The Cyprus Development Bank Group

PILLAR 3 DISCLOSURES
AS AT 31 DECEMBER 2021

10 June 2022

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1. INTRODUCTION

Table 1 - Key Metrics as at 31 December 2021

Available Capital	**€'000**	**Leverage Ratio**	**€'000**
Common equity tier 1 ('CET1') capital	40.742	Total Leverage ratio exposure	540.355
Additional tier 1 ('AT1') capital	5.000	Leverage ratio %	8,47%
Tier 2 Capital	6.250	Minimum Leverage ratio	3%
Total regulatory capital	51.992		
Risk-weighted assets ('RWAs')		**Liquidity Coverage Ratio ('LCR')**	
Total RWAs	250.157	Total high-quality liquid assets	274.322
Capital Ratios %		Total net cash outflow	102.357
CET1	16,29%	LCR ratio %	268%
Total Tier 1	18,29%	Minimum LCR ratio	100%
Total available capital	20,78%		
Minimum required capital (Pillar 1 + Pillar 2)	15,70%		

1.1 Corporate Information

The Cyprus Development Bank Public Company Limited (the "Company" or the "Group") was incorporated in the Republic of Cyprus in 1963. The Company's business name is "cdbbank" and is the parent company of the Cyprus Development Bank Group.

The principal activities of the Group comprise commercial and investment banking, brokerage, and financial advisory services. Further details on the Company's subsidiaries appear in notes 20 of the Annual Financial Report 2021. All subsidiaries are subject to full consolidation for both accounting and regulatory purposes, and all figures disclosed in the present report are on a Group basis.

The Company's shares are not listed for trading on an exchange.

1.2 Pillar 3 Regulatory Framework

The Company is supervised on a consolidated basis by the Central Bank of Cyprus, which sets capital requirements for the Group as a whole. The Group's regulated subsidiary, Global Capital Ltd, is in addition subject to individual capital requirements set by the Cyprus Securities and Exchange Commission.

At a consolidated group level, capital, liquidity and leverage for prudential regulatory reporting purposes are prepared in accordance with Part 8 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions (Capital Requirements Regulation – CRR) and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions (Capital Requirements Directive - CRD) as amended.

The regulatory framework is structured around three 'pillars'. The Pillar 1 minimum capital requirements and Pillar 2 supervisory review process are complemented by Pillar 3 market discipline. The aim of Pillar 3 is to produce disclosures that allow market participants to assess the scope of application by banks of the Basel Committee's framework and the rules in their jurisdiction, their capital condition, risk exposures and risk management processes, and hence their capital adequacy.

Pillar 3 requires all material risks to be disclosed to provide a comprehensive view of a bank's risk profile.

1.3 Basis for Disclosures

The Chief Risk Officer has attested in writing that, to the best of her knowledge, the present document has been prepared in accordance with the said regulation and standards, and Internal Audit has carried out an independent review of its accuracy and completeness prior to its approval by the Management Body.

Unless otherwise stated all figures in the present report are expressed in thousands of Euros and relate to 31st December 2021. A summary of key ratios and figures reflected throughout the Pillar 3 disclosures at 31st December 2021 appear in Table 1 above.

The present document is published on an annual basis on the Company's website http://www.cdb.com.cy. Pillar 3 requirements may be met by inclusion in other disclosure media. Where this approach is adopted, references are provided to the relevant pages of the Annual Financial Report 2021, which is also published on the Company's website. The reader is referred in particular to note 37 of the Annual Financial Report 2021, which provides additional information on risk management, as well as note 43 on the Operating Environment.

2. MANAGEMENT BODY APPOINTMENTS

2.1 Recruitment

Evaluation of candidates for appointment to the Management Body ('MB') is carried out by the Nomination and Remuneration Committee ('NRC') of the MB by reference to fitness and probity regulatory requirements as reflected in the Group's relevant policy, and the standards and needs of the MB in terms of skills and competencies. More specifically, factors considered by the NRC include:

- character integrity and reputation
- knowledge of financial matters
- banking industry experience
- sound business judgement
- complementarity with the skillset of existing MB members

The NRC is also responsible for making recommendations to the MB for re-election of incumbent directors. When doing so the NRC pays due regard to the said directors' performance evaluation, including the directors' attendance record, participation in MB activities and overall contribution to the functioning of the MB and its sub-committees.

The MB consisted of five non-executive Directors and two executive Directors as at 31st December 2021, as shown on page 3 of the Annual Financial Report 2021. The current composition of the MB is disclosed on the Company's website under https://www.cdb.com.cy/leadership.

2.2 Diversity

The Company acknowledges that diverse membership of the MB in terms of age, gender, geographic origin and educational / professional background contributes to the better functioning of the MB. Consequently, the need for diversity is considered when selecting new members of the MB and in evaluating the optimum composition of the MB. Membership of the MB as at 31st December 2021 included one female director, representing 14% of the total. As per the diversity policy female representation objective is 15% when selecting new members of the MB and when evaluating the optimum composition of the MB, the need to maintain a well-diversified and balanced set of views and opinions is considered.

2.3 Other Directorships Held

In evaluating candidates for appointment to the MB as well as performance of existing members, the NRC considers among others whether they can devote sufficient time to the affairs of the Group. This in turn requires assessment of whether or not the number of other directorships held may present an obstacle.

The following table provides the number of directorships held by members of the MB in entities other than the Group as at 31st December 2021. Based on the Central Bank of Cyprus 2020 Directive on the Assessment of Suitability of the Members of the Management Body and Key Function Holders of Authorised Credit Institutions the table below excludes Directorships in organizations which do not pursue predominantly commercial objectives, while Directorships in companies belonging to the same group are treated as a single directorship.

Table 2 - Number of Directorships Held

Name of Director	Position within the Company	Directorships Executive	Directorships Non-Executive
Christodoulos Patsalides	Chairman - Non Executive	-	1
George Loizou	Non-Executive Director	-	-
Avgoustinos Papathomas	Non-Executive Director	1	1
George Pavlides	Non-Executive Director	-	2
Christodoulos Plastiras	Non-Executive Director	-	3
Loucas Marangos	Executive Director	-	2
Stella Avraam	Executive Director	-	-

The NRC having taken into account the nature, scale, and complexity of the activities of the Group considers that the Directorships disclosed above do not compromise the effective functioning of the MB.

3. RISK MANAGEMENT

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

The Group implements internal mechanisms for continuous and systematic monitoring of the above risks in order to avoid excessive concentration of such risks.

The Group establishes risk management policies to identify and analyze the risks faced by the Group, to set appropriate risk limits and control procedures, and to continuously monitor such risks as well as the Group's adherence to limits and controls. Risk management policies are reviewed regularly to reflect changes in market conditions, products and services rendered.

3.1 Risk Management Framework

The Management Body ("MB") has ultimate responsibility for the risk appetite of the Group and the monitoring of risks on a regular basis. The MB has appointed a sub-committee, the Risk Committee ("RC"), with the following main responsibilities:

- Formulate the Group's policy in respect of measuring and monitoring risks;
- Review periodically internal risk management framework for monitoring risk strategy implementation;
- Systematically assess key indicators relating to credit risk, market risk, liquidity risk, and operational risk;
- Ensure that the Group has sufficient capital and reserves to support the risks undertaken.

The RC meets regularly, at least on a quarterly basis. In 2021, the RC met seven times. The RC receives formal and informal communication from the Bank's Risk Management Unit and, where appropriate, has access to external expert advice, particularly in relation to strategic transactions and issues.

The Group also operates an Asset and Liability Management Committee ("ALCO"), at an executive level, whose main responsibility is the determination and control of the mix and structure of the Group's assets and liabilities by reference to the risks and in relation to their performance. At its monthly meeting, ALCO reviews risk-related reports on the Group's liquidity position and exposure to market risks.

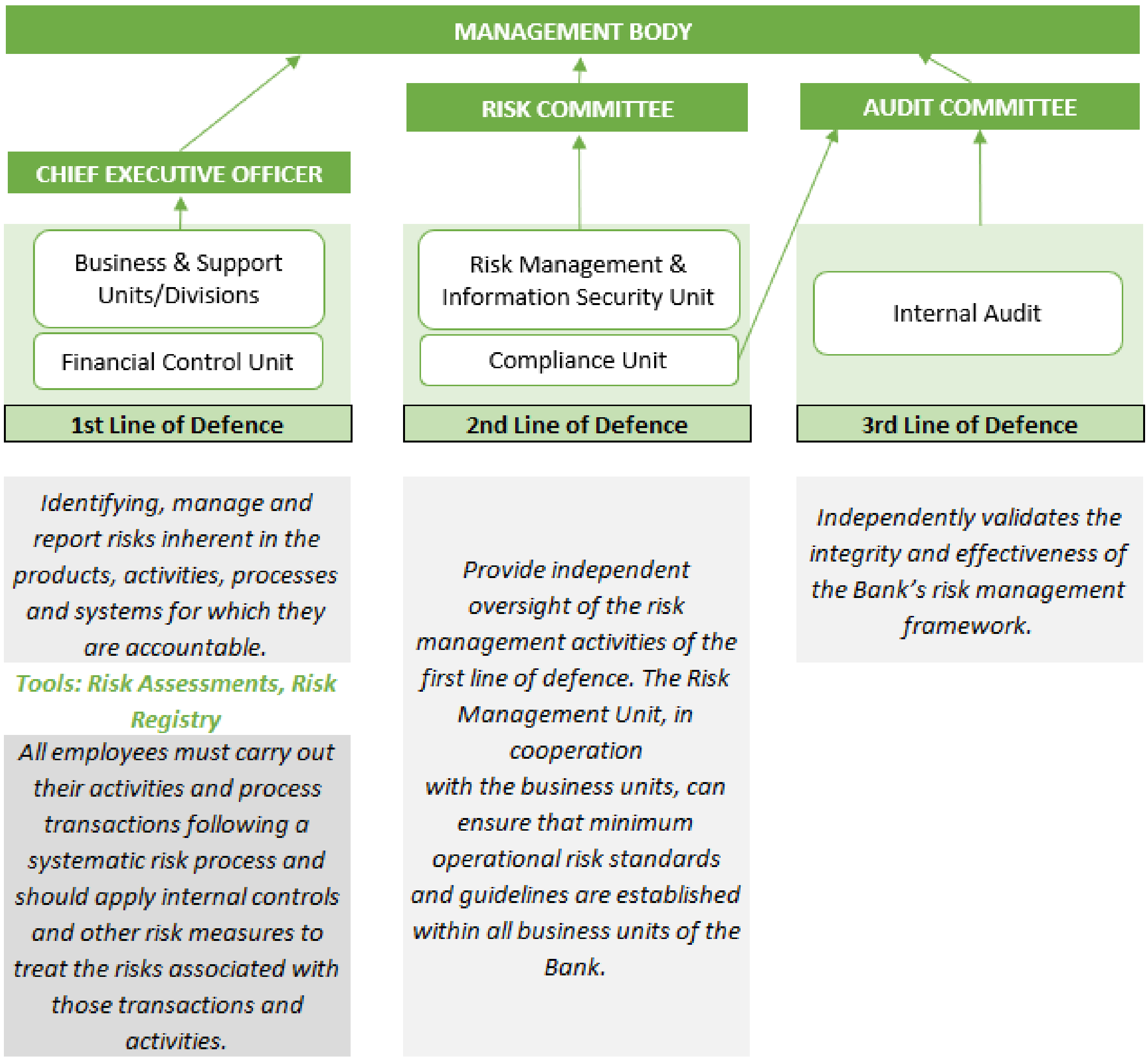
Other Board Committees that have been established by the Company and conform to the relevant principles of the Central Bank of Cyprus Governance Directive are the Audit Committee and the Nomination and Remuneration Committee. The Company also has a Board Credit Committee whose role is to oversee the Group's credit policies and is the Group's ultimate credit approving authority, except for credit facilities to directors and shareholders and their related parties, which are approved by the Management Body.

In addition, the Group has an established Risk Management Unit ("RMU") which is responsible for assessing and monitoring all risks of the Group. The RMU is also responsible for the Internal Capital Adequacy Assessment Process ("ICAAP") and for the Internal Liquidity Adequacy Assessment Process ("ILAAP").

The results and views of the RMU are discussed with Management and the RC to form a final position on the adequacy of the Group's capital.

The RMU reports directly to the RC. The RMU is administratively independent of all operational departments / units of the Group.

The Bank's risk management framework is presented below:



3.2 Information Flow on Risk to the Management Body

The information flow on risks to the MB is achieved, inter alia, through:

- The reports prepared by the Risk Management Unit (including the annual report);
- The ICAAP and the ILAAP reports prepared by the Risk Management Unit;
- Regular reports submitted to the MB on the major problematic cases under Banking and under Asset Recoveries;
- The reports prepared by the Internal Auditor (including the annual report);
- The reports prepared by the Compliance Officer (including the annual report);
- The Money Laundering Compliance Officer's Annual Report;

- The Money Laundering Compliance Officer's Report on the risks of money laundering and terrorist financing that the Bank is exposed to and the measures taken for their management and mitigation.

