RCB

Pillar III
Disclosures 2015

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Contents

1. Introduction

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

2. Scope of application

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

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

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

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

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

3. Materiality and confidentiality

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

4. Risk management objectives and policies

Risk management organization

The Bank implements an appropriate and holistic risk management framework, which ensures that all material risks are identified and managed on a basis of adequate and effective policies, systems, processes and procedures. An integrated and institution-wide risk culture, based on a full understanding of the undertaken risks, is developed by the Banks through policies, examples, communication and training of staff regarding their responsibilities for risk. The Management Body (hereinafter "MB" or "BoD") executes an oversight the Bank's framework for the treatment of risk. The Management Body activities are supported by the Risk Committee.

The Bank has a Risk Management Department ("RMD"). The RMD is an independent department within the Bank. The RMD is functionally responsible to the Management Body through the Risk Committee and organizationally reports to the Deputy CEO. The RMD deals with credit risk, market risk, operational risk and liquidity risk.

An effective risk appetite framework is used by the Bank to clearly articulate the aggregate level of risk and types of risk the Bank is willing to assume within its risk capacity to achieve its strategic objectives and business plan.

The Bank sets its risk appetite and strategy specifically for each risk type through the policies, controls and procedures that are established and is communicated throughout the organization.

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

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

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

4.1. Credit risk

4.1.1. Credit risk management and capital management

Credit risk is the risk of financial loss being incurred by the Bank if a client or counterparty fails to meet its contractual obligations and arises principally from lending activities that lead to loans and advances, including reverse repos, and investment activities that bring debt securities in the Bank's asset portfolio. There is also credit risk in derivatives and off-balance sheet financial instruments such as loan commitments and guarantees.

With respect to credit risk the strategic goal of the Bank is the acceptance of new risks by granting of credit facilities to international and domestic clients.

In Cyprus market, RCB aims to address the demand to solid clients by granting credit facilities to carefully selected, financially strong and well positioned companies. Strengthening of the presence of the Bank in Cyprus is aimed to further diversify the business and improve concentration levels in revenues and risks.

The Bank's target market, for international clients, are corporations and individuals having business in the Europe, CIS countries or any other part of the world seeking the services of a bank operating in an EU member state.

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

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

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

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

During 2015, the exposure to credit risk was low as the vast majority of the loans and advances to customers were collateralized by cash deposits.

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

Capital management

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

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

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

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

4.1.2. Policies mitigating credit risk

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

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

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

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

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

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

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

4.2. Market risk

4.2.1. Market risk management

The Bank takes on exposure to market risk, which is the risk of losses in on and off-balance-sheet positions arising from movements in the market variables. The main risks falling within the above definition are the risks pertaining to interest rate related instruments in the trading book and foreign exchange risk in the banking and trading books. The Bank is not exposed to market risk arising from commodity prices.

The Corporate and Investment Business at RCB is a strategic direction for development of the Bank. Corporate and Investment Business operations of the Bank are mainly focused on fixed income (bonds trading on own account and repo/reverse repo transactions), equities (cash equity trading, repo/reverse repo, and equity margin trading), non-delivery forwards, foreign exchange options, cross currency and interest rate swaps, and credit default swaps.

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

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

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

- Currency risk; and
- Interest rate risk.

The Bank has moderate appetite for market risk in debt instruments. Debt instruments may be included into the Treasury Portfolio which is used for liquidity management purposes. The Bank mainly holds positions in fixed income bonds issued by corporates and financial institutions incorporated in Europe and United States nominated in Euros and US dollars.

4.2.1.1. Currency risk

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

Limits exist on the level of exposure by currency and in total for both overnight and intra-day positions which are monitored daily. Currently these limits for the net open positions in any one currency are set to be more restrictive than the supervisory ones. The limits on the overall net foreign exchange positions are set to be equal to the regulatory limits.

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

4.2.1.2. Interest rate risk

Interest rate risk in the trading book is the risk that changes in the market interest rates will adversely affect the value of the Bank's trading portfolio. The capital requirements calculated for interest rate risk in the trading book are disclosed in Section 6.1.2.4 of this Report.

4.2.2. Policies for hedging and mitigating market risk

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

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

4.3. Concentration risk

Concentration risk is the risk arising from an uneven distribution of counterparties in credit or any other business relations or from a concentration in business sectors, geographical regions, countries or collaterals.

The Bank follows the maximum limits on exposures prescribed in section 11(1) of the Banking Law and the limits prescribed in Article 395 of CRR.

In addition, the Bank complies with sector and country limits set out by the Risk Committee in accordance with the internal methodology.

The Herfindahl Index is applied for the measurement and quantification of concentration risk. In 2015, the Bank assesses capital needs for concentration risk as part of its Internal Capital Adequacy Assessment Process ("ICAAP").

The Bank on a monthly basis reports to the Risk Committee the results of concentration risk on single obligor, business sector and geographical area.

4.4. Liquidity risk

4.4.1. Liquidity risk management

Liquidity risk is the risk that the Bank will be unable to meet its obligations as they fall due as a result of inability to liquidate assets, or obtain adequate funding, or will be unable to easily unwind or offset specific exposures due to the lack of liquidity in the market.

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

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

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

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

4.4.2. Policies mitigating liquidity risk

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

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

The Bank monitors the liquidity on a monthly basis through performing stress testing.

