Annual Financial Report 2015

Bank of Cyprus Group

Contents **Page**

Board of Directors and Executives as at 31 March 2016

Board of Directors of Bank of Cyprus Public Company Ltd	Prof. Dr. Josef Ackermann CHAIRMAN Wilbur L. Ross Jr. Maksim Goldman VICE CHAIRMEN Arne Berggren John Patrick Hourican Marios Kalochoritis Dr. Christodoulos Patsalides Michalis Spanos Ioannis Zographakis
Executive Committee	John Patrick Hourican CHIEF EXECUTIVE OFFICER Costas Argyrides DIRECTOR WEALTH, BROKERAGE AND ASSET MANAGEMENT Michalis Athanasiou CHIEF RISK OFFICER Stelios Christodoulou GENERAL MANAGER GENERAL INSURANCE CYPRUS (RESIGNING ON 31 MARCH 2016) Nicolas Scott Smith DIRECTOR RESTRUCTURING AND RECOVERIES DIVISION Eliza Livadiotou CHIEF FINANCIAL OFFICER Solonas Matsias HUMAN RESOURCES DIRECTOR Miltiades Michaelas DIRECTOR REAL ESTATE MANAGEMENT UNIT AND INTERNATIONAL OPERATIONS Artemis Pantelidou GENERAL MANAGER EUROLIFE Dr. Christodoulos Patsalides FINANCE DIRECTOR Michalis Persianis DIRECTOR CORPORATE AFFAIRS Louis Pochanis DIRECTOR INTERNATIONAL BANKING SERVICES Dr. Charis Pouangare DIRECTOR CONSUMER AND SME BANKING Nicolas Sparsis DIRECTOR CORPORATE BANKING Aristos Stylianou CHIEF OPERATING OFFICER
Internal Auditor	George Zornas
Director Group Compliance and Corporate Governance Compliance Officer	Marios Skandalis
Company Secretary	Katia Santis
Legal Advisers	Chryssafinis & Polyviou
Independent Auditors	Ernst & Young Cyprus Ltd
Registered Office	51 Stassinos Street Ayia Paraskevi, Strovolos CY-2002 Nicosia, Cyprus Telephone: +357 22122100, Telefax: +357 22336258

Statement by the Members of the Board of Directors and the Company Officials Responsible for the Drafting of the Consolidated Financial Statements

(in accordance with the provisions of Cyprus Law 190(I)/2007 on Transparency Requirements)

We, the members of the Board of Directors and the Company officials responsible for the drafting of the consolidated financial statements of Bank of Cyprus Public Company Ltd (the 'Company') for the year ended 31 December 2015, the names of which are listed below, confirm that, to the best of our knowledge:

(a) the consolidated financial statements on pages 14 to 190

- (i) have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law,
- (ii) give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidated financial statements taken as a whole, and

(b) the Report of the Board of Directors provides a fair review of the developments and performance of the business and the position of the Company and the undertakings included in the consolidated financial statements taken as a whole, together with a description of the principal risks and uncertainties that they face.

Prof. Dr. Josef Ackermann	Chairman
Wilbur L. Ross Jr.	Vice Chairman
Maksim Goldman	Vice Chairman
Arne Berggren	Non-executive Director
Marios Kalochoritis	Non-executive Director
Michalis Spanos	Non-executive Director
Ioannis Zographakis	Non-executive Director
John Patrick Hourican	Executive Director
Dr. Christodoulos Patsalides	Executive Director
Eliza Livadiotou	Chief Financial Officer

31 March 2016

The Board of Directors submit to the shareholders of the Company their Report together with the audited consolidated financial statements for the year ended 31 December 2015.

Activities

Bank of Cyprus Public Company Ltd (the 'Company') is the holding company of the Bank of Cyprus Group (the 'Group'). The principal activities of the Company and its subsidiaries in Cyprus and abroad during the year continued to be the provision of banking, financial services, insurance services and management and disposal of property.

All Group companies and branches are set out in Note 50 of the consolidated financial statements. Acquisitions and disposals made during the year 2015 are detailed in Note 51 of the consolidated financial statements.

Operating environment in Cyprus

Economic recovery started in the first quarter of 2015 and continued throughout the year at an accelerating pace. Thus real GDP rose as per the Cyprus Statistical Service by 2,7% in the fourth quarter when seasonally adjusted. For the year as a whole, real GDP increased by 1,6% compared with a decline of 2,5% the year before (Cyprus Statistical Service). Growth was mainly driven by tourism, business services and financial and insurance services on the supply side. On the expenditure side the driver of growth was mainly investments in buildings, metals and machinery, and transport equipment. Growth in the year was also supported by the depreciation of the euro and the drop in oil price.

