The Cyprus Development Bank Group

PILLAR 3 DISCLOSURES
AS AT 31 DECEMBER 2019

IN ACCORDANCE WITH PART 8 OF EU REGULATION No 575/2013 ON
PRUDENTIAL REQUIREMENTS FOR CREDIT INSTITUTIONS AND INVESTMENT FIRMS

22 May 2020

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1. INTRODUCTION

Table 1 - Key Metrics as at 31 December 2019

Available Capital	**€'000**	**Leverage Ratio**	**€'000**
Common equity tier 1 ('CET1') capital	45.686	Total Leverage ratio exposure	594.595
Additional tier 1 ('AT1') capital	5.000	Leverage ratio %	8,52%
Total regulatory capital	50.686	Minimum Leverage ratio	3%
		Liquidity Coverage Ratio ('LCR')	
Risk-weighted assets ('RWAs')		Total high-quality liquid assets	271.638
Total RWAs	296.964	Total net cash outflow	89.215
Capital Ratios %		LCR ratio %	304%
CET1	15,38%	Minimum LCR ratio	100%
Total Tier 1	17,07%		
Total available capital	17,07%		
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 22 and 23 of the Annual Financial Report 2019. 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. JSC cdbbank, that was reported as subsidiary of the Group on 31st December 2018 was successfully wound-up by end of September 2019, following an application to the Central Bank of Russian Federation (CBRF) for voluntary winding-up in October 2018.

At a consolidated group level, capital for prudential regulatory reporting purposes is calculated based on the Basel III framework of the Basel Committee ('Basel') as implemented by the European Union ('EU') in the amended Capital Requirements Directive and Regulation ('CRD IV').

The Basel Committee's 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

Pillar 3 disclosures are governed by Part 8 of the Capital Requirements Regulation within CRD IV and the European Banking Authority's ('EBA') final standards on revised Pillar 3 disclosures issued on August 2017. The Chief Risk Officer has attested in writing that 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 executive management and the Management Body.

Unless otherwise stated all figures in the present report are expressed in thousands of Euros and relate to 31st December 2019. A summary of key ratios and figures reflected throughout the Pillar 3 disclosures at 31st December 2019 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 2019, which is also published on the Company's website. The reader is referred in particular to **Note 37** of the Annual Financial Report 2019, which provides additional information on financial risk management, as well as **Note 42** 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 nine non-executive Directors and two executive Directors as at 31st December 2019, as shown on page 3 of the Annual Financial Report 2019. 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 2019 included one female director, representing 11% 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 2019. Based on the Central Bank of Cyprus 2014 Directive on the ''*Assessment of the Fitness and Probity of Members of the Management Body and Managers of Authorized 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
George Loizou	Acting Chairman	-	-
Neoclis Nicolaou	Vice Chairman - Non-Executive	1	3
Andreas Loizou	Non-Executive Director	-	4
Menelaos Shiacolas	Non-Executive Director	1	3
George Pavlides	Non-Executive Director	-	2
Wahid Pierre Chammas	Non-Executive Director	1	1
Costas Poullis	Non-Executive Director	-	-
Avgoustinos Papathomas	Non-Executive Director	2	-
Christodoulos Plastiras	Non-Executive Director	-	3
Costas Argyrides	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 risk taking or 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 2019, the RC met eight 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") 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, 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.

3.2 Information Flow on Risk to the Management Body

The information flow on risk 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;
- Monthly 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 minimize the risk of 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 strategic priorities include the improvement of asset quality and effective management of non-performing exposures, increasing non-interest fee-based income, maintaining the strong liquidity position, invest in digital transformation as well as preserving the capital adequacy of the Group by internally generating capital through profitability and other means. The Group aims to have in place robust risk management policies and practices so as to ensure the level of risk it faces is consistent with the Group's risk appetite and corporate objectives. The Group manages risks to maximise its long-term results by ensuring the integrity of its assets and the quality of its earnings.

3.5 COVID-19

The world economy has entered into a deep recession the recovery of which largely depends on the magnitude and duration of national shutdowns, the extent of reduced demand for goods and services, the adequacy and speed at which significant fiscal and monetary support takes effect.

Undoubtfully, Banks' profitability and subsequently their capital base will be impacted due to new defaults, re-defaults, decrease of cure rates, decrease of interest and fee income. Further, business strategy and strategies for the resolution of non-performing exposures should be revisited due to changing operating environment and need to postpone certain resolution actions.

Due to various unknown factors of this crisis, an accurate and reliable impact assessment on business activities and associated risks cannot be performed. However, the Group is continuously monitoring the situation, in an effort to identify appropriate mitigation actions that can be taken e.g. identify exposures to economic sectors expected to be highly impacted, assessing customers' needs in relation to funding support, identify customers that need rescheduling of repayment schedule so as to maintain their viable status, revise business strategy.

Additional information is presented in notes 2.1.5 and 42 of the Annual Financial Report of 2019.

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 38.5 to the Annual Financial Report 2019.

The Group's capital adequacy ratios were as follows:	2019	2018
Common Equity Tier 1 ratio	15,38%	12,34%
Tier 1 ratio	17,07%	13,95%
Total Capital Adequacy Ratio	17,07%	13,95%

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 17,07% for the Group as at 31 December 2019, is 1,37% above the 15,70% minimum required by the Central Bank of Cyprus. In 2019 the Group proceeded with a rights issue and a private placement which combined with operating profitability, positive impact from the resolution of NPE cases as well as the liquidation of the subsidiary in the Russian Federation, have resulted in an increase of the capital ratios above the minimum required.

4.2 Own Funds

The Group's regulatory capital comprises Common Equity Tier 1 (CET1) as well as Additional Tier 1 (AT1) 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. For 2018 the portion added back was 95%, for 2019 is 85% and will be gradually reduced to 25% on 2022.

AT1 capital relates to a perpetual subordinated note.

The Group does not have any Tier 2 (T2) capital.

Information on share capital, and the non-redeemable capital account appears in note 34 of the Annual Financial Report 2019, while for the perpetual subordinated note in note 33. In addition, the main features of CET1 and AT1 capital instruments are summarized in the table below.