4.5. Operational risk

4.5.1. Operational risk management

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

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

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

In 2015, the Bank was managing operational risk through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

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

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

4.5.2. Policies mitigating operational risk

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

- Business continuity plan;
- Insurance;
- Outsourcing;
- Risk and Controls self-assessment;
- Key Risk Indicators.

4.6. Risk appetite statement

The Bank faces a broad range of risks during providing financial services to clients. The Bank defines its high-level risk appetite through the following qualitative standards:

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

5. Own funds

5.1. Summary

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

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

5.2. Original and additional own funds

The original and additional own funds of the Bank as at 31 December 2015 were as follows:

	EUR000
Common Equity Tier 1:	
Share capital	18.471
Share premium	120.600
Retained earnings	249.306
Accumulated Other Comprehensive Income	75.346
Less:	
- Intangible assets	(2.884)
- Asset value adjustments due to prudent valuation	(572)
Additional Tier 1 capital	**0**
Total Tier 1 capital	**460.267**
Tier 2 capital:	
Subordinated loan capital	63.013
Total Tier 2 capital	**63.013**
Total regulatory capital	**523.280**

The subordinated loan capital included within Tier 2 capital has an original maturity of seven years, is recognized initially at fair value, net of transaction costs incurred and is gradually amortized for regulatory purposes during the last five years before the repayment date, currently amounting to EUR63 million. The rights of the lender under the subordinated debt are at all times subordinated to the rights of all other creditors of the Bank.

As of 31 December 2015, the Tier 1 was in excess of the minimum regulatory requirements.

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

	Financial Statements EUR000	Pillar III Disclosures EUR000	Variance EUR000
Own Funds Reconciliation			
Share Capital	18.471	18.471	-
Share Premium	120.600	120.600	-
Retained Earnings	388.721	249.306	(139.415)
Accumulated Other Comprehensive Income	84.816	75.346	(9.470)
Intangible Assets	(2.884)	(2.884)	-
Prudential Filters	-	(572)	(572)
Subordinated loan	92.304	63.013	(29.291)
Total Own Funds	**702.028**	**523.280**	**(178.748)**

Variances arise from retained earnings, which for regulatory purposes are not yet included in the Tier 1 capital, from prudential filters required by CRR and from subordinated loan which the eligible amount that can be included as Tier 2 should be amortized according to CRR Article 64.

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

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

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

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

The section below presents an overview of the minimum capital requirements as of 31 December 2015. The risks included are credit risk, market risk and operational risk.

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

Furthermore, any equities within the Banks portfolio are included in the trading book, thus any disclosures related to equities not included within the trading book are not relevant. As at 31 December 2015, the Bank did not hold any equities in the trading book.

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

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

6.1.1. Credit risk - Standardized approach

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

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

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

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

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

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

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

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

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

Analysis of the Pillar 1 minimum capital requirements and risk weighted exposures as at 31 December 2015

	Risk Weighted Exposure EUR000	Capital Requirements EUR000
Exposure class		
Central Governments or Central Banks	288	23
Public Sector Entities	-	-
Exposures to institutions and corporates with short-term credit assessment	242.592	19.407
Corporates	1.078.915	86.313
Retail items	669	54
In Default	9.623	770
Items associated with particular high risk	12.531	1.002
Other items	43.818	3.505
	1.388.436	**111.074**

Within the asset classes of Institutions and Corporates, capital requirements of EUR611 thousand relate to counterparty credit risk and exposure to financial guarantees amount to EUR12.149 thousand.

6.1.2. Market risk - Standardized approach

6.1.2.1. Position risk - Traded debt securities

Position risk is split into general and specific risk.

- **General risk**

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

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

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

- **Specific risk**

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

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

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

6.1.2.2. Position risk - Equities

Position risk is split into general and specific risk.

- **General risk**

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

- **Specific risk**

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

As at 31 December 2015, the Bank did not have any exposures to equities.

6.1.2.3. Position risk - Foreign exchange risk

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

As per the CRR, if the overall net foreign exchange position is less than 2% of the Bank's own funds, no capital requirements exist, otherwise, capital requirements arise. There were no capital requirements for foreign exchange risk as at 31 December 2015, since the overall net foreign exchange position was less than 2% of the Bank's own funds.

6.1.2.4. Minimum capital requirements for market risk

	EUR000
Position risk - traded debt instruments in the trading book	19.998
Position risk - equities in the trading book	-
Foreign exchange risk banking and trading book	-
Commodities	-
Total	**19.998**

6.1.3. Operational risk - Standardised approach

As at 31 December 2015, the capital requirements calculated in accordance with the principles of the standardised approach amounted to EUR34.841 thousands.

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

As at 31 December 2015 there were no additional own fund requirements relating to any excesses on limits for large exposures.

6.2. Capital requirements summary

The Bank's Tier 1 capital ratio as at the end of 2015 was 22,0% and the total capital adequacy ratio was 25,0%.

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

	Risk Weighted Exposure EUR000	Capital Requirements EUR000
Credit Risk	1.388.436	111.074
Market Risk	249.975	19.998
Operational Risk	435.513	34.841
Credit Valuation Adjustment	22.537	1.803
Total	**2.096.461**	**167.716**

6.3. Internal capital assessment

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

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

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

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

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

7. Counterparty credit risk

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

7.1. Internal capital and credit limits for counterparty credit exposures

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

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

7.2. Policies with respect to wrong-way risk exposures

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

7.3. Gross positive fair value of contracts

As of 31 December 2015, the gross positive fair value of derivative contracts was EUR1.511 thousand.

