RCB

PILLAR III DISCLOSURES 2016

2016

Pillar III
Disclosures 2016

Contents

1. Introduction

The Pillar III Disclosures of RCB BANK LTD ("the Bank", "RCB") have been prepared in accordance with the Capital Requirements Regulation EU 575/2013 (CRR), amended Capital Requirements Directive 2013/36/EU (CRD IV) and subsequent EU guidelines. The Basel regulatory framework has been implemented in the EU via the Capital Requirements Directive (CRD) and came into force as of 1st of January 2014. The Pillar III Disclosures of the Bank are published on the Bank's website.

2. Information on the scope on the application of the regulatory framework

The principal activities of the Bank are the provision of banking services on the basis of the license granted by the Central Bank of Cyprus and is required to comply with the Cyprus Banking Law, the Directives issued by the Central Bank and the EU Directives implemented by the Republic of Cyprus. Since November 2014, the Bank is supervised by the European Central Bank under the Single Supervisory Mechanism as it was identified as a significant financial institution within the Eurozone.

The Bank wholly owns the subsidiary "RCB Trustees" which is incorporated and domiciled in Cyprus. Its operations did not have any impact for Pillar III purposes. As such these disclosures do not incorporate any details in relation to RCB Trustees.

RCB has applied the requirements of CRR and CRD IV since its implementation. The framework consist of three pillars:

Pillar 1: Covers the calculation of risk weighted assets for credit risk, counterparty credit risk, market risk and operational risk.

Pillar 2: Covers the consideration of whether additional capital is required over and above the Pillar 1 risk calculations. Bank's own internal methodologies and assessment along with the supervisory guidelines, support this process.

Pillar 3: Covers external communication of risk and capital information by banks as specified in the Basel rules to promote transparency and good risk management.

3. Materiality and Confidentiality

The Bank has not omitted any disclosures on the grounds that the information may be proprietary or confidential.

4. Risk management objectives and policies

4.1. General information on risk management, objectives and policies

The business model of the Bank is based on providing commercial and investment banking services, especially through its lending activities accompanied with active using of credit risk mitigation tools. In general the Bank has moderate risk appetite. The risk appetite of the Bank is defined in the "Risk Strategy and Appetite Statement" approved by the Management Body (hereinafter "MB").

The Bank implements an appropriate and holistic risk management framework, which ensures that all material risks are identified and managed on a basis of adequate and effective policies, systems, processes and procedures. An integrated and institution-wide risk culture, based on a full understanding of the undertaken risks, is developed by the Banks through policies, including the "Risk Strategy and Appetite Statement", examples, communication and training of staff regarding their responsibilities for risk.

The MB oversees the Bank's framework for the treatment of risk through the set of Risk Appetite and Strategy which is in accordance with the business strategy of the Bank.

The MB activities are supported by the Risk Committee. The Risk Committee had separate meetings 13 times in 2016 year. There are also four independent departments/units operating in the Bank which oversee the Internal Control System of the Bank: the Risk Management Department ("RMD"), the Compliance Department, the Information Security Unit and the Internal Audit Department.

The risk management framework implemented by RCB complies with the standards set by the CBC and the ECB.

The RMD is an independent department within the Bank. The RMD is functionally responsible to the MB through the Risk Committee. The RMD deals with credit risk, market risk, operational risk and liquidity risk. The department consists of two units the Credit Risk Underwriting unit and the Risk Control unit. The Underwriting unit provides an independent risk opinion for the credit risk undertaken by the Bank. The Control unit is responsible for the monitoring, reporting and control of the market risk, operational risk and liquidity risk.

An effective risk appetite framework is used by the Bank to clearly articulate the aggregate level of risk and types of risk the Bank is willing to assume within its risk capacity to achieve its strategic objectives and business plan. The Bank sets its risk appetite and strategy specifically for each risk type through the policies, controls and procedures that are established and is communicated throughout the organization.

On the basis of its risk appetite the Bank develops a detailed list of indicators and the corresponding reference values, which provide deep integration of the Bank's risk appetite in the day-to-day decision making process and into the Bank-wide risk management framework. The risk appetite indicators are reviewed and updated as part of the business planning and budgeting process, as well as based on the results of the stress tests. Risk appetite is reviewed annually, or more frequently if deemed necessary. The risk appetite of the Bank may be updated in the case of a significant change in the economic situation of the Bank, the revision of its strategic direction, as well as due to the actual performance of the Bank, amendments of legislation and regulatory requirements.

The risk control framework consists of qualitative and quantitative components. Qualitative elements include policies, procedures, authorities and reporting requirements. Quantitative components include risk measures and limits in a variety of forms (including stress tests and other risk quantification techniques). The risk limit system has a two-level structure:

- **First Level:** Framework limits, which are used to describe RCB's risk appetite. The Framework limits are approved by the MB;
- **Second Level:** Operating limits, which are used to control the day to-day risk taking activities of RCB. The Operating limits are approved by RC and the Credit, Assets and Liabilities Committee ("CALCO").

The Bank faces a broad range of risks during the provision of financial services to clients.

The Bank defines its high-level risk appetite through the following qualitative standards:

- The potential losses related to the risks undertaken by the Bank should not reach a level that leads to the interruption of operational activities of the Bank;
- The Bank must have capital (own funds) sufficient to absorb unexpected losses in case of realization of extremely unlikely risks;
- At any time the Bank should be able to meet its payment obligations when they fall due;
- The Bank aims to avoid high credit risk concentration to counterparties, industries and countries with a high level of risk;
- The Bank adheres to compliance culture and high business standards to ensure full compliance with regulatory requirements;
- RCB's business model is built on trust of customers, thus the Bank avoids risks that can have a devastating impact on the Bank's reputation;
- The Bank aims maintaining and improving of the credit ratings assigned by the international rating agencies.

In quantitative terms the Bank expresses its risk appetite in the terms of capital, liquidity and asset quality indicators, presented below. The Bank's actual position against each of the key risk appetite indicators are as follows:

Key Risk Appetite Indicators	Actual Indicators as at 31 December 2016
Capital Indicators	
a. Common Equity Tier 1 Ratio (%)	20.8%
b. Total Capital Ratio (%)	23.1%
c. Leverage Ratio (%)	5.7%
Liquidity Indicators	
a. Liquidity Coverage Ratio (%)	111%
b. Mismatch ratio "sight to 7 days" (%)	9%
c. Mismatch ratio "sight to 1 month" (%)	11%
Asset Quality Indicators	
a. Growth Amount of gross non-performing loans (USD million)	7
b. Impaired loans and Past due (>90 days) loans to total own risk loans (%)	4.3%

The Bank's risk management strategies and processes as well as the policies for hedging and mitigating the risks it faces are mentioned below.

4.2. Information on risk management, objectives and policies by category of risks

4.2.1. Credit risk

4.2.1.1. Credit risk management and Capital Management

Credit risk arises from all transactions where actual or potential claims against any borrower, counterparty, or obligor exist and is sought by the Bank selectively, as it is only by taking appropriate levels of risk that the Bank can make a profit. Credit risk is defined within the Bank as the potential failure of a borrower or counterparty to meet its contractual obligations.

The Bank's business model assumes credit risk-taking primarily in its core activity of lending. The Bank follows conservative approach in credit risk taking. The credit granting process of the Bank is based on sound criteria, comprehensive assessment and thoughtful discussion of risks to be undertaken. Careful balancing of strategic target achievement and keeping risks within risk appetite is a key consideration in the Bank's credit risk-taking.

The credit risk management framework is documented in the "Risk Strategy and Appetite Statement" and the "Credit Risk Policy" approved by the MB. In accordance with the "Risk Strategy and Appetite Statement", the Bank has a moderate appetite for credit risk and the amount of credit risk which might be undertaken by the Bank is restricted by the integrated risk appetite indicators as defined in the same document.

The MB is responsible for approving the credit policy of the Bank while the CALCO considers and decides on applications for granting credit facilities within the limits set by the MB. The RMD assesses the adequacy and effectiveness of the credit risk management procedures followed by the Bank, recommends changes where necessary and reports to the MB and senior management on the credit risk position of the Bank on a quarterly basis.

The Bank manages credit risk exposures by performing an analysis of the borrower and assessing the adequacy of the collateral to be obtained under the credit transactions. In addition, a limit system exists for transactions with bank counterparties limiting the exposure of the Bank to credit risk.

Credit risk arising from the banking activities is monitored on a continuous basis and is subject to at least an annual review. All new exposures and operating limits are approved by the CALCO.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposures to credit risk are subject to the detailed credit analysis performed by the Corporate and Investment Business Department/Corporate and SME Lending (Cyprus) Department and the independent risk assessment carried out by the Risk Management Department prior to the issue of loans.

During 2016, the exposure to credit risk was moderate as the vast majority of the loans and advances to customers were collateralized by guarantees from shareholders or cash deposits.

The Bank grants credit mainly to corporate counterparties and assigns an internal risk rating for each borrower according to internal methodology. The methodology provides the internal ratings for borrowers after assessment of their financial status and, for collateral rating based on assessment of the collateral.

Subcategories of credit risk

The Bank distinguishes the following sub-categories of credit risk:

- Credit concentration risk;
- Counterparty and settlement risk;
- Country risk;
- FX lending risk; and
- Specialized lending.

Credit Concentration risk

Concentration risk arises from exposures to each counterparty, including central counterparties, groups of connected counterparties, and counterparties in the same economic sector, geographic region or from the same activity or commodity, the application of credit risk mitigation techniques, and including in particular risks associated with large indirect credit exposures such as a single collateral issuer.

The following categories of credit concentration risk are recognized by the Bank:

- Single-name concentrations (including group of connected clients);
- Industry concentrations;
- Geographical concentrations;
- Product concentration; and
- Collateral and guarantees concentration.

For the purposes of managing and monitoring concentration risks the Bank has established appropriate limits, a thorough monitoring and reporting framework as well as appropriate measures and methodologies for the allocation of capital as mitigant.

Counterparty and settlement risk

The counterparty credit and settlement risks faced by the Bank arise from exposures to derivatives and transactions in financial instruments.

With regards to counterparty risk, this is controlled by careful selection of counterparties following a thorough credit quality assessment, the low complexity of the financial instruments in which the Bank transacts as well as careful consideration of the potential future exposure given the underlying financial instrument and the relevant market factors and characteristics. Additionally, the Bank mitigates this risk by estimating and allocating capital to take into account counterparty risk, the Credit Valuation Adjustment (“CVA”), in accordance with the provisions of the CRR.

With regards to settlement risk, the Bank manages this risk by making a wide use of delivery versus payment settlement arrangements as well as netting agreements.

Country risk

In order to correctly capture country risk for its exposures, the Bank considers both "country of incorporation" and "country of risk" of its borrowers, given that ultimate risk may sometimes lie in a country which is different to the borrower's country of residence.

For the purposes of comprehensively assessing country risk, the Bank carefully considers important factors such as the economic climate, political situation, regulatory framework and institutional framework of the underlying country to which the risk of the exposure lies.

