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Other Announcements
HELLENIC BANK PUBLIC COMPANY LTD
HB

Disclosure of Information under Pillar III of Basel III for the year ended 31st December 2019

Announcement dated 1st June 2020 is attached.

Attachments:

1. **Disclosure of Information under Pillar III of Basel III for the year ended 31st December 2019**
2. **Disclosures**

Non Regulated
Publication Date: 01/06/2020

HELLENIC BANK

1st June 2020

ANNOUNCEMENT

Subject: **Disclosure of Information under Pillar III of Basel III for the year ended 31st December 2019**

Within the framework of compliance with the requirements of Part 8 “Disclosures by Institutions” of the Regulation (EU) No 575/2013 (CRR), Hellenic Bank Public Company Limited publishes today the Disclosures in accordance with Pillar III of Basel III. These disclosures, which are submitted to the Central Bank of Cyprus, are posted on Hellenic Bank’s website www.hellenicbank.com (Investor Relations).

Enclosed please find the abovementioned Disclosures for the year 2019.

HELLENIC BANK PUBLIC COMPANY LTD

Hellenic Bank Group

DISCLOSURES
IN ACCORDANCE WITH PILLAR III OF BASEL III

for the year ended 31 December 2019

May 2020

ACCORDING TO PART EIGHT OF THE EUROPEAN UNION AND COMMISSION REGULATION No 575/2013 (CRR) AND DIRECTIVE 2013/36/EU (CRD IV) ON CAPITAL REQUIREMENTS, JUNE 2013.

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1. INTRODUCTION

The Pillar III disclosures of the Hellenic Bank Group (the "Group") that are presented in this document are prepared in accordance with the Basel III Legal Framework (CRR). These may differ from the disclosures presented in the Consolidated Financial Statements of Hellenic Bank Public Company Ltd (the “Bank”) and its Subsidiaries which are prepared based on International Financial Reporting Standards (IFRS) due to differences between the prudential consolidation basis and the accounting consolidation basis used by the Group and differences in definitions used.

Hellenic Bank Group announced its Audited Consolidated Financial Statements and the Bank’s separate Financial Statements for the year ended 31 December 2019 (hereafter collectively refer to “Financial Statements”) on 19 May 2020 and can be found on the Bank’s official website: www.hellenicbank.com.

1.1 Incorporation and Principal Activity

The Bank was incorporated in Cyprus in 1976 and is a public company in accordance with the provisions of the Companies Law (Cap. 113), the Cyprus Stock Exchange Laws and Regulations and the Income Tax Laws. The Bank is the holding company of the Group.

The principal activity of the Group during 2019 continued to be the provision of a wide range of banking and financial services, which include financial, investment and insurance services, custodian and factoring services as well as management and disposal of properties.

The Bank provides banking and financial services mainly through its branch network. As at 31 December 2019 the branch network included 77 branches, 42 cash offices and 2 mobile branches in Cyprus as well as representative offices in South Africa, Ukraine and Russia.

The present report relates to the Pillar III disclosures of the Banking Group of the Hellenic Bank Group, which are prepared in accordance with the Basel III Legal Framework (CRR).

1.2 Basel III Legal Framework (CRR)

Effective from 1 January 2014, the European Parliament’s and Council’s Directive 2013/36/EU (CRD IV) and the Regulation (EU) No 575/2013 (CRR) of 26 June 2013 form the European regulatory package designed to transpose the new capital, liquidity and leverage standards of Basel III (CRR) into the European Union’s legal framework.

The CRR establishes the prudential requirements for capital, liquidity and leverage that credit institutions need to abide by and is immediately binding in its entirety on all Member States. The Directive 2013/36/EU (CRD IV) governs access to deposit-taking activities and internal governance arrangements including remuneration, board composition and transparency, while it also sets out additional capital buffer requirements. Unlike the CRR, the CRD IV has been transposed into national law. The CRR introduces significant changes in the prudential and regulatory regime applicable to banks including amended minimum capital adequacy ratios, changes to the definition of capital and to the calculation of risk-weighted assets (RWAs) and the introduction of new measures relating to leverage, liquidity coverage requirements and net stable funding requirements.

The CRR permits a transitional period for certain of the enhanced capital requirements and certain other measures, such as the leverage ratio, which are largely fully effective from 1 January 2018, and some other transitional provisions with phase-in until 2024 (the latest).

Regulation (EU) 2017/2395 of the European Parliament and Council of 12 December 2017, was issued amending Regulation (EU) No 575/2013, regarding transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds and for the large exposures treatment of certain public-sector exposures denominated in the domestic currency of any Member State. According to the Regulation, institutions are allowed to exclude from their CET 1 capital and leverage ratios a portion of the increased expected credit loss provisions from the introduction of IFRS 9 for a transitional period. The transitional period has a maximum duration of five years and started in 2018. The portion of expected credit loss provisions that can be excluded from CET 1 capital should decrease over time down to zero to ensure the full implementation of IFRS 9 on the day immediately after the end of the transitional period.

For more information on the implementation and impact of IFRS 9, refer to Note 4 of the Financial Statements for the year ended 31 December 2019 and Part 4 of the Pillar III disclosures for the year ended 31 December 2019.

In December 2017, the Basel Committee published the revisions to the Basel III framework (CRR). Basel III reforms complement the initial phase of Basel III reforms published in 2010, and seek to restore credibility in the calculation of RWAs and improve the comparability of banks' capital ratios.

The Basel III reforms include changes to the risk weights under the standardised approach for credit risk and market risk, introduction of a new approach for counterparty credit risk, replacement of the operational risk approach with a single standardised approach, amended set of rules for the calculation of credit valuation adjustment (CVA), revised definition of the exposure measure for the leverage ratio, introduction of leverage ratio buffer for global systemically important banks (G-SIBs) and aggregate output floor to ensure that banks' total RWAs are no lower than 72,5% of the total risk-weighted assets calculated using the standardized approaches.

In January 2019, the Basel Committee published the final changes to the market risk framework and conducted a "fundamental review of the trading book" (FRTB). The revised framework includes changes to the boundary of the banking book and the trading book, changes to the internal model approach to address the impact of non-modellable risk factors and changes to the standardised approach to align the treatment of foreign currency positions, options and index instruments with the associated risks.

The Basel III reforms were to be implemented on 1 January 2022. For the output floor a five-year transitional provisions period was to be applied from that date, commencing at the rate of 50%.

However, the Basel Committee's oversight body, the Group of Central Bank Governors and Heads of Supervision (GHOS), via a press release dated 27 March 2020, has endorsed a set of measures to provide additional operational capacity for banks and supervisors to respond to the immediate financial stability priorities resulting from the impact of the coronavirus disease (Covid-19) on the global banking system. The said set of measures include:

- The implementation date of the Basel III standards finalised in December 2017 has been deferred by one year to 1 January 2023. The accompanying transitional arrangements for the output floor have also been extended by one year to 1 January 2028.
- The implementation date of the revised market risk framework finalised in January 2019 has been deferred by one year to 1 January 2023.
- The implementation date of the revised Pillar 3 disclosure requirements finalised in December 2018 has been deferred by one year to 1 January 2023.

The Bank is in the process of examining the revised framework in order to be prepared for the effects of these amendments.

The wide-ranging nature of these revisions means that they will be applied in the EU through substantial revisions to the CRR (CRR II) and through a new round of EBA technical standards and guidance. They have to be transposed into local law before coming into effect.

Basel III (CRR) comprises of three Pillars:

- **Pillar I**–Enhanced minimum capital and liquidity requirements.
- **Pillar II**–Enhanced supervisory review process for firm-wide risk management and capital planning.
- **Pillar III**–Enhanced risk disclosure and market discipline.

1.2.1 Pillar I

Pillar I sets forth the guidelines for calculating:

- the minimum capital requirements to cover credit risk, market risk and operational risk.
- the leverage ratio as an institution's capital measure divided by the institution's total exposure measure expressed as a percentage.
- other liquidity measures such as the Liquidity Coverage Requirement ratio (LCR) and the Net Stable Funding Ratio (NSFR).

1.2.2 Pillar II

Pillar II aims at enhancing the link between an institution's risk profile, risk management, risk mitigation systems and its capital planning. Pillar II is divided into two major components, the Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP).

The ICAAP is reviewed and evaluated by the Single Supervisory Mechanism (SSM) as part of its SREP, which occurs periodically and contributes to SSM's assessment of capital adequacy and additional own funds requirements.

ICAAP is an integral part within the holistic risk management approach at Hellenic Bank. It is integrated with the Bank's strategic processes, including the Risk Appetite Framework and Business as well as Capital Planning.

During 2019, the Bank conducted the ICAAP to arrive at a forward-looking assessment of its capital requirements taking into account the business strategy, risk profile and risk appetite utilising internal stress tests. The ICAAP incorporated the assessment of the Bank's risk management processes and governance framework.

Supervisory Review and Evaluation Process 2019 (SREP 2019)

Following ECB's final decision, in establishing prudential requirements, the Bank is required to maintain for 2020, effective from 1 January 2020, on a consolidated basis, a phase-in Capital Adequacy Ratio of 14,45%, which includes:

- the minimum Pillar I own funds requirements of 8% in accordance with Article 92(1) of Regulation (EU) No 575/2013 (of which up to 1,5% can be met with Additional Tier 1 Capital and up to 2% with Tier 2 Capital),
- an own funds Pillar II requirement of 3,2% required to be held in excess of the minimum own funds requirement (to be made up entirely of CET 1 Capital) (SREP 2018: 3,2%), and
- a phased-in combined buffer requirement which for 2020 includes the fully loaded capital conservation buffer of 2,5% (2019: 2,5% fully loaded and 2018: 1,875% phased-in), which has to be made up with CET 1 capital and the O-SII buffer of 0,75% (2019: 0,375% and 2018: 0%)6 , with application starting from 1 January 2019 which is phased-in over a period of four years.

Additionally, applicable for Hellenic Bank, the combined buffer requirement includes:

- a Counter-Cyclical Capital Buffer (CCyB) for which the CBC has set the level at 0% for exposures located in Cyprus for 2018, 2019 and for the first half of 2020 (the institution specific CCyB rate for 2018 and 2019 was 0%),
- Systemic Risk Buffer (as per CBC circular dated 24 June 2019, this measure has been terminated as of 30 May 2019).

Taking into account the above, the Group's minimum Capital Adequacy Ratio, CET 1 and Tier 1 ratios effective as from 1 January 2020 are set at 14,45%, 10,95% and 12,45%

The final 2019 SREP decision will apply from 1 January 2020.

Based on the final SREP letter the Pillar II requirement which is applicable as from 1 January 2020 has remained the same as in 2019 at 3,2%. Furthermore, the Bank shall refrain from making distributions to its shareholders.

In addition to the above, the ECB has provided on a consolidated basis, a revised Pillar II capital guidance to be made up entirely of CET 1 capital, which has remained the same as in 2019.

1.2.3 Pillar III

The Pillar III disclosures of the Group set out both quantitative and qualitative disclosures required in accordance with Part Eight 'Disclosures by Institutions' of the CRR and the EBA's guidelines published in December 2016 (EBA/GL/2016/11, version 2) and LCR disclosures that are applicable from 31 December 2017 (EBA/GL/2017/01). The report provides additional information to allow market participants to have a full picture of the risk profile of the Group, to assess key pieces of information relevant to the capital structure, risk exposures, risk assessment processes and hence the capital adequacy of the Group.

On 17 December 2018 the EBA published its final Guidelines on disclosure of non-performing and forborne exposures, which have been developed in accordance with Article 16 of Regulation (EU) No 1093/2010 and represent another step forward in the implementation of the 2017 Council Action Plan to tackle non-performing loans in the EU. The aim of the Guidelines is to foster transparency, providing meaningful information to market participants on the quality of credit institutions' assets, and to address any potential asymmetries of information in a consistent and comparable way. In addition, for those credit institutions with a gross NPL ratio at or above 5%, the Guidelines aim at providing a better insight of the distribution and features of the institutions' problematic assets,

the quality and value of the collaterals backing them and the efficiency of the institution's recovery function. The guidelines apply to credit institutions that are subject to all or some of the disclosure requirements specified in Part Eight of Regulation (EU) No 575/2013 (the CRR), in accordance with Articles 6, 10 and 13 of the CRR, and are applicable from 31 December 2019. For more information in relation to risk management, refer to Note 49 of the Financial Statements for the year ended 31 December 2019.

1.2.3.1 Basis and frequency of disclosures

The Pillar III disclosures are based on Articles 431 to 455 and 492 of the CRR for the calculation of the capital requirements which is in effect since the 1st of January 2014, as well as any transitional provisions adopted by the CBC.

According to Article 433 of Part Eight of the CRR, institutions shall publish their Pillar III disclosures at least on an annual basis. Annual disclosures shall be published in conjunction with the date of publication of the Financial Statements. As per Part IX 'Returns and Accounts' of the 'The Business of Credit Institutions Law', the annual financial report of the Group is submitted to Central Bank of Cyprus (CBC) within four months from the end of each financial year, unless otherwise permitted by CBC or the European Central Bank (ECB). The Pillar III disclosures are published annually on the Group's website www.hellenicbank.com and in conjunction with the Annual Financial Report of the Group.

The Pillar III disclosures should be read in conjunction with the Financial Statements for the year ended 31 December 2019. Disclosures that are prepared in accordance with specific references to EBA guidelines are presented in Appendix 2.

1.2.3.2 Approval

The Pillar III disclosures are approved by the Board of Directors (BoD) through the Board Risk Management Committee (BRMC) and the Audit Committee (AC), prior to their public disclosure.

1.3 Scope of Application

As at 31 December 2019, the prudential consolidation was based on International Financial Reporting Standards (IFRS) and the requirements of the Legal Framework in relation to the capital requirements as adopted by the European Union. The relevant reconciliation between the Statement of Financial Position as presented in the Group Financial Statements for the year ended 31 December 2019 with the Statement of Financial Position prepared for regulatory purposes is presented in Section 4.4:

Subsidiary company	Ownership %	IFRS	Basis of consolidation for regulatory purposes	Activities
Hellenic Bank (Investments) Ltd	100	Full	Full consolidation, Note 1	Investment banking, asset management and brokerage
Hellenic Bank Trust and Finance Corporation Ltd	100	Full	Full consolidation	Financing Services
Pancyprian Insurance Ltd	99,96	Full	Neither consolidated nor deducted, Note 2, Note 3	General Insurance
Hellenic Alico Life Insurance Company Ltd	100	Full	Neither consolidated nor deducted, Note 2	Life Insurance
Hellenic Insurance Agency Ltd	100	Full	Neither consolidated nor deducted, Note 2	Insurance Intermediation
Idith Holdings Ltd	100	Full	Full consolidation, Note 4	Investment holdings
Ezmero Holdings Ltd	100	Full	Full consolidation, Note 4	Investment holdings
Alira Holdings Ltd	100	Full	Full consolidation, Note 4	Investment holdings
Krolo Holdings Ltd	100	Full	Full consolidation, Note 4	Investment holdings
Dallastia Holdings Ltd	100	Full	Full consolidation, Note 4	Investment holdings
Anolia Industrial Ltd	100	Full	Full consolidation, Note 4	Investment holdings
Abverma Holdings Ltd	100	Full	Full consolidation, Note 4	Investment holdings
Chrisblo Holdings Ltd	100	Full	Full consolidation, Note 4	Investment holdings
Boulmo Holdings Ltd	100	Full	Full consolidation, Note 4	Investment holdings
Drypto Holdings Ltd	100	Full	Full consolidation, Note 4	Investment holdings
APS Debt Servicing Cyprus Ltd	49	Full	Equity method, Note 6	Management of real estate assets through enforcement proceedings or payment in lieu of credit rights arising under loans from the Bank and management and recovery of non-performing loans and ancillary debts

For more information in relation to the investments in subsidiary and associated companies, refer to Note 23 and 24 of the Financial Statements for the year ended 31 December 2019.

Notes:

1. On 28 November 2016 the Board of Directors of Hellenic Bank (Investments) Ltd decided to discontinue all of its business activities, which primarily related to retail brokerage services. During the year Hellenic Bank (Investments) Ltd was not active.

2. With regards to the Bank's significant investments in financial sector entities, including its investments in subsidiary companies which operate in the insurance sector (Pancyprian Insurance Ltd, Hellenic Alico Life Insurance Company

Ltd and Hellenic Insurance Agency Ltd), and deferred tax assets that rely on future profitability and arise from temporary differences, the Bank applied the exemptions from deduction from CET1 in accordance with the provisions of Article 470 of the CRR and these items are risk weighted at 250%.

3. On 31 December 2019, the Group assessed whether there is any impairment of goodwill arising on the acquisition of Pancyprian Insurance Ltd, by calculating the estimated fair value of the company, based on the future cash flows discounted to their present value using a pre-tax discount rate that reflects current market estimates of the time value of money and the risks specific to the investments. As a result of this assessment, no impairment of goodwill arose.

4. The Bank, as part of its non-performing exposures management, is entering into a number of debt-to- asset swap transactions. Assets acquired in satisfaction of debt are acquired either directly or indirectly through wholly owned Special Purpose Vehicles (SPVs). During 2019, Litt Holdings Ltd, Trishpo Holdings Ltd and Balmacro Holdings Ltd were disposed of. In addition, during 2019 there was an increase in the investment of the SPVs via the issue of new shares.

5. The cost of investment of the SPVs was assessed at year end for impairment based on the fair valuation of the property held by each entity and an impairment loss on the cost of investment of the SPVs of €2.914 thousand was recognised in the income statement for the year.

6. Within the framework of the Bank's deleveraging strategy and the efforts of tackling assets quality, the Bank signed an agreement with APS Holding a.s (APS Holding) in January 2017 for the management of real estate assets and servicing of the NPEs portfolio. The agreement entailed the disposal of the operations of the Bank's Arrears Management Division (AMD) to APS Debt Servicing Cyprus Ltd (APS Cyprus), while the ownership of the real estate and loan portfolio remains with the Bank. The entity is owned 51% by APS Holding and 49% by Hellenic Bank. For more information refer to Note 24 of the Financial Statements for the year ended 31 December 2019.

1.3.1 Acquisition of certain assets and liabilities of CCB

On 3 September 2018, the Bank completed the acquisition of certain assets and liabilities of the Cyprus Cooperative Bank Ltd ("CCB") with effect from 1 September 2018 (the "Acquisition"). The Bank signed the business transfer agreement ("BTA") to acquire substantially all the performing business of CCB, including the related business of lending, deposit taking and the provision of other banking services, to the extent comprised of the acquired assets (the "Assets") and the assumed liabilities (the "Assumed Liabilities"), as carried on by CCB (the "Business"). The Assets comprised a portfolio of primarily performing loans, Cyprus Government Bonds, cash and other current assets, while the Assumed Liabilities comprise customer deposits and other current liabilities.

For an analysis of the Acquisition of certain assets and liabilities of CCB refer to Note 48 of the Bank's Annual Financial Report 2019.

2. GOVERNANCE

2.1 Number of directorships held by Members of the Board

The following table shows the number of positions held by Members of the BoD in the various Boards of Directors, including the Bank's, as at 31 December 2019. Positions in the Boards of the same group are regarded as one position. Positions in the Boards of Directors of organisations that are not engaged in profit-making activities (e.g. charitable non-profit organisations) or that are deemed not to pursue predominantly commercial activities are also presented in the table below, as required by paragraph 57 of the EBA Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 (EBA/GL/2016/11):

Name	Position with the Bank	Directorships – Executive	Directorships – Non-Executive
Dr. Evripides A. Polykarpou	Non-Executive Chairman (elected Chairman on 28.08.2019)	--	2 (of which 1 is in non-profit organization)
Andrew Charles Wynn	Non-Executive Vice Chairman (elected Vice Chairman on 28.08.2019)	1	1
Stephen John Albutt*	Non-Executive Director – Senior Independent Director (elected Senior Independent Director on 28.08.2019)	--	1
Irena A. Georgiadou	Non-Executive Director	--	3 (of which 2 are in non-profit organizations)
Marianna Pantelidou Neophytou	Non-Executive Director	--	2
Ioannis A. Matsis	Executive Director	1	4 (of which 3 are in non-profit organizations)
David Whalen Bonanno	Non-Executive Director	--	3
Andreas Christofides**	Non-Executive Director	1	1
Demetrios Efstathiou	Non-Executive Director	1	2
Lars Kramer	Executive Director	1	--
Kristofer Richard Kraus	Non-Executive Director	--	2
Marios Maratheftis	Non-Executive Director	--	1
Marco Comastri	Non-Executive Director	--	1

* Stephen John Albutt also holds executive directorships in three companies, which do not pursue predominantly commercial activities.
** Andreas Christofides also holds an alternate directorship.
*** The information presented in this table is based only on representations made by the Directors of the Bank.

2.2 Recruitment policy in relation to the selection of Members of the Board of Directors

The Bank follows a predetermined procedure for the selection of the Members of the Board of Directors. Specifically, the Members need to have integrity and honesty, good repute, the necessary qualifications, education, skills, knowledge, experience, diversity and independence in order to conduct all their duties. The Nominations / Internal Governance Committee of the Board of Directors identifies, evaluates and recommends for approval by the Board candidates to be appointed as Directors. The Bank has a written policy in relation to the selection, succession and appointment of the Members of the Board.

Qualifications of Members of the Board include degrees in economics, finance / accounting and business administration, with a number of them also holding a professional qualification relating to financial matters.The

Members of the Board have collective international and/or local expertise and experience in investment / international / corporate / retail banking and arrears management. They also share skills related to risk, compliance, finance / audit, strategy, crisis management, corporate governance, leadership / human resource management and planning, policy development, change management and technology. Most Members had previous Board experience when they joined the Bank's Board of Directors.

During 2019 and until the date of this Report the changes in the Board of Directors of the Bank were as follows:

Mr Marinos S. Yannopoulos submitted his resignation as Vice-Chairman and Member of the Board of Directors of the Bank, for personal reasons, with effect from 30 May 2019.

Mr Kristofer Richard Kraus was appointed as Non-Independent Non-Executive Member of the Board of Directors of the Bank, with effect from 19 June 2019.

Mr Marios Maratheftis was elected as Non-Independent Non-Executive Member of the Board of Directors and Mr Marco Comastri was elected as Independent Non-Executive Member of the Board of Directors at the Annual General Meeting of the Shareholders held on 28 August 2019.

Mr Christos Themistocleous was appointed as Independent Non-Executive Member of the Board of Directors of the Bank with effect from 6 March 2020 following consent by the European Central Bank / Central Bank of Cyprus, having been elected at the Annual General Meeting of the Shareholders held on 28 August 2019.

At the Board meeting that followed the Annual General Meeting, Dr. Evripides A. Polykarpou was elected Chairman of the Board of Directors of the Bank, Mr Andrew Charles Wynn was elected Vice Chairman of the Board of Directors of the Bank and Mr Stephen John Albutt was elected Senior Independent Director.

Messrs Youssef A. Nasr, Christodoulos A. Hadjistavris and Andreas Christofides did not submit their candidacy for re-election as Members of the Board of Directors at the Annual General Meeting of the Shareholders held on 28 August 2019, for personal reasons. On the same day, Mr A. Christofides was appointed as Interim Director by the Board of Directors of the Bank, in accordance with Regulation 110 of the Bank's Articles of Association. On 6 March 2020, Mr A. Christofides automatically vacated the office of the Interim Director, upon the appointment of Mr Christos Themistocleous as Independent Non-Executive Director.

Mr Zion Bahloul was also elected at the Annual General Meeting of the Shareholders held on 28 August 2019 as Independent Non-Executive Member of the Board of Directors. The appointment of Mr Z. Bahloul to the Board of Directors is subject to consent by the European Central Bank / Central Bank of Cyprus, which is still pending as at the date of the publication of this Report.

At the said Annual General Meeting, Mr Demetrios Efstathiou was not re-elected as Member of the Board of Directors and on the same day, he was appointed as Interim Director by the Board of Directors of the Bank, in accordance with Regulation 110 of the Bank's Articles of Association. Upon the appointment of Mr Zion Bahloul as Independent Non-Executive Director, Mr D. Efstathiou will automatically vacate the office of the Interim Director.

2.3 Diversity policy in relation to the selection of Members of the Board of Directors

The Board as a whole should reflect a diversity of skills, experience and perspectives, including gender and age diversity. It is the Bank's policy that each Board Member must have the skills, experience, knowledge and overall suitability that will enable him/her to contribute individually, and as part of the Board team.

When appointing new Board Members, the Nominations / Internal Governance Committee will strive to achieve the desired gender diversity of the Board and will ensure that all appointments are assessed on merits and against the defined selection criteria. As a result, the number of members of the under-represented sex, executive or non-executive Directors, will necessarily vary from time to time.

The Bank has set an aspirational target to have members of the under-represented sex make up 40% of the Board's non-executive membership by the end of 2022.

The diversity policy is included in the above-mentioned Policy for the Nomination, Evaluation, Selection, Succession and Ongoing Assessment of the Members of the Board.

3. REMUNERATION POLICY AND PRACTICES

3.1 Basic principles of the Group’s Remuneration Policy

The Group’s Remuneration Policy describes the procedure which is followed in determining the remuneration of all members of the Group’s staff, including the Members of the Board of Directors. It promotes and is consistent with sound and effective risk management, it is in line with the business strategy, objectives, long-term interests and values of the Bank and has measures in place to avoid conflicts of interest.

The Policy covers both fixed (basic) and variable remuneration. Fixed remuneration is determined by individual employment contracts and the legislation of the countries in which staff are employed. Variable remuneration is determined by measurable performance indicators, the Group’s overall results, the financial market conditions under which these have been achieved and the risks undertaken.

This Remuneration Policy is updated annually, in accordance with the CBC Directive on Governance and Management Arrangements in Credit Institutions, the EBA Guidelines on Sound Remuneration Policies, the Code of Corporate Governance published by the Cyprus Stock Exchange and all relevant articles in ECB and CBC issued directives.

The Group Remuneration Policy is based on the principle of transparency and hence has been uploaded on the Bank’s portal, to enable access by all employees. Furthermore, it is reviewed annually by the Board of Directors, following relevant recommendations made by the Remuneration Committee and the Board Risk Management Committee, to ensure compliance with the current strategic goals of the Group and to avoid the payment of rewards that encourage excessive risk-taking. In addition, the Board assesses whether the Remuneration Policy is in line with the prevailing conditions of the market, as well as those of the Group and whether these justify an update of the Policy.

The Board’s Remuneration Committee met one time during the year 2019.

The revised Remuneration Policy was approved by the Board of Directors on 17 March 2020.

The Remuneration Policy covers all types of remuneration which are defined as follows:

3.1.1 Fixed Remuneration

Basic Principles

- Fixed remuneration refers to the staff’s basic and primary form of remuneration and is determined by relevant legislation and individual employment contracts. When determining the level of Fixed Remuneration, the following may be considered:
  - The scope of duties and responsibilities.
  - The complexity of work.
  - The degree of seniority/role.
  - The required skills, job experience and professional expertise.
  - The required academic and professional qualifications.
  - Merit based on the evaluation of employee’s capabilities.
  - Internal (similar roles) and external (market) benchmarks.
  - The relevant social and labour legislation of the country of employment.
- The fixed remuneration of non-executive Directors of the Bank is subject to the approval of the Bank’s shareholders at Extraordinary or Annual General Meetings and is based on the recommendation of the Management Body, prepared with the assistance of the Board Remuneration Committee.
- The fixed remuneration of Executive Members of the Board, including the Chief Executive Officer, is determined by the Member’s individual employment contract and governed by legislation. Remuneration of the Executive Directors of the Bank is reviewed and agreed by the Remuneration Committee for submission to the Management Body for its approval, following proposal by the Nominations/Internal Governance Committee. The Management Body, via the Remuneration Committee, reviews and approves the content of any resolutions submitted for approval at the General Meeting of the Shareholders of the Bank, in accordance with the Code of Corporate Governance, concerning possible plans for the remuneration of Executive Members of the Management Body in the form of shares, share warrants or share options.

Further details on the criteria used to determine fixed remuneration are provided in the Remuneration Policy Report that forms part of the Bank's 2019 Annual Financial Report, which has been published on the Bank's official website.

3.1.2 Variable Remuneration

Basic Principles

Variable remuneration/reward is additional remuneration that can be offered by the Bank that is not fixed. Its purpose is to align the incentives of staff with the long-term interests of the Group.

The conditions for the payment of variable remuneration where applicable and implemented, include the following:

- The Bank may provide variable remuneration up to 50% of base salary without shareholders' approval. The ratio can increase to 100%, subject to shareholders' approval, following a detailed recommendation that provides the rational of doing so, the number of Identified Staff impacted and their functions, and reasonable assurance that the increase does not lead to undue short-term risk-taking, based on the quantitative and qualitative criteria set (including any limits prescribed by the Management Body within the Risk Appetite Framework). The authority to provide variable remuneration in excess of 50% of base salary is reaffirmed at the Annual General Meeting at the expiry of the period for which it was approved, that should not exceed five (5) years.
- Variable remuneration is in alignment with the business strategy, the corporate and individual objectives and the long-term interests of the Group, without encouraging conflicts of interest or risk-taking that exceeds the Bank's risk tolerance limits.
- Variable remuneration levels is determined by the Group's overall results, including its profitability, capital base and liquidity, by financial market conditions at the time of the results, by risk related criteria, as well as by the performance evaluation of the individual and/or the business unit he/she belongs to and/or the performance of the Bank as a whole, based on a combination of financial and non-financial, qualitative and quantitative criteria.
- Pre-specified business objectives are set as described in the respective scorecard for each incentive scheme. Quantitative and qualitative criteria are set that must cover a period which is sufficiently long to properly capture the medium and long-term benefits, costs and risk arising from employees' performance, so that they continue to be assessed on a period's performance even after the award has been granted. In this way, the performance of individuals (and their respective business units) is not assessed on a 'short-term' basis and is appropriately risk adjusted, including risk and economic efficiency measures.
- In deciding whether to grant variable remuneration in any one year, the Board Remuneration Committee considers (for the approval of the Management Body) whether the key conditions in terms of the Group's profitability and capital position have been met, in order to trigger the awards.
- Any variable remuneration which may be granted via the relevant incentive schemes is subject to:
    - The discretion provided to the Board's Remuneration Committee not to grant variable pay awards in any one year and to reduce the bonus pool available for variable pay award in any one year
    - A Group-wide KPI scorecard, directly linked with the KPIs as per the financial results of the Bank, which provides for variance in the award levels according to the level of achievement against these criteria.
- The Board's Remuneration Committee considers (for the approval of the Management Body):
    - Reputational, Regulatory and Conduct Risk arising from the individual's (and their respective unit's) behaviour and performance
    - The Risk Appetite Framework of the Bank.
- The total variable remuneration does not limit the Bank's ability to strengthen its capital base.
- The remuneration of employees in Control Functions is predominantly fixed, to reflect the nature of their responsibilities. In this respect, the maximum award for variable pay for members of Control Functions has been set at 50% of annual basic salary. In addition, the remuneration of these employees is linked to the performance of their Functions and is not dependent on the performance of the units they are tasked with controlling, to avoid any conflict of interest.
- Up to 100% of total variable remuneration is subject to recall (malus and clawback arrangements), which may include, amongst others, instances of serious misconduct, significant downturn in financial performance and/or risk related outcomes.
- Non-executive Members of the Board are not included in the beneficiaries of variable remuneration.
- The conditions of Variable Remuneration to identified staff are governed by applicable regulations and guidance in relation to:
    - the ratio between cash and non-cash components

- the value of awarded instruments
  - deferral, vesting and retention conditions
  - malus and claw back.
- Each variable scheme is governed by conditions and requirements that may exceed the minimum requirements of the respective guidelines. It is also possible that specific categories of identified staff are assigned different maximum ratios for variable remuneration or different deferral arrangements, as their impact on the risk profile of the Bank differs.
- In any case, the following conditions should apply when Variable Remuneration is granted to identified staff:
  - A substantial portion, and in any event at least 40%, of the variable remuneration component is deferred over a period which is not less than 3 to 5 years and is correctly aligned with the nature of the business, its risks and the activities of the member of staff in question.
  - Remuneration payable under deferral arrangements shall vest no faster than on a pro-rata basis. In the case of a variable remuneration component of a particularly high amount, at least 60% of the amount shall be deferred. The length of the deferral period shall be established in accordance with the business cycle, the nature of the business, its risks and the activities of the member of staff in question.
  - A substantial portion, and in any event at least 50%, of any variable remuneration shall consist of shares or share options. The instruments referred to in this point shall be subject to appropriate retention conditions designed to align incentives with the longer-term interests of the institution. This point shall be applied to both the portion of the variable remuneration component deferred and the portion of the variable remuneration component not deferred.
- Any Incentive Schemes are set up in a way that ensures the best interest of the customer and avoid potential conflict of interest, or mis selling of products

Team Incentive Schemes provide awards for team achievements, as a form of recognition for team effort and contribution to the success of the Group and are used to convey the Bank's strategy to the business units and to assess the unit's performance. The annual divisional targets for key parameters are based on the approved Strategic Plan. The award should not exceed €1.000 per person, per year, which represents a low % of the average Annual Fixed Salary offered by the Bank. The financial rewards should relate to group activities

Further information on variable remuneration is available in the Bank's Remuneration Policy Report which is included in the 2018 Annual Financial Report (published on the Bank's official website).

3.2 Remuneration Policy Report for the year 2019

The Board of Directors, in compliance with the provisions of the Code of Corporate Governance, published by the Cyprus Stock Exchange (fifth edition (revised) – January 2019) and particularly Appendix 1 of the Code, incorporates the Remuneration Policy Report in the Bank's 2019 Annual Financial Report, which includes amongst others, the composition and the Terms of Reference of the Remuneration Committee. The 2019 Annual Financial Report has been published on the Bank's official website www.hellenicbank.com.

3.3 Members of the Board of Directors and Personnel categories

The Members of the Board of Directors and the personnel of the Group are divided into the following categories:

1. Non-executive Members of the Board.
2. Executive Members of the Board.
3. Staff members whose professional activities have a material impact on the risk profile of the Bank, in accordance with the criteria set out in the Commission Delegated Regulation (EU) 604/2014 of 4 March 2014 and Article 2 of Commission Delegated Regulation (EU) 2016/86 of 18 February 2016. Also termed as Material Risk Takers. (includes both Executive and Non-executive Members of the Board).
4. Staff Members of the Group not included in the above categories.

3.4 Geographical segments

During 2019 the Group operated mainly in Cyprus, principally providing banking, financial and insurance services.

The Bank maintains Representative Offices in Moscow, Saint Petersburg, Kiev and Johannesburg.

The number of staff employed by the Group on 31 December 2019 was 3.015, compared to 2.840 on 31 December 2018. For further analysis of staff cost refer to Note 12 of the Bank's Annual Financial Report 2019.

The remuneration of the personnel of the Group for 2019 according to the legal framework, which includes salaries and other short-term benefits as well as employer's contributions for social insurance etc., is analysed as follows:

		2019	2019
		€000	**Number**
Emoluments/number of people whose professional activities have a material impact on the risk profile of the Bank as defined by the Central Bank of Cyprus (CBC) and the Committee of European Banking Supervisors:			
Non-Executive Members of the Board		830	11
Executive Members of the Board		1.052	2
General Managers and Managers of Central Services		3.139	27
Managers of Regulatory Services		2.160	22
Managers of Business Divisions		3.772	40
Other		2.086	29
		13.039	**131**

Information on the remuneration of the Members of the Board of Directors and the Chief Executive Officer for the year 2019 is disclosed in the notes to the Consolidated Financial Statements for the year ended 31 December 2019 (Note 39) as well as in the Remuneration Policy Report.

For the year 2019, the Group did not pay any amount for termination of the employment of employees whose professional activities had a material impact on the risk profile of the Bank. During the year no variable or deferred remuneration was provided or awarded, neither any sign-on payments were made to any employee.

In addition, during 2019, the Group did not offer to any employee remuneration payment which exceeded the threshold of €1 million.

For an analysis of the remuneration of directors refer to the Remuneration Policy Report for the year 2019 included in the Annual Financial Report 2019.

For an analysis of the staff remuneration per segment refer to Note 43 of the Bank's Annual Financial Report 2019.

4. CAPITAL BASE

The Group’s regulatory capital is calculated in accordance with the provisions of the CRR and is analysed as follows:

Common Equity Tier 1 capital

- Common Equity Tier 1 capital includes share capital, share premium, retained earnings including the profit/loss for the year, accumulated other comprehensive income (i.e. revaluation reserve of investments in debt securities, revaluation reserve of investments in equity and other securities and property revaluation reserve) and other reserves such as translation reserve and reduction of share capital reserve.

- The carrying amount of goodwill and other intangible assets and deferred tax assets that rely on future profitability and do not arise from temporary differences are deducted from CET1 capital.

- As per regulation (EU) 2017/2395 of the European Parliament and Council of 12 December 2017 issued amending Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS9, a portion of the impact of expected credit losses provisions is added back to CET 1 capital allowing for a transitional period of five years until full impact on 2023. For 2018 and 2019 the portion added back is set at 95% and 85% respectively and will gradually reduce to 25% in 2022.

- Pursuant to Article 34 of the CRR the prudent valuation requirements of Article 105 of the CRR are applied to all assets measured at fair value and the necessary amount of any additional value adjustments is deducted from CET 1 capital.

Additional Tier 1 capital

- Additional Tier 1 capital includes hybrid instruments, composed by Convertible Capital Securities 1 (CCS1) and Convertible Capital Securities 2 (CCS2).

- The carrying amount of intangible assets is deducted from AT1 capital.

Tier 2 capital

- Tier 2 capital includes subordinated loan capital.

The Group’s Capital policy aims to ensure the viability of the Bank through the maintenance of an appropriate level of capital, so as to meet regulatory requirements and internal buffers set, safeguard the best interests of shareholders and support its business strategy.

4.1 Share capital

In March 2019, 214.330.364 new ordinary shares with nominal value of €0,50 were issued as a result of the Bank's decision to increase its share capital. The trading of the above shares commenced on 28 March 2019. In August 2019, 154 new ordinary shares with nominal value of €0,50 were issued as a result of a CCS2 voluntary conversion and their trading commenced on 4 September 2019.

The movement of the issued share capital of the Group and the Bank for the years 2019 and 2018 is presented in the table below:

Issued Fully paid shares		**31 December 2019 (€000)**	**No. of shares (thousand)**	**31 December 2018 (€000)**	**No. of shares (thousand)**
Total issued share capital		206.403	412.805	99.237	198.475

For more information in relation to the share capital, refer to Note 34 of the Financial Statements for the year ended 31 December 2019.

4.2 Loan capital

4.2.1 Primary loan capital

The primary loan capital of the Bank comprises of Convertible Capital Securities 1 (CCS1) and Convertible Capital Securities 2 (CCS2) and is included in Tier 1 Capital.

Tier 1 Capital (€000)		**2019**
Convertible Capital Securities 1		1.597
Convertible Capital Securities 2		128.070
Conversion to ordinary shares		(1)
Total Tier 1 Capital		**129.666**

4.2.1.1 Convertible Capital Securities 1 (CCS1) and Convertible Capital Securities 2 (CCS2)

The Convertible Capital Securities 1 and Convertible Capital Securities 2 are perpetual securities with no maturity date.

In accordance with the terms and characteristics of CCS 1 and 2, the appropriate classification and measurement of CCS 1 and 2 are as a financial liability.

4.2.1.1.1 Coupons

Under the terms of their issue, CCS1 bear an annual fixed interest rate of 11% and CCS2 bear an interest of 10%, which is payable on a quarterly basis at the end of each Interest Payment period. Interest payment dates are set to be the 31 March, 30 June, 30 September and 31 December.

The interest payment will be paid by the Available Distributable Items of the Bank.

The CCS1 and CCS2 are subject to interest payment cancellation, in accordance with their issuance terms as they appear in the Prospectus dated 30 September 2013 (the "Prospectus").

The Bank may, at its sole discretion, partially or fully cancel the interest payment on non-cumulative basis at any time considered necessary or desirable and for any reason, for an unlimited time period and without any restriction to the Bank.

Without this affecting the right of the Bank on cancelling the interest payment at its sole discretion, as mentioned above, the mandatory cancellation of the interest payment will apply in cases where:

(i) the Bank does not possess the necessary Available Distributable Items for such an interest payment on CCS1 or/and CCS2, or

(ii) the Bank or the Group is in breach of applicable laws, regulations, requirements, guidelines and policies regarding the Bank's or the Group's capital requirements, or

(iii) there is a requirement by the Central Bank of Cyprus, at its sole discretion, as the competent authority, to cancel all or part of an interest payment.

Interest cancellation will not constitute an event of default, will not impose any restrictions on the Bank and will not grant the right to CCS1 or/and CCS2 holders to apply for the liquidation or resolution of the Bank. The Bank may use any cancelled interest payment without restrictions in order to meet its obligations, as they fall due.

On 9 December 2013, in accordance with the above provisions, and at its sole discretion, the Bank announced the mandatory cancellation of the interest payment as a result of the inexistence of the required Available Distributable Items for such interest payment. The mandatory cancellation of interest payment will be valid unless the Bank informs the holders of the CCS1 and CCS2 otherwise.

4.2.1.1.2 Hierarchy Step up

The CCS1 and CCS2 are unsecured and subordinated obligations of the Bank and are classified as Tier 1 capital securities in accordance with the CRR.

The rights and claims of CCS1 and CCS2 holders:

(i) are subordinated to the claims of the Bank's creditors,

(ii) Rank pari passu with the claims of other existing issues of the Bank (Capital Securities 2003 and NCPCS – already matured) and any other future bond and other securities issues of the Bank that are classified as Tier 1, excluding ordinary shares,

(iii) They have priority only in respect of the Bank’s ordinary shareholders.

The rights and claims of CCS1 and CCS2 holders refer in the main Terms of Issuance in the Prospectus.

4.2.1.1.3 Redemption

Under the provisions of the Prospectus and pursuant to their issuance terms, the Bank may, at its sole discretion, redeem, following a notification of CCS1 and CCS2 holders and the Trustee, at par including accrued interest, excluding any cancelled interest, the total or part of the CCS1 or/and CCS2, on 31 October 2018 or on any interest payment date after that date, provided that the financial position and/or the solvency of the Bank and/or the Group are not adversely affected by such a redemption and after approval by the CBC or other competent supervisory authority. In case of redemption of part of the CCS1 or/and CCS2, the redemption will apply for all holders of CCS1 and CCS2 in proportion to the CCS1 or/and CCS2 they hold respectively.