7.4. Exposure value under mark-to-market method

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

As at 31 December 2015, the Bank's total derivative exposure value was EUR5.238 thousands, resulting in capital requirements of EUR611 thousands.

8. The Bank's exposure to credit risk

8.1. Definitions

A financial asset is considered to be past due when the obligor has failed on any material credit obligation to the institution for more than 90 days.

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

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

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

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

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

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

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

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics to the extent applicable to the Bank given the nature of its operations, the small number of loans and history of loan losses. The characteristics chosen are relevant to the estimation of future cash flow for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. However, loss probabilities and other loss statistics differ at a group level between (a) assets that have been individually evaluated for impairment and found not to be impaired and (b) assets that have not been individually evaluated for impairment, with the result that a different amount of impairment may be required.

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

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

	Central Governments or Central Banks EUR000	Claims on institutions and corporates with a short-term credit assessment EUR000	Corporates EUR000	Retail EUR000	In Default EUR000	High Risk Items EUR000	Other Items EUR000	Total EUR000
Exposure Type								
Cash and balances with Central Banks	419.920	-	-	-	-	-	-	419.920
Loans and advances to banks	-	-	-	-	-	-	-	-
Loans and advances to customers	-	1.129.529	11.281.559	866	52.897	9.456	-	12.474.307
- of which SME	-	-	421.506	-	-	-	-	421.506
Securities financing transactions	-	-	366.012	-	-	-	-	366.012
Derivative financial instruments	-	5.238	-	-	-	-	-	5.238
Other credit related liabilities	-	2.059	10.387	65	-	-	48.490	61.001
Total	**419.920**	**1.136.826**	**11.657.958**	**931**	**52.897**	**9.456**	**48.490**	**13.326.478**

8.4. Average amount of exposures for 2015 without taking into account credit risk mitigation, pre credit conversion factors

	Central Governments or Central Banks EUR000	Public Sector Entities EUR000	Institutions EUR000	STE EUR000	Corporates EUR000	Retail EUR000	In Default EUR000	High Risk Items EUR000	Other Items EUR000	Total EUR000
Exposure Type										
Cash and balances with Central Banks	428.416	-	-	-	-	-	-	-	-	428.416
Loans and advances to banks	-	-	23.052	-	-	-	-	-	-	23.052
Loans and advances to customers	-	143.023	-	1.162.022	9.955.465	732	51.260	2.364	-	11.314.866
- of which SME	-	-	-	-	418.991	-	-	-	-	418.991
Securities financing transactions	-	-	-	-	334.995	-	-	-	-	334.995
Derivative financial instruments	-	-	-	4.040	455	-	-	-	-	4.495
Other credit related liabilities	-	-	-	-	-	-	-	-	43.085	43.085
Total	**428.416**	**143.023**	**23.052**	**1.166.062**	**10.290.915**	**732**	**51.260**	**2.364**	**43.085**	**12.148.909**

8.5. Geographic distribution of exposures, pre credit conversion factors

Credit risk exposures by geographical area as at 31 December 2015

	Central Governments or Central Banks EUR000	Claims on institutions and corporates with a short-term credit assessment EUR000	Corporates EUR000	Retail EUR000	In Default EUR000	High Risk Items EUR000	Other Items EUR000	Total EUR000
Geographical area								
Cyprus	418.613	-	5.729.063	828	38.117	9.456	35.154	6.231.231
Europe	1.307	975.453	2.081.626	15	7.001	-	1.391	3.066.793
Russia	-	11.572	2.743.008	76	374	-	10.714	2.765.744
America	-	149.801	-	-	-	-	-	149.801
Other countries	-	-	1.104.261	12	7.405	-	1.231	1.112.909
Total	**419.920**	**1.136.826**	**11.657.958**	**931**	**52.897**	**9.456**	**48.490**	**13.326.478**

8.6. Distribution of exposures by industry, pre conversion factors

Credit risk exposures by industry as at 31 December 2015

	Central Governments or Central Banks EUR000	Claims on institutions and corporates with a short-term credit assessment EUR000	Corporates EUR000	Retail EUR000	In Default EUR000	High Risk Items EUR000	Other Items EUR000	Total EUR000
Industry								
Accommodation	-	-	63.068	-	-	-	-	63.068
- of which SME	-	-	49.435	-	-	-	-	49.435
Banks and Other Financial Companies	419.920	1.136.826	2.100.043	-	48.713	-	-	3.705.502
- of which SME	-	-	171.298	-	-	-	-	171.298
Chemicals	-	-	2.330.166	-	-	-	-	2.330.166
Coal Mining	-	-	18.874	-	-	-	-	18.874
Energy	-	-	41.692	-	-	-	-	41.692
Engineering	-	-	127.512	-	-	-	-	127.512
Individuals	-	-	81.885	931	1.814	-	-	84.630
Mining of metal ores	-	-	2.019.016	-	-	-	-	2.019.016
Non-ferrous metals	-	-	3.049.215	-	-	-	-	3.049.215
Oil & Gas	-	-	1.026.330	-	-	-	-	1.026.330
Other	-	-	12.540	-	2.370	-	48.490	63.400
- of which SME	-	-	12.540	-	-	-	-	12.539
Other Services	-	-	963	-	-	-	-	963
Pharmaceutical	-	-	6.724	-	-	-	-	6.724
Real Estate	-	-	519.931	-	-	9.456	-	529.387
- of which SME	-	-	156.370	-	-	-	-	156.370
Rental and leasing activities	-	-	33.469	-	-	-	-	33.469
Retail Trade	-	-	97.747	-	-	-	-	97.747
- of which SME	-	-	13.363	-	-	-	-	13.363
Transportation	-	-	116.150	-	-	-	-	116.150
- of which SME	-	-	18.503	-	-	-	-	18.503
Wholesale Trade	-	-	12.633	-	-	-	-	12.633
Total	**419.920**	**1.136.826**	**11.657.958**	**931**	**52.897**	**9.456**	**48.490**	**13.326.478**