FX lending risk

Relates to the current or prospective risk to the Bank's earnings and own funds arising from FX lending to unhedged borrowers. The additional risk arises when a credit facility is granted to a borrower in a currency different from the borrower's currency of income/inflows and is considered in the case of unhedged borrowers i.e. retail and SME borrowers without a natural or financial hedge.

For the purposes of monitoring this risk the Bank assesses the materiality of debt denominated in a currency different to the currency of collateral or payment flows.

Specialized lending

Specialized lending is treated separately from other lending activities since the risk of such exposures lies in the profitability of the asset or project financed (e.g. commercial real estate, energy plant, shipping, commodities, etc.) rather than the borrower (which is generally a special purpose vehicle) and the financing is usually more significant in monetary terms and longer term.

Capital Management of the Credit Risk

The Bank has a documented Capital Management Policy which sets out the foundations, principles and structure for the capital management at the Bank. Capital management refers to the measures implemented to maintain sufficient capital, assess the Bank's internal capital adequacy and calculate the capital ratios.

The main objective of capital management is to determine the amount, type and composition of capital necessary to enable the Bank to meet its business targets and sustain development, while also withstanding stress events. Nonetheless, it is important for the Bank to ensure that the available capital does not become less than the prudential requirements set by the ECB and CBC. Capital management is performed centrally, since the Bank does not have any material subsidiary or overseas branch.

The Bank quantifies and holds the capital against risks that are specified under the Pillar 1 requirements of the Basel III regime. These risks include credit, counterparty, market and operational risks. In addition, the Bank seeks to capture in its capital plans those risks for which an explicit regulatory capital treatment is not available, such as positions that result in concentrated exposures to a type of counterparty or industry, interest rate risk in the banking book, etc.

A comprehensive process is in place to regularly and systematically identify, and understand the limitations of the Bank's risk quantification and measurement methods. For risks that are more difficult to quantify, assumptions made in the estimation process, are widely discussed and understood by Senior Executive Management to ensure that the potential negative impact on the Bank (resulting from these assumptions) is not underestimated.

With regards to the capital assessment in relation to credit risk, this task forms part of the Bank's Internal Capital Adequacy Assessment Process ("ICAAP"). A fundamental component of the ICAAP is the identification and assessment of the various material risks to which the Bank is exposed to, including credit risk and its subcomponents, and the allocation of sufficient capital as mitigant.

Credit Risk is covered under the Pillar 1 component of the ICAAP, which comprises of the Bank's regulatory capital needs in relation to credit risk. Concentration risk is covered under the Pillar 2 component of the ICAAP, which comprises of the Bank's internal capital assessment for risks which are not captured under Pillar 1. The Herfindahl Index is applied for the measurement and quantification of concentration risk.

4.2.1.2. Policies mitigating credit risk

The Bank uses a number of credit risk mitigation ("CRM") tools in order to control credit risk such as:

- Collateral in the different forms (cash deposits, securities, property, etc.);
- Limits.

One of the methods applied for the reduction of credit risk is requesting and accepting collateral against credit transactions, whether from the borrower himself or from a third party on the Borrower's behalf. In the event of Borrower default, the existence of collateral will allow the Bank to recover some of the losses it may incur. The pledged collateral for example real estate property, non-tradable shares, is valued by an independent appraiser. The Bank has a panel of valuers approved by CALCO on an annual basis. The panel includes expertise in various areas of property sector appropriate to the lending business of the Bank. The Bank assigns internal collateral ratings to reflect the level of coverage of the credit transaction by the collateral (i.e. the amount of cash from the sale of the collateral which can be used to repay debt under the client's credit products).

Accepting collateral against a credit transaction includes the following key phases:

- Negotiations with the client, definition of preliminary structure and composition of collateral;
- Collateral assessment;
- Making a decision on the collateral transaction;
- Preparation and approval of collateral documentation, signing credit and collateral documentation (including pledge acceptance);
- Collateral monitoring and revaluation.

It should be noted that the Bank does not make any use of on and off balance sheet netting neither credit derivative products for mitigating its counterparty risk.

An impairment review of the Bank's financial assets is carried out on a regular basis. The Bank has adequate procedures and policies in place for the management of problematic loans and loan loss provisions.

In order for the Bank to correctly identify, review and manage risks, a comprehensive reporting framework has been put in place which involves regular reporting with respected to the following:

- The Bank's risk position and results of stress tests, with regards to credit risk;
- Composition of the loan portfolio (top borrowers, concentration to countries and industries, information on non-performing and forborne loans, as well as the level of loan loss provisions);
- Credit risk framework and operating limits monitoring;
- Recommendations for the improvements of lending processes, strategies and policies.

4.2.2. Market risk and Interest Rate risk

4.2.2.1. Market risk and Interest Rate risk management and Capital Management

The market risk management framework is documented in the "Risk Strategy and Appetite Statement" and the "Market Risk and Interest Rate Risk Policy" approved by the MB.

Market Risk encompasses the risk of financial loss resulting from adverse changes in the value of on and off balance sheet positions arising from movements in market prices across several risk factors including fixed income, equity, foreign exchange and interest rates.

Interest Rate Risk in the Banking Book is the risk arising from potential changes in interest rates that would affect the profitability of the Bank due to maturity bucket gaps of non-trading assets and liabilities as well as off-balance sheet items.

The MB is responsible for approving the policies for the management of market risk and interest rate risk, specifies framework market risk limits. The RMD assesses the adequacy and effectiveness of the market risk management procedures followed by the Bank, recommends changes where necessary and reports to the MB and senior management on the market risk position of the Bank on a quarterly basis.

There are currency and interest rate risk limits in place ensuring better management of market and interest rate risks, as well as compliance with the relevant supervisory regulations.

The Bank is mainly exposed to the following types of market risk:

- Currency risk; and
- Interest rate risk in the trading book.

Currency risk is the risk that the changes in foreign exchange rates will affect the value of the Bank's foreign exchange position and consequently the value of the Bank's balance sheet.

The management of currency risk is performed through monitoring of limits. Limits exist on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. Currently these limits for the net open positions in any one currency are set to be more restrictive than the supervisory ones.

The Bank does not hold open positions in any currencies with the view of profiting from exchange transactions. Any foreign currency positions are short-term and for operational purposes.

With regards to **Interest Rate Risk**, monthly monitoring and stress testing is performed for the following two components:

- Interest rate risk in the banking book ("IRRBB"); and
- Interest rate risk in the trading book.

Interest rate risk in the trading book is the risk that changes in the market interest rates will adversely affect the value of the Bank's trading portfolio.

Stress testing for IRRBB is performed taking into consideration all of the Bank's non-trading assets and liabilities, on and off-balance sheet. The effect on the Bank's earnings is used as a short term measure (earnings approach) whereas the change of the Bank's economic value is used as a long term measure (economic value approach).

The management of interest rate risk is performed through the monitoring of limits and stress testing exercises.

The capital requirements calculated for market risk are disclosed in Section 6.1.2.4 of this Report.

Capital Management of Market risk

With regards to the capital assessment in relation to these risks, this task forms part of the Bank's ICAAP. One of the ICAAP components is the identification and assessment of the market and interest rate risks and the allocation of sufficient capital as mitigant. This analysis is performed in the context of the current and foreseeable operating, business and regulatory environment in which the Bank operates.

Market Risk is covered under the Pillar 1 component of the ICAAP, which comprises of the Bank's regulatory capital needs in relation to market risk. Interest Rate Risk is covered under the Pillar 2 component of the ICAAP, which comprises of the Bank's internal capital assessment for risks which are not captured under Pillar 1.

4.2.2.2. Policies for hedging and mitigating market risk

The Bank minimizes the market risk it faces by entering into hedging transactions when necessary. The following financial instruments may be used as hedging instruments when a need arises:

- Cross currency swaps;
- Forward foreign exchange contracts;
- Other financial instruments.

The Bank has established a comprehensive reporting framework with respected to market and interest rate risk, which involves reporting on the following:

- Composition of the trading portfolio and analysis of concentration, correlation, liquidity of trading positions;
- Monitoring of limits set for the key risk metrics such as Value-at-Risk; market risk-weighted assets, market value/notional value of positions;
- Results of stress tests with regards to market and interest rate risk;
- Recommendations for the improvement of market risk related processes, strategies and policies.

4.2.3. Liquidity risk

4.2.3.1. Liquidity risk management

Liquidity risk is defined by the Bank as the risk that the Bank may be unable to meet expected and unexpected cash flow obligations when they come due, without incurring substantial losses.

Funding risk is defined by the Bank as the risk of not being able to raise further funding to allow it to continue funding its operations or meet its cash flow obligations.

In assessing the Bank's overall liquidity and funding risk, an assessment is performed to determine risk exposures across ten liquidity and funding risk drivers taking into consideration direct and second order effects. As part of the on-going liquidity risk management, this assessment is used to identify the quantitative limits the Bank is required to have in place as well as to calibrate RCB's tolerance for liquidity and funding risk and therefore set/revise where necessary these limits.

The Bank follows a prudent approach to the liquidity risk and permanently works on strengthening of its funding and liquidity positions to ensure that the Bank's core businesses are able to operate in support of client needs and meet contractual and contingent obligations through normal economic cycles as well as under stress.

The MB is responsible for approving the liquidity policy of the Bank and the budget of the next year while the CALCO formulates the policies for the management of liquidity risks and reviews the liquidity risk section included within the reports of the RMD. The RMD assesses the adequacy and effectiveness of the liquidity risk management procedures followed by the Bank, recommends changes where necessary and reports to the MB (through Risk Committee) on the liquidity risk position of the Bank on a quarterly basis.

The Bank complies with the supervisory risk limits that exist for mitigating liquidity risk. In addition, the Bank applies lower limits compared to the supervisory ones. An early warning indicators system is used for managing the liquidity risk. The management of the Bank is informed of the liquidity position on a daily basis and appropriate decisions are taken in case any need arises.

The Bank's cash flow management is based on the expected date of maturity rather than on contractual dates. Expected cash outflows match in general the expected cash inflows from assets.

The liquidity risk management framework is documented in the "Risk Strategy and Appetite Statement" and the "Liquidity Risk Management Policy" approved by the MB. The framework outlines the principles, the governance systems and the internal controls relating to RCB's liquidity risk management.

The Bank strives to match in general amount, composition and tenor assets to liabilities. The main strategic objective of liquidity risk management is to ensure that the Bank, at any time, is able to meet its payment obligations when they fall due while avoiding largely excessive allocation of funds into liquid but low-yielding assets.

4.2.3.2. Policies mitigating liquidity risk

To limit liquidity risk, the Bank monitors the liquidity on a daily basis by:

- Managing future cash flows to ensure that requirements are met;
- Maintaining a portfolio of highly marketable securities that can easily be liquidated against any unforeseen interruption to cash flow; and
- Managing balance sheet liquidity ratios against internal and regulatory requirements, through Risk Appetite and Recovery indicators.

Additionally the Bank monitors the liquidity through performance of stress tests on a monthly basis.

In order to correctly identify, monitor and manage liquidity risk, the Bank has in place regular reporting on monitoring of liquidity risk drivers, early warning indicators, cash flow projections, as well as monitoring of compliance with regulatory and internal limits and stress testing results.