Table 3 - Description of main features of CET1 and AT1 Capital instruments

	CET1	**AT1**
Issuer	The Cyprus Development Bank	The Cyprus Development Bank
Unique identifier (eg CUSIP, ISIN or Bloomberg identifier)	n/a	n/a
Governing law(s) of the instrument	Cyprus Law	Cyprus Law
Regulatory treatment		
Trasitional CRR rules	CET1	AT1
Post-trasitional CRR rules	CET1	AT1
Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo & consolidated	Solo & consolidated
Instrument type	Share Capital	Unsecured Subordinated Note
Amount recognized in regulatory capital	EUR 8,7 mln	EUR 5,0 mln
Nominal amount of instrument	43.275.979 Ordinary Shares	5,000,000
Issue price	€0,20	€1,00
Redemption price	n/a	€1,00
Accounting classification	Shareholders equity	Loan capital
Date of conversion of existing shares and issuance of new shares	24 September 2019	n/a
Original date of issuance	n/a	3 August 2017
Perpetual or dated	Perpetual	Perpetual
Original maturity date	No maturity	No maturity
Issuer call subject to prior supervisory approval	n/a	Yes
Optional call date, contingent call dates and redemption amount	n/a	5^{th} anniversary
Subsequent call dates, if applicable	n/a	each interest payment date
Coupons / dividends		
Fixed or floating dividend/coupon	Floating	Fixed
Coupon rate and any related index	n/a	13,75% p.a. payable semi-annually
Existence of a dividend stopper	Yes	Yes
Fully discretionary, partially discretionary or mandatory (in terms of timing)	n/a	Fully or partially discretionary
Fully discretionary, partially discretionary or mandatory (in terms of amount)	n/a	Fully or partially discretionary
Existence of step up or other incentive to redeem	n/a	No
Non-cumulative or cumulative	n/a	Non-cumulative
Convertible or non-convertible	n/a	Non-convertible
Write-down features	No	Yes, partial temporary write-down
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	n/a	Bank's creditors
Non-compliant transitional features	No	No

The calculation of regulatory own funds of the Group as at 31st December 2019 was as follows:

Table 4 - Regulatory Own Funds Calculation

Original own funds (Tier 1 Capital)	**2019**
Common Equity Tier 1 Capital (CET1 Capital)	**€000**
Share capital	8.655
Share premium	16.048
Retained earnings	(14.083)
Accumulated other comprehensive income	13.668
Other Reserves	19.435
Minority Interest	67
(-) Other Intangible assets	(998)
Other transitional adjustments to CET1 Capital	2.894
Total Common Equity Tier 1 Capital (CET1 Capital)	**45.686**
Additional Tier 1 Capital (AT1 Capital)	5.000
Total Original own funds (Tier 1 Capital)	**50.686**
Additional own funds (Tier 2 Capital)	-
Tier 2 Capital	**-**
Total own funds (Tier 1 Capital + Tier 2 Capital)	**50.686**

Original own funds (Tier 1 Capital)	**2018**
Common Equity Tier 1 Capital (CET1 Capital)	**€000**
Share capital	35.164
Share premium	11.211
Retained earnings	(9.557)
Accumulated other comprehensive income	(4.828)
Other Reserves	90
Minority Interest	56
(-) Other Intangible assets	(1.064)
Capital account	4.000
Other transitional adjustments to CET1 Capital	3.456
Total Common Equity Tier 1 Capital (CET1 Capital)	**38.528**
Additional Tier 1 Capital (AT1 Capital)	5.000
Total Original own funds (Tier 1 Capital)	**43.528**
Additional own funds (Tier 2 Capital)	-
Tier 2 Capital	**-**
Total own funds (Tier 1 Capital + Tier 2 Capital)	**43.528**

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 5 - Reconciliation of balance sheet with own funds calculations

	2019	**2018**
Total Equity per Group consolidated financial statements	**43.922**	**36.257**
(-) Intangible assets	(998)	(1.065)
(-) Transitional adjustments for unrealised gains of assets and liabilities measured at fair value	-	-
(-) Transitional adjustments on minority interests	(132)	(120)
IFRS9 adjustment	2.894	3.340
Total Common Equity Tier 1	**45.686**	**38.412**
Additional Tier 1	**5.000**	**5.000**
Total Tier 1	**50.686**	**43.412**
Tier 2	-	-
Total Tier 2	**-**	**-**
Total Own funds	**50.686**	**43.412**

The table below discloses the components of regulatory capital as at 31st December 2019 during the transitional and fully phased-in period. This disclosure has been prepared using the format set out in Annex VI of the “Commission Implementing Regulation (EU) No 1423/2013”, which lays down implementing technical standards with regards to disclosure of own funds requirements, for institutions according to the Regulation.

Table 6 - Transitional and Fully Phased-in Components of Own Funds

31 December 2019 **Common Equity Tier 1 capital: instruments and reserves**	**Transitional Definition**	**Fully Phased in Definition**
Capital instruments and the related share premium accounts	24.703	24.703
Retained earnings (previous year)	(13.142)	(13.142)
Accumulated other comprehensive income (and other reserves)	33.103	33.103
Funds for general banking risk	-	-
Minority interest (amount allowed in consolidated CET1)	67	67
Independently reviewed interim profits net of any foreseeable charge or dividend		
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**44.731**	**44.731**
Intangible assets (net of related tax liability) (negative amount)	(998)	(998)
Losses for the current financial year (negative amount)	(941)	(941)
Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre -CRR treatment	2.894	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**955**	**(1.939)**
Common Equity Tier 1 (CET1) capital	**45.686**	**42.792**
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)	**50.686**	**47.792**
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	-	-
Of which: possible filter for unrealised gains	-	-
Total regulatory adjustments to Tier 2 (T2)	**-**	**-**
Tier 2 (T2) capital	**-**	**-**
Total capital (TC = T1 + T2)	**50.686**	**47.792**
Total risk weighted assets	**296.964**	**293.926**
Capital ratios		
Common Equity Tier 1 (as a % of risk exposure amount)	**15,38%**	**14,56%**
Tier 1 (as a % of risk exposure amount)	**17,07%**	**16,26%**
Total capital (as a % of risk exposures amount)	**17,07%**	**16,26%**

31 December 2018 Common Equity Tier 1 capital: instruments and reserves	Transitional Definition	Fully Phased in Definition
Capital instruments and the related share premium accounts	46.375	46.375
Retained earnings	(7.414)	(7.414)
Accumulated other comprehensive income (and other reserves)	(4.738)	(4.738)
Funds for general banking risk	4.000	4.000
Minority interest (amount allowed in consolidated CET1)	56	56
Independently reviewed interim profits net of any foreseeable charge or dividend		
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**38.279**	**38.279**
Intangible assets (net of related tax liability) (negative amount)	(1.064)	(1.064)
Losses for the current financial year (negative amount)	(2.143)	(2.143)
Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject t	3.340	
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**133**	**(3.207)**
Common Equity Tier 1 (CET1) capital	**38.412**	**35.072**
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)	**43.412**	**40.072**
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	-	-
Of which: possible filter for unrealised gains	-	-
Total regulatory adjustments to Tier 2 (T2)	**-**	**-**
Tier 2 (T2) capital	**-**	**-**
Total capital (TC = T1 + T2)	**43.412**	**40.072**
Total risk weighted assets	**311.332**	**307.525**
Capital ratios		
Common Equity Tier 1 (as a % of risk exposure amount)	**12,34%**	**11,40%**
Tier 1 (as a % of risk exposure amount)	**13,94%**	**13,03%**
Total capital (as a % of risk exposures amount)	**13,94%**	**13,03%**

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 2019. 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 7 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

Breakdown by country	General Credit Exposures	Own Funds Requirements				Own Funds requirement Weights	Counter-cyclical Buffer Rate
	Exposure value for SA	Of which: General Credit Exposures	Of which: Trading Book Exposures	Of which: Securitisation Exposures	Total		
Cyprus	392.788	20.706			20.706	97,64%	0%
Other	1.740	500			500	2,36%	0%
Total	**394.528**	**21.206**			**21.206**	**100%**	

The following table presents the amount of institution-specific countercyclical capital buffer of the Group, as at 31 December 2019.