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

Credit risk exposures by residual maturity as at 31 December 2015

	Central Governments or Central Banks EUR000	Claims on institutions and corporates with a short-term credit assessment EUR000	Corporates EUR000	Retail EUR000	In Default EUR000	High Risk Items EUR000	Other Items EUR000	Total EUR000
Residual maturity								
On demand and less or equal 1 month	419.920	884.206	694.186	406	-	-	48.490	2.047.208
More than 1 month and less or equal 3 months	-	252.620	241.856	37	-	-	-	494.513
More than 3 months and less or equal 6 months	-	-	2.396.934	52	-	-	-	2.396.986
More than 6 months and less or equal 1 year	-	-	2.001.905	95	-	-	-	2.002.000
More than 1 year	-	-	6.323.077	341	-	9.456	-	6.332.874
Overdue	-	-	-	-	52.897	-	-	52.897
Total	**419.920**	**1.136.826**	**11.657.958**	**931**	**52.897**	**9.456**	**48.490**	**13.326.478**

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

Impaired exposures and past due exposures by counterparty type as at 31 December 2015

	Neither past due nor impaired EUR000	Past due but not impaired EUR000	Impaired EUR000	Provisions EUR000
Type of counterparty				
Central Governments or Central Banks	419.920	-	-	-
Public Sector Entities	-	-	-	-
Claims on institutions and corporates with short-term credit assessment	1.136.826	-	-	-
Corporates	11.657.958	348	52.549	(43.448)
Retail items	931	-	-	-
Exposures in Default	-	-	-	-
Items associated with particular high risk	9.456	-	-	-
Other items	48.490	-	-	-
Total	**13.273.581**	**348**	**52.549**	**(43.448)**

Changes in the Value Adjustments and Provisions for Impaired Exposures

	Individually Assessed Provisions EUR000	Collectively Assessed Provisions EUR000	Latent Provisions EUR000	Total EUR000
Changes in the Value Adjustments and Provisions for Impaired Exposures				
At 1 January	**19.481**	**-**	**-**	**19.481**
Currency translation and other adjustments	2.324	-	-	2.324
Amounts written off	-	-	-	-
Recovery of amounts previously written off	-	-	-	-
Charged to the income statement	21.643	-	-	21.643
At 31 December	**43.448**	**-**	**-**	**43.448**

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

Impaired exposures and past due exposures by geographical area as at 31 December 2015

	Neither past due nor impaired EUR000	Past due but not impaired EUR000	Impaired EUR000	Provisions EUR000
Geographical Area				
Cyprus	6.193.113	348	37.768	(30.140)
Europe	3.059.792	-	7.001	(5.583)
Russia	2.765.370	-	374	(321)
America	149.801	-	-	-
Other countries	1.105.505	-	7.406	(7405)
Total	**13.273.581**	**348**	**52.549**	**(43.448)**

9. Credit risk identification and measurement

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

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

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

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

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

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

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

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

9.4. Exposure values before and after credit risk mitigation

9.4.1. Exposures to Central Governments or Central Banks

The exposures in this asset class relate to exposures of the Bank to the Central Bank of Cyprus amounting to EUR418.325 thousands, to the Central Bank of Luxembourg EUR1.307 thousand and deferred taxation exposures to the Cyprus Government amounting to EUR288 thousand. No credit risk mitigation exists for exposures falling under this category. The risk weight assigned for the exposures to the Central Bank of Cyprus and the Central Bank of Luxembourg are 0% in accordance with the CRR as they are exposures to a Central Bank of a Member state denominated and funded in the domestic currency of that Central Bank. The remaining exposure, which is a Deferred Tax Asset that does not rely on future profitability, is assigned a risk weight of 100%.