The outlook for the medium term remains positive according to the European Commission and the International Monetary Fund. Real GDP is expected to grow by about 2% per annum in 2016-2017. Downside risks to the outlook relate to the high level of non-performing loans and to a worsening of the external environment. A deteriorating external environment would pose a risk for an open economy like Cyprus. This might include a worsening of conditions in Greece, a continuing downturn in Russia and further Rouble weakness, weaker growth in the euro area and in the UK or a worsening of credit conditions in world bond markets. Conversely, upside risks to the economic outlook relate to a longer period of low oil prices, improving conditions in Greece and an improvement in foreign investment climate.

In the labour market, unemployment reached a peak in the fourth quarter of 2013 at 16,6% seasonally adjusted and had been declining since that time (as per Eurostat). The unemployment rate in 2015 averaged 15,6% as per Eurostat and is expected to decline further in the medium term, to reach 13,3% by 2017 according to the European Commission.

Consumer prices declined each year from 2013, onwards dropping by 1,4% and 2,1% in 2014 and 2015 (Cyprus Statistical Service) respectively. Thus economic adjustment entailed both a decline in quantities and prices, which explains why nominal GDP declined at a faster pace than real GDP. However, this was part of internal devaluation which was one of the objectives of the economic adjustment programme. Falling consumer prices also reflect the decline in commodity prices and specifically oil. Consumer prices are expected to turn moderately higher in 2016 according to the European Commission.

In the area of public finances Cyprus has achieved considerable consolidation over the period of the programme. Per the Cyprus Statistical Service, the budget deficit has almost been eliminated dropping to near zero in 2014 from 5,7% of GDP in 2011. This constitutes an adjustment of over €1 billion in an economy which is a little more than €17 billion. Fiscal consolidation involved substantial spending cuts including wages and pensions. Interest payments were also reduced and the expenditures of ministries were capped. On the revenue side, the better than expected economic performance led to higher direct and indirect tax receipts and social security contributions. The budget is expected to swing into surplus in 2016-2017, albeit marginally, according to the European Commission.

The general government debt rose to 108,2% of GDP in 2014 as per Eurostat and rose only slightly in 2015 based on budget developments. Government debt is expected to drop to 94,6% of GDP by 2017 according to the European Commission. This will be on the back of the budgetary consolidation and the relatively favourable economic outlook. Gross debt will drop considerably lower when including an asset swap with the Central Bank of Cyprus (CBC). Discretionary deficit reducing measures are not anticipated in the medium term and further improvement in the fiscal balance will emanate from further improvements in economic activity.

Operating environment in Cyprus (continued)

The International Monetary Fund completed a ninth review of Cyprus' economic adjustment programme in January 2016 and approved the disbursement of €126 million, bringing total disbursements under the adjustment programme to about €1 billion. Total disbursements from the European Stability Mechanism (ESM) amount to €6,3 billion to date, out of a total committed of €9 billion. That is, about 30% of the funding under the adjustment programme envelope remains unutilised. The eighth review of the European Commission has not been completed because a last prior action under the last review, has not been fulfilled.

In a statement issued by the Executive Board of the International Monetary Fund on 27 January 2016 following the completion of the ninth review, the performance of Cyprus under the programme was noted: 'Macroeconomic achievements under the Fund-supported programme have been favourable. Economic and fiscal outcomes are better than expected, non-performing loans have stabilised, and bank liquidity has continued to improve. However, with recent delays in implementing structural reforms, there is a need to re-energize reform implementation to protect confidence and longer-term growth. At the same time, public debt and non-performing loans need to be reduced from their current high levels. Accelerated workout of non-performing loans is critical to reviving lending and improving growth prospects. Following the recent passage of key legislation, the toolkit for debt restructuring is now largely in place. However, progress on the legal framework to facilitate securitisation of loans and transfer of property title deeds in non-legacy cases should be accelerated'.

The ESM Macroeconomic Adjustment Programme ends on 31 March 2016 and the government has decided to exit without a successor arrangement. The Eurogroup at its 7 March 2016 meeting commended the Cyprus authorities for the overall successful implementation of the programme and highlighted the need for further reform to strengthen the resilience of the Cyprus economy. Following this development, the IMF programme which formally ends on 14 May 2016, has been cancelled by the Republic of Cyprus.

Cyprus will remain under post-programme surveillance until at least 75% of the financial assistance received has been paid. Under the post-programme surveillance, the European Commission in liaison with the European Central Bank (ECB) will have regular review missions to analyse fiscal and financial developments and report semi-annual assessments which may recommend further measures when necessary.

In recognition of the progress achieved on the fiscal front and on economic recovery, as well as the adoption in April 2015 of a comprehensive reform framework for corporate and personal insolvency, the international credit rating agencies have upgraded the credit ratings for the Cypriot sovereign, paving the way for the sovereign to access the international capital markets. In May 2015 and in October 2015, the Cyprus Government issued a €1 billion bond maturing in year 2022, with a yield of 4,00% per annum and a €1 billion bond maturing in year 2025 with a yield of 4,25%.