Table 8 - Amount of institution-specific countercyclical capital buffer

Amount of institution-specific countercyclical capital buffer	
Total Risk Exposure Amount, in €'000	394.528
Institution specific countercyclical buffer rate %	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 2019 was as follows:

Table 9 - Pillar 1 Minimum Capital Requirements

Risk Type	**Pillar 1 Capital Requirement 2019**	**Pillar 1 Capital Requirement 2018**
Credit	21.537	22.863
Market	0	0
Operational	2.220	2.025
Credit Valuation Adjustment (CVA) risk	0	11
Total Capital Requirement	**23.757**	**24.899**

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. No Pillar 2 add-on capital resulted from the 2016 ICAAP. The Group is in the process of preparing its 2019 ICAAP.

In February 2017, the Central Bank of Cyprus, following the Supervisory Review and Evaluation Process (SREP) for 2016 imposed a Pillar 2 additional funds requirement of 5,20% to be maintained at all times in the form of CET1 capital. The minimum required CET1 has been set at 12.2% and the minimum required Overall capital ratio at 15.7% (including the capital conservation buffer at 2.5%).

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. 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 2019 the Leverage ratio was 8.52%. During 2019 the Leverage Ratio ranged between 6.73% and 8.52%.

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 10 - Reconciliation of Accounting Assets and Leverage Ratio Exposures

		2019	2018
1	Total assets as per published financial statements	555.634	587.137
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation		
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")		
4	Adjustments for derivative financial instruments		157
5	Adjustments for securities financing transactions "SFTs"		
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	36.897	34.928
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)		
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)		
7	Other adjustments	2.064	3.521
8	**Total leverage ratio exposure**	**594.595**	**625.743**

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

Table 11- Leverage Ratio Common Disclosure

		2019	2018
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	557.697	590.658
2	(Asset amounts deducted in determining Tier 1 capital)		
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	**557.697**	**590.658**
Derivative exposures			
4	Replacement cost associated with *all* derivatives transactions (i.e. net of eligible cash variation margin)		128
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)		29
11	**Total derivative exposures**		**157**
Securities financing transaction exposures			
16	**Total securities financing transaction exposures**	-	-
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	77.346	74.866
18	(Adjustments for conversion to credit equivalent amounts)	(40.449)	(39.938)
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**36.897**	**34.928**
Capital and total exposures			
20	**Tier 1 capital**	**50.686**	**43.412**
21	**Total leverage ratio exposures**	**594.594**	**625.743**
Leverage ratio			
22	**Leverage ratio (transitional definition)**	**8,52%**	**6,94%**

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

Table 12 - On-balance Sheet Exposures by Asset Class

	2019	2018
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**557.698**	**590.658**
Trading book exposures		
Banking book exposures, of which:	557.698	590.658
Covered bonds		
Exposures treated as sovereigns	*275.526*	*265.417*
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns		*2597*
Institutions	*20.312*	*31.206*
Secured by mortgages of immovable properties	*29.334*	*48.922*
Retail exposures	*14.268*	*17.045*
Corporate	*117.122*	*122.079*
Exposures in default	*45.532*	*46.786*
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	*55.604*	*56.606*

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 is fully absorbed after the five year transitional period. 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 13 - Comparison of own funds and capital and leverage with the application of transitional arrangements for IFRS9

		31/12/2019	30/09/2019	30/06/2019	31/03/2019	31/12/2018
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1) capital	45.686	43.373	43.378	43.043	38.412
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLSs transitional arrangements had not been applied	42.792	40.384	40.389	40.054	34.956
3	Tier 1 capital	50.686	48.373	48.378	48.043	43.412
4	Tier 1 capital as if IFRS 9 or analogous ECLSs transitional arrangements had not been applied	47.792	45.384	45.389	45.054	40.072
5	Total capital	50.686	48.373	48.378	48.043	43.412
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	47.792	45.384	45.389	45.054	40.072
	Risk-weighted assets (amounts)					
7	Total risk-weighted assets	296.964	299.151	303.820	314.041	311.240
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	293.926	297.915	303.210	315.570	307.525
	Capital ratios					
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	15,38%	14,50%	14,28%	13,71%	12,34%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	14,56%	13,56%	13,32%	12,69%	11,41%
11	Tier 1 (as a percentage of risk exposure amount)	17,07%	16,17%	15,92%	15,30%	13,94%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16,26%	15,23%	14,97%	14,28%	13,03%
13	Total capital (as a percentage of risk exposure amount)	17,07%	16,17%	15,92%	15,30%	13,94%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16,26%	15,23%	14,97%	14,28%	13,03%
	Leverage ratio					
15	Leverage ratio total exposure measure	594.595	612.607	644.837	641.825	625.743
16	Leverage ratio	8,52%	7,90%	7,50%	7,49%	6,94%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	8,07%	7,45%	7,07%	7,06%	6,44%

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 2019, based on the Standardized Approach.

Table 14 - Credit Risk-weighted Assets and Capital

Exposure class 2019	Risk-weighted amounts	Minimum capital requirement
Central Governments and Central Banks	-	-
Regional governments or local authorities	-	-
Multilateral Development Banks	-	-
International Organisations	-	-
Institutions	4.143	331
Corporates	125.285	10.023
Retail	11.654	932
Secured by mortgages on immovable property	11.923	954
Exposures in default	48.963	3.917
Items associated with particular high risk	38.764	3.101
Equity	850	68
Other Items	27.633	2.211
Total	**269.215**	**21.537**

Exposure class 2018	Risk-weighted amounts	Minimum capital requirement
Central Governments and Central Banks	1.698	136
Regional governments or local authorities	519	42
Multilateral Development Banks	-	-
International Organisations	-	-
Institutions	7.038	563
Corporates	123.154	9.852
Retail	11.757	941
Secured by mortgages on immovable property	20.748	1.660
Exposures in default	50.735	4.059
Items associated with particular high risk	46.473	3.718
Equity	813	65
Other Items	22.855	1.828
Total	**285.790**	**22.863**

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 officers and 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 15 - Breakdown of Exposure Values by Credit Quality Step

31 December 2019 Breakdown by Credit Quality Step (CQS)	Exposure values before credit risk mitigation	Exposure values after credit risk mitigation
CQS 1	30.106	30.106
CQS 2	14.824	14.824
CQS 3	240.762	241.874
CQS 4	10.000	10.000
CQS 5	1.255	1.255
CQS 6		
Unrated/Not applicable	337.719	314.714
Total	**634.667**	**612.772**

31 December 2018 Breakdown by Credit Quality Step (CQS)	Exposure values before credit risk mitigation	Exposure values after credit risk mitigation
CQS 1	40.410	40.410
CQS 2	18.237	18.237
CQS 3	253.019	254.200
CQS 4	2	2
CQS 5	1.936	1.936
CQS 6		
Unrated/Not applicable	351.656	330.486
Total	**665.260**	**645.271**

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. Collateral policies are periodically revised to be in line with European Regulations and relevant Directives of the Central Bank of Cyprus.