3.3 Declaration on Adequacy of Risk Management Arrangements

The MB is ultimately responsible for the risk management framework of the Group. The MB is required to make an annual declaration on the adequacy of the Group's risk management arrangements and to provide assurances that the risk management systems in place are adequate in relation to the Group's strategy and risk profile. Accordingly, the MB declares as follows:

The MB is responsible for reviewing the effectiveness of the Group's risk management arrangements and systems of financial and internal control. These are designed to manage and mitigate the risks of not achieving business objectives, and to offer adequate assurance against fraud, material misstatement, and loss.

The MB considers that the Group has in place adequate systems and controls relative to the Group's risk profile and business strategy and an appropriate array of assurance mechanisms, adequately resourced and skilled, to mitigate the risk of material loss.

3.4 Risk Appetite

Risk appetite is the amount and type of risk the Group is willing to assume within its risk capacity to achieve its strategic objectives and business plan. Risk bearing capacity on the other hand is defined as the ability to absorb losses without jeopardizing the viability and sustainability of the Group.

Risk appetite is expressed in both quantitative and qualitative terms and covers all risks, both on-balance sheet and off-balance sheet. Such risks include, but are not limited to, credit, market, operational, liquidity, conduct, reputational and compliance risk. The Risk Appetite Statement is the formal articulation of the Group's willingness to assume certain risks and avoid or minimise other risks in the pursuit of its strategic objectives.

The Group mainly expresses its risk appetite through its policies, procedures, internal controls, mitigation techniques and via appropriate limits for all the material risks inherent in the Group's activities. Consequently, an important objective for the Group is to continuously upgrade its policies, procedures, internal controls and mitigation techniques in order to better manage risks in the future.

In terms of operational issues, the Group has a low appetite for risk. The Group makes resources available to control operational risks to acceptable levels. The Group recognises that it is not possible to eliminate all of the risks inherent in its activities as the cost becomes excessively high when compared to the corresponding benefit. Acceptance of some risk is often necessary in order to successfully operate in the competitive local banking environment.

Specific attention is given to those risks that are not quantifiable, such as reputational risk, and therefore their effective management relies on qualitative criteria. The Group has a zero tolerance for any risks which may damage its reputation and to any act of bribery, corruption or fraud.

The Group's medium term strategic objectives remain focused on further strengthening its balance sheet, improving the quality and efficiency of its assets, further strengthening its capital position and increasing its operating profitability through the prudent increase of its loan portfolio, as well as the diversification of income streams by optimising its fee income from banking related activities.

3.5 Ukrainian Crisis

Although the Group's direct exposure to Russia, Ukraine or Belarus is limited, the crisis in Ukraine may have an adverse impact on the Cypriot economy, mainly due to a negative impact on the tourism and professional services sectors, increasing energy prices resulting in inflationary pressures, and disruptions to global supply chains. In the event that a significant decrease in the number and volume of transactions occur as a result of the crisis, this may adversely impact transactional net fee and commission income for the Group, particularly in International Banking Services.

Overall, the Group expects limited impact from its direct exposure, while any indirect impact will depend on the duration and severity of the crisis and its impact on the Cypriot economy, which remains uncertain at this stage. The Group will continue to closely monitor the situation, taking all necessary and appropriate measures to minimise the impact on its operations and financial performance, as well as to manage all related risks and comply with the applicable sanctions.

3.6 COVID-19 Risk and Uncertainties

Covid-19 continued to pose challenges and bring uncertainties to the economic and fiscal outlook. As a response to the pandemic, the state reached out to the real economy inter alia through banks, within the EU pandemic State Aid Temporary Framework 3. In fact, the banking sector has been a facilitator in sustaining economic output during the current health and economic crisis.

As part of the measures to support borrowers affected by COVID-19, the Cyprus Parliament voted for the suspension of loan repayments for interest and principal (loan moratorium) for the period to the end of 2020, for all eligible borrowers with no arrears for more than 30 days as at the end of February 2020. Moratorium of payments expired on 31 December 2020.

Additional information is presented in notes 2.1 and 43 of the Annual Financial Report of 2021.

EBA has published Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis that apply from June 2020, where institutions should disclose information on exposures subject to the EBA Guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the COVID-19 crisis.

Below table provides an overview of the credit quality of the loans and advances that were subject to moratoria on loan repayments, applied in the light of COVID-19 crisis:

Table 3 – Information on loans and advances subject to legislative and non-legislative moratoria

	31 December 2021 €000	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
			Performing			Non performing				Performing			Non performing			
				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	Inflows to non-performing exposures
1	Loans and advances subject to moratorium	121.714	113.918	31.569	46.244	7.796	6.300	5.349	(3.072)	(2.623)	(485)	(695)	(448)	(388)	(299)	-
2	of which: Households	10.413	8.250	1.477	1.910	2.163	902	779	(306)	(174)	(157)	(157)	(132)	(129)	(34)	-
3	*of which: Collateralised by residential immovable property*	2.967	2.967	-	273	-	-	-	(7)	(7)	-	-	-	-	-	-
4	of which: Non-financial corporations	109.446	103.813	29.591	43.835	5.633	5.398	4.570	(2.739)	(2.422)	(329)	(538)	(317)	(259)	(265)	-
5	*of which: Small and Medium-sized Enterprises*	54.573	49.082	11.729	17.703	5.492	5.257	4.429	(984)	(667)	(112)	(166)	(317)	(259)	(265)	-
6	*of which: Collateralised by commercial immovable property*	14.763	13.478	2.056	3.882	1.286	1.286	1.286	(293)	(194)	(55)	(57)	(100)	(100)	(100)	-

	31 December 2020 €000	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
			Performing			Non performing				Performing			Non performing			
				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	Inflows to non-performing exposures
1	Loans and advances subject to moratorium	138.965	135.278	18.433	60.958	3.301	3.303	3.687	(3.269)	(2.849)	(375)	(1.160)	(420)	(331)	(420)	-
2	of which: Households	15.293	14.365	3.288	4.724	928	928	928	(282)	(185)	(155)	(157)	(97)	(97)	(97)	-
3	*of which: Collateralised by residential immovable property*	3.744	3.744	-	597	-	-	-	(12)	(12)	-	-	-	-	-	-
4	of which: Non-financial corporations	121.749	118.989	15.145	56.038	2.373	2.375	2.760	(2.958)	(2.634)	(220)	(1.003)	(323)	(234)	(323)	-
5	*of which: Small and Medium-sized Enterprises*	65.202	62.442	7.296	23.988	2.373	2.375	2.760	(1.202)	(879)	(220)	(356)	(323)	(234)	(323)	-
6	*of which: Collateralised by commercial immovable property*	16.154	14.813	100	1.954	1.341	1.341	1.341	(296)	(203)	-	(57)	(92)	(92)	(92)	-

Below table provides an overview of the volume of loans and advances subject to legislative and non-legislative moratoria by residual maturity of these moratoria:

Table 4 – Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

31 December 2021 €000		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	125	121.714							
2	Loans and advances subject to moratorium (granted)	125	121.714	121.714	121.714					
3	of which: Households		10.413	10.413	10.413					
4	*of which: Collateralised by residential immovable property*		2.967	2.967	2.967					
5	of which: Non-financial corporations		109.446	109.446	109.446					
6	*of which: Small and Medium-sized Enterprises*		54.573	54.573	54.573					
7	*of which: Collateralised by commercial immovable property*		14.763	14.763	14.763					

31 December 2020 €000		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	134	138.965							
2	Loans and advances subject to moratorium (granted)	134	138.965	138.965		138.965				
3	of which: Households		15.293	15.293		15.293				
4	*of which: Collateralised by residential immovable property*		3.744	3.744		3.744				
5	of which: Non-financial corporations		121.749	121.749		121.749				
6	*of which: Small and Medium-sized Enterprises*		65.202	65.202		65.202				
7	*of which: Collateralised by commercial immovable property*		16.154	16.154		16.154				

With regards to the COVID-19 related public guarantee schemes, the Group has not granted newly originated loans and advances under any applicable public guarantee schemes.

4. OWN FUNDS AND LEVERAGE

4.1 Capital Management

The Group's approach to capital management aims at supporting business objectives while observing regulatory requirements. Additional information on capital management appears in note 37.5 to the Annual Financial Report 2021.

Table 5 - Group's Capital adequacy ratios

Group's capital adequacy ratios:	31 Dec'2021	31 Dec'2020
Common Equity Tier 1 ratio	16,29%	14,81%
Tier 1 ratio	18,29%	16,52%
Total Capital Adequacy Ratio	20,78%	16,52%

The Common Equity Tier 1 ("CET1") ratio is the CET1 capital of the Group expressed as a percentage of the total risk weighted assets for covering Pillar 1 risks.

The Tier 1 ("T1") ratio is the T1 capital of the Group expressed as a percentage of the total risk weighted assets for covering Pillar 1 risks.

The Total Capital ratio ("TC") is the own funds of the Group expressed as a percentage of the total risk weighted assets for covering Pillar 1 risks.

The Total Capital ratio of 20,78% for the Group as at 31 December 2021, is 5,08% above the 15,70% minimum required by the Central Bank of Cyprus.

On 27 June 2019, the revised rules on capital and liquidity (CRR II and CRD V) came into force, with CRR II being directly applicable in each member state, while CRD V shall be transposed into national law by each member state. The CRR II is an amending regulation, therefore the existing provisions of CRR apply, unless they are amended by CRR II.

The CRR II amended significantly the CRR in a number of aspects such as the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements. The majority of CRR II provisions were applicable from 28 June 2021.

CRD V was transposed and implemented in Cyprus law in early May 2021. Main changes relate to exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures.

On 12 March 2020, the ECB announced that banks are temporarily allowed to operate below the level of Pillar II Guidance (P2G) and the capital conservation buffer (CCB) and the countercyclical buffer. Furthermore, on 28 July 2020 ECB committed to allow banks to operate below the P2G and the combined buffer requirement until at least the end of 2022 without automatically triggering supervisory actions. In February 2022 the ECB announced that it will not allow banks to operate below the level of capital defined by their P2G beyond December 2022.

In June 2020 in response to the COVID 19 pandemic, regulation (EU) 2020/873 came into force which provides for certain amendments, bringing forward some of the capital relieving measures that were due to come into force at a later stage and introducing modifications as part of the wider efforts of competent authorities to provide the support necessary to the institutions.

4.2 Own Funds

The Group's regulatory capital comprises of Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Tier 2 items.

Group's Common Equity Tier 1 capital:

- Includes ordinary share capital, share premium, retained earnings (including the profit/loss for the year), reserves, non-redeemable capital account, and minority interests.
- The Bank deducts from its CET1 capital its intangible assets (software and goodwill) and deferred tax assets that rely on future profitability and do not arise from temporary differences (if applicable).
- According to regulation (EU) 2017/2395 of the European Parliament and Council of 12 December 2017 issued amending Regulation (EU) 575/2013 regarding transitional arrangements for mitigating the impact of the introduction of IFRS9, a portion of the increased expected credit loss provisions is added back to CET1 capital allowing for a transitional period of five years until full impact on 2023. However, in June 2020, with the amending regulation this arrangement was extended by 2 years and further transitional arrangements were introduced allowing Bank's opting to use these to fully add back any increase in ECL recognized in 2020 and 2021 for non-credit impaired financial assets phasing this in starting from 2022 until 2024.

AT1 capital relates to a perpetual subordinated note.

In December 2021, the Bank issued €6,25 million unsecured and subordinated Bonds of 10-year duration, which qualifies as Tier 2 (T2) capital.

Information on share capital, appears in note 32 of the Annual Financial Report 2021, while for the perpetual subordinated note and the subordinated tier 2 bonds in note 31. In addition, the main features of the capital instruments are summarized in the table below.