The insolvency and foreclosure framework

The insolvency framework was enacted in May 2015 and as a result of this, the foreclosure law which was enacted by the Cypriot Parliament in September 2014 has also come into force.

The implementation of the foreclosure law will result in the following:

- An improvement in the Group's negotiating power with defaulted customers.
- A reduction in the recovery period in case of repossession of an asset from defaulted customers.
- A likely improvement in the Group's liquidity risk management as proceeds from an earlier repayment period and/or better repayment of loans should facilitate the Group's management of its assets and liabilities.

Operating environment in Cyprus (continued)

The insolvency and foreclosure framework (continued)

The main objectives of the insolvency framework are to modernise and increase the efficiency of liquidation and bankruptcy proceedings for individuals and companies and to create appropriate incentives for debt repayment, thereby contributing to the reduction of non-performing loans, while at the same time provide certain protections and benefits to debtors including the following:

- Protecting the primary residence of debtors based upon strict eligibility criteria.
- Providing for the economic rehabilitation of bankrupt individuals where possible.
- Providing incentives for the preservation and rehabilitation of companies.
- Introducing a new mechanism for the relief of individual debtors with no income or assets and low total debt.

In general, the Group views the new insolvency and foreclosure framework as a useful improvement that is likely to assist and enhance the current legal and operational framework.

Financial results

The main financial highlights for 2015 are set out below:

Consolidated Income Statement		
€ million	**2015**	2014 (represented)
Net interest income	**842**	969
Net fee and commission income	**154**	152
Net foreign exchange gains and net gains on other financial instruments	**31**	1
Insurance income net of insurance claims	**48**	46
Losses from revaluation and disposal of investment properties	**(53)**	(12)
Other income	**18**	12
Total income	**1.040**	1.168
Staff costs	**(234)**	(234)
Other operating expenses	**(182)**	(193)
Total expenses	**(416)**	(427)
Profit before provisions and impairments, gains on derecognition and changes in expected cash flows on acquired loans, restructuring costs and discontinued operations	**624**	741
Provisions for impairment of customer loans, net of gains on loans derecognition and changes in expected cash flows on acquired loans	**(959)**	(770)
Impairments of other financial and non-financial assets	**(62)**	(90)
Share of profit from associates and joint ventures	**6**	5
Loss before tax, restructuring costs and discontinued operations	**(391)**	(114)
Tax	**(9)**	(11)
Loss attributable to non-controlling interests	**6**	19
Loss after tax and before restructuring costs, discontinued operations and net profit on disposal of non-core assets	**(394)**	(106)
Restructuring costs	**(43)**	(36)
Loss from disposal groups held for sale/discontinued operations	**(38)**	(166)
Net profit on disposal of non-core assets	**37**	47
Loss after tax	**(438)**	(261)

Net interest margin	**3,79%**	3,94%
Cost to income ratio	**40%**	37%

Financial results (continued)

Key Balance Sheet figures and ratios	**31 December 2015**	31 December 2014*
Gross loans (€ million)	**22.592**	23.772
Customer deposits (€ million)	**14.181**	13.169
Loans to deposits ratio (net)	**121%**	141%
90+ DPD ratio	**50%**	53%
90+ DPD provision coverage ratio[1]	**48%**	41%
Return on average assets	**-1,7%**	-0,9%
Return on average equity	**-12,9%**	-8,5%
Capital		
Common Equity Tier 1 capital ratio (CET 1) (transitional)	**14,0%**	14,0%
Total capital ratio	**14,1%**	14,2%
CET1 (€ million)	**2.748**	3.191
Risk weighted assets (€ million)	**19.666**	22.715

* *The information for 2014 above includes also items classified as held-for-sale.*

Balance Sheet

- The Common Equity Tier 1 capital (CET1) ratio (transitional basis) stood at 14,0% at 31 December 2015 and 31 December 2014. The CET1 was negatively affected by the losses incurred during 2015 due to the elevated provisions for impairment of customer loans following assumption changes in the Group's provisioning methodology in relation to the ongoing regulatory dialogue with the European Central Bank (ECB) regarding the Supervisory Review and Evaluation Process (SREP). The decrease of Risk Weighted Assets (RWA) by €3.049 million during the year is due to the Group's strategy of deleveraging through the disposal of non-core operations (primarily due to the disposal of the Russian operations in September 2015) and its ongoing efforts to optimise the RWA calculation. Adjusting for Deferred Tax Assets[2], the CET1 ratio on a fully-loaded basis totaled 13,1% at 31 December 2015 (2014: 13,4%).

- The Group's funding structure is improving, with customer deposits increasing by €1,6 billion (adjusting for the disposal of the Russian operations) or 12% in 2015. The loans to deposits ratio improved to 121% at 31 December 2015, compared to 141% at 31 December 2014. Customer deposits increased to 61% of total assets at 31 December 2015, compared to 49% at 31 December 2014.