The CCS1 and CCS2 are also redeemable at the sole discretion of the Bank, at or after their issuance (after approval of the CBC or other competent authority and given that events or conditions referred to in (i) or/and (ii) below, as applicable, could not reasonably be anticipated by the Bank at the time of the issue of CCS1/CCS2 and deemed by the CBC that such changes in (i) below are considered almost certain), in whole and not part of, at par including accrued interest not cancelled:

(i) when as a result of any change or proposed change in Laws or Regulations of the Republic of Cyprus, the relevant Directives, Regulations or Laws in relation to the Credit Institutions or change or proposed change in the application or official interpretation, the CCS1 or/and CCS2 cease to be considered:

(a) Tier 1 Capital and/or

(b) appropriate funds for inclusion in the calculation of capital requirements as defined by Troika (as long as the Bank or the Group is required to maintain Common Equity Tier 1 ratio equal to or greater than 9%).

(ii) if the Bank shall not be entitled to claim any deduction in the calculation of tax liabilities in Cyprus with respect to any interest payment on the next interest payment date or if the amount of any deduction for the Bank would be greatly reduced.

All CCS1 or/and CCS2 redeemed by the Bank will be cancelled and will not be reissued or resold. The Bank shall cease to have any obligations in regards to any CCS1 and CCS2 that may be cancelled.

4.2.1.1.4 Mandatory Conversion

Under the provisions of the Prospectus, the CCS1 and CCS2 will mandatorily and irrevocably be converted into ordinary shares, if any of the following occur:

(a) The Common Equity Tier 1 ratio of the Bank or the Group after 31 October 2013 or if this date is amended by the CBC, after this new date, has decreased, or remains below 9% (as long as the Bank or the Group is required, by the CBC, to maintain its Common Equity Tier 1 ratio equal to or greater than 9%).

(b) The Common Equity Tier 1 ratio of the Bank or the Group at any time decreases or remains below the applicable percentage required, by the CBC, to be maintained by the Bank or the Group with maximum ratio of Common Equity Tier 1 of 9%.

(c) The Common Equity Tier 1 ratio of the Bank or the Group is decreased below 5,125%.

(d) If any Non-Viability Event occurs for the Bank or the Group may be subject to state aid measures.

The conversion amount will be, as applicable, (i) the amount required to restore the Common Equity Tier 1 ratio of the Bank and/or the Group to 5,125% and/or to 9% (for the latter, as long as Bank or the Group is required to maintain the Common Equity Tier 1 ratio equal to or greater than 9%) and/or the applicable ratio that is required, at any time, from the CBC with maximum ratio of Common Equity Tier 1 Capital of 9% or (ii) the amount required so that the Bank is considered viable by the CBC, in each case up to the entire nominal amount of CCS1 and CCS2. Any conversion will apply pro rata to the outstanding balance of CCS1 and CCS 2.

4.2.1.1.5 Voluntary Conversion

The CCS1 and/or CCS2 holders may voluntarily convert them into fully paid ordinary shares of the Bank, at predetermined periods each year.

Pursuant to the terms of the Prospectus, CCS1 and CCS2 holders may exercise the right to convert the CCS1/CCS2 into ordinary shares, during the periods between 15-31 January and 15-31 July of each year (the "Conversion Period") with the first Conversion Period commencing on 15 January 2016 and the last Conversion Period commencing on 15 July 2023. If a CCS1 and CCS2 holder exercises his Right to convert, any interest accrued ceases to be calculated and becomes due until the end of the conversion period during which the holder has exercised voluntary conversion, according to the provisions of Paragraph 10.B.(d) of Part IV/B/III and Paragraph 11.B.(d) of Part IV/C/III of the Prospectus respectively.

The first Conversion Period for CCS1/CCS2 commenced on 15 January 2016 and ended on 29 January 2016, the second Conversion Period commenced on 15 July 2016 and ended on 29 July 2016, the third Conversion Period commenced on 16 January 2017 and ended on 31 January 2017 and the fourth Conversion Period commenced on 17 July 2017 and ended on 31 July 2017. During the four conversion periods the Bank did not receive a Voluntary Conversion Application from any CCS1 /CCS2 holder.

4.2.1.1.6 Mandatory Conversion Price

The CCS1 or/and CCS2 will be converted into new fully paid ordinary shares of the Bank at the "Mandatory Conversion Price", pursuant to the provisions of the Prospectus, which will be equal to the higher of:

(i) the Mandatory Reported Market Price, i.e. the average closing price of the last five days of trading of the shares of the Bank on the CSE prior to conversion with 20% discount,

(ii) the minimum adjusted conversion price of €4,00 for CCS1 and €2,00 for CCS2 (for adjusted prices based on the provisions of the Prospectus, Part IV/B/III paragraph C1 (i) and Part IV/C/III paragraph C1 (i), which were effective from 27 February 2015, please refer to sub-note 1 below),

(iii) the nominal value of the Bank's ordinary shares.

4.2.1.1.7 Voluntary Conversion Price

The CCS1 or/and CCS2 holders may voluntarily convert them into fully paid ordinary shares of the Bank, at the "Voluntary Conversion Price", pursuant to the provisions of the Prospectus, which will be equal to the higher of:

(i) the Voluntary Reported Market Price, i.e. the average closing price of the last five days of trading of the shares of the Bank on the CSE prior to conversion with 20% discount,

(ii) the minimum adjusted conversion price of €6,50 (adjusted prices based on the provisions of the Prospectus, Part IV/B/III paragraph C1 (i) and Part IV/C/III paragraph C1 (i), which were effective from the 27 February 2015, please refer to sub-note 2 below) and,

(iii) the nominal value of the Bank's ordinary shares.

Sub-note 1: the minimum mandatory conversion prices have been adjusted to reflect the issue of shares via rights issue from €0,10 to €0,08 for CCS1 and from €0,05 to €0,04 for CCS2 and to reflect the reverse split of the share capital from €0,08 to €4,00 for CCS1 and from €0,04 to €2,00 for CCS2.

Sub-note 2: the minimum voluntary conversion prices for CCS1 and CCS2 have been adjusted to reflect the issue of shares via right issue from €0,15 to €0,13 and to reflect the reverse split of the share capital from €0,13 to €6,50.

4.3 Reconciliation between regulatory capital (on transitional basis) with equity as presented in the Financial Statements

The following table provides reconciliation between the Statement of Financial Position presented in the Financial Statements with the statement of financial position prepared for regulatory purposes.

Reconciliation between regulatory capital with equity (€000)		**Ref[1]**	**31 December 2019[2]**	**31 December 2018**
Total Equity per Financial Statements		a	1.076.700	824.547
Deconsolidation of insurance entities		b	(12.141)	(13.481)
Intangible assets			(52.130)	(49.450)
Deferred tax assets that rely on future profitability and do not arise from temporary differences			(14.830)	(13.599)
Reserves arising from revaluation of properties and other non CET1 eligible reserves			(18.178)	(18.518)
Additional deductions of CET1 Capital due to Article 3 CRR			--	(245)
Value adjustments due to the requirements for prudent Valuation			(5.369)	(6.380)
IFRS 9 transitional arrangements			32.786	36.643
Total Common Equity Tier 1			**1.006.837**	**759.517**
Additional Tier 1				
Loan Capital (after deduction of Own Additional Tier 1 instruments)		c	129.666	129.667
Intangible assets			--	--
Total Additional Tier 1			**129.666**	**129.667**
Total Tier 1			**1.136.504**	**889.184**
Tier 2				
Loan Capital (after deduction of Own Tier 2 instruments)		c	--	--
Tier 2 amortisation			--	--
Property revaluation reserve and other unrealised gains			--	--
Total Tier 2			**--**	**--**
Total Own funds			**1.136.504**	**889.184**

[1] The references (a) – (c) identify balance sheet components on section 4.4 which are used in the calculation of regulatory capital. Numbers may not add up/cross reference due to rounding.
[2] Under IFRS9 transitional basis

4.4 Reconciliation between the Consolidated Statement of Financial Position as presented in the Financial Statements with the statement of financial position prepared for regulatory purposes

As explained in Section 1.3, the basis of consolidation for financial accounting purposes differs from that used for regulatory purposes.

As at 31 December 2019 (€000)[3]		**Ref**	**Consolidated Statement of Financial Position based on IFRS**	**Deconsolidation of insurance entities**	**Statement of financial position per regulatory scope of consolidation**
Assets					
Cash and balances with Central Banks			4.961.971	(1)	4.961.970
Placements with other banks			395.258	(21.515)	373.743
Loans and advances to customers			5.979.148	--	5.979.148
Debt securities			4.299.932	(488)	4.299.444
Equity securities & Collective Investment Units			42.378	(28.242)	14.136
Investment in subsidiary companies			--	39.688	39.688
Investment in associate company			7.826	--	7.826
Property, plant and equipment			181.602	(8.110)	173.492
Intangible assets			49.086	(14.589)	34.497
Tax receivable			601	(417)	184
Deferred tax asset			15.937	--	15.937
Other assets			373.812	(84.314)	289.498
Total assets			**16.307.551**	**(117.988)**	**16.189.563**
Liabilities					
Deposits by banks			173.990	--	173.990
Customer deposits and other customer accounts			14.601.654	8.701	14.610.355
Tax payable			5.225	(83)	5.142
Deferred tax liability			31.292	(223)	31.069
Other liabilities			289.023	(114.246)	174.777
Loan capital		c	129.666	--	129.666
Total liabilities			**15.230.850**	**(105.851)**	**15.124.999**
Equity					
Share capital			206.403	--	206.403
Reserves			870.288	(12.131)	858.157
Equity attributable to owners of the parent company			**1.076.691**	**(12.131)**	**1.064.560**
Non-controlling interest			10	(10)	--
Total equity		a/b	**1.706.701**	**(12.141)**	**1.064.560**
Total liabilities and equity			**16.307.551**	**(117.992)**	**16.189.559**

[3] Numbers may not add up/cross reference due to rounding.

4.4 Reconciliation between the Consolidated Statement of Financial Position as presented in the Financial Statements with the statement of financial position prepared for regulatory purposes (continued)

As at 31 December 2018 (€000)[4]		Ref	Consolidated Statement of Financial Position based on IFRS	Deconsolidation of insurance entities	Statement of financial position per regulatory scope of consolidation
Assets					
Cash and balances with Central Banks			4.391.444	(1)	4.391.443
Placements with other banks			307.888	(13.605)	294.283
Loans and advances to customers			6.283.438	--	6.283.438
Debt securities			4.526.428	(799)	4.525.629
Equity securities & Collective Investment Units			34.638	(23.141)	11.497
Investment in subsidiary companies			--	33.748	33.748
Investment in associate company			8.997	--	8.997
Property, plant and equipment			101.489	(6.426)	95.063
Intangible assets			46.546	(14.835)	31.711
Tax receivable			494	(380)	114
Deferred tax asset			16.326	--	16.326
Other assets			408.498	(35.869)	372.629
Total assets			**16.126.186**	**(61.308)**	**16.064.878**
Liabilities					
Deposits by banks			216.199	--	216.199
Customer deposits and other customer accounts			14.709.168	11.397	14.720.565
Tax payable			5.322	(198)	5.124
Deferred tax liability			44.457	(208)	44.249
Other liabilities			196.826	(58.818)	138.008
Loan capital		c	129.667	--	129.667
Total liabilities			**15.301.639**	**(47.827)**	**15.253.812**
Equity					
Share capital			99.237	--	99.237
Reserves			721.109	(9.280)	711.828
Equity attributable to owners of the parent company			**820.346**	**(9.280)**	**811.066**
Non-controlling interest			4.201	(4.201)	--
Total equity		a/b	**824.547**	**(13.481)**	**811.066**
Total liabilities and equity			**16.126.186**	**(61.308)**	**16.064.878**

[4] Numbers may not add up/cross reference due to rounding.

4.5 Regulatory Capital

The tables below disclose the components of regulatory capital as at 31 December 2019 and 2018 on both a transitional and fully loaded basis.

This disclosure has been prepared using the format set out in Annex VI of the "Commission Implementing Regulation (EU) No 1423/2013", which lays down implementing technical standards with regards to disclosure of own funds requirements, for institutions according to the CRR.

Transitional Own Funds 2019 (€000)[5]		**Transitional basis**	**Transitional impact**	**Fully loaded basis**
Common Equity Tier 1 capital: instruments and reserves				
Capital instruments and the related share premium accounts		759.831	--	759.831
Retained earnings		(12.210)	--	(12.210)
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)		298.759	--	298.759
Common Equity Tier 1 (CET1) capital before regulatory adjustments		**1.046.380**	**--**	**1.046.380**
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
Intangible assets (net of related tax liability)		(52.130)	--	(52.130)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		(14.830)	--	(14.830)
(-) Additional deductions of CET1 capital due to Article 3 CRR		--	--	--
(-) Value adjustments due to the requirements for prudent valuation		(5.369)	**--**	(5.369)
IFRS 9 transitional arrangements		32.786	(32.786)	--
Total regulatory adjustments to Common Equity Tier 1 (CET1)		**(39.544)**	**(32.786)**	**(72.330)**
Common Equity Tier 1 (CET1) capital		**1.006.836**	**(32.786)**	**974.051**
Additional Tier 1 (AT1) capital: instruments				
Capital instruments and the related share premium accounts		129.666	**--**	129.666
Additional Tier 1 (AT1) capital before regulatory adjustments		**129.666**	**--**	**129.666**
Additional Tier 1 (AT1) capital: regulatory adjustments				
Other transitional adjustments to AT1 capital		**--**	**--**	**--**
Total regulatory adjustments to Additional Tier 1 (AT1) capital		**--**	**--**	**--**
Additional Tier 1 (AT1) capital		**129.666**	**--**	**129.666**
Tier 1 capital (T1 = CET1 + AT1)		**1.136.502**	**(32.786)**	**1.103.717**
Tier 2 (T2) capital: instruments and provisions				
Capital instruments and the related share premium accounts		**--**	**--**	**--**
Tier 2 (T2) capital before regulatory adjustments		**--**	**--**	**--**
Tier 2 (T2) capital: regulatory adjustments				
Other transitional adjustments to T2 capital		--	**--**	**--**
Total regulatory adjustments to Tier 2 (T2) capital		--	**--**	**--**
Tier 2 (T2) capital		--	**--**	**--**
Total capital (TC = T1 + T2)		**1.136.502**	**(32.786)**	**1.103.717**
Total risk weighted assets		**5.038.660**	**(35.960)**	**5.002.700**
Capital ratios and buffers				
Common Equity Tier 1		**19,98%**	**(0,51%)**	**19,47%**
Tier 1		**22,56%**	**(0,49%)**	**22,06%**
Total capital		**22,56%**	**(0,49%)**	**22,06%**

[5] Numbers may not add up/cross reference due to rounding.

4.5 Regulatory Capital (continued)

Transitional Own Funds 2019 (€000)		Transitional basis	Transitional impact	Fully loaded basis
Institution specific buffer requirement (CET1 requirement in accordance with article 92 plus the combined Buffer Requirement)		7,38%	1,13%	8,50%
of which: capital conservation buffer requirement		2,50%	0%	2,50%
of which: countercyclical buffer requirement		0,00%	0,00%	0,00%
of which: systemic risk buffer requirement		0,00%	0,00%	0,00%
of which: Other Systemically Important Institution (O-SII) buffer		0,38%	1,13%	1,50%
Common Equity Tier 1 available to meet buffers		12,61%	(1,64%)	10,97%
Amounts below the thresholds for deduction (before risk weighting)				
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)		25.161	--	25.161
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)		1.107	--	1.107
Applicable caps on the inclusion of provisions in Tier 2				
Cap on inclusion of credit risk adjustments in T2 under standardised approach		53.445	--	52.996

4.5 Regulatory Capital (continued)

Transitional Own Funds 2018 (€000)[6]		Transitional basis	Transitional impact	Fully loaded basis
Common Equity Tier 1 capital: instruments and reserves				
Capital instruments and the related share premium accounts		614.860	--	614.860
Retained earnings		(116.421)	--	(116.421)
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)		294.110	--	294.110
Common Equity Tier 1 (CET1) capital before regulatory adjustments		**792.549**	**--**	**792.549**
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
Intangible assets (net of related tax liability)		(49.450)	--	(49.450)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		(13.599)	--	(13.599)
(-) Additional deductions of CET1 capital due to Article 3 CRR		(245)	--	(245)
(-) Value adjustments due to the requirements for prudent valuation		(6.380)	--	(6.380)
IFRS 9 transitional arrangements		36.643	(36.643)	--
Total regulatory adjustments to Common Equity Tier 1 (CET1)		**(33.032)**	**(36.643)**	**(69.674)**
Common Equity Tier 1 (CET1) capital		**759.517**	**(36.643)**	**722.875**
Additional Tier 1 (AT1) capital: instruments				
Capital instruments and the related share premium accounts		129.667	--	129.667
Additional Tier 1 (AT1) capital before regulatory adjustments		**129.667**	**--**	**129.667**
Additional Tier 1 (AT1) capital: regulatory adjustments				
Other transitional adjustments to AT1 capital		--	--	--
Total regulatory adjustments to Additional Tier 1 (AT1) capital		--	--	--
Additional Tier 1 (AT1) capital		**129.667**	**--**	**129.667**
Tier 1 capital (T1 = CET1 + AT1)		**889.184**	**(36.643)**	**852.542**
Tier 2 (T2) capital: instruments and provisions				
Capital instruments and the related share premium accounts		--	--	--
Tier 2 (T2) capital before regulatory adjustments		--	--	--
Tier 2 (T2) capital: regulatory adjustments				
Other transitional adjustments to T2 capital		--	--	--
Total regulatory adjustments to Tier 2 (T2) capital		--	--	--
Tier 2 (T2) capital		--	--	--
Total capital (TC = T1 + T2)		**889.184**	**(36.643)**	**852.542**
Total risk weighted assets		**4.799.600**	**(62.510)**	**4.737.090**
Capital ratios and buffers				
Common Equity Tier 1		**15,82%**	**(0,56%)**	**15,26%**
Tier 1		**18,53%**	**(0,53%)**	**18,00%**
Total capital		**18,53%**	**(0,53%)**	**18,00%**

[6] Numbers may not add up/cross reference due to rounding.

4.5 Regulatory Capital (continued)

Transitional Own Funds 2018 (€000)	Transitional basis	Transitional impact	Fully loaded basis
Institution specific buffer requirement (CET1 requirement in accordance with article 92 plus the combined Buffer Requirement)	6,38%	2,13%	8,50%
of which: capital conservation buffer requirement	1,88%	0,63%	2,50%
of which: countercyclical buffer requirement	0,00%	0,00%	0,00%
of which: systemic risk buffer requirement	0,00%	0,00%	0,00%
of which: Other Systemically Important Institution (O-SII) buffer	0,00%	1,50%	1,50%
Common Equity Tier 1 available to meet buffers	9,45%	(2,69%)	6,76%
Amounts below the thresholds for deduction (before risk weighting)			
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)	24.371	--	24.371
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)	2.727	--	2.727
Applicable caps on the inclusion of provisions in Tier 2			
Cap on inclusion of credit risk adjustments in T2 under standardised approach	50.124	--	49.343

4.6 Transitional Own Funds Disclosure

The table below discloses the components of regulatory capital as at 31 December 2019 and 2018 after taking into account the transitional provisions.

This disclosure has been prepared using the format set out in Annex VI of the "Commission Implementing Regulation (EU) No 1423/2013", which lays down implementing technical standards with regards to disclosure of own funds requirements for institutions, according to the CRR.

Transitional Own Funds (€000)[7]	**As at 31 December 2019**[8]	**As at 31 December 2018**
Common Equity Tier 1 (CET1) capital: instruments and reserves		
Capital instruments and the related share premium accounts	759.831	614.860
Retained earnings	(12.210)	(116.421)
Accumulated other comprehensive income (and other reserves)	298.759	294.110
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**1.046.380**	**792.549**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Intangible assets (net of related tax liability)	(52.130)	(49.450)
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(14.830)	(13.599)
Regulatory adjustments to Common Equity Tier 1 (CET1)	**(66.960)**	**(63.049)**
(-) Additional deductions of CET1 Capital due to Article 3 CRR	--	(245)
(-) Value adjustments due to the requirements for prudent valuation	(5.369)	(6.380)
IFRS 9 transitional arrangements	32.786	36.643
Common Equity Tier 1 (CET1) capital	**1.006.836**	**759.517**
Additional Tier 1 (AT1) capital: instruments		
Capital instruments and the related share premium accounts	129.666	129.667
Additional Tier 1 (AT1) capital before regulatory adjustments	**129.666**	**129.667**
Additional Tier 1 (AT1) capital: regulatory adjustments		
Other transitional adjustments to AT1 capital	--	--
Total regulatory adjustments to Additional Tier 1 (AT1) capital	**--**	**--**
Additional Tier 1 (AT1) capital	**129.666**	**129.667**
Tier 1 capital (T1 = CET1 + AT1)	**1.136.502**	**889.184**
Tier 2 (T2) capital: instruments and provisions		
Capital instruments and the related share premium accounts	**--**	**--**
Tier 2 (T2) capital before regulatory adjustments	**--**	**--**
Tier 2 (T2) capital: regulatory adjustments		
Direct and indirect holdings by an institution of own T2 instruments and subordinated loans	--	--

[7] Numbers may not add up/cross reference due to rounding.
[8] Under IFRS9 transitional basis

4.6 Transitional Own Funds Disclosure (continued)

Transitional Own Funds (€000)		**As at 31 December 2019**[8]	**As at 31 December 2018**[8]
Other transitional adjustments to T2 capital		--	--
Total regulatory adjustments to Tier 2 (T2) capital		**--**	**--**
Tier 2 (T2) capital		**--**	**--**
Total capital (TC = T1 + T2)		**1.136.502**	**889.184**
Total risk weighted assets		**5.038.660**	**4.799.600**
Capital ratios and buffers			
Common Equity Tier 1		19,98%	15,82%
Tier 1		22,56%	18,53%
Total capital		22,56%	18,53%
Institution specific buffer requirement (CET1 requirement in accordance with article 92 plus the combined Buffer Requirement)		**7,38%**	**6,38%**
of which: capital conservation buffer requirement		2,50%	1,88%
of which: countercyclical buffer requirement		0,00%	0,00%
of which: systemic risk buffer requirement		0,00%	0,00%
of which: Other Systemically Important Institution (O-SII) buffer		0,38%	0,00%
Common Equity Tier 1 available to meet buffers		***12,61%***	***9,45%***
Amounts below the thresholds for deduction (before risk weighting)			
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)		25.161	19.008
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability)		1.107	2.727
Applicable caps on the inclusion of provisions in Tier 2			
Cap on inclusion of credit risk adjustments in T2 under standardised approach		53.445	50.124

4.7 Main features of Capital Instruments

The capital base of the Group for regulatory purposes is divided into two main categories: Common Equity Tier 1 (CET 1) and, Additional Tier 1 (AT1).

The main features of the capital instruments of the Group as at 31 December 2019 are presented below:

		1	2	3
		CET1	**AT1**	**AT1**
1	Issuer	Hellenic Bank Public Company Limited	Hellenic Bank Public Company Limited	Hellenic Bank Public Company Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	CY0105570119	CY0144170111	CY0144180110
3	Governing law(s) of the instrument	Cyprus Law	Cyprus Law	Cyprus Law
	Regulatory treatment			
4	Transitional CRR rules	CET1	AT1	AT1
5	Post-transitional CRR rules	CET1	AT1	AT1
6	Eligible at solo/(sub-)consolidated/ solo & (sub-) consolidated	Solo & consolidated	Solo & consolidated	Solo & consolidated
7	Instrument type	Share capital	Loan capital	Loan capital
8	Amount recognised in regulatory capital (currency in thousands, as of most recent reporting date)	€206.403	€1.597	€128.070
9	Nominal amount of instrument	€0,50	€1	€1
9 (a)	Issue price	€0,70	€1	€1
9 (b)	Redemption price	N/A	At par including accrued interest and excluding any cancelled interest	At par including accrued interest and excluding any cancelled interest
10	Accounting classification	Shareholders’ equity	Liability - amortised cost	Liability - amortised cost

4.7 Main features of Capital Instruments (continued)

		1	2	3
		CET1	AT1	AT1
11	Original date of issuance	Refer to Annual Financial Report on Share capital note 34	30 September 2013	30 September 2013
12	Perpetual or dated	Perpetual	Perpetual	Perpetual
13	Original maturity date	No maturity	No maturity	No maturity
14	Issuer call subject to prior supervisory approval	N/A	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	Refer to Section 4.2.1.1.3	Refer to Section 4.2.1.1.3
16	Subsequent call dates, if applicable	N/A	Refer to Section 4.2.1.1.3	Refer to Section 4.2.1.1.3
	Coupons / dividends			
17	Fixed or floating dividend/coupon	Floating	Fixed	Fixed
18	Coupon rate and any related index	N/A	Annual 11% payable every quarter	Annual 10% payable every quarter
19	Existence of a dividend/coupon stopper	N/A - Refer to Sub Note below	No	No
20 (a)	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A	Fully or partially discretionary	Fully or partially discretionary
20 (b)	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	Fully or partially discretionary	Fully or partially discretionary
21	Existence of step up or other incentive to redeem	N/A	No	No
22	Non-cumulative or cumulative	N/A	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	N/A	Convertible	Convertible
24	If convertible, conversion trigger(s)	N/A	Refer to Section 4.2.1.1.4 & 4.2.1.1.5	Refer to Section 4.2.1.1.4 & 4.2.1.1.5

4.7 Main features of Capital Instruments (continued)

		1	2	3
		CET1	AT1	AT1
25	If convertible, fully or partially	N/A	Partially	Partially
26	If convertible, conversion rate	N/A	Refer to Section 4.2.1.1.6 & 4.2.1.1.7	Refer to Section 4.2.1.1.6& 4.2.1.1.7
27	If convertible, mandatory or optional conversion	N/A	Mandatory or optional	Mandatory or optional
28	If convertible, specify instrument type convertible into	N/A	Common Equity Tier 1	Common Equity Tier 1
29	If convertible, specify issuer of instrument it converts into	N/A	Hellenic Bank Public Company Ltd	Hellenic Bank Public Company Ltd
30	Write-down features	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	See Section 5.1	Refer to Section 4.2.1.1	Refer to Section 4.2.1.1
36	Non-compliant transitional features	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A

Sub Note: As per 2019 SREP letter, the Bank shall refrain from making any distributions to its shareholders where this prohibition does not constitute an event of default of the Bank.

4.8 Countercyclical Capital Buffer

As set out in Article 130(1) of Directive 2013/36/EU Member States are obliged to require institutions to maintain an institution-specific countercyclical capital buffer.

With a view to ensuring transparency and comparability across institutions, the CRR requires institutions to disclose the key elements of the calculation of their countercyclical capital buffer, comprising the geographical distribution of their relevant credit exposures and the final amount of their institution-specific countercyclical capital buffer.

As set out in Article 130(1) of Directive 2013/36/EU, an institution-specific countercyclical buffer is calculated as the product of its total risk exposure amount in accordance with Article 92(3) of the CRR and the institution-specific countercyclical buffer rate.

As set out in Article 140(1) of Directive 2013/36/EU, an institution-specific countercyclical capital buffer rate consists of the weighted average of the countercyclical buffer rates that apply in the countries where the relevant credit exposures of the institution are located. The distribution by country of relevant credit exposures is provided in the tables below for 2019 and 2018 respectively, in accordance with the provisions laid down in Commission Delegated Regulation (EU) No 1152/2014:

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (€000) 31 December 2019	**General Credit Exposures**		**Trading Book Exposure**		**Securitisation Exposure**		**Own Funds Requirements**				**Own Funds Requirements Weights**	**Countercyclical Buffer Rate**
	SA	IRB	SA	IRB	SA	IRB	General Credit Risk Exposures	Trading Book Exposures	Securitisation Exposures	**Total**		
Cyprus	5.077.661	0	450	0	43.893	0	309.137	36	4.858	**314.031**	**100%**	**0%**
United Kingdom	150.430	0	0	0	0	0	4.987	0	0	**4.987**	**0%**	**1%**

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (€000) 31 December 2018	**General Credit Exposures**		**Trading Book Exposure**		**Securitisation Exposure**		**Own Funds Requirements**				**Own Funds Requirements Weights**	**Counter cyclical Buffer Rate**
	SA	IRB	SA	IRB	SA	IRB	General Credit Exposures	Trading Book Exposures	Securitisation Exposures	**Total**		
Cyprus	5.044.725	0	450	0	7.068	0	315.102	36	113	**315.251**	**100%**	**0%**

4.8 Countercyclical Capital Buffer (continued)

In accordance with Article 2 (5) (b) of Commission Delegated Regulation (EU) No 1152/2014, foreign general credit risk exposures, whose aggregate does not exceed 2% of the aggregate of the general credit, trading book and securitisation exposures of that institution, may be allocated to the institutions' home member state. The Bank has applied this discretion and since the highest foreign exposure except UK is less than the 2% threshold, all foreign exposures except United Kingdom have been allocated to Cyprus.

The table below summarizes the countercyclical buffer rate calculation for 2019 and 2018 respectively:

Amount of institution-specific countercyclical capital buffer (€000) – 31 December 2019		**Amount**
Total Risk Exposure Amount		5.038.660
Institution specific countercyclical buffer rate		0,0%
Institution specific countercyclical buffer requirement		0

Amount of institution-specific countercyclical capital buffer (€000) – 31 December 2018		**Amount**
Total Risk Exposure Amount		4.799.600
Institution specific countercyclical buffer rate		0%
Institution specific countercyclical buffer requirement		0

4.9 EU LI1 - Differences between accounting and regulatory scopes of consolidation and mapping of Financial Statement categories

(Ref: Template 1: EU LI1 – Differences between accounting and regulatory scopes of consolidation and the mapping of Financial Statement categories with regulatory risk categories)

2019[9] €000	Carrying values as reported in consolidated published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances with Central Banks	4.961.971	4.961.970	4.961.970	--	--	4.961.970	--
Placements with other banks	395.258	373.743	373.743	--	--	373.743	--
Loans and advances to customers	5.979.148	5.979.148	5.979.148	--	--	5.979.148	--
Debt securities	4.299.932	4.299.444	4.255.551	--	43.893	4.299.444	--
Equity securities & Collective Investment Units	42.378	14.136	14.136	--	--	14.136	--
Investment in subsidiary companies	--	39.688	39.688	--	--	39.688	--
Investment in associate company	7.826	7.826	7.826	--	--	7.826	--
Property plant and equipment	181.602	173.492	173.492	--	--	173.492	--
Intangible assets	49.086	34.497		--	--		34.497
Tax receivable	601	184	184	--	--	184	--
Deferred tax asset	15.937	15.937	14.830	--	--		14.830
Derivative financial assets	13	13		13	--	13	--
Other assets	373.799	289.485	289.485	--	--	289.485	--
Total assets	**16.307.551**	**16.189.563**	**16.110.053**	**13**	**43.893**	**16.139.129**	**49.327**
Liabilities							
Deposits by banks	173.990	173.990	--	--	--	173.990	--
Customer deposits and other customer accounts	14.601.654	14.610.355	--	--	--	14.610.355	--
Tax payable	5.225	5.142	--	--	--	5.142	--
Deferred tax liability	31.292	31.069	--	--	--	31.069	--
Derivative financial liabilities	15.697	15.697	--	15.697	--	15.697	--
Other liabilities	273.326	159.080	24.425	--	--	159.080	--
Loan capital	129.666	129.666	--	--	--	--	129.666
Total liabilities	**15.230.850**	**15.124.999**	**24.425**	**15.697**	**0**	**14.995.333**	**129.666**

[9] Numbers may not add up/cross reference due to rounding.

4.9 EU LI1 - Differences between accounting and regulatory scopes of consolidation and mapping of Financial Statement categories (continued)

2018[10] €000	Carrying values as reported in consolidated published financial statements	Carrying values under scope of regulatory consolidation	Carrying values of items				
			Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances with Central Banks	4.391.444	4.391.443	4.391.443	--	--	4.391.443	--
Placements with other banks	307.888	294.283	294.283	--	--	294.283	--
Loans and advances to customers	6.283.438	6.283.438	6.283.438	--	--	6.283.438	--
Debt securities	4.526.428	4.525.629	4.518.561	--	7.068	4.525.629	--
Equity securities & Collective Investment Units	34.638	11.497	11.497	--	--	11.497	--
Investment in subsidiary companies	0	33.748	33.748	--	--	33.748	--
Investment in associate company	8.997	8.997	8.997	--	--	8.997	--
Property plant and equipment	101.489	95.063	95.063	--	--	95.063	--
Intangible assets	46.546	31.711	--	--	--	--	31.711
Tax receivable	494	114	114	--	--	114	--
Deferred tax asset	16.326	16.326	2.727	--	--	--	13.599
Derivative financial assets	567	567	--	567	--	567	--
Other assets	407.931	372.062	372.062	--	--	372.062	--
Total assets	**16.126.186**	**16.064.878**	**16.011.933**	**567**	**7.068**	**16.016.841**	**45.310**
Liabilities							
Deposits by banks	216.199	216.199	--	--	--	216.199	--
Customer deposits and other customer accounts	14.709.168	14.720.565	--	--	--	14.720.565	--
Tax payable	5.322	5.124	--	--	--	5.124	--
Deferred tax liability	44.457	44.249	--	--	--	44.249	--
Derivative financial liabilities	7.981	7.981	--	7.981	--	7.981	--
Other liabilities	188.845	130.027	36.768	--	--	130.027	--
Loan capital	129.667	129.667	--	--	--	--	129.667
Total liabilities	**15.301.639**	**15.253.812**	**36.768**	**7.981**	**--**	**15.124.145**	**129.667**

[10] Numbers may not add up/cross reference due to rounding.

4.9 EU LI1 - Differences between accounting and regulatory scopes of consolidation and mapping of Financial Statement categories (continued)

Differences between the carrying values reported in the consolidated audited Financial Statements and the carrying values reported under the scope of regulatory consolidation arise from different consolidation rules applied for prudential purposes. The basis for consolidation for prudential purposes includes only subsidiary companies which forms the basis for the calculation of regulatory capital requirements. Information on the basis of consolidation for accounting purposes and the basis of consolidation for prudential purposes is presented in Section 1.3 Scope of Application. In addition, reconciliation between the Statement of Financial Position as presented in the Group Financial Statements with the statement of financial position prepared for regulatory purposes is presented in Section 4.4.

The column "Subject to market risk framework" includes trading book positions that are subject to interest rate, foreign exchange and equity risk, as well as assets and liabilities that are subject to foreign exchange risk (this includes all assets and all liabilities of the Bank, except where deducted from Own Funds). The amounts reported in column "Carrying values under scope of regulatory consolidation" do not equal the sum of the amounts reported in the remaining columns of this table as a number of items are subject to regulatory capital requirements under both CR or CCR (derivatives) and the market risk framework (as described above).

4.10 EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in Financial Statements

(Ref: Template 2: EU LI2 – Main sources of differences between regulatory exposure amounts and carrying values in Financial Statements)

2019[11] (€000)	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	**16.189.563**	**16.110.053**	**13**	**43.893**	**16.139.129**
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	(15.124.999)	(24.425)	(15.697)	--	(14.995.333)
Total net amount under the regulatory scope of consolidation	**1.064.564**	**16.085.628**	**(15.684)**	**43.893**	**1.143.796**
Off-balance sheet amounts	1.382.677	305.343	--	--	--
Differences due to different netting rules, other than those already included in row "Liabilities carrying value amount under the regulatory scope of consolidation"	6.992	--	6.992	--	--
Difference due to consideration of provisions	35.542	35.542	--	--	--
Items not subject to capital requirements or subject to deduction from capital	(49.328)	--	--	--	--
Difference due to other deductions from capital	(17.635)	--	--	--	--
Liabilities not under RWA scope	15.100.575	--	--	--	--
Exposure amounts considered for regulatory purposes	**17.523.387**	**16.426.513**	**(8.692)**	**43.893**	**1.143.796**

[11] Numbers may not add up/cross reference due to rounding.

4.10 EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in Financial Statements (continued)

2018[12] (€000)	Total	Items subject to			
		Credit risk framework	CCR framework	Securitisation framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	**16.064.878**	**16.011.933**	**567**	**7.068**	**16.016.841**
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	(15.253.812)	(36.768)	(7.981)	0	(15.124.145)
Total net amount under the regulatory scope of consolidation	**811.066**	**15.975.165**	**(7.414)**	**7.068**	**892.696**
Off-balance sheet amounts	1.365.983	295.091	--	--	--
Differences due to different netting rules, other than those already included in row "Liabilities carrying value amount under the regulatory scope of consolidation"	6.897	--	6.897	--	--
Difference due to consideration of provisions	36.635	36.635	--	--	--
Items not subject to capital requirements or subject to deduction from capital	(63.049)	--	--	--	--
Difference due to other deductions from capital	(17.741)	--	--	--	--
Liabilities not under RWA scope	15.217.044	--	--	--	--
Exposure amounts considered for regulatory purposes	**17.356.834**	**16.306.891**	**(518)**	**7.068**	**892.696**

"Off-balance sheet amounts'' reported in the Total column do not equal the amounts reported in column "Credit risk framework" as the latter are reported after the application of the relevant conversion factor.

"Differences due to different netting rules, other than those already included in row 'Liabilities carrying value amount under the regulatory scope of consolidation'" includes the add-on for derivative transactions, calculated in accordance with the Mark-to-Market method for CCR.

"Differences due to consideration of provisions" relates to the application of the scaling factor on credit risk adjustments as per IFRS9 transitional arrangements.

"Items not subject to capital requirements or subject to deduction from capital" relate to the part of intangible assets and deferred tax assets that is deducted from CET 1 capital as per Article 36 (1) of CRR, and in consideration of the transitional arrangements.

[12] Numbers may not add up/cross reference due to rounding.

4.11 Comparison of institutions' own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs

			As at 31 December 2019[13]	As at 31 December 2018
	Available capital (amounts)			
1	Common Equity Tier 1 (CET1) capital		1.006.836	759.517
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied		974.051	722.875
3	Tier 1 capital		1.136.503	889.184
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied		1.103.718	852.542
5	Total capital		1.136.503	889.184
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied		1.103.718	852.542
	Risk-weighted assets (amounts)			
7	Total risk-weighted assets		5.038.660	4.799.600
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied		5.002.701	4.737.090
	Capital ratios			
9	Common Equity Tier 1 (as a percentage of risk exposure amount)		19,98%	15,82%
10	Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied		19,47%	15,26%
11	Tier 1 (as a percentage of risk exposure amount)		22,56%	18,53%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied		22,06%	18,00%
13	Total capital (as a percentage of risk exposure amount)		22,56%	18,53%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied		22,06%	18,00%
	Leverage ratio			
15	Leverage ratio total exposure measure		16.540.751	16.416.724
	Leverage ratio total exposure measure as if IFRS 9 or analogous ECLs transitional arrangements had not been applied		16.510.435	16.379.539
16	Leverage ratio		6,87%	5,42%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied		6,68%	5,20%

The increase of 416 basis in CET 1 ratio [14](transitional basis) compared to 31 December 2018, was the result of the following:

i) overall increase in CET1 capital, mainly due to:
- current year profits (effect of 217 basis points increase),
- the capital raise of €145 million net off expenses directly related to the share issue (effect of 302 basis points increase),
- the increase in other comprehensive income (effect of 12 basis points increase), due to the increase in revaluation reserve from bonds,

[13] Numbers may not add up/cross reference due to rounding.
[14] Including 2019 profits, prior to obtaining AGM approval for year-end profits.

- the decrease in IFRS 9 transitional arrangements, the increase in deferred tax asset arising from tax losses expired and the increase in intangible assets (net effect of 18 basis points decrease).

overall increase in RWAs, mainly due to the increase in net funded exposures due to new lending and the acquisitions of debt securities (effect of 99 basis points decrease).

5. RISK MANAGEMENT UNIT

This section describes the Bank's organisation and risk management mechanisms.

5.1 Risk Management Framework

Throughout 2019, the Bank has continued its efforts to further enhance the framework by which it identifies, assesses, monitors and controls risks.

In April 2019, the Board approved the Enterprise Risk Management Framework (ERMF), the highest-level risk framework that sets out its approach to the identification, assessment and management of risks across the Group.

The ERMF:

- serves as the umbrella framework under which all risk frameworks, policies and procedures are developed
- sets out the principles under which risk is managed and applies to all risks being taken and managed by the Bank
- sets out the roles of the Board as ultimately responsible for the risk and control environment within the Group, as well as the Board and Executive Management committee structures, roles and responsibilities with respect to risk management (summarized in Section 5.1.1)
- confirms that the Bank adopts a three line of defence model and sets out the roles of each (summarized in Section 5.1.2)
- recognises the importance of having a robust risk culture and supports the key factors that contribute to an open and transparent environment where well-trained and informed individuals take intelligent risk, under clear policies, in pursuit of achieving the Group's business strategy (summarized in Section 5.1.3).
- defines the architecture of risk frameworks and policies for use across the Bank.

During 2019 the Board of Directors also approved a revised Risk Appetite Framework (RAF) developed by the Risk Management Unit in line with international standards and best practice. The new RAF is part of the broader Enterprise Risk Management Framework and prescribes the process for risk appetite setting, feeding from the formulation of Material Risk Assessment and with a direct input into the Strategic Plan and ICAAP. The framework encompasses both quantitative and qualitative limits across an array of the risk types facing the Bank and delineates responsibilities for its implementation, monitoring and governance (which also entails a breach escalation framework) in line with the Three Lines of Defence model and the Enterprise Risk Management Framework.