Table 6 - Description of main features of CET1, AT1 and T2 Capital instruments

	CET1	AT1	T2
Issuer	The Cyprus Development Bank Public Company Limited	The Cyprus Development Bank Public Company Limited	The Cyprus Development Bank Public Company Limited
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier)	n/a	n/a	CY0240010211
Governing law(s) of the instrument	Cyprus Law	Cyprus Law	Cyprus Law
Regulatory treatment			
Transitional CRR rules	CET1	AT1	T2
Post-trasitional CRR rules	CET1	AT1	T2
Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
Instrument type	Share Capital	Unsecured Subordinated Note	Unsecured Subordinated Note
Amount recognized in regulatory capital	EUR 8,7 mln	EUR 5,0 mln	EUR 6,25 mln
Nominal amount of instrument	43.275.979 Ordinary Shares	5,000,000	6.250.000
Issue price	€0,20	€1,00	€1.000,00
Redemption price	n/a	€1,00	€1.000,00
Accounting classification	Shareholders equity	Loan capital	Loan capital
Date of conversion of existing shares and issuance of new shares	24-Sep-19	n/a	n/a
Original date of issuance	n/a	03-Aug-17	23-Dec-21
Perpetual or dated	Perpetual	Perpetual	Dated
Original maturity date	No maturity	No maturity	23-Dec-31
Issuer call subject to prior supervisory approval	n/a	Yes	Yes
Optional call date, contingent call dates and redemption amount	n/a	5th anniversary	5th anniversary
Subsequent call dates, if applicable	n/a	each interest payment date	each interest payment date
Coupons / dividends			
Fixed or floating dividend/coupon	Floating	Fixed	Fixed
Coupon rate and any related index	n/a	13,75% p.a. payable semi-annually	7,125% p.a. payable semi-annually
Existence of a dividend stopper	Yes	Yes	No
Fully discretionary, partially discretionary or mandatory (in terms of timing)	n/a	Fully or partially discretionary	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	n/a	Fully or partially discretionary	Mandatory
Existence of step up or other incentive to redeem	n/a	No	No
Non-cumulative or cumulative	n/a	Non-cumulative	n/a
Convertible or non-convertible	n/a	Non-convertible	Non-convertible
Write-down features	No	Yes, partial temporary write-down	No

	CET1	AT1	T2
Issuer	The Cyprus Development Bank Public Company Limited	The Cyprus Development Bank Public Company Limited	The Cyprus Development Bank Public Company Limited
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	n/a	Claims from Tier 2 instruments	Debts or claims from subordinated debt instruments, except Tier 2 instruments and Additional Tier 1 instruments
Non-compliant transitional features	No	No	No

The calculation of regulatory own funds of the Group as at 31st December 2021 was as follows:

Table 7 - Regulatory Own Funds Calculation

€000	31 Dec'2021	31 Dec'2020
Original own funds (Tier 1 Capital)		
Common Equity Tier 1 Capital (CET1 Capital)		
Share capital	8.655	8.655
Share premium	16.048	16.048
Retained earnings	(2.536)	(17.422)
Accumulated other comprehensive income	1.863	13.370
Other Reserves	14.653	19.435
Minority Interest	109	55
(-) Value adjustment due to requirements for prudent valuation	(5)	(5)
(-) Other Intangible assets	(806)	(871)
Other transitional adjustments to CET1 Capital	2.762	3.871
Total Common Equity Tier 1 Capital (CET1 Capital)	**40.742**	**43.136**
Additional Tier 1 Capital (AT1 Capital)	5.000	5.000
Total Original own funds (Tier 1 Capital)	**45.742**	**48.136**
Additional own funds (Tier 2 Capital)	6.250	-
Tier 2 Capital	**6.250**	**-**
Total own funds (Tier 1 Capital + Tier 2 Capital)	**51.992**	**48.136**

The following table provides a reconciliation of own funds between the consolidated balance sheet, as presented in the Consolidated Financial Statements of the Group, and the financial position of the Group prepared for regulatory purposes.

Table 8 - Reconciliation of balance sheet with own funds calculations

€000	31 Dec'2021	31 Dec'2020
Total Equity per Group consolidated financial statements	38.886	40.267
(-) Intangible assets	(806)	(871)
(-) Transitional adjustments for unrealized gains of assets and liabilities measured at fair value	-	-
(-) Transitional adjustments on minority interests	(95)	(126)
(-)Value adjustment due to requirements for prudent valuation	(5)	(5)
IFRS 9 adjustment	2.762	3.871
Total Common Equity Tier 1	**40.742**	**43.136**
Additional Tier 1	5.000	5.000
Total Tier 1	**45.742**	**48.136**
Tier 2	6.250	-
Total Tier 2	**6.250**	**-**
Total Own funds	**51.992**	**48.136**

The Group has elected to apply the transitional provisions of EU Regulation 2017/2395 for gradual phase in over a five-year period of the impact on regulatory capital caused by additional impairments arising from the implementation of IFRS 9 on 1 January 2018. The amount to be added back to regulatory own funds each year decreases based on weighing factors specified in the said EU Regulation. IFRS 9 transitional arrangements were extended in June 2020 in response to COVID 19 and introducing further relief measures to CET1, allowing to fully add back to CET1 any increase in ECL recognised in 2020 and 2021 for non-credit impaired financial assets and phasing this in starting from 2022.

The table below discloses the components of regulatory capital as at 31st December 2021 during the transitional and fully phased-in period.

Table 9 - Transitional and Fully Phased-in Components of Own Funds

31 December 2021 **Common Equity Tier 1 capital: Instruments and Reserves** **€000**	**Transitional Definition**	**Fully Phased in Definition**
Capital instruments and the related share premium accounts	24.703	24.703
Retained earnings	(2.536)	(2.536)
Accumulated other comprehensive income (and other reserves)	16.516	16.516
Minority interest (amount allowed in consolidated CET1)	109	109
Independently reviewed interim profits net of any foreseeable charge or dividend	-	
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**38.791**	**38.791**

31 December 2021 Common Equity Tier 1 capital: Instruments and Reserves €000	Transitional Definition	Fully Phased in Definition
Intangible assets (net of related tax liability) (negative amount)	(806)	(806)
IFRS 9 Transitional arrangements	2.762	-
Additional valuation adjustment (AVA)	(5)	(5)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**1.951**	**(811)**
Common Equity Tier 1 (CET1) capital	**40.742**	**37.980**
Additional Tier 1 (AT1) capital: instruments		
Additional Tier 1 (AT1) capital before regulatory adjustments	5.000	5.000
Additional Tier 1 (AT1) capital: regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	-
Additional Tier 1 (AT1) capital	**5.000**	**5.000**
Tier 1 capital (T1 = CET1 + AT1)	**45.742**	**42.980**
Tier 2 (T2) capital: instruments and provisions		
Capital instruments and the related share premium accounts	6.250	6.250
Credit risk adjustments	-	-
Tier 2 (T2) capital before regulatory adjustments	-	-
Tier 2 (T2) capital: regulatory adjustments		
Amount to be deducted from or added to T2 capital with regard to additional filters and deductions required pre CRR	-	-
Of which: possible filter for unrealised gains	-	-
Total regulatory adjustments to Tier 2 (T2)	-	-
Tier 2 (T2) capital	**6.250**	**6.250**
Total capital (TC = T1 + T2)	**51.992**	**49.230**
Total risk weighted assets	**250.157**	**245.841**
Capital ratios		
Common Equity Tier 1 (as a % of risk exposure amount)	**16,29%**	**15,45%**
Tier 1 (as a % of risk exposure amount)	**18,29%**	**17,48%**
Total capital (as a % of risk exposures amount)	**20,78%**	**20,03%**

31 December 2020 Common Equity Tier 1 capital: Instruments and Reserves €000	Transitional Definition	Fully Phased in Definition
Capital instruments and the related share premium accounts	24.703	24.703
Retained earnings	(17.422)	(17.422)
Accumulated other comprehensive income (and other reserves)	32.805	32.805
Minority interest (amount allowed in consolidated CET1)	55	55
Independently reviewed interim profits net of any foreseeable charge or dividend	-	
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**40.141**	**40.141**
Intangible assets (net of related tax liability) (negative amount)	(871)	(871)
IFRS 9 Transitional arrangements	3.871	-
Additional valuation adjustment (AVA)	(5)	(5)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**2.995**	**(876)**
Common Equity Tier 1 (CET1) capital	**43.136**	**39.265**
Additional Tier 1 (AT1) capital: instruments		
Additional Tier 1 (AT1) capital before regulatory adjustments	5.000	5.000
Additional Tier 1 (AT1) capital: regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	-
Additional Tier 1 (AT1) capital	**5.000**	**5.000**
Tier 1 capital (T1 = CET1 + AT1)	**48.136**	**44.265**
Tier 2 (T2) capital: instruments and provisions		
Capital instruments and the related share premium accounts	-	-
Credit risk adjustments	-	-
Tier 2 (T2) capital before regulatory adjustments	-	-
Tier 2 (T2) capital: regulatory adjustments		
Amount to be deducted from or added to T2 capital with regard to additional filters and deductions required pre CRR	-	-
Of which: possible filter for unrealised gains	-	-
Total regulatory adjustments to Tier 2 (T2)	-	-
Tier 2 (T2) capital	-	-
Total capital (TC = T1 + T2)	**48.136**	**44.265**
Total risk weighted assets	**291.307**	**287.181**
Capital ratios		
Common Equity Tier 1 (as a % of risk exposure amount)	**14,81%**	**13,67%**
Tier 1 (as a % of risk exposure amount)	**16,52%**	**15,41%**
Total capital (as a % of risk exposures amount)	**16,52%**	**15,41%**

4.3 Countercyclical Capital Buffer

In accordance with Article 130(1) of the CRD IV 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.

To this end, the table below provides information on the geographical distribution of credit exposures relevant for the calculation of the Group's countercyclical capital buffer as at 31 December 2021. Exposures to foreign countries which did not exceed 10% of the total, are included under the "Other" category, grouped based on the level of the countercyclical buffer rate.

Table 10 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

31 December 2021 €000	General Credit Exposures	Own Funds Requirements				Own Funds requirement Weights	Counter-cyclical Buffer Rate
Breakdown by country	**Exposure value for SA**	**Of which: General Credit Exposures**	**Of which: Trading Book Exposures**	**Of which: Securitisation Exposures**	**Total**		
Cyprus	247.050	17.857	-	-	17.857	99,62%	0%
Other	1.563	68	-	-	68	0,07%	0%
Total	**248.613**	**17.925**	**-**	**-**	**17.925**	**100%**	

31 December 2020 €000	General Credit Exposures	Own Funds Requirements				Own Funds requirement Weights	Counter-cyclical Buffer Rate
Breakdown by country	**Exposure value for SA**	**Of which: General Credit Exposures**	**Of which: Trading Book Exposures**	**Of which: Securitisation Exposures**	**Total**		
Cyprus	265.395	19.963			19.963	99,93%	0%
Other	187	15			15	0,07%	0%
Total	**265.582**	**19.978**	**-**	**-**	**19.978**	**100%**	

The following table presents the amount of institution-specific countercyclical capital buffer of the Group, as at 31 December 2021 and 31 December 2020.

Table 11 - Amount of institution-specific countercyclical capital buffer

Amount of institution-specific countercyclical capital buffer	2021	2020
Total Risk Exposure Amount, in €000	250.157	291.307
Institution specific countercyclical buffer rate %	0,00%	0,00%
Institution specific countercyclical buffer requirement in €'000	-	-

4.4 Pillar 1 Capital Requirements

The Group follows the Standardized Approach ("STA") for the calculation of Credit Risk and Market Risk Pillar 1 capital requirements and the Basic Indicator Approach ("BIA") for Operational Risk. The Pillar 1 capital required to be maintained by the Group as at 31 December 2021 was as follows:

Table 12 - Pillar 1 Minimum Capital Requirements

Risk Type €000	Pillar 1 Capital Requirement	
	31 Dec'2021	**31 Dec'2020**
Credit risk	17.984	20.951
Market risk	-	-
Operational risk	2.028	2.354
Credit Valuation Adjustment (CVA) risk	-	-
Total Capital Requirement	**20.012**	**23.305**

4.5 Pillar 2 and ICAAP

The Group has adopted the “Pillar 1 Plus” approach for its internal capital adequacy assessment process (ICAAP). In accordance with this approach, the Group quantifies the capital requirements, over and above the Pillar 1 minimum requirement. The allocation of capital for Pillar 2 purposes takes into consideration the risks that have been assessed internally as “material”, through the risk assessment as well as the stress tests performed. All risks falling outside the Group’s risk appetite are considered to be threats to the Group and are covered with additional capital or additional controls.

The Central Bank of Cyprus (CBC) sets and monitors capital requirements for the Bank. The prescribed minimum capital adequacy ratios expressed as ratios of eligible capital to risk-weighted assets. Over and above the minimum Total Capital ratio of 8,0%, the Bank must maintain the required by the Law combined buffer, amounted to 2,5%. Furthermore, the CBC has discretion to impose additional capital requirements under Pillar 2 based on the conclusions of the Supervisory Review and Evaluation Process (SREP). Accordingly, the CBC communicated to the Bank on 8.2.2017 a Pillar 2 requirement of 5,20%.

The CBC with its letter dated 10 December 2020, communicated its final decision to amend its Decision No.2/2017 regarding the composition of the Pillar 2 additional own funds requirement not to be covered full by CET1 but it can be made up in the form of 56,25% of CET1 capital and 75% of Tier 1 as a minimum.

The CBC with its letter dated 23 December 2020, communicated that it has adopted a pragmatic approach towards the 2020 SREP, which focuses on the ability of the supervised entities to handle the challenges of the COVID-19 crisis and its impact on their current and prospective risk profile. Through this letter the CBC communicated that no SREP decision will be issued but the previous one continues to apply.

4.6 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 Group’s Tier 1 capital) divided by the exposure measure as this is defined in the European Commission’s Regulation (EU) 2015/62 of 10th October 2014 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regards to the Leverage Ratio. Regulation (EU) 2019/876 which is applicable from June 2021 includes the introduction of a minimum leverage ratio of 3%. The minimum requirement for the purposes of the Leverage Ratio is currently set at 3%.

The Group calculates its Leverage Ratio as at the end of each quarter. At the end of 2021 the Leverage ratio was 8,47%. During 2021 the Leverage Ratio ranged between 8,47% and 8,88%.

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

The table below provides a reconciliation of accounting assets and leverage ratio exposures.