4.2.4. Operational risk

4.2.4.1. Operational risk management and Capital Management

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss.

The operational risk management framework is documented in the “Risk Strategy and Appetite Statement” and the “Operational Risk Management Policy” approved by the MB.

The strategy of the Bank in respect of operational risk management is to minimize operational risk by establishing a strong system of internal controls within the Bank, as well as using other mitigation tools like insurances, where internal controls are not considered adequate.

The senior management is responsible for the development of policies and procedures for managing operational risk and the RMD assesses the adequacy of the procedures and makes recommendations where necessary for updating or amending existing policies and procedures.

In 2016, the Bank was managing operational risk through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

The Bank uses operational risk management software to support the operational risk management framework of the Bank, allowing the Bank to collect loss events. An important component of the operational risk management framework is the risk control self-assessment exercise which establishes accountability and represents a bottom-up assessment which depicts a more detailed operational risk profile, integrating business area and process perspectives. A number of key risk indicators are monitored against the thresholds on a regular basis.

The Bank on a monthly basis reports to the RC results of operational risk events. More specifically reports to RC the amount and number of Near Miss and Loss events, detailed description of Loss events and summary of Key Risk Indicators related to operational risk.

Capital Management of operational risk

The Bank calculates Pillar I capital requirements for operational risk, in accordance with the Standardised Approach as defined in Regulations (EU) N575/2013. The MB, the Risk Committee and/or Senior Executive Management assess if Pillar I capital is adequate and if it is necessary to maintain additional Pillar II capital for operational risk. The assessment is done on an annual basis during revision of the Internal Capital Adequacy Assessment (ICAAP) report.

4.2.4.2. Policies mitigating operational risk

The Bank uses the following mitigation tools in respect of operational risk:

- Business continuity and Disaster Recovery plans;
- Insurance;
- Outsourcing;
- New product approval;
- Risk and Controls self-assessment;
- Loss Data Collection;
- Key Risk Indicators;
- Stress Testing.

Reporting process of the Bank on operational risks includes regular reporting on key risk indicators, results of loss data collection (near miss and loss events), self-assessment of operational risks and controls in place, as well as results of operational risk stress-testing exercise.

4.3. Information on governance arrangements

The Bank implemented a formal, rigorous and transparent procedure for the appointment of members of the MB and encourages gender diversity. The members of the MB have a broad knowledge and expertise in the areas of banking, financial services, law, accounting and international relations. Further, the MB and its Committees have the appropriate level of skills, experience, independence and knowledge to enable them to discharge their respective duties and responsibilities effectively. The assessment process and selection criteria are in line with the Bank's Policy for Assessment of the Fitness and Probity of Members of the Management Body and Managers as well as relevant Central Bank of Cyprus Directives and subsequent clarifications. In line with the requirements of the Directive regarding the fitness and probity of the members of the Management Body issued by the Central Bank of Cyprus and subsequent clarifications, RCB's members of the MB directorships do not exceed the maximum number allowed by the Central Bank of Cyprus. Subsequently the MB members reflect a diversity of skills, experience and perspectives, including gender and age diversity which is aligned with the internal procedures of the Bank.

Management Body

The Bank is governed by the Management Body. The Management Body (MB) consists of 11 members. The MB consists of 9 non-executive members, of whom 7 are independent; and 2 executive members. The MB is responsible for:

- Formulating the risk strategy, risk appetite and tolerance level of the Bank;
- Setting, periodically reviewing and overseeing the implementation of the Bank's business objectives and strategies for achieving those objectives, including its internal capital plans, taking into account the Bank's long-term financial interests and solvency as well as the interests of depositors, shareholders and other relevant stakeholders;
- Assessing, in conjunction with strategy formulation, on an ongoing basis and under alternative scenarios the amounts, types and distribution of internal capital;
- Providing overall capital management supervision and regularly monitoring the capital profile of the Bank;
- Approving capital plans and budgets commensurate to the type and size of its activities, risk appetite and estimated financial results;
- Approving and periodically reviewing the various policies prepared by the Bank;

- Approving limits and deciding on the consequences of framework limit excesses;
- Reviewing of the ICAAP document and exercising oversight over the process;
- Ensuring the financial stability of the Bank with regular assessment of the own funds and liquidity requirements, taking the necessary measures where necessary.

The directorships held by the members of the Management Body are in line with the Directive on the Assessment of the Fitness and Probity of the Members of the Management Body and Managers of Authorised Credit Institutions of 2014 and are outlined in the table below:

Director	Executive	Non Executive	Directorships in organisations which do not pursue predominantly commercial objectives	Executive or non-executive directorships held within the same group	Executive or non-executive directorships held with other legal entities
Panayiotis Loizides (Chairman)	0	1	0	1	0
Agni Jacovides	0	4	0	1	3
Petros Clerides	0	1	0	1	0
Erato Kozakou Marcoullis	0	1	5	1	0
Christoforos Antoniou Pissarides	0	2	0	1	1
Martin Czurda	0	1	0	1	0
Kirill Zimarin (Chief Executive Officer)	1	0	1	5*	0
Vadim Levin	0	1	0	1	0
Sergey Kovtun	0	1	0	1	0
Sotirios Zackheos	1	1	1	5*	1
Andreas Tryfonides	0	1	0	1	0

*According to the Directive on the Assessment of the Fitness and Probity of the Members of the Management Body and Managers of Authorised Credit Institutions of 2014 executive or non-executive directorships held within the same group count as a single directorship.

5. Own funds

5.1. Summary

The Bank's own funds are divided into two tiers:

- **Tier 1 capital** includes share capital, retained earnings and reserves created by appropriations of retained earnings. The book value of intangible assets and asset value adjustments regarding the trading book have been deducted in arriving at Tier 1 capital; and
- **Tier 2 capital** may include qualifying subordinated loan capital, collective impairment allowances and capital instruments, subordinated loans and share premium resulting from the issue of instruments included in tier 2 capital, provided that they meet specific regulatory requirements. Bank's Tier 2 capital includes the qualifying subordinated loan capital.

5.2. Original and additional own funds

The original and additional own funds of the Bank as at 31 December 2016 were as follows:

	EUR000
Common Equity Tier 1:	
Share capital	18.471
Share premium	120.600
Retained earnings and accumulated comprehensive income	365.950
Less:	
- Intangible assets	(1.620)
- Asset value adjustments due to prudent valuation	(293)
Additional Tier 1 capital	**0**
Total Tier 1 capital	**503.108**
Tier 2 capital:	
Subordinated loan capital	46.056
Additional Eligible Tier 2 Capital	**9.657**
Total Tier 2 capital	**55.713**
Total regulatory capital	**558.820**

The subordinated loan capital included within Tier 2 capital has an original maturity of seven years, is recognized initially at fair value, net of transaction costs incurred and is gradually amortized for regulatory purposes during the last five years before the repayment date, currently amounting to €46mln. The rights of the lender under the subordinated debt are at all times subordinated to the rights of all other creditors of the Bank. The Bank additionally includes as a component of Tier 2 capital the general credit risk adjustments (presented under "Additional Eligible Tier 2 capital").

As of 31 December 2016, the Tier 1 was in excess of the minimum regulatory requirements.

Disclosure of a full reconciliation between the regulatory capital items and the balance sheet in the audited financial statements can be found below:

Own Funds Reconciliation	Financial Statements EUR000	Pillar III Disclosures EUR000	Variance EUR000
Share Capital	18.471	18.471	-
Share Premium	120.600	120.600	-
Retained Earnings and other comprehensive income	365.950	365.950	-
Intangible Assets	(1.620)	(1.620)	-
Prudential Filters	-	(293)	(293)
Subordinated loan	95.352	46.056	(49.296)
Total Own Funds	**598.753**	**549.164**	**(49.589)**

Variance arises to the subordinated loan which to financial statements is presented according to its accounting value and to Pillar III is presented amortised according to CRR Article 64. Also prudential filters related to additional value adjustments for the assets measured at fair value is not part of statements but regulatory component.

The Additional eligible tier 2 capital includes the general credit risk adjustments allowable for inclusion as tier 2 capital.

The analytical Own Funds disclosure template can be found in Annex I and the main features of the Common Equity Tier 1 and Tier 2 instruments issued can be found in Annex II and Annex III.

The CRR sets out requirements relating to prudent valuation adjustments of fair-valued positions to determine prudent values that achieve an appropriate degree of certainty having regard to the dynamic nature of trading book positions. The Bank applies the "Simplified approach" in order to calculate the additional value adjustments ("AVA"). Under the simplified approach, the calculation of the required AVA is the 0.1% of the aggregate absolute value of fair-valued positions held by the institution.

6. Minimum Capital requirements for credit, market and operational risks

6.1. The Banks's approach for assessing the adequacy of its internal capital

The section below presents an overview of the minimum capital requirements as of 31 December 2016. The risks included are credit risk, market risk and operational risk.

The Bank is not exposed to any securitization positions, thus there are no corresponding minimum requirements for specific interest rate risk of securitization positions to be disclosed within this section.

Furthermore, any equities within the Banks portfolio are included in the trading book, thus any disclosures related to equities not included within the trading book are not relevant. As at 31 December 2016, the Bank did not hold any equities in the trading book.

For calculation of Pillar 1 risks, the internal capital method is the regulatory capital method in accordance to the CRR and CRD IV. Any risks not covered within this document are covered under the Internal Capital Adequacy Assessment Process document.

The Bank uses the following approaches in assessing its capital adequacy:

6.1.1. Credit risk - Standardized Approach

The Basel framework permits banks a choice between two broad methodologies in calculating their capital requirements for credit risk by asset class:

- The internal ratings-based ("IRB") approach; or
- The standardised approach.

Off-balance-sheet items are converted into credit exposure equivalents through the use of credit conversion factors ("CCF").

The Bank has elected to adopt the standardised approach for credit risk to calculate the minimum credit risk capital requirements under Pillar 1 of the CRD IV.

Under the standardised approach, risk weights are determined according to credit ratings provided by recognised External Credit Assessment Institutions ("ECAIs") or, for unrated exposures, by using the applicable regulatory risk weights. It also recognises the application of certain credit risk mitigation techniques.

The Bank allocates each of its exposures (assets, exposure values of derivative contracts and off balance sheet items) to the relevant exposure classes listed below:

- Exposures to Central Governments or Central Banks;
- Exposures to regional governments or local authorities;
- Exposures to public sector entities;
- Exposures to multilateral development banks;
- Exposures to international organizations;
- Exposures to institutions;
- Exposures corporates;
- Retail exposures;
- Exposures secured by mortgages on immovable property;
- Exposures in default;
- Exposures associated with particularly high risk;
- Exposures in the form of covered bonds;
- Items representing securitisation positions;
- Exposures to institutions and corporates with short-term credit assessment;
- Exposures in the form of units or shares in collective investment undertakings;
- Equity exposures; or
- Other items.

Where credit risk mitigation applies for a specific exposure, the fully adjusted value of the exposure which takes into account an adjusted value of the collateral is calculated in accordance with the CRR. Risk weight is assigned to each of the exposures in accordance with the regulatory requirements.