- During 2015, Emergency Liquidity Assistance (ELA) was reduced by €3,6 billion to €3,8 billion at 31 December 2015. ELA funding stands at €3,3 billion at 31 March 2016.

- Loans in arrears for more than 90 days (90+ DPD)[3] were reduced by €1,3 billion or 10% during the year and totalled €11.329 million at 31 December 2015 (around €250 million of the reduction related to the disposal of the Russian operations), accounting for 50% of gross loans[4] (90+ DPD ratio). The 90+ DPD provisioning coverage ratio improved to 48% at 31 December 2015, up from 41% at 31 December 2014.

[1] Provisioning coverage ratio for 90+ DPD is calculated as the sum of accumulated provisions for impairment of customer loans, fair value adjustment on initial recognition and provision for off-balance sheet exposures, over 90+ DPD.
[2] The DTA adjustments relate to Deferred Tax Assets totalling €457 million and recognised on tax losses totalling €3,6 billion and can be set off against future profits of the Company for a period of 15 years at a tax rate of 12,5%. Furthermore, there are tax losses of approximately €8,5 billion for which no deferred tax asset has been recognised. Recognition of deferred tax asset is supported by management's business forecasts and takes into account the recoverability of the deferred tax assets within their expiry period.
[3] Loans in arrears for more than 90 days (90+ DPD) are defined as loans with a specific provision, loans with incurred losses on acquisition and loans past-due for more than 90 days.
[4] Gross loans are reported before the fair value adjustment on initial recognition relating to loans acquired from Laiki Bank (difference between the outstanding contractual amount and the fair value of loans acquired) amounting to €1.207 million at 31 December 2015.

Balance Sheet (continued)

- Non-performing exposures (NPEs)[5] as defined by the European Banking Authority (EBA) were reduced by 7%, standing at €13.968 million at 31 December 2015 and accounting for 62% of gross loans, compared to €14.961 million at 31 December 2014 (representing 63% of gross loans).

Income Statement[6]

- Net interest income (NII) for 2015 totalled €842 million (2014: €969 million) and net interest margin (NIM) for the year was 3,79% (2014: 3,94%). NII and NIM reduction was primarily reflecting a lower yield on loans partly due to loans restructurings and deleveraging actions and the early repayment of a Cyprus Government bond acquired at fair value from Laiki Bank.

- Non-interest income for 2015 was €198 million, with recurring income comprising primarily net fee and commission income of €154 million and net insurance income of €48 million.

- Total income for 2015 was €1.040 million compared to €1.168 million for 2014.

- Total expenses for 2015 were €416 million (2014: €427 million), and the cost to income ratio was 40% (2014: 37%), despite the disposal of the Russian operations, due to higher non-recurring advisory and professional expenses and increased provisions for litigation and legal settlements.

- Profit before provisions and impairments[7], restructuring costs and discontinued operations for 2015 was €624 million compared to €741 million for 2014.

- Provisions for impairment of customer loans (continuing operations) net of gain on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans for 2015 totalled €959 million (2014: €770 million). The elevated provisioning charge for the fourth quarter of 2015 resulted from assumption changes in the Group's provisioning methodology, in relation to the ongoing regulatory dialogue with the ECB regarding the SREP. The provisioning charge[8], for 2015 accounted for 4,3% of gross loans, compared to 3,6% for 2014.

- In the context of the ongoing regulatory dialogue with the ECB regarding the SREP, the Group decided to reassess its provisioning assumptions, estimates and methodologies, within the parameters of International Financial Reporting Standards (IFRS). Consequently, the Group proceeded with certain amendments to the assumptions used in its provisioning methodologies. These changes relate to extending the recovery periods and applying additional realisation discounts on the most stressed non performing portfolios, with both changes being a function of the Group's strategy for recovering delinquent exposures. In changing its provisioning assumptions, the Group has considered its strategy for managing problem loans, as well as other available evidence, reflecting an increased level of conservatism within an acceptable range. This resulted in an elevated provisioning charge for 2015, totalling €959 million (2014: €770 million). The Group considers that the assumption amendments significantly bridged the regulatory dialogue with the ECB and boosted the Group's 90+ DPD provisioning coverage ratio to 48% at 31 December 2015 (2014: 41%).

- Impairments of other financial and non-financial assets for 2015 totalled €62 million and primarily relate to impairments of overseas non-core assets as part of the Group's de-risking efforts and to a change in the measurement basis of properties acquired from customers.

---

[5] In 2014 the European Banking Authority (EBA) published its reporting standards on forbearance and non-performing exposures (NPEs). According to the EBA standards, a loan is considered a non-performing exposure if: (i) the debtor is assessed as unlikely to pay its credit obligations in full without the realisation of the collateral, regardless of the existence of any past due amount or of the number of days past due, for example in case of a write off, a legal action against the borrower, or bankruptcy, or (ii) the exposures are impaired i.e. in cases where there is a specific provision, or (iii) there are material exposures which are more than 90 days past due, or (iv) there are performing forborne exposures under probation for which additional forbearance measures are extended, or (v) there are performing forborne exposures under probation that present more than 30 days past due within the probation period.

