%	Property holding	The company is not consolidated and is deducted
Rowington Ventures Limited	100%	Property holding	The company is not consolidated and is deducted
Sabatia Limited	100%	Property holding	The company is not consolidated and is deducted
Scaevola Ventures Limited	100%	Property holding	The company is not consolidated and is deducted
Shortia Limited	100%	Property holding	The company is not consolidated and is deducted
Snaresbrook Ventures Limited	100%	Property holding	The company is not consolidated and is deducted
Tipuana Ventures Limited	100%	Property holding	The company is not consolidated and is deducted
Todero Limited	100%	Property holding	The company is not consolidated and is deducted
Tomentos Holdings Limited	100%	Property holding	The company is not consolidated and is deducted
Viegiot Investments Limited	100%	Property holding	The company is not consolidated and is deducted
Xepa Limited	100%	Property holding	The company is not consolidated and is deducted
Yurania Investments Limited	100%	Property holding	The company is not consolidated and is deducted
Delaway Limited	100%	Intermediate holding company	The company is not consolidated and is deducted
Dusanic Holdings Limited	100%	Intermediate holding company	The company is not consolidated and is deducted
Imagetech Limited	100%	Intermediate holding company	The company is not consolidated and is deducted
Lewisia Holdings Limited	100%	Intermediate holding company	The company is not consolidated and is deducted
Olcinia Holdings Limited	100%	Intermediate holding company	The company is not consolidated and is deducted
Osperus Holdings Limited	100%	Intermediate holding company	The company is not consolidated and is deducted
Naila Holdings Limited	100%	Intermediate holding company	The company is not consolidated and is deducted
Perekin Holdings Limited	100%	Intermediate holding company	The company is not consolidated and is deducted
Perequito Holdings Limited	100%	Intermediate holding company	The company is not consolidated and is deducted
Serissa Holdings Limited	100%	Intermediate holding company	The company is not consolidated and is deducted
AstroBank Insurance Agency Limited	100%	Insurance broker	The company is not consolidated and is deducted
Axalus Limited	100%	Dormant	The company is not consolidated and is deducted
EMF Investors Limited	100%	Dormant	The company is not consolidated and is deducted
Infavero Limited	100%	Dormant	The company is not consolidated and is deducted
Verion Limited	100%	Dormant	The company is not consolidated and is deducted

Consolidation

The Audited Consolidated Financial Statements for the year 2020 were approved by the Board on 31 May 2021. 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.

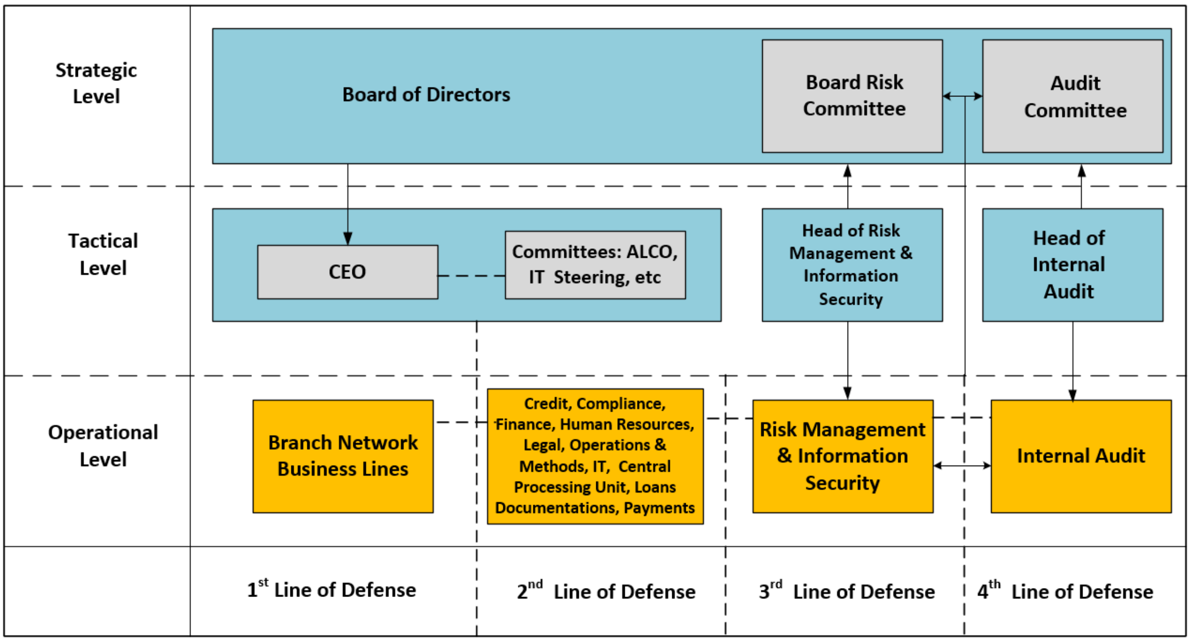
3. GOVERNANCE AND RISK MANAGEMENT

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 2020 the Board consisted of two Executive directors and nine 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:

- To 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.
- To 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.
- To 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.
- To evaluate governance decisions or practices to ensure they:

- o are not in breach of the provisions of the CRR and all other applicable legislation and standards
- o 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.
- To appoint the members of the Board Risk Committee, following the approval and recommendation of the Nomination and Remuneration Committee and delegate authority to it and the Risk Management Department, as appropriate, for developing the risk management strategy, policies and supporting methodologies.
- To appoint the members of the Board Audit Committee, following the approval and recommendation of the Nomination and Remuneration Committee. The Audit Committee is responsible for the monitoring and assessment of the adequacy and effectiveness of internal control and information systems.
- To 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.
- To oversee and ensure the effective and consistent implementation of risk management policies and supporting methodologies at the business line level.
- To promote a risk awareness culture and common risk terminology across the Bank.
- To provide appropriate resources and means for effective risk management.
- To 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.
- To monitor risk-adjusted performance against business objectives, strategies and plans.
- To ensure that an independent risk management framework is in place in which risks are assessed effectively, objectively and in a timely manner.

During 2020, the Bank's Board of Directors held fourteen 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 2020 the BRC comprised of three Independent Non-Executive directors. 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 2020, the BRC met five 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 2020 the Audit Committee was made up of four Independent Non-Executive directors of the Board, and it convened seven times during the year.

3.2.3 Nomination and Remuneration Committee

As at 31 December 2020 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 2020 the Nomination and Remuneration Committee held eight 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 31/12/2020 the Board Credit Committee was made up of two Non-Executive Members, one Executive Member and one Non-Executive Independent Member. Additionally, an independent non-executive director had been appointed as an alternate member of the Committee.

The committee convened one time during the year and was dissolved on 01/01/2021.

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 as at 31/5/2021. 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	-	4
Maurice Nicolas Sehnaoui	Non-Executive Director	1	1
Aristidis Vourakis	Executive Director	1	-
Bassam Najib Diab	Non-Executive Director	-	1
Hikmat Abou Zeid	Non-Executive Director	1	2
Andreas Vassiliou	Non-Executive Director	-	1
Maria Dionyssiades	Non-Executive Director	-	2
Costas Partassides	Non-Executive Director	-	3

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 2020 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. A Recovery Plan for the period ended 31/12/2020 was also prepared in 2021 based on the updated Business Plan after incorporating the Covid-19 impact and it was submitted to the CBC in April 2021.

3.10 Internal Control Functions and other Departments

Risk Management Department

The role of the Risk Management Unit (RMD) 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 RMD reports through a dotted line to the Chief Executive Officer of the Bank and, through the Board Risk Committee, to the Board of Directors. The RMD 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 RMD.

The Risk Management Department'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 as at 31 December 2020 is comprised of Common Equity Tier 1 (CET1) and Tier 2 (T2) 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.

The AT1 capital which consisted of the preference shares issued on 17 January 2019 as part of the acquisition of USB Bank's business were converted to ordinary shares during 2020.

Moreover, during 2020 the Bank issued a €16.403.595 unsecured and subordinated Tier 2 Bond. The Bond was priced at par with a coupon of 8% per annum, payable quarterly. The Bond matures ten years from the issuance date. The Bank may redeem all of the Bonds on any Interest Payment Date following the fifth anniversary of the issuance date of the relevant Bond, subject to applicable regulatory consents. The value of the subordinated Tier 2 Bond that was included in the Bank's Own Funds, reflected the deduction of issue costs amounting to €282.209 (thus resulting to €16.121.386).

The Own Funds of the Bank as at 31 December 2020 and 2019 are analyzed in the table below:

Own Funds analysis	2020 €000	2019 €000
Share capital	23.625	19.762
Share premium	155.383	126.906
Retained earnings	7.524	25.071
Accumulated other comprehensive income	607	544
CET1 Capital before deductions	**187.139**	**172.283**
Deductions from CET1 Capital		
(-) Goodwill	-	-
(-) Other Intangible assets	(7.016)	(3.048)
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(1.035)	(2.976)
(-) Deferred tax assets that rely on future profitability and arise from temporary differences	-	-
(-) Qualifying holdings within the financial sector which can alternatively be subject to a 1.250% risk weight	(85)	(102)
Other transitional adjustments to CET1 Capital	12.078	8.155
Excess from deduction from AT1 Capital over AT1 Capital (deducted from CET1 Capital)	-	-
Other adjustments	(23)	(628)
Total deductions from CET1 Capital	**3.919**	**1.401**
Total Common Equity Tier 1 Capital (CET1 Capital)	**191.058**	**173.684**
Additional Tier 1 Capital (AT1 Capital)	-	10.000
Total Original Own Funds (Tier 1 Capital)	**191.058**	**183.684**
Additional Own Funds (Tier 2 Capital)	16.121	-

Tier 2 Capital	**16.121**	**-**
Total Own Funds (Tier 1 Capital + Tier 2 Capital)	**207.179**	**183.684**

As at 31 December 2020, the Bank was subject to a minimum Overall Capital Requirement (OCR) of 13,60%, consisting of the Pillar I minimum 8%, the Pillar II Requirement of 2,85% plus the Capital Conservation Buffer of 2,50% and an O-SII buffer of 0,25% applicable starting from 1st of January 2020. The Institution-specific Countercyclical Capital Buffer was calculated at approximately 0% due to the fact that, as at 31 December 2020, the Bank's relevant exposures for the purposes of the said buffer were mainly towards counterparties in Hong Kong and Bulgaria, which have Countercyclical Capital Buffer rate of 1,00% and 0,5% 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 13,60% (including the O-SII buffer of 0,25% as from 1 January 2020) 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 13,60%** 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.** The CBC on 23/12/2020 advised the Bank that the SREP decision remains in force but the composition of the Pillar 2 own funds requirements due to Covid-19 is amended in line with the CRR2. Basically, the ECB advanced the application of the amended article 104/a of CRD that allows banks to meet their Pillar II requirements using the same capital structure as for their Pillar 1 requirements (i.e. 56,25% CET1, 18,75% Additional Tier 1 (or 75% Tier1 Capital = 56,25%+18,75%) and up to 25% Tier 2). Based on this relaxation the Bank's Minimum CET1 to be held in excess of the minimum own funds decreased from 10,10% to 8,85%.
- 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 January 2019 (to be made entirely of CET1)**
  - Institution-specific Countercyclical Capital Buffer: Calculated as 0% by the Bank
  - Systemic Risk Buffer: 0%

- the **Other Systemically Important Institution (O-SII) buffer of 0,25%** with gradual applicability starting from 1 January 2020. The Bank's OCR increased when the CBC has designated AstroBank as an O-SII. Following the 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 will finally stabilize at 0,5% from 1st January 2023 and onwards. As a result, the OCR of the Bank as of 1 January 2020 has increased to 13,60%.