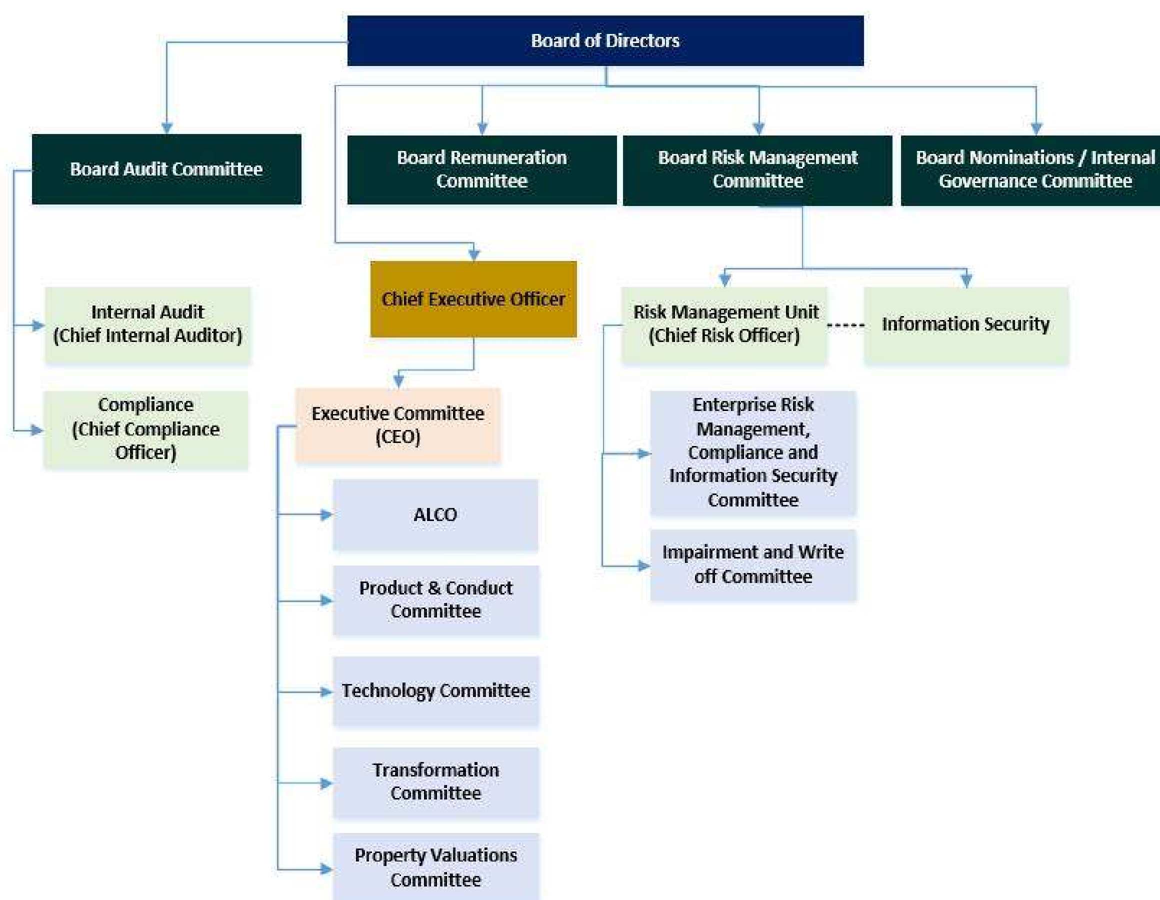
In addition, on 19 of March 2019, the Bank's Board of Directors approved a revised Risk Management Charter. One of the main changes in the Charter, was the renaming of the 'Risk Strategy Capital and Analytics Department' to 'Risk Analytics' following the segregation of the duties of the set department to 1st and 2nd line of defence responsibilities. Specific changes were also included in relation to the role and responsibilities of the Risk Management Unit with respect the successful management of integration risk of the ex-Cyprus Cooperative Bank's Assets, Liabilities and Business, inter alia, the continuation of the smooth operation and conduct of the Group's operations, as well as the mitigation of the credit, operational, legal, regulatory and other risks that may arise so that the Group can benefit the most from the Acquisition. The changes aim to enhance the organisation of Risk Management and to reinforce the role of the second line of defence throughout the risk management cycle, with a special focus on the Bank's material risks.

5.1.1 Risk Governance

The Board is the Bank's primary governing body and is responsible for (a) approving overall policy in relation to the types and level of risk that the Bank is permitted to assume in the implementation of its strategic and business plans and (b) maintaining a sufficient control environment to managing the principal risks.

A number of Executive and Board committees as shown in the below chart assist the Board in fulfilling the above responsibilities and in monitoring the embedding of the ERMF:

Board and Executive Committee Structure



The key duties and responsibilities of the Board Committees are shown below. The Board Committees are subject to full Terms of Reference that are available in the Annual Corporate Governance Report for 2019, which can be found on the Bank's website along with more details on their composition.

The ***Board Risk Management Committee's*** duties and responsibilities include:

- Review and make recommendations and requests considering the Group's risk profile in relation to its strategy and risk appetite and monitor material risks, key risk trends, concentrations and exposures by evaluating all appropriate information and reports including but not limited to the following:

(i) the quarterly reports submitted by the Chief Risk Officer within two months from the end of each quarter and inform the Board accordingly;
(ii) the monthly Risk Management Information Report (Risk MIR) by 22nd of the month following each calendar month end;
(iii) the quarterly reports submitted by the Head of the Information Security within two months from the end of each quarter and inform the Board accordingly;
(iv) the monthly Information Security Management Information Report (IS MIR) by 22nd of the month following each calendar month end;
(v) the annual reports submitted by the Heads of the Risk Management and Information Security Functions within two months from the end of each year and submit these to the Board, accompanied by the Committee's assessment of the reports;
(vi) the relevant reports prepared by Internal Audit Unit, subsidiary Boards and/or Risk Committees and the Regulators and oversee that corrective measures are implemented where these are necessary.

- Promote the development of relevant Early Warning Indicators and other loan portfolio management tools, analytics and strategies

- Defining and submitting for Board approval risk management principles, frameworks, policies and risk appetite in relation to undertaking and managing all forms of risk and the use of capital that corresponds to the business objectives of the Bank, the Group and/or each subsidiary company separately,

- Promoting and embedding a culture of risk/ information security awareness and appropriate risk taking across the Group and assisting the Management Body of the Bank in implementing the strategy,

- Advising and developing recommendations for the Board on the Group's overall current and future risk appetite and ensuring it remains consistent with the Bank's short and long-term strategy, business and capital plans, risk capacity as well as compensation programs; taking into account relevant legal and regulatory requirements,

- Reviewing the Group's risk profile in relation to its strategy and risk appetite and monitoring material risks, key risk trends, concentrations and exposures,

- Reviewing and recommending to the Board the Group's Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP), the Group's Recovery Plan and the Group's Liquidity Contingency Plan,

- Overseeing the implementation of the Basel Risk Data Aggregation and Risk Reporting Principles and in particular reviewing the Framework for Risk Data Aggregation and Reporting,

- Reviewing and recommending to the Board for approval the Group's Compliance Policy to the Pillar 3 disclosure requirements as per CRR / CRD IV,

- Reviewing whether incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings,

- Overseeing the Risk Management and Information Security Functions, including Charters, plans, Heads, as well as the design, operation, adequacy and effectiveness of the internal risk management and information systems,

- Determining the nature, the amount, the format and the frequency of the information which it is to receive on the risk situation of the Group and for each type of risk and each business unit,

- Evaluating and recommending to the Board the risks related to any new markets, companies or business ventures,

- Periodically and at least on a six-monthly basis evaluating the Arrears Management Strategy and its underlying hypotheses and assumptions and ensuring appropriate control mechanisms exist to effectively manage NPE and Forborne loans,

- Defining the principles which should be considered in the recruitment of employees, the selection of vendors, the development of products, services, and processes as well as in the implementation and operation of information systems and information processing facilities as set out by the Information Security Framework and the Information Security Policy itself,

- Cultivating an internal environment of risk management, information security, appropriate risk taking and control, that will govern the business decision-making processes across the activities and Units of the Group and its subsidiaries and which will be consistent with the Board's communicated Business Strategy and Risk Appetite Statement.

During 2019, the Risk Management Committee held twenty-four meetings.

The ***Board Audit Committee's*** duties and responsibilities include:

- Monitoring the integrity, accuracy and reliability of the Group's quarterly and annual financial reporting process and Financial Statements, as well as any formal announcements relating to the Group's Financial performance, to assess the adequacy of the provisions in line with accounting policies and standards, and to monitor the establishment of accounting policies and practices,

- The Committee Members must satisfy themselves that the Non-Auditing Services ('NAS') provided by the Auditors do not compromise the Auditor's independence,

- Overseeing the relationship with external auditors, and submitting proposals to the Board regarding the appointment, compensation, terms and scope of engagement and substitution or rotation of the approved Auditor and other external auditors of the Group,

- Assessing and monitoring the independence, adequacy and effectiveness of the Internal Audit and Compliance Functions,

- Assessing the adequacy of the provisions in line with applicable accounting policies and standards and submitting a relevant report to the Board of Directors and the Risk Management Committee on a quarterly basis,

- Overseeing the Internal Audit Function, including its Charter, plan and Head and monitoring and assessing, on an annual basis, the adequacy and effectiveness of the Group's internal control systems and information systems, based on reports of the Internal Audit Unit and the observations and comments of the external Auditors and the competent supervisory authorities,

- Assessing and monitoring the independence, adequacy and effectiveness of the Compliance Unit, submitting recommendations on the appointment and replacement of the Head of the Compliance Unit and advising on the adequacy and effectiveness of the Compliance Framework,

- Examining any significant transactions, of any nature, carried out by the Bank and/or its subsidiary companies, in which a Member of the Board, the Chief Executive Officer, a Senior Executive, the Company Secretary, the Auditor or a major shareholder of the Bank (who directly or indirectly holds more than 5% of the issued share capital of the Bank or its voting rights) has, directly or indirectly, any significant interest, so as to ensure that these transactions are carried out within the framework of the Bank's normal commercial practices (at arm's length). The definition includes the Members of the Board of subsidiary companies,

- Preparing, with the assistance of the Executive Officer responsible for ensuring compliance with the Corporate Governance Code, the Report of the Board of Directors on Corporate Governance to be included in the Group's Annual Financial Report,

- Overseeing that Senior Management takes the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with policies, laws and regulations and other weaknesses identified by External Auditors, the Internal Audit and Compliance Units and the supervisory authorities.

During 2019, the Audit Committee held seventeen meetings, one of which was held jointly with the Audit Committee of Pancyprian Insurance Ltd and the Audit Committee of Hellenic Life Insurance Company Ltd.

The ***Remuneration Committee's*** duties and responsibilities include:

- Defining and recommending for Board approval the Group Remuneration Policy and the Remuneration Principles, which are aligned to the Group's strategic objectives and values,

- Proposing for Board approval the Annual Remuneration Policy Report, as part of the Annual Report of the Bank, which is submitted to the Annual General Meeting of the Shareholders for approval,

- Ensuring that the Remuneration policy and practices are consistent with the risk appetite of the Bank, preventing conflicts of interest and promoting sound and effective risk management,

- Involvement in the identification process of staff 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,

- Submitting proposals concerning the framework and level of remuneration (including fixed pay, performance-related pay, bonuses, pension rights and any compensation payments, share options, etc.) of Executive and Non-Executive Members of the Board or its subsidiary companies, the Company Secretary, the Chief Executive Officer of the Bank or its subsidiary companies, his/her direct reports and the Heads of the Control Functions (Key Function Holders),

- Reviewing and approving the Annual Remuneration Statement, prepared by Group Human Resources for inclusion in the Group’s annual Accounts or in the notes to the annual Accounts, in accordance with the Code of Corporate Governance and the relevant Cyprus Central Bank’s Directives/Guidelines.

During 2019, the Remuneration Committee held one meeting.

The ***Nominations / Internal Governance Committee’s*** duties and responsibilities include:

- Identify, evaluate and recommend, for the approval by the Board, candidates to fill vacancies in the Board of Directors of the Group or of any other company in which the Group has the right to appoint any member to its Board of Directors.

- Identify, evaluate and recommend, for the approval by the Board, candidates for the position of the CEO of the Bank or any other company in which the Bank has the right to appoint and/or recommend the CEO.

- Evaluate the relevant recommendation by the Audit Committee or Risk Management Committee accordingly, the appointment of the Heads of Internal Control Functions, reporting back to the respective Committee.

- *Corporate Social Responsibility*: The Committee has the overall responsibility for the development and implementation of the Bank’s Corporate Social Responsibility strategy and supports the Board in overseeing and challenging actions related to it. The Committee also reviews and recommends for approval by the Board the Annual Corporate Social Responsibility Report.

- Preparing proposals for the Board of Directors regarding the selection of individuals for nomination of Executive and Non-Executive Members of the Board of Directors, of the Board of Directors of subsidiaries or associated companies of the Group,

- Reviewing and recommending to the Board for approval policies for recruitment, rotation and promotion of staff reporting accordingly to the Board,

- Responsibility for the development, implementation and oversight of policies of internal governance arrangements within the Bank,

- Assessing whether any interests or relationships declared by Members of the Board present an actual or potential conflict of interest and approving Members of the Board’s requests related to directorships with other companies or intra-Group,

- Reassessing the fitness and probity of members and managers, on the basis of the assessment criteria included in the Directive on the Assessment of Fitness and Probity of Members of the Management Body and Managers of Authorised Credit Institutions of 2014 of the Central Bank of Cyprus,

- Reviewing and approving, where this is deemed necessary, the job descriptions of the Executive Members of the Board, the Chief Executive Officer, his/her direct reports and the Heads of the Control Functions.

During 2019, the Nominations / Internal Governance Committee held eight meetings.

Following the acquisition of certain assets and liabilities from the ex-Cyprus Cooperative Bank Limited, the Board of Directors decided to establish a temporary / ad hoc ***Integration Committee*** of the Board as from 1st August 2018. The Board's Integration Committee's main duty and responsibility is to ensure the effective oversight and input of the Board of Directors in smoothly implementing the integration plan of the acquired business into that of the Bank. The operation of the Integration Committee was terminated on 16th December 2019.

During 2019, the Integration Committee held eleven meetings.

The Board of Directors decided to establish a temporary / ad hoc Transformation Committee of the Board as from 4th May 2020. The primary role of this Committee is to oversee the implementation of the Bank's Transformation Strategy, with special emphasis on the monitoring of the implementation of the Digital Transformation Strategy which forms part of the Bank's overall Transformation Strategy and to keep the Board of Directors informed of the progress, risks and mitigating plans of such implementation.

Changes of the heads of Internal Control, Risk Management, Compliance and Internal Audit during 2019:

- Following the resignation of the previous holder of the CRO position, on 8 March 2018, Mr. Yiannis Ioannou, was designated as Interim Chief Risk Officer on 16 March 2018. On 6 February 2019 Mr. Yiannis Ioannou and Mr. Joseph Antoniou were appointed as Joint Interim Chief Risk Officers.
- Mr. Dimitrios Anagnostopoulos joined as the new CRO in Hellenic Bank on the 2nd of April 2019. His appointment was approved by CBC/ECB on the 17th of July 2019 and he remained in this position until 22nd of April 2020, following which Mr. Joseph Antoniou was appointed as Interim Chief Risk Officer as of 23rd of April 2020.

There were no changes in the Heads of the Internal Audit, Compliance and Information Security in 2019.

Changes in the Executive Committee Structure:
In December 2017 the Board of Directors was notified of changes in the Executive Committee Structure, which became effective by the first quarter of 2018 and remain as is for 2019. The key enhancements of the Governance Structure, focused on the membership stature, representativeness, efficiency in decision making, and other simplifications to ensure that the Committees are well represented, streamlined and effective, while ensuring a fast decision-making, structured in a way that is best-suited to support the Bank to achieve its objectives in line with the Bank's Strategy and Operating Model.

The revised Executive Committees' structure is comprised in two categories, 'Client-transaction level Committees' and 'Bank-Portfolio level Committees'.

a. Client - Transaction level Committees
Client-transaction level Committees include the Executive Credit Committees and Arrears and Property Management which are chaired by the Chief Executive Officer (CEO) and comprise top membership from Credit Management and functional areas. Risk Management attends as a non-voting member in all senior Credit Committees (with right of escalation) and the Business has a standing invitation to present the cases and address any questions. The credit-granting process is being tailored to align to the revised Group structure implemented in 2018 and ensure enhanced control mechanism across First and Second Lines of Defense.

The Credit Analysis & Evaluation Unit, within Risk Management performs a risk-based assessment for cases submitted to the Credit Committees that participate with oversight of new lending, arrears and property management to safeguard the objectivity and independence of the credit assessment process.

b. Bank - Portfolio level Committees
Bank-Portfolio level Committees relate to the business-wide activities of the Group. The Executive Committee (ExCo) is the highest executive body within the Bank with a number of sub-committees and is responsible for directing the day-to-day business activities. ExCo oversees the execution of the Bank's strategy within the risk appetite defined by the Board, in compliance with applicable laws, regulations and corporate governance principles.

5.1.2 The Three Lines of Defence - roles, responsibilities, obligations

The Bank operates a Three Lines of Defence Model with responsibilities allocated as follows:

First Line	Second Line	Third Line
• The **first line of defence** includes the Activity/ Business Unit / Support line that actually own and manage the Bank's risks in the context of their activity and aligned with the respective Policies, Processes and Procedures and maintaining an effective control environment, • In the context of credit, the primary activity of the Bank, the revenue-generating Business units of the Bank manage customer relationships by offering products developed by Product Development Unit and extended through the control mechanisms in the application of policies, processes and procedures, • Credit Management Unit with distinction from the activity units ensures credit extension compliant with the respective Policies, Processes and Procedures and monitors and reports deviations and/ or discretionary approvals within the risk appetite framework, • Legal documentation preparation and execution as well as credit implementation, implement the decisions, as reflected, in the approved credit applications, • The Business Units are also responsible for developing, implementing and maintaining an effective control environment to address deficiencies in processes, activities and controls, • Monitor performance with the use of KPIs, • Promote strong risk management culture within their jurisdiction.	• The **second line of defence** consists of independent Risk, Control and Compliance functions overseeing risk management. The second line establishes, in consultation with the first line, the policies which the first line must follow, • The second line also provides support in implementing and embedding these policies within the business, • The second line is responsible for ensuring that policies, risk and strategy are all aligned, • Facilitating effective risk management practices to be used by the first line for the identification and management of risks, • Assist Line Management in developing processes and controls to manage risks, • Monitor and report on the appropriateness of the risk elements through KRIs clearly defined in the appetite statement, control and compliance environment to Executive Management and relevant BOD Committees, • Providing guidance and training on risk management processes, • Promote a strong risk management culture, • Inform the first line on emerging issues and changes in the regulatory and risk environment.	• **Internal Audit** - **the third line of defence** provides independent review for objective verification and validation (assurance) that risk is being effectively owned, managed and overseen by the first and second line as well as the effectiveness of the control environment implemented by the first line.

5.1.3 Risk Culture

The Board of Directors emphasises the importance of having a robust risk culture in the Bank, which can best be illustrated though the following:

- A clear 'tone from the top' sponsoring and embodying a strong governance culture,
- A clear business strategy that is well communicated and understood throughout the Bank,
- A Risk Appetite that is in line with the business strategy and embedded in the day-to-day management of the Bank,
- Shared responsibility between Line Management and Risk Management, with respective roles well understood, trusted and respected,
- Clear and well understood risk frameworks and policies,
- Confident and well-informed decision-making with a strong sense of personal accountability,
- Open channels of communication throughout the Bank to freely raise, challenge and address issues,
- An appropriate and risk differentiated control environment which is closely monitored,
- Consistent training and development for all employees engaged in taking and controlling risk,
- No tolerance for ethical breaches which are swiftly identified and managed,
- Effective performance mechanisms to promote strong risk management and penalise poor risk management.

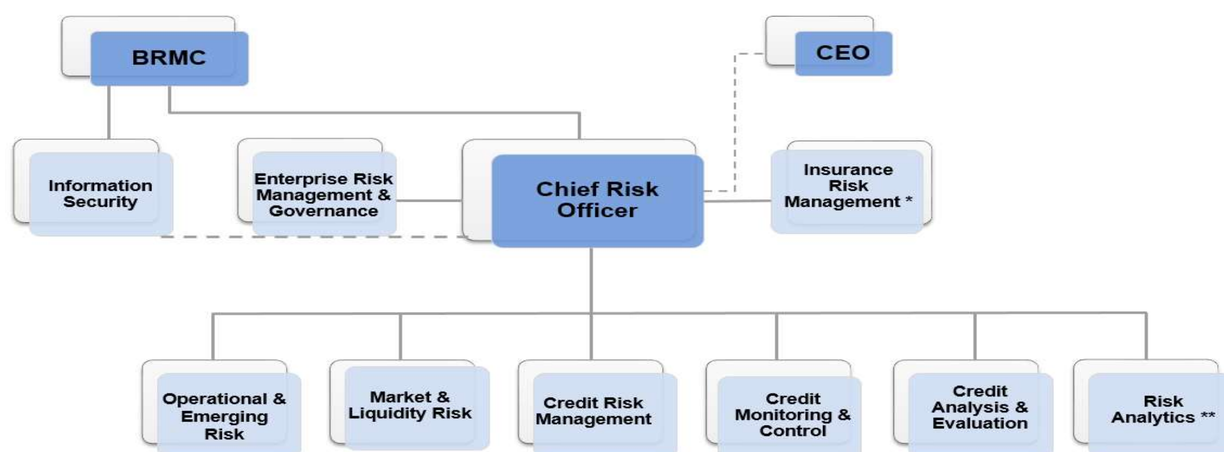
Risk Management related issues constitute a vital part of the Performance Appraisal system of the Bank. Risk issues are addressed and form part of a Core Competency - 'Compliance & Risk Management' (out of the six core competencies), for all employees, in all hierarchical levels. The behaviours that describe the competency differ, depending on the role, but overall it refers and evaluates behaviours such as keeping constantly up to date and complying with the Bank's risk policies relevant to one's responsibilities, taking and managing risk responsibly, being accountable for decisions and escalating matters of concern to the next hierarchical level.

5.1.4 Risk Management Unit (RMU)

The Group has an independent control function, the Risk Management Unit (RMU) which is headed by the CRO. On 19 March 2019, the Bank's Board of Directors under the scope of the annual review of the Risk Management Charter, approved a revised Charter whereby some of the key changes concerned the renaming of 'Risk Strategy, Capital & Analytics to 'Risk Analytics' following the segregation of the duties of the set department into 1st and 2nd line of defence.

The RMU is responsible for monitoring all risks of the Group through specialised units as shown in the organisational chart below. Information Security as depicted in the Risk Governance Structure is a separate control function that reports to the CRO only for administrative purposes.

Risk Management Structure



*dotted line to General Managers of Insurance Companies
** Renamed from 'Risk Strategy, Capital and Analytics' to 'Risk Analytics' and segregation of duties into 1st and 2nd line of defense

In February 2020, the Bank's Board of Directors under the scope of the annual review of the Risk Management Charter, approved a revised Charter, where a revision of the organizational structure took place, as this appears in the organizational chart below:

Revised Risk Management Structure (February 2020)

The Risk Management Unit (RMU) organisation has been enhanced to allow for end-to-end risk management, reinforcing the second line of defence role throughout the risk cycle with special focus on the Bank's core risks (i.e. corporate and retail risk and NPL risks).

Some of the key changes within the revised Risk Management Charter concerned the following:

- **CRO's office:** The creation of a CRO office to be responsible for the coordination and support of the Committees under the CRO, the centralisation of the coordination of the supervisory communication, as well as, the central management of all audit findings related to Risk Management.

- **Validation Risk Management:** The reporting line of the validation unit is now under the CRO so that alignment with supervisory rules is achieved.

- **ERM & NPA Risk Management:** The revised responsibilities of the department now also include specialised monitoring relating to 'NPA Risk Management', 'Risk Analytics', 'Risk Governance and Policies' and 'Government Guarantee Scheme'.

- **Retail Risk Management:** As one of the largest retail banks in Cyprus, a new unit has been created specialising in Retail Risk Management responsible for managing and monitoring retail risk.

- **Corporate Risk Management:** Credit Analysis & Evaluation has now been renamed to 'Corporate Risk Management' specialising in the management and monitoring of the business portfolios.

- **Market & Liquidity Risk Management:** The department will also be responsible for the overall monitoring of the Bank's investment portfolio under the Hellenic Bank Investment Framework and the monitoring of related limits.

With this new structure, the Bank aims to achieve maximum possible specialisation of these departments, alignment with the Bank's main business objectives and enhancement of the knowledge and skills of the Risk Management Unit.

Furthermore, more clearly defined responsibilities were set of the below units as follows:

- **Retail Risk Management:** The unit is responsible for the holistic risk management of Retail Division. The unit reviews Retail Division portfolio and prepares the monthly, quarterly and annual risk report to BRMC for Retail Division for the credit quality of the retail portfolio. Maintains the ownership of credit risk policies related to Retail Division and participates in their review.

- **Corporate Risk Management:** The unit will be responsible for the holistic risk management of Business Division (Corporate and SME) as well as specialised lending such as Ship Finance, Factoring and International Lending. The unit focuses on credit risk portfolio of Corporate and Business divisions in order to maximise Bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable risk appetite thresholds.

- **Enterprise Risk Management & Governance**: The responsibilities of the unit were enhanced including management and administration for all policies and procedures; supporting the 2nd line of defence activities regarding the controls and oversight of the Government Guarantee Schemes, responsibilities relating to NPA Management Risk as well as 'Risk Analytics' capabilities.

5.1.5 Risk Management Architecture of Risk Frameworks and Policies

Within the ERMF, the Bank has defined the structure of documents to govern risk management as follows:

- ***Enterprise Risk Management Framework*** – a high level, Board-approved document setting out the principles and governance arrangements under which a specific risk family is managed.
- ***Risk Management Charter*** – a Board approved document which sets out the purpose, standing and authority of an internal control function.
- ***Risk Management Policy*** – a Board approved document that sets out the rules that govern, manage how a specific risk is taken, managed and controlled within a particular risk framework.
- ***Risk Management Procedure*** – an Executive approved document that sets out how a risk policy is implemented and controlled on a day-to-day basis.

Each specific risk family has its own Risk Management Framework under which a number of policies and procedures exist, governing how the risks are managed.

During 2019, the following frameworks, charters, policies and plans which fall within the remit of Risk Management activities were approved/reviewed by the Board:

- Risk Management Charter
- Risk Appetite Framework/Risk Appetite Statement
- Material Risk Assessment Methodology & Procedure

- Enterprise Risk Management Framework
- Operational Risk Management Framework
- Operational Risk Management Policy
- Complaints Handling Policy
- Tax Risk Policy
- Products & Services Management Policy
- Information security policy
- Recruitment Policy & Remuneration policy (HR policies reviewed)
- Liquidity and Funding Risk Management Framework
- Liquidity Risk Policy
- Liquidity Contingency Plan (LCP)
- Market Risks Management Framework
- Interest Rate Risk Policy
- Market Risk Policy
- Financial Risk Hedging Policy
- Credit Policy Manual:
  - Lending Principles
  - Eligible Borrowers
  - Credit Facilities
  - Connected Borrowers
  - Credit Criteria and Assessment of Individuals
  - Credit Rating
  - Acceptable Criteria and Assessment of Individuals
  - Acceptable Collateral and recognition
  - Pricing Policy
  - Approving Authorities
  - Credit Implementation
  - Roles and responsibilities
  - Exceptions
- Property Valuations Policy
- Concentration Risk Policy
- Write off: Debt Forgiveness and Write Down Policy

5.2 Risk Appetite Framework and Risk Appetite Statement

The Risk Appetite of the Bank is defined as the aggregate level and types of risk the Bank is willing to assume within its risk capacity to achieve its strategic objectives and execute its business plan.

The Bank's Risk Appetite Statement was revised over 2019 to consider transactions deemed significant either by size, either via single name concentrations or at transaction level, or by nature, vis-à-vis associated Reputational or Conduct Risk. In particular, on 25 June 2018 the Bank announced the acquisition of part of Cooperative Central Bank's assets and assumed liabilities, whereby the acquisition was completed on 3 September 2018. In specific, this transaction fundamentally changed the risk profile of the Bank, necessitating the recalibration of the key Risk Appetite metrics. The recalibrated Risk Appetite Limits were approved by the Board of Directors in January 2019. The RAS included more targeted/streamlined and granular metrics responding also to the Business Lines request to have effective and targeted Risk Appetite Limits and qualitative guidelines in view of new lending pipeline transactions and portfolio management as per the Strategic Plan.

The key enhancements made in the recalibrated Risk Appetite Limits which incorporated the acquired assets and assumed liabilities were as follows:

- *Streamlining the RAS metrics*: in a continuous effort to make the Risk Appetite more targeted and focused the Risk Appetite Limits were streamlined
- *Integration risk*: introduction of RAS limits covering integration risk arising from the transaction
- *Concentration Limits*: Credit concentration limits were introduced for the overall loan portfolio (e.g. for specific high-risk industries)
- *Investment Limits*: Incorporation of the acquired sovereign position of Cyprus Government bonds in the investment limits

- *Non-Performing loans*: Targeted metrics on Non-performing loans introduced.

Furthermore, the Risk Appetite Framework (RAF) which governs the process for setting risk appetite, has been enhanced over 2019 as part of the enrichment of the broader ERMF.

The Bank's 2019 Risk Appetite Framework considers the resilience of risk limits and risk capacity under stress and makes the intrinsic link to the Bank's stress testing in the Internal Liquidity Adequacy Assessment Process (ILAAP) and the Internal Capital Adequacy Assessment Process (ICAAP) and has input to the Strategic Plan. The outcomes of the stress tests are thereby incorporated into the risk framework, Strategic Plan, Capital Plan and the Contingency Funding Plan.

The RAF sets out:

- The role of the Risk Appetite Framework within the Risk Management Framework.
- The roles and responsibilities of the Board, Board sub-committees and Executive Management.
- The business strategy of the Bank.
- The material risks associated with delivering the business strategy (Material Risk Assessment).
- The way risk appetite is used in the business.
- The RAS.

5.2.1 Material Risk Assessment

The Risk Appetite Framework which sets out the Risk Appetite Statement (RAS), starts with the risk identification and the Material Risk Assessment (MRA), which feeds -inter alia- into the limit setting methodology, the monitoring and reporting mechanism and the governance and escalation process.

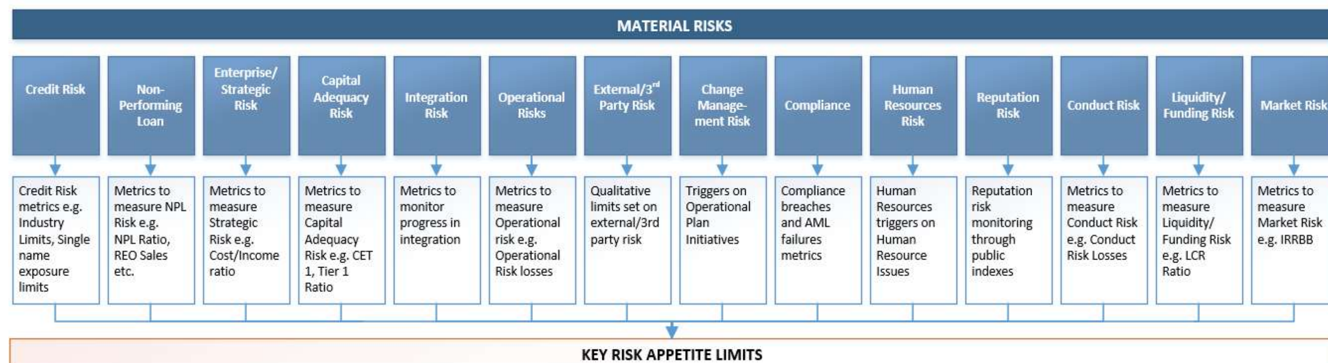
The Bank's risk identification process comprises of both qualitative and quantitative factors which provides a balanced and integrated picture of the current and emerging risks facing the bank, taking into consideration both the 'likelihood' and 'impact' that would arise from the crystallization of said risks. This process includes challenge and review sessions with the Executive Committee (ExCo), Board Risk Management Committee (BRMC) and the Board.

The Risk Appetite framework therefore ensures that the RAS is the result of a process which determines the Bank's risk capacity across key risk categories within its risk taxonomy, by setting risk appetite and risk tolerance levels for all risks which have been assessed as material and/or emerging for the Bank via the Material Risk Assessment process.

The Material Risk Assessment and the Risk Appetite Statement are reviewed at least annually or more frequently if there are any significant changes in the Bank's operations, strategy or external operating environment which means that previous assessments are no longer valid. For the setting of the 2019 Risk Appetite limits the Material Risk Assessment (MRA) was concluded in November 2018, while another MRA exercise was conducted in November 2019 which was utilised for the 2020 RAS which was approved in December 2019.

The Material Risks which have been identified and are linked with the limit setting methodology of the 2019 Risk Appetite, as well as the key Risk Appetite Limits which were set are depicted below:

Material Risks and Key 2019 Risk Appetite Limits



5.2.2 Key Components of the Risk Appetite Statement

In considering its Risk Appetite, the Board defines its Risk Capacity as:

- **Capital** – the Bank will not accept any risk that would result in its reportable Total Capital or Common Equity Tier 1 or Tier 1 falling below regulatory requirements or internally set capital limits
- **NPL Management** – The Bank will not accept any risk that would derail it from the deleveraging of the NPL portfolio or result in a less optimal resolution of its NPL portfolio
- **Strategic Risk** – The Bank will not accept any risk that will render its strategy as sub-optimal or be poorly executed
- **Credit** – The Bank will not accept any risk that will compromise the quality of its new lending net of run-offs and introduce higher credit risk to its portfolio
- **Liquidity** – the Bank will not accept any risk that would result in its Liquidity Coverage Ratio falling below regulatory requirements.
- **Regulatory** – the Bank will not knowingly breach any applicable law or regulation
- **Operational** – the Bank will not take any risk that cannot be assessed, measured, reported or managed or that, in extremis, could jeopardise the viability of the Bank
- **Reputation** - The Bank will not knowingly accept any risk or enter into any activity that might result in disrepute or negative reputational incident(s).

The key Risk Statements and parameters of the Risk Appetite Statement as was approved by the Board of Directors are summarized below:

Credit Risk

- The Bank will finance creditworthy businesses targeting those that increase the competitiveness and productivity of the country. Similarly, it will finance creditworthy households, targeting mortgages, small loans to new customers and current clients of good character who demonstrate that they can afford to repay their obligations. Hellenic Bank's fundamental principle when assessing the granting of new and when reviewing a credit facility is the determination of the repayment capacity of the borrower. The value of collateral is not a decisive factor in HB's assessment of an application for a credit facility;
- The Bank has appetite for International Lending opportunities (relationship banking), subject to development and approval by BoD of the 'International lending policy and procedures' and appropriate due diligence, risk and economic assessment as well as appropriate risk control and monitoring procedures;
- Furthermore, the Bank has appetite to explore International Lending opportunities (relationship banking) in other markets relationships subject to appropriate due diligence, risk and economic assessment as well as appropriate risk control and monitoring procedures and development and approval by BoD of the 'International lending policy and procedures';
- The Bank has no appetite for excessive concentration. To this end, the Bank has drafted a clear and transparent concentration risk policy, as part of the broader credit risk process, which is clearly and properly documented and approved by the Board and has set relevant metrics in the Risk Appetite Statement;
- The Bank has in place limits to manage concentration risk which can arise, among others, from individual borrowers, industry, economic sector, counterparty, currency, etc. Appropriate monitoring and reporting processes are in place and are frequently reviewed.

- The Bank has appropriate metrics to monitor the deterioration of performing loans leading to delinquency or eventually default;
- The Bank has appropriate metrics around the quality of new lending both on a borrower and on portfolio level;

Key Risk Metrics
A number of key risk indicators are in place to monitor credit risk such as Industry Concentration Limits, New Defaults, performing deterioration, Single name concentration, new lending quality metrics, etc.

Non-Performing Loan Risk
- Reduce NPLs, with speedy resolution being the primary objective while complying with CBC Directives and ensuring cooperative borrowers are treated fairly;
- Appetite to investigate potential alternative solutions to NPL management and restructurings through the use of external asset managers and/ or servicers.

Key Risk Metrics
A number of key risk indicators are in place to monitor the non-performing risk such as NPL ratio, NPE amount, cash collections from non-performing loans, REO sales, etc.

Enterprise/Strategic Risks
- The Bank will consider inorganic opportunities in Cyprus such as acquisitions or divestments, should these present themselves, within its risk capacity, subject to requisite Board/ shareholder approvals;
- The Bank will implement changes in its organizational structure where these changes are necessary to improve execution ability and executive management's focus on the key business strategic direction of the Bank.

Key Risk Metrics
The key metric which is in place to monitor Enterprise/Strategic Risk is the Cost/Income ratio.

Capital Adequacy Risk
Hellenic Bank both at Group and at Bank level should maintain at all times sufficient capital so as to meet, at least, the levels required by regulators and should have sufficient capital to meet the Group's capital requirements assessed in the ICAAP exercise.

Key Risk Metrics
A number of key risk indicators are in place to monitor Capital Adequacy Risk such as CET 1 ratio, Tier 1 ratio, Total Own Funds ratio, Leverage Ratio.

Operational Risk

Integration Risk (until September 2019)
- The Bank recognized several risks related to the Integration, whereby however unwelcome, they were unavoidable. Therefore, it accepted some of these risks to avoid curtailing business operations or affect the timely and successful completion of the integration project.
- Significant resources have been committed to the project management process through a strong project management governance, where integration issues were raised, monitored and resolved and identified risks were managed accordingly.

Other Operational Risks
Through its RAS the Bank sets limits and monitors aggregated operational risk losses as well as conduct risk losses whereas a number of Key Risk Indicators as well as qualitative statements are in place stating out the risk tolerance level of each one of the operational risk sub-categories according to HB's internal taxonomy.

To this extent, trigger levels are defined to monitor the following operational risk subcategories: Compliance, HR, Change Management, IT, Information Security, Business Continuity.

In order to ensure that the Bank operates within its risk appetite, distinct policies are developed under the Operational Risk Management Framework for each one of the operational risk subcategories that encompass the Banks' approach on the management of the risks.

In order to eliminate operational risks as per its RAS the Bank, inter alia:

- Adopts compliance measures, assurance and reviews on a risk-based approach;
- Invests in the resilience of its IT systems against data loss, cyber threat or system outages;
- Has in place adequate contingency and business continuity plans to ensure its ability to operate on an ongoing basis and limit losses in the event of material business disruption;
- Assures the accuracy and completeness of KYC documentation for all client relationships as per each risk level requirements set by the Customer Acceptance Policy;
- Maintains a strong Data Governance Policy which ensures that, the Bank's data is managed in a manner maintaining its quality, integrity, reliability and value maximized towards meeting business needs and regulatory obligations;
- Implements appropriate control measures to prevent external fraud risk;
- Empowers employees to exercise their roles and responsibilities, cultivating a culture of respect across the organization.

Reputation Risk

- The Bank seeks to minimize any deterioration to its reputation as a trusted financial institution by being proactive in returning the Bank back to sustainable profitability, by serving customers fairly and professionally, by adopting high standard selling practices and by not tolerating unethical behaviour by its employees, associates or directors;
- The Bank will safeguard the integrity of its reputation by taking such measures to mitigate possible incidents with actual or potential adverse significant impacts;
- The Bank will take appropriate measures to minimise the actual or potential reputational consequences of an event. This includes proactive measures;
- The Bank will protect and enhance its reputation with all identified stakeholders. Management of this operational risk area will be governed via a distinct Reputation Risk Policy articulated by Group Marketing;
- The Bank will appropriately manage customer complaints and strive to facilitate their submission so that their number is fitting to its business activities.

A number of key risk indicators are in place to monitor reputation risk such as the Net Promoter Score. Additionally, during 2019, the Bank developed and instigated its own reputational risk survey, the Bank Reliability Score.

Liquidity/Funding Risk

The Bank will maintain sufficient liquidity to cover a combined idiosyncratic and market stress event of at least 90 days. Furthermore, the Bank will maintain its LCR and NSFR ratios within its Risk Appetite Statement limits.

Key Risk Metrics

A number of key risk indicators are in place to monitor Liquidity/Funding risk such as the CRD IV Liquidity Coverage Ratio, the ILAAP stress coverage ratio at 90 days, etc.

Market Risk

The Bank will take Interest Rate Risk in the Banking Book related to re-pricing differences in its assets, liabilities and off-balance sheet position up to 10% of Tier 1 Capital.

The Bank will also take Market Risk related to open foreign currency positions according to the internal limits allowed under the 'Limits framework for Group Dealing Room operations'. The Bank will not take Market risk from other proprietary trading.

Key Risk Metrics

The key metric which is in place to monitor market risk is IRRBB.

The following table also sets out a number of the Group's Key Performance Indicators (KPIs) utilised to monitor the Bank's risk profile and the actual results as at 31 December 2019:

Indicators		31 December 2019	31 December 2018
NIM		1,92%	1,96%
Cost to income ratio		67,5%	69,6%
Cost of risk		0,4%	0,8%
Net loans to deposits ratio		40,9%	42,7%
Non-Performing Exposures (NPE)s % to gross loans		31,4%	32,4%
NPEs provision coverage		55,6%	54,6%
CET1 ratio (IFRS 9 transitional basis/IAS 39 transitional basis)		20%	15,8%
Tier 1 ratio (IFRS 9 transitional basis/IAS 39 transitional basis)		22,6%	18,5%
Leverage ratio (IFRS 9 transitional basis/IAS 39 transitional basis)		6,9%	5,4%

5.2.3 2019 Risk Appetite Monitoring and Escalation Process

It is the responsibility of the CRO to establish a process, data collection, independent assurance and reporting for all qualitative and quantitative Risk Appetite Statements, including Risk Limits. The CRO facilitates for Board approval, the setting of risk limits and of sufficient internal triggers for action prior to breach of such Risk Appetite Limits. He/She monitors adherence to the Risk Appetite Framework and ensures that a Red-Amber-Green (RAG) dashboard is established to provide early warning of a potential breach.

Following the approval of the 2020 Risk Appetite Framework / Risk Appetite Statement on 16th December 2019 by the BoD, the Risk Appetite monitoring and escalation process of the Bank was further enhanced as follows:

In case where a **'Red' status** (breach of limit) or an '**Amber' status** (Early Warning Status) is identified, then the following escalation process should apply:

- The business owner should be notified by the Responsible Risk Officer (RRO) of the specific RAS metric in case of a breach 'Red' status, or of an Early Warning ('Amber' Status), as soon as practically possible (at most within 5 working days of identification) or vice versa in case the business owner identifies the breach or early warning first. The Responsible Risk Officer (RRO) should then ensure that the possibility of a perspective breach is evaluated and corrective actions or any other appropriate measures to resolve a 'Red' or 'Amber' status is evaluated;
- The Responsible Risk Officer (RRO) should also inform the CRO and the ERM & NPA department of the 'Red' or 'Amber' status, as soon as practically possible (at most within 5 working days of identification).
- The CRO upon his discretion, can arrange for a meeting to take place with the RAS Business Owner and relevant Responsible Risk Officer (RRO) to discuss the nature of the RAS trigger;
- The relevant Executive Committee and the BRMC Chairman should be informed immediately by the CRO (within 24 hours of notification) of all Early Warnings '**Amber**' status, through the submission of the relevant presentation: 'Analysis of RAS breaches & Early Warnings'. The BRMC Chairman then decides whether to notify the BRMC Members and/or the Board at their next scheduled meeting, or earlier if deemed necessary, for their approval. If the BRMC Chairman decides not to escalate to the BRMC and the Board, the BRMC Chairman and the CRO should approve the relevant management action plan to bring the limit within comfort zone;
- The relevant Executive Committee and the BRMC should be informed immediately by the CRO (within 24 hours of notification) of all breaches of '**Red**' status through the submission of the presentation: 'Analysis of RAS breaches & Early Warnings'. The timing for the escalation of the breach to the BoD from the BRMC, will be at the discretion of the BRMC Chairman, however this should be no longer than the next scheduled BoD.
- For any Early Warnings ('Amber' Status) or Breach ('Red' Status) of RAS limits of all RAS Capital metrics (ratios), the relevant Executive Committee, the BRMC and the BoD should be informed immediately by the CRO (within 24 hours of notification) through the submission of the presentation: 'Analysis of RAS breaches & Early Warnings';

In case where Capital metrics enter the 'Red' status, the Bank will assess the situation at the highest level (i.e. Board of Directors) on the basis of its idiosyncrasies and construct an appropriate Management Action Plan to address. In specific:

- Determine the root cause of the capital 'breach' or 'early warning';
- Determine whether the root cause of the breach is of a 'structural/ permanent' or a 'temporary' nature;
- Identify whether the capital 'breach' or 'early warning' is driven by 'idiosyncratic' or 'systemic' drivers;
- Re-triggering the Capital Planning process and assessing current and projected gaps and available corrective action;
- Re-assess the financial projections of the Strategic Plan based on a pipeline analysis and potential capital options which may be available;
- Assess the suitability and viability of deploying any of the Recovery Options (scale of usage to be determined as deemed necessary) as means to achieve a Path-To-Green, even if the Bank has not formally triggered its Recovery Plan yet;

- If a breach 'Red' Status or Early Warning 'Amber' Status is escalated to the Board or BRMC, this will be assessed and evaluated with the corresponding management Action Plan to address and take necessary actions or make the relevant recommendations will need to be approved.
- The Board may decide to tolerate a breach where it has been flagged in advance and it is satisfied that the risk exposure is within the Bank's Risk Capacity. The Board is not expected to tolerate a breach in any other circumstances.
- Breaches of Risk Limits are also notified to the Bank's Joint Supervisory Team at the Central Bank of Cyprus / Single Supervisory Mechanism through their receipt of Board papers in normal course of business.