Table 13 - Reconciliation of Accounting Assets and Leverage Ratio Exposures

		31 December 2021 €000	31 December 2020 €000
1	Total assets as per published financial statements	515.864	580.658
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation		
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)		
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))		
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)		
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting		
7	Adjustment for eligible cash pooling transactions		
8	Adjustment for derivative financial instruments		
9	Adjustment for securities financing transactions (SFTs)		
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	20.905	30.581
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)		
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)		
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)		
12	Other adjustments	3.586	3.281
13	**Total exposure measure**	**540.355**	**614.520**

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

Table 14- Leverage Ratio Common Disclosure

		31 December 2021 €000	31 December 2020 €000
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	570.843	583.939
5	(General credit risk adjustments to on-balance sheet items)	(52.205)	
6	(Asset amounts deducted in determining Tier 1 capital)	811	
7	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	**519.450**	**583.939**
Derivative exposures			
8	Replacement cost associated with *all* derivatives transactions (i.e. net of eligible cash variation margin)		
13	**Total derivative exposures**	**-**	**-**
Securities financing transaction exposures			
18	**Total securities financing transaction exposures**	**-**	**-**
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	54.713	68.105
20	(Adjustments for conversion to credit equivalent amounts)	(33.699)	(37.524)
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated with off-balance sheet exposures)	(109)	
22	**Other off-balance sheet exposures**	**20.905**	**30.581**
Capital and total exposures			
23	**Tier 1 capital**	**45.742**	**48.136**
24	**Total exposure measure**	**540.355**	**614.520**
Leverage ratio			
25	**Leverage ratio (transitional definition)**	**8,47%**	**7,83%**

The following table provides a breakdown of total on-balance sheet exposures (excluding derivatives, securities financing transactions, and exempted exposures) by asset class.

Table 15 - On-balance Sheet Exposures by Asset Class

	31 December 2021 €000	31 December 2020 €000
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**518.077**	**583.939**
Trading book exposures		
Banking book exposures, of which:	518.077	583.939
Covered bonds		
Exposures treated as sovereigns	*277.667*	*273.352*
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns		
Institutions	*3.332*	*60.616*
Secured by mortgages of immovable properties	*31.406*	*27.360*
Retail exposures	*17.163*	*17.712*
Corporate	*96.121*	*107.567*
Exposures in default	*48.646*	*49.702*
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	*43.742*	*47.630*

4.7 Comparison of institutions' own funds and capital and leverage ratios with the application of transitional arrangements for IFRS9 or analogous ECLs

The Bank has opted to apply for the EU 2017/2395 transitional arrangements with respect to the introduction of IFRS 9. In this respect, the impact of expected credit losses from the first application of IFRS 9 on Common Equity Tier 1 is allowed over a transitional period of 5 years starting on 2018.

More specifically, the amount added back to regulatory capital over the transitional period decreases based on a weighting factor of 95% in 2018, 85% in 2019, 70% in 2020, 50% in 2021 and 25% in 2022. The impact of IFRS 9 was supposed to be fully absorbed after the five-year transitional period. However the new amendments in response to the COVID-19 pandemic (CRR-"quick fix"), extended the IFRS9 transitional arrangements by two years and introduced further relief measures to CET1.

In further detail, IFRS 9 transitional arrangements have been extended by two years until 31 December 2024. Post 1 January 2020 expected credit losses on Stages 1 and 2 exposures are added back in CET1 in a phased-out period of five years. For the years 2020 and 2021 the portion added back is 100%, reducing to 75% for 2022, to 50% for 2023 and 25% for 2024. The Bank also adjusts the calculation of risk weighted assets accordingly so that it does not receive inappropriate capital relief.

The following table provides a comparison of own funds and capital and leverage with the application of transitional arrangements for IFRS 9 or analogous ECLs.

Table 16 - Comparison of own funds and capital and leverage with the application of transitional arrangements for IFRS9

		31/12/2021	30/09/2021	30/06/2021	31/03/2021	31/12/2020
	Available capital (€000)					
1	Common Equity Tier 1 (CET1) capital	40.742	41.242	41.784	42.006	43.136
2	CET1 capital as if IFRS 9 or analogous ECLSs transitional arrangements had not been applied	37.980	38.638	39.137	39.379	39.265
2a	CET1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	40.742	41.242	41.784	42.006	43.136
3	Tier 1 capital	45.742	46.242	46.784	47.006	48.136
4	Tier 1 capital as if IFRS 9 or analogous ECLSs transitional arrangements had not been applied	42.980	43.638	44.137	44.379	44.265
4a	Tier 1 capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	45.742	46.242	46.784	47.006	48.136
5	Total capital	51.992	46.242	46.784	47.006	48.136
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	49.230	43.638	44.137	44.379	44.265
6a	Total capital as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	51.992	46.242	46.784	47.006	48.136
	Risk-weighted assets (€000)					
7	Total risk-weighted assets	250.157	261.001	273.166	277.995	291.307
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	245.841	258.171	270.330	261.308	287.181

		31/12/2021	30/09/2021	30/06/2021	31/03/2021	31/12/2020
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	16,29%	15,80%	15,30%	15,11%	14,81%
10	CET1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15,45%	14,97%	14,48%	15,07%	13,67%
10 a	CET1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	16,29%	15,80%	15,30%	15,11%	14,81%
11	Tier 1 (as a percentage of risk exposure amount)	18,29%	17,72%	17,13%	16,91%	16,52%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17,48%	16,90%	16,33%	16,98%	15,41%
12 a	Tier 1 (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	18,29%	17,72%	17,13%	16,91%	16,52%
13	Total capital (as a percentage of risk exposure amount)	20,78%	17,72%	17,13%	16,91%	16,52%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	20,03%	16,90%	16,33%	16,98%	15,41%
14 a	Total Capital (as a percentage of risk exposure amount) as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	20,78%	17,72%	17,13%	16,91%	16,52%

		31/12/2021	30/09/2021	30/06/2021	31/03/2021	31/12/2020
	Leverage ratio					
15	Leverage ratio total exposure measure (€000)	540.355	520.588	529.152	561.825	614.520
16	Leverage ratio	8,47%	8,88%	8,84%	8,37%	8,52%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,01%	8,42%	8,39%	7,94%	7,25%
17 a	Leverage ratio as if the temporary treatment of unrealised gains and losses measured at fair value through OCI (other comprehensive income) in accordance with Article 468 of the CRR had not been applied	8,47%	8,88%	8,84%	8,37%	8,52%

5. CREDIT RISK

5.1 Definition of Credit Risk

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

5.2 Credit Risk Management Procedures

The Group establishes the credit policies and sets limits on credit exposures to clients and ensures that these policies and limits, as well as the related credit sanctioning procedures and controls, complied with in the conduct of the Group's operations. Credit risk from connected clients' accounts is monitored on an aggregated basis.

5.3 Measurement of Credit Risk and Adoption of Credit Limits

The creditworthiness of most clients is assessed using a credit rating system which takes into account the clients' financial position and various qualitative criteria, such as the quality of management and the market in which the client operates. The client's rating is then calculated, thus assisting in setting pricing according to the risk undertaken.

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

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

The Group assesses the Credit risk relating to investments in liquid funds, mainly debt securities and placements with banks, and recommendations for counterparty and country limits are submitted to the Assets and Liabilities Committee (ALCO) and Risk Committee for approval.

The Group also determines credit limits for countries, banking institutions, and settlement limits with counterparties in accordance with the credit ratings assigned to countries and counterparties by international external rating agencies. Changes in the credit ratings of countries and counterparties are monitored on a regular basis by the RMU.

5.4 Standardised Approach for Credit Risk

The minimum capital requirement for Credit risk are calculated on an exposure level as defined by the Regulation. The following table shows the risk-weighted exposure amounts by regulatory exposure class and the corresponding minimum capital requirements as at 31st December 2021, based on the Standardized Approach.

Table 17 - Credit Risk-weighted Assets and Capital

31 December 2021 Exposure class €000	**Risk-weighted amounts**	**Minimum capital requirement**
Central Governments and Central Banks	-	-
Regional governments or local authorities	-	-
Multilateral Development Banks	-	-
International Organisations	-	-
Institutions	745	60
Corporates	89.470	7.158
Retail	12.695	1.016
Secured by mortgages on immovable property	11.510	921
Exposures in default	54.675	4.374
Items associated with particular high risk	36.120	2.890
Collective investments undertakings (CIU)	172	14
Equity	1.680	134
Other Items	17.739	1.420
Total	**224.805**	**17.987**

31 December 2020 Exposure class €000	Risk-weighted amounts	Minimum capital requirement
Central Governments and Central Banks	-	-
Regional governments or local authorities	-	-
Multilateral Development Banks	-	-
International Organisations	-	-
Institutions	12.156	972
Corporates	109.169	8.733
Retail	13.719	1.098
Secured by mortgages on immovable property	9.884	791
Exposures in default	56.262	4.501
Items associated with particular high risk	42.153	3.372
Equity	0	-
Other Items	18.543	1.484
Total	**261.886**	**20.951**

5.5 Credit risk mitigation

The Group implements various policies and methods in order to achieve effective mitigation of Credit risk. The most important methods are listed below:

- Setting of limits for credit committees;
- Credit ratings for clients linked to approval criteria;
- Setting of procedures relating to taking collaterals;
- Issuing circulars and guidelines concerning the granting of credit;
- Determining which borrower types and sectors of the economy the Group is not willing to finance.

Use of External Credit Assessments Institutions' (ECAI) Credit Assessments for the determination of Risk Weights

The Group uses external credit ratings from Moody's, Standard & Poor's and Fitch. These ratings are used for all relevant exposure classes. In the cases where the three credit ratings differ, the Group takes the two credit assessments generating the two lowest risk weights and then it uses the credit assessment that corresponds to the lower risk weight.

For debt securities not included in the trading book, the Group applies the following priority with regards to the credit assessment used:

1. Issue/Exposure credit assessment
2. Issuer/Counterparty credit assessment.

The Group employs the EBA credit quality step mapping to map long-term and short-term credit assessments to credit quality steps.

The table below presents exposure values before and after credit risk mitigation, corresponding to credit quality steps. The values before credit risk mitigation represent the initial exposure value net of value adjustments. The values after credit risk mitigation represent exposures taking into account the eligible financial collateral funded and unfunded credit protection.

Table 18 - Breakdown of Exposure Values by Credit Quality Step

31 December 2021 Breakdown by Credit Quality Step (CQS) €000	Exposure values before credit risk mitigation	Exposure values after credit risk mitigation
CQS 1	1.176	1.176
CQS 2	-	-
CQS 3	238.068	237.761
CQS 4	41.359	41.359
CQS 5	1.455	1.455
CQS 6	341	341
Unrated/Not applicable	290.287	283.678
Total	**572.687**	**565.770**

31 December 2020 Breakdown by Credit Quality Step (CQS) €000	Exposure values before credit risk mitigation	Exposure values after credit risk mitigation
CQS 1	20.953	20.953
CQS 2	37.593	37.593
CQS 3	259.102	258.795
CQS 4	11.707	11.707
CQS 5	1.053	1.053
CQS 6		-
Unrated/Not applicable	321.039	309.034
Total	**651.446**	**639.135**

The main collateral types for the commercial and corporate sectors are mortgages on commercial real estate. For the retail sector, in addition to mortgages on commercial real estate, are mortgages on residential real estate. Government and bank guarantees from eligible guarantors are also obtained. In addition, pledged deposits are treated as eligible funded credit protection.

Real estate values are monitored at least annually during the credit reviews carried out internally for provisioning purposes and through the Central Bank's relevant indices. In cases where the Group considers that values assigned to real estate collaterals are out-of-date or subject to significant changes in market conditions, new valuations are obtained from qualified external valuers.

The table below presents all types of collateral (other than real estate collateral treated as a separate asset class) applied in the risk-weighted assets calculations and meet all the minimum requirements of the CRR Articles 192 to 217 for credit risk mitigation under the Standardised Approach for Credit Risk.

Table 19 - Exposures covered by Credit Protection

31 December 2021 Exposure class €000	Funded Credit Protection	Unfunded Credit Protection
Central governments and central banks	-	-
Multilateral Development Banks	-	-
Institutions	614	-
Corporate	1.917	-
Retail	11.121	-
Secured by mortgages on immovable property	178	1.182
Exposures in default	-	-
Items associated with particular high risk	-	-
Equity	-	-
Other Items	-	-
Total	**13.830**	**1.182**

31 December 2020 Exposure class €000	Funded Credit Protection	Unfunded Credit Protection
Central governments and central banks	-	-
Multilateral Development Banks	-	-
Institutions	307	-
Corporate	1.600	-
Retail	10.262	-
Secured by mortgages on immovable property	-	-
Exposures in default	117	1.182
Items associated with particular high risk	25	-
Equity	-	-
Other Items	-	-
Total	**12.311**	**1.182**

5.6 Risk of impairment

The following section provides an analysis of impaired exposures and exposures with days past due.