The Bank's CAD Ratios as at 31 December 2020 are presented below:

- Common Equity Tier 1 ratio : 13,84%
- Tier 1 ratio : 13,84%
- Capital Adequacy Ratio : 15,01%

During 2020, the Bank was in compliance with the minimum OCR. The Bank's ratio was positively affected by the new issued share capital during the year 2020 as well as from the issuance of the subordinated bond, whereas it was negatively affected mainly by the phasing-in of IFRS 9 transitional adjustments on 1 January 2020 and the losses of the year, mainly as a result of the ECL charges due to COVID-19 and the one-off cost for the targeted voluntary staff exit plan. Moreover, the recently introduced adjustments and relief measures to CET1 in response to the COVID-19 pandemic, affected positively the ratio through increasing the IFRS9 add-back (dynamic component) and by decreasing RWAs through the implementation of the new SME supporting factor under CRR II introduced earlier in June 2020 instead of June 2021.

As at 31 December 2020 the Bank's Capital Adequacy Ratio stood at 15,01% which is above the minimum OCR of 13,60% and above the OCR including Pillar II Guidance ('P2G').

Share Capital

As at 31 December 2020, there were 23,6 million (2019: 19,8 million) issued ordinary shares with a nominal value of €1 each. During the Board of Directors meeting on 22 June 2020 the Bank examined and approved the request for conversion of 1.250.000 redeemable preference shares into 1.250.000 ordinary shares of nominal value €1 each and a share premium of €7 each. In addition, during the year 2020, the Bank has issued and allotted 2.613.035 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 €2,6 million and an increase in share premium by €20,5 million. Following the conversion of the redeemable preference shares and the issue of share capital, the share capital and share premium amounted to €23,6 million and €155,4 million respectively. Share premium is net of capital raising costs of €0,8 million.

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 2020	31 Dec 2019
Total Equity per Consolidated Financial Statements	186.729	**172.366**
Deconsolidation of Subsidiaries	410	**(83)**
Total Equity per Financial Statements	187.139	172.283
Investment in Subsdiaries	(85)	(102)
Intangible assets	(7.016)	(3.048)
Deferred tax assets that rely on future profitability and do not arise from temporary differences	(1.035)	(2.976)
Deferred tax assets that do not rely on future profitability	-	-
Reserves arising from revaluation of properties and other non-CET1 eligible reserves	(709)	(591)
Value Adjustment due to the requirements for prudent valuation	(23)	(38)
IFRS9 Transitional Arrangements	12.787	8.155
Total Common Equity Tier 1	**191.058**	**173.684**
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	**191.058**	**183.684**
Tier 2		
Loan Capital (after deduction of Own Tier 2 instruments)	16.121	-
Tier 2 amortisation	-	-
Property revaluation reserve and other unrealised gains	-	-
Total Tier 2	**16.121**	**-**
Total Own funds	**207.179**	**183.684**

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 2020 and 2019:

As at 31 December 2020 (€000)	Consolidated Statement of financial position bases on IFRS	Deconsolidation of subsidiaries	Statement of financial position for regulatory purposes
Assets			
Cash and balances with Central Banks	591.780	0	591.780
Placements with other banks	55.679	0	55.679
Loans and advances to customers	1.100.393	0	1.100.393
Financial assets at fair value through other comprehensive income	6.172	0	6.172
Financial assets at amortised cost	858.896	0	858.896
Financial Assets at fair value through profit or loss	12.020	104.952	116.972
Property, plant and equipment	27.632	(14)	27.618

Investment properties	0	0	0
Stock of Property	144.803	(104.243)	40.560
Investment in Subsidiary at cost		85	85
Investment in Associate	3.683	0	3.683
Derivative financial instruments	111	0	111
Intangible Assets	7.016	0	7.016
Right of use assets	7.067	0	7.067
Deferred tax asset	2.510	(0)	2.510
Other assets	15.071	(70)	15.001
Total assets	**2.832.833**	710	**2.833.543**
	0		
Liabilities			
Amounts due to other banks and deposits from banks	40.926	0	40.926
Deposits and other customer accounts	2.105.731	702	2.106.433
Derivative financial instruments	670	0	670
Funding from Central Banks	399.069	0	399.069
Subordinated bond	16.121	0	16.121
Deferred tax liabilitiy	1.611	0	1.611
Other liabilities	81.976	(402)	81.574
Total liabilities	**2.646.104**	**300**	**2.646.404**
Equity			
Share capital	23.625	0	23.625
Share premium	155.383	0	155.383
Preference shares			
Other Reserves	607	0	607
Retained Earnings/(Accumulated losses)	7.114	410	7.524
Total equity	**186.729**	**410**	**187.139**
Total liabilities and equity	**2.832.833**	**710**	**2.833.543**

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**

The tables below disclose the components of regulatory capital as at 31 December 2020 and 2019 on both a transitional and a fully phased-in basis:

Transitional and Fully Phased-In Own Funds 31 December 2020 (€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	179.008	0	179.008
Retained earnings	7.524	0	7.524
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	607	0	607
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**187.139**	**0**	**187.139**
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
Intangible assets (net of related tax liability)	(7.016)	0	(7.016)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(1.035)	0	(1.035)
Other transitional adjustments to CET1 capital	(817)		(817)
IFRS9 Transitional arrangements	12.787	(12.787)	0
(-) Additional deductions of CET1 capital due to Article 3 CRR			
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**3.919**	**(12.787)**	**(8.868)**
Common Equity Tier 1 (CET1) capital	**191.058**	**(12.787)**	**178.271**
Additional Tier 1 (AT1) capital: instruments			
Capital instruments and the related share premium accounts	0		0
Additional Tier 1 (AT1) capital before regulatory adjustments	**0**	0	**0**
Additional Tier 1 (AT1) capital: regulatory adjustments	0	0	0
Other transitional adjustments to AT1 capital	0	0	0
Total regulatory adjustments to Additional Tier 1 (AT1) capital	**0**	**0**	**0**
Additional Tier 1 (AT1) capital			
Tier 1 capital (T1 = CET1 + AT1)	**191.058**	**(12.787)**	**178.271**
Tier 2 (T2) capital: instruments and provisions			
Capital instruments and the related share premium accounts	16.121	0	16.121
Tier 2 (T2) capital before regulatory adjustments	**16.121**	0	16.121
Tier 2 (T2) capital: regulatory adjustments	0	0	0
Other transitional adjustments to T2 capital	0	0	0
Total regulatory adjustments to Tier 2 (T2) capital	**0**	0	**0**
Tier 2 (T2) capital	**16.121**	**0**	**16.121**
Total capital (TC = T1 + T2)	**207.179**	**(12.787)**	**194.392**
Total risk weighted assets	**1.379.979**	**(14.259)**	**1.365.720**

Capital ratios and buffers			
Common Equity Tier 1	**13,84%**	**(0,79%)**	**13,05%**
Tier 1	**13,84%**	**(0,79%)**	**13,05%**
Total capital	**15,01%**	**(0,78%)**	**14,23%**

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**	**(7.324)**	**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%**

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 2020. 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 2020(€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	1.077.929	78.533	0	0	**78.533**	83,26%	0,00%
Bulgaria	3	0	0	0	**0**	0,00%	0,50%
Hong Kong	89	2	0	0	**2**	0,00%	1,000%
Other	238.339	15.784	0	0	**15.784**	16,73%	0,00%
Total	**1.316.360**	**94.319**	0	0	**94.319**	**100,00%**	

The following table presents the amount of Institution-specific Countercyclical Capital Buffer of the Bank, as at 31 December 2020.

Amount of institution-specific countercyclical capital buffer	**€000**
Total Risk Exposure Amount	**1.379.979**
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 2020		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	**591.780**	**591.780**			**591.780**	
Placements with other banks	**55.679**	**55.679**			**55.679**	
Loans and advances to customers	**1.100.393**	**1.100.393**			**1.100.393**	
Financial assets at fair value through other comprehensive income	**6.172**	**6.172**			**6.172**	
Financial assets at amortised cost	**858.896**	**858.896**			**858.896**	
Financial Assets at fair value through profit or loss	**116.972**	**116.972**			**116.972**	
Property, plant and equipment	**27.618**	**27.618**			**27.618**	
Investment properties	**0**					
Stock of Property	**40.560**	**40.560**			**40.560**	
Investment in Subsidiary at cost	**85**					**85**
Derivative financial instruments	**111**		**111**			
Intangible Assets	**7.016**					**7.016**
Right of use assets	**7.067**	**7.067**			**7.067**	
Deferred tax asset	**2.510**					**1.475**
Other assets	**15.001**	**15.001**			**15.001**	
Investment in Associate	**3.683**	**3.683**			**3.683**	
Total assets	**2.833.543**	**2.823.821**	**111**	**0**	**2.823.821**	**8.576**
Liabilities						
Amounts due to other banks and deposits from banks	40.926				40.926	
Deposits and other customer accounts	2.106.433				2.106.433	
Derivative financial instruments	670		670		670	
Funding from Central Banks	399.069				399.069	
Subordinated Bond	16.121				16.121	16.121
Deferred tax liabilitiy	1.611				1.611	
Other liabilities	81.574				81.574	
Total liabilities	**2.646.404**	**0**	**670**	**0**	**2.646.404**	**16.121**

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**

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

31-Dec-20	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)	2.833.543	2.823.821	111		2.823.821
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	(2.646.404)		(670)		(2.646.404)
Total net amount under the regulatory scope of consolidation	187.139	2.823.821	(559)	0	177.417
Off-balance-sheet amounts	217.455	60.365			
Items not subject to capital requirements or subject to deduction from capital	8.576				
Liabilities not subject to capital requirements	2.646.404				
Exposure amounts considered for regulatory purposes	**3.059.574**	**2.884.186**	**(559)**	**0**	**177.417**

Off balance sheet amounts reported in the "Total" column do not equal the amounts reported in column "Credit risk framework" as the latter are reported after the application of the Credi Conversion Factor and before provisions.