Once the risk weighted exposures are calculated for all the exposure classes, these are multiplied by 8% in order to result in capital requirements regarding credit risk according to Article 438 of CRR.

Analysis of the Pillar 1 minimum capital requirements and risk weighted exposures as at 31 December 2016.

Exposure class	Risk Weighted Exposure EUR000	Capital Requirements EUR000
Central Governments or Central Banks	396	32
Institutions	15.450	1.236
Exposures to institutions and corporates with short-term credit assessment	65.655	5.252
Corporates	1.366.254	109.300
Retail items	822	66
Secured by mortgages on immovable property	24.392	1.951
In Default	15.484	1.239
Items associated with particular high risk	96.201	7.696
Other items	41.316	3.305
	1.625.970	**130.077**

Within the asset classes of Institutions and Corporates, capital requirements of €1.902 thousand relate to counterparty credit risk and exposure to financial guarantees amount to €17.514 thousand.

6.1.2. Market risk - Standardized approach

6.1.2.1. Position risk-Traded debt securities

Position risk is split into general and specific risk.

- **General risk**
  General risk is calculated using the maturity-based approach. Under this approach, the traded debt securities are assigned a risk weight according to their maturity and coupon rate. The CRR splits the maturity bands into 3 zones. Thereafter, the exposure amount falling in a specific maturity band is multiplied by the risk weight applicable for that band in order to calculate the long or short position.

  After the calculation of all positions, the matched and unmatched weighted positions are assigned a risk capital charge (from 10% to 150%). The level of risk capital charge to be assigned to each of the matched positions depends on the maturity zone in which the position falls. All unmatched positions are assigned 100% risk capital charge.

  To calculate the capital requirements for the general risk, the matched and unmatched weighted positions are multiplied by the relevant risk capital charge.

- **Specific risk**
  Specific risk is calculated using a table which separates the issuers of the traded debt securities into 4 categories according to their credit quality steps. The credit quality steps are calculated based on the credit rating assigned by the external rating agency to the issuers of the securities. Each of the risk ratings relates to a specific credit quality step.

  A risk capital charge is assigned to the traded debt securities based on the category in which they fall.

  Finally, in order to calculate the capital requirements for the specific risk, the positions falling in each category are multiplied with the risk capital charge applicable for that category.

6.1.2.2. Position risk-Equities

Position risk is split into general and specific risk.

- General risk
  The capital requirements against general risk are the overall net position multiplied by 8%.

- Specific risk
  The capital requirements against specific risk are the overall gross position multiplied by 8%.

As at 31 December 2016, the Bank did not have any exposures to equities.

6.1.2.3. Position risk-Foreign exchange risk

Regarding foreign exchange risk, assets, liabilities, and off balance sheet items (namely, irrevocable guarantees that are certain to be called) as well as forward positions under forward exchange contracts, are separated by original currency (except the USD which is the functional currency and hence does not affect the FX position). Then the long/short positions are calculated for each currency which are added together to end up into an aggregate long and short position. The higher of the total of the net long positions and the total of the net short positions is the Bank’s overall net foreign exchange position.

As per the CRR, if the overall net foreign exchange position is less than 2% of the Bank's own funds, no capital requirements exist, otherwise, capital requirements arise. There were no capital requirements for foreign exchange risk as at 31 December 2016, since the overall net foreign exchange position was less than 2% of the Bank's own funds.

6.1.2.4.Minimum capital requirements for market risk

	EUR000
Position risk - traded debt instruments in the trading book	19.459
Position risk - equities in the trading book	-
Foreign exchange risk - banking and trading book	-
Commodities	-
Total	**19.459**

6.1.3. Operational risk, Standardized approach

As at 31 December 2016, the capital requirements calculated in accordance with the principles of the standardised approach amounted to €39.943 thousands.

6.1.4. Additional capital requirements relating to excesses on limits for large exposures

As at 31 December 2016 there were no additional own fund requirements relating to any excesses on limits for large exposures.

6.2. Capital Requirements Summary

The Bank's Tier 1 capital ratio as at the end of 2016 was 20.8% and the total capital adequacy ratio was 23.1%.

Summary of the minimum required capital requirements and risk weighted exposures for credit risk, market risk, operational risk and credit valuation adjustment.

	Risk Weighted Exposure EUR000	Capital Requirements EUR000
Credit Risk	1.625.970	130.078
Market Risk	243.234	19.459
Operational Risk	499.288	39.943
Credit Valuation Adjustment	50.900	4.072
Total	**2.419.392**	**193.552**

6.3. Internal Capital Assessment

The Bank uses the Pillar 1 minimum capital requirement approach for the calculation of the additional capital for Pillar 2 risks. The Bank implemented the minimum capital requirements approach in three stages:

01. The Pillar 1 minimum capital requirement is used as the foundation stone, which is evaluated to reflect the exposure to Pillar 1 risks (credit risk, operational risk and market risk);

02. The level of additional capital required is assessed, in order to adequately cover possible risks that RCB is exposed to from three groups:

    - Risks covered in Pillar 1 but not adequately based on internal assessment;
    - Risk not fully covered by Pillar 1;
    - (e.g. Concentration Risk which is part of Credit Risk);
    - Risks not covered by Pillar 1 (e.g. liquidity risk and IRRBB).

03. A comprehensive risk assessment is carried out for all three groups of risks and the risks are assigned a profile (high/medium/low).

7. Counterparty credit risk

Counterparty credit risk is the risk that the counterparty to a transaction could default before the final settlement of the cash flows of the transaction. In the context of these disclosures, the transaction concerns FX derivative products.

7.1. Internal capital and credit limits for counterparty credit exposures

The assignment of internal capital required for credit risk is made by considering the figure derived from the derivatives by applying the mark-to-market method. According to this method, the current replacement cost of all derivative contracts with positive values is obtained and an add-on is applied to account for the potential future credit exposure, being calculated using specific factors according to type of transaction and residual maturity.

The Bank did not offset any financial assets or financial liabilities under enforceable master netting arrangements or any similar agreements.

7.2. Policies with respect to wrong-way risk exposures

A wrong-way risk exposure arises when an exposure to a counterparty is adversely correlated with the probability of default ("PD") of that counterparty. Wrong-way risk is not anticipated to be material. As a result of this, the Bank does not currently measure the above mentioned risk.

7.3. Gross positive fair value of contracts

As of 31 December 2016, the gross positive fair value of derivative contracts was €14.613 thousands.

7.4. Exposure value under mark-to-market method

The exposure value of derivatives is calculated as the sum of the positive mark to market values of the derivatives and the potential future exposure of the derivative calculated as per Article 274 of CRR.

As at 31 December 2016, the Bank's total derivative exposure value was €26.594 thousands, resulting in capital requirements of €1.904 thousands.

8. The Bank's exposure to credit risk

8.1. Definitions

A financial asset is considered to be past due when the obligor has failed in discharging a material credit obligation to the institution on the contractually due date.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Bank would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral;
- Debt service coverage ratio is below 1.1;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - Adverse changes in the payment status of borrowers in the group; or
  - National or local economic conditions that correlate with defaults on the assets in the group.

8.2. Approaches and methods adopted for determining value adjustments and provisions

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment to the extent applicable to the Bank given the nature of its operations, the small number of loans and availability of the necessary data. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics to the extent applicable to the Bank given the nature of its operations, the small number of loans and history of loan losses. The characteristics chosen are relevant to the estimation of future cash flow for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

8.3. Total amount of exposures without taking into account credit risk mitigation, pre credit conversion factors

Exposure Type	Central Governments or Central Banks EUR000	Institutions EUR000	Claims on institutions and corporates with a short-term credit assessment EUR000	Corporates EUR000	Retail EUR000	Secured by immovable property EUR000	In Default EUR000	High Risk Items EUR000	Other items EUR000	Total EUR000
Cash and balances with central banks	1.036.547	-	-	-	-	-	-	-	-	1.036.547
Loans and advances to banks	-	35	135.944	-	-	-	-	-	-	135.979
Loans and advances to customers	-	-	-	7.398.138	964	55.143	60.241	66.520	-	7.581.006
- of which SME	-	-	-	501.329	-	32.403	-	-	-	
Securities Financing Transactions	-	-	-	175.397	-	-	-	-	-	175.397
Derivative financial instruments	-	15.443	9.786	-	-	-	-	-	-	25.229
Other credit related liabilities	-	-	1.871	15.680	132	-	-	-	46.783	64.466
Total	**1.036.547**	**15.478**	**147.601**	**7.589.215**	**1.096**	**55.143**	**60.241**	**66.520**	**46.783**	**9.018.624**

8.4. Average amount of exposures for 2016 without taking into account credit risk mitigation, pre credit conversion factors

Exposure Type	Central Governments or Central Banks EUR000	Institutions EUR000	STE EUR000	Corporates EUR000	Retail EUR000	Secured by Immovable property EUR000	In Default EUR000	High Risk Items EUR000	Other items EUR000	Total US$000
Cash and balances with central banks	955.192	-	-	-	-	-	-	-	-	955.192
Loans and advances to banks	-	-	386.922	-	-	-	-	-	-	386.922
Loans and advances to customers	-	24	-	6.609.628	1.025	13.786	53.459	58.010	-	6.735.932
- of which SME	-	-	-	-	-	-	-	-	-	-
Securities Financing Transactions	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-	-	-
Other credit related liabilities	-	-	-	-	-	-	-	-	46.707	46.707
Total	**955.192**	**24**	**386.922**	**6.609.628**	**1.025**	**13.786**	**53.459**	**58.010**	**46.707**	**8.124.753**

8.5. Geographic distribution of exposures, pre credit conversion factors

Credit risk exposures by geographical area as at 31 December 2016.

Geographical area	Central Governments or Central Banks EUR000	Institutions EUR000	Claims on institutions and corporates with a short-term credit assessment EUR000	Corporates EUR000	Retail EUR000	Secured by immovable property EUR000	In Default EUR000	High Risk Items EUR000	Other items EUR000	Total EUR000
Cyprus	991.513	-	-	2.816.355	936	50.643	38.161	28.544	33.947	3.960.099
Europe	45.034	15.478	45.436	1.583.842	28	-	14.430	32.663	1.189	1.738.100
Russia	-	-	26.085	2.707.597	107	4.500	-	5.313	10.543	2.754.145
America	-	-	76.080	-	-	-	-	-	-	76.080
Other countries	-	-	-	481.421	25	-	7.650	-	1.104	490.200
Total	**1.036.547**	**15.478**	**147.601**	**7.589.215**	**1.096**	**55.143**	**60.241**	**66.520**	**46.783**	**9.018.624**

8.6. Distribution of exposures by industry, pre conversion factors

Credit risk exposures by industry as at 31 December 2016.