Past due items

Past due loans and advances are those with delayed payments or in excess of authorised credit limits. Loans that are 90 days past due are considered defaulted, provided that certain materiality thresholds have been breached, in accordance with Article 178 of the CRR and are assessed for impairment either individually or collectively. An impairment allowance is raised against these loans and advances if the expected cash flows discounted at the effective interest rate are less than the carrying value.

Impaired loans

Loans and advances are considered impaired when there are objective indications that the Group will not collect all amounts due in accordance with the contractual terms, unless such loans and advances are fully secured by tangible collateral or other indications exist that the amounts due will be collected.

The impairment model, applies to financial assets that are not measured at FVTPL, including loans, lease receivables, debt securities, financial guarantee contracts and loan commitments issued. Under IFRS 9 no impairment losses need to be recognised on equity investments.

Under the 'three-stage' model introduced by IFRS 9, financial assets with no significant increase in credit risk since initial recognition, for which 12-month ECL are recognised, are classified as 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk but are not credit impaired are allocated to 'stage 2', while financial assets that are considered to be credit impaired are classified in 'stage 3'. For financial assets allocated to stage 2 and stage 3, lifetime losses are recognised.

POCI financial assets include assets purchased at a deep discount or originated as credit impaired. POCI financial assets remain a separate category until derecognition and are classified as stage 2 or stage 3. The loss allowance for POCI financial assets will always be measured at an amount equal to lifetime ECL.

Loans and advances are written off to the extent that their recovery is no longer feasible. Doubtful accounts are monitored continuously and provisions for doubtful accounts are released only when events and factors make the collection of doubtful amounts feasible.

Impairment of investments in Government Securities and other Debt Securities

IFRS 9 effectively incorporates an impairment review for financial assets that are not measured at fair value. For more details on the impairment policies of the Group refer to note 3 of the Annual Financial Report 2021.

The table below provides a breakdown of non-performing and exposures with days past due by country of incorporation of the counterparty of the relevant exposures.

Table 20- Non-Performing and Exposures with Days Past Due by Geographic Area

31 December 2021 Geographical location of Counterparty €000	**Non-Performing Exposures**	**Exposures with days past due**
CY	95.730	117.093
Other Countries	277	279
Total	**96.007**	**117.372**

31 December 2020 Geographical location of Counterparty €000	**Non-Performing Exposures**	**Exposures with days past due**
CY	112.077	121.203
Other Countries	247	257
Total	**112.323**	**121.460**

The table below provides a breakdown of non-performing and exposures with days past due by industry.

Table 21- Non-Performing and Exposures with Days Past Due by Industry

31 December 2021 Counterparty Industry €000	**Non-Performing Exposures**	**Exposures with days past due**
Agriculture, forestry and fishing	10.743	10.743
Mining and quarrying	1.547	1.547
Manufacturing	9.207	10.087
Electricity, gas, steam and air conditioning suppl	5.640	6.193
Wholesale and retail trade	8.372	20.197
Transport and storage	636	636
Accomodation and food service activities	10.684	16.247
Information and communication	100	123
Real estate activities	21.826	20.522
Professional, scientific and technical	1.128	2.287
Administrative and support service activities	1.034	1.080
Education	1.890	1.945
Human health services and social work activities	87	77
Arts, entertainment and recreation	1.095	1.394
Other services	4.399	5.605
Private Individual	17.619	18.687
Total	**96.007**	**117.372**

31 December 2020 Counterparty Industry €000	**Non-Performing Exposures**	**Exposures with days past due**
Agriculture, forestry and fishing	12.037	12.728
Mining and quarrying	1.440	1.440
Manufacturing	14.498	16.257
Electricity, gas, steam and air conditioning suppl	5.403	5.221
Wholesale and retail trade	18.714	9.884
Transport and storage	1.733	646
Accomodation and food service activities	8.332	9.187
Information and communication	1.625	91
Real estate activities	20.851	23.506
Professional, scientific and technical	1.453	1.037
Administrative and support service activities	1.417	1.417
Education	1.854	1.854
Human health services and social work activities	71	81
Arts, entertainment and recreation	805	1.011
Other services	13.465	10.782
Private Individual	17.763	17.184
Total	**121.460**	**112.323**

The table below provides an overview on the credit quality of forborne exposures.

Table 22 – Credit quality of forborne exposures

31 December 2021 €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	**39.939**	**51.288**	**51.288**	**39.286**	**(2.747)**	**(16.960)**	**62.679**	**31.454**
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	500	354	354	354	-	(115)	719	219
Non-financial corporations	37.944	36.829	36.829	26.525	(2.577)	(14.376)	49.793	19.742
Households	1.495	14.105	14.105	12.407	(170)	(2.469)	12.167	11.494
Debt Securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loan commitments given	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**39.939**	**51.288**	**51.288**	**39.286**	**(2.747)**	**(16.960)**	**62.679**	**31.454**

31 December 2020 €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	
		Non-performing forborne						
	Performing forborne		Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
Loans and advances	**18.471**	**51.769**	**44.003**	**41.996**	**(379)**	**(16.636)**	**49.737**	**33.138**
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	-	342	342	342	-	(120)	219	219
Non-financial corporations	17.439	37.774	31.239	28.929	(219)	(14.996)	37.594	21.036
Households	1.032	13.653	12.422	12.725	(160)	(1.520)	11.925	11.884
Debt Securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loan commitments given	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total	**18.471**	**51.769**	**44.003**	**41.996**	**(379)**	**(16.636)**	**49.737**	**33.138**

The table below provides an overview of non-performing exposures by past due days.

Table 23. Non-performing and forborne exposures

31 December 2021 €000	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
		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	**167.502**	**167.497**	**5**	**95.769**	**21.182**	**865**	**3.553**	**851**	**20.384**	**21.420**	**27.515**	**95.769**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	4.255	4.254	1	4.213	37	-	0	0	354	-	3.821	4.213
Non-financial corporations	144.925	144.922	3	68.846	19.203	732	2.246	822	5.551	20.116	20.177	68.846
Of which SMEs	79.961	79.959	2	63.763	14.120	732	2.246	822	5.551	20.116	20.177	63.763
Households	18.322	18.322	1	22.710	1.942	133	1.307	29	14.479	1.304	3.517	22.710
Debt securities	**111.772**	**82.277**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	111.772	111.772	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	**54.476**			**237**								**237**
Central banks	-			-								-
General governments	-			-								-
Credit institutions	89			-								-
Other financial corporations	1.582			38								38
Non-financial corporations	50.639			188,779								188,779
Households	2.166			10,452								10,452
Total	**333.750**	**249.774**	**5**	**96.007**	**21.182**	**865**	**3.553**	**851**	**20.384**	**21.420**	**27.515**	**96.007**

31 December 2020 €000	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
		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	**178.786**	**174.157**	**4.629**	**110.374**	**10.518**	**550**	**2.304**	**24.089**	**26.108**	**8.761**	**38.044**	**102.370**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	2.689	1.937	752	10.576	-	-	-	-	343	12	10.221	10.575
Non-financial corporations	157.493	153.643	3.868	77.385	8.634	529	259	14.481	21.306	7.221	24.955	70.621
Of which SMEs	85.376	83.068	2.308	74.547	7.366	529	259	14.479	21.306	7.221	23.387	69.051
Households	18.604	18.595	8.906	22.413	1.884	21	2.045	9.608	4.459	1.528	2.867	21.173
Debt securities	82.277	82.277	-	-	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	82.277	82.277	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	**66.155**			**1.949**								**772**
Central banks	-			-								-
General governments	-			-								-
Credit institutions	89			-								-
Other financial corporations	225			-								-
Non-financial corporations	63.428			1.931								753
Households	2.413			17								18
Total	**327.218**	**256.434**	**4.629**	**112.323**	**10.518**	**550**	**2.304**	**24.089**	**26.108**	**8.761**	**38.044**	**103.142**

The table below provides an overview of the credit quality of non-performing exposures and related impairments, provisions and valuation adjustments by portfolio and exposure class:

Table 24 - Performing and non-performing exposures and related provisions

31 December 2021 **€000**	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
		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	**167.502**	**103.835**	**58.362**	**95.769**	**-**	**88.838**	**(4.069)**	**(702)**	**(3.367)**	**(44.733)**	**-**	**(44.698)**	**(36.224)**	**118.088**	**43.423**
Central banks															
General governments															
Credit institutions															
Other financial corporations	4.255	3.754	500	4.213		4.213	(21)	(21)	-	(2.761)	-	(2.761)	(7.000)	3.905	219
Non-financial corporations	144.925	83.774	56.121	68.846		62.637	(3.846)	(650)	(3.196)	(33.209)		(33.179)	(29.224)	99.161	29.718
Of which SMEs	79.961	56.028	18.904	63.763		57.554	(682)	(259)	(423)	(31.311)		(31.281)	(28.586)	67.296	27.194
Households	18.322	16.306	1.741	22.710		21.989	(202)	(31)	(171)	(8.763)		(8.759)		15.022	13.486
Debt securities	**111.772**	**111.772**					**(93)**	**(93)**							
Central banks															
General governments	111.772	111.772					(93)	(93)							
Credit institutions															
Other financial corporations															
Non-financial corporations															
Off-balance-sheet exposures	**54.476**	**53.800**	**596**	**237**		**187**	**(112)**	**(112)**	**-**						
Central banks															
General governments															
Credit institutions	89	89	-	-		-	-	-							
Other financial corporations	1.582	1.582	-	38		38	(2)	(2)							
Non-financial corporations	50.639	49.968	590	189		138	(109)	(109)							
Households	2.166	2.161	5	10		10	(0)	(0)							
Total	**333.750**	**269.406**	**58.958**	**96.007**	**-**	**89.025**	**(4.273)**	**(906)**	**(3.367)**	**(44.733)**	**-**	**(44.698)**	**(36.224)**	**118.088**	**43.423**

31 December 2020 €000	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
		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	**178.786**	**106.921**	**71.865**	**110.374**	**-**	**110.374**	**(3.905)**	**(2.388)**	**(1.517)**	**(58.020)**	**-**	**(58.020)**	**(24.232)**	**126.042**	**44.947**
Central banks															
General governments															
Credit institutions															
Other financial corporations	2.689	1.746	943	10.575		10.575	(77)	(31)	(46)	(9.124)	-	(9.124)		2.269	219
Non-financial corporations	157.493	89.306	68.187	77.386		77.386	(3.595)	(2.293)	(1.301)	(40.288)		(40.288)	(24.232)	108.351	31.528
Of which SMEs	85.376	57.224	28.152	74.547		74.547	(1.199)	(801)	(399)	(38.195)		(38.195)	(24.232)	71.573	30.783
Households	18.604	15.870	2.735	22.413		22.413	(233)	(64)	(170)	(8.608)		(8.608)		15.422	13.200
Debt securities	**82.277**	**82.277**													
Central banks															
General governments	82.277	82.277													
Credit institutions															
Other financial corporations															
Non-financial corporations															
Off-balance-sheet exposures	**66.155**	**61.135**	**5.020**	**1.949**		**1.949**	**(717)**	**(589)**	**(128)**						
Central banks															
General governments															
Credit institutions	89	89													
Other financial corporations	225	11	214				7	0	7						
Non-financial corporations	63.428	58.634	4.794	1.931		1.931	709	587	122						
Households	2.413	2.400	13	18		18	2	2	-						
Total	**327.218**	**250.333**	**76.885**	**112.323**	**-**	**112.323**	**(4.622)**	**(2.977)**	**(1.646)**	**(58.020)**	**-**	**(58.020)**	**(24.232)**	**126.042**	**44.947**

The table below provides an overview of foreclosed assets obtained from non-performing exposures.

Table 25- Collateral obtained by taking possession and execution processes

31 December 2021 €000	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)		
Other than PP&E		
Residential immovable property	340	
Commercial Immovable property	10.461	(1.062)
Movable property (auto, shipping, etc.)		
Equity and debt instruments		
Other	11	
Total	**10.812**	**(1.062)**

31 December 2020 €000	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)		
Other than PP&E		
Residential immovable property	518	
Commercial Immovable property	10.265	(598)
Movable property (auto, shipping, etc.)		
Equity and debt instruments		
Other	11	
Total	**10.794**	**(598)**

The table below provides the movement in the provisions for customer loans and advances.

Table 26 - Movement in the provisions for loans and advances

31 December 2021 **€000**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
1 January	2.388	1.346	57.942	249	**61.925**
Transfer from Stage 1 to Stage 2	(365)	365	-	-	-
Transfer from Stage 1 to Stage 3	(7)	-	7	-	-
Transfer from Stage 2 to Stage 3	-	(16)	16	-	-
Transfer from Stage 3 to Stage 2	-	161	(161)	-	-
Transfer from Stage 2 to Stage 1	344	(344)	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Exchange differences	-	-	-	-	-
Loans and advances written off	-	-	(17.899)	-	(17.899)
Charge/(reversal) for the year	(1.658)	1.855	4.796	(215)	4.778
Previously written off now recovered	-	-	(2)	-	(2)
31 December	702	3.367	44.699	34	**48.802**

31 December 2020 **€000**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
1 January	2.017	595	50.162	341	**53.115**
Transfer from Stage 1 to Stage 2	(587)	587	-	-	-
Transfer from Stage 1 to Stage 3	(22)	-	22	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-
Transfer from Stage 2 to Stage 1	113	(113)	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-	-
Exchange differences	-	-	-	-	-
Loans and advances written off	-	-	(98)	(234)	(332)
Charge/(reversal) for the year	867	277	7.901	142	9.187
Previously written off now recovered	-	-	(45)	-	(45)
31 December	2.388	1.346	57.942	249	**61.925**

The table below analyses average exposure values during 2021 and 2020 by asset class.