The CRO will provide confirmation of compliance with Risk Limits in the Risk Report, as well as a qualitative statement that describes the risk-taking culture, material risk exposures and whether the risk appetite is appropriately embedded within the culture of the institution.

5.3 Pillar II, ICAAP and SREP

Pillar II aims at enhancing the link between an institution's risk profile, risk management, risk mitigation systems and its capital planning. Pillar II is divided into two major components, the Internal Capital Adequacy Assessment Process (ICAAP) and the Supervisory Review and Evaluation Process (SREP).

The ICAAP is reviewed and evaluated by the Single Supervisory Mechanism as part of its SREP, which occurs periodically and contributes to SSM's assessment of capital adequacy and additional own funds requirements.

ICAAP is an integral part within the holistic risk management approach at the Bank. It is integrated with the Bank's strategic processes, including the Risk Appetite Framework and Business as well as Capital Planning. As an example, the Material Risk Assessment process undertaken by the Risk Appetite Framework identifies key risks that the Bank is exposed to, with ICAAP assessing potential capital requirements for such risks, both on a point-in-time (static) and a forward-looking basis, as part of the ICAAP Stress Test.

During 2019, the Bank conducted the ICAAP to arrive at a forward-looking assessment of its capital requirements taking into account the business strategy, risk profile and risk appetite utilising internal stress tests. The ICAAP incorporated the assessment of the Bank's risk management processes and governance framework and was carried out in accordance with the guidance provided by the European Banking Authority (EBA) through the Guidelines on Common Procedures and Methodologies for SREP (EBA/GL/2018/03) and the Technical Implementation of the EBA guidelines on ICAAP and ILAAP information collected for SREP purposes (EBA/GL/2016/10).

5.4 Recovery Plan

Following the acquisition of certain assets and liabilities from Cyprus Cooperative Bank, the submission of the Recovery Plan which was due in December 2018 was postponed by the regulators to 30 June 2019. The Bank

submitted the Recovery Plan to the regulators on 30th of June 2019. The next submission of the Bank's Recovery Plan is on 30 September 2020.

The passing of the Bank Recovery and Resolution Directive (BRRD) and the transposition of its provisions into country legislations including Cyprus, the process of developing and updating the Recovery Plan has been normalized into the annual cycle of risk management and regulatory submissions.

As per the legislation and supporting EBA guidelines, the Recovery Plan (Plan):

- Identifies the Bank's core business lines and critical functions,
- Sets out the governance of the Plan, identifying how it is integrated into the "business as usual" risk management practices of the Bank,
- Identifies the early warning and recovery indicators - breach of the latter triggers the decision-making escalation process of the recovery plan,
- Lists the recovery options and assesses these across necessitated dimensions,
- Tests the effectiveness of recovery options in exceptional but plausible scenarios that are severe enough to threaten the viability of the Bank,
- Establishes a communication structure to facilitate possible recovery plan implementation comprising of external and internal communication, and
- Develops a playbook providing key information and criteria for management, to swiftly decide on the use of recovery options allowing the Bank's management to quickly navigate through the Recovery Plan.

In accordance with the regulatory requirements, the Bank's Recovery Plan will be updated annually or more frequently in case of material changes, which are defined within the Plan.

5.5 Declaration of the Board of Directors

The Board of Directors provides assurance that the risk management systems put in place are adequate with regard to the institution's profile and strategy and have confirmed this in writing.

The Board of Directors, also declares that the liquidity risk management systems of the institution are adequate, given the risk profile and strategy of the Bank and have confirmed this in writing.

6. CAPITAL REQUIREMENTS

The Group follows the Standardised Approach for the calculation of the Pillar I capital requirement for credit risk and market risk and the Basic Indicator Approach for operational risk. Pillar II requirements are calculated through the ICAAP exercise.

A comparison of Pillar I capital requirement (defined on Pillar 1 total capital at 8%) between 2018 and 2019 is provided in the table below (*Ref: Template 4: EU OV1 – Overview of RWAs*).

The increase in total RWA is mainly stemming from the activity in treasury portfolio (i.e. new investment positions in bonds, securitisations and covered bonds).

EU OV1 - Overview of RWAs (€000)		**RWA**		**Minimum Capital Requirements**
		Dec 2019	**Dec 2018**	**Dec 2019**
1	Credit Risk (excluding CCR)	4.131.131	3.937.592	330.491
2	*Of which the standardised approach*	4.131.131	3.937.592	330.491
6	CCR	5.842	6.906	467
7	*Of which mark to market*	3.188	3.282	255
12	*Of which CVA*	2.654	3.624	212
14	Securitisation exposures in the banking book (after the cap)	60.722	1.414	4.858
18	*Of which standardised approach*	60.722	1.414	4.858
19	Market risk	912	947	73
20	*Of which the standardised approach*	912	947	73
22	Large exposures	0	0	0
23	Operational risk	759.484	785.082	60.759
24	*Of which basic indicator approach*	759.484	785.082	60.759
27	Amounts below the thresholds for deduction (subject to 250% risk weight)	80.570	67.660	6.446
28	Floor adjustment			
29	**Total**	**5.038.660**	**4.799.600**	**403.093**

6.1 CREDIT RISK MANAGEMENT

6.1.1 Definition of Credit Risk

Credit risk is the risk arising from the uncertainty/potential failure of a counterparty to meet its contractual obligations. The primary source of Credit risk is the loan book but credit risk is also inherent in other types of assets such as those in the Treasury book (debt securities).

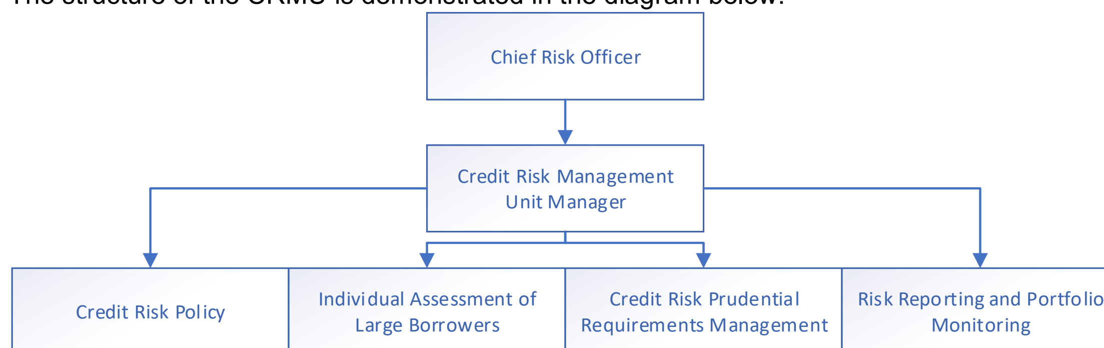
6.1.2 Credit Risk Management

Credit risk management is centralised and performed by the Risk Management Unit (RMU).

Under its second Line of Defence remit, the RMU key responsibilities include:

- Formulate credit risk management policies for approval by the BoD and related internal control processes,
- Recommend limit setting of specific credit activities,
- Establish and utilize systems to monitor and control the nature, composition and quality of the credit portfolio,
- Monitor and review the loan portfolio and establish an effective credit risk management reporting system to the Executive Management and Management Body,
- Ensure implementation of a credit risk management information system for credit risk quality monitoring,
- Submit comprehensive reports to the BoD and/or sub-committees dealing with significant credit activities and composition and quality of the credit portfolio,
- Ensure implementation of an effective assessment of credit risk management activities,
- Provide recommendations for the improvement of the quality of credit portfolio,
- Analyse and assess credit decisions within pre-determined criteria,
- Validate individual assessments on borrowers and challenge assumptions used for the impairment assigned for credit losses,
- Ensure that the credit risk management process is adequately implemented,
- Assess the adequacy of the management information systems for the whole credit risk management process,
- Provide a risk assessment for new loans over a predetermined limit and criteria,
- Set limits for specific credit risk measures through the RAF/RAS Framework, in a way that facilitates both the monitoring of the execution of Strategic Plan and the take-up of proper action, the latter achieved through a 3-level set of metrics, i.e. Comfort Zone/Management Action Trigger/Limit,
- Assess credit risk arising from loan book exposures (including off-balance sheet items),
- Calculate credit risk RWAs and establish a mechanism that enables the Bank to optimize the capital requirements within the Board approved business strategy and risk appetite,
- Assess and provide reports for credit risk in the following areas:
    - the nature and composition of credit portfolio,
    - credit quality of loan portfolio,
    - the level and quality of credit risk mitigation,
    - credit concentration risk arising from exposures to large borrower/ counterparty or group of related counterparties, sectoral concentrations, product concentrations and collateral concentrations,
    - the level and adequacy of provisions.

The structure of the CRMU is demonstrated in the diagram below:



6.1.3 Credit Risk Management Strategies

The Bank has adopted a holistic approach to credit risk assessment and considers credit risk management as part of an integrated approach to the management of all risks. To this regard, the Bank has established a Credit Risk Management Framework that forms part of the overall Enterprise Risk Management Framework of the Group. This Framework covers areas such as credit risk strategy approval, credit portfolio review, approval of credit/lending policy, delegation of credit approving authority and evaluation of the credit processes.

The Credit Risk Management Framework (CRMF) is applicable to all activities of the Group which involve credit risk and includes all aspects of effective communication of credit strategy to all staff involved in the credit process. The CRMF is the cornerstone of sound credit risk management and involves procedures for identifying, measuring, evaluating, approving, monitoring, reporting, and controlling or mitigating credit risk on a timely basis. The CRMF is consistent with the Group's general business strategy, business plan and risk appetite.

The objectives of the CRMF are to:

- Ensure that the Bank has adequate and efficient functions, policies and processes to identify, measure, assess, approve, monitor, control and mitigate credit risk, as integral part of the Bank's business,
- Ensure that the Bank does not undertake credit risk which may jeopardise its viability, including ongoing profitability, capital adequacy and reputation,
- Enable the Bank to maximize its risk-adjusted return on equity by maintaining credit risk exposure within the RAS as approved by the BoD,
- Enable the Bank to manage credit risk inherent in the entire portfolio as well as the risk in individual credits or transactions,
- Develop a common understanding of credit risk across the Bank with all the employees involved in the credit management process,
- Enable the Business units to improve controls and incorporate mitigants where necessary to reduce credit risk throughout the Bank,
- Cultivate a Credit Risk Culture in the Bank and especially at First Line of Defence functions, who are the generators and owners of Risks,
- Ensure that policies for future undertaking and management of credit risk are updated based on a continuous feedback from past portfolio performance.

The main principles adopted by the Bank for the Management of Credit Risk are:

- Establishing an appropriate credit risk environment:
    - The strategy followed by the Bank reflects the appetite for risk and the level of profitability the Bank expects to achieve for incurring various credit risks.
    - Senior management has responsibility for implementing the credit risk strategy approved by the BoD and for developing policies and procedures for identifying, approving, measuring, monitoring and controlling credit risk. Such policies and procedures should address credit risk in all of the Bank's activities at both the individual/ obligor level as well as at portfolio level.
    - The Bank will identify and manage credit risk inherent in all its products and activities. The Bank will ensure that the risks of new products and activities are subject to adequate risk management procedures and controls before being undertaken.
- Operating under a sound underwriting process through:
    - Establishing overall credit limits at the level of individual borrowers and counterparties, and groups of connected counterparties that aggregate in a comparable and meaningful manner different types of exposures, both in the banking and non-banking book.

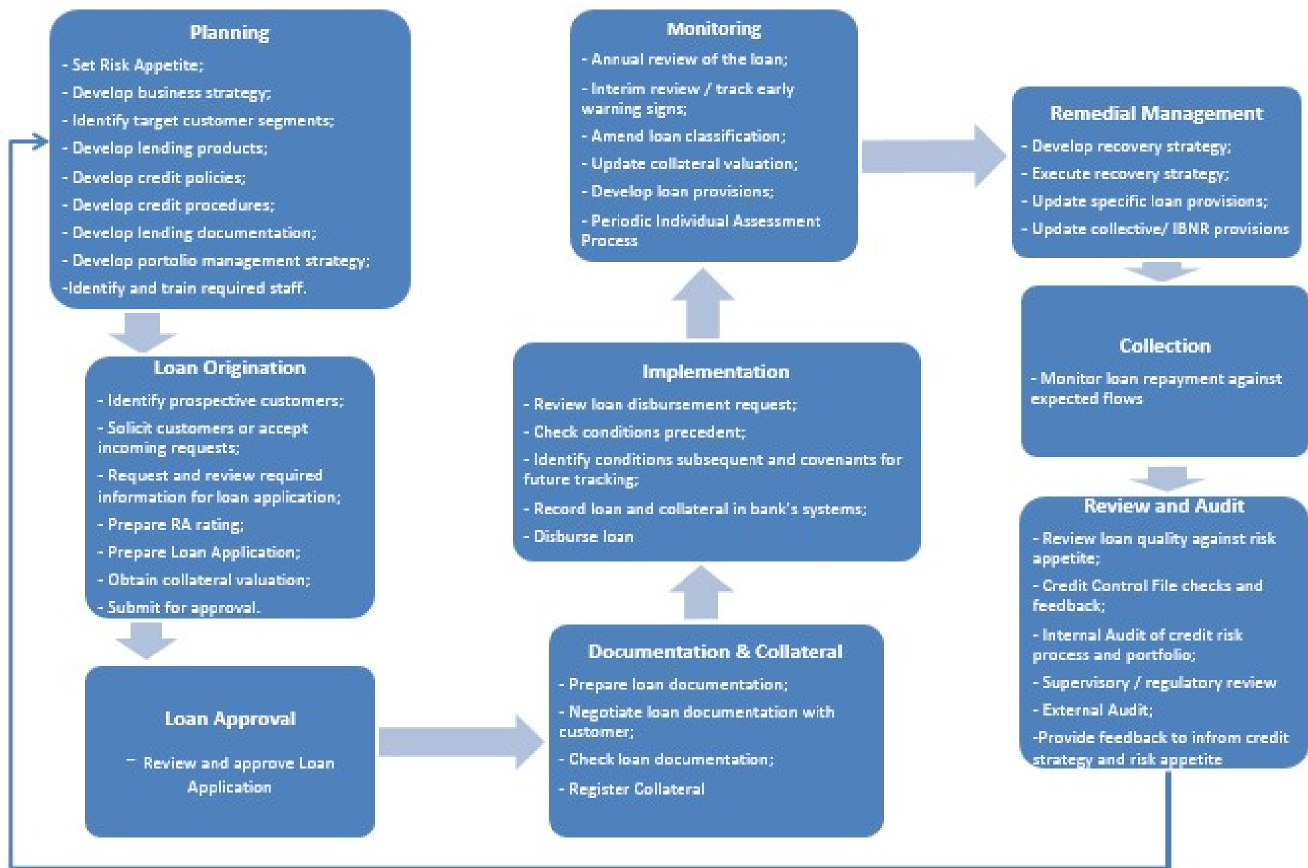
- Maintaining an appropriate credit administration, measurement and monitoring process through:
    - Having in place systems for the ongoing administration of the various credit risk-bearing portfolios.
    - Having in place systems for monitoring the condition of individual credits, including determining the adequacy of provisions and reserves.
    - Developing, using and periodically revalidating the internal risk rating system in assessing credit risk, consistent with the nature, size and complexity of the Bank's activities.
    - Ensuring that it has reliable risk data, robust information systems and analytical techniques, that enable management to understand, measure and manage credit risk inherent in its activities.
    - Having in place a system for monitoring the overall composition and quality of the credit portfolio.
    - Taking into consideration potential future changes in economic conditions when assessing individual credits and their credit portfolios, both under base and adverse assumptions.
- Ensuring adequate controls over credit risk through:
    - Having a system of independent, ongoing assessment of the Bank's credit risk management processes and by communicating the results of such reviews to the Board Risk Committee and senior management.
    - Ensuring that the credit-granting function is being properly managed and that credit exposures are within levels consistent with prudential standards and internal limits.
    - Having a system in place for early remedial action on deteriorating credits.

Credit risk is managed in accordance with the Three Lines of Defence model:

- First Line of Defence (Business Units)
    - The first line of defence includes line management of the business units involved in the day to day identification, taking and management of risk and has ultimate ownership of the risks taken.
    - The business units follow the risk process and controls as set out in the Bank's risk management frameworks and policies. They are also responsible for implementing corrective actions to address deficiencies in processes and controls.
    - Line management guides the development and implementation of risk frameworks, policies and procedures, ensuring that activities are consistent with the Bank's goals and objectives.
- Second Line of Defence (Risk Management and Compliance Function)
    - Oversees risk management.
    - Drafts and puts in place, in consultation with the first line, the policies and procedures which the first line must follow.
    - Provides support in implementing and embedding these policies within the business.
    - Ensures that policies, risk and strategy are all aligned.
    - Provides assurance to internal audit that the policies and processes have been implemented in the first line.
- Third Line of Defence (Internal Audit)
    - Provides independent objective assurance that risk is being effectively owned, managed and overseen by the first and second line.

6.1.4 Credit Risk Management Process

The Credit Risk Management Process is outlined in the figure below:



6.1.5 Measurement Systems

Great emphasis is placed in assessing the quality and performance of credit portfolios in the Bank for determining whether credit risks are identified and dealt with in a timely and effective manner. To achieve this, credit risk is measured by assessing borrowers based both on their behaviour with the Bank as well as based on their quantitative and qualitative characteristics.

The Bank maintains a Policy for credit rating and its purpose is to:

- set the framework for credit ratings, including risk tolerance levels and guide the Bank's credit-granting activities;
- provide the principles of HB's credit rating system to assess and evaluate credit risk;
- establish the process for credit rating, including monitoring and reporting for the whole credit management process.

The Bank maintains a credit risk rating system which derives based on specific attributes. HB's credit risk rating system is integrated into the Bank's overall credit risk management process and forms the foundation for credit risk measurement, monitoring and reporting, and it supports the Bank's decision making.

All credit exposures of HB are rated to reflect the risks posed by both the borrower's expected performance and the transaction's structure considering their repayment capacity and loss potential.

The Bank's credit rating classification is used to assess the quality of the Bank's loan portfolio and reflects the direct and indirect ability of recovery, as well as other purposes of the existing structure.

The Bank performs back-testing exercises, on an annual basis or whenever it is considered necessary, for checking the reliability and consistency of the Rating/ Scoring models.

For corporations, a credit rating model has been used which classifies companies into credit ratings. The model assists in both the assessment of companies and the rationalisation of pricing according to the risk undertaken. The credit rating model takes into account the financial position of the company (quantitative criteria) as well as other qualitative criteria that relate to the company itself and the market in which it operates.

For the credit rating of individuals, the Bank uses credit scoring models which estimate the borrower's probability of default considering: i. for new customers, borrower type characteristics such as demographics and ii. for existing borrowers, borrower type characteristics as well as behavioural scores.

During 2019, the Bank enhanced Credit Scoring System by developing a series of measures which include behavioural scoring, application scoring and credit status measures. The latter has been developed for both in-Bank status and status across the Banking System (through Artemis). Additionally, during 2019 the Bank initiated the process of enhancing existing rating models through the development of sector specific models to complement the generic models of the Bank.

Existing customers' management relies on the introduction of an Early Warning System which is based on a series of measurements including behavioural score, credit status score and a set of qualitative rules. The Early Warning System serves as the basis for customer monitoring which includes both pro-active as well as remedial actions and is the basis for renewal of revolving facilities to retail customers.

Currently the Bank is working towards incorporating the Credit Scoring System measures into New Business decision making and in specific, towards developing an integrated and semi-automated (for cases where this can be done) assessment of customers, aiming at improving both the cost-efficiency of taking customers on-board as well as improving the quality of new lending.

6.1.6 Stress Testing

The Bank is cognizant of the growing importance of stress testing as a key risk management tool driving and informing a number of key decision-making processes across the Bank such as its Risk Appetite Statement, ICAAP, ILAAP and Recovery Planning. Furthermore, the need to have in place sound stress testing processes and policies in order to assess the Bank's capital adequacy and liquidity position, as these stem from the CRR and the related EBA Guidelines, is recognised in setting the governance process and the main pillars to be followed under stress testing.

The overarching objective of stress testing is to ensure that the Bank's financial position and risk profile provide sufficient resilience to withstand the impact of adverse economic stress.

Stress testing is based on exceptional but plausible events with an adequate degree of severity. For capital adequacy and capital planning purposes, the stress testing covers at least one severe economic downturn. The severity of the scenarios is assessed by taking into account the specific vulnerabilities of the Bank on the basis of its business model (e.g. exposed to international markets). The Bank ensures that its choice of the scenario is sufficiently severe both in relative and absolute terms with the macro-scenario having a probability of occurrence of 5% and negative GDP growth in at least one year of the horizon.

The stress testing program of the Bank includes (but is not exhausted to):

- **Sensitivity Analysis**: Impact of change on provisioning assumptions on the stock of provisions (e.g. +1-year increase in liquidation period) to the loan portfolio.
- **Integrated Stress Testing**: Assess the capital adequacy of the Bank in adverse macro-economic conditions over a 3-year horizon (applicable to both loan and treasury portfolio).
- **Reverse Stress Testing**: Explore scenarios and circumstances that might cause the Bank's capital to fall below its minimum internal capital requirements or recovery thresholds (applicable to both loan and treasury portfolio).

6.1.7 Risk Reporting

The effective management of credit risk is a critical component of a comprehensive approach to the overall risk management and essential for the long-term soundness of the Bank. Sustainable and robust credit risk management requires an effective credit monitoring framework to monitor both individual credits (borrowers) and a holistic portfolio level.

To this regard, the Bank has established a holistic framework through the "Credit Monitoring Cycle Policy" for the efficient and effective monitoring and controlling, including reporting and escalating of credit risk, both at individual credit level and portfolio level.

The Bank monitors portfolio performance of the loan book in different stages of the credit cycle with specific metrics.

Under the scope of credit risk management, the following analysis is regularly performed:

- Size and evolution of its NPL portfolio on an appropriate level of granularity, e.g. division, industry.
- Breakdown of the total portfolio on an appropriate level of granularity, e.g. division, industry, forbearance, NPEs.
- NPEs in-flows and out-flows and their drivers.
- Forbearance in-flows and out-flows and their drivers.
- Amounts in early arrears and/or prone to default or re-default.
- Volume of restructurings, types of restructuring solutions implemented and performance of each.
- Vintage analysis of restructurings, analysis of the performance of restructurings and estimation of the exit day based on restructuring solution proposed as well as analysis of the particularities of large borrower groups.
- Evolution of forborne facilities including repayments, Debt to Asset swaps, write offs (contractual and non-contractual).
- New lending vintage cohort analysis (in relation to delinquency buckets) and overall credit assessment of any new defaults.
- Assessment of credit quality step of corporates that were granted new lending.
- Industry analysis.
- Provisions coverage and drivers.
- Collateral coverage and types of collaterals.
- Migration matrices within delinquency buckets.
- Concentration analysis, e.g. industry, top groups, particular types of lending (leveraged finance, shipping, syndicated loans).
- Actual performance vs. RAF/RAS metrics.
- Interest rates by customer category (Non-Financial Corporations, Households/NPEs/PEs/Forborne/Non-Forborne/Terminated).
- Date of cure of NPEs under a non-performing forbearance probation period.
- Cash collections per customer category as well as scheduled vs. actual borrower engagements.
- Produces KPIs for Management and BoD Committees on asset quality.
- Evolution of capital requirements of the loan portfolio and analysis of the drivers affecting the risk weights assigned by industry and performing status.
- Credit review reports and findings.
- Watch list reports.
- Accounts that are likely to enter to or exit from the NPE category.
- Mortgages on immovable properties that lack adequate insurance coverage.

Reporting to Management Body / Executive Management

Credit risk analysis is communicated to the Management and BoD through various reporting channels including, but not limited to:

- Annual Risk Reports
- Quarter Risk Report
- KPI Dashboard (monthly)
- Customer Portfolio Credit Risk Analysis (Monthly)
- Recovery Plan Dashboard (Monthly)
- Provisions Movement (Monthly)
- Risk Management Information Report /Risk MIR (Monthly)

- Various other ad-hoc reports

6.1.8 Policies for Hedging and Mitigating Credit Risk

Credit Risk Policies lay down the conditions and guidelines for the identification, measurement, evaluation, approval, monitoring, reporting, control or mitigation of credit risk for the individual credit as well as for portfolio level.

Credit policies are documented, well-defined and consistent with prudent practices and regulatory requirements and reflect all credit activities. Credit policies are communicated throughout the Bank, mainly to all staff involved in the credit functions, and are periodically reviewed, at least annually, and adjusted based on the prevailing market conditions and regulatory framework.

Exceptions from the established credit policies require authorization from the appropriate level of approval. Credit Risk Management Unit regularly reviews significant and frequent policy exceptions to determine the impact on its credit risk profile and the effectiveness of existing credit policies and reflects such feedback in future updates.

The key Frameworks governing credit risk are:

- Credit Risk Management Framework.
- Risk Appetite Framework – which sets out the Bank's internal governance for establishing, monitoring and embedding its risk appetite on an on-going basis.
- Stress Testing Framework – which sets out the Bank's internal governance for stress testing its risk profile for risk management purposes, including its Internal Capital Adequacy Assessment Process (ICAAP).

The key Policies governing credit risk are:

- Credit Policy Manual:
  - Lending Principles Eligible Borrowers
  - Credit Facilities
  - Connected Borrowers
  - Credit Rating
  - Credit Criteria and Assessment of Individuals
  - Credit Criteria and Assessment of Legal Entities
  - Acceptable Collateral and recognition
  - Covenants
  - Pricing Policy
  - Approving Authorities
  - Credit Implementation
  - Roles and responsibilities
  - Exceptions
- Bank Investment Framework
- Property Valuations Policy
- Restructuring Policy
- Credit Monitoring Cycle Policy
- Impairment Policy
- Write Off: Debt Forgiveness and Write Down Policy
- Stress Test Policy

The Bank monitors the effectiveness and efficiency of the above policies on a continuous basis through active interaction with the front-line staff, the internal audit function and external advisors and ensures that the above policies are aligned with industry best practises tailored to the particularities of the local market.

6.1.9 Internal Capital and ICAAP

The Bank assesses the adequacy of its internal capital on an annual basis through the ICAAP exercise.

The ICAAP is an integral part of Pillar II of the Basel III regulatory framework (CRR). Its purpose is to identify and measure the material risks that the Bank is currently exposed to, extending beyond those covered within the regulatory framework of Pillar I and estimate capital requirements where appropriate (internal capital).

ICAAP is integrated into the Bank's risk management framework and explicitly interrelated to the business planning process of the Bank. Defining a suitable risk appetite by articulating the RAS based on the identification of material risks is a prerequisite for the formulation of the Bank's Strategic Plan. The Strategic Plan in turn feeds back into the Risk Appetite setting process, if necessary, to ensure alignment. The Strategic Plan forms the basis for the preparation of the annual targets and budget and it is also used to develop the Baseline scenario of the ICAAP Stress Test process. The results of the ICAAP process inform the capital planning process in preparation of the Bank's Capital Plan.

For the purposes of the ICAAP, the Bank carries out a Point-in-Time Assessment, whereby risks are assessed on an individual basis, and a forward-looking assessment which includes a Baseline scenario that is aligned with the Strategic Plan as well as an Adverse scenario. In determining the minimum Internal Capital requirements, the Bank is considering both assessments:

- Point-in-Time Assessment (Pillar II Add-Ons): Risks that are not considered under the Pillar I regulatory RWAs.
- Forward looking Risk Assessment (ICAAP Stress Test): The Bank assesses its capital adequacy over a 3-year horizon in Adverse conditions which is specific to the Bank and targets its vulnerabilities.

6.1.10 Capital Requirements – Credit RWAs

The tables below presents the RWA and Minimum Capital Requirements as at 31 December 2019 and 2018 by asset class respectively:

Exposure Class - 31 December 2019 (€000)		**RWA**	**Minimum capital requirement**
Central governments or central banks		--	--
Regional governments or local authorities		529	42
Public sector entities		--	--
Multilateral development banks		2.724	218
International organisations		N/A	N/A
Institutions		285.084	22.807
Corporates		1.082.759	86.621
Retail		748.539	59.883
Secured by mortgages on immovable property		625.440	50.035
Exposures in default		614.668	49.173
Items associated with particularly high risk		347.235	27.779
Items representing securitisation positions		60.722	4.858
Covered bonds		35.689	2.855
Claims on institutions and corporates with a short-term credit assessment		N/A	N/A
Collective investments undertakings		N/A	N/A
Equity exposures		62.905	5.032
Other exposures		409.316	32.745
Total standardised approach		**4.275.610**	**342.049**

Exposure Class - 31 December 2018 (€000)		**RWAs**	**Minimum capital requirement**
Central governments or central banks		--	--
Regional governments or local authorities		323	26
Public sector entities		46	4
Multilateral development banks		2.697	216
International organisations		N/A	N/A
Institutions		66.691	5.335
Corporates		894.957	71.597
Retail		785.910	62.873
Secured by mortgages on immovable property		616.124	49.290
Exposures in default		715.877	57.270
Items associated with particularly high risk		496.902	39.752
Items representing securitisation positions		1.414	113
Covered bonds		4.659	373
Claims on institutions and corporates with a short-term credit assessment		N/A	N/A
Collective investments undertakings		N/A	N/A
Equity exposures		48.817	3.905
Other exposures		375.531	30.042
Total standardised approach		**4.009.947**	**320.796**

Credit RWAs have increased by c. €266m since last year mainly due to the treasury activity (i.e. new investment positions in bonds, covered bonds and securitisations). This is particularly evident in the “Institutions”, “Covered

Bonds" and "Items representing securitisation positions" Asset Classes. The decrease in RWAs - Lending portfolio was evident due to the following reasons:

a. Repayments were higher than the Bank's new lending.
b. The increase in RWAs stemming from New Lending was outbalanced by the reduction of the exposure originated from the ex-CCB lending portfolio. Blanket Insurance cover arranged by the Bank on the ex-CCB portfolio led to increased mitigation of RWAs.
c. Credit RWA assigned to "Exposures in Default" and "Items associated with particularly high risk" asset classes have decreased due to the deleveraging actions (Debt for asset swaps, write offs, settlements, credit risk adjustments, etc.) performed on these types of exposures as well as the reasons a and b described above.

6.1.11 Nominated External Credit Assessment Institutions for the application of the Standardised Approach

For the purposes of applying the Standardised Approach, the nominated External Credit Assessment Institutions (ECAIs), recognised by the Bank are Fitch Ratings, Standard and Poor's Rating Services and Moody's Investor Service.

For all asset classes, the Group has selected to proceed with the 3 Ratings approach as this is prescribed under Article 138 of CRR.

The use of Fitch, Standard and Poor's, and Moody's Rating Services, for determining risk weights and capital requirements is in compliance with the directives of the supervisory authorities, provided they are used consistently for all exposures belonging to an asset class and will continue to be used consistently going forward.

Where only one credit assessment is available from a nominated ECAI (as defined above) for a rated item, that credit assessment is used to determine the risk weight for that item. Where two credit assessments are available from nominated ECAIs and the two correspond to different risk weights for a rated item, the higher risk weight is assigned. Where three credit assessments are available from nominated ECAIs for a rated item, the two assessments generating the two lowest risk weights are referred to. If the two lowest risk weights are different, the higher risk weight is assigned. If the two lowest risk weights are the same, that risk weight is assigned.

Where a credit assessment exists for a specific issuing programme or facility to which the item constituting the exposure belongs, this credit assessment is used to determine the risk weight to be assigned to that item.

Where no directly applicable credit assessment exists for a certain item, but a credit assessment exists for a specific issuing programme or facility to which the item constituting the exposure does not belong or a general credit assessment exists for the issuer, then that credit assessment is used in either of the following cases:

a. It produces a higher risk weight than would otherwise be the case and the exposure in question ranks pari-passu or junior in all respects to the specific issuing program or facility or to senior unsecured exposures of that issuer, as relevant,
b. It produces a lower risk weight and the exposure in question ranks pari passu or senior in all respects to the specific issuing programme or facility or to senior unsecured exposures of that issuer, as relevant.

In all other cases, the exposure is treated as unrated.

The Bank complies with the standard assignment of external ratings of each nominated ECAI with the credit quality steps. The assignment is applied in accordance with the following table:

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

The tables below present the exposure values before and after credit risk mitigation and credit conversion factors, per credit quality step for 2019 and 2018 respectively. The Credit Quality Step (CQS) is based on the asset class and the credit rating of the item (or counterparty if the item is not rated). The values before credit risk mitigation represent the initial exposure value net of credit risk valuation adjustments. The values after credit risk mitigation present exposures considering the eligible financial collateral (funded credit protection) and unfunded credit protection, both before and after the conversion of the off-balance sheet items to on-balance sheet.

Credit Quality Step - 31 December 2019 (€000)	Exposure values before credit risk mitigation	Exposure values taking into account unfunded credit protection	Exposure values after credit risk mitigation	Exposure values after credit risk mitigation and credit conversion factors
CQS 1	6.100.559	6.100.559	6.100.559	6.100.559
CQS 2	238.797	238.797	238.797	236.442
CQS 3	68.634	68.634	68.634	54.669
CQS 4	3.148.460	4.854.598	4.854.598	4.843.081
CQS 5	72.886	113.917	113.917	111.336
CQS 6	64	64	64	64
Unrated*	7.851.015	6.103.847	5.755.223	4.808.772
Deducted From Own Funds	66.960	66.960	66.960	66.960
Total	**17.547.376**	**17.547.376**	**17.198.751**	**16.221.882**

Credit Quality Step – 31 December 2018 (€000)	Exposure values before credit risk mitigation	Exposure values taking into account unfunded credit protection	Exposure values after credit risk mitigation	Exposure values after credit risk mitigation and credit conversion factors
CQS 1	4.647.618	4.647.618	4.647.618	4.647.618
CQS 2	215.992	215.992	215.992	213.619
CQS 3	44.960	44.960	44.960	41.843
CQS 4	4.261.361	6.156.218	6.156.218	6.156.218
CQS 5	34.067	73.670	73.670	71.240
CQS 6	169	169	169	169
Unrated*	8.166.808	6.232.348	5.817.603	4.895.951
Deducted From Own Funds	63.050	63.050	63.050	63.050
Total	**17.434.025**	**17.434.025**	**17.019.280**	**16.089.708**

** "Unrated" refers mainly to individuals and legal entities of the loan book that lack credit rating from the recognised ECAIs.*

The increase observed between current and last year rating Band CQS 1 is stemming from the new investment positions in the Treasury portfolio (i.e. investments were mainly concentrated in CQS 1 band) and the increased exposure to ECB. On the other hand, the decrease observed in Bank CQS 4 was mainly due to the decreased exposure in Cyprus Government Fixed Income Securities and the repayments originated from the ex-CCB portfolio which was under the Asset Protection Scheme. The category "Unrated", which corresponds mainly to individuals and legal entities of the loan book that lack credit rating from the recognised ECAIs, have decreased due to repayments.

The tables below show the total value of exposures by Asset Class and Credit Quality Step based on the asset class and the credit rating of the item (or counterparty if the item is not rated), after credit risk valuation adjustments,

credit risk mitigation techniques and credit conversion factors for 2019 and 2018 respectively. “Unrated” refers mainly to individuals and legal entities of the loan book that lack credit rating from the recognised ECAIs.

Asset Class – 31 December 2019 (€000)	CQS 1	CQS 2	CQS 3	CQS 4	CQS 5	CQS 6	Unrated	Total
Central governments or central banks	4.816.184	--	--	4.760.246	49.955	--	--	**9.626.386**
Regional governments or local authorities	--	--	--	--	--	--	2.643	**2.643**
Public sector entities	--	--	--	--	--	--	--	**0**
Multilateral development banks	203.914	--	5.449	--	--	--	--	**209.363**
International organisations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
Institutions	818.675	212.599	1.030	0	40.740	64	15.333	**1.088.440**
Corporates	31.260	23.843	48.190	82.835	20.640	0	913.719	**1.120.488**
Retail	--	--	--	--	--	--	1.058.407	**1.058.407**
Secured by mortgages on immovable property	--	--	--	--	--	--	1.401.596	**1.401.596**
Exposures in default	--	--	--	--	--	--	571.421	**571.421**
Items associated with particularly high risk	--	--	--	--	--	--	231.490	**231.490**
Covered bonds	230.526	--	--	--	--	--	--	**230.526**
Claims on institutions and corporates with a short-term credit assessment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
Collective investments undertakings	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
Equity exposures	--	--	--	--	--	--	25.162	**25.162**
Other exposures	--	--	--	--	--	--	589.001	**589.001**
Total standardised approach	**6.100.559**	**236.442**	**54.669**	**4.843.081**	**111.336**	**64**	**4.808.772**	**16.154.922**

Asset Class – 31 December 2018 (€000)		CQS 1	CQS 2	CQS 3	CQS 4	CQS 5	CQS 6	Unrated	Total
Central governments or central banks		4.337.898	--	--	6.101.169	--	--	--	**10.439.068**
Regional governments or local authorities		--	--	--	--	--	--	1.616	**1.616**
Public sector entities		--	--	--	--	--	--	49	**49**
Multilateral development banks		239.107	--	5.395	--	--	--	--	**244.501**
International organisations		N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
Institutions		23.980	213.273	9.837	63	38.968	169	10.408	**296.698**
Corporates		41	345	26.611	54.986	32.272	--	775.293	**889.549**
Retail		--	--	--	--	--	--	1.099.838	**1.099.838**
Secured by mortgages on immovable property		--	--	--	--	--	--	1.427.407	**1.427.407**
Exposures in default		--	--	--	--	--	--	652.538	**652.538**
Items associated with particularly high risk		--	--	--	--	--	--	331.268	**331.268**
Covered bonds		46.592	--	--	--	--	--	--	**46.592**
Claims on institutions and corporates with a short-term credit assessment		N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
Collective investments undertakings		N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
Equity exposures		--	--	--	--	--	--	20.355	**20.355**
Other exposures		--	--	--	--	--	--	577.177	**577.177**
Total standardised approach		**4.647.618**	**213.619**	**41.843**	**6.156.218**	**71.240**	**169**	**4.895.951**	**16.026.658**

The increase observed between current and last year in rating Band CQS 1 is stemming from the new investment positions in the Treasury portfolio (i.e. investments were mainly concentrated in CQS 1 band) and the increased exposure to ECB. On the other hand, the decrease observed in Bank CQS 4 was mainly due to the decreased exposure in Cyprus Government Fixed Income Securities and the repayments originated from the ex-CCB portfolio which was under the Asset Protection Scheme. The category “Unrated”, which corresponds mainly to individuals and legal entities of the loan book that lack credit rating from the recognised ECAIs, have decreased due to repayments.