Industry	Central Governments or Central Banks EUR000	Institutions EUR000	Institutions and corporates with a short-term credit assessment EUR000	Corporates EUR000	Retail EUR000	Secured by immovable property EUR000	In Default EUR000	High Risk Items EUR000	Other items EUR000	Total EUR000
Banks and Other Financial Companies	1.036.547	15.478	147.601	9.163	-	-	-	-	-	1.208.789
Electricity, gas, steam	-	-	-	1.277.131	-	-	-	-	-	1.277.131
- of which SME	-	-	-	28.880	-	-	-	-	-	-
Mining and quarrying	-	-	-	1.473.312	-	-	-	-	-	1.473.312
Financial, leasing and insurance activities	-	-	-	1.310.249	-	4.857	44.038	-	-	1.359.144
- of which SME	-	-	-	176.350	-	4.857	-	-	-	-
Hotels and food service activities	-	-	-	84.854	-	19.619	-	-	-	104.473
- of which SME	-	-	-	59.490	-	19.619	-	-	-	-
Manufacturing	-	-	-	2.387.835	-	2.409	-	-	-	2.390.244
- of which SME	-	-	-	4.464	-	2.409	-	-	-	-
Other	-	-	-	55.962	1.096	8.170	9.153	-	46.783	121.164
- of which SME	-	-	-	9.125	-	378	-	-	-	-
Real estate activities	-	-	-	387.462	-	3.560	-	45.764	-	436.786
- of which SME	-	-	-	32.052	-	3.560	-	-	-	-
Construction	-	-	-	298.055	-	-	-	501	-	298.556
- of which SME	-	-	-	119.491	-	-	-	-	-	-
Transportation and storage	-	-	-	87.142	-	-	-	20.255	-	107.397
- of which SME	-	-	-	-	-	-	-	-	-	-
Wholesale and retail trade	-	-	-	218.050	-	16.528	7.050	-	-	241.628
- of which SME	-	-	-	71.477	-	1.581	-	-	-	-
Total	**1.036.547**	**15.478**	**147.601**	**7.589.215**	**1.096**	**55.143**	**60.241**	**66.520**	**46.783**	**9.018.624**

8.7. Residual maturity breakdown of all the exposures, pre conversion factors

Credit risk exposures by residual maturity as at 31 December 2016.

Residual maturity	Central Governments or Central Banks EUR000	Institutions EUR000	Claims on institutions and corporates with a short-term credit assessment EUR000	Corporates EUR000	Retail EUR000	Secured by immovable property EUR000	In Default EUR000	High Risk Items EUR000	Other items EUR000	Total EUR000
On demand and less or equal 1 month	1.036.547	33	147.601	250.905	494	3.131	-	-	46.783	1.485.494
More than 1 month and less or equal 3 months	-	-	-	27.790	34	1.451	-	3.092	-	32.367
More than 3 months and less or equal 6 months	-	4.862	-	194.992	48	6.417	-	3.383	-	209.702
More than 6 months and less or equal 1 year	-	10.583	-	1.204.810	93	1.825	-	3.214	-	1.220.525
More than 1 year	-	-	-	5.910.718	427	42.319	-	56.831	-	6.010.295
Overdue	-	-	-	-	-	-	60.241	-	-	60.241
Maturity undefined	-	-	-	-	-	-	-	-	-	-
Total	**1.036.547**	**15.478**	**147.601**	**7.589.215**	**1.096**	**55.143**	**60.241**	**66.520**	**46.783**	**9.018.624**

8.8. Impaired exposures and past due exposures by counterparty, pre conversion factors

Impaired exposures and past due exposures by counterparty type as at 31 December 2016.

Type of counterparty	Neither past due nor impaired EUR000	Past due but not impaired EUR000	Impaired EUR000	Specific Provisions as of 31/12/2016 EUR000	General Provisions as of 31/12/2016 EUR000
Central Governments or Central Banks	1.036.547	-	-	-	-
Institutions	15.478	-	-	-	-
Claims on institutions and corporates with short-term credit assessment	147.601	-	-	-	-
Corporates	7.589.215	-	60.241	(44.757)	(9.276)
Retail items	1.096	-	-	-	-
Secured by immovable property	55.143	-	-	-	(93)
Exposures in Default	-	-	-	-	-
Items associated with particular high risk	66.520	-	-	-	(289)
Other items	46.783	-	-	-	-
	8.958.383	**-**	**60.241**	**(44.757)**	**(9,658)**

Changes in the Value Adjustments and Provisions for Impaired Exposures.

Changes in the Value Adjustments and Provisions for Impaired Exposures	Individually Assessed Provisions EUR000	Collectively Assessed Provisions EUR000	Latent Provisions EUR000	Total EUR000
At 1 January	43.448	-	-	43.448
Currency translation and other adjustments	(624)	-	-	(624)
Amounts written off	-	-	-	-
Recovery of amounts previously written off	-	-	-	-
Charged to the income statement	1.933	9.657	-	11.591
At 31 December	**44.757**	**9.657**	**-**	**54.415**

8.9. Impaired exposures and past due exposures by geographical area, pre conversion factors

Impaired exposures and past due exposures by geographical area as at 31 December 2016.

Geographical area	Neither past due nor impaired EUR000	Past due but not impaired EUR000	Impaired EUR000	Specific Provisions as of 31/12/2016 EUR000	General Provisions as of 31/12/2016 EUR000
Cyprus	3.921.938	-	38.161	(29.282)	(7.038)
Europe	1.723.670	-	14.430	(7.825)	(1.916)
Russia	2.754.145	-	-	-	(551)
America	76.080	-	-	-	-
Other countries	482.550	-	7.650	(7.650)	(153)
Total	**8.958.383**	**-**	**60.241**	**(44.757)**	**(9.658)**

9. Credit Risk Identification and Measurement

9.1. Names of the nominated ECAIs and exposure classes for which ECAIs are used

For all regulatory credit exposures, the Bank uses external credit assessments for the determination of risk weights which is performed in accordance with the requirements laid down in CRR.

The Bank uses external ratings established by Fitch, Standard & Poor's and Moody's. Where a credit rating is not available, a default treatment is applied as specified by regulatory guidance.

Credit Quality Step	Moody's	Fitch/S&P
CQS 1	Aaa to Aa3	AAA to AA
CQS 2	A1 to A3	A+ to A
CQS 3	Baa1 to Baa3	BBB+ to BBB
CQS 4	Ba1 to Ba3	BB+ to BB
CQS 5	B1 to B3	B+ to B
CQS 6	Caa1 and below	CCC+ and below

9.2. Process used to transfer credit assessments onto items not included in the trading book

The Bank first classifies its exposures into the exposure classes. In accordance with the provisions of the CRR, a credit quality step is then allocated to the exposures based on the applicable credit rating in accordance with the regulatory provisions, which is then used to derive at a risk weight in accordance with specific tables included in the CRR.

For exposure classes of which the ECAI has been nominated, the assignment of risk weights depends on the rating of a financial instrument. If the financial instrument is not rated, the long-term credit rating of the customer or of a comparable financial instrument issued by the respective customer is used to assign the appropriate risk weight. If none of these ratings is available, the sovereign rating of the country in which the customer is domiciled is taken into consideration in the assignment of risk weights.

9.3. Association of the external rating of each ECAI with the credit quality steps

The Bank complies with the standard association of the external rating of each nominated ECAI with the credit quality steps prescribed in Article 136 of CRR.

9.4. Exposure values before and after credit risk mitigation

9.4.1. Exposures to Central Governments or Central Banks

The exposures in this asset class relate to exposures of the Bank to the Central Bank of Cyprus amounting to €991.117 thousands, to the Central Bank of Luxembourg €45.034 thousand and deferred taxation exposures to the Cyprus Government amounting to €396 thousand. No credit risk mitigation exists for exposures falling under this category. The risk weight assigned for the exposures to the Central Bank of Cyprus and the Central Bank of Luxembourg are 0% in accordance with the CRR as they are exposures to a Central Bank of a Member state denominated and funded in the domestic currency of that Central Bank. The remaining exposure, which is a Deferred Tax Asset that does not rely on future profitability, is assigned a risk weight of 100%.

9.4.2. Exposures to Institutions

Exposure to institutions classified and treated in accordance with Articles 119-121 of CRR. The risk weight of the exposure is based on the maturity of the exposure and the credit rating of the institution. Exposures to institutions are risk weighted in accordance with the credit quality step that corresponds on the credit assessment of a nominated ECAI. A preferential treatment is applicable for exposures to institutions of up to three months residual maturity. Exposures to institutions for which a credit assessment by a nominated ECAI is not available, shall be assigned a risk weight according to the credit quality step to which exposures to the central government of the jurisdiction in which the institution is incorporated. For exposures to unrated institutions with an original effective maturity of three months or less, the risk weight shall be 20%.

The following table shows the exposures to institutions before and after credit risk mitigation, pre conversion factors:

Institutions			
		Exposure values	
Credit quality step	Rating mapping*	Before CRM EUR000	After CRM EUR000
1	AAA to AA-	3	3
2	A+ to A-	16.750	16.750
3	BBB+ to BBB-	97.350	97.350
4	BB+ to BB-	22.855	22.855
5	B+ to B-	-	-
6	CCC+ and below	-	-
N/a	Unrated	33	33
		136.991	**136.991**

*Ratings are based on the rating Agency Fitch.

9.4.3. Exposures to Corporates

The following table shows the exposures to corporates before and after credit risk mitigation, pre conversion factors.

Corporates			
		Exposure values	
Credit quality step	Rating mapping*	Before CRM EUR000	After CRM EUR000
1	AAA to AA-	-	-
2	A+ to A-	-	-
3	BBB+ to BBB-	-	-
4	BB+ to BB-	129.516	129.516
5	B+ to B-	1.396.467	88.085
6	CCC+ and below	-	-
N/a	Unrated	6.210.983	1.488.024
		7.736.966	**1.705.625**

*Ratings are based on the rating Agency Fitch.

All exposures to unrated corporates in this class are assigned a risk weight of 100% or the risk weight of its central government, whichever is the higher.

9.5. Exposure values before and after credit conversion factors

In accordance with CRR, the exposure value of an off-balance sheet item is a percentage of its value. The percentages, also known as credit conversion factors, depend on the risk category in which the off-balance sheet item is classified (full risk-100%, medium risk-50%, medium/low risk-20% and low risk-0%). The following table shows the exposure values of off-balance sheet items by exposure class, before the application of credit conversion factors (before and after credit risk mitigation) and after the application of credit conversion factors.

			Exposure values
		Before CCF	After CCF
	Before CRM EUR000	After CRM EUR000	After CRM EUR000
Institutions	500	500	500
Corporates	545.347	136.575	46.275
Retail	123	123	123
	545.970	**137.198**	**46.898**

10. Operational risk

10.1. Approaches for the assessment of own funds requirements

The Bank uses the Standardised Approach for the assessment of own fund requirements for operational risk. Under the Standardised approach, the Bank divides their activities into the business lines according to the principles set out in CRR and calculates the own funds requirements for operational risk as the average over three years of the sum of the annual own funds requirements across all business lines.

11. Leverage

The CRR requires the disclosure of the Bank's leverage ratio. The leverage ratio is calculated as the Bank's capital measure (the Tier 1 capital) divided by that Bank's total exposure measure and is expressed as a percentage. The total exposure measure is the sum of the exposure values of all assets and off-balance sheet items not deducted when determining the capital measure.

