



RCB BANK LTD

Pillar III Semi-Annual Risk Disclosures

for the period ended 30 June 2021

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1. Introduction

The Pillar III Disclosures of RCB BANK LTD (“the Bank” or “RCB”) have been prepared in accordance with Part Eight “Disclosures by Institutions” of the Capital Requirements Regulation EU 575/2013 (“CRR”), amended Capital Requirements Directive 2013/36/EU (“CRD IV”) and subsequent EU guidelines supplementing the risk disclosures framework.

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.

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

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 disclosure of the risk and capital information required by banks as specified in the CRR and CRD rule to promote transparency and appropriate risk management.

3. Regulatory Capital

The below table provides an overview of the Bank's available own funds and breakdown of risk weighted assets.

	June2021 EUR000	December2020 EUR000
Own Funds		
Common Equity Tier 1 (CET 1)	463.360	448.332
Additional Tier 1 (AT1)	-	-
Tier 1 (T1)	-	-
Total regulatory capital	463.360	448.332
Risk weighted assets		
Credit risk	1.868.802	1.763.587
Market risk	22.997	71.529
Operational risk	279.600	279.600
Risk exposure amount for credit valuation adjustments (CVA)	14.173	11.067
Total risk weighted assets	2.185.572	2.125.783
Common Equity Tier 1 (CET 1) ratio	21,2%	21,1%
Tier 1 (T1) ratio	21,2%	21,1%
Capital adequacy ratio	21,2%	21,1%

As of 30 June 2021, the Tier 1 capital ratio was in excess of the minimum regulatory requirements. The Pillar II own funds requirement was set at 3,50% following the Supervisory Review and Evaluation Process (SREP) of 2019 which remains in force following the ECB communication and approach of 2020 SREP cycle, in light of the COVID-19 crisis.

4. Overview of Risk Weighted Assets

The below table provide an overview of the Bank's risk weighted assets by risk type and the respective capital requirements.

	Risk Weighted Assets		Minimum capital requirements
	June 2021 EUR000	December 2020 EUR000	June 2021 EUR000
Credit risk (excluding CCR)	1.810.023	1.703.015	144.802
Of which the standardised approach	1.810.023	1.703.015	144.802
Of which the foundation IRB (FIRB) approach	-	-	-
Of which the advanced IRB (AIRB) approach	-	-	-
Of which equity IRB under the simple risk-weighted approach or the IMA	-	-	-
CCR	58.779	54.116	4.702
Of which mark to market	6.166	770	493
Of which original exposure	38.440	42.279	3.075
Of which the standardised approach	-	-	-
Of which internal model method (IMM)	-	-	-
Of which risk exposure amount for contributions to the default fund of a CCP	-	-	-
Of which CVA	14.173	11.067	1.134
Settlement risk	-	-	-
Securitisation exposures in the banking book (after the cap)	-	-	-
Of which IRB approach	-	-	-
Of which IRB supervisory formula approach (SFA)	-	-	-
Of which internal assessment approach (IAA)	-	-	-
Of which standardised approach	-	-	-
Market risk	22.997	71.529	1.840
Of which the standardised approach	-	-	-
Of which IMA	-	-	-
Large exposures	-	-	-
Operational risk	279.600	279.600	22.368
Of which basic indicator approach	-	-	-
Of which standardised approach	279.600	279.600	22.368
Of which advanced measurement approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	17.523	-
Floor adjustment	-	-	-
Total	2.171.399	2.125.783	173.712

In comparison with the year end 2020, total risk weighted exposure increased due to an increase in credit risk driven from growth of lending activity.

The below table provides further information as regards to the credit risk exposure of the Bank, provided by asset class and illustrating the risk weighted assets and the capital requirements evolution from year end 2020. Increase to the credit risk exposures is driven from growth of lending to corporate asset class.