The tables below present the breakdown of exposures by asset class and risk weight for 2019 and 2018 respectively (*Ref: Template 20: EU CR5 – Standardised approach*)

	Exposure Classes – 31 December 2019 (€000)	**Risk Weight**										**Total**	**Of which: Unrated (excl. Deducted)**
		0%	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**250%**	**Deducted**		
1	Central governments or central banks	9.626.386	--	--	--	--	--	--	--	--	--	**9.626.386**	--
2	Regional governments or local authorities	--	--	2.643	--	--	--	--	--	--	--	**2.643**	2.643
3	Public sector entities	--	--	--	--	--	--	--	--	--	--	--	--
4	Multilateral development banks	203.914	--	--	--	5.449	--	--	--	--	--	**209.363**	--
5	International organisations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	--	--	--
6	Institutions	40.344	--	848.553	--	186.194	--	7.390	--	5.959	--	**1.088.440**	15.333
7	Corporates	--	--	55.077	--	26	--	1.030.804	34.581	--	--	**1.120.488**	913.719
8	Retail	--	--	--	--	--	1.058.407	--	--	--	--	**1.058.407**	1.058.407
9	Secured by mortgages on immovable property	--	--	--	995.431	218.959	--	187.207	--	--	--	**1.401.596**	1.401.596
10	Exposures in default	--	--	--	--	--	--	484.925	86.495	--	--	**571.421**	571.421
11	Items associated with particularly high risk	--	--	--	--	--	--	--	231.490	--	--	**231.490**	231.490
12	Covered bonds	--	104.158	126.368	--	--	--	--	--	--	--	**230.526**	--
13	Claims on institutions and corporates with a short-term credit assessment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	--	--	--
14	Collective investments undertakings	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	--	--	--
15	Equity exposures	--	--	--	--	--	--	--	--	25.162	--	**25.162**	25.162
16	Other exposures	146.529	--	43.520	--	--	--	397.845	--	1.107	66.960	**655.961**	589.001
17	**Total**	**10.017.172**	**104.158**	**1.076.161**	**995.431**	**410.627**	**1.058.407**	**2.108.171**	**352.567**	**32.228**	**66.960**	**16.221.882**	**4.808.772**

	Exposure Classes – 31 December 2018 (€000)	Risk Weight										Total	Of which: Unrated (excl. Deducted)
		0%	10%	20%	35%	50%	75%	100%	150%	250%	Deducted		
1	Central governments or central banks	10.439.068	--	--	--	--	--	--	--	--	--	**10.439.068**	--
2	Regional governments or local authorities	--	--	1.616	--	--	--	--	--	--	--	**1.616**	1.616
3	Public sector entities	--	--	5	--	--	--	45	--	--	--	**49**	49
4	Multilateral development banks	239.107	--	--	--	5.395	--	--	--	--	--	**244.501**	--
5	International organisations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	--	**--**	--
6	Institutions	38.842	0	244.573	--	7.096	--	802	21	5.363	--	**296.697**	8.065
7	Corporates	--	--	41	--	345	--	856.891	32.272	--	--	**889.549**	775.293
8	Retail	--	--	--	--	--	1.099.838	--	--	--	--	**1.099.838**	1.099.838
9	Secured by mortgages on immovable property	--	--	--	1.017.460	262.813	--	147.134	--	--	--	**1.427.407**	1.427.407
10	Exposures in default	--	--	--	--	--	--	525.862	126.676	--	--	**652.538**	652.538
11	Items associated with particularly high risk	--	--	--	--	--	--	--	331.268	--	--	**331.268**	331.268
12	Covered bonds	--	46.592	--	--	--	--	--	--	--	--	**46.592**	--
13	Claims on institutions and corporates with a short-term credit assessment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	--	**--**	--
14	Collective investments undertakings	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	--	**--**	--
15	Equity exposures	--	--	--	--	--	--	1.381	--	18.974	--	**20.355**	20.355
16	Other exposures	151.691	--	67.556	--	--	--	355.204	--	2.726	63.050	**640.227**	577.177
17	**Total**	**10.868.707**	**46.592**	**313.792**	**1.017.460**	**275.649**	**1.099.838**	**1.887.319**	**490.237**	**27.064**	**63.050**	**16.089.708**	**4.895.951**

Exposure classes “Institutions”, “Corporate” and “Covered Bonds” have increased because of the treasury activity and the new lending concentration on “Corporate” customers. It is noted that the higher number of pledged collaterals originating from the Blanket Insurance arrangement on ex-CCB portfolio, has not particularly affected the RWs of “Corporate” as only a limited number of these collaterals were pledged under the facilities of this asset class. The decreased exposure in asset class “Central governments or central banks” is attributed to the decreased exposure in Cyprus Government Fixed Income Securities and the repayments originated from the ex-CCB portfolio which was under the Asset Protection Scheme (indirect exposure to Cyprus Government). Exposure classes “Retail” and “Secured by Immovable property” have also decreased as a result of the points a, b and c mentioned in Section 6.1.10.

6.1.12 Credit Risk Hedging and Mitigation Policies

6.1.12.1 On and Off-Balance Sheet Netting

Article 195 of CRR, provides that an institution may use on-balance sheet netting of mutual claims between itself and its counterparty as an eligible form of credit risk mitigation.

Eligibility is limited to reciprocal cash balances between the Bank and the counterparty. The Bank may amend risk-weighted exposure amounts and only for loans and deposits that are subject to an on-balance sheet netting agreement.

Loans to and deposits with the Bank subject to on-balance sheet netting are treated as cash collateral for the purpose of calculating the effect of funded credit protection for those loans and deposits of the Bank subject to on-balance sheet netting which are denominated in the same currency.

On-balance sheet netting agreements are considered as an eligible form of credit risk mitigation where all the following conditions are met:

- Those agreements are legally effective and enforceable.
- The Bank is able to determine at any time the assets and liabilities that are subject to those agreements.
- The Bank monitors and controls the risks associated with the termination of the credit protection on an ongoing basis.
- The Bank monitors and controls the relevant exposures on a net basis and does so on an ongoing basis.

As at 31/12/2019, the Bank does not perform any on or off-balance sheet netting practices in its loan book.

6.1.12.2 Main types of Collateral Taken & Collateral Valuation and Management

According to the Group's policy, the decisive / overriding criterion for granting a Credit Facility is the Borrower's ability to repay his/her obligations within the approved time limit. The value of the collateral is not a determining factor in assessing the application for the granting of a credit facility. The collateral may be used as a secondary source of repayment and is only assessed as such.

Collaterals taken are segmented into the following two categories:

- Primary Collaterals are defined as the collaterals classified as tangible security meaning that value is recognised to the collateral.
- Secondary collaterals are defined as the collateral considered as adequate for enhancing the primary collaterals however those are not considered as tangible security.

The main types of collaterals accepted by the Bank as primary collaterals are listed below:

1. Mortgages on Immovable Property
    a. This is the main type of collateral accepted by the Group.
    b. Immovable property to be obtained as collateral is considered as adequate after assessing the quality of the property in terms of location zoning, marketability or if the property concerns specialized facilities. The property should be properly insured against the risk of damage up to the insurable amount of the property and the insurance contract shall be pledged in the Bank's favour.
    c. The amount recognised is the lowest between the mortgage amount plus interest and the Indexed Value based on the recent valuation and indices.
    d. The Bank maintains a standardized property valuation process which allows consistently accurate and timely analysis of property valuations across the loan portfolio. Sound appraisal procedures are followed for property valuations.
    e. The Bank accepts valuations for properties to be mortgaged as collaterals only if they are prepared on behalf of the Bank. Borrower initiated or borrower provided property valuations are not accepted.
    f. The Bank maintains, an independent from the credit underwriting loan processing and monitoring process, Property Valuations Department. The Property Valuations Department has a separate reporting line from Business Units and is independent from them.
    g. The Bank has a properly approved panel of professional valuers using appropriate selection criteria (which could distinguish valuers to handle specialized/complex cases) consistent with the

Bank's loan portfolio risk. An on-going process for the assessment of performance of professional valuers is in place and constitutes a basic criterion for remaining or not on the panel. This assessment includes amongst others a review of a valuer's performance and professional indemnity insurance. A concentration limit of maximum exposure to single professional valuer has been set.

   h. The Property Valuation Department ensures that professional valuers are independent in accordance with relevant laws, regulations and best practises.
   i. The Bank performs an independent audit on a yearly basis to assess the quality of the valuations performed and performance of each valuer included in the panel of professional valuers.
   j. The Bank carries out an independent professional valuation at a frequency that is based on criteria of exposure, performing status, type of property and other risk-based concepts such as LTV %.

2. Mortgages on Ships
   a. Mortgage over vessels is considered adequate primary security and realizable value is estimated based on the open market value.
   b. According to the Bank's ship finance lending policy, an independent valuation report of the vessel should be available and thorough assessment of all factors affecting the value of the vessel should be considered during the application assessment.
   c. The lowest between the mortgage amount plus interest and the market value based on the recent valuation is recognised.
   d. Vessels should be properly insured for Hull & Machinery, Protection and Indemnity, Mortgage Interest Insurance and mortgage Additional Perils Interest.
3. Pledge of Cash
   a. Pledging of deposits is considered as adequate primary security and it can be either pledging of deposits maintained with the Bank or with Third Party Financial Institutions.
   b. The full amount of the cash collateral is recognised.
4. Life Insurance Policies
   a. Assignment of Insurance policies is considered as adequate collateral provided that insurance companies are regulated by the Superintendent's office.
   b. Regarding assignment of life insurance policy, realizable value is recognised provided that insurance policy has surrender value which is certified annually by the insurance company. Otherwise no value is recognised.
5. Government Guarantees
   a. Government Guarantees are accepted and recognised up to 100% of the guaranteed amount as long as they are irrevocable and unconditional.
   b. No values are recognised if the expiry date of the Government Guarantee has passed and not renewed.
   c. The figure presented above excludes the APS scheme.
6. Bank Guarantees
   a. Bank Payment Guarantees (irrevocable and unconditional) are considered as adequate collateral and realizable value is recognised provided that:
      i. The consent of the Financial Institution Department regarding the risk of the Financial Institution is obtained.
      ii. The consent of the Risk Management Unit regarding counterparty and country risk is obtained.
      iii. The consent of the Internal Legal services regarding the wording of the guarantee is obtained.
   b. No values are recognised if the expiry date of the Bank Guarantee has passed and not renewed.
7. Other Forms of primary collaterals used by the Bank
   a. Fixed Charge.
   b. Floating Charge.
   c. Shares & Bonds.
   d. Equities.
   e. Motor Vehicles.

The main type of secondary collaterals (for which no value is recognised) are Personal and Corporate Guarantees.

In terms of Pillar I capital adequacy calculations, in order for the aforementioned types of collaterals to be regarded as eligible collateral for mitigating credit risk exposure, the Bank first examines whether they meet the various collateral eligibility requirements as these are set in Chapter 4, Title II of the CRR.

Asset Protection Scheme

Following the acquisition of part of ex-CCB's (now called KEDIPES) assets and liabilities, the Bank entered into an agreement with ex-CCB on an Asset Protection Scheme (APS). The Bank will receive credit protection through a 90% vertical loss borne by ex-CCB whose obligations under the Business Transfer Agreement (BTA), the APS Agreement and the Transitional Services Agreement (TSA), are guaranteed by the Republic of Cyprus in connection with defined pools of loans and receivables (APS Assets) which are part of the APS. The APS protects parts of the acquired loan portfolio, including non-performing exposures and high-risk performing loans, against future losses (including impairment losses, losses on sale and costs of recoveries) to the Bank.

Accordingly, the terms of the APS are based on two distinct asset-pools, APS1 and APS2, where:

- APS1 comprises of non-performing exposures and performing exposures that exhibit an elevated credit risk profile,
- APS2 comprises of performing exposures, classified as Stage 1 and Stage 2 as per IFRS 9.

The duration of APS1 and APS2 is 12 and 10 years, respectively.

The asset component which is afforded protection under the APS perimeter is risk weighted against the Republic of Cyprus and therefore provides eligible credit risk mitigation in line with Chapter 4 of CRR.

Transitional Services Agreement

Pursuant to a Transitional Services Agreement (TSA), certain services are provided to the Bank by KEDIPES on a transitional basis prior to the full integration of the Business into the Bank's business. These services include Central Unit Operations, Front Line Operations, Front Line Credit and Information Technology to assist in the orderly transition of the Business into the Bank's ownership. The TSA commenced on the date of Completion of the Acquisition with a duration of 15 months.

6.1.12.3 Credit Risk Mitigation Techniques Recognised under the Basel Framework

The credit risk mitigation techniques employed in credit RWAs calculation as at 31 December 2019 and 31 December 2018 are as follows (figures below correspond to exposure net of credit risk adjustments and before the application of credit risk mitigation and conversion factors):

Type of Credit Risk Mitigation - 31 December 2019 - (€000)		Non-Default	Default	Total	% Allocation
Mortgages on Immovable Property		1.424.987	113.747	1.538.733	42%
of which: RRE as per Art 125		1.001.789	93.193	1.094.983	30%
of which: CRE as per Art 126		223.391	20.553	243.945	7%
of which: Other		199.806	--	199.806	5%
Guarantees		1.376.546	370.622	1.747.168	48%
of which: Bank Guarantees		41.030	--	41.030	1%
of which: Government Guarantees		1.335.515	370.622	1.706.138	47%
Financial Collateral		340.837	7.787	348.624	10%
of which: Cash		340.654	7.447	348.101	10%
of which: Other		184	340	523	0%
Total		**3.142.370**	**492.156**	**3.634.526**	**100%**

Type of Credit Risk Mitigation - 31 December 2018 - (€000)	Non-Default	Default	Total	% Allocation
Mortgages on Immovable Property	1.444.508	118.305	1.562.812	40%
of which: RRE as per Art 125	1.025.725	92.895	1.118.620	29%
of which: CRE as per Art 126	265.834	25.410	291.243	7%
of which: Other	152.949	--	152.949	4%
Guarantees	1.567.540	366.921	1.934.460	49%
of which: Bank Guarantees	39.603	--	39.603	1%
of which: Government Guarantees	1.527.937	366.921	1.894.857	48%
Financial Collateral	404.602	10.143	414.745	11%
of which: Cash	404.364	9.809	414.172	11%
of which: Other	239	334	573	0%
Total	**3.416.650**	**495.368**	**3.912.018**	**100%**

As per Article 125 of CRR, the amount of Residential Real Estate (RRE) recognised as eligible for the preferential risk weight assignment of 35% to non-defaulted items and 100% to defaulted items amounts to the lesser of 80% of Open Market Value of latest valuation, 80% of Indexed Open Market Value and total pledged amount.

As per Article 126 of CRR, the amount of Commercial Real Estate (CRE) recognised as eligible for the preferential risk weight assignment of 50% to non-defaulted items and 100% to defaulted items amounts to the lesser of 50% of Open Market Value of latest valuation, 50% of Indexed Open Market Value and total pledged amount.

Due to the strict requirements imposed by CRR regarding the recognition of immovable properties as eligible credit risk mitigants (e.g. adequately insured against the risk of damage, repayment ability of the borrower does not depend on cash flows generated by the underlying collateral, etc.), a part of the collateral base of the Bank is disregarded for capital reduction purposes.

The Bank employs the comprehensive approach for the recognition of financial collaterals and applies the haircuts included in Articles 224 - 239 of CRR.

The decrease of Government Guarantees is attributed to the repayments originated from the ex-CCB portfolio which was under the Asset Protection Scheme.

The following table provides the exposure amount that was secured by guarantees and credit derivatives by exposure class on 31 December 2019 and 31 December 2018 respectively:

Exposure Class - 31 December 2019 (€000)		**Value of exposures secured by guarantees or credit derivatives**
Central governments or central banks		--
Regional governments or local authorities		366
Public sector entities		--
Multilateral development banks		--
International organisations		--
Institutions		--
Corporates		150.143
Retail		1.216.752
Secured by mortgages on immovable property		--
Exposures in default		359.120
Items associated with particularly high risk		20.787
Covered bonds		--
Claims on institutions and corporates with a short-term credit assessment		--
Collective investments undertakings		--
Equity exposures		--
Other exposures		--
Total standardised approach		**1.747.168**

Exposure Class - 31 December 2018 (€000)		**Value of exposures secured by guarantees or credit derivatives**
Central governments or central banks		--
Regional governments or local authorities		1.013
Public sector entities		2
Multilateral development banks		--
International organisations		--
Institutions		--
Corporates		181.237
Retail		1.370.357
Secured by mortgages on immovable property		--
Exposures in default		357.882
Items associated with particularly high risk		23.969
Items representing securitisation positions		--
Covered bonds		--
Claims on institutions and corporates with a short-term credit assessment		--
Collective investments undertakings		--
Equity exposures		--
Other exposures		--
Total standardised approach		**1.934.460**

Unfunded credit protection is primarily associated with the APS scheme (outflow to Cyprus Government) that secures ex-CCB exposures. Further details about this scheme are provided in the relevant section of the report.

The tables below outline the collateral, financial guarantees and credit derivatives used as credit risk mitigants for all secured exposures as at 31 December 2019 and 31 December 2018 respectively (*Ref: Template 18: EU CR3 – CRM techniques – Overview*):

31 December 2019 - (€000)			**a**	**b**	**c**	**d**	**e**
			Exposures unsecured – Carrying amount	**Exposures secured – Carrying amount**	**Exposures secured by collateral**	**Exposures secured by financial guarantees**	**Exposures secured by credit derivatives**
1	Total loans		3.737.920	3.634.526	1.887.358	1.747.168	N/A
2	Total debt securities		4.300.135	--	--	--	N/A
3	**Total exposures**		**8.038.055**	**3.634.526**	**1.887.358**	**1.747.168**	**N/A**
4	*Of which defaulted*		614.472	492.156	121.534	370.622	N/A

31 December 2018 - (€000)			**a**	**b**	**c**	**d**	**e**
			Exposures unsecured – Carrying amount	**Exposures secured – Carrying amount**	**Exposures secured by collateral**	**Exposures secured by financial guarantees**	**Exposures secured by credit derivatives**
1	Total loans		3.742.665	3.912.018	1.977.557	1.934.460	N/A
2	Total debt securities		4.526.157	--	--	--	N/A
3	**Total exposures**		**8.268.822**	**3.912.018**	**1.977.557**	**1.934.460**	**N/A**
4	*Of which defaulted*		*755.481*	*495.368*	*128.447*	*366.921*	*N/A*

The decrease observed between current and last year in the category “Total Loans” was mainly due to repayments and deleveraging actions. More specifically exposures secured by financial guarantees have decreased due to repayments originated from the ex-CCb portfolio which was under the Asset Protection Scheme and exposures secured by collateral either due to repayments or the deleveraging actions. Exposures in unsecured Debt Securities have also decreased and this was due to the decreased exposure in Cyprus Government Fixed Income Securities offsetting the increase observed in RWAs from treasury activity (6.1.10).

6.1.12.4 Credit risk exposure and CRM effects

The tables below illustrate the effect of all CRM techniques applied in accordance with Part Three, Title II, Chapter 4 of the CRR as at 31 December 2019 and 2018 respectively (*Ref: Template 19: EU CR4 – Standardised approach – Credit risk exposure and CRM effects*):

31 December 2019 - (€000)		a	b	c	d	e	f
		Exposure before CCF and CRM		Exposure post CCF and CRM		RWA	
	Exposure classes	**On-balance-sheet amount**	**Off-balance-sheet amount**	**On-balance-sheet amount**	**Off-balance-sheet amount**	**RWAs**	**RWA Density**
1	Central governments or central banks	7.923.925	9	9.622.709	3.677	--	0%
2	Regional governments or local authorities	4.370	11.099	2.642	1	529	20%
3	Public sector entities	10	138	--	--	--	100%
4	Multilateral development banks	209.363	--	209.363	--	2.724	1%
5	International organisations	N/A	N/A	N/A	N/A	N/A	N/A
6	Institutions	1.039.252	5.720	1.066.501	14.936	281.898	26%
7	Corporates	1.169.167	633.671	984.162	136.324	1.082.757	97%
8	Retail	2.374.879	591.502	1.009.890	48.517	748.539	71%
9	Secured by mortgages on immovable property	1.368.841	56.146	1.368.841	32.755	625.440	45%
10	Exposures in default	932.093	25.903	567.172	4.249	614.668	108%
11	Items associated with particularly high risk	247.822	34.813	218.748	12.741	347.235	150%
12	Covered bonds	230.526	--	230.526	--	35.689	15%
13	Claims on institutions and corporates with a short-term credit assessment	N/A	N/A	N/A	N/A	N/A	N/A
14	Collective investments undertakings	N/A	N/A	N/A	N/A	N/A	N/A
15	Equity exposures	25.162	--	25.162	--	62.905	250%
16	Other exposures	589.001	--	589.001	--	409.316	69%
17	**Total**	**16.114.411**	**1.359.000**	**15.894.717**	**253.200**	**4.211.701**	**26%**

31 December 2018 - (€000)		a	b	c	d	e	f
		Exposure before CCF and CRM		Exposure post CCF and CRM		RWA	
	Exposure classes	**On-balance-sheet amount**	**Off-balance-sheet amount**	**On-balance-sheet amount**	**Off-balance-sheet amount**	**RWAs**	**RWA Density**
1	Central governments or central banks	8.544.210	--	10.439.068	--	--	0%
2	Regional governments or local authorities	4.296	7.203	1.614	2	323	20%
3	Public sector entities	51	731	49	--	46	92%
4	Multilateral development banks	244.501	--	244.501	--	2.697	1%
5	International organisations	N/A	N/A	N/A	N/A	N/A	N/A
6	Institutions	249.176	4.842	274.333	14.910	63.415	22%
7	Corporates	1.015.303	569.027	801.377	88.167	894.952	101%
8	Retail	2.604.902	584.482	1.059.016	40.820	785.909	71%
9	Secured by mortgages on immovable property	1.373.751	70.757	1.373.751	53.656	616.124	43%
10	Exposures in default	1.011.132	34.147	645.796	6.743	715.877	110%
11	Items associated with particularly high risk	342.635	58.240	309.031	22.238	496.902	150%
12	Covered bonds	46.592	--	46.592	--	4.659	10%
13	Claims on institutions and corporates with a short-term credit assessment	N/A	N/A	N/A	N/A	N/A	N/A
14	Collective investments undertakings	N/A	N/A	N/A	N/A	N/A	N/A
15	Equity exposures	20.355	--	20.355	--	48.817	240%
16	Other exposures	577.177	--	577.177	--	375.531	65%
17	**Total**	**16.034.081**	**1.329.430**	**15.792.660**	**226.535**	**4.005.251**	**25%**

The decreased exposure in asset class “Central governments or central banks” was attributed to the decreased exposure in Cyprus Government Fixed Income Securities. On the other hand, the increased exposure in asset classes “Institutions” and “Covered bonds” was due to the higher activity in the treasury portfolio. Also, the increased exposure in “Corporate” was affected by the new lending activity concentrated in this asset class. The decrease in RWAs in loan book is due to the reasons mentioned in Section 6.1.10.

6.1.13 Credit Risk Adjustments

6.1.13.1 Past due & Impaired Exposures

Past due items represent loans at the Debt Recovery Unit, loans in default (the repayment of capital and/or interest is in arrears) and loans for which an impairment provision has been charged.

The Bank has aligned the definition of “Non-Performing” exposure as per EBA Guidelines with the definition of Default as per CRR Article 178.

All exposures with past due amounts (exceeding the materiality thresholds of the local regulator) over 90 days are considered as Default as per CRR Article 178.

An exposure is considered as Forborne (Restructured) in accordance with the EBA Definition.

The accounting policy followed by the Group for the recognition of impairment of Financial assets and Non Financial assets is as follows:

The "Expected Credit Loss (ECL)" approach applies to all debt instruments that are measured at amortised cost or FVOCI, and to off balance sheet lending commitments such as loan commitments and financial guarantees. IFRS 9 replaced the “incurred loss” impairment approach with a forward looking ECL model where provisions are taken upon initial recognition of the financial asset reflecting expectation of potential credit losses at the time of initial recognition. The Group recognised a loss allowance for such losses at each reporting date.

Measurement of ECL

The measurement of ECL reflects an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes and considering reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The Group calculates ECL as the product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). Refer to sections below for details on each of these components.

ECL for exposures in Stage 1 are calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12 month ECL or lifetime ECL. At initial recognition, an impairment allowance is required for expected credit losses (ECL) resulting from default events that are possible within the next 12 months (12 month ECL). In the event of a significant increase in credit risk, an allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). IFRS 9 requires the classification of facilities/customers in three stages, according to the increases in credit risk level, considering certain criteria:

- Stage 1: Financial Instruments are classified as stage 1 when the credit risk has not increased significantly since initial recognition. The Group recognises a credit loss allowance at an amount equal to 12 month expected credit losses.

- Stage 2: Financial Instruments are classified as stage 2 when the credit risk has increased significantly since initial recognition but not to the point that the asset is credit impaired. The Group recognises a credit loss allowance at an amount equal to lifetime expected credit losses.

- Stage 3: Financial Instruments are classified as stage 3 when the credit quality of a financial asset deteriorates to the point that the asset is credit impaired. The Bank aligned Stage 3 classification with the NPE classification consistent with the definition used for internal credit risk management purposes. The Group recognises a credit loss allowance at an amount equal to lifetime expected credit losses.

Financial assets that are credit impaired upon initial recognition are categorized within Stage 3 with a

carrying value already reflecting the lifetime expected credit losses. The accounting treatment for these purchased or originated credit impaired (POCI) assets is discussed further below.

For accounts that meet the criteria to be individually assessed for provisions the Bank reviews and validates the Stage classification using a combination of backward looking, current and forward looking indicators.

Loans and advances acquired as part of a business combination are initially recognised at fair value. The fair values on initial recognition form the gross amount of the loans irrespective of the principal amount of these loans and what constituted the gross carrying amount of these loans in the accounting records of the Seller. In cases where the acquired loans were credit impaired, the Bank includes the initial expected credit losses in the estimated cash flows when calculating the credit adjusted effective interest rate. Accordingly, the effective interest rate of a POCI would be the discount rate that equates the present value of the expected cash flows with the purchase price of the loan.

Probability of default (PD)

PD represents the likelihood of a borrower defaulting on their financial obligation in a specified time period, assuming it has not closed or defaulted since the reporting date. Projection of PDs is based on macro economic scenarios and are differentiated based on segment (e.g. Retail, SME and Corporate), and status (e.g. 0 dpd, Restructured). For the external rated exposures (e.g. Treasury and International lending), the historical default rates published by Moody's per segment are utilized. For the non external rated facilities, i.e. local loan book, the PD is estimated based on the Bank's historical default rates.

Exposure at default (EAD)

EAD represents the amount expected to be owed if a default event was to occur. The EAD is determined by calculating the expected cash flows which vary depending on the product type (e.g. revolving products). By analyzing the behavior of the product types, the behavioral maturity of these products is estimated. The utilization of the off balance sheet of revolving products is also considered in determining Credit Conversion Factor (CCF) allocation.

Loss given default (LGD)

LGD represents an estimate of the loss arising on default. It is calculated as the expected loss at default divided by EAD. LGD is based on factors that impact the likelihood and value of any subsequent write off, in which case it takes into account property prices, liquidation haircuts due to forced sale or market conditions, liquidation periods and other factors.

Forward looking information

In line with IFRS 9 impairment requirements, forward looking information, including current conditions and projections of macroeconomic and other factors, are incorporated in a range of unbiased future economic scenarios for ECL purposes. The ECL estimate incorporates the expected impact of all reasonable and supportable forward looking information, taking into consideration the macroeconomic factors. The Bank incorporated three forward looking macroeconomic scenarios in its ECL calculations process: a baseline scenario, an optimistic scenario and a pessimistic scenario. Probability weights were attributed to each scenario.

Definition of default

IFRS 9 does not define default but requires the definition to be consistent with the definition of default used for internal credit risk management purposes. Under IFRS 9 default occurs when the borrower is unlikely to pay its credit obligations to the Group in full, and the borrower is more than 90 days past due on any material credit obligation to the Group. The Bank aligned Stage 3 classification with the European Banking Authority's (EBA) criteria for NPE classification.

Purchased or Originated Credit Impaired Financial assets (POCI)

Financial assets are considered purchased or originated credit impaired (POCI) if upon initial recognition they are purchased or originated at a deep discount that reflects evidence of impairment. Since the asset is originated credit impaired, the Bank only recognises the cumulative changes in lifetime ECL since initial recognition as a loss allowance in profit or loss until the POCI is derecognised.

Significant increase in credit risk

Under IFRS 9, an assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting date by considering the change in the risk of default occurring over the remaining life of the financial instrument. When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Group's historical experience, expert credit assessment and forward looking information. The assessment of significant increase in credit risk is key in determining when to move from measuring an allowance based on 12 month ECLs to one that is based on lifetime ECLs.

The criteria for determining whether the exposure has experienced significant deterioration in credit risk since origination are in line with Stage 2 criteria and are as follows:

- Days in Arrears: Exposures with more than 30 days in arrears,
- Forbearance flag: A performing account with an active forbearance flag in line with the European Banking Authority (EBA) definition,
- Accounts managed by recovery units (before default),
- A pooling effect is applied at a customer level which classifies as Stage 2 accounts not meeting the above criteria but fall under the same customer whose other accounts exhibit credit triggers such as those above,
- Behavioural Score: Retail and SME exposures with low behavioural score resulting from models developed by the Bank for predicting defaults/delinquencies.

Interest income recognition

Interest income, for financial assets classified as Stages 1 and 2, is calculated by applying the effective interest rate (EIR) on their gross carrying amount. For financial assets classified as Stage 3, interest income is calculated by applying EIR on their amortised cost (i.e. gross carrying amount less credit loss allowance). For POCI financial assets, interest income is calculated by applying a credit adjusted EIR (CAEIR) (based on an initial expectation of further credit losses) on the amortised cost of the financial asset.

Write offs

The Group reduces, either partially or in full, the carrying amount of a financial asset when there is no reasonable expectation of recovery.

For more information in relation to the Accounting Policies and Estimates and Judgements followed by the Group for the recognition of impairment of Financial assets and Non Financial assets refer to Notes 3 and Note 5 respectively of the Financial Statements for the year ended 31 December 2019.

6.1.13.2 Specific and General Credit Risk Adjustments

The amounts required to be included in the calculation of general and specific credit risk adjustments are equal to all amounts by which Common Equity Tier 1 capital has been reduced in order to reflect losses exclusively related to credit risk according to the applicable accounting framework and recognised as such in the profit or loss account, irrespective of whether they result from impairments, value adjustments or provisions for off-balance sheet items.

Any amounts resulting in the above manner which have been recognised during the financial year, may only be included in the calculation of general and specific credit risk adjustments if the respective amounts have been deducted from an institution's Common Equity Tier 1 capital, in accordance with Article 36(1) of CRR.

The amounts that should be included in the calculation of general credit risk adjustments fulfil both of the following criteria:

- Are freely and fully available, as regards to timing and amount, to meet credit risk losses that have not yet materialised.
- Reflect credit risk losses for a group of exposures for which the Bank has currently no evidence that a loss event has occurred.

All other amounts are included in the calculation of specific credit risk adjustments. Currently, all the credit risk adjustments of the Bank are considered as specific.

6.1.13.3 Total and Average Net Amount of Exposures

The tables below present the total amount of exposures after accounting offsets and without taking into account the effects of credit risk mitigation, and the average amount of the exposures over the period broken down by different types of exposure classes as at 31 December 2019 and 2018 respectively *(Ref: Template 7: EU CRB-B – Total and average net amount of exposures):*

31 December 2019 - (€000)			**(a)**	**(b)**
			Net value of exposures at the end of the period	**Average net exposures over the period**
16	Central governments or central banks		7.923.934	8.130.160
17	Regional governments or local authorities		15.468	15.081
18	Public sector entities		148	513
19	Multilateral development banks		209.363	231.239
20	International organisations		N/A	N/A
21	Institutions		1.051.975	814.931
22	Corporates		1.802.840	1.683.132
23	*Of which: SMEs*		*1.300.747*	*1.233.771*
24	Retail		2.966.381	3.240.669
25	*Of which: SMEs*		*710.025*	*663.176*
26	Secured by mortgages on immovable property		1.424.987	1.265.166
27	*Of which: SMEs*		*461.776*	*471.542*
28	Exposures in default		957.996	1.004.988
29	Items associated with particularly high risk		282.635	330.211
30	Covered bonds		230.526	205.850
31	Claims on institutions and corporates with a short-term credit assessment		N/A	N/A
32	Collective investments undertakings		N/A	N/A
33	Equity exposures		25.162	20.933
34	Other exposures		589.001	564.307
35	**Total standardised approach**		**17.480.416**	**17.507.179**

31 December 2018 - (€000)			(a)	(b)
			Net value of exposures at the end of the period	**Average net exposures over the period**
16	Central governments or central banks		8.544.210	5.630.751
17	Regional governments or local authorities		11.499	6.189
18	Public sector entities		782	512
19	Multilateral development banks		244.501	245.993
20	International organisations		N/A	N/A
21	Institutions		261.474	308.957
22	Corporates		1.584.335	1.384.135
23	Of which: SMEs		*1.169.569*	*881.019*
24	Retail		3.189.386	1.963.220
25	Of which: SMEs		*591.551*	*355.233*
26	Secured by mortgages on immovable property		1.444.508	1.117.501
27	Of which: SMEs		*435.960*	*349.881*
28	Exposures in default		1.045.279	865.353
29	Items associated with particularly high risk		400.875	471.717
30	Covered bonds		46.592	39.313
31	Claims on institutions and corporates with a short-term credit assessment		N/A	N/A
32	Collective investments undertakings		N/A	N/A
33	Equity exposures		20.355	19.320
34	Other exposures		577.177	469.841
35	**Total standardised approach**		**17.370.975**	**12.522.803**

Exposure classes “Institutions”, “Corporate” and “Covered Bonds” have increased because of the treasury activity and the new lending concentration on “Corporate” customers. The decreased exposure in asset class “Central governments or central banks” is attributed to the decreased exposure in Cyprus Government Fixed Income Securities and the repayments originated from the ex-CCB portfolio which was under the Asset Protection Scheme (indirect exposure to Cyprus Government). Exposure classes “Retail”, “Default” and “High Risk” have also decreased as a result of the points a and c mentioned in Section 6.1.10.

6.1.13.4 Geographical Distribution of Exposures

The tables below present the value of the total exposures analysed by asset class and by industry segment, after on and off balance sheet netting and credit risk valuation adjustments as at 31 December 2019 and 2018 respectively *(Ref: Template 8: EU CRB-C – Geographical breakdown of exposures):*

31 December 2019 - (€000)		**Net Value**											
	Exposure Class	**Significant Area 1: Cyprus**	**Significant Area 2: Int. Org./MDB/ECB**	**Significant Area 3: Non-Cyprus and Int. Org./MDB/ECB**	**Of Which: Germany**	**Of Which: Canada**	**Of Which: Greece**	**Of Which: United Kingdom**	**Of Which: Australia**	**Of Which: France**	**Of Which: United States**	**Of Which: Other**	**Total**
7	Central governments or central banks	3.057.794	4.816.184	49.955	--	--	49.955	--	--	--	--	--	**7.923.934**
8	Regional governments or local authorities	15.468	--	--	--	--	--	--	--	--	--	--	**15.468**
9	Public sector entities	148	--	--	--	--	--	--	--	--	--	--	**148**
10	Multilateral development banks	--	203.914	5.449	--	--	--	--	--	--	--	5.449	**209.363**
11	International organizations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
12	Institutions	16.148	--	1.035.828	54.418	49.550	354	53.981	151.412	221.475	102.454	402.183	**1.051.975**
13	Corporates	1.383.106	31.218	388.516	10.003	0	11.879	30.719	0	23.260	36.902	275.754	**1.802.840**
14	Retail	2.891.692	--	74.689	1.462	616	14.496	18.907	1.146	294	1.384	36.386	**2.966.381**
15	Secured by mortgages on immovable property	1.347.159	--	77.827	1.582	1.717	13.028	16.020	974	554	877	43.073	**1.424.987**
16	Exposures in default	912.915	--	45.081	2	53	6.580	14.106	188	21	110	24.021	**957.996**
17	Items associated with particularly high risk	276.575	--	6.060	--	--	4.388	7	--	--	--	1.665	**282.635**
18	Covered bonds	--	--	230.526	--	101.007	0	86.246	15.162	--	--	28.111	**230.526**
19	Claims on institutions and corporates with a short-term credit assessment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
20	Collective investments undertakings	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
21	Equity exposures	25.162	--	--	--	--	--	--	--	--	--	--	**25.162**
22	Other exposures	589.001	--	--	--	--	--	--	--	--	--	--	**589.001**
23	**Total standardised approach**	**10.515.168**	**5.051.316**	**1.913.931**	**67.467**	**152.943**	**100.681**	**219.986**	**168.883**	**245.603**	**141.727**	**816.641**	**17.480.416**

31 December 2018 - (€000)			Net Value								
	Exposure Class		**Significant Area 1: Cyprus**	**Significant Area 2: Int. Org./MDB/ECB**	**Significant Area 3: Non-Cyprus and Int. Org./MDB/ECB**	**Of Which: Germany**	**Of Which: United States**	**Of Which: United Kingdom**	**Of Which: Greece**	**Of Which: Other**	**Total**
7	Central governments or central banks		4.206.312	4.240.085	97.813	97.813	--	--	--	--	**8.544.210**
8	Regional governments or local authorities		11.499	--	--	--	--	--	--	--	**11.499**
9	Public sector entities		782	--	--	--	--	--	--	--	**782**
10	Multilateral development banks		--	239.107	5.395	--	--	--	--	5.395	**244.501**
11	International organisations		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
12	Institutions		7.814	--	253.659	2.201	84.783	42.839	169	123.668	**261.474**
13	Corporates		1.375.372	--	208.963	6.011	7	20.659	14.738	167.548	**1.584.335**
14	Retail		3.137.956	--	51.430	1.308	863	13.815	6.857	28.587	**3.189.386**
15	Secured by mortgages on immovable property		1.373.040	--	71.467	1.375	770	16.787	15.484	37.051	**1.444.508**
16	Exposures in default		997.961	--	47.318	4	127	15.060	6.043	26.084	**1.045.279**
17	Items associated with particularly high risk		394.260	--	6.615	--	--	107	4.335	2.173	**400.875**
18	Covered bonds		--	--	46.592	8.711	--	--	--	37.881	**46.592**
19	Claims on institutions and corporates with a short-term credit assessment		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
20	Collective investments undertakings		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
21	Equity exposures		20.355	--	--	--	--	--	--	--	**20.355**
22	Other exposures		577.177	--	--	--	--	--	--	--	**577.177**
23	**Total standardised approach**		**12.102.531**	**4.479.192**	**789.252**	**117.422**	**86.551**	**109.267**	**47.626**	**428.386**	**17.370.975**

The exposure to Cyprus under “Central Government or Central Banks” exposure class has decreased as a result of the Cyprus Government Bonds maturity and the repayments from the Asset Protection Scheme. The exposure to “Int. Org./MDB/ECB” has increased mainly as a result of an increased placement to ECB due to the additional deposits. Exposure to other countries has increased due to the higher activity in the Treasury portfolio. The investment in German positions have decreased since the maturity of the 2018 positions has expired during 2019.

6.1.13.5 Distribution of Exposures by Industry

The tables below present the distribution of the exposures by industry, broken down by exposure class as at 31 December 2019 and 2018 respectively (*Ref: Template 9: EU CRB-D – Concentration of exposures by industry or counterparty types*):

31 December 2019 - (€000)		Net Value											
	Exposure Class	Construction & Real Estate	Hotels, Restaurants & Bars	Manufacturing	Wholesale & Retail Trade	Services	Health & Social Work	Transport, Storage & Telecommunication	Financial & Insurance	Other	Private Individuals	Not Applicable	Total
7	Central governments or central banks	--	--	--	--	--	--	--	--	12	--	7.923.922	**7.923.934**
8	Regional governments or local authorities	--	--	--	--	--	--	--	--	15.468	--	--	**15.468**
9	Public sector entities	--	--	--	--	--	--	--	--	148	--	--	**148**
10	Multilateral development banks	--	--	--	--	--	--	--	5.449	--	--	203.914	**209.363**
11	International organisations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
12	Institutions	--	--	--	--	--	--	--	5.821	--	--	1.046.154	**1.051.975**
13	Corporates	329.744	320.890	236.919	298.395	101.299	52.508	179.623	36.950	115.412	49.988	81.111	**1.802.840**
14	Retail	100.550	40.031	69.437	211.274	136.830	21.046	22.002	12.118	96.737	2.256.356	--	**2.966.381**
15	Secured by mortgages on immovable property	82.197	107.360	56.104	92.312	51.794	47.614	6.892	16.038	22.103	942.571	--	**1.424.987**
16	Exposures in default	97.360	44.377	41.765	121.570	40.763	3.323	18.920	17.208	37.633	535.078	--	**957.996**
17	Items associated with particularly high risk	274.456	--	--	--	--	--	--	--	--	--	8.179	**282.635**
18	Covered bonds	--	--	--	--	--	--	--	--	--	--	230.526	**230.526**
19	Claims on institutions and corporates with a short-term credit assessment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
20	Collective investments undertakings	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
21	Equity exposures	--	--	--	--	--	--	--	--	--	--	25.162	**25.162**
22	Other exposures	--	--	--	--	--	--	--	--	--	--	589.001	**589.001**
23	**Total standardised approach**	**884.307**	**512.658**	**404.225**	**723.552**	**330.686**	**124.491**	**227.437**	**93.584**	**287.513**	**3.783.993**	**10.107.969**	**17.480.416**

31 December 2018 - (€000)		Net Value											
	Exposure Class	**Construction & Real Estate**	**Hotels, Restaurants & Bars**	**Manufacturing**	**Wholesale & Retail Trade**	**Services**	**Health & Social Work**	**Transport, Storage & Telecommunication**	**Financial & Insurance**	**Other**	**Private Individuals**	**Not Applicable**	**Total**
7	Central governments or central banks	--	--	--	--	--	--	--	246	--	--	8.543.965	**8.544.210**
8	Regional governments or local authorities	--	--	--	--	--	--	--	--	11.499	--	--	**11.499**
9	Public sector entities	--	--	--	--	--	--	598	--	184	--	--	**782**
10	Multilateral development banks	--	--	--	--	--	--	--	5.395	--	--	239.107	**244.501**
11	International organisations	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
12	Institutions	--	--	--	--	--	--	--	10.221	19	--	251.234	**261.474**
13	Corporates	300.993	300.822	199.167	268.714	72.913	58.947	135.007	36.854	127.677	55.374	27.869	**1.584.335**
14	Retail	99.395	43.531	76.066	211.999	127.675	21.889	19.200	12.217	78.798	2.498.599	15	**3.189.386**
15	Secured by mortgages on immovable property	106.416	62.516	64.808	109.048	62.591	31.721	6.074	11.881	31.379	958.074	--	**1.444.508**
16	Exposures in default	104.979	60.587	51.825	140.798	49.040	5.184	29.740	18.947	44.753	539.426	--	**1.045.279**
17	Items associated with particularly high risk	396.130	--	--	--	--	--	--	--	--	--	4.745	**400.875**
18	Covered bonds	--	--	--	--	--	--	--	--	--	--	46.592	**46.592**
19	Claims on institutions and corporates with a short-term credit assessment	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
20	Collective investments undertakings	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
21	Equity exposures	--	--	--	--	--	--	--	--	--	--	20.355	**20.355**
22	Other exposures	--	--	--	--	--	--	--	--	--	--	577.177	**577.177**
23	**Total standardised approach**	**1.007.913**	**467.456**	**391.866**	**730.560**	**312.219**	**117.741**	**190.619**	**95.760**	**294.310**	**4.051.472**	**9.711.058**	**17.370.975**

Compared with last year, the exposures of industries “Construction & Real Estate,” and “Private Individuals” have decreased due to the deleveraging actions and repayments (point (c and a) of section 6.1.10), respectively. Industries such as “Hotels, Restaurants and Bars”, “Manufacturing”, “Services”, “Health and Social Work” and “Transport, Storage and Telecommunication” have increased due to the increase from new lending. The category “Not Applicable” which refers to the Non-Lending Portfolio has increased due to the higher activity in the Treasury portfolio.