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).

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

		As at 31.12.2020
	Available capital amounts	
1	Common Equity Tier 1 (CET1 Capital)	191.058
2	Common Equity Tier 1 (CET1 Capital) as if IFRS9 or analogous ECLs transitional arrangements had not been applied	178.271
3	Tier 2 Capital	16.121
4	Tier 2 Capital as if IFRS9 or analogous ECLs transitional arrangements had not been applied	16.121
5	Total Capital	207.179
6	Total Capital as if IFRS9 or analogous ECLs transitional arrangements had not been applied	194.392
	Risk-weighted assets (amounts)	
7	Total risk-weighted assets	1.379.979
8	Total risk-weighted assets as if IFRS9 or analogous ECLs transitional arrangements had not been applied	1.365.720
9	Capital ratios	
10	Common Equity Tier 1 (as a percentage of risk exposure amount)	13,84%
11	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS9 or analogous ECLs transitional arrangements had not been applied	13,05%
12	Tier 1 (as a percentage of risk exposure amount)	13,84%
13	Tier 1 (as a percentage of risk exposure amount) as if IFRS9 or analogous ECLs transitional arrangements had not been applied	13,05%
14	Total capital (as a percentage of risk exposure amount)	15,01%
	Total capital (as a percentage of risk exposure amount) as if IFRS9 or analogous ECLs transitional arrangements had not been applied	14,23%
	Leverage Ratio	
15	Leverage Ratio total exposure measure	2.899.203
	Leverage Ratio total exposure measure as if IFRS9 or analogous ECLs transitional arrangements had not been applied	2.886.416
16	Leverage Ratio	6,59%
17	Leverage Ratio as if IFRS9 or analogous ECLs transitional arrangements had not been applied	6,18%

Note: For December 2020 figures have been prepared in accordance with Guidelines EBA/GL/2020/12 amending guidelines EBA/GL/2018/1

The increase of 115 basis points in CET 1 ratio (transitional basis) compared to last year was mainly due to the following:

a) The conversion of 1.250.000 redeemable preference shares into 1.250.000 ordinary shares of nominal value €1 each and a share premium of €7 each.

b) The issuance of 2.613.035 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 €2,6 million and an increase in share premium by €20,5 million.

	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%

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 2020 and 2019 and the overview of RWAs were as follows:

Template 4 EU OV1 EBA Guidelines – Overview of RWAs

€000	RWAs 31/12/2020	Minimum capital requirements 31/12/2020	RWAs 31/12/2019	Minimum capital requirements 31/12/2019
Credit risk (excluding CCR)	1.250.786	100.063	1.241.082	99.287
Of which the standardised approach	*1.250.786*	*100.063*	*1.241.082*	*99.287*
CCR	247	20	1.688	135
Of which mark to market	*247*	*20*	*1.100*	*88*
Market risk	5.419	434	8.240	659
Of which the standardised approach	*5.419*	*434*	*8.240*	*659*
Operational risk	121.313	9.705	115.649	9.252
Of which basic indicator approach	*121.313*	*9.705*	*115.649*	*9.252*
Amounts below the thresholds for deduction (subject to 250% risk weight)	2.214	176	2.033	163
Total	**1.379.979**	**110.398**	**1.368.692**	**109.496**

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 2020 and 31 December 2019, for each of the exposure classes, based on the Standardised Approach:

	Risk Weighted Assets	Minimum Capital Requirements	Risk Weighted Assets	Minimum Capital Requirements
	31.12.2020	31.12.2020	31.12.2019	31.12.2019
Exposure class	**€000**	**€000**	**€000**	**€000**
Central Governments and Central Banks	16.509	1.321	17.485	1.399
Regional Governments or local authorities	1.768	141	352	28
Multilateral Development Banks	8.254	660	0	0
Institutions	44.926	3.594	45.421	3.634
Corporate	470.257	37.621	412.954	33.036
Retail	52.200	4.176	48.424	3.874
Secured by mortgages on immovable property	60.568	4.845	82.551	6.604
Exposures in default	212.412	16.993	225.856	18.068
Items associated with particular high risk	167.813	13.425	196.257	15.701
Covered Bonds	10.625	850	15.683	1.255
Equity	10.100	808	7.901	632
Other Items	195.019	15.601	191.918	15.353
Total	**1.250.451**	**100.035**	**1.244.802**	**99.584**

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 31.12.2020	Exposure values after credit risk mitigation and net of specific provisions 31.12.2020	Exposure values before credit risk mitigation and net of provisions 31.12.2019	Exposure values after credit risk mitigation and net of specific provisions 31.12.2019
	€000	€000	€000	€000
CQS 1	41.321	41.321	37.646	37.646
CQS 2	157.236	120.551	83.519	83.519
CQS 3	1.126.070	1.180.848	386.263	386.263
CQS 4	179.406	179.406	146.213	146.213
CQS 5	-	-	-	-
CQS 6	18.605	18.605	69.942	13.963
Unrated/Not Applicable	1.571.611	1.453.254	1.727.919	1.679.777
Total	**3.094.249**	**2.993.985**	**2.451.502**	**2.347.381**

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 2020 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

31.12.2020 €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*	977.292	378.452	322.038	56.415	N/A
Total debt securities	0	0	0	0	N/A
Total exposures	**977.292**	**378.452**	**322.038**	**56.415**	**N/A**
Of which defaulted	162.203	75.533	75.533	0	N/A

** 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).*

31.12. 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 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).*

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 31.12.2020 Exposure classes	CQS 1	CQS 2	CQS 3	CQS 4	CQS 5	CQS 6	Unrated/Not Applicable	Grand Total
Central governments or central banks	24.953	52.660	1.092.633	164.239				1.334.485
Regional government or local authorities		17.833	16.629					34.462
Public sector entities	4.099							4.099
Multilateral development banks	5.062	16.508						21.570
International organisations								0
Institutions	7.207	70.235	1.600			18.605	3.611	101.258
Corporates							715.450	715.450
Retail							149.383	149.383
Secured by mortgages on immovable property							184.549	184.549
Exposures in default							183.304	183.304
Exposures associated with particularly high risk							114.994	114.994
Covered bonds			15.207	15.166				30.374
Institutions and corporates with a short-term credit assessment								0
Collective investment undertakings								0
Equity							10.100	10.100
Other items							210.221	210.221
Total	**41.321**	**157.236**	**1.126.069**	**179.405**		**18.605**	**1.571.612**	**3.094.249**

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**

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

As at 31.12.2020	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	1.334.485	0	1.390.900	0	16.509	1%
Regional government or local authorities	21.987	12.475	20.721	5.952	1.768	7%
Public sector entities	4.099	0	4.099	0	0	0%
Multilateral Development Banks	21.570	0	21.570	0	8.254	38%
International organisations	0	0	0	0	0	N/A
Institutions	101.010	248	64.324	157	44.926	70%
Corporates	576.797	138.653	505.175	30.552	470.257	88%
Retail	93.626	55.757	65.812	8.674	52.200	70%
Secured by mortgages on immovable property	162.826	21.723	162.826	4.839	60.568	36%
Exposures in default	174.888	8.416	173.788	2.124	212.412	121%
Exposures associated with particularly high risk	109.133	5.861	109.047	2.828	167.813	150%
Covered bonds	30.374	0	30.374	0	10.625	35%
Institutions and corporates with a short-term credit assessment	0	0	0	0	0	N/A
Collective investment undertakings	0	0	0	0	0	N/A
Equity	10.100	0	10.100	0	10.100	100%
Other items	210.221	0	210.221	0	195.019	93%
Total	***2.851.116***	***243.133***	***2.768.957***	***55.126***	***1.250.451***	

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

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**	

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

As at 31 December 2020 (€000)	Risk weight										Total	Of which unrated
Exposure classes	**0%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**250%**	**Others**	**Deducted**		
Central governments or central banks	1.326.286	52.660	-	11.954	-	-	-	-	-	-	**1.390.900**	
Regional government or local authorities	17.833	8.840	-	-	-	-	-	-	-	-	**26.673**	
Public Sector Entities	4.099	-	-	-	-	-	-	-	-	-	**4.099**	
Multilateral Development Banks	5.062	-	-	16.508	-	-	-	-	-	-	**21.570**	
International organisations	-	-	-	-	-	-	-	-	-	-	**-**	
Institutions	6.933	20.650	-	14.377	-	352	22.170	-	-	-	**64.482**	**3.611**
Corporates	40	-	-	-	-	535.324	363	-	-	-	**535.727**	**535.727**
Retail	-	-	-	-	74.487	-	-	-	-	-	**74.487**	**74.487**
Secured by mortgages on immovable property	-	-	129.279	38.386	-	-	-	-	-	-	**167.665**	**167.665**
Exposures in default	-	-	-	-	-	102.912	73.000	-	-	-	**175.912**	**175.912**
Exposures associated with particularly high risk	-	-	-	-	-	-	111.875	-	-	-	**111.875**	**111.875**
Covered bonds	-	15.207	-	15.166	-	-	-	-	-	-	**30.373**	
Institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	**-**	
Collective investment undertakings	-	-	-	-	-	-	-	-	-	-	**-**	
Equity	-	-	-	-	-	10.100	-	-	-	-	**10.100**	**10.100**
Other items	15.608	2.259	-	-	-	190.879	-	1.475	-	1.120	**211.341**	**211.341**
Total	**1.375.861**	**99.616**	**129.279**	**96.391**	**74.487**	**839.567**	**207.408**	**1.475**	**-**	**1.120**	**2.825.204**	**1.290.718**

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 lending growth.