[6] As from the fourth quarter of 2014, the Group's operations in Russia are treated as a disposal group held for sale and results have been presented accordingly as discontinued operations according to IFRS 5. In September 2015, the Group completed the sale of the majority of its Russian operations. The part of the operations not disposed of has ceased to be classified as held for sale and its results are presented as part of the continuing operations. In addition, comparatives have been reclassified to reflect the change in presentation of impairment losses of other financial and non-financial instruments and results from revaluation and disposal of investment properties within the consolidated income statement. The presentation of 'Gain on derecognition and changes in expected cash flows on acquired loans' has been changed in order to present this adjoining to the 'Provisions for impairment of customer loans' in the consolidated income statement. The Group considers this presentation to be more relevant as it considers such gains and changes in expected cash flows (mainly arising from the fair value adjustment on initial recognition for acquired loans) to be credit risk related. This change in presentation did not have an impact on the results for the period.

[7] Comprising provisions for impairments of customer loans and impairments of other financial and non-financial assets, net of gain on derecognition and changes in expected cash flows on acquired loans.

[8] The provisioning charge ratio is calculated as the provisions for impairment of customer loans, including provisions of discontinued operations, net of gain on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans over average gross loans.

Income Statement (continued)

- Loss after tax for continuing operations[9] for 2015 totalled €394 million (2014: €106 million).

- Restructuring costs for 2015 totalled €43 million (2014: €36 million), comprising consultancy and professional expenses.

- Loss from disposal groups held for sale/discontinued operations for 2015 was €38 million (2014: €166 million) and mainly relates to the disposal of the majority of the Russian operations.

- Net profit on disposal of non-core assets for 2015 was €37 million (2014: €47 million). Net profit on disposal of non-core assets relates to deleveraging actions undertaken during the year, including the repayment of a bond by the Republic of Cyprus.

- Loss after tax attributable to the owners of the Group for 2015 was €438 million (2014: €261 million).

Strategy and priorities

The Group continues to focus on implementing its strategic objectives aiming to become a stronger, safer and more focused institution capable of supporting the recovery of the Cypriot economy and to deliver appropriate shareholder returns in the medium term.

The key objectives of the Group's strategy are to:

- Materially reduce the level of delinquent loans.
- Normalise the funding structure and fully repay the ELA.
- Focus on the core markets in Cyprus by providing credit to promising sectors and exit from non-core markets.
- Achieve a lean operating model.
- Maintain an appropriate capital position by internally generating capital through profitability, deleveraging and disposing of non-core assets.
- Deliver value to shareholders and other stakeholders.

With the Cypriot operations accounting for 91% and 89% of gross loans and customer deposits respectively, the Group's financial performance is highly correlated to the economic and operating conditions in Cyprus and will consequently benefit from the country's recovery. According to the Cyprus Statistical Service, real GDP increased by 2,7% year-on-year in the fourth quarter of 2015 (when seasonally adjusted), bringing the yearly growth to 1,6%. In 2015 the Republic of Cyprus tapped international capital markets twice raising a total of €2 billion of funding and has exited the economic adjustment programme at the end of March 2016. The outlook for 2016 remains positive as confidence strengthens and sentiment improves. Downside risks to growth projections relate to the high level of non-performing loans, more delays in the implementation of structural reforms and a worsening of the external environment.

Tackling the Group's loan portfolio quality is of utmost importance and a top priority for management. The Restructuring and Recoveries Division (RRD) is making positive progress in arresting and reversing the trend in problem loans. The Group is intensifying its restructuring and workout activities of delinquent borrowers, increasing the pace of restructurings and focusing on more complex and older cases. The Group has also set up a Real Estate Management Unit (REMU) in order to take control and ownership of real estate in settlement of certain customer obligations. The main objectives of the REMU are to provide solutions for distressed borrowers, to accelerate the recovery process for both the Group and the local real estate market, to strengthen the Group's balance sheet and to monetise such assets, as appropriate. The establishment of REMU will help manage supply of property into a supply-rich property market.

In order to normalise its funding structure and to fully repay ELA, the Group has stepped its marketing efforts to attract deposits, leveraging on increasing customer confidence towards the Group and improving macroeconomic conditions. The Group's strong capital position and overall improvement in its financial position enhance its funding options and will facilitate access to the debt capital markets to raise wholesale funding, subject to market conditions and investor appetite.

[9] Defined as loss after tax excluding restructuring costs, discontinued operations and net profit on disposal of non-core assets.