6.1.13.6 Distribution of Exposures by Residual Maturity

The tables below present the residual maturity breakdown of all the exposures, broken down by exposure class as at 31 December 2019 and 2018 respectively *(Ref: Template 10: EU CRB-E – Maturity of exposures):*

31 December 2019 - (€000)		Net Value					
	Asset Class	**On Demand**	**<= 1 year**	**> 1 year <= 5 years**	**> 5 years**	**No stated maturity**	**Total**
7	Central governments or central banks	4.816.196	924.079	1.954.207	229.452	--	7.923.934
8	Regional governments or local authorities	14.610	99	627	132	--	15.468
9	Public sector entities	101	47	--	--	--	148
10	Multilateral development banks	--	139.429	69.934	--	--	209.363
11	International organisations	N/A	N/A	N/A	N/A	N/A	N/A
12	Institutions	190.022	152.527	552.894	156.533	--	1.051.975
13	Corporates	424.655	282.788	391.321	704.075	--	1.802.840
14	Retail	675.132	53.754	226.761	2.010.734	--	2.966.381
15	Secured by mortgages on immovable property	73.241	22.456	104.369	1.224.922	--	1.424.987
16	Exposures in default	215.735	30.214	123.990	588.057	--	957.996
17	Items associated with particularly high risk	90.430	33.249	78.003	72.774	8.179	282.635
18	Covered bonds	--	28.023	159.810	42.693	--	230.526
19	Claims on institutions and corporates with a short-term credit assessment	N/A	N/A	N/A	N/A	N/A	N/A
20	Collective investments undertakings	N/A	N/A	N/A	N/A	N/A	N/A
21	Equity exposures	--	--	--	--	25.162	25.162
22	Other exposures	--	273.334	2.376	6.811	306.480	589.001
23	**Total standardised approach**	**6.500.122**	**1.939.999**	**3.664.292**	**5.036.183**	**339.821**	**17.480.416**

31 December 2018 - (€000)		Net Value					
	Asset Class	**On Demand**	**<= 1 year**	**> 1 year <= 5 years**	**> 5 years**	**No stated maturity**	**Total**
7	Central governments or central banks	4.240.331	1.230.108	2.461.267	612.504	--	**8.544.210**
8	Regional governments or local authorities	10.707	457	257	79	--	**11.499**
9	Public sector entities	140	598	--	44	--	**782**
10	Multilateral development banks	--	125.893	118.608	--	--	**244.501**
11	International organisations	N/A	N/A	N/A	N/A	N/A	**N/A**
12	Institutions	142.686	106.775	6.641	8	5.363	**261.474**
13	Corporates	380.515	237.767	295.122	670.932	--	**1.584.335**
14	Retail	746.856	65.009	194.635	2.182.886	--	**3.189.386**
15	Secured by mortgages on immovable property	76.825	53.877	99.707	1.214.099	--	**1.444.508**
16	Exposures in default	236.667	35.495	122.087	651.029	--	**1.045.279**
17	Items associated with particularly high risk	135.093	20.901	124.017	116.120	4.745	**400.875**
18	Covered bonds	--	8.711	37.881	--	--	**46.592**
19	Claims on institutions and corporates with a short-term credit assessment	N/A	N/A	N/A	N/A	N/A	**N/A**
20	Collective investments undertakings	N/A	N/A	N/A	N/A	N/A	**N/A**
21	Equity exposures	--	--	--	--	20.355	**20.355**
22	Other exposures	193.789	112.856	2.677	--	267.855	**577.177**
23	**Total standardised approach**	**6.163.608**	**1.998.447**	**3.462.898**	**5.447.702**	**298.319**	**17.370.975**

"On Demand" maturity band has increased as a result of an increased placement with ECB (due to increased deposit base).The over 5 years band under "Central governments or central banks" exposure class has decreased mainly due to the decreased exposure in Fixed Income securities and the repayments originated from the ex-CCB portfolio which was under the Asset Protection Scheme. The increase observed under the same band in "Corporates" asset class was mainly due to an increase in new lending and a respective decrease in all other Asset Classes due to points (a) and (c) mentioned in section 6.1.10 above.

6.1.13.7.1 Credit quality of exposures by exposure class and instrument

The tables below present total carrying values per default status, specific and general credit risk adjustments, accumulated write offs of the period, credit risk adjustments of the period (calculated as additional risk adjustments and write offs per exposure class) and net values broken down by exposure class as at 31 December 2019 and 31 December 2018 respectively *(Ref: Template 11: EU CR1-A – Credit quality of exposures by exposure class and instrument):*

31 December 2019 - (€000)		**a**	**b**	**c**	**d**	**e**	**f**	**g**
Template 11: EU CR1-A – Credit quality of exposures by exposure class and instrument		**Gross carrying values of**		**Specific credit risk adjustment**	**General credit risk adjustment**	**Accumulated write-offs**	**Credit risk adjustment charges of the period**	**Net Values**
		Defaulted exposures	**Non-defaulted exposures**					**(a+b-c-d)**
16	Central governments or central banks	--	7.924.470	537	--	--	537	**7.923.934**
17	Regional governments or local authorities	--	15.830	362	--	--	360	**15.468**
18	Public sector entities	--	150	2	--	--	2	**148**
19	Multilateral development banks	--	209.363	--	--	--	-5	**209.363**
20	International organisations	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
21	Institutions	--	1.052.395	420	--	--	413	**1.051.975**
22	Corporates	--	1.828.386	25.547	--	--	16.222	**1.802.840**
23	*Of which: SMEs*	--	1.320.626	19.879	--	--	13.286	**1.300.747**
24	Retail	--	3.013.839	47.458	--	--	40.269	**2.966.381**
25	*Of which: SMEs*	--	723.079	13.054	--	--	10.591	**710.025**
26	Secured by mortgages on immovable property	--	1.424.987	--	--	--	--	**1.424.987**
27	*Of which: SMEs*	--	461.776	--	--	--	--	**461.776**
28	Exposures in default	1.965.830	--	1.007.833	--	150.898	81.204	**957.996**
29	Items associated with particularly high risk	362.452	137.482	217.300	--	88.746	-24.253	**282.635**
30	Covered bonds	--	230.526	--	--	--	--	**230.526**
31	Claims on institutions and corporates with a short-term credit assessment	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
32	Collective investments undertakings	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
33	Equity exposures	--	25.162	0	--	--	--	**25.162**
34	Other exposures	--	589.001	0	--	--	--	**589.001**
35	**Total standardised approach**	**2.328.282**	**16.451.591**	**1.299.458**	--	**239.644**	**114.748**	**17.480.416**
37	*Of Which: Loans**	*2.292.143*	*4.996.124*	*1.274.821*	--	*239.644*	*102.574*	***6.013.446***
38	*Of Which: Debt Securities*	--	*4.256.063*	*589*	--	--	--	***4.255.473***
39	*Of which: Off-balance-sheet exposures*	*36.139*	*1.346.537*	*23.677*	--	--	*12.174*	***1.359.000***

*Include only on balance sheet items. Off balance sheet items are reported separately in row 39

31 December 2018 - (€000)		a	b	c	d	e	f	g
Template 11: EU CR1-A – Credit quality of exposures by exposure class and instrument		**Gross carrying values of**		**Specific credit risk adjustment**	**General credit risk adjustment**	**Accumulated write-offs**	**Credit risk adjustment charges of the period**	**Net Values**
		Defaulted exposures	**Non-defaulted exposures**					**(a+b-c-d)**
16	Central governments or central banks	--	8.544.757	547	--	--	547	**8.544.210**
17	Regional governments or local authorities	--	11.772	273	--	--	272	**11.499**
18	Public sector entities	--	785	2	--	--	2	**782**
19	Multilateral development banks	--	244.502	1	--	--	-5	**244.501**
20	International organisations	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
21	Institutions	--	261.975	501	--	--	495	**261.474**
22	Corporates	--	1.612.103	27.768	--	--	18.443	**1.584.335**
23	*Of which: SMEs*	--	*1.191.000*	*21.432*	--	--	*14.838*	***1.169.569***
24	Retail	--	3.256.396	67.010	--	--	59.822	**3.189.386**
25	*Of which: SMEs*	--	*603.958*	*12.406*	--	--	*9.943*	***591.551***
26	Secured by mortgages on immovable property	--	1.444.508	--	--	--	--	**1.444.508**
27	*Of which: SMEs*	--	*435.960*	--	--	--	--	***435.960***
28	Exposures in default	2.040.450	--	995.170	--	114.020	31.663	**1.045.279**
29	Items associated with particularly high risk	485.990	196.869	281.983	--	31.849	-16.466	**400.875**
30	Covered bonds	--	46.592	--	--	--	--	**46.592**
31	Claims on institutions and corporates with a short-term credit assessment	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
32	Collective investments undertakings	N/A	N/A	N/A	N/A	N/A	N/A	**N/A**
33	Equity exposures	--	20.355	--	--	--	--	**20.355**
34	Other exposures	--	577.177	--	--	--	--	**577.177**
35	**Total standardised approach**	**2.526.440**	**16.217.791**	**1.373.256**	--	**145.870**	**94.771**	**17.370.975**
37	*Of Which: Loans**	*2.479.952*	*5.180.861*	*1.335.560*	--	*145.870*	*69.722*	*6.325.252*
38	*Of Which: Debt Securities*	--	*4.519.007*	*432*	--	--	--	*4.518.575*
39	*Of which: Off-balance-sheet exposures*	*46.488*	*1.319.496*	*36.553*	--	--	*25.050*	*1.329.430*

*Include only on balance sheet items. Off balance sheet items are reported separately in row 39

Exposures classes “Institutions”, “Corporate” and “Covered Bonds” have increased because of the treasury activity and the new lending concentration on “Corporate” customers. The decreased exposure in asset class “Central governments or central banks” is attributed to the decreased exposure in Cyprus Government Fixed Income Securities and the repayments originated from the ex-CCB portfolio which was under the Asset Protection Scheme (indirect exposure to Cyprus Government). Exposures classes “Retail”, “Default” and “High Risk” have also decreased as a result of the points a and c mentioned in Section 6.1.10.

The tables below provide further analysis of impaired and past due exposures per the debtor's industry as at 31 December 2019 and 2018 respectively:

Impaired and Past Due Exposures by Counterparty Industry - 31 December 2019 (€000)			Past Due Exposures	Impaired Exposures
1	Construction & Real Estate		437.171	528.701
2	Hotels, Restaurants & Bars		104.415	112.098
3	Manufacturing		97.426	110.463
4	Wholesale & Retail Trade		298.903	337.078
5	Services		106.169	96.220
6	Health & Social Work		6.784	6.810
7	Transport, Storage & Telecommunication		42.586	44.578
8	Financial & Insurance		27.467	30.090
9	Other		61.441	62.756
10	Private Individuals		1.168.430	999.488
11	**Total**		**2.350.791**	**2.328.282**

Impaired and Past Due Exposures by Counterparty Industry - 31 December 2018 (€000)			Past Due Exposures	Impaired Exposures
1	Construction & Real Estate		536.376	662.905
2	Hotels, Restaurants & Bars		111.140	129.412
3	Manufacturing		103.587	115.520
4	Wholesale & Retail Trade		330.129	366.163
5	Services		103.119	106.016
6	Health & Social Work		16.392	9.564
7	Transport, Storage & Telecommunication		52.734	55.973
8	Financial & Insurance		24.011	33.858
9	Other		81.025	83.010
10	Private Individuals		1.183.488	964.018
11	**Total**		**2.542.000**	**2.526.440**

Compared with last year, the exposures of industries "Construction & Real Estate", "Private Individuals","Hotels, Restaurants & Bars", "Manufacturing", "Wholesale & Retail Trade", "Health & Social Work", "Transport, Storage & Telecommunication" and "Other" have decreased due to the deleveraging actions and repayments (point (c and a) of section 6.1.10).

The tables below provide further analysis of impaired and past due exposures per geographical location of the debtor as at 31 December 2019 and 2018 respectively:

Impaired and Past Due Exposures by Geographical Location of Counterparty - 31 December 2019			Past Due Exposures	Impaired Exposures
1	Cyprus		2.196.395	2.182.066
2	Int. Org./MDB/ECB		--	--
3	Germany		105	22
4	Canada		249	78
5	Greece		16.943	16.672
6	United Kingdom		67.793	64.344
7	Australia		262	263
8	France		330	259
9	United States		497	441
10	Other		68.217	64.138
11	**Total**		**2.350.791**	**2.328.282**

Impaired and Past Due Exposures by Geographical Location of Counterparty - 31 December 2018 (€000)			Past Due Exposures	Impaired Exposures
1	Cyprus		2.389.327	2.377.339
2	Int. Org./MDB/ECB		--	--
3	Germany		16	19
4	United States		671	582
5	United Kingdom		64.184	61.156
6	Greece		22.979	23.767
7	Other		64.823	63.576
8	**Total**		**2.542.000**	**2.526.440**

Compared with last year, the decreased past due and impaired exposure to Cyprus is mainly driven by the commitment of the Bank to deleveraging activities through restructuring solutions, Debt to Asset swaps, foreclosures and write-offs as part of the settlement agreements.

6.1.13.8 Credit quality of performing and non-performing exposures by past due days

The tables below disclose information on NPEs based on the definitions of the EBA standards. The definition of credit impaired loans (Stage 3) is aligned to the EBA NPEs definition. As per the EBA standards and ECB Guidance to Banks on NPLs, NPEs are defined as those exposures that satisfy one of the following conditions:

(i) Material exposures that are over 90 days past due,
(ii) The debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due,
(iii) Exposures in respect of which a default is considered to have occurred in accordance with Article 178 of Regulation (EU) No 575/2013,
(iv) Exposures of debtors against whom legal action has been taken by the Bank or exposures of bankrupt debtors,
(v) Exposures that are found impaired as per the applicable accounting framework,
(vi) Forborne exposures that were NPE at forbearance or became NPE due to forbearance or NPE after forbearance and which are re-forborne while under probation (the probation period for forborne exposures begins once the contract is considered as performing and lasts for two years minimum),
(vii) Forborne exposures reclassified from NPE status i.e. that were NPE at forbearance or became NPE due to forbearance or NPE after forbearance and present more than 30 days past due while under probation,
(viii) Further to the above the all-embracing criteria apply as follows: (a) for debtors classified as retail debtors as per the Regulation (EU) No 575/2013, when the Bank has on-balance sheet exposures to a debtor that are material and are past due by more than 90 days the gross carrying amount of which represents more than 20% of the gross carrying amount of all on-balance sheet exposures to that debtor, all on and off-balance sheet exposures to that debtor shall be considered as non-performing, else only exposures that are non-performing will be classified as such and (b) for debtors classified as non-retail debtors as per the Regulation (EU) No 575/2013, when any on-balance sheet exposure to that debtor is non-performing, all on and off-balance sheet exposures to that debtor shall be considered as NPE.

The tables below present the gross carrying amount, broken down by exposure class, of performing and non-performing exposures, including a further breakdown of past-due exposures by the number of days that they have been past due, as at 31 December 2019 and 31 December 2018 respectively. (Ref. Template 3 EBA/GL/2018/10)):

31 December 2019 (€000)		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			**Non-performing exposures**								
			Not past due or past due ≤ 30 days	**Past due > 30 days ≤ 90 days**		**Unlikely to pay that are not past due or are past due ≤ 90 days**	**Past due > 90 days ≤ 180 days**	**Past due > 180 days ≤ 1 year**	**Past due > 1 year ≤ 2 years**	**Past due > 2 years ≤ 5 years**	**Past due > 5 years ≤ 7 years**	**Past due > 7 years**	**Of which defaulted**
1	Loans and advances	10.157.913	10.026.666	131.247	2.275.834	348.922	83.546	154.719	238.563	263.624	373.390	813.070	2.275.834
2	*Central banks*	*4.815.627*	*4.815.627*	--	--	--	--	--	--	--	--	--	--
3	*General governments*	*4.430*	*4.430*	--	*351*	*351*	--	--	--	--	--	--	*351*
4	*Credit institutions*	*379.361*	*379.358*	*3*	--	--	--	--	--	--	--	--	--
5	*Other financial corporations*	*48.091*	*47.886*	*205*	*29.662*	*9.356*	*108*	*43*	*9.651*	*1.413*	*592*	*8.499*	*29.661*
6	*Non-financial corporations*	*1.778.084*	*1.740.222*	*37.862*	*1.144.638*	*199.844*	*14.680*	*57.609*	*93.446*	*125.594*	*258.705*	*394.760*	*1.144.639*
7	*Of which SMEs*	*1.524.275*	*1.498.027*	*26.248*	*1.127.623*	*199.209*	*14.680*	*57.609*	*93.446*	*125.594*	*258.134*	*378.951*	*1.127.624*
8	*Households*	3.132.320	3.039.143	93.177	1.101.183	139.371	68.758	97.067	135.466	136.617	114.093	409.811	1.101.183
9	Debt securities	4.300.135	4.300.135	--	--	--	--	--	--	--	--	--	--
10	*Central banks*	--	--	--	--	--	--	--	--	--	--	--	--
11	*General governments*	*3.036.939*	*3.036.939*	--	--	--	--	--	--	--	--	--	--
12	*Credit institutions*	*1.219.307*	*1.219.307*	--	--	--	--	--	--	--	--	--	--
13	*Other financial corporations*	*43.889*	*43.889*	--	--	--	--	--	--	--	--	--	--
14	*Non-financial corporations*	--	--	--	--	--	--	--	--	--	--	--	--
15	Off-balance-sheet exposures	1.346.354			36.130								36.130
16	*Central banks*	--			-								--
17	*General governments*	*11.562*			*399*								*399*

31 December 2019 (€000)		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
18	*Credit institutions*	*5.591*			*--*								*--*
19	*Other financial corporations*	*19.624*			*522*								*522*
20	*Non-financial corporations*	*931.547*			*30.908*								*30.908*
21	*Households*	*378.030*			*4.301*								*4.301*
22	***Total***	**15.804.402**	**14.326.801**	**131.247**	**2.311.964**	**348.922**	**83.546**	**154.719**	**238.563**	**263.624**	**373.390**	**813.070**	**2.311.964**

The NPEs at 31 December 2019 amounted to €2.276 million, compared to €2.474 million at 31 December 2018, reflecting a reduction of 8%, driven by deleveraging activities including restructuring solutions through which repayment of facilities is observed but also through debt to asset swap solutions, foreclosures and write-offs offered as part of the agreement. Cash collections through settlement solutions as well as repayments on restructured loans were high, following up on the strong performance of 2018 as borrowers appeared able to dispose RE assets or access financing to settle outstanding exposures. In addition, debt-to-asset and foreclosure repossessions during 2019 nearly doubled compared to 2018.
The above NPE reduction was partly offset by new defaults and accrued interest.

31 December 2018 (€000)		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
1	Loans and advances	9.696.458	9.572.680	123.778	2.474.386	487.291	89.920	213.066	157.070	283.438	580.699	662.902	2.474.373
2	*Central banks*	*4.240.573*	*4.240.573*	--	--	--	--	--	--	--	--	--	--
3	*General governments*	*4.479*	*4.479*	--	*348*	*276*	--	*50*	*7*	--	*15*	--	*348*
4	*Credit institutions*	*300.191*	*300.186*	*5*	--	--	--	--	--	--	--	--	--
5	*Other financial corporations*	*46.025*	*44.793*	*1.232*	*28.246*	*6.972*	*3*	*9.054*	--	*1.859*	*3.032*	*7.326*	*28.246*
6	*Non-financial corporations*	*1.692.794*	*1.672.572*	*20.222*	*1.372.164*	*270.341*	*16.105*	*107.304*	*75.827*	*166.755*	*411.085*	*324.747*	*1.372.164*
7	*Of which SMEs*	*1.326.546*	*1.308.184*	*18.362*	*1.321.826*	*239.385*	*16.005*	*104.041*	*75.118*	*166.165*	*409.257*	*311.855*	*1.321.826*
8	*Households*	3.412.396	3.310.077	102.319	1.073.628	209.702	73.812	96.658	81.236	114.824	166.567	330.829	1.073.615
9	Debt securities	4.526.157	4.526.157	--	--	--	--	--	--	--	--	--	--
10	*Central banks*	--	--	--	--	--	--	--	--	--	--	--	--
11	*General governments*	*4.148.513*	*4.148.513*	--	--	--	--	--	--	--	--	--	--
12	*Credit institutions*	*183.624*	*183.624*	--	--	--	--	--	--	--	--	--	--
13	*Other financial corporations*	*194.020*	*194.020*	--	--	--	--	--	--	--	--	--	--
14	*Non-financial corporations*	--	--	--	--	--	--	--	--	--	--	--	--
15	Off-balance-sheet exposures	1.319.717			46.392								46.392
16	*Central banks*	--			--								--
17	*General governments*	*7.688*			*1.020*								*1.020*

31 December 2018 (€000)		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
18	*Credit institutions*	*4.762*			*--*								*--*
19	*Other financial corporations*	*16.936*			*298*								*298*
20	*Non-financial corporations*	*906.481*			*37.660*								*37.660*
21	*Households*	*383.850*			*7.414*								*7.414*
22	***Total***	**15.542.332**	**14.098.837**	**123.778**	**2.520.778**	**487.291**	**89.920**	**213.066**	**157.070**	**283.438**	**580.699**	**662.902**	**2.520.765**

6.1.13.9 Performing and non-performing exposures and related provisions

The tables below present the gross carrying amount, impairments, provisions, accumulated changes in fair value due to credit risk, accumulated partial write-offs, and collateral and financial guarantees received, for both performing and non-performing exposures, with a breakdown by exposure class and staging, as at 31 December 2019 and 31 December 2018 respectively:
(Ref. Template 4 - EBA/GL/2018/10)

31 December 2019 (€000)		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
1	Loans and advances	10.157.913	9.648.080	509.833	2.275.834	--	2.275.834	35.770	22.802	12.968	1.229.634		1.229.634	257.840	4.160.784	957.317
2	*Central banks*	*4.815.627*	*4.815.627*	--	--	--	--	*186*	*186*	--	--	--	--	--	--	--
3	*General governments*	*4.430*	*4.430*	--	*351*	--	*351*	*49*	*49*	--	*110*	--	*110*	--	*2.025*	*241*
4	*Credit institutions*	*379.361*	*379.358*	*3*	--	--	--	*194*	*194*	--	--	--	--	--	--	--
5	*Other financial corporations*	*48.091*	*42.716*	*5.375*	*29.662*	--	*29.662*	*1.194*	*160*	*1.034*	*13.053*	--	*13.053*	*2.909*	*32.863*	*16.038*
6	*Non-financial corporations*	*1.778.084*	*1.485.264*	*292.820*	*1.144.638*	--	*1.144.638*	*26.511*	*8.316*	*18.195*	*698.549*	--	*698.549*	*248.073*	*1.388.854*	*412.841*
7	*Of which SMEs*	*1.524.275*	*1.268.671*	*255.604*	*1.127.623*	--	*1.127.623*	*19.380*	*7.201*	*12.179*	*685.090*	--	*685.090*	*230.361*	*1.291.287*	*411.716*
8	*Households*	*3.132.320*	*2.920.685*	*211.635*	*1.101.183*	--	*1.101.183*	*7.636*	*13.896*	*(6.260)*	*517.922*	--	*517.922*	*6.859*	*2.737.042*	*528.196*
9	Debt securities	4.300.135	4.300.135	--	--	--	--	691	691	--	--	--	--	--	--	--
10	*Central banks*	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
11	*General governments*	*3.036.939*	*3.036.939*	--	--	--	--	*380*	*380*	--	--	--	--	--	--	--
12	*Credit institutions*	*1.219.307*	*1.219.307*	--	--	--	--	*306*	*306*	--	--	--	--	--	--	--
13	*Other financial corporations*	*43.889*	*43.889*	--	--	--	--	*5*	*5*	--	--	--	--	--	--	--

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
14	*Non-financial corporations*															
15	Off-balance-sheet exposures	1.346.354	1.250.285	96.069	36.130	--	36.130	16.873	15.715	1.158	7.580	--	7.580		691.864	14.637
16	*Central banks*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*	*--*		*--*	*--*
17	*General governments*	*11.562*	*11.562*	*--*	*399*	*--*	*399*	*324*	*324*	*--*	*66*	*--*	*66*		*2.345*	*399*
18	*Credit institutions*	*5.591*	*5.590*	*1*	*--*	*--*	*--*	*7*	*7*	*--*	*--*	*--*	*-*		*--*	*--*
19	*Other financial corporations*	*19.624*	*19.579*	*45*	*522*	*--*	*522*	*35*	*34*	*1*	*41*	*--*	*41*		*8.208*	*482*
20	*Non-financial corporations*	*931.547*	*843.393*	*88.154*	*30.908*	*--*	*30.908*	*7.706*	*6.835*	*871*	*6.438*	*--*	*6.438*		*505.225*	*11.690*
21	*Households*	*378.030*	*370.161*	*7.869*	*4.301*	*--*	*4.301*	*8.801*	*8.515*	*286*	*1.035*	*--*	*1.035*		*176.086*	*2.066*
22	***Total***	**15.804.402**	**15.198.500**	**605.902**	**2.311.964**	--	**2.311.964**	**53.334**	**39.208**	**14.126**	**1.237.214**	--	**1.237.214**	**257.840**	**4.852.648**	**971.954**

31 December 2018 (€000)		**a**	**b**	**c**	**d**	**e**	**f**	**g**	**h**	**i**	**j**	**k**	**l**	**m**	**n**	**o**
		Gross carrying amount/nominal amount						**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**						**Accumulated partial write-off**	**Collateral and financial guarantees received**	
		Performing exposures			**Non-performing exposures**			**Performing exposures – accumulated impairment and provisions**			**Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**				**On performing exposures**	**On non-performing exposures**
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
1	Loans and advances	9.696.458	9.342.674	353.784	2.474.386	--	2.474.386	55.335	38.157	17.178	1.297.460	--	1.297.460	152.852	4.415.161	1.116.842
2	*Central banks*	*4.240.573*	*4.240.573*	*--*	*--*	*--*	*--*	*113*	*113*	*--*	*--*	*--*	*--*	*--*	*--*	*--*
3	*General governments*	*4.479*	*4.479*	*--*	*348*	*--*	348	*45*	*45*	*--*	*2*	*--*	*2*	*--*	*3.931*	*346*
4	*Credit institutions*	*300.191*	*300.191*	*--*	*--*	*--*	*--*	*612*	*612*	*--*	*--*	*--*	*--*	*--*	*--*	*--*
5	*Other financial corporations*	*46.025*	*39.127*	*6.898*	*28.246*	*--*	28.246	*692*	*202*	*490*	*15.232*	*--*	*15.232*	*1.000*	*29.991*	*12.831*

6	*Non-financial corporations*	*1.692.794*	*1.448.367*	*244.427*	*1.372.164*	--	1.372.164	*26.028*	*14.188*	*11.840*	*794.632*	--	*794.632*	*151.852*	*1.354.837*	*546.706*
7	*Of which SMEs*	*1.326.546*	*1.107.555*	*218.991*	*1.321.826*	--	1.321.826	*18.457*	*8.888*	*9.569*	*780.592*	--	*780.592*	*134.140*	*1.111.590*	*512.976*
8	*Households*	*3.412.396*	*3.309.937*	*102.459*	*1.073.628*	--	1.073.628	*27.845*	*22.997*	*4.848*	*487.594*	--	*487.594*	-	*3.026.402*	*556.959*
9	Debt securities	4.526.157	4.526.157	--	--	--	--	528	528	--	--	--	--	--	--	--
10	*Central banks*	--	--	--	--	--	--	--	-	--	--	--	--	--	--	--
11	*General governments*	*4.148.513*	*4.148.513*	--	--	--	--	*469*	*469*	--	--	--	--	--	--	--
12	*Credit institutions*	*183.624*	*183.624*	--	--	--	--	*35*	*35*	--	--	--	--	--	--	--
13	*Other financial corporations*	*194.020*	*194.020*	--	--	--	--	*24*	*24*	--	--	--	--	--	--	--
14	*Non-financial corporations*	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
15	Off-balance-sheet exposures	1.319.717	1.239.761	79.956	46.392	--	46.392	28.518	27.465	1.053	8.252	--	8.252		743.539	56.364
16	*Central banks*	--	--	--	--	--	--	--	--	--	--	--	-		--	--
17	*General governments*	*7.688*	*7.688*	--	*1.020*	--	*1.020*	*218*	*218*	--	*235*	--	235		*3.721*	*276*
18	*Credit institutions*	*4.762*	*4.759*	*3*	--	--	--	*6*	*6*	--	--	--	--		--	--
19	*Other financial corporations*	*16.936*	*16.657*	*279*	*298*	--	*298*	*53*	*53*	--	*107*	--	107		*623*	*288*
20	*Non-financial corporations*	*906.481*	*831.322*	*75.159*	*37.660*	--	*37.660*	*11.431*	*10.460*	*971*	*6.666*	--	6.666		*313.284*	*21.069*
21	*Households*	*383.850*	*379.335*	*4.515*	*7.414*	--	*7.414*	*16.810*	*16.728*	*82*	*1.244*	--	1.244		*425.911*	*34.731*
22	***Total***	**15.542.332**	**15.108.592**	**433.740**	**2.520.778**	--	**2.520.778**	**84.381**	**66.150**	**18.231**	**1.305.712**	--	**1.305.712**	**152.852**	**5.158.700**	**1.173.206**

An overall increase was observed in the total performing portfolio driven by increased new lending within 2019 mainly to Non-Financial Corporations, Reduction in performing Households lending driven by repayments in the acquired ex-CCB portfolio. Portfolio increase due to investment activity. The Non-Performing portfolio reduced by 8% from 2018 driven by the commitment of the Bank to deleveraging activities through restructuring solutions, Debt to Asset swaps, foreclosures and write-offs as part of the settlement agreements

6.1.13.10 Quality of non-performing exposures by geography

The tables below present the gross carrying amount of performing and non-performing exposures and the related accumulated impairment, provisions and accumulated change in fair value due to credit risk by geographical location of the debtor as at 31 December 2019 and 2018 respectively:
(Ref. Template 5 - EBA/GL/2018/10)

		a	B	c	d	e	f	g
31 December 2019 (€000)		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
				Of which defaulted				
1	***On-balance-sheet exposures***	**16.733.882**	**2.275.834**	**2.275.834**	**16.733.882**	**1.266.095**		--
2	*Cyprus*	9.903.780	2.212.180	2.212.180	9.903.780	1.217.978		--
3	*Greece*	185.620	2.502	2.502	185.620	947		--
4	*France*	244.610	--	--	244.610	198		--
5	*United Kingdom*	259.669	37.378	37.378	259.669	29.847		--
6	*Canada*	147.224	30	30	147.224	34		--
7	*Other countries*	5.992.979	23.744	23.744	5.992.979	17.091		--
8	***Off-balance-sheet exposures***	**1.382.484**	**36.130**	**36.130**			**24.453**	
9	*Cyprus*	1.343.202	36.121	36.121			24.431	
10	*Greece*	1.922	--	--			6	
11	*France*	9	--	--			--	
12	*United Kingdom*	7.453	7	7			6	
13	*Canada*	23	--	--			--	
14	*Other countries*	29.875	2	2			10	
15	***Total***	**18.116.366**	**2.311.964**	**2.311.964**	**16.733.882**	**1.266.095**	**24.453**	--

31 December 2018 (€000)		a	B	c	d	e	f	g
		Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which subject to impairment			
				Of which defaulted				
1	***On-balance-sheet exposures***	**16.697.001**	**2.474.386**	**2.474.373**	**16.697.001**	**1.353.323**		**--**
2	*Cyprus*	11.523.037	2.409.642	2.409.642	11.523.037	1.306.308		--
3	*United Kingdom*	163.200	38.031	38.031	163.200	29.848		--
4	*United States*	160.992	703	703	160.992	557		--
5	*Germany*	109.837	--	--	109.837	26		--
6	*Greece*	99.726	2.110	2.110	99.726	757		--
7	*Other countries*	4.640.209	23.900	23.887	4.640.209	15.827		--
8	***Off-balance-sheet exposures***	**1.366.109**	**46.392**	**46.392**			**36.770**	
9	*Cyprus*	1.347.871	46.374	46.374			36.734	
10	*United Kingdom*	736	2	2			6	
11	*United States*	332	--	--			5	
12	*Germany*	34	--	--			--	
13	*Greece*	1.952	--	--			11	
14	*Other countries*	15.184	16	16			14	
15	***Total***	**18.063.110**	**2.520.778**	**2.520.765**	**16.697.001**	**1.353.323**	**36.770**	**--**

The exposure to Cyprus has decreased as a result of the Cyprus Government Bonds maturity and the loan book repayments. Exposure to other countries has increased due to the higher activity in the Treasury portfolio.

As per Guidelines notes, in “Other Countries” Exposures to supranational organisations (amounting to €5.050.778k and €4.292.054k to 2019 and 2018 respectively) were assigned.

6.1.13.11 Credit quality of loans and advances by industry

The tables below present the gross carrying amount of loans and advances to non-financial corporations, and the related accumulated impairment and accumulated change in fair value due to credit risk by industry of the counterparty as at 31 December 2019 and 2018 respectively:
(Ref. Template 6 - EBA/GL/2018/10):

	31 December 2019 (€000)	a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
1	Agriculture, forestry and fishing	44.751	11.614	11.614	44.751	6.705	-
2	Mining and quarrying	2.769	1.262	1.262	2.769	995	-
3	Manufacturing	352.433	116.639	116.639	352.433	81.329	-
4	Electricity, gas, steam and air conditioning supply	48.427	707	707	48.427	691	-
5	Water supply	46.321	1.160	1.160	46.321	751	-
6	Construction	500.828	368.481	368.481	500.828	237.283	-
7	Wholesale and retail trade	671.030	300.348	300.348	671.030	209.458	-
8	Transport and storage	210.853	42.689	42.689	210.853	26.288	-
9	Accommodation and food service activities	497.018	109.648	109.648	497.018	71.255	-
10	Information and communication	35.002	5.228	5.228	35.002	3.344	-
11	Financial and insurance activities	376	-	-	376	1	-
12	Real estate activities	263.206	130.982	130.982	263.206	58.793	-
13	Professional, scientific and technical activities	59.713	11.830	11.830	59.713	8.236	-
14	Administrative and support service activities	32.419	11.420	11.420	32.419	6.857	-
15	Public administration and defense, compulsory social security	-	-	-	-	-	-
16	Education	20.428	9.253	9.253	20.428	4.154	-
17	Human health services and social work activities	90.219	3.752	3.752	90.219	3.380	-
18	Arts, entertainment and recreation	26.991	14.616	14.616	26.991	3.209	-
19	Other services	19.941	5.009	5.009	19.941	2.334	-
20	***Total***	**2.922.725**	**1.144.638**	**1.144.638**	**2.922.725**	**725.063**	**-**

31 December 2018 (€000)		a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
1	Agriculture, forestry and fishing	59.847	19.425	19.425	59.847	13.475	-
2	Mining and quarrying	2.628	1.222	1.222	2.628	983	-
3	Manufacturing	340.529	129.256	129.256	340.529	80.153	-
4	Electricity, gas, steam and air conditioning supply	43.405	664	664	43.405	1.646	-
5	Water supply	45.715	2.562	2.562	45.715	1.639	-
6	Construction	642.020	477.089	477.089	642.020	291.138	-
7	Wholesale and retail trade	698.891	333.906	333.906	698.891	226.860	-
8	Transport and storage	178.799	57.081	57.081	178.799	29.533	-
9	Accommodation and food service activities	447.718	124.081	124.081	447.718	71.213	-
10	Information and communication	41.127	4.688	4.688	41.127	2.861	-
11	Financial and insurance activities	-	-	-	-	-	-
12	Real estate activities	307.253	161.091	161.091	307.253	73.151	-
13	Professional, scientific and technical activities	62.496	13.769	13.769	62.496	7.837	-
14	Administrative and support service activities	33.245	11.617	11.617	33.245	5.350	-
15	Public administration and defense, compulsory social security	-	-	-	-	-	-
16	Education	24.837	9.692	9.692	24.837	4.087	-
17	Human health services and social work activities	84.372	6.560	6.560	84.372	4.739	-
18	Arts, entertainment and recreation	29.876	13.854	13.854	29.876	3.209	-
19	Other services	22.200	5.608	5.608	22.200	2.787	-
20	***Total***	**3.064.958**	**1.372.165**	**1.372.165**	**3.064.958**	**820.661**	**-**

A decrease of €227m has been observed in the non-performing exposures of loans and advances by industry, driven mainly by the resolution of non-performing exposures in the construction industry (€110m) followed by reductions in Real Estate and wholesale and Retail industries. Reduction of non-performing exposures has been achieved through repayments following the implementation of successful restructuring solutions, the implementation of debt to asset swaps, foreclosures and write-offs performed.

6.1.13.12 Credit quality of forborne exposures

The tables below present the gross carrying amount, broken down by exposure class, of forborne exposures, the related accumulated impairment, provisions, changes in fair value, and the collateral and financial guarantees received, as at 31 December 2019 and 31 December 2018 respectively:
(Ref. Template 1 - EBA/GL/2018/10):

	31 December 2019 (€000)	a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**		**Collateral received and financial guarantees received on forborne exposures**	
		Performing forborne	**Non-performing forborne**			**On performing forborne exposures**	**On non-performing forborne exposures**		**Of which collateral and financial guarantees received on non-performing exposures with forbearance measures**
				Of which defaulted	Of which impaired				
1	Loans and advances	298.332	926.317	926.317	926.317	1.137	331.131	801.360	546.429
2	*Central banks*	-	-	-	-	-	-	-	-
3	*General governments*	-	*351*	*351*	*351*	-	*110*	*241*	*241*
4	*Credit institutions*	-	-	-	-	-	-	-	-
5	*Other financial corporations*	*2.919*	*21.394*	*21.394*	*21.394*	*324*	*6.622*	*16.782*	*14.305*
6	*Non-financial corporations*	*128.268*	*528.339*	*528.339*	*528.339*	*9.476*	*244.307*	*373.375*	*262.672*
7	*Households*	*167.145*	*376.233*	*376.233*	*376.233*	*(8.663)*	*80.092*	*410.962*	*269.211*
8	Debt Securities	-	-	-	-	-	-	-	-
9	Loan commitments given	2.594	4.739	4.739	4.739	120	642	5.659	3.402
10	***Total***	**300.926**	**931.056**	**931.056**	**931.056**	**1.257**	**331.773**	**807.019**	**549.831**

31 December 2018 (€000)		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				**Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions**		**Collateral received and financial guarantees received on forborne exposures**	
		Performing forborne	**Non-performing forborne**			**On performing forborne exposures**	**On non-performing forborne exposures**		**Of which collateral and financial guarantees received on non-performing exposures with forbearance measures**
				Of which defaulted	Of which impaired				
1	Loans and advances	547.494	1.064.964	1.064.964	1.064.964	11.231	387.835	1.162.196	659.213
2	*Central banks*	-	-	-	-	-	-	-	-
3	*General governments*	*369*	*276*	*276*	*276*	*41*	-	*603*	*276*
4	*Credit institutions*	-	-	-	-	-	-	-	-
5	*Other financial corporations*	*2.974*	*19.496*	*19.496*	*19.496*	*160*	*8.863*	*13.342*	*10.560*
6	*Non-financial corporations*	*164.492*	*650.780*	*650.780*	*650.780*	*7.225*	*304.295*	*486.112*	*335.056*
7	*Households*	*379.659*	*394.412*	*394.412*	*394.412*	*3.805*	*74.677*	*662.139*	*313.321*
8	Debt Securities	-	-	-	-	-	-	-	-
9	Loan commitments given	6.837	5.395	5.394	5.394	240	465	35.092	31.548
10	***Total***	**554.331**	**1.070.359**	**1.070.358**	**1.070.358**	**11.471**	**388.300**	**1.197.288**	**690.761**

During 2019, a reduction has been seen in the Performing Forborne accounts mainly as a result of the curing of accounts that were restructured and which have met the conditions and exited from forbearance status within the year. During 2019, a reduction was also observed in the Non-Performing Forborne accounts driven by resolution activities including Debt Forgiveness, Debt-to-Assets and Foreclosures.

6.1.13.13 Quality of forbearance

The tables below present the gross carrying amount of forborne exposures that have been forborne more than twice, as well as the gross carrying amount of the non-performing forborne exposures that have failed to meet the non-performing exit criteria, as at 31 December 2019 and 31 December 2018 respectively:
(Ref. Template 2 - EBA/GL/2018/10)

31 December 2019 (€000)		a
		Gross carrying amount of forborne exposures
1	Loans and advances that have been forborne more than twice	79.112
2	Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	822.846

31 December 2018 (€000)		a
		Gross carrying amount of forborne exposures
1	Loans and advances that have been forborne more than twice	78.931
2	Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	507.869

6.1.13.14 Collateral valuation - loans and advances

The tables below present the gross carrying amount of loans and advances collateralised, both performing and non-performing, broken down by loan-to-value bucket, the related accumulated impairment, and the value of the collateral/financial guarantees received and the partial write-offs for these exposures, as at 31 December 2019 and 2018 respectively. All this information is broken down by ageing analysis.
(Ref. Template 7 - EBA/GL/2018/10).

