



Cyprus Development Bank Public Company Limited

Review of Pillar 1 calculations report for the
period 31st of July 2017 taking into
consideration specific actions taken by the
Bank after this date

ADVISORY

August 2017

KPMG Limited
14 Esperidon Street
1087 Nicosia
Cyprus

Mail address
P.O. Box 21121
1502 Nicosia
Cyprus

Telephone: +357 22 209000
Telefax: +357 22 678200
E-mail: nicosia@kpmg.com.cy
Webpage: <http://www.kpmg.com.cy>

Report in respect of Cyprus Development Bank Public Company Limited Pillar 1 capital adequacy ratio, as at the 31st of July 2017 taking into consideration specific actions taken by the Bank after this date, based on the CRR / CRDIV provisions

KPMG Limited was engaged to perform a high level review of the Cyprus Development Bank Public Company Limited's ("CDB" or the "Bank") Pillar 1 calculations as at the 31st of July 2017, taking into consideration specific actions taken by the Bank after this date (the injection of new capital and issue of a Perpetual unsecured subordinated loan and taking into consideration the amended Risk Weighted Assets), and to review as to whether the Bank meets the minimum required ratios as set by the Central Bank of Cyprus ("CBC"), as well as to provide feedback on the reasonableness of the approach adopted and the fairness of the pillar 1 calculation and its underlying assumptions.

This report relates only to the requirements of CRR and CRDIV as it was transposed in Cyprus and it does not extend to an audit or review of the financial statements or other financial information of the Bank.

Basis of the Review

The basis for our review was:

- (a) The calculation of the RWAs and the associated workings provided by the Bank's Group Risk Management on Credit, Market and Operational risk under CRR and CRD IV as at 31st of July 2017, both before and after the aforementioned actions took place.
- (b) The calculation of the Own Funds and the associated workings as at 31st of July 2017, before and after consideration of the above actions.

Limitations and Basic Assumptions

The present report is a summary of a full report prepared by KPMG and submitted to the management body of the Bank on the 30th of August 2017.

It is noted that KPMG's services under this engagement are limited to performing a high level review on the Bank's computations based on agreed upon procedures, on a sample basis and in accordance with the terms of reference in our engagement letter. The Bank is responsible for all decision making in relation to the assumptions.

In addition, this document is intended for the use of the Board of Directors and Management of the Bank only. Anyone that relies on this report acts at its own risk and KPMG will not bear any responsibility.

Conclusion

Based on the high level review performed, the Bank's consolidated Pillar 1 capital adequacy (as at 31st of July 2017) following the injection of new capital and issue of a Perpetual unsecured subordinated loan and taking into consideration the amended Risk Weighted Assets, meets the minimum Common Equity Tier 1 capital requirement and the Overall capital requirement set by the Central Bank of Cyprus as communicated with a letter to the Bank on the 8th of February 2017.

Nothing has come to our attention that causes us to believe that the computation of the consolidated Pillar 1 capital adequacy of the Bank as at 31st July 2017 pre and post the aforementioned actions, does not present a fair and true picture, in all material respects, in accordance with the requirements of the CRR and the CRD IV, as well as with the associated discretions issued by the CBC.



Marios Lazarou
Certified Public Accountant and Registered Auditor
for and on behalf of KPMG Limited
Certified Public Accountants and Registered Auditors

Nicosia, 30 August 2017



kpmg.com/socialmedia



kpmg.com/app

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

©2017 KPMG Limited, a Cyprus limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.