



## Arrears Resolution Process (A.R.P.)

In dealing with arrears or pre-arrears exposures, the Bank follows the “Arrears Resolution Process”, describing in detail the actions to be taken once signs of loan deterioration are identified, in order to reach an optimal resolution both for the Bank and the borrower. The process incorporates, inter alia, the following critical steps:

- Step 1: Communication with the borrower
- Step 2: Collection of financial and other information
- Step 3: Assessment of financial data and overall financial situation
- Step 4: Proposal of an appropriate solution
- Stage 5: Appeals Review Procedure (ApRP)

### **Benefits of the A.R.P.:**

The close collaboration between the Bank and the borrower allows both parties to reach promptly an optimal solution, within a framework of mutual understanding and honest exchange of information.

Each case is examined separately, enabling the design of tailor made solutions, considering the specificities of each individual case.

### **Stages of the A.R.P.:**

#### ***Stage 1: Communication with the borrower***

The Bank, through “building rapport” with the borrower, traces in advance signs of loan deterioration, or other problems, and communicates with the borrower in order to investigate the route cause and plan an individualized action plan. All communication actions with the borrower are sufficiently documented and undertaken in principal by the responsible Relationship Manager.

In particular:

(A) Initial communication stage:

In case of delay of any payment, in whole or in part, in accordance with the agreed payment schedule, the Bank shall first attempt a communication of consultative nature with the borrower, focusing on investigating the underlying circumstances that could lead to arrears, in order for the borrower to have the chance to consider in a timely manner



joining the A.R.P. with a view to examining any alternative solutions. Non-response of the borrower at this initial communication stage shall not entail its de-classification as “cooperative borrower”.

(B) Written notification stage:

In case a debt obligation becomes more than thirty (30) days overdue, the Bank will, within fifteen (15) days, send a written communication to the borrower, unless the overdue amount is fully paid in the meantime. In the event of new arrears on the same loan, the Bank is not required to re-send a written notification to the borrower, unless one year has elapsed since its last dispatch. The written notification shall primarily inform the borrower of his/her placing under the A.R.P. and provide him/her with specific details on the payment(s) in arrear and the documents that must be completed by the borrower.

***Stage 2: Collection of borrower’s financial data***

Within a framework of mutual understanding, the Bank seeks collaboration with the borrower and compiles all financial data and other information required for subsequent assessment. In this respect, in case of individual/natural person, the borrower must submit to the Bank the **Standardized Financial Statement** duly and accurately completed. In case of legal entity-very small enterprise, the borrower must submit to the Bank the form of **Standardized Financial Information**, duly and accurately completed. The Bank may require the borrower to provide any supporting evidence/documentation as necessary to verify the information submitted, setting to the borrower a deadline not shorter than that specified in the definition of “cooperative borrower” and reasonably reflecting the time needed for issuing or obtaining such evidence/documentation, the other deadlines set in this Booklet being extended accordingly. In addition to the above, the Bank ensures the collection of sufficient, complete and accurate information on the borrower’s financial data from other reliable sources. All supporting evidence is subject to data protection and confidentiality principles.

***Stage 3: Assessment of borrower’s financial data and overall financial situation***

The Bank, in order to proceed to an optimal modification of the deteriorated loan, assesses the borrower’s submitted supportive material and may contact the borrower to request the submission of additional information or supporting documentation where deemed necessary. Respective assessment incorporates, inter alia, the following factors:



- The borrower's current financial position (recent financial statements, trial balances etc. are considered);
- The total outstanding balance and the type of debt to third parties (i.e. other institutions, tax or other public authorities or social security funds)
- The borrower's current repayment capability;
- The borrower's transactional behavior;
- The borrower's expected repayment capability over the period to the end of the proposed workout;
- The commercial value of any collateral (or any other asset that can be provided as additional collateral)
- The proposed business plan or restructuring plan (solo or group);
- The equity capital in the proposed restructuring plan;
- The market forecasts and projections;
- The expected cash flows;
- The expected business risks.

#### ***Stage 4: Proposal of an appropriate solution***

Depending on the reasons and nature of the loan deterioration (temporary or structural) in relation to the assessment of the borrower's repayment capability, the Bank communicates to the borrower in writing (with delivery receipt), within 2 months from the receipt of the financial information under Stage 2, one or more suitable forbearance solutions, as well as resolution plans. The resolution plan(s) shall be activated only in case the Bank and the borrower do not reach an agreement for a forbearance solution or the Bank does not accept the counter-proposal of the borrower.

In order to reach consensus and settle the problem in advance without applying severe restructuring measures, the Bank seeks close collaboration with the borrower towards reaching the optimal and viable remedy. In this endeavor, the Bank has designed a wide range of forbearance solutions, both short and long term, enabling it to act with flexibility and diligence towards dealing with complex situations.



### ***Stage 5: Appeals Review Procedure (ApRP)***

The Bank has established an Appeals Committee which assesses the potential objection submitted by the borrowers following their classification as non-cooperative. Upon receipt of a written notification from the Bank that the borrower has been classified as “Non-Cooperative”, he/she can, within thirty (30) days from the receipt of the relevant notification, submit an appeal for such classification, to the **Specific Contact Points** using the **Standardized Appeals Form**, together with any supporting documents. An appeal may be submitted only once in respect of each loan exposure which has been submitted to the A.R.P. The Bank shall inform the borrower over the Appeals Committee’s decision within two months from the date of the appeal’s submission.