Table 27- Average exposure values by asset class

31 December 2021 Exposure class €000	Original exposure amount, net of provisions	Average exposure
Central Governments and Central Banks	277.667	268.046
Public sector entities	-	7
Multilateral Development Banks	-	-
Institutions	3.624	5.156
Corporates	127.510	124.829
Retail	38.348	43.463
Secured by mortgages on immovable property	32.732	27.475
Exposures in default	48.883	55.321
Items associated with particular high risk	24.262	26.745
Collective investments undertakings (CIU)	131	131
Equity	18.859	4.715
Other Items	672	15.400
Total	**572.687**	**571.287**

31 December 2020 Exposure class €000	Original exposure amount, net of provisions	Average exposure
Central Governments and Central Banks	273.352	248.632
Regional governments or local authorities	-	
Multilateral Development Banks	-	
Institutions	60.913	45.123
Corporates	145.946	154.432
Retail	44.837	42.128
Secured by mortgages on immovable property	27.803	29.680
Exposures in default	50.388	46.909
Items associated with particular high risk	28.706	28.548
Equity	0	212
Other Items	19.502	24.961
Total	**651.446**	**620.624**

The table below analyses original exposure values, net of provisions, by country of incorporation of counterparties.

Table 28 - Original exposure values, net of provisions, analysed by country of incorporation of counterparties

31 December 2021 Exposures per Asset Class per Country of incorporation of Counterparty €000	**Cyprus**	**Greece**	**Italy**	**United Kingdom**	**Switzerland**	**Russia**	**Other Countries**	**Total**
Central Governments and Central Banks	232.160	41.359	4.147	-	-	-	-	**277.667**
Regional governments or local authorities	-	-	-	-	-	-	-	**0**
Multilateral Development Banks	-	-	-	-	-	-	-	**0**
Institutions	1.700	747	-	-	1.176	-	1	**3.624**
Corporates	127.372	0	-	-	-	136	1	**127.510**
Retail	38.161	70	-	100	-	2	15	**38.348**
Secured by mortgages on immovable property	31.558	-	-	1.172	-	2	-	**32.732**
Exposures in default	48.632	0	-	-	-	156	94	**48.883**
Items associated with particular high risk	24.262	-	-	-	-	-	-	**24.262**
Collective investments undertakings (CIU)	131	-	-	-	-	-	-	**131**
Equity	18.859	-	-	-	-	-	-	**18.859**
Other Items	672	-	-	-	-	-	-	**672**
Total	**523.508**	**42.177**	**4.147**	**1.272**	**1.176**	**296**	**111**	**572.687**

31 December 2020 Exposures per Asset Class per Country of incorporation of Counterparty €000	Cyprus	France	Switzerland	Austria	Greece	Russia	Other Countries	Total
Central Governments and Central Banks	261.645				11.707			**273.352**
Regional governments or local authorities								**0**
Multilateral Development Banks								**0**
Institutions	2.364	21.190	20.953	16.403			4	**60.913**
Corporates	145.943					3	1	**145.946**
Retail	44.750				70	2	15	**44.837**
Secured by mortgages on immovable property	27.742					60		**27.803**
Exposures in default	50.265					36	87	**50.388**
Items associated with particular high risk	28.706							**28.706**
Equity	0							**0**
Other Items	19.502							**19.502**
Total	**580.916**	**21.190**	**20.953**	**16.403**	**11.778**	**101**	**106**	**651.446**

The table below analyses total original exposure values, net of provisions, by industry segment.

Table 29 - Original exposure values, net of provisions, analysed by industry segment

31 December 2021 Exposures by Asset Class by Industry Segment €000	Central Governments and Central Banks	Regional governments or local authorities	Multilateral Development Banks	Institutions	Corporates	***of which SME***	Retail	***of which SME***	Secured by mortgages on immovable property	***of which SME***	Exposures in default	Items associated with particular high risk	Collective investments undertakings (CIU)	Equity	Other Items	**Total**
Agriculture, forestry and fishing	-	-	-	-	-	-	1.004	1.004	-	-	4.776	-	-	-	-	**5.781**
Mining and quarrying	-	-	-	-	-	-	-	-	-	-	563	-	-	-	-	**563**
Manufacturing	-	-	-	-	2.985	2.985	4.405	4.328	1.885	1.885	4.789	-	-	-	-	**14.064**
Electricity, gas, steam and air conditioning supply	-	-	-	-	855	855	683	129	300	300	3.231	-	-	-	-	**5.069**
Water supply	-	-	-	-	-	-	357	357	-	-	-	-	-	-	-	**357**
Wholesale and retail trade	-	-	-	-	42.358	11.928	4.952	4.650	8.459	6.604	2.825	-	-	-	-	**58.594**
Transport and storage	-	-	-	-	-	-	1.668	468	1.312	1.312	61	-	-	-	-	**3.041**
Accomodation and food service activities	-	-	-	-	28.837	9.875	1.151	1.151	623	623	5.857	1.981	-	-	-	**38.448**
Information and communication	-	-	-	-	4.822	-	2.699	458	-	-	7	-	-	-	-	**7.528**
Real estate activities	-	-	-	-	38.281	19.307	11.545	11.545	8.273	6.903	11.611	22.281	-	-	-	**91.990**
Professional, scientific and technical	-	-	-	-	639	0	991	825	2.096	1.724	167	-	-	-	-	**3.894**
Administrative and support service activities	-	-	-	-	723	723	842	827	100	100	145	-	-	-	-	**1.811**
Public administration and defence, compulsory and social security	111.679	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**111.679**
Education	-	-	-	-	272	272	121	121	-	-	1.350	-	-	-	-	**1.743**
Human health services and social work activities	-	-	-	-	-	-	1.330	499	99	99	10	-	-	-	-	**1.438**
Arts, entertainment and recreation	-	-	-	-	-	-	1.960	1.959	951	951	506	-	-	-	-	**3.416**
Other services	165.988	-	-	3.624	4.819	1.800	830	430	2.216	2.216	1.728	-	131	672	-	**180.008**
Private Individual	-	-	-	-	2.919	-	3.808	-	6.418	-	11.257	-	-	-	-	**24.402**
Not applicable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18.859	**18.859**
Total	**277.667**	**-**	**-**	**3.624**	**127.510**	**47.746**	**38.348**	**28.753**	**32.732**	**22.716**	**48.883**	**24.262**	**131**	**672**	**18.859**	**572.687**

31 December 2020 Exposures by Asset Class by Industry Segment €000	Central Governments and Central Banks	Regional governments or local authorities	Multilateral Development Banks	Institutions	Corporates	***of which SME***	Retail	***of which SME***	Secured by mortgages on immovable property	***of which SME***	Exposures in default	Items associated with particular high risk	Equity	Other Items	Total
Agriculture, forestry and fishing	-	-	-	-	690	690	561	561	219	219	4.706	-	-	-	6.176
Mining and quarrying	-	-	-	-	0	-	0	0	-	-	536	-	-	-	536
Manufacturing	-	-	-	-	4.681	3.485	2.596	2.373	2.570	2.570	5.123	-	-	-	14.969
Electricity, gas, steam and air conditioning supply	-	-	-	-	1.024	1.024	2.020	1.362	325	325	3.005	-	-	-	6.373
Water supply	-	-	-	-	-	-	469	469	-	-	-	-	-	-	469
Wholesale and retail trade	-	-	-	-	39.976	12.596	5.962	4.984	9.368	7.512	2.711	-	-	-	58.017
Transport and storage	-	-	-	-	-	-	2.113	98	973	973	1.204	-	-	-	4.290
Accomodation and food service activities	-	-	-	-	30.173	11.332	1.208	1.208	608	608	3.989	3.547	-	-	39.526
Information and communication	-	-	-	-	16.312	419	562	241	-	-	6	-	-	-	16.881
Real estate activities	-	-	-	-	42.467	23.900	15.147	15.146	5.674	5.404	14.298	25.159	-	-	102.744
Professional, scientific and technical	-	-	-	-	205	180	1.305	762	2.525	2.020	154	-	-	-	4.188
Administrative and support service activities	-	-	-	-	803	803	848	828	-	-	180	-	-	-	1.831
Public administration and defence, compulsory and social security	87.231	-	-	-	-	-	-	-	-	-	-	-	-	-	87.231
Education	-	-	-	-	3.330	3.330	155	155	-	-	1.227	-	-	-	4.711
Human health services and social work activities	-	-	-	-	-	-	3.037	2.150	205	205	5	-	-	-	3.247
Arts, entertainment and recreation	-	-	-	-	-	-	2.059	2.059	1.170	1.170	527	-	-	-	3.756
Other services	186.121	-	-	60.913	2.742	742	1.055	452	526	526	2.126	-	0	-	253.483
Private Individual	-	-	-	-	3.544	-	5.740	-	3.640	-	10.592	-	-	-	23.516
Not applicable	-	-	-	-	-	-	-	-	-	-	-	-	-	19.502	19.502
Total	**273.352**	**-**	**-**	**60.913**	**145.946**	**58.500**	**44.837**	**32.848**	**27.803**	**21.531**	**50.388**	**28.706**	**0**	**19.502**	**651.446**

The table below analyses total exposure values by industry segment before and after value adjustments and provisions.

Table 30 - Exposure values analysed by industry segment

31 December 2021 **Total Exposure pre and after the application of the respective provisions by industry** **€000**	**Total Exposure Before Value adjustments and Provisions**	**Value adjustments and Provisions**	**Total Exposure After Value adjustments and Provisions**
Agriculture, forestry and fishing	12.425	(6.644)	5.781
Mining and quarrying	1.547	(984)	563
Manufacturing	20.680	(6.616)	14.064
Electricity, gas, steam and air conditioning supply	7.478	(2.408)	5.069
Water supply	358	(1)	357
Wholesale and retail trade	65.077	(6.483)	58.594
Transport and storage	3.626	(585)	3.041
Accomodation and food service activities	43.383	(4.934)	38.448
Information and communication	8.972	(1.444)	7.528
Real estate activities	98.626	(6.636)	91.990
Professional, scientific and technical	4.886	(991)	3.894
Administrative and support service activities	2.728	(917)	1.811
Public administration and defence, compulsory and social security	111.679	-	111.679
Education	2.283	(540)	1.743
Human health services and social work activities	1.520	(82)	1.438
Arts, entertainment and recreation	4.005	(589)	3.416
Other services	186.930	(6.923)	180.008
Private Individual	30.863	(6.461)	24.402
Not applicable	18.859	-	18.859
Total	**625.927**	**(53.240)**	**572.685**

31 December 2020 Total Exposure pre and after the application of the respective provisions by industry €000	Total Exposure Before Value adjustments and Provisions	Value adjustments and Provisions	Total Exposure After Value adjustments and Provisions
Agriculture, forestry and fishing	13.966	(7.790)	6.176
Mining and quarrying	1.440	(904)	536
Manufacturing	25.266	(10.297)	14.969
Electricity, gas, steam and air conditioning supply	8.606	(2.232)	6.373
Water supply	479	(10)	469
Wholesale and retail trade	66.064	(8.047)	58.017
Transport and storage	4.771	(481)	4.290
Accomodation and food service activities	44.075	(4.549)	39.526
Information and communication	17.715	(834)	16.881
Real estate activities	109.211	(6.467)	102.744
Professional, scientific and technical	5.136	(948)	4.188
Administrative and support service activities	3.075	(1.244)	1.831
Public administration and defence, compulsory and social security	87.231	-	87.231
Education	5.358	(646)	4.711
Human health services and social work activities	3.330	(83)	3.247
Arts, entertainment and recreation	4.240	(484)	3.756
Other services	266.394	(12.911)	253.483
Private Individual	30.144	(6.628)	23.516
Not applicable	19.502	-	19.502
Total	**716.002**	**(64.557)**	**651.446**

The table below analyses exposures in default and respective provisions by country of incorporation of counterparties.

Table 31 - Exposures in default and respective provisions by country of incorporation of counterparties

31 December 2021 Past Due Exposures and respective Provisions by Counterparty Country of Incorporation €000	Cyprus	Other	Total
Total Exposure Before Provisions	90.023	277	90.300
Provisions	(41.391)	(26)	(41.417)
Total Exposure After Provisions	**48.632**	**251**	**48.883**

31 December 2020 Past Due Exposures and respective Provisions by Counterparty Country of Incorporation €000	Cyprus	Other	Total
Total Exposure Before Provisions	100.791	166	100.957
Provisions	(50.525)	(43)	(50.569)
Total Exposure After Provisions	**50.265**	**123**	**50.388**

The table below analyses original exposure values net of value adjustments and provisions, by residual maturity.