Strategy and priorities (continued)

Despite the events of March 2013 and the impact on its franchise, the Group remains the leading financial institution in Cyprus. The significant improvements in its financial and operational position achieved during the last two years allow the Group to maintain its leading position in the Cypriot banking system and to be a key player in the recovery of the Cypriot economy. The Group's strengthened capital position and its improving liquidity underline its efforts to provide credit to promising sectors of the domestic economy that will support and diversify further economic activity. The Group is focusing on diversifying its income streams by further developing its fee-generating activities, such as the international business services and wealth management.

The Group is the leading player in the insurance business in Cyprus, with such businesses providing a recurring income, further diversifying the Group's income streams. The Group is also endeavouring to reduce its operating expenses and maintain a lean operating cost structure, through targeted non-personnel cost reductions and through a programme of staff exits.

The Group, through deliberate and well-timed actions, has managed to reduce its risk profile, to enhance its liquidity position and to improve its capital position. The Group's remaining non-core exposures in Russia are expected to be eliminated over time. The Group is also actively running down its loan and real estate portfolio in Romania and continues its efforts to dispose of its real estate assets in Greece.

The Group's strong capital position has contributed to increased confidence of customers and other stakeholders in the Group. This is evidenced by the customer deposit inflows experienced in the last few quarters and the Group's increasing deposit market share. Going forward, the Group will continue to ensure that appropriate capital levels are maintained taking into account its risk profile, the high level of problem loans, its reducing exposure to overseas non-core markets as well as the economic and regulatory environment.

Capital base

Shareholders' equity totalled €3.055 million at 31 December 2015. The CET1 ratio (transitional basis) totalled 14,0% at 31 December 2015 (2014: 14,0%). Adjusting for Deferred Tax Assets, the CET1 ratio on a fully-loaded basis totalled 13,1% at 31 December 2015 (2014: 13,4%). The Group's CET1 ratio remains higher than the minimum required ratio of 11,75% relating to the Pillar II capital requirement, providing a loss-absorbing buffer to the Group.

Additional information on regulatory capital is disclosed in the Additional Risk and Capital Management Disclosures which form part of this Annual Report and Pillar 3 Disclosures Report which are available on the Group's website www.bankofcyprus.com (Investor Relations).

Share capital

During 2015 the issued share capital was increased by 567 thousand shares of a nominal value of €0,10 each.

Share-based payments-share options

On 24 November 2015, the Annual General Meeting of the Company's shareholders authorised the Board to establish and implement a Long Term Incentive Plan and allowed the Company the flexibility to increase the ratio of variable remuneration relative to fixed remuneration up to a maximum of 100% of fixed remuneration for members of senior management ('Shareholder Resolution'). The Long Term Incentive Plan involves the granting of options for the acquisition of shares to a defined group of employees of the Group and under the current terms of the Shareholder Resolution:

(i) the total amount of shares that may be issued and allotted under the Long Term Incentive Plan shall not exceed 178.458.891 ordinary shares of nominal value of €0,10 each,
(ii) the exercise price shall be set at €0,25 per share,
(iii) the vested share options will only be able to be exercised three years after the grant date, and
(iv) any share options not exercised by 31 March 2026 will lapse.

The options will be designed to vest only if certain key performance conditions are met, including amongst other things, the full repayment of ELA, the lifting of dividend restrictions, the cancellation of government guarantee and the performance of eligible employees.

Share-based payments-share options (continued)

The Long Term Incentive Plan is currently under regulatory review. Therefore, the original proposed grant date under the Shareholder Resolution of 31 March 2016 will be postponed until such time that all relevant regulatory approvals have been obtained for the Long Term Incentive Plan.

No share options were issued until the date of issuance of this Report.

Treasury shares of the Company

Shares of the Company held by entities controlled by the Group are deducted from equity on the purchase, sale, issue or cancellation of such shares. No gain or loss is recognised in the consolidated income statement. The number of these shares at 31 December 2015 was 5.136 thousand of a nominal value of €0,10 each (2014: 20.751 thousand of a nominal value of €0,10 each). The total cost of acquisition of treasury shares was €41.301 thousand (2014: €88.051 thousand).

Part of these shares held by entities controlled by the Group resulted from the bail-in of deposits that these entities maintained with the Company and shall be disposed of in the near future.

In addition, the life insurance subsidiary of the Group held, as at 31 December 2015, a total of 2.889 thousand (2014: 3.156 thousand) shares of the Company, as part of its financial assets which are invested for the benefit of insurance policyholders (Note 24 of the consolidated financial statements). The cost of acquisition of these shares was €25.333 thousand (2014: €25.333 thousand).

Change of control

There are no significant agreements to which the Company is a party and which take effect following a change of control of the Company, but the Company is party to a number of agreements that may allow the counterparties to alter or terminate the agreements following a change of control. Other than the matters referred to below, these are not deemed to be significant in terms of their potential effect on the Group as a whole.