Real estate values are monitored bi-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 16 - Exposures covered by Credit Protection

31 December 2019 Exposure class	Funded Credit Protection	Unfunded Credit Protection
Central governments and central banks	-	-
Multilateral Development Banks	-	-
Institutions	-	-
Corporate	5.268	-
Retail	16.503	-
Secured by mortgages on immovable property	-	-
Exposures in default	124	1.111
Items associated with particular high risk	-	-
Equity	-	-
Other Items	-	-
Total	**21.895**	**1.111**

31 December 2018 Exposure class	Funded Credit Protection	Unfunded Credit Protection
Central governments and central banks	-	-
Multilateral Development Banks	-	-
Institutions	-	-
Corporate	5.059	-
Retail	14.819	-
Secured by mortgages on immovable property	-	-
Exposures in default	95	1.182
Items associated with particular high risk	-	-
Equity	-	-
Other Items	-	-
Total	**19.973**	**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 new 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 and substantially modified assets arising from de-recognition of the original asset that are considered originated 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 measured at fair value, as any fall in fair value is taken to profit or loss or other comprehensive income for the year, depending upon the classification of the financial asset.

Based on the accounting treatment of financial assets measured at fair value through other comprehensive income (FVOCI) described in section 7.2, the ECLs do not reduce the carrying amount of the financial assets in the statement of financial position, which remains at fair value. Instead, the amount equal to the ECL allowance is recognized in other comprehensive income as the "accumulated impairment amount".

For more details on the impairment policies of the Group refer to note 2 and 3 of the Annual Financial Report 2019.

The table below provides a breakdown of loan portfolio.

Table 17- Breakdown of loan portfolio

31 December 2019	Gross value	Provisions	Net amount	Provision Coverage %
Total Loans	**280.813**	**(50.066)**	**230.747**	**18%**
of which				
Impaired	121.303	(47.862)	73.441	39%
Default	91.787	(44.607)	47.180	49%
NPE	107.212	(47.759)	59.453	45%
31 December 2018	**Gross value**	**Provisions**	**Net amount**	**Provisions Coverage %**
Total Loans	**313.024**	**(63.093)**	**249.931**	**20%**
of which				
Impaired	134.403	(59.728)	74.675	44%
Default	99.692	(52.806)	46.886	53%
NPE	125.408	(59.727)	65.681	48%

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

Table 18- Impaired and Past Due Exposures by Geographic Area

31 December 2019 Impaired and exposures with days past due by Geographical location of Counterparty	Impaired exposures	Exposures with days past due
CY	122.326	135.801
Other Countries	279	280
Total	**122.605**	**136.081**

31 December 2018 Impaired and exposures with days past due by Geographical location of Counterparty	Impaired exposures	Exposures with days past due
CY	142.464	129.275
RU	2.971	27
Other Countries	75	80
Total	**145.510**	**129.382**

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

Table 19 - Impaired and Exposures with Days Past Due by Industry

31 December 2019 Impaired and exposures with days past due by Counterparty Industry	**Impaired exposures**	**Exposures with days past due**
1. Construction & Real Estate	38.067	27.668
2. Hotels, Restaurants & Bars	7.440	7.902
3. Manufacturing	16.971	16.795
4. Wholesale & Retail Trade	9.297	26.080
5. Services	6.327	7.368
6. Health & Social Work	76	76
7. Transport, Storage & Telecommunication	659	1.720
8. Financial & Insurance	9.750	11.470
9. Other	17.240	19.749
10. Private Individuals	16.779	17.252
Not applicable		
Total	**122.605**	**136.081**

31 December 2018 Impaired and exposures with days past due by Counterparty Industry	**Impaired exposures**	**Exposures with days past due**
1. Construction & Real Estate	37.195	27.628
2. Hotels, Restaurants & Bars	10.361	11.819
3. Manufacturing	33.163	10.349
4. Wholesale & Retail Trade	22.748	33.372
5. Services	1.664	20.275
6. Health & Social Work	410	1.948
7. Transport, Storage & Telecommunication	699	1.364
8. Financial & Insurance	506	700
9. Other	20.383	1.262
10. Private Individuals	18.381	20.664
Not applicable	-	-
Total	**145.510**	**129.382**

The table below provides an overview of the non-performing and forborne exposures.

Table 20. Non-performing and forborne exposures

31 December 2019	Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
		Of which performing but past due > 30 days and <= 90 days	Of which performing forborne	Of which non-performing				On performing exposures		On non-performing exposures		On non-performing exposures	Of which forborne exposures
					Of which defaulted	Of which impaired *	Of which forborne		Of which forborne		Of which forborne		
Debt securities	95.851	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances	280.813	9.043	33.128	107.212	90.141	107.212	50.663	- 2.720	- 431	- 50.395	- 13.168	50.008	67.360
Off-balance-sheet exposures	77.347	-	-	1.810	1.641	-	-	- 471	-	- 48	-	-	-

31 December 2018	Gross carrying values of performing and non-performing exposures							Accumulated impairment and provisions and negative fair value adjustments due to credit risk				Collaterals and financial guarantees received	
		Of which performing but past due > 30 days and <= 90 days	Of which performing forborne	Of which non-performing				On performing exposures		On non-performing exposures		On non-performing exposures	Of which forborne exposures
					Of which defaulted	Of which impaired *	Of which forborne		Of which forborne		Of which forborne		
Debt securities	79.622	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances	313.024	3.207	51.569	125.409	99.593	125.409	53.634	- 3.552	- 937	- 63.023	- 19.822	51.560	74.693
Off-balance-sheet exposures	74.867	-	-	357	99	-	-	- 460	-	- 19	-	-	-

*Impaired exposures in above tables include only Stage 3 exposures, whereas impaired exposures referred in the rest of the document include Stage 3 and POCI exposures.