Table 32 - Original Exposure values net of value adjustments and provisions, by residual maturity

31 December 2021 €000 Exposure class	**On demand**	**≤1 year**	**>1 year ≤5 years**	**>5 years**	**No stated maturity**	**Total**
Central Governments and Central Banks	165.988	89.342	17.011	5.327		277.667
Regional governments or local authorities						0
Multilateral Development Banks						0
Institutions	1.166	2.393	50	16		3.624
Corporates	6.124	51.906	9.251	60.228		127.510
Retail	5.255	15.268	8.376	9.448		38.348
Secured by mortgages on immovable property	5.834	160	3.213	23.525		32.732
Exposures in default	2.507	4.629	16.666	25.081		48.883
Items associated with particular high risk	17	4.716	8.751	10.777		24.262
Collective investments undertakings (CIU)					131	131
Equity					672	672
Other Items					18.859	18.859
Total	**186.891**	**168.414**	**63.318**	**134.402**	**19.662**	**572.687**

31 December 2020 €000 Exposure class	**On demand**	**≤1 year**	**>1 year ≤5 years**	**>5 years**	**No stated maturity**	**Total**
Central Governments and Central Banks	186.121	68.169	13.691	5.371		273.352
Regional governments or local authorities						0
Multilateral Development Banks						0
Institutions	17.695	43.152	50	16		60.913
Corporates	55.620	13.100	13.438	63.788		145.946
Retail	15.446	6.043	13.211	10.138		44.837
Secured by mortgages on immovable property	5.562	310	4.371	17.559		27.803
Exposures in default	5.851	838	18.046	25.653		50.388
Items associated with particular high risk	6.317	792	11.846	9.750		28.706
Equity					0	0
Other Items					19.502	19.502
Total	**292.612**	**132.406**	**74.653**	**132.275**	**19.502**	**651.446**

6. COUNTERPARTY CREDIT RISK

Counterparty credit risk (CCR) arises from the possibility that a counterparty will fail to perform on an obligation arising from transactions such as derivatives and securities financing. Exposure was limited as at 31 December 2021.

Wrong-way risk occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty. The Group's Credit Risk Policy prohibits the recognition of securities issued by the obligor, or any related group entity, as eligible collateral for credit risk purposes, and the Group has no exposure to wrong-way risk.

7. MARKET RISK

7.1 Definition of market risk

Market risk is the risk of loss, which emanates from adverse changes in the current prices of listed investments, bonds and other securities or in the assessed fair value of unlisted investments and from adverse fluctuations in interest rates and foreign exchange rates.

Market risk may be analyzed into price risk, interest rate risk, and currency risk.

Price risk is the risk associated with changes in the market prices of various financial instruments (equities, debt securities, commodities, and derivatives) held by the Group.

Interest rate risk arises as a result of changes in the rates of interest and repricing timing mismatches on assets and liabilities.

Currency risk arises from adverse movements in foreign exchange rates when there is a net currency position (asset or liability) in one or more currencies.

7.2 Market Risk Management

The Bank has in place limits for monitoring and limiting market risk resulting from interest rate changes and foreign currency positions.

i. Price Risk

Equity Investments
The risk of loss from changes in the price of equity securities arises when there is an unfavorable change in the prices of equity securities held by the Group as investments.

Investments in equities are outside the Group's risk appetite. The current portfolio of equity investments comprises mainly of holdings in one Alternative Investment Fund.

Equity investments held by the Group are classified at fair value through other comprehensive income (FVOCI). Fair value gains and losses on these equity instruments are recognised in OCI and are not subsequently reclassified to the income statement. Dividends received are recorded in the income statement.

The value of equity investments held as at 31 December 2021 is analyzed in note 18 of the Annual Financial Report 2021 while sensitivity to equity price risk in note 37.2.

Debt Securities

Debt securities price risk is the risk of loss as a result of adverse changes in the prices of debt securities held by the Bank. Debt security prices change as the credit risk of the issuer changes and/or as the interest rate changes for fixed rate securities. The Bank invests a significant part of its liquid assets in debt securities. The current portfolio of debt securities is classified at amortised cost or fair value through other comprehensive income (FVOCI). The Bank's policy relating to valuation of debt securities, is stated in note 3 - Significant Accounting Policies.

The value of debt securities held at 31 December 2021 is analysed in note 19 of the Annual Financial Report 2021 while the impact on the equity of the Bank and the Group from a change in the price of the debt securities held is presented in note 37.2 of the Annual Financial Report 2021.

ii. Interest rate risk

The Group closely monitors on a continuous basis, fluctuations in interest rates and the relationship of assets and liabilities, which are subject to interest rates fluctuations, and takes measures to contain in acceptable levels the effects of these changes on the Group's profitability and economic value.

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

The interest rate sensitivity gap analysis indicating the effect on the Group's profit of changes in interest rates as at 31 December 2021 was as follows:

Table 33 - Interest rate sensitivity gap analysis

31 December 2021 €000	**≤ 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**> 5 years**	**Non-interest bearing**	**Total**
Net position	247.899	28.284	3.802	15.277	(923)	(294.339)	-
1% reduction in interest rates - effect on profit	(2.479)	(283)	(38)	(153)	9	2.944	-
1% increase in interest rates - effect on profit	2.479	283	38	153	(9)	(2.944)	-

31 December 2020 €000	**≤ 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**> 5 years**	**Non-interest bearing**	**Total**
Net position	287.197	25.096	24.136	12.652	5.370	(354.451)	-
1% reduction in interest rates - effect on profit	(2.872)	(251)	(241)	(127)	(54)	3.545	-
1% increase in interest rates - effect on profit	2.872	251	241	127	54	(3.545)	-

Additional information on interest rate risk appears in noted 37.2 of the Annual Financial Report 2021.

iii. <u>Currency risk</u>

Net currency positions are monitored on a continuous basis and the Group takes measures so that this risk is contained within acceptable boundaries. The foreign exchange position limits prescribed by the Central Bank of Cyprus are adhered to.

Currency risk resulting from the net foreign exchange positions of the Group at 31 December 2021 are set out below. The sensitivity analysis assumes reasonable possible changes in exchange rates of major currencies against the Euro, based on past rate fluctuations.

Table 34 - Foreign exchange risk sensitivity gap analysis

31 December 2021	**Net open position €000**	**Change in exchange rates %**	**Effect on profits €000**
US Dollar	91	+10	9
British pound	70	+10	7
Russian Rouble	73	+30	22
Other currencies	(1)	+10	-

31 December 2021	**Net open position €000**	**Change in exchange rates %**	**Effect on profits €000**
US Dollar	91	-10	(9)
British pound	70	-10	(7)
Russian Rouble	73	-30	(22)
Other currencies	(1)	-10	-

31 December 2020	Net open position €000	Increase in exchange rates %	Effect on profits €000
US Dollar	79	+10	8
British pound	(7)	+10	(1)
Russian Rouble	282	+30	85
Other currencies	5	+10	1

31 December 2020	Net open position €000	Increase in exchange rates %	Effect on profits €000
US Dollar	79	-10	(8)
British pound	(7)	-10	1
Russian Rouble	282	-30	(85)
Other currencies	5	-10	(1)

7.3 Capital Requirement for Market Risk

The Group has adopted the Standardized Approach for the calculation of capital requirements with respect to market risk. The Group does not maintain a trading book for holding positions in traded debt instruments or equities nor does it hold any positions in commodities. Hence, capital requirements, if any, arise only in respect of currency risk.

The capital requirement for market risk as at 31 December 2021 was nil due to net open foreign exchange positions lying below the minimum prescribed by regulations.

8. OPERATIONAL RISK

8.1 Definition of Operational Risk

Operational risk is the risk of loss arising from a variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from other external events. It is inherent in every business organization and covers a wide range of issues.

8.2 Operational Risk Management

The Group establishes policies and procedures for managing operational risk and ensures that these are adhered to in the conduct of the Group's operations. Operational risk is managed through appropriate processes and controls including:

- Segregation of duties, independent authorization of transactions, reconciliations, and review of exception reports;
- Write up and implementation of policies and procedures aimed at compliance with regulatory and other legal requirements;
- Development of business continuity plans and disaster recovery plans;
- Personnel training;
- Risk transfer through insurance cover.

Internal Audit carries out independent periodic reviews of the effectiveness, adequacy and relevance of the Group's internal controls.

8.3 Capital requirements for operational risk

The Group applies the Basic Indicator Approach as the basis for estimating the amount of capital required under the Regulation. The capital requirement for operational risk as at 31 December 2021 amounted to €2 million.

Table 35 - Operational risk own funds requirements and risk-weighted exposure amounts

		a	b	c	d	e
Banking activities		Relevant indicator			Own funds requirements	Risk exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	14.627	13.906	12.030	2.028	25.352
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches					
3	*Subject to TSA:*					
4	*Subject to ASA:*					
5	Banking activities subject to advanced measurement approaches AMA					

9. LIQUIDITY RISK

9.1 Definition of liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its obligations as they fall due, and risk that the Group will be unable to meet its liquidity obligations without a substantial rise in appropriate costs. Liquidity risk also includes the risk that the Group will be unable to finance increases in assets as its funding requirements rise.

9.2 Liquidity risk management

Liquidity risk is managed by the Treasury Department and ALCO on a continuous basis by closely monitoring the relationship between cash flow obligations and liquid assets and timely action is being taken to secure financial resources to meet the Group's cash flow funding requirements.

The MB (following recommendation by the ALCO and the RC) approves all policies and procedures concerning liquidity. Summary reports are also submitted to the MB, ALCO and RC on a regular basis in respect of the liquidity position of the Group.

Liquidity by currency is monitored on a daily basis by the Treasury Department to ensure that the Company and Group are within the limits set by the Central Bank's Directive on Prudential Liquidity and internally defined limits. The Group is required to monitor its liquidity by adhering to a minimum Liquidity Coverage Ratio (LCR) of 100% according to articles 412 and 460 of EU Regulation 575/2013 and minimum Net Stable Funding Ratio (NSFR) of 100% according to article 428b.

9.3 Liquidity Coverage Ratio

The LCR is designed to promote short-term resilience of a Bank's liquidity risk profile by ensuring that it has sufficient high quality liquid resources to survive an acute stress scenario lasting for 30 days. The table overleaf analyzes the components of LCR and the resulting average LCR ratio at each quarter-end during 2021.

Table 36 - Quarterly LCR Ratio

	Scope of consolidation: Consolidated	Total unweighted value				Total weighted value			
	Quarter ending on	Mar-21	Jun-21	Sep-21	Dec-21	Mar-21	Jun-21	Sep-21	Dec-21
	Number of data points used in the calculation	3	3	3	3	3	3	3	3
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					259.815	263.332	258.233	259.586
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	228.090	233.907	245.591	242.193	10.120	10.385	11.338	11.309
3	Stable deposits	87.125	88.325	92.561	95.447	4.356	4.416	4.628	4.772
4	Less stable deposits	49.237	53.919	60.248	59.256	5.763	5.969	6.710	6.378
5	Unsecured wholesale funding	264.009	235.279	200.094	196.459	103.665	88.880	78.824	77.401
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	2.363	1.471	1.306	783	590	368	326	195
7	Non-operational deposits (all counterparties)	261.646	233.808	198.788	195.676	103.075	88.512	78.497	77.206
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	4.258	4.439	3.322	3.978	268	269	199	264
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	4.258	4.439	3.322	3.978	268	269	199	264
14	Other contractual funding obligations	7.043	5.183	8.150	11.260	6.090	4.180	7.110	10.088
15	Other contingent funding obligations	66.382	58.344	62.935	62.268	5.954	5.760	5.443	6.091
16	**TOTAL CASH OUTFLOWS**					126.097	109.474	102.914	105.153
CASH-INFLOWS									
17	Secured lending (eg reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	43.724	7.301	5.715	5.702	42.720	6.255	5.168	5.106
19	Other cash inflows	43.777	45.374	44.900	43.789	9.063	9.493	9.349	9.047
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**	87.501	52.675	50.616	49.491	51.783	15.748	14.517	14.153
EU-20a	**Fully exempt inflows**	-	-	-	-	-	-	-	-
EU-20b	**Inflows Subject to 90% Cap**	-	-	-	-	-	-	-	-
EU-20c	**Inflows Subject to 75% Cap**	87.502	52.676	50.615	49.491	51.783	15.749	14.517	14.153
						TOTAL ADJUSTED VALUE			
21	**LIQUIDITY BUFFER**					259.815	263.332	258.233	259.586
22	**TOTAL NET CASH OUTFLOWS**					74.314	93.725	88.397	91.000
23	**LIQUIDITY COVERAGE RATIO (%)**					**350%**	**281%**	**292%**	**285%**