	31 December 2019 (€000)	A	b	c	d	e	f	g	h	i	j	k	l
		Loans and advances											
			Performing		**Non-performing**								
							Past due > 90 days						
				Of which past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days		Of which past due > 90 days ≤ 180 days	Of which: past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years
1	Gross carrying amount	12.433.747	10.157.913	131.247	2.275.834	348.922	1.926.912	83.546	154.719	238.563	263.624	373.390	813.070
2	*Of which secured*	6.085.515	4.343.197	121.233	1.742.318	308.598	1.433.720	76.304	137.178	218.373	220.162	278.407	503.296
3	*Of which secured with immovable property*	5.636.264	3.939.830	105.766	1.696.434	301.424	1.395.010	74.253	134.767	215.246	213.696	274.222	482.826
4	*Of which instruments with LTV higher than 60% and lower or equal to 80%*	941.311	769.508		171.803	39.457	132.346						
5	*Of which instruments with LTV higher than 80% and lower or equal to 100%*	560.895	348.762		212.133	97.700	114.433						
6	*Of which instruments with LTV higher than 100%*	1.360.847	347.225		1.013.622	53.498	960.124						

7	Accumulated impairment for secured assets	1.265.404	35.770	10.713	1.229.634	84.062	1.145.573	15.541	36.148	62.593	113.804	271.384	646.103
8	Collateral												
9	*Of which value capped at the value of exposure*	4.988.798	4.041.449	100.076	947.349	238.535	708.814	62.232	106.250	157.603	138.485	96.592	147.652
10	*Of which immovable property*	4.690.236	3.754.052	97.027	936.184	234.880	701.304	61.284	105.516	153.094	137.607	96.387	147.416
11	*Of which value above the cap*	899.534	476.743	11.121	422.791	78.930	343.861	16.012	32.998	61.608	60.876	74.935	97.432
12	*Of which immovable property*	839.615	419.556	10.957	420.059	78.230	341.829	15.760	32.902	60.986	60.179	74.808	97.194
13	Financial guarantees received	129.302	119.335	10.394	9.967	2.985	6.982	863	1.229	1.739	2.327	63	761
14	Accumulated partial write-off	257.84	--	--	257.840	11.918	245.922	--	1.068	16.284	8.969	77.716	141.885

31 December 2018 (€000)		**A**	**b**	**c**	**d**	**e**	**f**	**g**	**h**	**i**	**j**	**k**	**l**
		Loans and advances											
			Performing		**Non-performing**								
						Unlikely to pay that are not past due or are past due ≤ 90 days	**Past due > 90 days**						
				Of which past due > 30 days ≤ 90 days				Of which past due > 90 days ≤ 180 days	Of which: past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years
1	Gross carrying amount	12.170.844	9.696.458	123.778	2.474.386	487.290	1.987.096	89.921	213.066	157.070	283.438	580.699	662.902
2	*Of which secured*	6.571.433	4.592.243	115.500	1.979.190	450.283	1.528.906	84.988	197.282	143.713	222.700	454.180	426.043

3	*Of which secured with immovable property*	6.092.470	4.158.463	108.836	1.934.007	443.115	1.490.891	82.285	194.274	139.937	217.751	450.395	406.249
4	*Of which instruments with LTV higher than 60% and lower or equal to 80%*	951.490	749.985		201.505	81.430	120.075						
5	*Of which instruments with LTV higher than 80% and lower or equal to 100%*	603.172	405.102		198.070	59.695	138.375						
6	*Of which instruments with LTV higher than 100%*	1.749.373	471.160		1.278.213	159.472	1.118.741						
7	Accumulated impairment for secured assets	1.352.795	55.335	8.239	1.297.460	94.299	1.203.162	11.565	51.926	45.101	156.893	403.289	534.388
8	Collateral												
9	*Of which value capped at the value of exposure*	5.395.727	4.291.441	105.154	1.104.286	377.349	726.937	75.117	153.345	106.310	116.593	164.673	110.899
10	*Of which immovable property*	5.085.990	3.994.048	99.842	1.091.942	373.249	718.693	73.637	148.802	105.274	115.801	164.532	110.647
11	*Of which value above the cap*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
12	*Of which immovable property*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
13	Financial guarantees received	136.276	123.719	3.088	12.557	4.378	8.178	1.209	1.599	2.196	1.003	885	1.286
14	Accumulated partial write-off	152.853	--	--	152.853	--	152.853	--	19.116	3.000	14.850	78.248	37.639

6.1.13.15 Changes in the stock of non-performing loans and advances

The tables below present the movements of the gross carrying amount of non-performing loans and advances during 2019 and 2018 respectively, with specific details on the net cumulative recoveries related to these changes:
(Ref. Template 8 - EBA/GL/2018/10)

31 December 2019 (€000)		a	b
		Gross carrying amount	Related net accumulated recoveries
1	**Initial stock of non-performing loans and advances**	2.474.386	
2	Inflows to non-performing portfolios	415.744	
3	Outflows from non-performing portfolios	(614.296)	
4	Outflow to performing portfolio	(122.907)	
5	Outflow due to loan repayment, partial or total	(165.455)	
6	Outflow due to collateral liquidations	(11.936)	(11.470)
7	Outflow due to taking possession of collateral	(101.779)	(85.527)
8	Outflow due to sale of instruments	--	--
9	Outflow due to risk transfers	--	--
10	Outflows due to write-offs	(168.215)	
11	Outflow due to other situations	(44.004)	
12	Outflow due to reclassification as held for sale	--	
13	**Final stock of non-performing loans and advances**	**2.275.834**	

31 December 2018 (€000)		**a**	**b**
		Gross carrying amount	**Related net accumulated recoveries**
1	**Initial stock of non-performing loans and advances**	2.110.199	
2	Inflows to non-performing portfolios	618.520	
3	Outflows from non-performing portfolios	(254.333)	

4	Outflow to performing portfolio	(29.326)	
5	Outflow due to loan repayment, partial or total	(103.202)	
6	Outflow due to collateral liquidations	(4.605)	(4.448)
7	Outflow due to taking possession of collateral	(45.901)	(34.333)
8	Outflow due to sale of instruments	--	--
9	Outflow due to risk transfers	--	--
10	Outflows due to write-offs	(55.779)	
11	Outflow due to other situations	(15.520)	
12	Outflow due to reclassification as held for sale	N/A	
13	**Final stock of non-performing loans and advances**	**2.474.386**	

The Bank continues its efforts to achieve the reduction of non-performing exposures. During 2019, reductions of about €614m have been achieved, mainly driven from cures of accounts successfully meeting the non-performing exposure exit criteria, repayments following successful restructurings of accounts pending reclassification to performing during probation period, through sale or repossession of collaterals and write-offs.

6.1.13.16 Collateral obtained by taking possession and execution processes

The tables below present the value at initial recognition of collateral obtained by taking possession and held in the Group's Balance Sheet as at 31 December 2019 and 31 December 2018 respectively, as well as accumulated impairment or accumulated negative changes to the initial recognition value of the respective collaterals. Foreclosed assets (assets repossessed consensually and non-consensually) are reported by asset category. (Ref. Template 9 - EBA/GL/2018/10)

31 December 2019 - (€000)	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	--	--
Other than PP&E	224.884	(48.909)
Residential immovable property	20.639	(1.174)
Commercial Immovable property	204.245	(47.735)
Movable property (auto, shipping, etc.)	--	--
Equity and debt instruments	--	--
Other	--	--
Total	**224.884**	**(48.909)**

31 December 2018 - (€000)	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	--	--
Other than PP&E	199.884	(37.277)
Residential immovable property	16.512	(213)
Commercial Immovable property	183.372	(37.064)
Movable property (auto, shipping, etc.)	--	--
Equity and debt instruments	--	--
Other	--	--
Total	**199.884**	**(37.277)**

6.1.13.17 Collateral obtained by taking possession and execution processes – vintage breakdown

The tables below present the gross carrying amount and the related impairment of debts cancelled in exchange for the collateral obtained by taking possession, the value at initial recognition and the accumulated negative changes to the initial value of the collateral obtained, including vintage breakdown of the foreclosed assets as at 31 December 2019 and 31 December 2018 respectively. Foreclosed assets (assets repossessed consensually and non-consensually) are reported by asset category. (Ref. Template 10 - EBA/GL/2018/10)

31 December 2019 - (€000)	Debt balance reduction		Total collateral obtained by taking possession									
					Foreclosed <=2 years		Foreclosed >2 years <=5 years		Foreclosed >5 years		Of which: Non current assets held for sale	
	Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
Collateral obtained by taking possession classified as PP&E	--	--										
Collateral obtained by taking possession other than that classified as PP&E	341.438	(159.597)	224.884	(48.909)	89.208	(2.809)	95.141	(8.565)	40.535	(37.535)	--	--
Residential immovable property	32.397	(12.219)	20.639	(1.174)	11.785	(84)	8.528	(883)	326	(207)	--	--
Commercial immovable property	309.041	(147.378)	204.245	(47.735)	77.423	(2.725)	86.613	(7.682)	40.209	(37.328)	--	--
Movable property (auto, shipping, etc.)	--	--	--	--	--	--	--	--	--	--	--	--
Equity and debt instruments	--	--	--	--	--	--	--	--	--	--	--	--
Other	--	--	--	--	--	--	--	--	--	--	--	--
Total	341.438	(159.597)	224.884	(48.909)	89.208	(2.809)	95.141	(8.565)	40.535	(37.535)	--	--

31 December 2018 - (€000)	Debt balance reduction		Total collateral obtained by taking possession									
					Foreclosed <=2 years		Foreclosed >2 years <=5 years		Foreclosed >5 years		Of which: Non current assets held for sale	
	Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
Collateral obtained by taking possession classified as PP&E	--	--										
Collateral obtained by taking possession other than that classified as PP&E	281.522	(129.319)	199.884	(37.277)	150.547	(171)	8.634	(1.020)	40.703	(36.087)	--	--
Residential immovable property	27.842	(11.828)	16.512	(213)	16.058	--	--	--	453	(213)	--	--
Commercial immovable property	253.680	(117.491)	183.372	(37.064)	134.489	(171)	8.634	(1.020)	40.250	(35.874)	--	--
Movable property (auto, shipping, etc.)	--	--	--	--	--	--	--	--	--	--	--	--
Equity and debt instruments	--	--	--	--	--	--	--	--	--	--	--	--
Other	--	--	--	--	--	--	--	--	--	--	--	--
Total	281.522	(129.319)	199.884	(37.277)	150.547	(171)	8.634	(1.020)	40.703	(36.087)	--	--

6.1.13.18 Changes in the stock of general and specific credit risk adjustments

The table below identifies the changes in the stock of general and specific credit risk adjustments held against loans and debt securities that are impaired *(Ref: Template 16: EU CR2-A – Changes in the stock of general and specific credit risk adjustments).*

As at 31 December 2019, there were no impaired debt securities.

Individual impairment losses on individual and collective assessment basis are deducted from exposures in the process of calculating the Bank's credit risk capital requirements and considered as specific credit risk adjustments.

Changes in the stock of general and specific credit risk adjustments - 31 December 2019 (€000)		a	b
		Accumulated specific credit risk adjustments	**Accumulated general credit risk adjustments**
1	Opening balance	1.352.088	--
2	Increases/decrease due to amounts set aside for estimated loan losses during the period	29.057	--
	Of which:		
2a	Contractual interest on impaired loans	153.078	--
2b	Unwinding of discount	(57.279)	--
4	Decreases due to amounts taken against accumulated credit risk adjustments	(216.830)	--
5	Transfers between credit risk adjustments	--	--
6	Impact of exchange rate differences	4.928	--
7	Business combinations, including acquisitions and disposals of subsidiaries	--	--
8	Other adjustments	--	--
9	Closing balance	1.265.042	--
10	Recoveries on credit risk adjustments recorded directly to the statement of profit or loss*	--	--
11	Specific credit risk adjustments directly recorded to the statement of profit or loss*	--	--

*All recoveries on credit risk adjustments and specific credit risk adjustments are made via the accumulated impairment losses on the value of loans and advances.

Increases of accumulated specific credit risk adjustments due to amounts set aside for estimated loan losses during 2019 of €29.057 thousand (2018: €58.542 thousand) (refer to Note 19 of the Financial Statements for the year ended 31 December 2019) reflect further balance sheet de-risking incorporating the possibility of recovery through a sale of NPEs portfolio. The decrease compared to last year was mainly due to the high impairment losses booked in 2018 as a result of the acquisition of the ex-CCB portfolio, that under IFRS 9, attracted loss allowance at the first reporting date after it was recognised.

The table above does not include provisions to cover credit risk resulting from commitments and guarantees amounting to €24.425 thousand which are classified under other liabilities (refer to Note 32 of the Financial Statements for the year ended 31 December 2019).

For more information in relation to management of credit risk, refer to Note 49.3 of the Financial Statements for the year ended 31 December 2019.

6.1.13.19 Non-performing and forborne exposures

The tables below identify the changes of stock of defaulted exposures and debt securities as at 31 December 2019 and 2018 respectively *(Ref: Template 17: EU CR2-B – Changes in the stock of defaulted and impaired loans and debt securities):*

31 December 2019 - (€000)			**Gross carrying value defaulted exposures***
1	**Opening balance**		**2.526.440**
2	Loans and debt securities that have defaulted or impaired since the last reporting period		198.060
3	Returned to non-defaulted status		(125.633)
4	Amounts written off		(216.093)
4A	Loans and debt securities that have been resolved through Debt For Asset / Foreclosures		(96.997)
4B	On-Boarding of ex-CCB portfolio		--
4C	Sale of NPL Portfolio		--
5	Other changes		42.505
6	**Closing balance**		**2.328.282**

31 December 2018 - (€000)			**Gross carrying value defaulted exposures***
1	**Opening balance**		**2.334.254**
2	Loans and debt securities that have defaulted or impaired since the last reporting period		50.921
3	Returned to non-defaulted status		(36.584)
4	Amounts written off		(142.775)
4A	Loans and debt securities that have been resolved through Debt For Asset / Foreclosures		(53.187)
4B	On-Boarding of ex-CCB portfolio		482.975
4C	Sale of NPL Portfolio		(123.852)
5	Other changes		14.689
6	**Closing balance**		**2.526.440**

*Includes off-balance sheet exposures.

The main driver of the decrease in defaulted exposures in 2019 was the deleveraging activity that was pursued by the Bank which led to reduction through repayments, foreclosures, debt to asset swaps and write-offs effected as part of settlement solutions. At the same time, defaulted exposures reduced as a result of cures that incurred from repayments.

6.1.14 Securitisations

The Bank holds a portfolio of securitisation positions, classified under its Banking Book. The Bank's investments in bonds are governed by the Hellenic Bank Investment Framework (HBIF) which is reviewed and approved by the Board of Directors on a yearly basis (latest approval date was on January 16th, 2020). The Framework provides for a diversified bonds portfolio and allows for investments in securitisation positions while restricting investments in re-securitisations. The BoD has approved (within the HBIF) a proportion of the Bank's total bond investments to be in high quality securitisations, as part of the efforts to maintain a well-diversified portfolio of bonds.

During 2019, the Bank has acted only as an investor in transactions involving securitisation issues and has not originated, issued or sponsored any securitisations.

The Bank manages the credit risk stemming from its investments in securitisations through the HBIF which sets a maximum concentration limit for exposures in securitisations, expressed as a percentage of the Group's CET1 Capital. In addition to the overall exposure limit in securitisations, HBIF sets "Issuer" concentration limits for securitisations, expressed as a percentage on the Group's CET1 capital. The "Issuer" concentration limit allows investments only in tranches which are AAA-rated (according to CRR article 138). Investments in securitisations are performed only if an issue meets the requirements of Article 405 of CRR (articles 5 & 6 referring to risk retention of regulation EU 2017/2402), and in specific that the originator, sponsor or original lender has explicitly disclosed to the institution that it will retain, on an ongoing basis, a material net economic interest which, shall not be less than 5%. As at 31/12/2019, the Bank maintained an exposure of €3.9m in SoFi AAA-rated tranches and €39.9m in Helix senior unrated tranche. Helix was exceptionally approved by the Bank's BoD on 21/12/2019, as the limits included in HBIF do not allow for investments in unrated securitisations. The Bank monitors the quality of the underlying portfolio on an ongoing basis, in accordance with the data provided by the issuer / originator / sponsor.

The investments in SoFi are classified in the accounting category "Fair Value through Other Comprehensive Income", while the exposure in Helix senior tranche has been classified as "at Amortised Cost". These positions follow the same accounting treatment as any other item in the relevant category in accordance with IFRS 9, which is effective from 1 January 2018. As at year end, there were no off- balance sheet and no outstanding securitisation exposures.

The Bank monitors possible deteriorations of the securitisations' risk metrics through the "Early Warning Signals" embedded in the Framework which also specify the course of action to be taken in case the issues are downgraded by one notch or more. In addition, "Early Warning Signals" are in place for monitoring the price risk of these investments. Furthermore, the Trustee reports issued for the specific exposures are also examined by Treasury and Risk Management on regular intervals to monitor any potential deterioration of the risk metrics of the exposures, such as a significant increase in the delinquency rates. Finally, the Bank has ongoing subscriptions with rating agencies to receive industry analyses in relation to specific sectors and rating alerts, in case there is any deviation in the ratings of the securitisation exposures, while it also maintains constant access to secondary market rates.

The risks of securitisation positions are monitored on a regular basis and reported to ALCO on a monthly basis. The securitisation positions held by the Bank as at 31/12/2019 did not have adequate liquidity in the market and were not considered liquid for the Bank's liquidity reports. The interest rate risk of the positions is monitored as part of the Bank's overall interest rate risk management.

The Bank calculates the risk-weighted exposure amount of a securitisation position by applying the relevant risk weight to the exposure value, where the exposure value equals the accounting value remaining after specific credit risk adjustments have been applied. With respect to calculating risk weighted assets for securitisations, the Bank uses the SEC – ERBA approach, Article 263 of Regulation 2017/2401 for SoFi securities and Article 267 (Look-Through-Approach) of Regulation 2017/2401 for the Helix security.

Securitisation Activity of the Current Period (2019)

During 2019, the Bank increased its exposure in securitisations by making an investment in Helix senior tranche for an amount of €39.9m. As at end of 2019, the Bank's exposure in securitisations was as per the table below:

Items representing securitisation positions – 31 December 2019 (€'000)		Total exposure value before credit risk mitigation	Minimum capital requirement
Securitisation Positions		43.893	4.858
Risk Weight: 20%		*3.937*	*63*
Look-Through		39.956	4.795
Total		**43.893**	**4.858**

6.1.15 Exposures to Counterparty Credit Risk (CCR) and Credit Valuation Adjustment (CVA) Risk

Article 432 of CRR provides that Institutions have the right to omit one or more disclosure requirements if the information provided by such disclosures is not regarded as material. Information in disclosures shall be regarded as material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

Pursuant to EBA Guidelines on materiality, proprietary and confidentiality and on disclosure frequency under Articles 432(1), 432(2) and 433 of CRR, the BoD has decided that the disclosure requirements of Article 439 of CRR and information relating to Credit Valuation Adjustment Risk (CVA Risk) to be omitted from Pillar III disclosures since the information provided under this Article is not regarded as material for the Bank, as per the Provisions of the said guidelines.

The information requirements of Article 439 relate to Derivative Exposures while the information on CVA risk relates specifically to Over-The-Counter Derivative Exposures of the Bank. This information has been assessed as non-material on the basis of:

- Business model of the Bank and its long-term strategy to which derivative positions are assessed as non-relevant.
- The size of the derivative exposures both in terms of gross exposure (4bps of total exposure) and in terms of Risk Weighted Asset Base (7bps of Credit RWA).
- The size of CVA Risk in terms of Risk Weighted Asset Base (5bps of Total RWA)
- Impact on the overall risk profile of the institution which is deemed as negligible based on the amount and nature of the exposure.
- The amplitude of changes in comparison with previous year which are assessed as negligible.

The materiality of the disclosure requirements included in Article 439 and information related to CVA Risk will be re-assessed each year.

6.2. MARKET AND LIQUIDITY RISKS MANAGEMENT

6.2.1 Definition of Market and Liquidity Risks

Liquidity risk is the risk that the Bank either does not have adequate funds to meet its payment obligations as they fall due, or can obtain such funds only at an unacceptably high cost. Liquidity risk arises because of a contractual or a behavioural tenor mismatch between the Bank's assets and liabilities and could be aggravated by adverse market conditions or perceptions about the Bank's creditworthiness.

Market risk is the risk associated with changes in market prices/rates, such as interest rate changes, changes in equity, bond or derivatives prices and changes in foreign exchange rates, which may impact the Group's net income or the value of the Group's balance sheet items.

Market risk is analysed into the following types of risks:

(i) Interest rate risk is the risk associated with losses or volatility in the value of balance sheet items, arising mainly from changes in the yield curve and resulting from the mismatch in the repricing of the Group's assets and liabilities.

(ii) Price risk is the risk associated with changes in the market prices of various financial instruments (bonds, derivatives, equities, etc.) owned by the Group.

(iii) Foreign exchange risk is the risk of losses or volatility in the value of balance sheet items, arising from foreign exchange movements.

6.2.2 Market and Liquidity Risk Unit (MLRU)

The Assets and Liabilities Management Committee (ALCO) is responsible for implementing the policy of the Bank's Board of Directors regarding the risks and profitability arising from the Group's assets and liabilities. MLRU is responsible for the identification, assessment, monitoring, controlling and reporting of Group market and liquidity risks within the framework of risk policies and limits defined by ALCO. It acts as a second line of defence for the aforementioned risks.

The Group's approach towards market and liquidity risk management is to concentrate these risks for all Group business units under the Treasury department. Treasury- which acts as the first line of defence- manages risks using a framework of activities and limits approved by ALCO. The Risk Management Unit is responsible for developing policies and processes for managing the risks and for their assessment and monitoring. Policies are reviewed at regular time intervals and are approved by ALCO, the Board Risk Management Committee and the Board of Directors itself.

6.2.3 Liquidity Risk Management Framework

Liquidity risk is the risk of decrease in profits or capital, arising from a weakness of the Bank to meet its immediate obligations, without incurring additional costs. The Group's approach in managing liquidity risk is to ensure, to the extent possible (considering that the main role of the Bank as an intermediary is to accept short term deposits and grant long term loans), that there is adequate liquidity in order to satisfy its obligations, when they arise, under "normal" circumstances as well as under stress conditions, without the Group incurring any additional costs.

In the Group's Risk Appetite Framework (RAF), the Board has defined the Bank's liquidity risk capacity to be limited by the condition that the Bank will not accept any risk that would result in its Liquidity Coverage Ratio falling below regulatory requirements. The overall risk appetite statement related to liquidity defines the objectives of the Bank as follows:

- The Bank will maintain sufficient liquidity to cover a combined idiosyncratic and market stress event of at least 90 days.
- The Bank will maintain its LCR at least at 120% for all currencies combined.
- The Bank will maintain an NSFR for all currencies of at least 110%.
- The Bank will maintain its longer-term liquidity stability at prudent levels through ensuring that the Bank's Strategic and Funding Plans are aligned with the RAS limits for Liquidity Risk.

The management of the liquidity is undertaken by the Treasury Department. Treasury acts as a first line of defence with regards to liquidity risk and is also responsible for the funding and cash management of the Bank.

All frameworks and policies concerning liquidity risk are reviewed and approved by ALCO, before being forwarded to the BoD, through the Board Risk Management Committee (BRMC), for final approval. Hellenic Bank has a robust internal liquidity risk reporting process in place which is used to monitor and manage the Bank's liquidity position.

The liquidity risk of the Bank is monitored on a daily basis by the Market and Liquidity Risk Unit, which produces and distributes on a regular basis a wide range of reports to various recipients including MLRU, Treasury, CRO, ALCO and BRMC. A monthly report is produced for ALCO which includes amongst others, the monitoring of regulatory and internal liquidity ratios, liquidity gaps, monitoring of funding risk and the evolution of the Bank's deposits. The report also includes possible measures that should be taken, as well as recommendations for enhanced monitoring.

The Bank has a sound escalation process for any actual or anticipated internal or regulatory liquidity limit breaches. Possible limit breaches are timely reported by the MLRU to ALCO and the CRO. Subsequently, the CRO informs the chairman of BRMC who decides whether to notify all BRMC members. MLRU also has the responsibility to highlight any drivers behind the breach. The CRO informs BRMC about any remediation action taken by ALCO in order to restore positions within limits. The BRMC receives on a monthly basis, a Risk Management Information Report which includes, among others, significant measures and developments for liquidity risk. The Board of Directors is also informed, on a monthly basis, on a number of liquidity measurements which have been identified as KPIs. The BRMC and the BoD also receive a quarterly risk report which presents liquidity ratios, funding risk information, analysis of the characteristics of the Bank's deposit structure and stress test scenarios on liquidity.

MLRU reports the LCR and Additional Liquidity Monitoring Metrics (ALMM) to the CBC and the ECB on a monthly basis and the Net Stable Funding Ratio (NSFR) on a quarterly basis. In addition, other liquidity reports are produced quarterly as part of the Short Term Exercise submitted to the SSM.

The Bank's liquidity and funding risk is governed by the following internal frameworks and policies, which also establish the relevant processes for managing and monitoring the Bank's liquidity and funding on an ongoing basis:

- Enterprise Risk Management Framework
- Risk Appetite Framework
- Liquidity and Funding Risk Management Framework
- Stress Test Framework
- Liquidity Risk Policy
- Funding Policy
- Funds Transfer Pricing Policy
- Stress Testing Policy

The key liquidity and funding risk mitigation tools at times of stress are included in the Bank's:

- Liquidity Contingency Plan (LCP)
- Recovery Plan

The liquidity risk management process is shown in the table below:

Business-as-usual	Early signs of liquidity stress	Severe liquidity stress	Recovery
• **Funding Plan** • **Monitoring liquidity limits (Liquidity Risk Policy)** • **Stress testing** • **ILAAP** • **Monitoring liquidity Key Performance Indicators (KPIs) and Early Warning Indicators (EWIs)**	• Increase vigilance • Increase monitoring and reporting frequency • Management Action Triggers (RAF MAT)	• Activate Liquidity Contingency Plan (LCP) • Execute appropriate LCP Management Actions	• Activate Recovery Plan • Execute appropriate liquidity recovery options

To assist the Bank in determining its liquidity tolerance and liquidity buffers, MLRU uses liquidity stress testing, including reverse stress testing, and conducts an Internal Liquidity Adequacy Assessment Process (ILAAP) at least annually. The overall aim of ILAAP is to ensure that the Bank holds sufficient liquidity to support its current banking operations and Strategic Plan. ILAAP is used to support the BoD and senior management in the ongoing assessment, quantification and management of the Bank's liquidity risk. In the context of ILAAP, the Bank reviews how its liquidity position may evolve under a number of possible scenarios. Liquidity stress testing is a key tool

used by the Bank in the process of determining its liquidity adequacy. It provides useful insights and gives an overview of the Bank's liquidity situation and profile for a period of 12 months. These are used by the Bank into developing liquidity and funding plans, and thus there is a direct link between liquidity stress testing and the determination of the Bank's required liquidity buffers and Strategic Plan. The Bank covers three different scenarios when performing liquidity stress testing. The scenarios used, according to regulatory guidance on liquidity stress testing, are the following:

- An idiosyncratic (or bank-specific) stress.
- A market-wide stress.
- A combined stress (combination of idiosyncratic and market-wide).

Additionally, the Bank uses reverse stress testing to examine the viability and sustainability of the business plan and strategy, by identifying a predefined outcome that will severely threaten its liquidity viability.

The Bank's LCP details how the Bank will respond to severe disruptions to its ability to timely fund its activities at a reasonable cost. It aims at safeguarding the Bank's reputation, depositor confidence and shareholder value, as well as preventing contagion effects, by decisively and promptly addressing liquidity shortfalls in emergency situations. It establishes clear lines of responsibilities and includes escalation procedures and guidance on the communication plan that should be established in the event that the LCP is activated. LCP is reviewed at least annually and revised as required.

The Group must comply with the Liquidity Coverage Ratio (LCR) as per the provisions of the Commission Delegated Regulation (EU) 2015/61 (which supplements CRR with regards to the liquidity coverage requirement for Credit Institutions). The LCR was in effect from 1 October 2015 with a regulatory limit of 60% increasing to 100% from 1 January 2018 when the full phase-in of the requirement was effected.

LCR ratio (%)		**2019**	**2018**
At 31 December		512	565
Average for the year		539	355
Maximum percentage for the year		582	565
Minimum percentage for the year		496	282

The table below shows a quantitative analysis of LCR which complements Article 435(1)(f) of Regulation No 575/2013 *(Ref: Template EU LIQ1: LCR disclosure template and the template on qualitative information on the LC R)*:

Scope of consolidation: Consolidated € million		Total unweighted value (average)				Total weighted value (average)			
Quarter ending on:		Mar-19	Jun-19	Sep-19	Dec-19	Mar-19	Jun-19	Sep-19	Dec-19
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					6.195	7.517	8.466	8.491
CASH – OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	5.041	5.858	6.008	5.341	346	399	413	378
3	*Stable deposits*	3.549	4.134	4.152	3.509	177	207	208	175
4	*Less stable deposits*	1.492	1.725	1.856	1.832	169	192	205	203
5	Unsecured wholesale funding	2.195	2.313	2.419	2.464	1.302	1.383	1.460	1.510
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	29	32	44	43	7	8	11	11
7	*Non-operational deposits (all counterparties)*	2.165	2.281	2.375	2.422	1.295	1.375	1.449	1.499
8	*Unsecured debt*	-	-	-	-	-	-	-	-
9	Secured wholesale funding					-	-	-	-
10	Additional requirements	143	161	208	261	17	18	21	25
11	*Outflows related to derivative exposures and other collateral requirements*	5	5	5	5	5	5	5	5
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	138	156	204	257	12	13	17	20
14	Other contractual funding obligations	30	27	21	23	13	8	1	1
15	Other contingent funding obligations	1.089	1.156	1.167	1.119	91	97	90	79
16	**TOTAL CASH OUTFLOWS**					1.769	1.905	1.985	1.994
CASH – INFLOWS									
17	Secured lending (e.g. reverse repos)	-	-	-	-	-	-	-	-
18	Inflows from fully performing exposures	285	294	295	325	274	281	282	312
19	Other cash inflows	364	421	466	470	87	105	114	104
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	**TOTAL CASH INFLOWS**	649	715	760	795	360	386	396	416
EU-20a	***Fully exempt inflows***	-	-	-	-	-	-	-	-
EU-20b	***Inflows subject to 90% cap***	-	-	-	-	-	-	-	-
EU-20c	***Inflows subject to 75% cap***	649	715	760	795	360	386	396	416
						TOTAL ADJUSTED VALUE			
21	**LIQUIDITY BUFFER**					6.195	7.517	8.466	8.491
22	**TOTAL NET CASH OUTFLOWS**					1.409	1.517	1.589	1.577
23	**LIQUIDITY COVERAGE RATIO (%)**					422%	487%	534%	539%

It is noted that according to the EBA guidelines, for the calculation of the values shown in the table above, each quarterly observation is the 12-month average of the previous months.

It is noted that within September 2018, the Bank acquired certain assets and liabilities from ex-CCB, and this increased the LCR ratio significantly. This is the reason for the gradual increase of the LCR average ratio displayed in the table above. The LCR ratio is well above the regulatory minimum level of 100%. It is noted that for the USD, which is the Bank's foreign currency with material positions, the Bank does not have a mismatch, meaning that it maintains a ratio well above 100%. The Bank has included LCR in its Risk Appetite Statement with a risk appetite limit set to 120%, higher than the regulatory limit.

Additionally, the Bank monitors the Net Stable Funding Ratio (NSFR) which also stems from CRR and which was expected to be officially introduced on 1 January 2018. NSFR has been developed to provide a sustainable maturity structure of assets and liabilities. It calculates the proportion of available stable funding via the liabilities over required stable funding for the assets. The components of stable funding are not equally weighted.

Even though the official introduction of this ratio as a regulatory limit is being delayed and is expected sometime later in 2020, the Bank calculated this as per the Basel III (CRR) requirements on a quarterly basis, with an expected minimum regulatory level of 100%. The Bank has included NSFR in its Risk Appetite statement with a RAS limit of 110%, higher than the expected regulatory limit

NSFR ratio (%)		**2019**	**2018**
At 31 December		199	210
Average for the year		200	180
Maximum percentage for the year		205	210
Minimum percentage for the year		198	156

The Group places emphasis on the maintenance of stable customer deposits, as they represent one of its basic funding sources. This is mainly achieved through the maintenance of good and long-standing relationships of trust with customers and through competitive and transparent pricing strategies, also taking into consideration the liquidity position of the Bank.

The Bank aims to maintain an adequate liquidity buffer, based on the abovementioned policies, which will allow it not only to meet its obligations as they fall due in a business-as-usual scenario, but also in order to be able to survive a combined market-wide and idiosyncratic scenario, as defined in ILAAP. In particular, to determine the minimum required level of liquid assets, the Bank considers the RAF Management Action Trigger levels of Liquidity Risk metrics.

The quality of the liquid assets held by the Bank is safeguarded by the Bank's Investment Framework (HBIF), which promotes a well-diversified, high credit quality investment portfolio, while placing a limit on non-ECB eligible securities.

6.2.4 Market Risk Management Framework

The Bank's approach in managing market risk is to gather, to the extent possible, all market related risks (interest rate, foreign exchange and price risk) from all Bank's business lines to Treasury for management. Treasury, which acts as a first line of defence with regards to market risks, is responsible for the day-to-day management of the Bank's market risks within the framework of activities and the limits approved by the ALCO. The Risk Management Unit (RMU) is responsible for developing all necessary frameworks and policies for the monitoring and management of risks. These frameworks and policies are regularly reviewed-usually annually- and approved by ALCO and forwarded to the BoD through the BRMC for approval. Additionally, in an effort to mitigate risks, quantitative as well as qualitative limits are imposed on various risk categories and/or activities (bonds, derivatives, etc.) and/or portfolios. The MLRU is responsible for the systematic monitoring of compliance with approved limits and the continuous effectiveness of hedging and risk mitigation techniques.

6.2.4.1 Market Risk Management – Trading Book

The Bank maintains relatively small positions in its trading portfolio and as a result, market risk is not significant. Management of price risk, interest rate risk and foreign exchange risk is carried out through policies and procedures for the setting and monitoring of limits.

Based on the existing Bank's policy, the views of RMU are required before launching new activities or products. Final approval is provided by the Executive Risk Committee. Through this procedure, RMU expresses its views on all risks that may be encompassed by the new activity or product and sets qualitative restrictions and limits if necessary.

The MLRU monitors all trading portfolios on a daily basis to ensure that all qualitative and quantitative limits are being observed and complied with. Additionally, the MLRU regularly monitors risks with the use of other techniques, such as stress scenarios and sensitivity analysis, regarding changes in the economic value of portfolios that may take place under several interest rate change scenarios (including both parallel and non-parallel shifts of the yield curve).

Foreign exchange risk management is carried out by Treasury, within a framework of limits approved by the ALCO. This framework consists of nominal limits (by currency, in total, intra-day, end-of-day, etc.), profit/loss limits, as well as Value-at-Risk (VaR) limits. Intra-day limits for open positions are greater than those allowed at the end-of-day. The nominal limits set by the Bank are lower than the limits set by the Central Bank. Foreign exchange risk management is carried out on a consolidated basis, both in the banking and in the trading books.

The VaR methodology is an important tool for monitoring foreign exchange risk. VaR estimates the maximum potential loss that may be incurred as a result of changes in market conditions, at a confidence level of 99% and over a one-day period (using the parametric method) based on historical data of foreign exchange rate parities over the period of one year.

The table below presents data regarding VaR for the Group's foreign exchange risk, which shows the estimation of the maximum potential loss over a one-day period at a confidence interval of 99%:

Value-at-Risk (VaR) for foreign exchange risk (€000)	**2019**	**2018**
As at 31 December	9	7
Average for the year	7	8
Maximum for the year	13	13
Minimum for the year	5	5

Besides foreign exchange limits, the Bank does not have limits for proprietary trading.

6.2.4.2 Market Risk Management – Banking Book

The Bank manages the price risk of its banking book through frameworks and policies for the setting and monitoring of limits, similar to those described above for the trading book. More specifically, an approved framework that the Bank maintains is the Investment Framework with various limits, such as a limit on Bonds and Syndicated loans, limit on total investments, limits per issuer group, limits on maturities and limits on Value-at-Risk.

Interest rate risk is the most significant type of market risk in the Bank's banking book, arising from the mismatch in the repricing of the Bank's assets and liabilities, which are sensitive to interest rate changes.

The ALCO is regularly informed about the magnitude/extent of interest rate risk and makes decisions for the management of risk based on this information. A monthly report that is prepared by the MLRU for ALCO includes the impact on Net Interest Income and on Economic Value from parallel and non-parallel shifts in the yield curve. In addition, the BRMC, the BoD and the regulatory authorities are kept informed of developments regarding interest rate risk through quarterly reporting. Reporting to the BRMC and the BoD includes the impact of shifts in the yield curve on Net Interest Income and on the Economic Value of the Bank and interest rate risk measurements for the Bank's investments in bonds.

In addition, interest rate risk in the Banking Book is assessed through the ICAAP on an annual basis, using stress testing scenarios which take into consideration both net interest income measurements, economic value of equity measurements, parallel and non-parallel shifts to interest rates and basis risk. The six scenarios defined in the BCBS standard on "Interest rate risk in the Banking Book" are included in the scenarios assessed in ICAAP.

Interest rate risk is measured on a monthly basis. The Group manages interest rate risk in the banking book with the use of three main methods as described below:

(a) Interest Rate Gap (IR Gap)
The Group manages interest rate risk through the monitoring of interest rate gaps, by currency, by time band and in total. Assets and liabilities in each currency are classified under time bands based on their repricing period. Interest rate gap by time band is the difference of assets and liabilities under each time band. This helps to identify time bands with significant interest repricing mismatch.

(b) Economic Value of Equity sensitivity analysis (EVE sensitivity)
In addition to gap analysis, interest rate risk management is carried out mainly by monitoring the sensitivity of the Group's economic value (assets, liabilities and off-balance sheet items), under various scenarios of interest rate changes. One of these scenarios is a standard shock of 2% change in interest rates on the economic value of the Group according to guidelines by CBC. EVE sensitivity from a 2% change in interest rates needs to be below 20% of total Own Funds according to CBC guidelines while EVE sensitivity from the six prescribed interest rate shock scenarios needs to be below 15% of Tier 1 Capital according to the updated IRRBB EBA guidelines. The Bank has approved within its risk appetite framework, a limit of 10% of Tier 1 Capital based on EBA's six prescribed interest rate shock scenarios. The Economic Value of Equity sensitivity of the Bank for 31 December 2019 calculated as the largest negative sensitivity from the set of EBA's six prescribed interest rate shock scenarios, was 2,6% of Tier 1 Capital, well within the regulatory limit and the risk appetite limit.

In the calculation of EVE sensitivity, for the discounting needed to perform the calculations, the risk-free yield curve was used for each currency.

The table below presents the impact on the Group's Economic Value of Equity (EVE) from a set of 6 interest rate shock scenarios prescribed in the IRRBB EBA Guidelines of 2018[15], for the significant currencies, which are the EUR and the USD at year end.

Amounts (€000)	EVE Sensitivity 31.12.2019					
	Interest rate scenarios					
	Parallel Up	Parallel Down	Steepener	Flattener	Short rates down	Short rates up
EUR	118.983	14.056	62.568	(25.811)	(16.951)	12.230
USD	12.294	(14.275)	3.488	(592)	(5.108)	4.693
Total	**131.277**	**(7.247)**	**66.056**	**(26.403)**	**(22.059)**	**16.923**

Based on the above results, the largest negative sensitivity of EVE at the end of 2019 was under the "Flattener" scenario and amounted to €26,4m or 2,6% of the Bank's Tier1 Capital. The aggregation of the impact on EVE was performed based on the EBA guidelines according to which, when there is a need to add negative and positive changes occurring in each currency, positive changes are weighted by a factor of 50%.

It is also noted that for the calculation of both EVE and NII sensitivity under scenarios with interest rate reductions, the IRRBB EBA Guidelines were followed for currencies with negative interest rates (a post shock floor of -1% was assumed) and, in addition, floors were inserted to specific products for which interest rates cannot be reduced lower than zero.

(c) Net Interest Income sensitivity analysis (NII Sensitivity)
The Group also monitors interest rate risk by measuring the sensitivity of Net Interest Income, for a period of 12 months, under various interest rate change scenarios. The scenarios applied for the NII sensitivity are a parallel shock of 200 basis points increase and a parallel shock of 200 basis points decrease in interest rates (using floors, where appropriate).
The table below shows the impact on the Group's Net Interest Income (over the next 12 months) as a result of a change of ±200 basis points in interest rates for the significant currencies, which are the EUR and USD at year end:

[15]According to the 2018 European Banking Authority (EBA) guidelines, for the Euro, the parallel shock scenario is set at 200 basis points (bps), the short-term shock scenario at 250 bps and the long-term shock scenario at 100 bps. For the US Dollar, the parallel shock scenario is set at 200 bps, the short-term shock scenario at 300 bps and the long-term shock scenario at 150 bps. The flattener and the steepener shock scenarios are a combination of short and long-term shock scenarios.

Change – 31 December 2019 (€000)		Euro	US Dollars	Total
+200 basis points		42.994	2.392	**45.386**
-200 basis points		(11.823)	(2.392)	**(14.215)**

(d) Significant assumptions in interest rate risk calculations
The Bank uses a static balance sheet for its interest rate risk calculations.

The most significant assumptions which affect the calculation results concern the treatment of non-maturity deposits (NMDs). These accounts do not have a contractual maturity. The interest rate could theoretically be reset immediately after a change in market interest rates. In reality, however, these accounts receive rates much lower than wholesale market levels which reach as low as 0%.

Thus, for the calculation of interest rate risk for these deposit accounts and in order to reflect this behaviour of NMDs, these accounts need to be separated to core and non-core deposits and core deposits need to be slotted into time buckets. In this way, the Bank assesses how fast these balances might decay and have to be replaced with funding that is subject to a higher interest rate. The Bank has modelled NMDs through simulating deposit volumes for different categories to identify core deposits and their maturity. The average maturity of total NMDs is estimated at around 2,6 years and it is significantly lower than the maximum maturity of 5 years specified in the EBA Guidelines of 2018.

In relation to loans, prepayment models have not been used, mainly due to the fact that fixed rate loans are a very low proportion of the Bank's loans.

Items considered as non-sensitive to interest rate movements, which include shareholders' capital, reserves, fixed assets, goodwill, etc. are not inserted in time bands.

The banking portfolio includes investments in bonds. The Bank maintains an Investment Framework approved by the Board, which governs investments in bonds and syndicated loans in the banking book. The risk of bond investments classified in the accounting category FVOCI, although included in the interest rate risk measurement described above, is also evaluated separately (with the risk of bonds in the trading portfolio). The Bank assesses the market risk of these bonds by measuring the VaR, with a retention period of one month and a 99% confidence level. The Bank has set an internal limit to this risk measure

6.2.4.2.1 Exposures in equity securities
The Bank has limited exposure in equities and does not have a risk appetite to increase this exposure. Most of the positions are of a strategic nature in unlisted equities. The exposure to listed equities in the FVOCI category amounts to €1,4m and they concern equity securities in a few companies which are listed in the Cyprus Stock Exchange. The only exposure in the FVPL category is a position in unlisted equities, amounting to €6,6m, which represents shares in Visa. The most significant position in unlisted equities (€6,0m) is in an unlisted company held on business grounds (JCC Payment Systems Ltd) and is held in the FVOCI category. The Group has an additional exposure to collective investment units which are part of the investment policy of the insurance subsidiaries of the Group.

It is noted that all Investments in equity securities are currently held in the Banking Book.

The following information is disclosed in respect of exposures in equity securities not included in the trading book:

Equity securities not included in the trading book (€000)		2019
Quoted securities in the FVOCI category		1.386
Unquoted securities in the FVOCI category		6.179
Unquoted securities in the FVPL category		6.571
Total - Carrying amount/(fair value)		14.136
Gains on disposal of FVOCI equity securities		--

Equity securities not included in the trading book (€000)		2019
Cumulative unrealised gains included in the revaluation reserve in respect of FVOCI equity securities		6.151

6.2.4.2.2 Policy in relation to hedging market risks

Hedging is the practice of taking a position in one market to offset and balance against the risk adopted by assuming a position in a contrary or opposing market or investment. The Group will usually use derivatives where it seeks to hedge risk and where the hedge is considered to be highly effective in accordance with its policy. Derivatives are generally either privately negotiated OTC contracts or standard contracts transacted through regulated exchanges. The Group currently enters into the following contracts for hedging purposes: interest rate swaps, foreign exchange forward and swap contracts and interest rate options. The Bank may also use, if needed for hedging, interest rate futures, foreign exchange options and foreign exchange futures. Hedging transactions may be categorised as accounting hedges or as economic hedges. Economic Hedges arise when the Bank enters into derivative contracts for its own risk management purposes, but the contracts entered into, do not qualify or are not approved as an Accounting Hedge under IFRS. An accounting hedge may be a fair value hedge or a cash flow hedge. The treatment of these transactions is as per IFRS standards. The Bank regularly monitors the effectiveness of the hedging relationships both for Economic and Accounting Hedges.