The table below provides an ageing analysis of exposures with days past due as at 31.12.2019:

Table 21 - Ageing analysis of exposures with days past due

31 December 2019	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 360 days	> 1 year	Total
1. Loans	29.251	10.290	1.969	15.892	4.017	74.663	136.081
2. Debt securities							-
Total	**29.251**	**10.290**	**1.969**	**15.892**	**4.017**	**74.663**	**136.081**

31 December 2018	≤ 30 days	> 30 days ≤ 60 days	> 60 days ≤ 90 days	> 90 days ≤ 180 days	> 180 days ≤ 360 days	> 1 year	Total
1. Loans	16.414	2.941	93	4.553		105.381	129.382
2. Debt securities							
Total	**16.414**	**2.941**	**93**	**4.553**		**105.381**	**129.382**

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

Table 22 - Movement in the provisions for loans and advances

2019	Stage 1	Stage 2	Stage 3	POCI	Total
1 January	2.024	1.527	62.993	31	**66.575**
Impact of adopting IFRS 9 at 1 January 2018	-	-	-	-	**-**
Restated balance at 1 January 2019	2.024	1.527	62.993	31	66.575
Transfer from Stage 1 to Stage 2	(117)	117	-	-	-
Transfer from Stage 1 to Stage 3	(2)	-	2	-	-
Transfer from Stage 2 to Stage 3	-	(344)	344	-	-
Transfer from Stage 3 to Stage 2	-	26	(26)	-	-
Transfer from Stage 2 to Stage 1	515	(515)	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-		-
Exchange differences	-	-	10	-	10
Loans and advances written off	-	-	(19.376)	-	(19.376)
Charge/(reversal) for the year	(403)	(216)	6.298	310	5.989
Previously written off now recovered	-	-	(83)	-	(83)
31 December	2.017	595	50.162	341	**53.115**

2018	Stage 1	Stage 2	Stage 3	POCI	Total
1 January	1.470	1.231	59.809	193	**62.703**
Impact of adopting IFRS 9 at 1 January 2018	469	1.650	836	200	**3.155**
Restated balance at 1 January 2019	1.939	2.881	60.645	393	65.858
Transfer from Stage 1 to Stage 2	(13)	13			-
Transfer from Stage 1 to Stage 3	(27)		27		-
Transfer from Stage 2 to Stage 3		(610)	610		-
Transfer from Stage 3 to Stage 2		113	(113)		-
Transfer from Stage 2 to Stage 1	498	(498)			-
Transfer from Stage 3 to Stage 1	46		(46)		-
Exchange differences			9		9
Loans and advances written off	(53)	(60)	(5.789)		(5.902)
Charge/(reversal) for the year	(365)	(575)	7.944	(362)	6.642
Previously written off now recovered			(33)		(33)
31 December	2.025	1.264	63.254	31	**66.574**

The table below analyses average exposure values during 2019 and 2018 by asset class.

Table 23- Average exposure values by asset class

31 December 2019 **Exposure class**	**Original exposure amount, net of provisions**	**Average exposure**
Central Governments and Central Banks	271.058	277.297
Multilateral Development Banks	4.468	4.468
Institutions	20.392	27.453
Corporates	160.246	159.447
Retail	45.270	46.372
Secured by mortgages on immovable property	30.224	43.103
Exposures in default	47.175	46.439
Items associated with particular high risk	26.072	27.531
Equity	850	229
Other Items	28.912	29.367
Total	**634.667**	**661.706**

31 December 2018 Exposure class	Original exposure amount, net of provisions	Average exposure
Central Governments and Central Banks	261.100	187.718
Regional governments or local authorities	2.597	1.704
Multilateral Development Banks	4.317	3.190
Institutions	31.363	75.460
Corporates	169.138	166.422
Retail	42.667	41.026
Secured by mortgages on immovable property	49.879	49.561
Exposures in default	46.885	47.467
Items associated with particular high risk	31.689	30.595
Equity	813	835
Other Items	24.811	24.140
Total	**665.259**	**628.118**

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

Table 24 - Original exposure values, net of provisions, analysed by country of incorporation of counterparties

31 December 2019 **Exposures per Asset Class per Country of incorporation of Counterparty**	**Cyprus**	**USA**	**France**	**Greece**	**Italy**	**Austria**	**Other Countries**	**Total**
Central Governments and Central Banks	230.640	22.198		10.000	5.003		3.218	**271.058**
Multilateral Development Banks		1.793					2.675	**4.468**
Institutions	1.649		14.824			3.640	280	**20.392**
Corporates	158.893						1.353	**160.246**
Retail	45.180			70			19	**45.270**
Secured by mortgages on immovable property	30.199						24	**30.224**
Exposures in default	47.090						84	**47.175**
Items associated with particular high risk	26.072							**26.072**
Equity	850							**850**
Other Items	28.912							**28.912**
Total	**569.485**	**23.991**	**14.824**	**10.070**	**5.003**	**3.640**	**7.653**	**634.667**

31 December 2018 **Exposures per Asset Class per Country of incorporation of Counterparty**	**Cyprus**	**USA**	**France**	**Russia**	**Italy**	**Austria**	**Other Countries**	**Total**
Central Governments and Central Banks	229.929	15.679		3.396	8.987		3.109	**261.100**
Regional governments or local authorities							2.597	**2.597**
Multilateral Development Banks							4.317	**4.317**
Institutions	2.115		15.588			10.352	3.308	**31.363**
Corporates	153.849	14.061		1.228				**169.138**
Retail	42.471			81			115	**42.667**
Secured by mortgages on immovable property	49.517			362				**49.879**
Exposures in default	46.881						4	**46.885**
Items associated with particular high risk	31.689							**31.689**
Equity	813							**813**
Other Items	23.784			1.027				**24.811**
Total	**581.048**	**29.740**	**15.588**	**6.094**	**8.987**	**10.352**	**13.450**	**665.259**

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

Table 25 - Original exposure values, net of provisions, analysed by industry segment

31 December 2019 Exposures by Asset Class by Industry Segment	**Construction & Real Estate**	**Hotels, Restaurants & Bars**	**Manufacturing**	**Wholesale & Retail Trade**	**Services**	**Health & Social Work**	**Transport, Storage & Telecom.**	**Financial & Insurance**	**Other**	**Private Individuals**	**Not appl.**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Central Governments and Central Banks			-		91.133			179.926				**271.058**
Multilateral Development Banks					895			3.573				**4.468**
Institutions								20.392				**20.392**
Corporates	46.957	31.658	2.672	42.990	1.971	0	19.675	3.637	9.381	1.305		**160.246**
of which SME	28.109	6.247	2.672	8.948	1.971	0	839	753	7.687			**57.227**
Retail	22.934	2.353	2.045	5.246	2.130	48	949	343	2.673	6.550		**45.270**
of which SME	22.932	1.861	1.454	4.364	1.381	46	388	125	1.724			**34.275**
Secured by mortgages on immovable property	8.162	1.094	2.833	9.134	373	317	1.285	478	3.829	2.720		**30.224**
of which SME	7.738	603	2.833	6.206	373	317	1.285	478	3.325			**23.157**
Exposures in default	9.962	2.851	7.447	5.022	3.980	4	191	1.695	5.878	10.145		**47.175**
Items associated with particular high risk	24.722	1.349										**26.072**
Equity		850						0				**850**
Other Items											28.912	**28.912**
Total	**112.737**	**40.155**	**14.997**	**62.392**	**100.482**	**368**	**22.099**	**210.044**	**21.761**	**20.720**	**29.233**	**634.667**