9.4.2. Exposures to Institutions

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

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

		Exposure values	
Credit quality step	Rating mapping*	Before CRM EUR000	After CRM EUR000
1	AAA to AA-	395.044	395.044
2	A+ to A-	205.202	205.202
3	BBB+ to BBB-	433.140	433.140
4	BB+ to BB-	809	809
5	B+ to B-	3	3
6	CCC+ and below	-	-
N/a	Unrated	91.057	91.057
		1.125.255	**1.125.255**

***Ratings are based on the rating agency Fitch.**

9.4.3. Exposures to Corporates

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

		Exposure values	
Credit quality step	Rating mapping*	Before CRM EUR000	After CRM EUR000
1	AAA to AA-	-	-
2	A+ to A-	-	-
3	BBB+ to BBB-	-	-
4	BB+ to BB-	45.650	45.650
5	B+ to B-	-	-
6	CCC+ and below	-	-
N/a	Unrated	11.633.335	1.088.849
		11.678.985	**1.134.499**

***Ratings are based on the rating agency Fitch.**

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

9.5. Exposure values before and after credit conversion factors

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

	Exposure values		
	Before CCF		After CCF
	Before CRM EUR000	After CRM EUR000	After CRM EUR000
Institutions	500	500	500
Corporates	375.224	74.459	38.579
Retail	65	65	65
	375.789	**75.024**	**39.144**

10. Operational risk

10.1. Approaches for the assessment of own funds requirements

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

11. Leverage

CRD IV requires the disclosure of the Bank's leverage ratio. The leverage ratio is calculated by dividing Tier 1 capital resources by a defined measure of on-balance sheet assets and off-balance sheet items.

The leverage ratio formula is:

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

The main factors driving the ratio are the Tier 1 capital amounting to EUR460.267 thousands, the loans portfolio to customers and loans to banks amounting to EUR11.295 million and EUR1.138 million respectively.

As at the 31 December 2015 the Bank's leverage ratio was 3,4%. You can find more detail analysis regarding the ratio to the appendices Annex III.

12. Asset encumbrance

As at the 31 December 2015 the Bank had zero encumbered assets.

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

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

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

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

The Bank currently measures the effect of a change of 200 b.p. in interest rates on the Bank's earnings and economic value in accordance with the supervisory stress test scenario. The maximum limit for the change in the economic value of the Bask as a result of the change in the interest rates is set to be equal to the supervisory limit of 20% of the Bank's regulatory capital. As of 31 December 2015, this limit was not exceeded by the Bank.

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

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

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

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

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

13.2. Variation in earnings and economic value

			Increase/(Decrease) in earnings
			Currencies
	USD EUR000	RUR EUR000	EUR EUR000
Stress scenario			
+ 200 b.p.	15.335	(1.886)	1.577
- 200 b.p.	(15.335)	1.886	(1.577)

13.2.1. Variation in earnings

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

13.2.2.Variation in economic value

The change in economic value of the Bank as at the end of 31 December 2015 by applying a 200 b.p. change in interest rates, was an increase of EUR2.213 thousand (0,42% of the Banks's own funds).

14. Remuneration policy and practices

14.1. Selection and diversity of the Management Body

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

Management Body

The Bank is governed by the Management Body. The Management Body (MB) consists of 10 members. The MB consists of 8 non-executive members, of whom 8 are independent; and 2 executive members. The MB is responsible for:

- Formulating the risk strategy, risk appetite and tolerance level of the Bank;
- Setting, periodically reviewing and overseeing the implementation of the Bank's business objectives and strategies for achieving those objectives, including its internal capital plans, taking into account the Bank's long-term financial interests and solvency as well as the interests of depositors, shareholders and other relevant stakeholders;
- Assessing, in conjunction with strategy formulation, on an ongoing basis and under alternative scenarios the amounts, types and distribution of internal capital;
- Providing overall capital management supervision and regularly monitoring the capital profile of the Bank;
- Approving capital plans and budgets commensurate to the type and size of its activities, risk appetite and estimated financial results;
- Approving and periodically reviewing the various policies prepared by the Bank;
- Approving limits and deciding on the consequences of framework limit excesses;
- Reviewing of the ICAAP document and exercising oversight over the process;
- Ensuring the financial stability of the Bank with regular assessment of the own funds and liquidity requirements, taking the necessary measures where necessary.

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

Director	Executive	Non-Executive	Directorships in organisations which do not pursue predominantly commercial objectives	Executive or non-executive directorships held within the same group	Executive or non-executive directorships held with other legal entities
Konstantin Bobrov	0	1	0	1	0
Petros Clerides	0	1	0	1	0
Erato Kozakou Marcoullis	0	1	5	1	0
Christoforos Antoniou Pissarides	0	2	0	1	1
Panayiotis Loizides	0	1	0	1	0
Kirill Zimarin	1	0	1	9*	0
Vadim Levin	0	2	0	1	1
Otar Margnaiya	0	2	0	1	1
Sotirios Zackheos	1	2	1	5*	2
Andreas Tryfonides	0	3	0	1	2

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

14.2. Remuneration policy

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

   The Remuneration Policy (hereinafter the "Policy") of RCB Bank Ltd (hereinafter "Bank") includes all levels of the Bank and all categories of employees with special emphasis on the identified risk takers i.e. Executive Members, Senior Executive Management and other risk takers as defined in the Policy. The Policy includes all levels of the Bank and all categories of employees. The application of the principles set out in the Policy and thus the exact form of the Policy takes account of the nature and scale of the Bank and the complexity of its activities.

   The Policy has been approved by the Management Body (hereinafter the "MB").

   The MB has established a Remuneration Committee (hereinafter the "RC") which as at 31 December 2015 comprised of 2 members who were appointed by the MB, of which both the Acting Chairperson and the other member were independent directors. As at 31 December 2015 the RC comprised of 2 members instead of 3, subsequent to the resignation of its Chairperson on 02 July 2015. During the year, the RC held 5 meetings and its activities were guided by the "Terms of Reference of the Remuneration Committee" as approved by the MB.