The agreements for the Emergency Liquidity Assistance provided to the Company by the CBC include provisions which allow the CBC to call for repayment if it has not given its prior approval to any merger or if the merger materially weakens the Company's creditworthiness. The Group also has a number of derivative contracts and other agreements which provide for termination if, upon a change of control of the Company, the Company's creditworthiness is materially worsened.

Other information

During 2015 and 2014 there were no restrictions on the transfer of the Company's ordinary shares other than the provisions of the Banking Law of Cyprus which requires Central Bank of Cyprus approval prior to acquiring shares of the Company in excess of certain thresholds and the requirements of the Directive on Insider Dealing and Market Manipulation, which relates to transactions with related parties.

Shares of the Company held by the life insurance subsidiary of the Group as part of its financial assets which are invested for the benefit of insurance policyholders carry no voting rights, pursuant to the insurance law. The Company does not have any shares in issue which carry special control rights.

Shareholders holding more than 5% of the share capital of the Company

As at 31 December 2015 and 24 March 2016, the following shareholders held more than 5% of the share capital at the Company:

	31 December 2015	**24 March 2016**
Cyprus Popular Bank Public Co Ltd	9,62%	9,62%
Lamesa Holdings S.A. (affiliate of Renova Group)	7,18%	9,88%
TD Asset Management	5,23%	5,23%
European Bank for Reconstruction and Development	5,02%	5,02%

Dividends

The Company is currently under a regulatory dividend distribution prohibition and therefore no dividend was declared or paid during years 2014 and 2015.

Events after the reporting date

Programme of staff exits
In February 2016 the Group announced a programme of staff exits for all its permanent employees. The exit compensation is a one-off compensation granted on specific terms.

Bank Recovery and Resolution Directive 2014/59/EU
The EU Bank Recovery and Resolution Directive 2014/59/EU (BRRD) establishes a framework for the recovery and resolution of EU credit institutions. The BRRD includes the concept of loss absorption and a minimum requirement for own funds and eligible liability.

The BRRD also has significant funding implications for credit institutions, which include the establishment of pre-funded resolution funds of 1% of covered deposits under the recast Deposit Guarantee Scheme to be built up by 31 December 2024.

The BRRD has been implemented in Cyprus.

The EU has also established a Single Resolution Mechanism (SRM), made under the Single Resolution Mechanism Regulation No 806/2014 as part of the European Banking Union. Under the SRM, a single resolution process applies to all credit institutions supervised by the Single Supervisory Mechanism (SSM). This process is co-ordinated by the Single Resolution Board (SRB). The Company is subject to the supervision of the SSM and accordingly the SRM.

The SRM Regulation is closely connected with the BRRD. For credit institutions within the SSM, the SRB effectively takes on the role of the relevant national resolution authority established under the BRRD. The Company is subject to the supervision of the SRB.

Deposit Guarantee Scheme
The recast EU Deposit Guarantee Schemes Directive 2014/49/EU (DGSD) requires Member States to establish deposit guarantee schemes. The recast DGSD provides that national deposit guarantee schemes should be pre-funded, with the funds to be raised over a number of years. The funds of national deposit guarantee scheme should at least reach 0,8% of the covered deposits by 3 July 2024. The Cypriot implementing legislation of the DGSD was passed on 11 February 2016 which amends the existing Cypriot Deposit Protection Scheme.

Solvency II
On 1 January 2016, the Directive 2009/138/EC of the European Parliament and of the Council and the related Regulations on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) became effective. The new Directive introduces increasing requirements both on a quantitative and a qualitative level for insurance undertakings.

Following a detailed action plan during the last years, the insurance subsidiaries of the Group are in a position to fully comply with new requirements on implementation of the Directive as from 1 January 2016. During the preparation phase, the insurance subsidiaries of the Group applied material improvements on corporate governance, risk management and compliance.

Pursue of Premium Listing on the London Stock Exchange
On 31 March 2016, the Group announced its intention to pursue a premium listing on the London Stock Exchange (LSE). The Group also intends to maintain a listing on the Cyprus Stock Exchange. The Group does not intend to maintain a listing on the Athens Exchange, as it no longer has banking operations in Greece.

A premium listing on the LSE fulfills one of the Group's objectives of listing on a major European stock exchange. The listing and, subject to meeting the eligibility criteria, potential inclusion in the FTSE UK Index series will enhance the Group's visibility and share liquidity. The access to a greater pool of international capital together with greater profile and visibility in the European financial markets will help position the Group to play a key role in supporting the growth of the Cypriot economy. Finally, adherence to the high standards of corporate governance and transparency that is required for a premium listing on the LSE will further enhance the confidence of all stakeholders in the Group.

Events after the reporting date (continued)

Pursue of Premium Listing on the London Stock Exchange (continued)

The Group is currently working towards a listing in the second half of 2016, subject to relevant approvals, an assessment of various technical aspects and market conditions.