Exposure class	Funded Credit Protection 31/12/2020 €000	Unfunded Credit Protection 31/12/2020 €000	Funded Credit Protection 31/12/2019 €000	Unfunded Credit Protection 31/12/2019 €000
Central Governments and Central Banks	0	0	0	0
Regional Governments or local authorities	564	1.071	595	1.318
Multilateral Development Banks	0	0	0	0
PSE	0	0		
Institutions	36.688	0	55.979	0
Corporate	21.414	55.344	9.205	54.182
Retail	39.935	0	34.672	0
Secured by mortgages on immovable property	0	0	1.172	0
Exposures in default	1.579	0	2.013	0
Items associated with particular high risk	86	0	486	0
Covered Bonds	0	0	0	0
Equity	0	0	0	0
Other Items	0	0	0	0
Total	**100.266**	**56.415**	**104.122**	**55.500**

6.7 Risk of impairment

<u>*Past due items*</u>

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 2020 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 2020 Movement of accumulated Expected Loss €000	Stage 1	Stage 2	Stage 3	POCI	Total
1 January 2020	4.504	2.236	129.222	24.221	160.182
Interest not recognised in the income statement	0	0	10.446	2.329	12.774
Write-offs	0	0	(6.407)	(2.195)	(8.601)
Provision on new exposures granted	2.267	0	0	401	2.668
Derecognition	(241)	(252)	(1.768)	(52)	(2.313)
Transfer to Stage 1	746	(697)	(50)	0	0
Transfer to Stage 2	(264)	1.215	(951)	0	0
Transfer to Stage 3	(565)	(428)	993	0	0
Change due to models and input	866	2.722	7.530	6.925	18.043
Foreign exchange difference and	(191)	0	(5)	3	(193)

other movement					
31 December 2020	7.122	4.796	139.010	31.632	182.560
Individually assessed	0	2	112.470	23.388	135.859
Collectively assessed	7.122	4.794	26.540	8.244	46.700
	7.122	4.796	139.010	31.632	182.559

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**

6.8 Average exposure during 2020 and 2019 analysed by asset class

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

As at 31 December 2020 €000	Net value of exposures at the end of the period	Average net exposures over the period
Central governments or central banks	1.334.485	992.714
Regional governments or local authorities	34.462	11.424
Public sector entities	4.099	8.946
Multilateral development banks	21.570	13.719
International organisations	0	0
Institutions	101.258	153.235
Corporates	715.450	663.965
Of which: SMEs	421.330	446.697
Retail	149.383	144.726
Of which: SMEs	57.208	60.582
Secured by mortgages on immovable property	184.549	186.654
Of which: SMEs	57.208	59.777
Exposures in default	183.304	196.216
Items associated with particularly high risk	114.994	123.122
Covered bonds	30.374	59.320
Claims on institutions and corporates with a short-term credit assessment	0	0
Collective investments undertakings	0	0
Equity exposures	10.100	9.158
Other exposures	210.221	212.885
Total standardised approach	3.094.249	2.776.084
Total	**3.094.249**	**2.776.084**

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

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**

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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 31.12.2020 €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	-	1.049.231	164.239	-	-	-	1.615	-	31.603	-	-	-	618	-	87.179	1.334.485
Regional Governments or local authorities	-	16.629	-	-	-	-	-	-	-	-	-	-	-	17.833	-	34.462
Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4.099	4.099
Multilateral Development Banks	-	-	-	-	-	-	1.237	-	-	-	-	-	-	-	20.333	21.570
Institutions	7.864	12.957	10.506	58.781	-	-	1.305	-	-	-	-	-	-	-	9.845	101.258
Corporate	-	512.722	86.452	96	375	48	1.895	1.262	-	-	-	52.716	-	-	59.884	715.450
Retail	3	143.152	1.704	1.028	2.077	278	19	-	20	-	1	-	-	10	1.091	149.383
Secured by mortgages on immovable property	-	180.479	-	870	2.444	175	-	-	-	89	-	-	-	-	492	184.549
Exposures in default	-	174.438	16	919	6.846	39	523	-	-	-	-	-	-	-	523	183.304
Items associated with particular high risk	-	107.161	-	-	-	-	-	-	-	-	-	-	-	-	7.833	114.994
Covered Bonds	-	-	15.166	-	-	-	-	-	-	-	-	-	-	-	15.208	30.374
Equity	-	10.100	-	-	-	-	-	-	-	-	-	-	-	-	-	10.100
Other Items	-	210.221	-	-	-	-	-	-	-	-	-	-	-	-	-	210.221
Total	**7.867**	**2.417.090**	**278.083**	**61.694**	**11.742**	**540**	**6.594**	**1.262**	**31.623**	**89**	**1**	**52.716**	**618**	**17.843**	**206.487**	**3.094.249**

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

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**

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 2020 €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	-	-	-	-	-	202.097	-	-	-	-	-	83.157	-	-	-	-	1.049.231	1.334.485
Regional governments or local authorities	-	-	-	-	-	17.833	-	-	-	-	-	16.629	-	-	-	-	-	34.462
Multilateral Development Banks	-	-	-	-	-	21.570	-	-	-	-	-	-	-	-	-	-	-	21.570
Covered Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	30.374	30.374
Institutions	-	-	-	-	-	81.427	-	-	-	-	257	-	-	-	-	-	19.574	101.258
Corporates	104.008	5.423	55.794	1.719	26.235	46.965	4.461	50.512	16.536	10.581	11.296	342	106.030	123.837	55.379	91.824	4.508	715.450
Of which SME	91.670	5.407	23.820	-	26.235	18.012	4.421	23.526	11.838	-	8.174	-	83.624	79.815	-	41.180	3.608	421.330
Retail	1.687	2.085	9.959	181	208	490	1.230	3.924	1.795	92.081	3.781	-	9.946	1.554	17	18.112	2.333	149.383
Of which SME	1.621	2.077	9.955	179	208	490	1.209	3.891	1.795	367	3.719	-	9.932	1.546	17	17.948	2.254	57.208
Secured by mortgages on immovable property	667	492	2.923	-	223	10.159	423	12.442	996	121.751	1.023	-	6.741	3.311	-	18.739	4.659	184.549
Of which SME	667	432	2.923	-	223	10.159	423	1.440	996	-	788	-	5.816	3.055	-	17.279	473	44.674
Public Sector Entities	-	-	-	-	-	4.099	-	-	-	-	-	-	-	-	-	-	-	4.099
Exposures in default	15.242	1.702	40.331	4.337	3.313	248	528	3.887	3	78.376	6.505	-	9.962	1.287	8	14.954	2.621	183.304

Items associated with particular high risk	-	-	74.862	-	-	7.959	-	7	-	4.382	-	-	17.765	-	-	1.125	8.894	114.994
Equity	-	-	-	-	-	5.839	-	-	-	-	-	-	-	-	-	-	4.261	10.100
Other items	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	210.221	210.221
Total	**121.604**	**9.702**	**183.869**	**6.237**	**29.979**	**398.686**	**6.642**	**70.772**	**19.330**	**307.171**	**22.862**	**100.128**	**150.444**	**129.989**	**55.404**	**144.754**	**1.336.676**	**3.094.249**

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

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**

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 2020 Exposure Class	<1 month	1-3 months	3-12 months	1-5 years	> 5 years	No Maturity	Total
€000							
Central Governments and Central Banks	647.411	104.978	225.079	256.937	100.080	-	1.334.485
Regional Governments or local authorities	-	2.014	11.985	2.114	18.349	-	34.462
Multilateral Development Banks	-	3.825	9.430	8.315	-	-	21.570
Public Sector Entities	-	-	4.099	-	-	-	4.099
Covered Bonds	-	-	15.207	15.167	-	-	30.374
Institutions	24.863	823	16.860	54.628	473	3.611	101.258
Corporate	13.331	21.464	161.857	137.055	381.743	-	715.450
Retail	4.698	2.602	51.703	38.155	52.225	-	149.383
Secured by mortgages on immovable property	9	240	47.135	11.731	125.434	-	184.549
Exposures in default	56.704	915	40.325	24.537	60.823	-	183.304
Items associated with particular high risk	42.382	627	10.997	24.846	36.142	-	114.994
Equity	-	-	-	-	-	10.100	10.100
Other Items	-	-	-	-	-	210.221	210.221
Total	**789.398**	**137.488**	**594.677**	**573.484**	**775.266**	**223.932**	**3.094.249**

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

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**

6.12 Counterparty Credit Risk (CCR)

Derivatives

As at 31 December 2020 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 2020 €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	105	(151)	110.013	1.205	1.205	247	20
Total	**105**	**(151)**	**110.013**	**1.205**	**1.205**	**247**	**20**

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**

Repo-style transaction

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

REVERSE REPO							
31-12-2020 €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	*38.843*			*28.537*	*10.306*	*5.153*	*412*
Total	***38.843***			***28.537***	***10.306***	***5.153***	***412***

REPO							
31-12-2020 €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	*8.149*			*8.149*	*0*	*0*	*0*
Total	***8.149***			***8.149***	***0***	***0***	***0***

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**

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 2020	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 (a+b-c-d)
Exposure Class	Defaulted exposures	Non-defaulted exposures					
Central governments or central banks	-	1.334.620	134	-	-	-	1.334.485
Regional governments or local authorities	-	34.526	64	-	-	-	34.462
Public sector entities	-	4.099	-	-	-	-	4.099
Multilateral development banks	-	21.571	1	-	-	-	21.570
Covered bonds	-	30.386	12	-	-	-	30.374
International organisations	-	-	-	-	-	-	-
Institutions	-	101.497	239	-	-	-	101.258
Corporates	-	724.834	9.384	-	-	-	715.450
Of which: SMEs	-	426.918	5.588	-	-	-	421.330
Retail	-	151.892	2.509	-	30	-	149.383
Of which: SMEs	-	57.859	652	-	-	-	57.208
Secured by mortgages on immovable property	-	184.549	-	-	-	-	184.549
Of which: SMEs	-	44.674	-	-	-	-	44.674
Exposures in default	304.363	-	121.059	-	13.584	-	183.304
Items associated with particularly high risk	101.404	61.188	47.598	-	6.177	-	114.994
Claims on institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-
Collective investments undertakings	-	-	-	-	-	-	-

Equity exposures	-	10.100	-	-	-	-	10.100
Other exposures	-	210.221	-	-	-	-	210.221
Total standardised approach	**405.767**	**2.869.483**	**181.000**	**-**	**19.791**	**-**	**3.094.249**
Of which: Loans*	396.832	2.584.961	178.873	-	19.791	-	2.802.920
Of which: Debt securities	-	-	-	-	-	-	-
Of which: Off- balance-sheet exposures	8.935	236.324	2.127	-	-	-	243.133

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 lending growth.