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

   - To formulate proposals for approval by the MB, as regards to the Remuneration Policy, and ensure that those are in line with all regulatory requirements;
   - To ensure that internal control functions are involved in the design, review and implementation of the Remuneration Policy;
   - To ensure that staff members who are involved in the design, review and implementation of the Remuneration Policy have relevant expertise and are capable of forming independent judgment on the suitability of the Remuneration Policy, including their suitability for risk management;
   - To report on its main activities and results to the MB on a regular basis, but not less frequently than once per quarter;
   - To conduct an annual self-assessment, and report conclusions and recommendations for improvements of its practices and changes thereafter to the MB;
   - To circulate any minutes to the MB in advance of any MB meetings.

b. Information on the link between pay and performance.

   The Bank recognizes that its personnel are its human resources and one of its key assets. The professional growth and development of its people are central to achieving the Bank's mission and strategy. With this in mind, the Bank holds overall appraisal of its personnel. The purpose of the appraisal is the systematic analysis of weak and strong sides of an employee's performance. The appraisal is conducted by the persons to whom employees report.

   Participation in the End of Year Employee Appraisal is compulsory for all employees.

   Appraisals are reviewed by the management, who then consult with the employee and/or his/her immediate supervisor where necessary, to decide whether any action needs to be taken in any particular case.

The Employee Appraisal Questionnaires clearly indicate the competencies/qualitative criteria used in evaluating performance. These competencies might differ depending on the specific duties and responsibilities entailed in certain functions. Examples of such competencies include but are not limited to leadership and personnel management, professionalism, communication skills and interpersonal relationships, problem solving and decision making, reporting and administration, initiative, customer orientation, integrity and work ethic.

In addition to the non-financial criteria indicated in the Employee Appraisal Questionnaires, individual as well as collective performance could also be evaluated based on measurable performance criteria. These Key Performance Indicators (KPIs) differ depending on the business unit/profit center and reflect the targets/objectives of the specific area. Indicatively, adherence to the Bank's approved policies and procedures, compliance with the regulatory and legal framework, efficiency and effectiveness of the control functions, the cost of tied-up capital which is associated to risks undertaken, achievement of business targets set by the Bank's Senior Executive Management are among the KPIs used for the measurement of performance.

The Bank may also pay each employee a discretionary annual bonus based on the employee's performance (established through a review of the employee appraisals and the individual and collective KPIs combined with the expert opinion and feedback of each employee's immediate supervisor), the performance of the department concerned and on the overall performance of the Bank. The amounts are determined by the collective decision of the Senior Executive Management.

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

As a matter of principle, the Bank supports levels of remuneration and compensation necessary to attract, retain and motivate high quality people required to lead, manage and serve the Bank in a competitive environment. The Bank considers that appropriate levels of remuneration and compensation are essential to enhance the long-term interests of the Bank's stakeholders, including its shareholders.

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

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

The components of total remuneration are:

01. **Fixed remuneration**
    The fixed remuneration component is reviewed at least annually and is the basis on which the variable salary is calculated.

02. **Variable remuneration**
    Employees may have a variable component to their remuneration in addition to their fixed remuneration.

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

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

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

Malus is a method for the implementation of risk adjustment and reducing the value of a part of the deferred remuneration, taking into account risk outcomes of the underlying performances of the institution as a whole, the business unit and, where possible, the staff member. A clawback typically operates in the case of established fraud or misleading information. In addition, malus or clawback may be applied, inter alia, in the following situations where an employee (i) participated in or was responsible for conduct which resulted in significant losses to the institution and (ii) failed to meet appropriate standards of fitness and propriety.

The RC is responsible for the ex-post risk adjustment of the remuneration of all employees, taking into account the following:

a. Evidence of misbehaviour or serious error by the employee (e.g. breach of code of conduct and other internal rules, especially concerning risks);
b. Whether the Bank subsequently suffers a significant downturn in its financial performance;
c. Whether the Bank and/or the department/unit in which the employee works suffers a significant failure of risk management;
d. Significant changes in the Bank's economic or regulatory capital base.

It is the responsibility of the Senior Executive Management to submit to the RC any information relating to the above.

03. **Severance Pay**

The Bank does not have a policy in place for early termination of a contract and, should such an early termination occur, the applicable labor legislation is adhered to. Nonetheless, payments related to the early termination of a contract reflect performance achieved over time and are designed in a way that does not reward failure. The Bank did not award any such payments in the year 2015.

The personnel of the Bank are divided into the following categories:

a. Executive Directors and Chief Executive Officer;
b. Members of the Senior Executive Management;
c. Control Functions;
d. Other Risk Takers;
e. Relevant Persons (the Relevant Persons are the same as the Other Risk Takers);
f. Heads of Departments/Units who do not fall under any of the above categories;
g. Other Employees.

The number of staff employed by the Bank at 31 December 2015 was 301 (2014: 259).

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

   There is a proportionate ratio between fixed remuneration and variable remuneration. The relation between fixed and variable remuneration is of reasonable proportion. Employees should not have to rely on their variable remuneration. The variable component varies across the Bank's business areas and management levels and can range from 0% to 50% of the fixed annual compensation.