Scope of consolidation: Consolidated		Total unweighted value				Total weighted value			
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		3	3	3	3	3	3	3	3
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					267.527	236.733	223.632	248.107
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	131.284	129.928	165.132	138.669	9.774	9.453	9.851	10.343
3	Stable deposits	80.408	82.582	82.139	84.767	4.020	4.129	4.107	4.238
4	Less stable deposits	50.876	47.345	51.317	53.902	5.754	5.324	5.744	6.105
5	Unsecured wholesale funding	271.590	257.309	245.669	277.612	105.813	100.672	96.753	109.153
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	7.663	6.646	2.023	2.977	1.915	1.661	505	744
7	Non-operational deposits (all counterparties)	263.926	250.663	243.646	274.635	103.898	99.011	96.248	108.409
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	6.306	1.992	1.962	4.050	416	106	105	250
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	6.306	1.992	1.962	4.050	416	106	105	250
14	Other contractual funding obligations	7.850	6.331	4.997	6.072	7.046	5.308	3.977	4.948
15	Other contingent funding obligations	67.239	73.726	74.276	69.465	4.741	7.154	7.985	4.652
16	**TOTAL CASH OUTFLOWS**					127.374	122.693	118.671	129.346
CASH-INFLOWS									
17	Secured lending (eg reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	29.795	29.983	28.354	52.190	29.269	26.268	28.154	51.469
19	Other cash inflows	63.922	62.987	59.623	58.217	13.441	12.434	12.286	11.909
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**	93.716	92.970	87.977	110.407	42.710	39.064	40.439	63.379
EU-20a	**Fully exempt inflows**	-	-	-	-	-	-	-	-
EU-20b	**Inflows Subject to 90% Cap**	-	-	-	-	-	-	-	-
EU-20c	**Inflows Subject to 75% Cap**	93.716	92.970	87.977	110.407	42.710	39.064	40.439	63.379
						TOTAL ADJUSTED VALUE			
21	**LIQUIDITY BUFFER**					267.527	236.733	223.632	248.107
22	**TOTAL NET CASH OUTFLOWS**					84.895	80.297	78.234	65.968
23	**LIQUIDITY COVERAGE RATIO (%)**					**315,59%**	**295,25%**	**287,74%**	**380,25%**

10. KEY METRICS

		31/12/2021	30/09/2021	30/06/2021	31/03/2021	31/12/2020
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	40.742	41.242	41.783	42.006	43.136
2	Tier 1 capital	45.742	46.242	46.783	47.006	48.135
3	Total capital	51.992	45.242	46.783	47.006	48.135
	Risk-weighted exposure amounts					
4	Total risk exposure amount	250.157	261.000	273.166	277.994	291.327
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	16,29%	15,80%	15,30%	15,11%	14,81%
6	Tier 1 ratio (%)	18,29%	17,72%	17,13%	16,91%	16,52%
7	Total capital ratio (%)	20,78%	17,72%	17,13%	16,91%	16,52%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	5,20%	5,20%	5,20%	5,20%	5,20%
EU 7b	of which: to be made up of CET1 capital (percentage points)	2,93%	2,93%	2,93%	2,93%	2,93%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	3,90%	3,90%	3,90%	3,90%	3,90%
EU 7d	Total SREP own funds requirements (%)	13,20%	13,20%	13,20%	13,20%	13,20%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2,50%	2,50%	2,50%	2,50%	2,50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0,00%	0,00%	0,00%	0,00%	0,00%
9	Institution specific countercyclical capital buffer (%)	0,00%	0,00%	0,00%	0,00%	0,00%
EU 9a	Systemic risk buffer (%)	0,00%	0,00%	0,00%	0,00%	0,00%
10	Global Systemically Important Institution buffer (%)	0,00%	0,00%	0,00%	0,00%	0,00%

		31/12/2021	30/09/2021	30/06/2021	31/03/2021	31/12/2020
EU 10a	Other Systemically Important Institution buffer (%)	0,00%	0,00%	0,00%	0,00%	0,00%
11	Combined buffer requirement (%)	2,50%	2,50%	2,50%	2,50%	2,50%
EU 11a	Overall capital requirements (%)	15,70%	15,70%	15,70%	15,70%	15,70%
12	CET1 available after meeting the total SREP own funds requirements (%)	6,00%	6,13%	5,37%	5,18%	4,88%
	Leverage ratio					
13	Total exposure measure	540.354	520.588	529.152	561,825	614.519
14	Leverage ratio (%)	8,47%	8,88%	8,84%	8,57%	7,83%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0%	0%	0%	0%	0%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0%	0%	0%	0%	0%
EU 14c	Total SREP leverage ratio requirements (%)	0%	0%	0%	0%	0%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0%	0%	0%	0%	0%
EU 14e	Overall leverage ratio requirement (%)	3%	3%	3%	0%	0%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	274.792	251.940	252.077	282.284	265.329
EU 16a	Cash outflows - Total weighted value	115.931	101.113	102.686	119.890	134.745
EU 16b	Cash inflows - Total weighted value	13.575	16.202	15.615	15.645	72.023
16	Total net cash outflows (adjusted value)	102.356	84.911	87.071	104.245	62.722
17	Liquidity coverage ratio (%)	268%	297%	290%	271%	423%
	Net Stable Funding Ratio					
18	Total available stable funding	378.667	382.349	383.097		
19	Total required stable funding	195.573	196.865	216.666		
20	NSFR ratio (%)	194%	194%	177%		

11. ASSET ENCUMBRANCE

Asset encumbrance refers to pledging of an asset or entering into any form of transaction to secure, collateralize or credit enhance a transaction from which the said asset cannot be freely withdrawn.

11.1 Encumbered and unencumbered assets by asset type

Table 37 - Encumbered and unencumbered assets by asset type

31 December 2021 €000	**Carrying amount of encumbered assets**	**Fair value of encumbered assets**	**Carrying amount of unencumbered assets**	**Fair value of unencumbered assets**
Loans and advances (including loans on demand)	999		382.726	
Equity instruments	-	-	131	131
Debt securities	-	-	111.679	112.096
Other assets	-	-	20.330	
Assets of the reporting institution	**999**	**-**	**514.865**	**112.227**

31 December 2020 €000	**Carrying amount of encumbered assets**	**Fair value of encumbered assets**	**Carrying amount of unencumbered assets**	**Fair value of unencumbered assets**
Loans and advances (including loans on demand)	999		472.075	
Equity instruments	-	-	-	-
Debt securities	-	-	82.277	82.277
Other assets	-	-	25.306	
Assets of the reporting institution	**999**	**-**	**579.659**	**82.277**

An asset is classified as encumbered if it has been pledged as collateral against an existing liability and as a result is no longer available to the Group for further collateral or liquidity requirements.

11.2 Collateral received by product type

Table 38 - Collateral received by product type

31 December 2021 31 December 2020 €000	**Fair value of encumbered collateral received or own debt securities issued**	**Fair value of collateral received or own debt securities issued available for encumbrance**
Equity instruments	-	-
Debt securities	-	-
Other collateral received	-	-
Total collateral received by reporting institution		

11.3 Encumbered assets/collateral received and associated liabilities

Table 39 - Encumbered assets/collateral received and associated liabilities

31 December 2021 **€000**	**Carrying amount of selected financial liabilities**
Matching liabilities, contingent liabilities or securities lent	-
Assets, collateral received and owndebt securities issued other than covered bonds and securitisations encumbered	999

31 December 2020 **€000**	**Carrying amount of selected financial liabilities**
Matching liabilities, contingent liabilities or securities lent	-
Assets, collateral received and owndebt securities issued other than covered bonds and securitisations encumbered	999

12. REMUNERATION DISCLOSURES

This section discloses information relating to the Group's remuneration policies and procedures and Human Resource matters, as well as information about the composition and the mandate of the Nomination and Remuneration Committee ("NRC") of the MB.

12.1 Nomination and Remuneration Committee

Within the authority delegated by the MB, the NRC is responsible for the following matters:

Nomination matters

- Identifying and nominating, for the approval of the MB, candidates for Board vacancies as and when they arise;
- Regularly reviewing the structure, size and composition of the MB and making recommendations with regards to possible changes.

Remuneration Matters

- Determine and agree with the MB the framework or broad policy for the remuneration of the Chairman, the Chief Executive Officer and other members of the MB and of executive management;
- Within the terms of the agreed policy, determine the total individual remuneration package of each executive director including, where appropriate, bonuses and share options;
- Determine targets for any performance-related pay schemes operated by the Group and for the total annual payments made under such schemes.

Human Resources Matters

- Review and approve strategic, policy, and other important human resource issues which may relate, among others, to employee relations, recruitment, promotions, salaries, bonuses, other

benefits and termination compensation;
- Review and approve changes in the organizational structure, which should derive from the changing needs of the Bank.

The members of the NRC as at 31 December 2021 were Messrs G.Loizou – Chairman, M. C.Patsalides, and A. Papathomas all of whom were non-executive directors. During 2021, the NRC held 7 meetings.

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

12.2 Staff who have a material impact on the Group's risk profile

The following groups of individuals represent staff that have a material impact on the Group's risk profile:

- Management Body;
- Senior management and other code staff whose actions could have a material impact on the Group's risk profile.

12.3 Analysis of Remuneration

The Management Body comprised 8 directors as at 31 December 2021, being made up of 3 executive and 5 non-executives. Aggregate remuneration of non-executive directors for the year amounted to €194K. Non-executive directors receive a fixed remuneration package approved by the NRC each year.

Remuneration of Members of the Management Body1 and Other Identified Staff2 for the year are presented below. Other Senior Management include remuneration of the members of the senior management, who report directly to the members of the Management Body.

[1] Management Body in its Management Function includes Executive Directors, and the CEOs of subsidiary companies comprising the Group (from the date of their appointment and/or up to the date of their resignation).

[2] Other Identified Staff includes staff whose actions could have a material impact on the Group's risk profile. Other identified staff does not form part of other senior management.

Table 40 – Remuneration awarded for the financial Year

	31 December 2021		MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	**Fixed remuneration - €000**	Number of identified staff	5	4	10	8
2		Total fixed remuneration	194	497	910	622
3		Of which: cash-based	194	497	910	622
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests				
5		Of which: share-linked instruments or equivalent non-cash instruments				
EU-5x		Of which: other instruments				
6		(Not applicable in the EU)				
7		Of which: other forms				
8		(Not applicable in the EU)				
9	**Variable remuneration - €000**	Number of identified staff				
10		Total variable remuneration				
11		Of which: cash-based				
12		Of which: deferred				
EU-13a		Of which: shares or equivalent ownership interests				
EU-14a		Of which: deferred				
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments				
EU-14b		Of which: deferred				
EU-14x		Of which: other instruments				
EU-14y		Of which: deferred				
15		Of which: other forms				
16		Of which: deferred				
17	Total remuneration (2 + 10)		194	497	910	622

		a	b	c	d
	31 December 2020	MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	**Fixed remuneration - €000** — Number of identified staff	9	2	10	4
2	Total fixed remuneration	250	373	850	489
3	Of which: cash-based	250	373	850	489
4	(Not applicable in the EU)				
EU-4a	Of which: shares or equivalent ownership interests				
5	Of which: share-linked instruments or equivalent non-cash instruments				
EU-5x	Of which: other instruments				
6	(Not applicable in the EU)				
7	Of which: other forms				
8	(Not applicable in the EU)				
9	**Variable remuneration - €000** — Number of identified staff				
10	Total variable remuneration				
11	Of which: cash-based				
12	Of which: deferred				
EU-13a	Of which: shares or equivalent ownership interests				
EU-14a	Of which: deferred				
EU-13b	Of which: share-linked instruments or equivalent non-cash instruments				
EU-14b	Of which: deferred				
EU-14x	Of which: other instruments				
EU-14y	Of which: deferred				
15	Of which: other forms				
16	Of which: deferred				
17	Total remuneration (2 + 10)	250	373	850	489

Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff) by business area was as follows:

Table 41 - Remuneration by business area[5]

31 December 2021 €000	a	b	c	d	e	f	g	h	i	j
	Management body remuneration			**Business areas**						
	MB Supervisory function	**MB Management function**	**Total MB**	**Investment banking**	**Retail banking**	**Asset management**	**Corporate functions**	**Independent internal control functions**	**All other**	**Total**
Total number of identified staff										**27**
Of which: members of the MB	5	4	9							
Of which: other senior management				0	4	0	3	3	0	
Of which: other identified staff				1	2	0	4	0	1	
Total remuneration of identified staff	194	497	691	100	631	0	552	187	63	
Of which: variable remuneration	-	-	-	-	-	-	-	-	-	
Of which: fixed remuneration	194	497	691	100	631	0	552	187	63	

31 December 2020 €000	a	b	c	d	e	f	g	h	i	j
	Management body remuneration			**Business areas**						
	MB Supervisory function	**MB Management function**	**Total MB**	**Investment banking**	**Retail banking**	**Asset management**	**Corporate functions**	**Independent internal control functions**	**All other**	**Total**
Total number of identified staff										**25**
Of which: members of the MB	9	2	11							
Of which: other senior management				0	4	0	3	3	0	
Of which: other identified staff				1	0	0	3	0	0	
Total remuneration of identified staff	250	373		103	467	0	534	184	51	
Of which: variable remuneration	-	-	-	-	-	-	-	-	-	
Of which: fixed remuneration	250	373		103	467	-	534	184	51	

The total number of full-time employees of the Group as at 31 December 2021 was 147 (2020:142).

[5] Fixed remuneration includes salaries and contributions to government.