The RMD is responsible for the identification, management and monitoring of the risk of excessive leverage. The Leverage ratio is one of the risk appetite and recovery indicators. The risk of excessive leverage is manage by calculating and monitoring the leverage ratio on a daily basis in order to ensure that is within the "Risk Strategy and Appetite Statement Policy" of the Bank, measure the distance of the Bank's ratio from the regulatory minimum limit and periodically it is benchmarked with peer banks.

The Bank determines the exposure value of assets in accordance with the following principles:

a. the exposure values of assets excluding derivatives, means accounting value remaining after specific credit risk adjustments, additional value adjustments and other own funds reductions related to the asset item have been applied;
b. physical or financial collateral, guarantees or credit risk mitigation purchased shall not be used to reduce exposure values of assets;
c. loans shall not be netted with deposits.

The leverage ratio formula is:

$$\text{Leverage Ratio} = \frac{\text{Tier 1 Capital}}{\text{Total Leverage Exposure}}$$

The main factors driving the ratio are the Tier 1 capital amounting to €503.107 thousands, the loans portfolio to customers which amounts to €6.9 billion and represents the 79% of the leverage exposure. Given that the Tier 1 capital of the Bank is stable, the leverage is determined with the increase or decrease of the loan portfolio.

As at the 31 December 2016 the Bank's leverage ratio was 5.7%. You can find more detailed analysis regarding the ratio in the appendix Annex IV.

12. Asset Encumbrance

As at the 31 December 2016 the Bank had zero encumbered assets.

13. Capital Buffers

Counter-cyclical capital buffer Institutions are required to disclose the key elements if the calculation of their countercyclical buffer rate, comprising the geographical distribution of their relevant credit exposures and the final amount of their institution-specific countercyclical buffer rate.

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer.

	General credit exposure	Trading book exposure	Securitisation exposure	Own funds requirements					
Breakdown by country	Exposure value for SA EUR000	Sum of long and short positions EUR000	Exposure value SA EUR000	of which: General Credit exposures EUR000	of which: Trading book exposures EUR000	of which: Securitisation exposures EUR000	Total EUR000	Own funds requirement weights EUR000	Countercyclical Capital Buffer rate EUR000
Cyprus	2.968.584	50.658	-	58.948	-	-	58.948	0.41	0%
Russian Federation	2.754.148	-	-	12.973	-	-	12.973	0.09	0%
Netherlands	1.308.382	22.792	-	-	1.823	-	1.823	0.01	0%
Virgin Islands, British	404.999	-	-	19.953	-	-	19.953	0.14	0%
Croatia	88.698	-	-	10.570	-	-	10.570	0.07	0%
United States	76.080	5.492	-	1.217	-	-	1.217	0.01	0%
Jersey	75.112	-	-	7.034	-	-	7.034	0.05	0%
Luxembourg	22.432	18.997	-	720	1.520	-	2.240	0.02	0%
Marshall Islands	58.355	-	-	3.125	-	-	3.125	0.02	0%
Ireland	57.588	-	-	4.558	-	-	4.558	0.03	0%
Guernsey	51.610	-	-	4.122	-	-	4.122	0.03	0%
United Kingdom	34.970	38.122	-	845	532	-	1.377	0.01	0%
Qatar	25.453	-	-	2.031	-	-	2.031	0.01	0%
Switzerland	16.359	-	-	1.143	-	-	1.143	0.01	0%
France	13.016	37.551	-	1.029	3.004	-	4.033	0.03	0%
Germany	8.406	52.954	-	666	2.679	-	3.345	0.02	0%
Finland	-	8.988	-	-	719	-	719	0.01	0%
Sweden	-	7.139	-	-	571	-	571	0.00	2%
Spain	-	16.570	-	-	463	-	463	0.00	0%
Other	17.885	35.904	-	1.112	2.872	-	3.984	0.03	0%
Total	7.982.077	295.167	-	130.046	14.183	-	144.229	1.00	

Amount of institution-specific countercyclical buffer.

	EUR000
Total risk exposure amount	9.018.624
Institution specific countercyclical buffer rate	0.01%
Institution specific countercyclical buffer requirement	541

14. Exposure to interest rate risk on positions not included in the trading book

14.1. Nature of interest rate risk, key assumptions and frequency of measurement

Interest rate risk in the banking book (repricing risk) is the risk that arises from timing differences in the maturity (for fixed-rate instruments) and repricing (for floating-rate instruments) of Bank's assets, liabilities and off-balance sheet positions. In the scenario of an interest bearing asset of fixed interest, funded by a variable rate liability, the margin between the two would be affected by a move in market interest rates.

The Bank has established interest rate risk limits in relation to its banking book. The limits reflect the risk appetite of the Bank regarding loan transactions in terms of acceptable interest rate margins for specified maturities.

The Bank currently measures the effect of a change of 200 b.p. in interest rates on the Bank's earnings and economic value in accordance with the supervisory stress test scenario. The maximum limit for the change in the economic value of the Bask as a result of the change in the interest rates is set to be equal to the supervisory limit of 20% of the Bank's regulatory capital. As of 31 December 2016, this limit was not exceeded by the Bank.

In addition, the Bank performs on a quarterly basis non-supervisory stress testing by applying exceptional but plausible changes in interest rates (during this test, different parallel shifts of the yield curve and the yield curve twists are considered).

Interest rate risk in the banking book forms part of Pillar II, for the purposes of calculating Bank capital requirements.

The basic rules that are followed are in accordance with the guidelines provided by the Central Bank of Cyprus and are as follows:

All interest bearing assets and interest bearing liabilities of a non-trading nature are classified into specified time bands per currency. The classification into the time bands is based on the remaining maturity until the next re-pricing date. Then, the difference between assets and liabilities in each time band is calculated for each currency ending up in a gap. All time bands together, comprise the basis for the calculation of interest rate risk in the banking book, calculated under both the earnings and the economic value approach.

The stress test is based on the assumption that accrued interest and adjustments for the effective interest rate method are non-interest bearing and therefore excluded from the analysis. In addition, deposits are allocated to the maturity bands in such a way so as to match them with the corresponding loans for which they serve as collateral.

14.2. Variation in earnings and economic value

	Increase/(Decrease) in earnings		
			Currencies
Stress scenario	USD EUR000	RUR EUR000	EUR EUR000
+ 200 b.p.	10.441	(995)	360
- 200 b.p.	(10.441)	995	(360)

14.2.1. Variation in earnings

It should be noted that the variation in earnings is affected by the fact that non-interest bearing assets which are not included in the analysis are funded by interest bearing liabilities resulting in an increase in the gap on which the change in the interest rates is applied.

14.2.2. Variation in economic value

The change in economic value of the Bank as at the end of 31 December 2016 by applying a 200 b.p. change in interest rates, was a decrease of €5.211 thousand (0.93% of the Banks's own funds).

15. Remuneration Policy and practices

a. Information concerning the decision-making process used for determining the remuneration policy, as well as the number of meetings held by the main body overseeing remuneration during the financial year, including, if applicable, information about the composition and the mandate of a remuneration committee, the external consultant whose services have been used for the determination of the remuneration policy and the role of the relevant stakeholders;

Remuneration Policy
The Bank takes an enterprise-wide approach to remuneration policies and practices and it is responsible for the design and maintenance of the Remuneration Policy.

The Management Body approves the Remuneration Policy and maintains oversight of its application. Implementation of the Remuneration Policy is also subject to central and independent review by the Head of Internal Audit.

Responsibility for oversight of the implementation and supervision of the Bank's remuneration strategy rests with the Management Body through the Remuneration Committee. Thus the Management Body is ultimately responsible for the Bank's compliance with applicable laws, rules, regulations and regulatory guidance. Furthermore, the Management Body is responsible for ensuring that the shareholders of the Bank have adequate information about the Remuneration Policy including the main components of remuneration and the main characteristics and objectives of the Bank's remuneration package.

No amendment to or exception from the Remuneration Policy is permitted without the prior approval of Management Body or a delegate of the Management Body.

Although the Management Body has ultimate responsibility for the implementation and supervision of the Bank's remuneration strategy, it also takes into account advice, views and material information received from the Bank's control functions, the Legal Department, Human Resources Department and, where appropriate, its shareholders. Furthermore:

- An independent, ad-hoc review is carried out by the Head of Internal Audit, with particular regard to the extent to which the Remuneration Policy is enforced and the findings of this review are submitted to the Management Body through the Audit Committee;
- The Risk Manager assists in and informs on the definition of suitable risk-adjusted performance measures and has the responsibility of ensuring that the Remuneration Policy is aligned with the Bank's risk policies and assessing how the variable remuneration structure affects the risk profile and culture of the Bank and reports to the Management Body through the Risk Management Committee. The Risk Manager validates and assesses risk adjustment data as well as is invited to attend the meetings of the Remuneration Committee on this matter;
- The Bank's Head of Compliance analyses how the Remuneration Policy affects the Bank's compliance with legislation, regulations, internal policies and risk culture and should report all identified compliance risks and issues of non-compliance to the Management Body. The findings of the Head of Compliance are taken into account by the Management Body during the approval, review procedures and oversight of the Remuneration Policy;
- Risk and Compliance functions provide input in accordance with their roles into setting of bonus pools, performance criteria and remuneration awards where those functions have concerns regarding the impact on Employees behaviour and the riskiness of the business undertaken; and
- The Human Resources Department participates in and informs on the drawing up and the evaluation of the Remuneration Policy for the Bank, including the remuneration structure, remuneration levels and incentive schemes, in a way that do not only attract and retain Employees the Bank needs, but also assure that the Remuneration Policy is aligned with the Bank's risk profile.

Meetings were held amongst the departments of Compliance, Human Resources and Risk Management for the purpose of conducting an analysis of the personnel that falls under the definition of Material Risk Takers ("MRTs"), prior of presenting the final list to the Risk and Remuneration Committees. Also the calculation of the bonus pool for the year of 2016 was presented to the Risk and Compliance Departments. The presentation on the proposed approach for the calculation of the 2016 Annual Bonus was also presented to the Remuneration Committee for approval.

The revised Remuneration Policy has been approved in its entirety by the Committees and the MB in 2017, in accordance with the provisions of the European Banking Authority Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU, and disclosures under Article 450 of Regulation (EU) No 575/2013 of 21 December 2015, applicable as from January 2017. In particular, the Bank has introduced the following for the 2016 determination of the variable component of remuneration:

- Introduction of a non-cash instrument – Restricted Stock Unit;
- Introduction of specific ratios for the purpose of Risk Alignment of Variable Remuneration;
- Explicit Deferral Requirements for Cash and Non-cash Awards to MRTs;
- Expanded requirements and criteria for the application of Malus and Clawback arrangements.

The MB has established a Remuneration Committee (hereinafter the "RC") which as at 31 December 2016 comprised of 4 members who were appointed by the MB, of which the Chairperson and the other members were all Independent Directors. During 2016, the RC held 6 meetings and its activities were guided by the "Terms of Reference of the Remuneration Committee" as approved by the MB.