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

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

   The variable remuneration does not consist of shares or equivalent non-cash instruments or any other instruments as the Bank is non-listed, fully private, and does not have any treasury shares or equivalent in place.

   Please refer also to point (b) for details measurement of performance.

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

   In addition to the information provided in point (b) above, the Bank's performance measurement system embodies the following characteristics:

   - Strategic: support corporate strategy, its communication and implementation.
   - Holistic: measure performance from a financial, a non-financial and a quantitative perspective.
   - Relevant: attuned to the performance needs of the Bank and the management.
   - Timely: reporting is produced at sufficient regularity to properly support decision making.
   - Accurate: attention to the accuracy of data and calculation of measures is important for trust in the information.
   - Consistent: concepts and definitions are consistent across the Bank to ensure comparability and understandability.

   Performance measurement using KPIs is a process that requires substantial planning and effort to achieve a successful outcome. In the broadest sense, a KPI can be defined as providing the most important performance information that enables organizations to understand whether the organization is on track or not. The use of KPIs helps the Bank understand how well it is performing in relation to the strategic goals and objectives.

   KPIs are measures that provide decision makers with the most important performance information to enable them to understand the performance level of the organization. KPIs should be clearly linked to the strategic objectives of the Bank and therefore, help monitor the execution of the business strategy. KPIs usually are long-term considerations.

   Through the application of KPIs, the Bank's aim is to equip decision makers with the information they need to make better informed decisions that lead to improvements, to comply with external and internal reporting requirements and to guide and direct people's behaviours and actions in relation to performance.

   Results from KPIs are used to set goals, to objectively assess the achievement of these goals, and to provide feedback on any unwanted variance between achievements and goals. The aim of KPIs is to eliminate variance and improve conformity. KPIs results are linked to reward and recognition structures.

The Deputy Chief Executive Officers (hereinafter the "Deputy CEOs") identify and set the KPIs of each department under their direct supervision in collaboration with the concerned Head of Department (hereinafter the "HOD").

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

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

	Total remuneration EUR000
Business area	
Executive Directors, Chief Executive Officer and Senior Executive Management	12.794
Independent control functions	1.954
Deposits and transactional banking	3.340
Corporate lending & investment banking	3.704
Other	22.882
Total remuneration	**44.674**

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

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

The total remuneration of the Executive Directors, Chief Executive Officer and Senior Executive Management (headcount of 7) for 2015 was EUR12.794 thousand including a variable compensation of EUR4.080 thousand.

The total remuneration of Other Risk Takers (headcount of 15) for 2015 was EUR5.031 thousand including a variable compensation of EUR727 thousand.

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

All variable remuneration was granted in the form of cash. The variable remuneration did not consist of shares or equivalent non-cash instruments or any other instruments as the Bank doesn't have such instruments in place.

III. the amounts of outstanding deferred remuneration, split into vested and non-vested portions.

Executive Directors, Chief Executive Officer and Senior Executive Management: As of 31 December 2015, outstanding deferred remuneration amounted to EUR2.612 thousand (non-vested).

Other Risk Takers: As of 31 December 2015, outstanding deferred remuneration amounted to EUR291 thousand (non-vested).

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

Executive Directors, Chief Executive Officer and Senior Executive Management: Deferred remuneration awarded during the year was EUR1.632 thousand, and deferred remuneration paid out amounted to EUR579 thousand. There were no amounts reduced through performance adjustments.

Other Risk Takers: Deferred remuneration awarded during the year was EUR291. No deferred remuneration was paid out. There were no amounts reduced through performance adjustments.

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

During the financial year, there were no new sign on or severance payments.

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

No severance payments were awarded during the financial year.

i. The number of individuals being remunerated EUR1 million or more per financial year, for remuneration between EUR1 million and EUR5 million broken down into pay bands of EUR500 000 and for remuneration of EUR5 million and above broken down into pay bands of EUR1 million.

The number of individuals being remunerated EUR1 million or more for 2015 amounted to 5 employees, with 1 employee being in the pay band from EUR1 million to EUR1.5 million, 1 employee being in the pay band from EUR1.5 million to EUR2 million, 1 employee being in the pay band from EUR2 million to EUR2.5 million, 1 employee being in the pay band from EUR2.5 million to EUR3 million, and 1 employee in the pay band from EUR3.5 million to EUR4 million.

Appendices:

Annex I

Transitional Own Funds disclosure template

		Amount EUR000
Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	139.071
	- of which: Instrument type 1 - Share Capital	18.471
	- of which: Instrument type 2 - Share Premium	120.600
	- of which: Instrument type 3	-
2	Retained earnings	249.306
3	Accumulated other comprehensive income (and other reserves)	75.346
3a	Funds for general banking risk	-
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-
	Public sector capital injections grandfathered until 1 January 2018	-
5	Minority interests (amount allowed in consolidated CET1)	-
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**463.723**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	-572
8	Intangible assets (net of related tax liability) (negative amount)	-2.884
9	Empty set in the EU	-
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-
11	Fair value reserves related to gains or losses on cash flow hedges	-
12	Negative amounts resulting from the calculation of expected loss amounts	-
13	Any increase in equity that results from securitised assets (negative amount)	-
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-
15	Defined-benefit pension fund assets (negative amount)	-
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-
20	Empty set in the EU	-
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-
20b	- of which: qualifying holdings outside the financial sector (negative amount)	-
20c	- of which: securitisation positions (negative amount)	-
20d	- of which: free deliveries (negative amount)	-
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-