6.2.5 Basel III Implementation for Market Risk – Pillar I

The Group has been in compliance with Regulation 275/2013 as of January 2014.

For calculating the minimum capital requirement, the Group uses the Standardised Approach. Based on this method, the capital requirement is calculated as the sum of the capital requirements on risk positions in interest rates, equities, debt securities, foreign exchange and derivatives, which are part of the trading book, based on predetermined models per risk category.

The table below shows the capital requirements for the trading book, by risk category (*Ref: Template 34: EU MR1 – Market risk under the standardised approach*)

(€000)			RWAs	Capital Requirements
	Outright products			
1	Interest rate risk (general and specific)		912	73
2	Equity risk (general and specific)		--	--
3	Foreign exchange risk		--	--
9	**Total**		**912**	**73**

It should be noted that under Article 351 of the CRR, the Bank is required to maintain capital for foreign exchange risk only if its overall net foreign exchange position exceeds 2% of its Own Funds. In the Bank's case, the overall net foreign exchange position was less than 2%, so there was no need to hold capital for foreign exchange risk.

For more information in relation to market and liquidity risk management, refer to Note 49 of the Financial Statements for the year ended 31 December 2019.

6.3 OPERATIONAL RISK MANAGEMENT

6.3.1 Definition of Operational Risk

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. For Hellenic Bank, this definition includes legal, conduct and reputational risks, but excludes strategic risk.

The Bank has adopted the principles and provisions set out in the guidelines of the Directives of the Central Bank of Cyprus, the Single Supervisory Mechanism, Basel III (CRR) as adopted by the EU and the Committee for European Banking Supervisors (CEBS).

6.3.2 The Three Lines of Defence - roles, responsibilities, obligations

The Board supports the development of a robust operational risk management culture where the roles of business and control functions under a Three Lines of Defence (LoD) model, are well understood and respected. The Board encourages open discussion, challenge and thorough analyses of operational risks identified, to ensure that they are managed within the risk appetite of the Bank.

The first LoD comprises of Business Line Management bearing ultimate ownership of risks taken. Business line management is responsible for identifying and managing the risks inherent in the products, activities, processes and systems for which it is accountable.

The second LoD consists of an independent operational risk management function overseeing risk management, establishing and providing support in implementing and embedding relevant policies. It provides support to internal audit to assure the adequate implementation of those policies. Information Security Function and Compliance Unit, also form part of the Bank's second LoD, albeit under their separate Charters where each Unit's second line role and responsibilities are respectively and explicitly stated. Several other Units (Risk Partner Units) also perform some second LoD tasks: Business Continuity, Health Safety & Security, Internal Legal Services, Human Resources, O&M, Tax, IT, etc.

The third LoD is the Internal Audit Unit, which represents the Independent review for objective verification and validation of the effectiveness of the Bank's Operational Risk Management Framework.

All three LoDs report to the Board of Directors, so in essence the latter forms the Banks 's fourth LoD.

6.3.3 Operational & Emerging Risk Unit (O&ER)

O&ER is an independent Unit under the Chief Risk Officer, empowered to oversee operational risk management.

Under its second Line of Defence remit, the O&ER's key responsibilities include:

- Suggesting the Bank's Operational Risk Management Framework.
- Establishing the control environment for operational risk, including policies and partly procedures.
- Designing operational risk management tools, used by business lines to identify, assess and manage risks.
- Suggesting delegated discretions and limits to empower risk taking by the first line.
- Applying a continuous and independent challenge to the use and output of the operational risk management tools used by the first line of defence.
- Designing and providing training and awareness on operational risk.
- Reporting on the effectiveness of the risk and control environment to executive management and relevant Board committees.
- Promoting a strong operational risk management culture.

O&ER provides guidance and advice on operational risk matters to the Bank's business lines and Head Office departments and acts as a means of communication to and from the business lines and the Board of Directors.

O&ER makes recommendations for the management of operational risks identified in all major products, services, procedures and systems of the Bank, before they are adopted or implemented.

O&ER assesses identified operational risks and provides guidelines for the prevention and mitigation of potential consequences/losses. Operational risk management is viewed and treated by O&ER as a dynamic process which ultimately aims to assist the Bank in achieving its objectives.

6.3.4 Operational Risk Management Procedures

The procedures adopted by the Bank include the identification and recording, assessment, reporting, control (mitigation) and monitoring of the operational risks undertaken or to be undertaken by the Bank (the Operational Risk Management Cycle).

In order to identify and manage the operational risk, Group Business Lines (supported by O&ER) use:

- Own knowledge of their business.
- Risk & Control Self-Assessment (RCSA).
- Key Risk Indicators (KRIs).
- Internal Audit Reports.
- External Audit Reports.
- Experience from managing Operational Risk incidents
- Best practices as provided via training and awareness actions of O&ER and Risk Partner Units

Operational and Emerging Risks fulfils its Second Line of Defence risk management role, in line with the principles prescribed in the Operational Risk Management Framework of the Bank, to appropriately identify, quantify, assess and to mitigate / manage operational risks of the Bank. Operational Risk performs ongoing monitoring of prevailing operational risks and events across the Basel prescribed operational risk categories as depicted below and instigates / tracks relevant action plans in order to reduce and mitigate any residual risks.

Basel Event-type Categories:

- **Internal Fraud** (e.g. theft, forgery, unauthorized activity)
- **External Fraud** (e.g. theft, forgery, hacking)
- **Employment Practices & Workplace Safety** (e.g. safe environment, employee relations, discrimination)
- **Clients, Products & Business Practices** (e.g. improper business or market practices, money laundering, suitability/disclosure issues, product flaws)
- **Damage to Physical Assets** (e.g. Natural Disaster losses, Vandalism, terrorism)
- **Business Disruption and System Failures** (e.g. Software/hardware failure, Utilities outage/disruptions)
- **Execution, Delivery and Process Management** (e.g. customer intake and documentation, transaction capture, execution and maintenance, vendors and suppliers).

Over the course of 2019, the Bank put in place relevant operational controls, governance and oversight in order to ensure the effective management of operational risks emanating from integration activities of the assets & liabilities acquired from the ex-CCB. The existence of a strong and effective control environment facilitated successful completion of the project.

Over the first Quarter of 2020 and in the context of its Business Continuity process, the Bank's has established the relevant operational procedures, processes and infrastructure in order to cope with operational mitigation activities associated with the COVID-19 pandemic. Accordingly, the Bank has diverted relevant resources to contingency management of the pandemic, which ensured the uninterrupted performance of its critical services and activities.

6.3.5 Reporting Systems

O&ER, using information recorded in the Risk & Compliance Management System (RCMS), from the Risk Assessments and data included in ad-hoc reviews of business lines procedures, products and 3rd party agreements submits reports as necessary on the following topics:

- Operational Risk Losses / Near Misses / potential losses.

- Systems failures and business disruptions.
- Incidents affecting directly or indirectly the reputation of the Bank.
- Key Risk Indicators.
- Risk & Control Risk Assessments' results.
- Issues raised by Risk Partner Units, where operational risks have been identified.

Operational and Emerging Risk submits the following reports:

- Monthly to the Executive body (the Enterprise Risk Management, Compliance and Information Security Committee) whereby key operational risk issues are highlighted, any relevant requests are submitted for approval/escalation, important internal and external operational risk events are presented, and a selection of key operational risk indicators are reported
- Quarterly to the Risk Management Committee of the Board of Directors referring to the major operational risks to which the Bank is exposed, the measures taken for their mitigation and relevant recommendations.
- Annually to the CBC through processed reports such as the Internal Capital Adequacy Assessment Process (ICAAP)
- Monthly operational risk metrics presented to the BRMC, as well as to the Board of Directors, as part of the monthly Risk Management Information Report (Risk MIR)

6.3.6 Risk Hedging and Mitigation Policies

The Operational Risk Management Cycle is applied by the Bank through its daily operations.

Identified operational risks are either tolerated, treated, transferred or terminated, in line with the Risk Appetite Statement "will not take any risk that cannot be assessed, reported or controlled or that, in extremis, could jeopardise the viability of the Bank".

Operational Risk incidents are recorded and managed via RCMS (some via other systems first).

O&ER monitors transaction and cashing limits, as allocated by the Board Risk Management Committee to the Chief Executive Officer and sub-allocated to General Managers and Line Managers.

Operational risk monitoring encompasses a range of relevant factors such as:

- The size of the potential maximum loss and estimated likelihood of occurrence.
- The nature, complexity and size of related activities and relevant strategic objectives.
- The possible consequences on profitability from identified operational risks, capital adequacy implications including Pillar II, personnel matters and reputational implications.

Particular emphasis is given to the management of procedures, personnel training, including the ongoing development of the 'Risk Champions' network, the setting of limits, design of contingency plans and in general promoting an operational risk management culture. To this end, an operational risk awareness program informing the organization of trainings, workshops and information sessions as well as monthly awareness mailings aim to build up a strong operational risk management culture and to inform staff about specific operational risk management tools and processes.

6.3.7 Internal Audit

The Internal Audit Unit carries out audit assignments and advises the Board of Directors and the Chief Executive Officer on the effectiveness and appropriateness of the procedures used for the management of Operational Risk. Internal Audit assures the implementation of the Bank strategy and policy for the management of operational risks.

6.3.8 External Audit

Audits are also being carried out by external auditors and the CBC for the appropriateness and suitability of the procedures used for the management of operational risks.

6.3.9 Capital Requirement

- The Group uses the Basic Indicator Approach for the calculation of the capital requirements for operational risk. Under the Basic Indicator Approach (BIA), the own funds requirement for operational risk is equal to 15% of the average of three years of the relevant indicator as set out in Article 316 of the CRR. The relevant indicator is based on the sum of the Group's net interest income and its net non-interest income after certain qualification adjustments. Following the Acquisition, and after obtaining the approval of ECB, the Bank amended the calculation of the relevant indicator under the BIA approach to take into account the acquisition of the perimeter, pursuant to Article 315(3) of Regulation (EU) No 575/2013, by using the three-year forward-looking business estimates for the acquired perimeter using the available historical data of the combined entity.

The table below presents the minimum capital requirement for the coverage of operational risk:

Operational Risk (€000)		**Minimum Capital Requirement**
Basic Indicator Method		**60.759**
Total Required Capital		**60.759**

For more information on the operational risk management refer to Note 49 of the Financial Statements for the year ended 31 December 2019.

7. ENCUMBERED AND UNENCUMBERED ASSETS

Encumbered asset is an asset which has been pledged as collateral against an existing liability and as a result is no longer available to the Group for further collateral or liquidity requirements. Unencumbered asset is an asset which has not been pledged against an existing liability.

The total assets which are encumbered are a small proportion of the Group's total assets. There was only one main asset type, cash accounts, which was encumbered at 31 December 2019. Encumbered cash accounts derive from two main sources. The first is due to the CSA agreements signed with counterparties when transacting in derivatives, which is a common practice in the market. The second source is due to a CLS (Continuous Linked Settlements) agreement that the Group has signed as a third party.

In general, the Group, as part of its policy, will not have significant proportions of encumbered assets. However, the Group may decide to pledge the pool of available eligible securities – if conditions change and the need arises – as a possible source of immediate funding for the Group.

The Group does not, in general, pledge the collateral provided by customers to secure additional funding.

The Bank's subsidiaries that fall under the prudential consolidation basis do not have any encumbered assets.

The following table presents the position of encumbered and unencumbered assets of the Group at 31 December 2019:

Position of encumbered and unencumbered assets (€000)		Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Loans on demand		116	N/A	4.988.176	N/A
Equity instruments		--	--	14.136	14.136
Debt securities		--	--	4.299.444	4.397.679
Loans and advances other than loans on demand		132.850	N/A	6.047.265	N/A
Other assets		--	N/A	707.594	N/A
Assets of the reporting institution		**132.966**	**--**	**16.056.615**	**4.411.815**

The following table presents the position of collateral received in respect to encumbered and unencumbered assets at 31 December 2019:

Position of collateral received in respect to encumbered and unencumbered assets (€000)		**Fair value of encumbered collateral received or own debt securities issued**	**Fair value of collateral received or own debt securities issued available for encumbrance**
Collateral received by the reporting institution		--	19.640.947
Equity instruments		--	28.639
Debt securities		--	268
Other collateral received		--	19.612.040
Own debt securities issued other than own covered bonds or ABSs		--	--

The table below presents the position of encumbered assets and collateral received and associated liabilities at 31 December 2019:

Position of encumbered assets and collateral received and associated liabilities (€000)		**Matching liabilities, contingent liabilities or securities lent**	**Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered**
Carrying amount of selected financial liabilities		15.698	66.988

8. LEVERAGE RATIO

According to CRR, Article 429, the leverage ratio is calculated as an institution's capital measure divided by the institution's total exposure measure expressed as a percentage.

The leverage ratio of the Group is calculated using two capital measures:
(a) Tier 1 capital: fully phased-in definition.
(b) Tier 1 capital: transitional definition.

According to the Regulation No.2015/62 of the European Parliament and Council dated 10 October 2014, as at 31 December 2019 the Leverage Ratio for the Group was 6,97% (Bank: 6,85%) compared to 5,42% (Bank: 5,40%) as at 31 December 2018. The Leverage Ratio on a fully loaded basis for the Group was formed at 6,68% (Bank: 6,67%) compared to 5,20% (Bank: 5,19%) as at 31 December 2018.

Summary reconciliation of accounting assets and leverage ratio exposures (€000)		**31 December 2019**
Total Assets as per Financial Statements		**16.307.551**
Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation		(117.988)
Adjustments for derivative financial instruments		6.992
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)		384.095
Other adjustments		(39.899)
Total leverage ratio exposure		**16.540.751**

Leverage ratio common disclosure (€000)		**CRR Leverage Ratio Exposure 31 December 2019**
Exposure Values		
Derivatives: Current replacement cost		1
Derivatives: Add-on under the mark-to-market method		7.004
Off-balance sheet items with a 10% CCF - in accordance with Article 429 (10) of the CRR		78.752
Off-balance sheet items with a 20% CCF - in accordance with Article 429 (10) of the CRR		40.632
Off-balance sheet items with a 50% CCF - in accordance with Article 429 (10) of the CRR		127.284
Off-balance sheet items with a 100% CCF - in accordance with Article 429 (10) of the CRR		137.426
Other assets		16.225.264
(-) Asset amount deducted - Tier 1 capital - fully phased-in definition		(72.330)
(-) Asset amount deducted - Tier 1 capital - transitional definition		(75.613)
Total Leverage Ratio exposure - using a fully phased-in definition of Tier 1 capital		16.510.435
Total Leverage Ratio exposure - using a transitional definition of Tier 1 capital		16.540.751
Capital		
Tier 1 capital - fully phased-in definition		1.103.717
Tier 1 capital - transitional definition		1.136.052
Leverage Ratio		
Leverage Ratio - using a fully phased-in definition of Tier 1 capital		6,68%
Leverage Ratio - using a transitional definition of Tier 1 capital		6,87%

Split-up of on balance sheet exposures (excluding derivatives and repurchase transactions) (€000)		Amount
Trading Book Exposures		--
Banking book exposures, of which:		16.225.264
Covered bonds		230.526
Exposures treated as sovereigns		8.127.839
Central governments and central banks		7.923.925
Regional governments and local authorities treated as sovereigns		--
MDBs and International organisations treated as sovereigns		203.914
PSEs treated as sovereigns		--
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns		9.828
Regional governments and local authorities NOT treated as sovereigns		4.370
MDBs NOT treated as sovereigns		5.449
PSEs NOT treated as sovereigns		10
Institutions		1.039.252
Secured by mortgages on immovable properties; of which		1.368.841
Secured by mortgages of residential properties		989.575
Retail exposures		2.374.879
Retail SME		429.072
Corporate		1.169.167
Financial		81.109
Non-financial		1.088.058
SME exposures		830.805
Corporate exposures other than SME		257.253
Exposures in default		932.093
Other exposures; of which:		972.838
Securitisation exposures		43.893
Total on-balance sheet exposures (excluding derivatives and repurchase transactions)		16.225.264

The regulatory transitional leverage ratio of the Group has increased in 2019 as a result of the increased exposure in Treasury activity.

8.1 RISK OF EXCESSIVE LEVERAGE

The risk of the excessive leverage is the risk resulting from the Bank's vulnerability due to leverage or contingent leverage that may require unintended corrective measures to its business plan, including distressed selling of assets which might result in losses or in valuation adjustments to its remaining assets.

The Bank employs a traffic light approach for monitoring and managing the risk of excessive leverage by establishing the following thresholds:

- Target Operating Level that amounts to 5% which is 200 bps greater than the expected absolute regulatory minimum.
- Risk Appetite Limit that amounts to 4,75% which is 100 bps greater than the expected absolute regulatory minimum.

The above thresholds are defined in the Bank Risk Appetite Statement and are used for the formulation of the Bank Recovery Plan.

Upon the breach of the Target Operating Level
, the Bank will start considering whether the early activation of the relevant recovery options is deemed as appropriate to bring the Leverage Ratio back to the green zone. Upon the breach of the Risk Appetite Limit, the Bank will initiate the procedures that will enable a smooth activation of the Recovery Plan in case it is needed.

It is noted that the leverage ratio is calculated on a quarterly basis and is being reported through the production of the Recovery dashboard that is submitted to the ExCo and BoD.

The table below summarizes the traffic light approach as implemented by the Bank:

Light	Threshold	Actions Required
Green	>5%	None
Amber	≤4.75% AND <5%	Consider the early activation of specific recovery options
Red	≤ 4.75%	Initiate the procedures that will enable a smooth activation of the Recovery Plan

9. ECONOMIC ENVIRONMENT

2019 Economic Environment and Group operations in Cyprus

Cyprus has achieved an impressive turnaround following the 2013 economic crisis as the recovery continued strengthening for twenty consecutive quarters. After four consecutive years of robust growth, the Cyprus economy grew an annual 3,2% in 2019. From a sectoral point of view, growth in 2019 was mainly attributed to the sectors: Hotels and Restaurants, Retail and Wholesale Trade, Construction, Manufacturing, Professional, Scientific and Technical Activities and Administrative and Support Service Activities. Negative growth rate was recorded by the sector Financial and Insurance Activities.

For the period of January – December 2019 revenue from tourism is estimated at €2.683 million compared to €2.711 million in the corresponding period of 2018, recording a decrease of 1%. For the period of January – December 2019 arrivals of tourists totalled 3.976 thousand compared to 3.938 thousand in the corresponding period of 2018, recording an increase of 1%.

The course of the steady recovery path is reflected in the labor market, which tends to follow the recovery with a time lag. The gradual de-escalation of the unemployment rate in Cyprus is mainly due to the increased employment rate of the last two years. In February 2020, the unemployment rate declined further to 5,8% of the labor force, recording a decrease compared to the same month of the previous year (7,5%). For the period January – December 2019, inflation increased by 0,5% compared to the same period last year.

Public finances have been consolidated to a large extent to secure the sustainability of public debt. The preliminary General Government fiscal results for the period of January – December 2019 indicate a surplus of €603 million (2,8% of GDP), compared to a deficit of €926 million for the corresponding period of 2018 (-4,4% of GDP). The January – September 2018 deficit includes the cost of the Cyprus Cooperative Bank-Hellenic Bank deal for the month of September 2018. The Cypriot banking sector downsized significantly as a result of the Bank's acquisition of certain assets and liabilities of ex-CCB, the carve out of ex-CCB's non-performing portfolio and the sales of loan portfolios by Hellenic Bank, Alpha Bank Cyprus and Bank of Cyprus. At the same time, the banking regulatory and supervisory framework have been significantly strengthened. Banks continue to make progress in reducing their non-performing loan portfolios. In September 2019, problem loans have been reduced by 65% to €9,5 billion from a peak of €27,8 billion, a circa €18 billion decrease, equivalent to around 85% of the country's GDP.

The housing market continued its adjustment during the second quarter of 2019 bringing the cumulative fall in prices since mid-2008 to approximately 28% (Central Bank of Cyprus's Residential Property Price Index (RPPI)). In the second quarter of 2019, the RPPI recorded a positive growth rate of 2,8%. According to data from the Department of Land and Surveys, property sales recorded a new increase during 2019. Specifically, sales contracts submitted increased to 10.366 versus 9.242 in the previous year, recording an annual increase of 12%.

The economic recovery along with the improved domestic financial conditions have created and maintained an environment of improved confidence in the Cypriot banking industry. International credit rating agencies have provided and confirmed during the year higher credit ratings for Cyprus and the country's largest domestic banks. In September 2018, Standard and Poor's upgraded Cyprus' long-term credit rating "BBB", placing the economy on an investment grade after six years. Subsequently, in October 2018, Fitch upgraded the rating for the Cyprus sovereign to "BBB" from "BB+", affirming in April 2020, changing the horizon from positive to stable, amid the impact on the economy of the coronavirus (COVID-19) pandemic outbreak. In September 2019, Moody's Ratings affirmed the rating for Cyprus sovereign to "Ba2", two notches below investment grade, while changed the outlook from stable to positive.

Taking advantage of market conditions, in January 2020, the Republic of Cyprus successfully launched a dual tranche transaction (in total €1,75 billion), consisting of a €1.000 million 10-year bond (yield 0,73%) and a €750 million 20-year bond (yield 1,33%). Also, in 7 April 2020, the Republic of Cyprus successfully launched an additional dual tranche transaction (in total €1,75 billion), consisting of a €1.250 million 7-year bond (yield 1,5%) and a €500 million 30-year bond (yield 2,3%).

Cyprus' macroeconomic outlook was, pre-Covid, positive and accompanied by a significant increase in real gross domestic product during 2019, robust employment growth and further improvement in key domestic

indicators. Growth is expected to be supported by private consumption and investment and by an improving and robust labour market. Public expenditure is also expected to contribute positively to growth through higher investment expenditures. In the medium-term, the outlook of the economy is positive and growth is expected to continue albeit at a slower pace near its long-term average.

Despite the important steps taken towards restoring the positive economic climate, some degree of uncertainty remains, as the country still has certain issues to resolve, such as the high level of NPEs, and high unemployment and the high private and public debt, which are however on a steady declining trend. With regard to high public debt, the risks are mainly linked to the potential fiscal impact of Court rulings on past fiscal reforms and the financing needs of public hospitals during the first years of the national health system. The high level of NPEs, continue to pose significant risks to the stability of the domestic banking system and to the outlook for the economy.

From an exogenous perspective, the economic outlook may be negatively influenced due to slower than expected growth in Europe and the UK, the impact of the coronavirus on the global economy as well as from rising geopolitical tensions in the Middle East and Eastern Mediterranean, which could trigger adverse spillovers to economic confidence and consequently to the aggregate economic activity. In addition, downside risks may result from weaker-than-expected demand for tourist services due to renewed Brexit-related uncertainty regarding the future relationship of the UK with the EU. Additionally, developments over a potential reunification of Cyprus along with the exploitation of Cyprus' natural resources are being closely monitored to assess potential prospects and risks as they are evolving.

According to the baseline macroeconomic scenario, growth is expected to be 3% in 2020 (macroeconomic forecasts have not incorporated any effects from the coronavirus outbreak) and 2,8% in 2021. The pick-up in domestic demand is expected to be reflected in improved labor market conditions with unemployment decreasing to 6,5% in 2020 and 6,1% in 2021. Inflation in 2020 is expected to remain at relatively low levels, at around 1,2% in 2020 and 2021.

The above macroeconomic forecasts for 2020 are likely to be significantly negatively affected due to the recent outbreak of the coronavirus pandemic. The total extent and duration of the coronavirus economic impact are highly uncertain, but it is expected to be temporary. The outbreak is expected to have a significant negative economic impact mainly on the first and, to a lesser extent on the second half of 2020. The Cyprus economy is expected to start rebounding in the fourth quarter of 2020, as confidence returns. As the outbreak will eventually dissipate, the economic activity in Cyprus should accelerate and remain robust in line with the Bank's baseline projections.

The Bank monitors closely the developments in the Cypriot, European and Global economic environment and assessing the situation as it is evolving and has increased its level of readiness, so as to accommodate decisions, initiatives and policies to protect its capital and liquidity standing as well as the fulfilment, to the maximum possible degree, of its strategic and business plan for the quarters ahead.

Consequences of the recent developments

The Cyprus banking sector has gone through a reformation phase and is now in a strengthened capital and liquidity position. During the third quarter of 2019, its size has been reduced to a moderate 2,7 times the GDP or about the EU average. While decisive steps were taken and swift progress has been achieved throughout the banking sector, the high share of NPEs continues to impact banks' balance sheets. The Bank has managed to navigate successfully through the banking crisis. It has retained throughout the crisis its reputation for stability and confidence and is now focusing on strengthening and improving its market position within the Group's strategy of reorganizing and reforming its business model.

The main pillars of the strategy is the reduction of NPEs, the expansion of new lending, thus increasing the Bank's market share, and the increase of its revenues through other banking activities. Through the creation of the first debt servicing platform in the Cypriot market, the Bank is continuing the efforts for effectively resolving its NPEs in an accelerated way and with higher recoveries, leveraging on the knowhow, proven expertise and technical experience of APS Holding. Furthermore, the debt servicing platform allows the Bank to better allocate its resources on managing and growing the performing loan portfolio, by using its excess liquidity to the benefit of the market, as well as on continuing its digital transformation journey, the optimisation of corporate governance and the adaptation to the expanding compliance framework.

The Bank maintains sufficient liquidity which allows the exploitation of opportunities, maintaining its focus on organic growth. The focus of new loans will be to companies that increase the competitiveness and productivity of the country, such as in the sectors of retail and commercial activities, education, health, manufacturing, tourism and shipping by targeting specific customer profiles. At the same time, loans to the retail sector will be geared toward mortgages, small loans to new customers and supporting current customers who are deemed viable.

The Bank is on a solid footing and, importantly, during the last two years has become more robust and better equipped to withstand challenges. The Bank stands ready to support its clients, households and businesses, who will be affected by the coronavirus.

10. CORONAVIRUS (COVID-19) PANDEMIC

A major challenge for the international and local community is the recent coronavirus outbreak (COVID-19). With the recent and rapid development of the coronavirus pandemic outbreak the world economy entered a period of unprecedented crisis that has already caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments, including the Republic of Cyprus, have implemented restrictions on travelling as well as strict quarantine measures.

The event is considered as a non-adjusting event and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2019.

The Cyprus economy is expected to be negatively impacted by the Covid-19 pandemic. The output shock is projected to stem mainly from the external demand slowdown, as well as from domestically-driven uncertainty, affecting negatively private consumption and investment. On the other hand, the decline in Gross Domestic Product (GDP) will be moderated, as imports are also expected to decline, due to lower internal demand. The parallel sharp decline in oil prices, is expected to have a favourable impact on the Cyprus economy, as it will hold down headline inflation, thereby support consumers’ purchasing power.

The negative effects of the outbreak on the economic activity depend heavily on the range of its total extension and the timing of its curbing. The total extent and duration of the coronavirus economic impact are highly uncertain, but it is expected to be temporary.

The base case scenario for 2020 is that the outbreak is expected to have a significant negative economic impact mainly on the first and, to a lesser extent on the second half of the year. The Cyprus economy is expected to start rebounding in the fourth quarter of 2020, as confidence returns. As the outbreak will eventually dissipate, the economic activity in Cyprus should accelerate and remain robust in line with the Bank’s baseline projections.

The sectors of the Cyprus economy that are expected to be most affected are hospitality (hotels and food services activities), retail trade (excluding food trade) and transportation.

Recent facts and circumstances around COVID-19, during the first quarter of 2020, so far suggest that in 2020, the Cyprus economy is being negatively impacted by the pandemic outbreak and the resulting disruption of economic activity, which could primarily impact specific lending portfolios. This development may adversely affect the ability of certain borrowers to repay their obligations and, consequently, the amount of expected credit risk losses.

The economic implications depend to a large extent on how long this crisis will last and vary on a case-by-case basis as each sector of the economy is affected differently. In the context of efforts to relieve businesses and individuals affected by the coronavirus and its associated restrictive measures, the Government of the Republic of Cyprus has announced a package of fiscal and monetary measures. At the same time, the supervisory authorities of the systemic European banks are taking a number of supporting measures to enhance the liquidity of the financial institutions and also facilitate the gradual absorption of the effects on the capital adequacy ratios, as described in the next section.

The Bank is closely monitoring developments with regards to the effects of COVID-19 on both the internal

and external environment. As a result of the current challenging economic conditions ensuing from the COVID-19 outbreak, the Bank will update its macroeconomic assumptions underlying the IFRS 9 calculation of loan credit losses for the first quarter of 2020 as per EBA guidelines and anticipates that this may result in increased organic provisions in the first quarter of 2020, mainly driven by increase in Probabilities of Defaults on the performing book as a result of the deterioration in the macroeconomic environment, IFRS 9 Stage deteriorations and losses on the existing non-performing loan portfolio resulting from the prolongation of resolutions. Despite the expected impact, it is noted that a sizable part of the portfolio was already assessed through lifetime provisioning, whereas about 30% is protected by the government Asset Protection Scheme, after the ex-CCB transaction. Therefore, the overall cost of risk in the short to medium-term is expected to remain within reasonable levels.

Pre-provision profit is expected to be affected in 2020 by revenue loss as loan production is impaired, but the effort is to protect this as much as possible through reallocating capital to alternative yielding assets within the Bank's risk appetite and also aiming for cost reduction.

The preliminary assessment of the Bank, taking into account its exposure to the highly affected sectors, the nature of the current crisis as described above, the measures undertaken by the Government and the European Union (EU) Regulators in view of the COVID-19 outbreak, along with its current high capital adequacy and strong liquidity position, is that the capital and liquidity position of the Bank are expected to remain strong and above regulatory minimums.

Key measures taken by the European Commission, the Government of the Republic of Cyprus and the European Regulatory Authorities

European Commission

On 23 March 2020, the EU finance ministers approved the Stability and Growth Pact's 'general escape clause', which pauses the structural adjustments that countries must implement to meet their fiscal targets. This will allow member states to pursue a fiscal policy that departs from the budgetary requirements that would normally apply under the European fiscal framework in order to deal adequately with the pandemic outbreak.

On 9 April 2020, the Eurogroup announced a €540 billion rescue package. This included the use of the European Stability Mechanism (ESM) for €240 billion, which is approximately 2% of Eurozone GDP. The only conditionality is that this is required to fund the direct and indirect health care, cure and prevention costs of the coronavirus crisis. In addition, the Eurogroup endorsed the European Commission's €100 billion SURE (temporary Support to mitigate Unemployment Risks in an Emergency) initiative to support national short-term work schemes. Support will also be provided through the European Investment Bank (EIB) for €200 billion of loan guarantees with a focus on small and medium-sized enterprises.

Government of the Republic of Cyprus

The Government of the Republic of Cyprus has announced several measures to address the economic impact of the coronavirus (COVID-19) and to support the economy and entrepreneurship with the aim of safeguarding employment. The legislative acts of 27 March 2020, along with the Government's revised plan on 13 April 2020, have set relief measures of €1,3 billion (5,4% of GDP).

The measures, amongst others, include the temporary suspension of two months of VAT tax payments, financial support for businesses for which exceptional measures of suspension or temporary prohibition of operations apply or have undergone a decrease of their sales greater than 25%, salary substitution for employees of companies that are suspended from their operations, special purpose compensation for the affected self-employed and single person enterprises, as well as salary substitution for employees in special leave for care of children.

In view of the Covid-19 pandemic outbreak, on 27 March 2020 the Parliament voted a law where the Council of Ministers is authorized to take decisions in relation to the taking of extraordinary measures in relation to Financial Institutions (FI) and regulatory authorities for the purpose of safeguarding the financial stability. On 30 March 2020 the Minister of Finance issued a ministerial order within the framework of the Law. The effect of the Law and the respective order is that the payment of instalments of credit facilities are suspended for a certain period of time in relation to a category of eligible borrowers. In particular, the

Law authorises the Council of Ministers, among others, to decide for the suspension of instalments in relation to credit facilities granted to specified categories of debtors. The Law also provides that the suspension shall commence on the date of submission of an application in writing addressed to the FI. The Law also authorises the Minister of Finance to issue orders for the application of the Law.

The Ministerial Order (the Order) that was published on 30 March 2020 provides the following:

1. The applicability of the measures are from the date of the Order (30 March 2020) up to the 31 December 2020;
2. Instalments (including interest) for borrowers who are individuals, businesses, self-employed persons, and public entities (the Eligible Borrowers) are suspended until 31 December 2020;
3. There is a criterion that the Eligible Borrowers (i) cannot have had arrears of instalments beyond 30 days on 29 February 2020 and (ii) that they face financial difficulties as a result of the Covid-19 pandemic;
With a new ministerial Order on 7 May 2020, which complements the original order it is provided that they become also beneficiaries for the suspension of payments of instalments those who had settled their instalments in such a way that there are no overdue instalments beyond 30 days on 30 March 2020, and given that these arrears do not exceed €100 for retail loans and €500 for business loans.
4. The Eligible Borrowers who do want their instalments suspended need to send the FI an application in the form attached as appendix to the Order. The FI cannot reject such application unless applicant do not meet the criteria;
5. The total of the instalments (principal and interest) which has been suspended shall be added to the outstanding amount of the loan and shall not be due and payable at the expiry of the suspension, unless agreed otherwise between the debtor and the FI;
6. All terms of the contract (except for the repayment schedule) and security documents shall remain valid.

European Regulatory Authorities

On 18 March 2020, the European Central Bank (ECB) has launched a €750 billion emergency private and public bond plan to counter the impact of the coronavirus in the European economy.

Following, in March 2020, the ECB announced actions to mitigate the impact of COVID-19 on the European Union (EU) banking sector allowing more flexibility in the implementation of the European Banking Authority (EBA) Guidelines on management of non-performing and forborne exposures. HB

Meanwhile, the ECB, on 12 March 2020 announced supervisory and operational relief measures for the coronavirus impact. Specifically, the ECB and the EBA announced the following relaxation measures for the minimum capital and liquidity requirements for Banks in the Eurozone:

- Banks are temporarily allowed to operate below the level of capital defined by the Pillar 2 Guidance, the Capital Conservation Buffer, the Countercyclical Buffer and the Liquidity Coverage Ratio (LCR);

- Furthermore, the upcoming change under CRD5 regarding the P2R buffer was brought forward allowing the Pillar 2 Requirement (P2R) to be covered by Additional Tier 1 (AT1) capital and Tier 2 (T2) capital and not only by CET 1.

On 20 March 2020 ECB has announced supervisory measures to provide further flexibility in the supervisory handling of government guaranteed loans. On 25 March 2020, the European Banking Authority (EBA) issued statements to explain a number of additional explanatory aspects on the functioning of the prudential framework in relation to the classification of loans in default, the identification of forborne exposures, and their accounting treatment. In particular, the EBA clarified that generalized payment delays due to legislative initiatives and addressed to all borrowers do not lead to any automatic classification in default, forborne or unlikeness to pay.

The European Securities and Markets Authority (ESMA) in cooperation with European Banking Authority (EBA) also issued statements on 25 March 2020. Both authorities consider that the implementation of public or private decisions aimed at addressing the adverse systemic effects of the COVID-19, should not be regarded as an automatic indication that a significant increase has occurred of credit risk. In assessing the significant increase in credit risk, credit institutions are expected to use a certain degree of judgement and distinguish between borrowers whose credit standing would not be significantly affected by the current

situation in the long term, and those who would be unlikely to restore their creditworthiness. Finally, in the context of measures to provide guarantees for issuer exposures, ESMA points out that the existence of such credit enhancements may affect the precise calculation of expected credit losses, depending on whether they are considered part of the contractual terms or not and with whether they are recognized separately by the issuer.

On 27 March 2020 ECB updated its recommendation to banks on dividend distributions. According to the recommendation banks should not pay dividends for the financial years 2019 and 2020 until at least 1 October 2020. Banks should also refrain from share buy-backs aimed at remunerating shareholders.

On 1 April 2020 EBA called on regulators to request that companies adopt conservative remuneration polices and urged all European banks to temporarily suspend dividends distribution and share buybacks.

On 22 April 2020 ECB adopted temporary measures to mitigate the effect on collateral availability of possible rating downgrades resulting from the economic fallout from the coronavirus (COVID-19) pandemic.

The package of policy measures announced by the European Commission, the Government of the Republic of Cyprus and the European Regulatory Authorities should help reduce the negative impact of the coronavirus outbreak and support the recovery of the Cypriot economy.

11. BANK RECOVERY AND RESOLUTION DIRECTIVE (BRRD)

The Bank within the framework of the Bank Recovery and Resolution Directive (BRRD) is subject to the minimum requirement for own funds and eligible liabilities (MREL). The framework, which entered into effect on 1 January 2016, provides authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system. This is achieved by requiring banks to have a funding structure with a certain proportion of liabilities that can be written off or converted into equity in the event of a bank failure (that is: "bailed in"). Such liabilities, in combination with equity, are known as MREL.

The Bank has received a formal notification from the Single Resolution Board (SRB), of its final decision for the binding minimum requirement for own funds and eligible liabilities (MREL) for the Bank. Accordingly, based on financial and supervisory information as at 31 December 2018, the Bank is required to comply with the level of 9,47% of its consolidated total liabilities and own funds (TLOF) of €14.276.098.364 as at 31 December 2018, by 31 December 2025. The MREL requirement is calculated by the Bank as 28,5% of risk weighted assets. Based on SRB's eligibility criteria currently in effect and on the Bank's internal estimate, the Bank's MREL position was estimated at 22,6% of risk weighted assets at 31 December 2019.

The SRB decision is based on current legislation and on the Bank's financial position as at 31 December 2018, with the Bank required to comply with the MREL requirement over a period of almost six years. Thus, it is expected that the requirement may change over time due to: (a) possible changes in regulatory capital requirements and/or (b) changes in the financial position of the Bank (such as changes in RWAs, own funds, non performing exposures). The Bank anticipates that the MREL requirement will be assessed and set on an ongoing basis.

It is noted that the MREL requirement is aligned with the Bank's expectations and its strategic plan for the period 2020-2022, which provide for the issuance of relevant securities by the Bank for compliance with the MREL requirement by 31 December 2025. Accordingly, the strategic plan for the period 2020-2022 incorporates the issuance of €100 million MREL instruments in 2022.

12. 2020 ECB SREP STRESS TEST

The Bank was selected to participate in the ECB SREP stress test of 2020. As in 2016 and in 2018, in execution of its mandate and in close cooperation with the national competent authorities, the ECB runs two stress-testing exercises in 2020 – the EBA EU-wide stress test and the ECB SREP stress test, to assess the resilience of financial institutions to adverse market developments. The results of these exercises are factored into its overall assessment within the Supervisory Review and Evaluation Process (SREP).

The exercise was launched on the 31 January 2020 but it was postponed by until 2021 to mitigate the impact of COVID-19 on the EU banking sector and to prioritise operational continuity.

Appendix 1 – Flow of Risk Information to Management Body for Pillar III

Report Name	Report Description	Responsible Department	Recipient	Frequency
Quarterly Risk Report	Quarterly assessment and measurement of all risks and outlook covering, but not limited to specific CBC requirements. This report includes the Quarterly RAS breaches and/or dashboard.	RMU	BoD, BRMC, CBC	Quarterly
Annual Risk Report	Annual assessment and measurement of all risks and outlook covering, but not limited to specific CBC requirements. This report includes the Annual RAS breaches and/or dashboard.	RMU	BoD, BRMC, CBC	Annually
Annual Information Security Report	Annual summary of important information security risks, security incidents, corrective actions taken as well as outstanding issues which jeopardize the institution's information security	ISF	BoD, BRMC, CBC	Annually
ICAAP	Internal Capital Adequacy Assessment Process	RMU /Finance	BoD, BRMC, ExCo, ECB	Annually
ILAAP	Internal Liquidity Adequacy Assessment Process	MLRU/Finance	BoD, BRMC, ExCo, ECB	Annually
RISK Management Information Report (RISK MIR)	Monthly reports which inform BRMC and BoD of key risk-related developments by risk type	RMU	BRMC BoD	Monthly
Customer Watchlist Report	Report with updates on key problematic, pre-arrears and arrears clients captured by the Bank's Credit Monitoring & Control process	CM&C	BRMC	Quarterly to BRMC Monthly to ERM&C
Monthly Report to ALCO	Monthly assessment and measurement of market and liquidity risk	MLRU	ALCO	Monthly
HB Investment Framework monitoring	Monthly monitoring of positions, profitability and risk of bonds portfolio, international lending under the HB Investment Framework	CAEU, MLRU, Treasury, Corporate Development & Products	ALCO	Monthly
Risk metrics within Board of Directors KPI dashboard	Monthly monitoring of the Bank's key performance indicators	RMU/Finance	BoD, ExCo	Monthly
Monthly Customer Credit Risk Portfolio Analysis	Monthly loan portfolio risk assessment of the quality of loan portfolio	CRMU	ERMC	Monthly
Quarterly Impairments	Quarterly detailed presentation of the impairment results	RMU	ImCo/BAC	Quarterly
OER update	Operational Risk issues, events, losses, RCSAs, etc.	OER	ERMC	Monthly
Supplementary Key Risk Indicator Dashboard	Quarterly monitoring of the Bank's loan and investment portfolio	RMU	BRMC	Quarterly
Recovery Dashboard	Report on the Risk Related Recovery and Early warning Indicators	RMU/Finance	ExCo, BoD	Monthly

Report Name	Report Description	Responsible Department	Recipient	Frequency
Review of policies, frameworks and charters		All Managers	Relevant Executive Body Committee, BRMC, BoD	Annually for policies and charters. Every three years for framework s or more frequent, if this is deemed necessary

BAC	Board Audit Committee
BoD	Board of Directors
BRMC	Board Risk Management Committee
RMU	Risk Management Unit
CAEU	Credit Analysis & Evaluation Unit
CM&C	Credit Monitoring & Control
CRMU	Credit Risk Management Unit
ExCo	Executive Committee
ALCO	Assets & Liabilities Committee
MLRU	Market & Liquidity Risk Unit
CBC	Central Bank of Cyprus
ISF	Information Security Function
OER	Operational and Emerging Risk
ECB	European Central Bank
ERMC	Enterprise Risk Management Compliance & Information Security Committee
ImCo	Impairment Committee

Appendix 2 – References to EBA guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013 (EBA/GL/2016/11, version 2 and EBA/GL/2018/10)

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Template 28: EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk	Omitted
Template 31: EU CCR5-A – Impact of netting and collateral held on exposure values	Omitted
Template 32: EU CCR5-B – Composition of collateral for exposures to CCR	Omitted
Template 34: EU MR1 – Market risk under the standardised approach	6.2.5