31 December 2018 Exposures by Asset Class by Industry Segment	Construction & Real Estate	Hotels, Restaurants & Bars	Manufacturing	Wholesale & Retail Trade	Services	Health & Social Work	Transport, Storage & Telecom.	Financial & Insurance	Other	Private Individuals	Not appl.	Total
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Central Governments and Central Banks					56.909			204.191				**261.100**
Regional governments or local authorities					2.597							**2.597**
Multilateral Development Banks					865			1.713	1.739			**4.317**
Institutions					-			31.363	-			**31.363**
Corporates	39.394	22.192	15.796	44.753	8.097		23.254	1.796	6.351	7.505		**169.138**
of which SME	16.275	5.762	5.668	10.576	8.097		100	352	5.863			**52.692**
Retail	12.885	2.241	4.095	6.287	1.716	1.533	1.046	4.250	2.391	6.223		**42.667**
of which SME	12.885	1.563	3.580	4.464	1.602	1.025	846	3.895	1.384			**31.245**
Secured by mortgages on immovable property	15.737	419	4.832	9.098	419	660	1.028	604	6.140	10.941		**49.879**
of which SME	15.467	419	4.151	6.341	419	646	1.028	604	6.121			**35.196**
Exposures in default	7.786	3.975	9.474	11.942	275	29	185	187	9.933	3.098		**46.885**
Items associated with particular high risk	31.506	183										**31.689**
Equity								813				**813**
Other Items											24.811	**24.811**
Total	**107.309**	**29.010**	**34.198**	**72.081**	**70.877**	**2.223**	**25.513**	**244.916**	**26.554**	**27.767**	**24.811**	**665.259**

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

Table 26 - Exposure values analysed by industry segment

31 December 2019 **Total Exposure pre and after the application of the respective provisions by industry**	**Total Exposure Before Provisions**	**Provisions**	**Total Exposure After Provisions**
Construction & Real Estate	120.221	7.484	112.737
Hotels, Restaurants & Bars	41.990	1.834	40.155
Manufacturing	24.951	9.954	14.997
Wholesale & Retail Trade	67.589	5.198	62.392
Services	102.850	2.368	100.482
Health & Social Work	441	73	368
Transport, Storage & Telecommunication	23.097	998	22.099
Financial & Insurance	222.362	12.319	210.044
Other	31.259	9.498	21.761
Private Individuals	26.775	6.055	20.720
Not applicable	28.912	0	28.912
Total	**690.447**	**55.780**	**634.667**

31 December 2018 **Total Exposure pre and after the application of the respective provisions by industry**	**Total Exposure Before Provisions**	**Provisions**	**Total Exposure After Provisions**
1. Construction & Real Estate	119.310	12.001	107.309
2. Hotels, Restaurants & Bars	33.903	4.893	29.010
3. Manufacturing	56.702	22.504	34.198
4. Wholesale & Retail Trade	81.126	9.045	72.081
5. Services	72.281	1.404	70.877
6. Health & Social Work	2.611	388	2.223
7. Transport, Storage & Telecommunication	26.777	1.264	25.513
8. Financial & Insurance	240.777	69	240.708
9. Other	37.252	10.698	26.554
10. Private Individuals	33.286	5.517	27.768
Not applicable	34.330	5.311	29.019
Total	**738.355**	**73.095**	**665.260**

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

Table 27 - Exposures in default and respective provisions by country of incorporation of counterparties

31 December 2019 **Past Due Exposures and respective Provisions by Counterparty Country of Incorporation**	**Cyprus**	**Other**	**Total**
Total Exposure Before Provisions	91.607	175	91.782
Provisions	(44.517)	(90)	(44.607)
Total Exposure After Provisions	**47.090**	**85**	**47.175**

31 December 2018 **Past Due Exposures and respective Provisions by Counterparty Country of Incorporation**	**Cyprus**	**Other**	**Total**
Total Exposure Before Provisions	99.617	75	99.692
Provisions	(52.736)	(70)	(52.806)
Total Exposure After Provisions	**46.881**	**5**	**46.886**

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

Table 28 - Original Exposure values, net of provision, by residual maturity

31 December 2019 **Exposure class**	**On demand**	**≤1 year**	**>1 year ≤5 years**	**>5 years**	**No stated maturity**	**Total**
Central Governments and Central Banks	179.926	85.432	5.700			271.058
Multilateral Development Banks		4.468				4.468
Institutions	2.419	17.907	50	16		20.392
Corporates	69.652	17.424	11.449	61.721		160.246
Retail	13.188	6.325	16.735	9.021		45.270
Secured by mortgages on immovable	6.839	1	2.552	20.832		30.224
Exposures in default	5.226	342	22.984	18.622		47.175
Items associated with particular high risk	2.761		8.484	14.828		26.072
Equity					850	850
Other Items					28.912	28.912
Total	**280.011**	**131.901**	**67.953**	**125.040**	**29.762**	**634.667**

31 December 2018 Exposure class	On demand	≤1 year	>1 year ≤5 years	>5 years	No stated maturity	Total
Central Governments and Central Banks	204.191	24.666	26.858	5.385		261.100
Regional governments or local authorities				2.597		2.597
Multilateral Development Banks				4.317		4.317
Institutions	3.564	25.162		2.637		31.363
Corporates	67.457	21.383	52.848	27.449		169.138
Retail	15.051	4.114	12.057	11.445		42.667
Secured by mortgages on immovable	8.401	201	37.828	3.449		49.879
Exposures in default	3.238	145	28.050	15.451		46.885
Items associated with particular high risk	1.406	2.047	15.020	13.033	183	31.689
Equity					813	813
Other Items					24.811	24.811
Total	**303.308**	**77.719**	**172.661**	**85.763**	**25.807**	**665.259**

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 2019.

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

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 two companies listed in the Cyprus Stock Exchange. The prices of equity investments are being monitored by the Group on a continuous basis.

Accounting treatment
Equity investments held by the Group are classified at FVOCI. Fair value gains and losses on these equity instruments are recognised in OCI and are not recycled to profit or loss upon derecognition, but are transferred directly to retained earnings. Dividends on equity investments are recognised in the consolidated income statement and reported within 'Other Income' when the right to receive payment has been established. Equity instruments measured at FVOCI are not subject to an impairment assessment.