The key duties and responsibilities of the RC were as follows:

- Provide its support and advice to the MB on the design of the Bank's Remuneration Policy;
- Support the MB in overseeing the remuneration policies, practices and processes, and the compliance with the Remuneration Policy;
- Formulate proposals for approval by the MB, as regards to the Remuneration Policy, and always ensure that those are in line with all the regulatory requirements;
- Ensure that internal control functions are involved in the design, review and implementation of the Remuneration Policy;
- Collaborate with other Committees of the MB, whose activities may have an impact on the design and proper functioning of the remuneration policies and practices, and provide adequate information to the MB, and where appropriate, to the shareholders' meeting about the activities performed;
- Ensure that those personnel members who are involved in the design, review and implementation of the remuneration policies and practices have relevant expertise and are capable of forming independent judgment, including suitability for risk management;
- In cooperation with the internal control functions, as well as other Committees (e.g. Audit & Risk), it must ensure on a regular basis that changes in the objectives of the Bank's business and risk strategy, long-term interests, corporate culture and values are adequately identified and accordingly embedded in the Remuneration Policy;
- Work closely with the Risk Committee to ensure that the Remuneration Policy is consistent with and promotes sound and effective risk management;
- Contribute actively in the process to identify the members of personnel whose professional activities have a material impact on the Bank's risk profile, in line with its responsibilities for the preparation of decisions regarding remuneration. Review and also approve, the exemptions made for those who do not have a material impact on the Bank's risk profile;
- Prepare decisions regarding remuneration, including those that have implications for the risk and risk management of the Bank and that are to be taken by the MB, in particular regarding the remuneration of the members of the MB in its management function, as well as of other identified staff;
- Assess the achievement of the performance targets and the need for ex-post risk adjustment, including the application of malus and clawback arrangements;
- Report on its main activities and results to the MB on a regular basis, but not less frequently than once per quarter;
- Conduct an annual self-assessment, and report conclusions and recommendations for improvements of its practices and changes thereafter to the MB;
- Circulate any minutes to the MB in advance of any MB meetings.

b. Information on link between pay and performance;

The Bank on an annual basis translates its long-term objectives, which derive from its business and risk strategy, corporate values, risk appetite and long-term interests as well as from methods used within the Internal Capital Adequacy Assessment (ICAAP) into financial and non-financial performance and professional development targets for Chief Executive Officer, Senior Executive Management, Organizational Departments and Employees within such departments.

Performance Targets are defined at the beginning of the accrual period by the immediate supervisors of Employees and all the departments of the Bank (including the Management Body for the Chief Executive Officer) in consultation and alignment with the Risk Management.

Targets for MRTs and other Heads of Departments within the Bank are set via Key Performance Indicators (KPIs), which differ depending on the business unit/profit center and reflect the targets/objectives of the specific area. Indicatively, adherence to the Bank's approved policies and procedures, compliance with the regulatory and legal framework, efficiency and effectiveness of the control functions, the cost of tied-up capital that is associated to risks undertaken, are set by the Bank's Senior Executive Management. More specifically the Bank uses following criteria:

- Net profit;
- Return on Equity;
- RAROC;
- Strategy implementation;
- Compliance and conduct;
- Net interest income;
- Net fee & commission income;
- Volume of deposits;
- Volume of loans;
- Number of new NPLs;
- Implementation of new products and strategic initiatives;
- Other qualitative and quantitative indicators reflecting key duties and responsibilities of particular department/unit/employee.

Targets for the remaining personnel are set on departmental and unit level by direct supervisors using the Management by objectives approach.

After the end of the accrual period the Bank conducts the appraisal of actual performance of personnel vis-à-vis target setting. For this reason the participation in the annual employee appraisal is compulsory for all employees. The appraisals are also reviewed by the Bank's Senior Executive Management.

For the calculation of the 2016 annual bonus, the Bank has used the following approach:

Award = (Performance Factor) * (Monthly Salary) * (Length of Service Factor) * (Bonus Factor) * (Bonus Pool Factor) * (Head of Department Adjustment)

Where:

- "Award" - total gross amount to be awarded to Employee as a bonus for 2016 year;
- "Performance Factor" - level of achievement by the Employee of targets of performance indicators set for 2016 year;
- "Monthly Salary" - average amount of gross monthly fixed salary paid to Employee during the fourth quarter of 2016;
- "Length of Service Factor" - multiplier representing duration of work of the Employee in 2016. If the Employee worked less than 90 calendar days, the factor is zero, if from 91 to 365 then it is pro-rata calculation to number days employed in 2016;
- "Bonus Factor" - a factor representing standard bonus amount in terms of monthly salaries for the grade and position of the Employee;
- "Bonus Pool Factor" - a factor representing a level of achievement of strategic goals on the bank and/or on the business line/business unit level;
- "Head of Department Adjustment" - adjustment made by the Head of Department/Unit for the award of the Employee based on assessment of contribution of such particular employee into the result of the department/unit.

The Bank counterbalances the incentives of the Award of Variable Remuneration with measures to incentivize sound risk management. In particular:

I. Established risk sensitive performance criteria for the assessment of Employees and operational functions, for example:

    - Volume of new NPLs;
    - Risk-Adjusted Return on Capital (RAROC);
    - Other KPIs related to market and operational risks (for example: # of significant system errors led to unavailability of the core banking system).

II. Ensured that a proposed award out of the Bank-wide bonus pool does not lead the Bank to a negative financial performance (net loss) and/or a breach of capital and liquidity requirements to which the Bank is subject; and that no other ratios are breached, including each of the following:

- Common Equity Tier I Ratio;
- Total Capital Adequacy Ratio;
- Liquid Assets Ratio;
- Liquidity Coverage Ratio.

In order to conservatively take into account all material risks at the Bank's and business unit levels, and to achieve sound breakdown of undertaken risks by business units and different types of risks, the Bank uses the same measurement methods and risk allocation approaches as used within the ICAAP.

c. The most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria;

As a matter of principle, the Bank supports levels of remuneration and compensation necessary to attract, retain and motivate high quality people required to lead, manage and serve the Bank in a competitive environment. The Bank considers that appropriate levels of remuneration and compensation are essential to enhance the long-term interests of the Bank's stakeholders, including its shareholders. The Remuneration Policy therefore takes into account the competitiveness of the market in which it operates and the strategic targets of the business, but it also seeks to reward its employees who promote the Bank's corporate values, and who also support long-term generation of values.

The Bank strives to ensure that remuneration packages reflect the relevant duties and responsibilities, are fair and equitable, and incorporate rewards clearly and measurably linked to performance, both on an individual and on a corporate basis.

The Policy is in line with the Bank's business strategy and risk tolerance, objectives, values and long-term interests. The Policy also includes other values of the Bank such as compliance, culture, ethics, conduct towards customers, measures to mitigate conflicts of interest, etc. The Bank does not reward individuals for taking risks in excess of the Bank's risk tolerance and at all times gives due consideration to the longer term. The Policy enables the Bank to achieve and maintain a sound capital base. The overall remuneration is included in the capital and liquidity planning of the Bank and contributes to safeguarding a sound capital base.

Remuneration consists of:

I. All forms of payments and benefits, monetary or non-monetary, in exchange for services rendered by an employee to the Bank. Remuneration is either Fixed Remuneration or Variable Remuneration, there is no third category of Remuneration;
II. An employee's Variable Remuneration is calculated by reference to that Employee's Fixed Remuneration.

Where a variable remuneration is paid to an MRT who has an impact on the risk profile of the Bank, it is not a pure up-front cash payment but it contains a deferred component which considers the risk horizon of the underlying performance. At least 40% - 60% of the variable remuneration component is deferred over a period of not less than three to five years and is aligned with the nature of the business, its risks and the activities of the MRT in question.

The variable remuneration, including any deferred portion, is paid or vests only if it is sustainable based on the financial situation of the Bank. Without prejudice to the general principles of the local legal framework the total variable remuneration shall be considerably contracted where subdued or negative financial performance of the Bank occurs, taking into account both current remuneration and deductions in pay-outs of amounts previously earned, including through malus or clawback arrangements. Whilst taking into account all legal and fiscal constraints, any up-front bonus payment shall be subject to clawback if it is later established that it resulted from fraudulent activities. Remuneration payable under deferral arrangements shall vest no faster than on a pro-rata spreading and the vested amount shall not be sooner than twelve months after the accrual.

Up to one hundred percent (100%) of the total variable remuneration shall be subject to malus or clawback arrangements. Ex-post risk adjustment (or performance adjustment) is used by the Bank such as malus or clawback arrangements. By using these mechanisms the Bank adjusts the remuneration of the employees in certain circumstances, as stated below. Ex-post risk adjustment is performance related and is a response to the actual risk outcomes of the employee's actions. These mechanisms enable the Bank to perform an analysis (similar to back testing) as to whether its initial decision regarding the deferred remuneration of an employee was correct. As a general rule, malus/clawback arrangements result in a reduction of the variable remuneration.

The Bank does not have a specific policy in place for early termination of a contract and, should such an early termination occur, the applicable labour legislation is adhered to. Nonetheless, payments related to the early termination of a contract reflect performance achieved over time and are designed in a way that does not reward failure.

Independent Directors of the Bank, who are members of the Management Body, receive an annual fixed fee, and no variable remuneration is paid to them.

The employees of the Bank are categorised as follows:

01. Executive Directors and Chief Executive Officer
02. Members of the Senior Executive Management
03. Control Functions
04. Other Material Risk Takers
05. Heads of Departments/Units who do not fall under any of the above categories
06. Other Employees

The number of staff employed by the Bank at 31 December 2016 was 357 (2015: 301).

d. The ratios between fixed and variable remuneration set in accordance with Article 94(1)(g) of Directive 2013/36/EU;

For 2016 the Bank has applied the following deferral scheme of variable remuneration:

Categories	Non-Deferred	Deferred
Members of the SEM and Employees with bonus above 0.5 mln EUR (High Earners)	20% in cash, immediate settlement 20% in RSUs with a retention period of 1 year	30% in cash for 5 years, proportional settlement 30% in RSUs for 5 years, proportional vesting with a retention period of 1 year
Control Functions and other MRTs	30% in cash, immediate settlement 30% in RSUs with a retention period of 1 year	20% in cash for 3 years, proportional settlement 20% in RSUs for 3 years, proportional vesting with a retention period of 1 year
Non-MRTs	100% in cash, immediate settlement	-

The actual ratio between fixed and variable remuneration in 2016 stood on average at 23% for Executive Directors, Chief Executive Officer and Senior Executive Management; at 10% for Other Risk Takers; at 11% for control functions; at 8% for deposits and transactional banking; at 7% for corporate lending and investment banking.

e. Information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based;

The variable portion is clearly connected to the work and performance of the individual, the performance of his/her department and the overall performance of the Bank. The goals are based on factors that support the Bank's long-term strategy.

For variable remuneration purposes, for the MRTs, the Bank has designed a non-cash instrument as per the Article 94(1)(l) of Directive 2013/36/EU. For Non-MRTs the variable remuneration consists of upfront cash.

f. The main parameters and rationale for any variable component scheme and any other non-cash benefits;

In addition to the information provided in point (b) above, the KPIs clearly measure performance, and are linked to the strategic objectives of the Bank. Ultimately, they monitor the execution of the business strategy.