6.15 Non-performing and forborne exposures

The accounting definition of impaired and the regulatory definition of default and non-performing are fully aligned as from 31.12.2020.

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 2020:

Note: During 2020 a decrease has been observed in Performing accounts mainly as a result of the curing of the accounts which met the conditions and exited probation period.

31 December 2020	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	**44.425**	**112.617**	**112.617**	**112.617**	**2.317**	**13.991**	**127.880**	**90.997**
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	13.061	0	0	0	342	0	12.838	0
Non-financial corporations	28.082	81.756	81.756	81.756	1.659	8.683	87.607	65.570
Households	3.282	30.861	30.861	30.861	316	5.308	27.435	25.427
Debt securities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loan commitments given	**2.564**	**703**	**703**	**703**	**0**	**0**	**0**	**0**
Total	**46.989**	**113.320**	**113.320**	**113.320**	**2.317**	**13.991**	**127.880**	**90.997**

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

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 and 31 December 2020:

	As at 31 December 2020	Gross carrying amount of forborne exposures
1	Loans and advances that have been forborne more than twice	11.720
2	Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	111.802

	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 2020:

As at 31 December 2020	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
€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	**1.524.378**	**1.521.965**	**2.411**	**388.415**	**65.511**	**1.350**	**4.568**	**21.865**	**50.200**	**70.917**	**174.004**	**388.415**
Central Bank	590.997	590.997	0	0	0	0	0	0	0	0	0	0
General governments	4.205	4.205	0	0	0	0	0	0	0	0	0	0
Credit Institutions	38.843	38.843	0	0	0	0	0	0	0	0	0	0
Other financial corporations	60.999	60.999	38	2.180	41	0	0	0	37	2	2.100	2.180
Non-financial corporations	640.215	640.176	2.373	229.440	50.941	479	2.225	13.395	33.392	44.907	84.101	229.440
Of which SMEs	*202.976*	*202.937*	*38*	*188.809*	*24.361*	*479*	*2.225*	*13.123*	*26.912*	*43.098*	*78.611*	*188.809*
Households	189.119	186.745	0	156.795	14.529	871	2.343	8.470	16.771	26.008	87.803	156.795
Debt securities	**858.896**	**858.896**	**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	778.069	778.069	0	0	0	0	0	0	0	0	0	0
Credit Institutions	76.728	76.728	0	0	0	0	0	0	0	0	0	0
Other financial corporations	4.099	4.099	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	**236.072**	**0**	**0**	**8.935**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**8.336**
Central Bank	0			0								0
General governments	12.478			0								0
Credit Institutions	0			0								0
Other financial corporations	2.892			0								0
Non-financial corporations	178.447			8.200								8.097
Households	42.255			735								239
Total	**2.619.346**	**2.380.861**	**2.411**	**397.350**	**65.511**	**1.350**	**4.568**	**21.865**	**50.200**	**70.917**	**174.004**	**396.751**

As at 31 December 2019	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
€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

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 2020:

As at 31 December 2020	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	**1.524.378**	**1.373.844**	**150.534**	**388.415**	**0**	**388.415**	**12.222**	**7.123**	**5.099**	**170.337**	**0**	**170.337**	**7.254**	**593.684**	**196.998**
Central Bank	590.997	590.997	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	4.205	4.205	0	0	0	0	58	58	0	0	0	0	0	2.370	0
Credit Institutions	38.843	38.843	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial corporations	60.999	47.921	13.078	2.180	0	2.180	802	459	343	614	0	614	0	31.496	1.409
Non-financial corporations	640.215	518.099	122.116	229.440	0	229.440	9.422	5.483	3.939	92.973	0	92.973	5.519	414.753	126.250
Of which SMEs	*202.976*	*161.095*	*17.682*	*188.809*	*0*	*188.809*	*3.732*	*1.810*	*1.922*	*83.586*	*0*	*83.586*	*5.519*	*154.224*	*98.483*
Households	189.119	173.779	15.340	156.795	0	156.795	1.940	1.123	817	76.750	0	76.750	1.735	145.065	69.339

Debt securities	**858.896**	**858.896**	**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	778.069	778.069	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit Institutions	76.728	76.728	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial corporations	4.099	4.099	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	**236.072**	**214.139**	**21.933**	**8.935**	**0**	**8.935**	**1.715**	**1.150**	**565**	**405**	**0**	**405**	**0**	**0**	**0**
Central Bank	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General governments	12.478	12.478	0	0	0	0	3	3	0	0	0	0	0	0	0
Credit Institutions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial corporations	2.892	2.883	9	0	0	0	2	2	0	0	0	0	0	0	0
Non-financial corporations	178.447	157.135	21.312	8.200	0	8.200	1.574	1.012	562	366	0	366	0	0	0
Households	42.255	41.643	612	735	0	735	136	133	3	39	0	39	0	0	0
Total	**2.619.346**	**2.446.879**	**172.467**	**397.350**	**0**	**397.350**	**13.937**	**8.273**	**5.664**	**170.742**	**0**	**170.742**	**7.254**	**593.684**	**196.998**

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

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 2020 and 31 December 2019:

As at 31 December 2020 €000	Gross carrying amount/nominal amount	Of which non - performing	Of which defaulted	Of which subject to impairment	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
On Balance-Sheet Exposures	**2.771.689**	**388.415**	**388.415**	**388.415**	**182.559**		**0**
CYPRUS CY	2.567.171	378.047	378.047	378.047	179.964		0
Other countries	204.517	10.368	10.368	10.368	2.595		0
Off-balance-sheet exposures	**245.007**	**8.935**	**8.935**			**2.122**	
CYPRUS CY	232.134	8.457	8.457			2.013	
Other countries	12.873	478	478			109	
Total	**3.016.696**	**397.350**	**397.350**	**388.415**	**182.559**	**2.122**	**0**

As at 31 December 2019 €000	Gross carrying amount/nominal amount	Of which non - performing	Of which defaulted	Of which subject to impairment	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
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 2020:

As at 31 December 2020 €000	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		
			Of which defaulted			
Agriculture, forestry and fishing	7.905	5.215	5.215	5.215	3.255	0
Mining and quarrying	15.424	1	1	1	593	0
Manufacturing	45.330	6.596	6.596	6.596	3.542	0
Electricity, gas, steam and air conditioning supply	33.879	7.286	7.286	7.286	4.498	0
Water supply	55.396	38	38	38	33	0
Construction	184.403	118.798	118.798	118.798	51.722	0
Wholesale and retail trade	114.518	29.345	29.345	29.345	17.008	0
Transportation and storage	122.229	2.122	2.122	2.122	1.766	0
Accommodation and food service activities	112.677	18.981	18.981	18.981	4.669	0
Information and communication	638	70	70	70	8	0
Financial and insurance activities	180	0	0	0	0	0
Real estate activities	138.529	25.760	25.760	25.760	12.203	0
Professional, scientific and technical activities	16.485	5.912	5.912	5.912	1.124	0
Administrative and support service activities	8.739	2.959	2.959	2.959	1.535	0
Public administration and defence, compulsory social security	0	0	0	0	0	0
Education	5.485	3.963	3.963	3.963	0	0
Human health and social work activities	5.843	623	623	623	130	0
Arts, entertainment and recreation	775	687	687	687	186	0
Other services	1.220	1.084	1.084	1.084	123	0
Total	**869.655**	**229.440**	**229.440**	**229.440**	**102.395**	**0**

As at 31 December 2019 €000	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		
			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**

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 2020:

As at 31 December 2020 €000	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						
							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	1.912.793	1.524.378	2.412	388.415	65.512	322.903	1.350	4.567	21.866	50.200	70.917	174.003
Of which secured	1.021.664	703.776	1.613	317.887	60.734	257.153	1.003	3.854	19.081	44.455	61.897	126.863
Of which secured with immovable property	858.548	543.826	1.040	314.722	60.104	254.618	722	3.785	18.661	43.931	61.615	125.904
Of which instruments with LTV higher than 60^ and lower or equal to 80%	1.938	62	0	1.876	306	1.570	0	0	0	0	0	0

Of which instruments with LTV higher than 80% and lower or equal to 100%	80.599	49.432	801	31.167	2.189	28.978	0	0	0	0	0	0
Of which instruments with LTV higher than 100%	774.864	494.268	239	280.596	57.541	223.055	0	0	0	0	0	0
Accumulated impairment for secured assets	117.601	6.724	6	110.877	3.686	107.191	283	270	1.799	16.342	24.635	63.862
Collateral												
of which value capped at the value of exposure	790.681	593.684	1.555	196.998	51.362	145.636	725	3.309	17.359	28.145	35.770	60.328
of which immovable property	*680.755*	*486.031*	*1.035*	*194.725*	*50.924*	*143.801*	*602*	*2.951*	*17.097*	*27.863*	*35.643*	*59.645*
of which value above the cap	5.176	423	7	4.752	423	4.329	5	6	202	558	1.089	2.469
of which immovable property	*5.125*	*402*	*7*	*4.723*	*423*	*4.300*	*5*	*3*	*199*	*549*	*1.086*	*2.458*
Financial Guarantees Received	36.567	35.476	519	1.091	434	657	123	50	173	213	3	95
Accumulated Partial Write-Off	7.254	10	0	7.244	518	6.726	7	95	792	337	4.092	1.403

	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 2020 and 2019 with specific details of the net cumulative recoveries related to these changes:

As at 31 December 2020 €000	Gross carrying amount	Related net accumulated recoveries
Initial stock of non-performing loans and advances	400.382	
Inflows to non-performing portfolios	72.515	
Outflows from non-performing portfolios	84.482	
Outflow to performing portfolio	52.549	
Outflow due to loan repayment, partial or total	7.185	
Outflow due to collateral liquidation		
Outflow due to taking possession of collateral	4.957	
Outflow due to sale of instruments		
Outflow due to risk transfer		
Outflow due to write-off	*19.791*	
Outflow due to other situations		
Outflow due to reclassification as held for sale		
Final stock of non-performing loans and advances	**388.415**	

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 2020, as well as the accumulated negative changes to the initial recognition value of the respective collaterals broken down by asset category:

As at 31 December 2020 €000		a	b
		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	98.045	(8.822)
4	Commercial Immovable property	59.860	(4.280)
5	Movable property (auto, shipping, etc.)		
6	Equity and debt instruments		
7	Other		
8	**Total**	**157.905**	**(13.102)**

As at 31 December 2019 €000		a	b
		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	90.154	(1.904)
4	Commercial Immovable property	59.929	(514)
5	Movable property (auto, shipping, etc.)		
6	Equity and debt instruments		
7	Other		
8	**Total**	**150.083**	**(2.418)**

Note: the 31/12/2019 classification of the property type (i.e. residential or commercial) has been revised to reflect new information in the Bank's systems.