The value of equity investments held as at 31 December 2019 is analyzed in note 19 of the Annual Financial Report 2019 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 fair value through other comprehensive income (FVOCI), hence changes in the value the securities affect the equity of the Group. The Bank's policy relating to valuation of debt securities, is stated in note 3 - Significant Accounting Policies.

Accounting treatment
Debt securities are classified and measured at fair value through other comprehensive income (FVOCI). Upon subsequent measurements of FVOCI a gain or loss on debt securities shall be recognised in other comprehensive income, except for impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the debt instrument is derecognized the cumulative gains or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

The value of debt securities held at 31 December 2019 is analysed in note 20 of the Annual Financial Report 2019 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 2019.

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 2019 was as follows:

Table 29 - Interest rate sensitivity gap analysis

31 December 2019	≤ 1 month €000	1-3 months €000	3-12 months €000	1-5 years €000	> 5 years €000	Non-interest bearing €000	Total €000
Net position	265.825	41.952	(13.466)	2.112	250	(296.673)	-
1% reduction in interest rates - effect on profit	(2.658)	(420)	135	(21)	(3)	-	(2.967)
1% increase in interest rates - effect on profit	2.658	420	(135)	21	3	-	2.967
31 December 2018	**≤ 1 month €000**	**1-3 months €000**	**3-12 months €000**	**1-5 years €000**	**> 5 years €000**	**Non-interest bearing €000**	**Total €000**
Net position	(5.014)	(16.940)	9.066	26.625	26.858	(40.595)	-
1% reduction in interest rates - effect on profit	50	169	(91)	(266)	(269)	-	(407)
1% increase in interest rates - effect on profit	(50)	(169)	91	266	269	-	407

Additional information on interest rate risk appears in noted 37.2 of the Annual Financial Report 2019.

iii. Currency risk

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 2019 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 30 - Foreign exchange risk sensitivity gap analysis

2019	Net open position €000	Increase in exchange rates	Effect on profits €000
Currency		%	
US Dollar	92	+10%	9
British pound	(35)	+10%	(4)
Russian Rouble	(10)	+30%	(3)
Other currencies	(15)	+10%	(1)

2019	Net open position €000	Decrease in exchange rates	Effect on profits €000
Currency		**%**	
US Dollar	92	-10%	(9)
British pound	(35)	-10%	4
Russian Rouble	(10)	-30%	3
Other currencies	(15)	-10%	1

2018	Net open position €000	Increase in exchange rates	Effect on profits €000
Currency		**%**	
US Dollar	153	10%	15
British pound	(19)	10%	(2)
Russian Rouble	(29)	30%	(9)
Other currencies	(38)	10%	(4)

2018	Net open position €000	Decrease in exchange rates	Effect on profits €000
Currency		**%**	
US Dollar	153	-10%	(15)
British pound	(19)	-10%	2
Russian Rouble	(29)	-30%	9
Other currencies	(38)	-10%	4

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 2019 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 2019 amounted to €2.220.000.

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.

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. Further details on LCR appear in the next section.

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 2019.

Table 31 - Quarterly LCR Ratio 2019

Scope of consolidation: Consolidated		Total unweighted value				Total weighted value			
Quarter ending on		Mar-19	Jun-19	Sep-19	Dec-19	Mar-19	Jun-19	Sep-19	Dec-19
Number of data points used in the calculation of		3	3	3	3	3	3	3	3
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					257.167	291.072	265.173	257.030
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	121.160	126.602	129.052	129.160	9.597	10.134	10.232	9.899
3	Stable deposits	67.915	67.799	69.426	74.551	3.395	2.178	3.471	3.727
4	Less stable deposits	34.003	37.307	37.395	32.971	4.278	4.595	4.537	4.008
5	Unsecured wholesale funding	295.893	299.403	280.548	265.315	115.779	116.548	109.152	103.389
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	5.382	8.429	8.575	6.987	1.345	2.107	2.143	1.746
7	Non-operational deposits (all counterparties)	290.511	290.974	271.973	258.328	114.434	114.441	107.009	101.642
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	7.297	7.032	5.213	4.403	511	570	307	263
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	7.297	7.032	5.213	4.403	469	460	307	263
14	Other contractual funding obligations	11.003	13.753	9.707	7.360	10.016	12.763	8.713	6.160
15	Other contingent funding obligations	68.182	72.711	72.156	71.575	4.162	4.421	4.390	4.383
16	**TOTAL CASH OUTFLOWS**					139.553	144.436	132.795	124.095
CASH-INFLOWS									
17	Secured lending (eg reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	32.117	28.948	25.901	31.155	30.558	28.179	25.157	29.791
19	Other cash inflows	63.871	63.529	62.343	66.230	15.009	14.485	13.465	15.398
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**	95.989	92.477	88.244	97.385	45.567	43.046	38.622	45.189
EU-20a	**Fully exempt inflows**	-	-	-	-	-	-	-	-
EU-20b	**Inflows Subject to 90% Cap**	-	-	-	-	-	-	-	-
EU-20c	**Inflows Subject to 75% Cap**	96.655	92.477	89.226	97.385	45.567	43.046	38.622	45.189
						TOTAL ADJUSTED VALUE			
21	**LIQUIDITY BUFFER**					257.167	291.072	281.840	257.030
22	**TOTAL NET CASH OUTFLOWS**					94.475	101.317	94.175	78.906
23	**LIQUIDITY COVERAGE RATIO (%)**					**273,33%**	**288,67%**	**299,33%**	**327,67%**