	Risk Weighted Assets June 2021 EUR000	Minimum Capital Requirements June 2021 EUR000	Risk Weighted Assets December 2020 EUR000	Minimum Capital Requirements December 2020 EUR000
Central governments or central banks	17.642	1.411	17.523	1.402
Regional governments or local authorities	-	-	-	-
Public sector entities	-	-	-	-
Multilateral development banks	-	-	-	-
International organisations	-	-	-	-
Institutions	3.543	283	17	1
Corporates	1.430.481	114.438	1.309.350	104.748
Retail	858	69	936	75
Secured by mortgages on immovable property	185	15	198	16
Exposures in default	82.758	6.621	86.827	6.946
Items associated with particularly high risk	237.662	19.013	274.015	21.921
Covered bonds	-	-	-	-
Claims on institutions and corporates with a short-term credit assessment	27.408	2.193	31.404	2.512
Collective investments undertakings	-	-	-	-
Equity exposures	-	-	-	-
Other exposures	68.267	5.461	43.317	3.465
Total standardised approach	1.868.802	149.504	1.763.587	141.086

5. Leverage

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.

	June 2021 EUR000	December 2020 EUR000
Tier 1 Capital	469.429	448.332
Total Exposure Measure	4.722.002	5.041.935
Leverage Ratio	9,9%	8,9%

No transitional application was applied, the calculation was based on the fully phased-in definition.

6. Key Metrics

The above table provides a time series set of key prudential metrics covering a bank's available capital. Its risk weighted assets, Liquidity Coverage Ratio and Net Stable Funding. The Bank does not apply transitional arrangements for the impact of expected credit loss accounting on regulatory capital, therefore the regulatory ratios depict the fully loaded level.

	June 2021 EUR000	December 2020 EUR000	June 2020 EUR000
Available own funds (amounts)			
Common Equity Tier 1 (CET1) capital	463.360	448.332	461.860
Tier 1 capital	463.360	448.332	461.860
Total capital	463.360	448.332	461.860
Risk-weighted exposure amounts			
Total risk exposure amount	2.185.572	2.125.783	2.256.102
Capital ratios (as a percentage of risk-weighted exposure amount)			
Common Equity Tier 1 ratio (%)	21,2%	21,1%	20,5%
Tier 1 ratio (%)	21,2%	21,1%	20,5%
Total capital ratio (%)	21,2%	21,1%	20,5%
Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)			
Additional own funds requirements to address risks other than the risk of excessive leverage (%)	3,50%	3,50%	3,50%
- of which: to be made up of CET1 capital (percentage points)	6,47%	6,47%	6,47%
- of which: to be made up of Tier 1 capital (percentage points)	8,63%	8,63%	8,63%
Total SREP own funds requirements (%)	11,50%	11,50%	11,50%
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)			
Capital conservation buffer (%)	2,50%	2,50%	2,50%
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0,00%	0,00%	0,00%
Institution specific countercyclical capital buffer (%)	0,00%	0,00%	0,01%
Systemic risk buffer (%)	0,00%	0,00%	0,00%
Global Systemically Important Institution buffer (%)	0,00%	0,00%	0,00%
Other Systemically Important Institution buffer (%)	0,25%	0,50%	0,50%
Combined buffer requirement (%)	2,75%	3,00%	3,01%
Overall capital requirements (%)	14,25%	14,50%	14,51%
CET1 available after meeting the total SREP own funds requirements (%)	212,019	203,867	202,408
Leverage ratio			
Total exposure measure	4.722.002	5.041.935	4.910.476
Leverage ratio (%)	9,9%	8,9%	9,4%
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)			
Additional own funds requirements to address the risk of excessive leverage (%)	0,00%	0,00%	0,00%
- of which: to be made up of CET1 capital (percentage points)	0,00%	0,00%	0,00%
Total SREP leverage ratio requirements (%)	0,00%	0,00%	0,00%

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	June 2021 EUR000	December 2020 EUR000	June 2020 EUR000
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)			
Leverage ratio buffer requirement (%)	0,00%	0,00%	0,00%
Overall leverage ratio requirement (%)	0,00%	0,00%	0,00%
Liquidity Coverage Ratio			
Total high-quality liquid assets (HQLA) (Weighted value-average)	1.149.659	1.096.517	706.607
Cash outflows - Total weighted value	881.866	889.553	668.482
Cash inflows - Total weighted value	161.715	266.984	306.064
Total net cash outflows (adjusted value)	720.151	622.569	362.417
Liquidity coverage ratio (%)	160%	176%	195%
Net Stable Funding Ratio			
Total available stable funding	3.165.971	3.092.843	3.449.754
Total required stable funding	2.664.586	2.845.262	2.992.255
NSFR ratio (%)	119%	109%	115%

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