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:

	31 December 2020	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	241.975	(71.037)	98.045	(8.822)	20.326	(5,316)	47.512	(1.688)	30.206	(1.817)		
4	Commercial Immovable property	92.039	(27.817)	59.860	(4.280)	4.052	(19)	45.638	(4.849)	10.170	588		
5	Movable property (auto, shipping, etc.)												
6	Equity and debt instruments												
7	Other												
8	Total	**334.014**	**(98.854)**	**157.905**	**(13.102)**	**24.378**	**(5.335)**	**93.150**	**(6.537)**	**40.376**	**(1.229)**		

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	
	31 December 2019	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			90.154	(1.904)	24.597	(610)	47.657	582	17.900	(1.876)		
4	Commercial Immovable property			59.929	(514)	5.908	(311)	49.624	(47)	4.397	(156)		
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. Note: the 31/12/2019 classification of the property type has been revised to reflect new information in the Bank's systems

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

As at 31 December 2020	Gross carrying value defaulted exposures €000
Opening balance	**387.830**
Loans and debt securities that have defaulted or impaired since the last reporting period	53.159
Returned to non-defaulted status	(27.826)
Amounts written off	(19.791)
Loans that have been resolved through Debt-to-Asset Swap	(4.957)
Other changes	
Closing balance	**388.415**

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 in 2019 was mainly due to the acquisition of the ex-USB on 18/01/2019.

6.17 Exposures to Counterparty Credit Risk (CCR) and Credit Valuation Adjustment (CVA)

Risk Article 432 of CRR provides that Institutions have the right to omit one or more disclosure requirements if the information provided by such disclosures is not regarded as material. Information in disclosures shall be regarded as material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

Pursuant to EBA Guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of CRR, it was decided that the disclosure requirements of Article 439 of CRR and information relating to Credit Valuation Adjustment Risk (CVA Risk) be omitted from Pillar III disclosures since the information provided under this Article is not regarded as material for the Bank, as per the Provisions of the said guidelines.

The information requirements of Article 439 relate to Derivative Exposures while the information on CVA risk relates specifically to Over-The-Counter Derivative Exposures of the Bank. This information has been assessed as non- material based on:

- Business model of the Bank and its long-term strategy to which derivative positions are assessed as non-relevant.
- The size of the derivative exposures both in terms of gross exposure (0,35% of total exposure) and in terms of Risk Weighted Asset Base (0,20% of Total RWA).
- Impact on the overall risk profile of the institution which is deemed as negligible based on the amount and nature of the exposure.

The materiality of the disclosure requirements included in Article 439 and information related to CVA Risk will be re-assessed each year.

6.18 Template 1: Information on loans and advances subject to legislative and non-legislative moratoria

The table below provides an overview of the credit quality of loans and advances subject to moratorium on loan repayments applied in the light of the COVID-19 crisis as at 31 December 2020. The type of eligible moratorium granted was the suspension of instalments of capital and interest for a period of nine months. Moratorium was applied to all eligible individuals or legal entities across different sectors.

		Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
			Performing			Non performing				Performing			Non-performing			Inflows to non-performing exposures
As at 31.12.2020				Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with significant increase in credit risk since initial recognition but not credit-impaired (Stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to pay that are not past-due or past-due <= 90 days	
1	**Loans and advances subject to moratorium**	**519.964**	**474.581**	**35.413**	**127.682**	**45.383**	**44.019**	**45.028**	**8.767**	**6.074**	**1.516**	**2.585**	**2.693**	**2.389**	**2.637**	**0**
2	of which: Households	81.108	72.625	3.051	7.519	8.483	7.454	8.474	1.957	846	344	520	1.111	955	1.105	0
3	*of which: Collateralised by residential immovable property*	69.856	61.898	2.858	5.995	7.958	7.091	7.958	1.248	481	317	371	767	700	767	0
4	of which: Non-financial corporations	399.304	362.404	13.061	107.102	36.900	36.565	36.554	6.099	4.517	830	1.723	1.582	1.434	1.532	0

5	*of which: Small and Medium-sized Enterprises*	139.364	123.585	6.828	31.124	15.780	15.454	15.434	2.799	1.458	78	358	1.342	1.193	1.291	0
6	*of which: Collateralised by commercial immovable property*	342.524	305.920	15.949	100.108	36.604	36.395	36.274	5.004	3.539	718	1.482	1.465	1.435	1.425	0

6.19 Template 2: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria.

	As at 31 December 2020	Number of obligors	Gross carrying amount							
				Of which: legislative moratoria	Of which: expired	Residual maturity of moratoria				
						<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances for which moratorium was offered	**1.244**	**546.696**							
2	Loans and advances subject to moratorium (granted)	**1.150**	**519.964**	**519.964**	**0**	**71.287**	**0**	**0**	**0**	**440.748**
3	of which: Households		81.108	81.108	0	7.122	0	0	0	73.986
4	*of which: Collateralised by residential immovable property*		69.856	69.856	0	5.926	0	0	0	63.929
5	of which: Non-financial corporations		399.304	399.304	0	63.715	0	0	0	327.661
6	*of which: Small and Medium-sized Enterprises*		139.364	139.364	0	21.269	0	0	0	118.095
7	*of which: Collateralised by commercial immovable property*		342.524	342.524	0	50.744	0	0	0	283.852

6.20 Template 3 : Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

The Bank has not granted newly originated loans and advances under newly applicable public guarantee schemes introduced in response to COVID-19 crisis, as such scheme had not been voted by the Parliament and hence not introduced up to the date of this report.

	As at 31 December 2020	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
			of which: forborne	Public guarantees received	Inflows to non-performing exposures
1	**Newly originated loans and advances subject to public guarantee schemes**	-	-	-	-
2	of which: Households	-			-
3	of which: Collateralised by residential immovable property	-			-
4	of which: Non-financial corporations	-	-	-	-
5	of which: Small and Medium-sized Enterprises	-			-
6	of which: Collateralised by commercial immovable property	-			-

6.21 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 report for 2020 is currently in progress. 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 Finance Department and the Risk Management Department.

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 2020 was approved by the Board of Directors and was submitted to the CBC in July 2021. 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 2020, 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 2020	246%
Average for the year	294%
Maximum percentage for the year	366%
Minimum percentage for the year	241%
Regulatory limit	100%

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%
Regulatory limit	100%

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 2020 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-20	Jun-20	Sep-20	Dec-20	Mar-20	Jun-20	Sep-20	Dec-20
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)					848.918	835.365	793.589	797.569

	CASH – OUTFLOWS								
2	**Retail deposits and deposits from small business customers, of which:**	**606.663**	**625.338**	**644.806**	**678.290**	**55.835**	**58.468**	**61.194**	**64.288**
3	Stable deposits	**155.472**	**132.617**	**117.157**	**123.361**	**7.774**	**6.631**	**5.858**	**6.168**
4	Less stable deposits	**460.050**	**492.721**	**527.648**	**554.929**	**48.504**	**51.837**	**55.336**	**58.120**
5	**Unsecured wholesale funding**	**822.278**	**846.627**	**851.956**	**880.656**	**307.174**	**319.482**	**320.456**	**332.160**
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	**371**	**542**	**727**	**775**	**82**	**120**	**163**	**174**
7	Non-operational deposits (all counterparties)	**821.907**	**846.084**	**851.229**	**879.881**	**307.092**	**319.361**	**320.293**	**331.986**
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	**19.121**	**23.700**	**29.772**	**36.092**	**1.817**	**2.251**	**2.826**	**3.412**
15	Other contingent funding obligations	**153.302**	**156.258**	**166.810**	**173.891**	**25.899**	**21.729**	**18.134**	**14.390**
16	TOTAL CASH OUTFLOWS					**390.724**	**401.929**	**402.610**	**414.250**
	CASH - INFLOWS								
17	Secured lending (e.g. reverse repos)								
18	Inflows from fully performing exposures	272.686	258.603	255.163	245.074	169.766	153.070	144.902	133.622
19	Other cash inflows	3.826	3.492	3.317	3.201	3.826	3.492	3.317	3.201
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**	**276.512**	**262.095**	**258.480**	**248.505**	**173.592**	**156.562**	**148.219**	**137.054**
EU-20a	Fully exempt inflows								
EU-20b	Inflows subject to 90% cap								
EU-20c	Inflows subject to 75% cap	276.512	262.095	258.480	248.505	173.592	156.562	148.219	137.054
		TOTAL ADJUSTED VALUE							
21	**LIQUIDITY BUFFER**					**848.918**	**835.365**	**793.589**	**797.569**
22	**TOTAL NET CASH OUTFLOWS**					**217.133**	**245.367**	**254.392**	**277.196**

23	LIQUIDITY COVERAGE RATIO (%)					402%	346%	318%	294%

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%**

7.3 Market Risk Management Framework

The Board of Directors, Board Risk Committee (BRC), Asset-Liability Committee (ALCO), Risk Management Department, 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 Department develops and submits for approval to BRC – on behalf of the Bank – the Market Risk policy and any amendments to it.

  In addition to the above, the Risk Management Department 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 2020 €000	RWAs	Capital requirements
Outright products		
Interest rate risk (general and specific)	5.419	434
Equity risk (general and specific)	-	-
Foreign exchange risk	-	-
Total	5.419	434

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**

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 2020:

As at 31 December 2020 Change (€ milion)	Euro	US Dollar	Swiss Franc	Total (absolute values)
+200 basis points	(6,50)	(2,60)	N/A	9,10
-200 basis points	6,50	2,60	N/A	9,10

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

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 2020. The analysis below assumes possible scenarios of movements to take place in specific foreign currencies against the Euro.