Scope of consolidation: Consolidated		Total unweighted value				Total weighted value			
Quarter ending on		**Mar-18**	**Jun-18**	**Sep-18**	**Dec-18**	**Mar-18**	**Jun-18**	**Sep-18**	**Dec-18**
Number of data points used in the calculation of		**3**	**3**	**3**	**3**	**3**	**3**	**3**	**3**
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					134.468	167.103	182.367	236.640
CASH-OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	89.194	87.557	91.110	111.273	6.771	6.830	7.085	8.947
3	Stable deposits	54.781	51.941	54.183	61.002	2.739	2.178	2.709	3.050
4	Less stable deposits	34.413	35.616	36.926	50.271	4.031	4.233	4.376	5.897
5	Unsecured wholesale funding	276.676	285.659	285.737	289.997	108.845	112.216	112.301	113.373
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	2.630	3.389	3.646	6.047	658	847	911	1.511
7	Non-operational deposits (all counterparties)	274.045	282.270	282.092	283.950	108.188	111.369	111.390	111.862
8	Unsecured debt	-	-	-	-	-	-	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	6.795	7.824	5.966	5.781	391	528	328	391
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	6.795	7.824	5.966	5.781	391	528	328	391
14	Other contractual funding obligations	9.266	6.059	9.072	22.036	8.313	4.829	8.055	21.369
15	Other contingent funding obligations	57.477	53.616	60.766	65.406	3.736	3.307	3.826	3.526
16	**TOTAL CASH OUTFLOWS**					127.665	127.710	131.595	147.606
CASH-INFLOWS									
17	Secured lending (eg reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	119.544	73.645	106.168	34.752	118.752	70.834	55.925	32.945
19	Other cash inflows	61.811	64.719	67.104	58.376	12.980	13.387	13.025	12.167
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**	181.355	138.364	173.272	93.128	131.732	84.595	68.950	45.112
EU-20a	**Fully exempt inflows**	-	-	-	-	-	-	-	-
EU-20b	**Inflows Subject to 90% Cap**	-	-	-	-	-	-	-	-
EU-20c	**Inflows Subject to 75% Cap**	181.355	138.364	174.003	93.128	131.732	84.595	68.950	45.112
						TOTAL ADJUSTED VALUE			
21	**LIQUIDITY BUFFER**					134.468	167.103	182.367	236.640
22	**TOTAL NET CASH OUTFLOWS**					32.013	43.552	62.979	102.492
23	**LIQUIDITY COVERAGE RATIO (%)**					**400,00%**	**397,00%**	**291,67%**	**231,67%**

10. 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.

10.1 Encumbered and unencumbered assets by asset type

Table 32 - Encumbered and unencumbered assets by asset type

31 December 2019	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Loans and advances	-	-	429.036	
Equity instruments	-	-	850	850
Debt securities	-	-	95.851	95.581
Other assets	-		29.897	
Assets of the reporting institution	-	-	555.634	96.431

31 December 2018	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Loans and advances	5.050		471.965	
Equity instruments			996	996
Debt securities			79.622	79.622
Other assets			32.217	
Assets of the reporting institution	5.050	-	584.800	80.618

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.

10.2 Collateral received by product type

Table 33 - Collateral received by product type

31 December 2019 **31 December 2018**	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	**-**	**-**

10.3 Encumbered assets/collateral received and associated liabilities

Table 34 - Encumbered assets/collateral received and associated liabilities

31 December 2019 **31 December 2018**	Carrying amount of selected financial liabilities
Matching liabilities, contingent liabilities or securities lent	-
Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	-

11. 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.

11.1 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 at 31 December 2019 were Messrs G.Loizou – Chairman, N. Nicolaou, M. Shiacolas, C. Poullis and A. Papathomas all of whom were non-executive directors.

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).

11.2 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.

11.3 Analysis of Remuneration

The Management Body comprised 11 directors as at 31 December 2019, being made up of 2 executive and 9 non-executives. Aggregate remuneration of non-executive directors for the year amounted to €209K divided into €202K in fees and €7K reimbursement of expenses. Non-executive directors receive a fixed remuneration package approved by the NRC each year.

Remuneration of senior management[1] and other code staff[2] for the year was as follows:

Table 35 - Remuneration of senior management and other code staff

31 December 2019	**Senior Management**	**Other Code Staff**	**Total**
Number of beneficiaries	3	14	**17**
Fixed remuneration – Total cost - €'000	389	1.069	**1.458**
Variable remuneration	-	-	**-**
Total remuneration – Total cost - €'000	389	1.069	**1.458**
Outstanding deferred remuneration	-	-	-
New sign-on payments / severance payments	-	-	-

31 December 2018	**Senior Management**	**Other Code Staff**	**Total**
Number of beneficiaries	4	21	**25**
Fixed remuneration – Total cost - €'000	345	1.499	**1.844**
Variable remuneration	-	-	**-**
Total remuneration – Total cost - €'000	345	1.499	**1.844**
Outstanding deferred remuneration	-	-	-
New sign-on payments / severance payments	-	-	-

[1] Senior Management 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 Code Staff includes staff whose actions could have a material impact on the Group's risk profile.

Senior management and code staff remuneration by business area was as follows:

***Table 36 - Remuneration by business area*[3]**

	Senior Management	Retail Banking	Investment Banking	Corporate Functions	Independent Control	Total
Fixed remuneration Total cost - €'000	389	2.790	312	1.836	276	**5.603**

The total number of full time employees of the Group as at 31 December 2019 was 143 (2018:153).

2018	**Senior Management**	**Retail Banking**	**Investment Banking**	**Corporate Functions**	**Independent Control Functions**	**Total**
Fixed remuneration Total cost - €'000	345	2.661	279	2.000	302	**5.587**

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

Internal Auditors' Report to the Central Bank of Cyprus in respect of Cyprus Development Bank Group for the year ended 31st December 2019, pursuant to Article 431, Title I, of Part Eight of the European Regulation No 575/2013 on prudential requirements for credit institutions and investment firms and amending Regulation No 648/2012

1. I report in relation to the fair presentation of the disclosures (the "Pillar III Disclosures" or "Disclosures") of Cyprus Development Bank Group (the "Company") for the year ended 31st December 2019 required by paragraph 1 of Article 431, Title I, of Part Eight of the European Regulation No 575/2013 on prudential requirements for credit institutions and investment firms and amending Regulation No 648/2012 (the "Regulation" or "CRR"). The Disclosures, which are attached to this report, are also set out on the Company's website (www.cdb.com.cy).

Respective responsibilities

2. The Company's Board of Directors is responsible for the preparation and fair presentation of the Disclosures in accordance with the Regulation. My responsibility is to express an independent conclusion in relation to the fair presentation of the Disclosures, in all material respects, in accordance with the requirements of the Regulation.

Scope of work performed

3. I planned and performed the audit work to obtain limited assurance whether any matters have come to my attention that cause me to believe that the Disclosures are not fairly presented, in all material respects, in accordance with the requirements of the Regulation. The procedures followed included verifying, on a sample basis, the compliance of the Disclosures with the requirements of paragraph 1 of Article 431, Title I, of Part Eight of the Regulation, as well as obtaining evidence supporting certain of the amounts and notifications included in the Disclosures. The procedures also included an assessment of any significant estimates made by the Company's Board of Directors in the preparation of the Disclosures. I believe that the procedures provide a reasonable basis for my conclusion.

Conclusion

4. Based on the work described in this report, nothing has come to my attention that causes me to believe that the Disclosures for the year ended 31st December 2019 are not fairly presented, in all material respects, in accordance with the requirements of the Regulation.

5. My report is solely for the purpose as set out above and is not to be used for any other purpose or to be distributed to any other parties without my prior consent in writing. This report relates only to the Disclosures required pursuant to paragraph 1 of Article 431 of the Regulation and does not extend to any financial statements or other financial information of the Company.

Andreas Andreou
Internal Auditor

Nicosia, 20 May 2020