		Amount EUR000
22	Amount exceeding the 15% threshold (negative amount)	-
23	- of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-
24	Empty set in the EU	-
25	- of which: deferred tax assets arising from temporary differences	-
25a	Losses for the current financial year (negative amount)	-
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	-
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required preCRR	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**- 3,456**
29	**Common Equity Tier 1 (CET1) capital**	**460.267**
30-36	Additional Tier 1 (AT1) capital: instruments	-
37-42	Additional Tier 1 (AT1) capital: regulatory adjustments	-
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-
44	Additional Tier 1(AT1) capital	-
45	**Tier 1 capital (T1 = CET1 + AT1)**	**460.267**

Tier 2 (T2) capital: instruments and provisions

46	Capital instruments and the related share premium accounts	63.013
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	-
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-
49	- of which: instruments issued by subsidiaries subject to phase out	-
50	Credit risk adjustments	-
51	**Tier 2 (T2) capital before regulatory adjustments**	**63.013**

Tier 2 (T2) capital: regulatory adjustments

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

		Amount EUR000
	- Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc	-
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-
	- Of which items to be detailed line by line, e.g. reciprocal cross holdings in at 1 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc	-
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	-
	- Of which: possible filter for unrealised losses	
57	Total regulatory adjustments to Tier 2 (T2) capital	-
58	**Tier 2 (T2) capital**	**63.013**
59	**Total capital (TC = T1 + T2)**	**523.280**
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013(i.e. CRR residual amounts)	-
	- Of which: Items not deducted from CET1 (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liablity, indirect holdings of own CET1, etc)	-
	- Of which: Items not deducted from AT1 items (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc)	-
	Items not deducted from T2 items (Regulation (EU) No 575/2013residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own t2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)	-
60	**Total risk weighted assets**	**2.096.461**

Capital ratios and buffers

61	**Common Equity Tier 1 (as a percentage of total risk exposure amount)**	**22,00%**
62	**Tier 1 (as a percentage of total risk exposure amount)**	**22,00%**
63	**Total capital (as a percentage of total risk exposure amount)**	**25,00%**
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	0,00%
65	- of which: capital conservation buffer requirement	-
66	- of which: countercyclical buffer requirement	-
67	- of which: systemic risk buffer requirement	-
67a	- of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	-
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	0.00%
69	[non relevant in EU regulation]	-
70	[non relevant in EU regulation]	-
71	[non relevant in EU regulation]	-

Amounts below the thresholds for deduction (before risk weighting)

72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-

		Amount EUR000
74	Empty set in the EU	-
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	-
	Applicable caps on the inclusion of provisions in Tier 2	
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)	
80	Current cap on CET1 instruments subject to phase out arrangements	-
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-
82	Current cap on AT1 instruments subject to phase out arrangements	-
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-
84	Current cap on T2 instruments subject to phase out arrangements	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-

Annex II

Capital Instruments main features template		Tier 1
1	Issuer	RCB Bank Ltd
2	Unique identifier	N/A
3	Governing law(s) of the instrument	Law of Cyprus
	Regulatory treatment	**Consolidated and Solo**
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/(sub-)consolidated/solo&(sub)consolidated	
7	Instrument type	Ordinary Shares
8	Amount recognised in regulatory capital	EUR139 million
9	Nominal amount of instrument	EUR18.471 thousand
9a	Issue price	€1,71 nominal share
9b	Redemption price	N/A
10	Accounting classification	Shareholder’s Equity
11	Original date of issuance	Multiple
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons/dividends	
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A

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

Annex III

CRR Leverage Ratio disclosure template	
Reference date	31/12/2015
Entity name	RCB BANK LTD
Level of application	Individual

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures		Applicable amounts
1	Total assets as per published financial statements	13.366.574
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 “CRR”)	-
4	Adjustments for derivative financial instruments	3.726
5	Adjustments for securities financing transactions “SFTs”	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	193.970
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	-
7	Other adjustments	49.134
8	**Total leverage ratio exposure**	**13.613.404**

Table LRCom: Leverage ratio common disclosure		CRR leverage ratio exposures
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	13.048.184
2	(Asset amounts deducted in determining Tier 1 capital)	-
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**13.048.184**

	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	3.726
EU-5a	Exposure determined under Original Exposure Method	1.512
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivative exposures (sum of lines 4 to 10)**	**5.238**
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	366.012
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	-
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**366.012**
	Other off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	375.790
18	(Adjustments for conversion to credit equivalent amounts)	-181.820
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**193.970**
	Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)	
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	**-**
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	**-**
	Capital and total exposures	
20	**Tier 1 capital**	**460.267**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**13.613.404**
	Leverage ratio	
22	**Leverage ratio**	**3,38%**
	Choice on transitional arrangements and amount of derecognised fiduciary items	
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully Phased In
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	-

Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	13.048.184
EU-2	Trading book exposures	512.193
EU-3	Banking book exposures, of which:	12.535.991
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	419.920
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	-

EU-7	Institutions	1.124.589
EU-8	Secured by mortgages of immovable properties	-
EU-9	Retail exposures	866
EU-10	Corporate	10.932.677
EU-11	Exposures in default	9.449
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	48.490

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