As at 31 December 2020 Currency	Change in exchange rates %	Impact on Income Statement €0
US Dollar	+10% (-10%)	+31 (-31)
British Pound	+10% (-10%)	-3 (+3)
Swiss Franc	+10% (-10%)	-153 (+153)
Other currencies	+10% (-10%)	-68 (+68)

As at 31 December 2019 Currency	Change in exchange rates %	Impact on Income Statement €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)

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 2020.

As at 31 December 2020	Investment in Equities 31 December 2020 €000	Investment in associate 31 December 2020 €000
Cost		
Balance 1 January 2020		0
Acquisitions		3.466
Disposals		
Gain recognised in the consolidated income statement		217
Balance 31 December 2020 at cost	**0**	**3.683**
Fair value		
Balance 1 January 2020	23.004	
Acquisitions	826	
Disposals	(8.428)	
Gain recognised in the consolidated income statement	(52)	
Losses recognised in the consolidated statement of other comprehensive income	0	
Foreign exchange gains	(766)	
Balance 31 December 2020 at fair value	**14.584**	**0**

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**

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 2020	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	-	-	22.495	22.495
Bonds	273.707	-	576.719	-
Other assets	-	-	1.704.755	-
Total	**273.707**	**-**	**2.427.322**	**22.495**

Note: The figures in 2020 have been revised to report the median value as per Regulation (EU) 2017/2295

31 December 2019	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**

As at 31 December 2020 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 2020 amounted to 6,59%. During 2020 the Leverage Ratio ranged between 8,43% (31 March 2020) and 6,59% (31 December 2020), 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 2020:

31 December 2020		**Applicable Amounts**
		€000
1	Total assets as per published financial statements	2.833.543
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	
4	Adjustments for derivative financial instruments	1.094
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)	50.360
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	14
8	**Total leverage ratio Exposure**	**2.899.203**

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**

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

31 December 2020		**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)	2.802.920
2	(Asset amounts deducted in determining Tier 1 capital)	3.942
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	**2.806.862**
Derivative exposures		
4	Replacement cost associated with *all* derivatives transactions (i.e. net of eligible cash variation margin)	105
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	1.100
11	**Total derivative exposures**	**1.205**
Securities financing transaction exposures		
16	**Total securities financing transaction exposures**	**19.994**
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	245.259
18	(Adjustments for conversion to credit equivalent amounts)	(174.117)
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**71.142**
Capital and total exposures		
20	**Tier 1 capital**	**191.058**
21	**Total leverage ratio exposures**	**2.899.203**
Leverage ratio		
22	**Leverage ratio (transitional definition)**	**6,59%**

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%**

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

31 December 2020	CRR leverage ratio exposures €000
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**2.804.125**
Trading book exposures	1.205
Banking book exposures, of which:	2.802.920
Covered bonds	*30.374*
Exposures treated as sovereigns	*1.361.480*

Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	*20.662*
Institutions	*52.821*
Secured by mortgages of immovable properties	*162.826*
Retail exposures	*93.626*
Corporate	*576.789*
Exposures in default	*174.888*
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	*329.454*

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*

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 2020 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 2020 the Committee held eight meetings.

As at 31 December 2020 the Nomination and Remuneration Committee comprised of a Non-Executive director (also the chairman) and two Independent Non-Executive directors

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.
As a result of the restructuring of the Bank's organizational structure in 2020, the subsequent reshuffling of staff, and the targeted voluntary staff exit plan through which 114 full-time employees left the Bank and no performance assessment was carried out for 2020.
However, 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, in line with its strategy, the Bank will be adopting a 'Competency Framework' with the expected demonstrated competencies applicable to the 3 hierarchical levels if its staff (employees- middle management – senior management).
A new automated evaluation system will be applied, via the SAP Success Factors software recently adopted by the Bank. The aim of the SAP Success Factors is to modernize staff administration procedures and to give autonomy to staff to have a direct and effective communication with subordinates / superiors which contributes significantly to the creation of suitable relations for continuous development and improvement of employees.

11.2.2 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 2020 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.

Based on the guidelines of the Central Bank of Cyprus ("CBC"), Variable Remuneration is determined as a combination of the performance evaluation of the individual, the performance of his/her business unit and the overall results of the Bank. Financial and non-financial criteria are determined by the Bank's Executive Committee and approved by the Board after being examined by the Nominations and Remuneration Committee.

A substantial portion, and in any event at least fifty percent (50%), of any variable remuneration shall consist of a balance of the following:

- shares or equivalent ownership interests, subject to the legal structure of the Bank concerned or share-linked instruments or equivalent non-cash instruments, in the case of a non-listed Bank

- where possible, other instruments within the meaning of Article 52 or 63 of Regulation (EU) No 575/2013 or other instruments which can be fully converted to Common Equity Tier 1 instruments or written down, that in each case adequately reflect the credit quality of the Bank as a going concern and are appropriate to be used for the purposes of variable remuneration.

A significant part of the variable remuneration (at least forty per cent (40%) shall be retained and its payment be deferred for a period of at least three years and depends on the Bank's performance, the risks faced by the Bank and the activities of the person concerned. The amount retained is vested over time in proportion to the time, provided that it can be paid on the basis of the Bank's overall financial situation and the Annual Results of the Bank and the performance of the business unit and of the individual concerned.
If the percentage of variable remuneration is particularly high then the payment is deferred, at least by 60% of the amount. Again, the postponement period depends on the Bank's financial situation and the individual's activities.

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 2020**, 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-Dec-20 Item	Senior Management	Other Code Staff[1]	Total
Number of beneficiaries	40	11	**51**
Fixed remuneration – Total cost - €'000	5.589	999	**6.588**
Variable remuneration Note 1	175		175
Total remuneration – Total cost - €'000	**5.764**	**999**	**6.763**
Voluntary Retirement Cost (ex-gratia) Note 2	2.776	664	3.440
Of which: Outstanding deferred remuneration Note 3	*37*		*37*
New sign-on payments / severance payments			

Notes:

1 The amount of €175,013 corresponds to Bonus paid to a specific employee representing variable remuneration owed for 2019 as per the employee's contract of employment.

2 The amount €3.440,000 corresponds to Gross Amounts of severance payments paid in 2020 and 2021 due to voluntary exit scheme in 17 persons whose professional activities had a material impact on the risk profile of the Bank.

3 The Bank has outstanding deferred remuneration amounting to €36.700 to one employee, all of which is vested.

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**

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

Of which:			
Outstanding deferred remuneration	*37*	*-*	***37***
New severance payments (1 beneficiary)	*80*	*-*	***80***

11.2.5 Analysis of remuneration by business area

31-Dec-20 **Position**	**Senior Management** **€000**	**Other Risk Takers** **€000**	**Total** **€000**
Executive Board Members	1.086		1.087
Non-Executive Independent and Non-Independent Board Members	632		632
Independent Control Functions	294	60	354
Corporate	1.602	151	1.753
Investment Banking	877		877
Retail Banking	1.162	788	1.950
Asset Management	111		111
Other Functions			
Total	**5.764**	**999**	**6.763**

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**

In addition, during 2020, the Bank did not offer to any employee remuneration payment which exceeded the threshold of €1 million.

12. OPERATING ENVIRONMENT

Cyprus Economy Performance and economic outlook

The Cyprus economy, despite its positive growth rates between 2015-2019, declined steeply by 5,1% in 2020 according to the Cyprus Statistical Service. However, this has been a better performance than initially anticipated with the decline driven by the trade and tourism sectors, construction activity, industry and entertainment related services sectors. Unemployment increased modestly to 7,6%, in 2020 according to according to the European Commission (European Economic Forecast, Spring 2021), from 7,1% in 2019. Consumer prices declined by 1,1% on average in 2020 as per the Bank of Cyprus, owing to the sharp decline in global energy prices, the hit on domestic demand caused by the COVID-19 pandemic and the cut to the VAT rate for the tourism and hospitality sector. The current fiscal and monetary stimulus have not fed into higher prices and inflation is likely to rise only modestly in the second half of 2021 as economic activity accelerates and the temporary reduction in the VAT income is reversed.

In response to the COVID-19 pandemic the Cyprus Government's fiscal package in year 2020 was large, at approximately 5,8% of GDP (May 2020: for €1,2 billion with a GDP in 2020 of 20,8 billion), according to Cyprus Ministry of Finance, and included income support for households, wage subsidies for businesses and grants to small businesses and the self-employed. A loan moratorium for interest and principal repayments on loans for individuals and businesses was also put in place until the end of 2020. In January 2021, a second moratorium for the period until end-June 2021 was launched for borrowers impacted by the second lockdown. Eligible borrowers are entitled to a total moratorium not exceeding nine months, including the moratorium offered in 2020.

There has been significant progress in the banking sector since the crisis in 2013, however banking remains vulnerable to the economic conditions amidst prevailing uncertainties and slow progress on further reform. Cyprus expects to obtain grants of up to €1,2 billion according to European Commission (Press release, "Cyprus submits official recovery and resilience plan" dated 17 May 2021) or about 5,0% of GDP, in the budget period 2021-2027. However, the effectiveness of the funds in the medium and the long-term will depend on the implementation of long-delayed structural reforms, such as improving the efficiency of the judiciary and of the public and local administration. Public debt has risen to about 118,2% of GDP (Cyprus Statistical Service). However, this is seen as temporary driven by fiscal measures to mitigate the effects of the COVID-19 pandemic.

Nevertheless, Cyprus still faces significant challenges mainly due to the high public and private debt as well as the volume of non-performing loans ("NPLs") that even though great efforts are taken in order to reduce them they are still maintained in high levels. Cyprus' reliance on external demand for tourism and travel means that economic recovery will be rather prolonged. Real GDP is forecast to grow by 3,2% in 2021 and by another 3,8% in 2022 according to the European Commission (European Economic Forecast, Spring 2021). Thus, real GDP can be expected to recover to pre-pandemic levels within 2022.