Through the application of KPIs, the Bank's aim is to equip decision-makers with the information they need to make informed decisions that lead to improvements, to comply with external and internal reporting requirements and to guide and direct people's behaviours and actions in relation to performance. Results from KPIs are used to set goals, to objectively assess the achievement of these goals, and to provide feedback on any unwanted variance between achievements and goals. KPI results are linked to reward and recognition structures.

All employees of the Bank are categorised by grades. The classification of employees, and the assignment of a grade, is based on their management and organisational role, hierarchy, existing reporting lines, qualifications and experience as well as annual remuneration package. Certain non-cash benefits such as type of medical insurance scheme, life insurance, limit of monthly corporate mobile phone, class of air tickets for business trips etc, apply to each grade.

g. Aggregate quantitative information on remuneration, broken down by business area;

Business Area	Total Remuneration, Thousand Euro
Executive Directors, Chief Executive Officer and Senior Executive Management	12.128
Control Functions	2.243
Deposits and transactional banking	4.434
Corporate lending & investment banking	4.265
Other	13.500
Total remuneration	**36.570**

h. Aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the institution, indicating the following:

I. The amounts of remuneration for the financial year split into fixed and variable remuneration, and the number of beneficiaries;

The total remuneration of the Executive Directors, Chief Executive Officer and Senior Executive Management (headcount of 7) for 2016 was EUR12.128 thousand including a variable compensation of EUR2.294 thousand.

The total remuneration of Other Risk Takers (headcount of 23) for 2016 was EUR6.455 thousand including a variable compensation of EUR1.062 thousand.

II. The amounts and forms of variable remuneration, split into cash, shares, share-linked instruments and other types;

    Executive Directors, Chief Executive Officer and Senior Executive Management: Variable remuneration was granted in the form of cash (EUR1.147 thousand) and in the form of non-cash instruments (EUR1.147 thousand).

    Other Risk Takers: Variable remuneration was granted in the form of cash (EUR798 thousand, including severance payments disclosed under point (vi) below) and in the form of non-cash instruments (EUR264 thousand).

III. The amounts of outstanding deferred remuneration split into vested and unvested portions;

    Executive Directors, Chief Executive Officer and Senior Executive Management: As of 31 December 2016, outstanding deferred remuneration amounted to EUR2.612 thousand (non-vested EUR1.490 thousand and vested EUR1.122 thousand).

    Other Risk Takers: As of 31 December 2016, outstanding deferred remuneration amounted to EUR291 thousand (non-vested EUR194 thousand and vested EUR97 thousand).

IV. The amounts of deferred remuneration awarded during the financial year, paid out and reduced through performance adjustments;

    Executive Directors, Chief Executive Officer and Senior Executive Management: Deferred remuneration awarded during the year was EUR1.377 thousand. No deferred remuneration was paid out. There were no amounts reduced through performance adjustments.

    Other Risk Takers: Deferred remuneration awarded during the year was EUR228 thousand. No deferred remuneration was paid out. There were no amounts reduced through performance adjustments.

V. New sign-on and severance payments made during the financial year, and the number of beneficiaries of such payments;

    During the financial year, there were no new sign on payments. Severance payments of EUR534 thousand were made to 1 beneficiary.

VI. The amounts of severance payments awarded during the financial year, number of beneficiaries and highest such award to a single person;

    Severance payments of EUR534 thousand were awarded to 1 beneficiary.

i. The number of individuals being remunerated EUR 1 million or more per financial year, for remuneration between EUR 1 million and EUR 5 million broken down into pay bands of EUR 500 000 and for remuneration of EUR 5 million and above broken down into pay bands of EUR 1 million;

   The number of individuals being remunerated EUR1 million or more for 2016 amounted to 7 employees, with 3 employee being in the pay band from EUR1 million to EUR1.5 million, 1 employee being in the pay band from EUR1.5 million to EUR2 million, 2 employees being in the pay band from EUR2 million to EUR2.5 million, and 1 employee being in the pay band from EUR2.5 million to EUR3 million.

Appendices

Annex I

Transitional own funds disclosure template.

		Amount EUR000
Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	139.071
	- of which: Instrument type 1 - Share Capital	18.471
	- of which: Instrument type 2 - Share Premium	120.600
	- of which: Instrument type 3	-
2	Retained earnings	268.257
3	Accumulated other comprehensive income (and other reserves)	97.695
3a	Funds for general banking risk	-
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-
	Public sector capital injections grandfathered until 1 January 2018	-
5	Minority interests (amount allowed in consolidated CET1)	-
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**505.022**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	-295
8	Intangible assets (net of related tax liability) (negative amount)	-1.620
9	Empty set in the EU	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-
11	Fair value reserves related to gains or losses on cash flow hedges	-
12	Negative amounts resulting from the calculation of expected loss amounts	-
13	Any increase in equity that results from securitised assets (negative amount)	-
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-
15	Defined-benefit pension fund assets (negative amount)	-
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
20	Empty set in the EU	-
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-
20b	- of which: qualifying holdings outside the financial sector (negative amount)	-
20c	- of which: securitisation positions (negative amount)	-
20d	- of which: free deliveries (negative amount)	-
21	Deferred tax assets arising from temporary differences (amount **above 10%** threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-
22	Amount exceeding the 15% threshold (negative amount)	-

		Amount EUR000
23	- of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-
24	Empty set in the EU	-
25	- of which: deferred tax assets arising from temporary differences	-
25a	Losses for the current financial year (negative amount)	-
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	-
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required preCRR	-
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-1.915**
29	**Common Equity Tier 1 (CET1) capital**	**503.107**
30-36	Additional Tier 1 (AT1) capital: instruments	-
37-42	Additional Tier 1 (AT1) capital: regulatory adjustments	-
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-
44	Additional Tier 1(AT1) capital	-
45	**Tier 1 capital (T1 = CET1 + AT1)**	**503.107**

Tier 2 (T2) capital: instruments and provisions

46	Capital instruments and the related share premium accounts	46.056
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	-
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-
49	- of which: instruments issued by subsidiaries subject to phase out	-
50	Credit risk adjustments	9.657
51	**Tier 2 (T2) capital before regulatory adjustments**	**55.713**

Tier 2 (T2) capital: regulatory adjustments

52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
54a	- of which new holdings not subject to transitional arrangements	-
54b	- of which holdings existing befores 1 January 2013 and subject to transitional arrangements	-
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-
56a	Residual amounts deducted from Tier 2capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-
	- of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc.	-

		Amount EUR000
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-
	- of which items to be detailed line by line, e.g. reciprocal cross holdings in at1 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc	-
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	-
	- of which: possible filter for unrealised losses	-
57	Total regulatory adjustments to Tier 2 (T2) capital	-
58	**Tier 2 (T2) capital**	**55.713**
59	**Total capital (TC = T1 + T2)**	**558.820**
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013(i.e. CRR residual amounts)	-
	- of which: Items not deducted from CET1 (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liablity, indirect holdings of own CET1, etc)	-
	- of which: Items not deducted from AT1 items (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc)	-
	Items not deducted from T2 items (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own t2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)	-
60	**Total risk weighted assets**	**2.419.392**
Capital ratios and buffers		
61	**Common Equity Tier 1 (as a percentage of total risk exposure amount)**	**20.8%**
62	**Tier 1 (as a percentage of total risk exposure amount)**	**20.8%**
63	**Total capital (as a percentage of total risk exposure amount)**	**23.1%**
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	0.00%
65	- of which: capital conservation buffer requirement	-
66	- of which: countercyclical buffer requirement	-
67	- of which: systemic risk buffer requirement	-
67a	- of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	0.00%
69	[non relevant in EU regulation]	-
70	[non relevant in EU regulation]	-
71	[non relevant in EU regulation]	-
Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-
74	Empty set in the EU	-
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	-

		Amount EUR000
Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

Annex II

Capital Instruments main features Template		Tier 1
1	Issuer	RCB Bank Ltd
2	Unique identifier	N/A
3	Governing law(s) of the instrument	Law of Cyprus
	Regulatory treatment	**Solo**
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo&(sub)consolidated	
7	Instrument type	Ordinary Shares
8	Amount recognised in regulatory capital	€ 139 million
9	Nominal amount of instrument	€18.471 thousand
9a	Issue price	€1,71 nominal share
9b	Redemption price	N/A
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	Multiple
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons/dividends	
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	**Convertible or non-convertible**	
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A

Capital Instruments main features Template		Tier 1
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	N/A

Annex III

Capital Instruments main features Template		Tier 2
1	Issuer	RCB Bank Ltd
2	Unique identifier	N/A
3	Governing law(s) of the instrument	Law of Cyprus
	Regulatory treatment	
4	Transitional CRR rules	N/A
5	Post-transitional CRR rules	N/A
6	Eligible at solo/(sub-)consolidated/solo&(sub-)consolidated	Solo
7	Instrument type (types to be specified by each jurisdiction)	Tier 2 Capital
8	Amount recognised in regulatory capital	€ 46.1 million
9	Nominal amount of instrument	US$ 100 million
9a	Issue price	US$ 100 million
9b	Redemption price	0
10	Accounting classification	Liabilities
11	Original date of issuance	06/06/2012
12	Perpetual or dated	Dated
13	Original maturity date	05/06/2019
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons/dividends	
17	Fixed or floating dividend/coupon	Fixed Interest
18	Coupon rate and any related index	7,07%
19	Existence of a dividend stopper	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Mandatory
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	**Convertible or non-convertible**	
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A

Capital Instruments main features Template		Tier 2
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	N/A

Annex IV

CRR Leverage Ratio - Disclosure Template	
Reference date	31/12/2016
Entity name	RCB BANK LTD
Level of application	Individual

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures		Applicable Amounts
1	Total assets as per published financial statements	8.699.020
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	10.616
5	Adjustments for securities financing transactions "SFTs"	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	137.198
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	-
7	Other adjustments	1.721
8	**Total leverage ratio exposure**	**8.845.113**

Table LRCom: Leverage ratio common disclosure		CRR leverage ratio exposures
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	8.508.909
2	(Asset amounts deducted in determining Tier 1 capital)	-1.620
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**8.507.289**
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	14.613
EU-5a	Exposure determined under Original Exposure Method	10.616

6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivative exposures (sum of lines 4 to 10)**	**25.229**
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	175.397
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	-
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**175.397**
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	545.970
18	(Adjustments for conversion to credit equivalent amounts)	-408.773
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**137.198**
	Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)	
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
	Capital and total exposures	
20	**Tier 1 capital**	**503.107**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**8.845.113**
	Leverage ratio	
22	**Leverage ratio**	**5.69%**
	Choice on transitional arrangements and amount of derecognised fiduciary items	
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully Phased In
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	-

Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	8.507.289
EU-2	Trading book exposures	289.675
EU-3	Banking book exposures, of which:	8.217.614
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	1.036.547
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	-
EU-7	Institutions	114.777
EU-8	Secured by mortgages of immovable properties	52.486
EU-9	Retail exposures	973
EU-10	Corporate	6.950.564
EU-11	Exposures in default	15.484
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	46.783

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