The sovereign risk ratings of the Cyprus Government improved considerably in recent years reflecting improvements in economic resilience and consistent fiscal outperformance. Cyprus demonstrated policy commitment to correcting fiscal imbalances through reform and restructuring of its banking system. S&P Global Ratings maintains an investment grade rating of BBB- with a stable outlook since September 2018. Fitch Ratings maintains a Long-Term Issuer Default rating of investment grade at BBB- since November 2018, affirmed in April and October 2020 and March 2021. Moody's Investors Service maintains a long-term credit rating of Ba2 since July 2018 and a positive outlook since September 2019. More recently in January 2021, Moody's issued a revised credit opinion on the Cyprus Sovereign, maintaining the positive rating outlook.

As per the March 2021 International Monetary Fund report the COVID-19 pandemic has halted the strong economic growth momentum of recent years. Despite the economy's dependence on tourism and the high private and public debt levels, wide-spread defaults and high unemployment have largely been avoided so far, thanks in part to timely policy support and balance sheet buffers. Growth is projected to recover to 3 percent in 2021 from -5.1 percent last year. As per IMF Cyprus has managed the unprecedented COVID-19 pandemic shock relatively well. The recovery of the economy will largely depend on the timely implementation of the vaccination plan and the measures taken to reboot and boost Tourism arrivals.

According to the Public Debt Management Office Newsletter no 31/2020 the total deposits exhibit a small decrease of €795mn or 1.6% since December 2019, being at €47.94 bn at end October 2020, down from €48.73 bn in December 2019. The decrease is mainly in 'rest of the world residents' (decrease is €420mn or 6.3%), followed by non-residents from EU (decrease €299mn or 10.5%) and residents (€76mn or 0.2%).

The COVID-19 pandemic led the European and global economy to a sharp recession. Cyprus has been greatly affected by the global pandemic as well, both in terms of health and economic impact. Output declined by 5,1% in 2020 according to Central Bank of Cyprus. The authorities put in place a large emergency fiscal package to address the crisis, focused on preserving jobs and providing liquidity for households and firms. The banking sector entered the crisis with comfortable capital and liquidity buffers and, together with the support of the ECB's accommodative monetary policy, facilitated the provision of credit to the economy.

Cyprus managed the first wave of the COVID-19 pandemic relatively well thanks to an early and vigorous public health response. Nonetheless, unprecedented disruptions to economic and social activity caused a deep recession in the first half of 2020. The gradual easing of containment measures since early-May has led to a partial revival of economic activity, but in late-October a localized "soft lockdown" was announced to counter a new wave of infections, followed by stricter restrictions in mid-December across the island. Facing continued high infection rates, the government significantly tightened the lockdown measures in early-January

2021 up until the end of the same month where all non-essential stores closed, while schools transferred to distance learning. Gatherings have been restricted and nightly curfews were introduced across the island.

Statistics are encouraging as Cyprus ranks first among EU countries in terms of testing for COVID-19 and fifth globally for the management of the pandemic (Lowy Institute). In addition, the development of effective vaccines is encouraging and successful vaccination programmes both in Cyprus and abroad should act as strong catalysts for both global and local economic recovery. In fact, the Cyprus Government expects that over 60% of the population over 18 years old will be vaccinated by the end of June 2021.

The Bank monitors the situation, taking all necessary measures to mitigate the impact on its operations and financial performance.

Upon the outbreak of COVID-19 in March 2020, the Crisis Management Committee of the Bank in collaboration with Human Resource Department has been monitoring the situation and providing guidance on health Impact of COVID 19 in operations and the key measures taken and safety measures, travel advice and business continuity for the Bank. Local government guidelines are being followed in response to the virus.

The Bank adopted a set of measures to ensure minimum disruption to its operations. The Crisis Management Committee are still closely monitoring the dynamic COVID-19 pandemic developments and status. The measures comprise rules for quarantine for vulnerable employees due to health conditions and for those returning from epicentres of the infection. The Bank replaced face-to-face meetings with telecommunications, adjusting the customary etiquette of personal contact, including those with customers. In addition, to ensure continuity of business, a number of employees have been working from home and the remote access capability has been upgraded significantly while at the same time maintaining relevant control procedures to ensure authorisation in line with the Bank's governance structure. Additionally, the Bank follows strict rules of hygiene, increased intensity of cleaning and disinfection of spaces, and other measures to protect the health and safety of staff and customers.

The potential economic implications for the sectors where the Bank is active have been assessed and possible mitigating actions for supporting the economy have been identified, such as supporting viable affected businesses and households with new lending to cover liquidity, working capital, capital expenditure and investments related to the activity of the borrower.

The package of policy measures announced by the ECB and the European Commission, as well as the unprecedented fiscal and other measures of the Cyprus Government, have helped and should continue to help reduce the negative impact and support the recovery of the Cypriot economy.

As part of the measures to support borrowers affected by COVID-19 and the wider Cypriot economy, the Cyprus Parliament voted for the suspension of loan repayments for interest and principal (loan moratorium) for the period to the end of the year 2020, for all eligible borrowers with no arrears for more than 30 days as at the end of February 2020. In the light of the COVID-19 crisis, a moratorium was applied, as voted by the Cyprus Parliament, to all individuals or legal entities across different sectors who applied and were eligible under the scheme (suspension of instalments of capital and interest for a period of nine months) until 31 December 2020. The gross carrying amount of the loans and advances, before the residual fair value adjustment on initial recognition subject to moratorium on loan repayments amounted to €530,0 million as at 31 December 2020, comprising of gross loans to general governments of €1,8 million, to financial corporations of €37,7 million, to households of €81,1 million and to non-financial corporations of €409,4 million, representing 36,9% of total gross loans before residual fair value adjustment on initial recognition.

Impact of COVID 19 in operations and the key measures taken

The payment holiday for all these loans expired on 31 December 2020. Close monitoring of the credit quality of these loans continues and customers with early arrears are offered solutions.

A second scheme for the suspension of loan repayments for interest and principal (loan moratorium) was launched in January 2021 for customers impacted by the second lockdown. Payment deferrals are offered to the end of June 2021, however, the total months under loan moratorium, when including the loan moratorium offered in 2020, cannot exceed a total of nine months. The application period expired on 31 January 2021 and loans of approximately €8,9 million have been approved for the second moratorium. Close monitoring of the credit quality of loans in moratoria continues.

Impact of COVID 19 in the calculation of expected credit losses

The outlook for the global economy has deteriorated markedly in 2020 as a result of the COVID-19 pandemic and the lockdown measures to contain it that led to significant disruptions in economic activity. Worst outcomes were avoided by aggressive and excessively expansive monetary and fiscal policies. As a result, the Bank updated its forward-looking scenarios underlying the IFRS 9 calculation of expected credit losses, factoring in updated macroeconomic assumptions and other monetary and fiscal developments at the national and the EU level, for mitigating the consequences of the pandemic.

Moreover, the Bank considered the complexities of governmental support programmes and regulatory guidance on treatment of customer payment breaks by the ECL models. In this context, management has considered the data and measurement limitations arising from the extraordinary impact of COVID-19 and addressed them through management overlays in relation to the significant credit risk deterioration and Probability of defaults.

Impact of COVID 19 pandemic on real estate properties

The real estate industry is regarded as a key driver of economic activity. The property market in Cyprus currently faces a negative impact driven by COVID 19 pandemic as a result of the sudden stop in economic activity. The slowdown in the activity which is mostly associated with the decline in demand from foreign investors is likely to continue in the short term due to the impact of the coronavirus pandemic, but on the other hand in the face of economic uncertainty, investors continue to seek security, and real estate has a role to play by providing access to secure income and a physical asset.

External valuations are prepared as being subject to 'material valuation uncertainty' as set out in RICS Valuation Global Standards. Consequently, in respect of these valuations less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case.

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:

<u>RISK APPETITE STATEMENTS</u>

- 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 2020 and 2019:

Key Performance Indicators		2020	2019
Capital	CET1 and Total Capital (Transitional) Ratio	13,84% and 15,01%	12,7% and 13,4%
Efficiency	Net Interest Margin	2,1%	2,3%
	Cost / Income	87,3%	79,2%
	NPEs Provisions Coverage Ratio	43,9%	38,4%
	NPE Ratio	30,3%	34,6%
Liquidity	Liquid assets / Deposits	71,7%	52,0%
	NSFR	127,6%	166,0%
	Liquidity Coverage Ratio	246,0%	324,0%
Profitability	Return on Average Assets	(0,7)%	0,8%
	Return on Average Equity	(9,8)%	10,2%

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	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	T2
Post-transitional CRR rules	CET1	T2
Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated
Instrument type	Share capital	Redeemable subordinated Tier 2 Bond
Amount recognised in regulatory capital	€23.6mln	€16mln
Nominal amount of instrument	€23.624.789	€16.403.595
Issue price	€1,00	€100.000
Redemption price	N/A	At a nominal value
Accounting classification	Shareholders equity	Tier 2 Bond
Date of conversion of existing shares and issuance of new shares	22 June 2020	n/a
Original date of issuance	05 July 2007	26 June 2020
Perpetual or dated	Perpetual	Dated
Original maturity date	No maturity	25 June 2030
Issuer call subject to prior supervisory approval	n/a	At any time
Optional call date, contingent call dates and redemption amount	n/a	26 June 2025
Subsequent call dates, if applicable	n/a	Any Interest Payment Date following the fifth anniversary of the issuance date
Coupons / dividends		
Fixed or floating dividend/coupon	Floating	8%
Coupon rate and any related index	n/a	n/a
Existence of a dividend stopper	n/a	n/a
Fully discretionary, partially discretionary or mandatory (in terms of timing)	n/a	n/a
Fully discretionary, partially discretionary or mandatory (in terms of amount)	n/a	n/a
Existence of step up or other incentive to redeem	n/a	n/a
Non-cumulative or cumulative	n/a	n/a
Convertible or non-convertible	n/a	n/a
If convertible, conversion trigger(s)	n/a	n/a
If convertible, fully or partially	n/a	n/a
If convertible, conversion rate	n/a	n/a
If convertible, mandatory or optional conversion	n/a	n/a
If convertible, specify instrument type convertible into	n/a	n/a
If convertible, specify issuer of instrument it converts into	n/a	n/a
Write-down features	No	n/a
If write-down, write-down trigger(s)	n/a	n/a
If write-down, full or partial	n/a	n/a
If write-down, permanent or temporary	n/a	n/a
If temporary write-down, description of write-up mechanism	n/a	n/a
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	n/a	Unsecured & ranked junior to any subordinated
Non-compliant transitional features	No	n/a
If yes, specify non-compliant features	n/a	n/a