Risk management

Like other financial organisations, the Group is exposed to risks, the most significant of which are credit risk, liquidity risk, market risk (arising from adverse movements in exchange rates, interest rates and security prices) and insurance risk. The Group monitors and manages these risks through various control mechanisms. Detailed information relating to Group risk management is set out in Notes 44 to 47 of the consolidated financial statements and in the Additional Risk and Capital Management Disclosures which form part of this 2015 Annual Financial Report.

In addition, details of the significant judgements, estimates and assumptions which may have a material impact on the Group's financial performance and position are set out in Note 4 of the consolidated financial statements.

The Pillar 3 disclosures required by the Capital Requirements Regulation (EU) No 575/2013 are available on the Group's website www.bankofcyprus.com (Investor Relations).

Preparation of periodic reporting

The Group has in place an effective financial statement closing process by which transactions and events reflected in the Group's accounting records are processed to produce the financial statements, related disclosures and other financial reports.

The Group's risk assessment process for financial reporting purposes aims at the identification, analysis and management of risks relevant to the preparation of financial statements, related disclosures and other financial reports that comply with the respective financial reporting, legal and regulatory framework, including the periodic reporting required by the Transparency Laws of Cyprus (Law Providing for Transparency Requirements in relation to Information about Issuers whose Securities are admitted to trading on a Regulated Market) of 2007 and 2009. This is achieved through the identification of the risks of material misstatements in the reports and the implementation of controls to prevent or detect errors or fraud that could result in material misstatements.

Corporate Governance Statement

In April 2014 the Cyprus Stock Exchange (CSE) issued the 4th Edition (Revised) of the Corporate Governance Code. Listed companies have an obligation to include in their Annual Financial Report, a Report by the Board of Directors on Corporate Governance. In the first part of the Report, companies should report whether they comply with the Code and the extent to which they implement its principles. In the second part of the Report, companies should confirm that they have complied with the Code provisions and in the event that they have not, they should give adequate explanation.

Regarding the first part of the Report, as a company listed on the CSE, the Company has adopted the CSE Code and applies its principles.

Regarding the second part of the Report, the Company complies with the provisions of the Code. Throughout the Corporate Governance Report for 2015 a narrative statement is provided on how the principles of the Code have been applied.

The rules governing the composition of the Board of Directors and the appointment and replacement of its members are set out in sections 1.2 to 1.5 of the Corporate Governance Report for 2015. The powers of the executive and supervisory bodies of the Group are also set out in the Corporate Governance Report.

Any amendment or addition to the Articles of Association of the Company is only valid if approved by a special resolution at a shareholders' meeting.

Corporate Governance Statement (continued)

The Board of Directors may issue share capital if there is sufficient authorised share capital and as long as the new shares to be issued are offered first to existing shareholders, pro-rata to their percentage shareholding. In the event that a share capital increase requires an increase in the authorised share capital or if the new shares are not offered to existing shareholders, the approval of the shareholders in a general meeting must be obtained. Under Cyprus Companies Law, the Board of Directors also has the right to propose to the general meeting of shareholders a share buyback scheme.

Details of restrictions in voting rights and special control rights in relation to the shares of the Company are set out in the section on 'Other information' above.

The Corporate Governance Report for 2015 is included within this Annual Financial Report.

Service termination agreements

The service contract of one of the executive directors in office as at 31 December 2015 includes a clause for termination, by service of four months' notice to that effect upon the executive director, without cause but at the Company's sole discretion. In such a case, the Company shall have the obligation to pay the executive director in lieu of notice for immediate termination. The terms of employment of the other executive director are based on the provisions of the collective agreement in place, as with the rest of the employees, which provides for notice or compensation based on years of service.

Board of Directors

The members of the Board of Directors of the Company as at the date of this Report are listed on page 1. All Directors were members of the Board throughout the year and up to the date of this Report. Mr Vladimir Strzhalkovskiy resigned from the Board of Directors on 29 May 2015. On the same date, Mr Maksim Goldman was appointed as Vice Chairman of the Board.

In accordance with the Company's Articles of Association, Messrs Maksim Goldman, Michalis Spanos and Arne Berggren retire and being eligible, offer themselves for re-election. The vacancies so created will be filled by election.

The interest in the share capital of the Company held by each member of the Board of Directors at 31 December 2015 and 24 March 2016 is presented in the table below:

	31 December 2015	**24 March 2016**
Non-executives	**%**	**%**
Josef Ackermann	0,03	0,03
Wilbur L. Ross Jr.	1,63	1,63
Maksim Goldman	-	-
Arne Berggren	0,01	0,01
Marios Kalochoritis	-	-
Michalis Spanos	0,01	0,01
Ioannis Zographakis	-	-
Executives		
John Patrick Hourican	-	-
Christodoulos Patsalides	-	-
	1,68	**1,68**

Prof. Dr. Josef Ackermann

Chairman

31 March 2016

Consolidated Financial Statements

Consolidated Financial Statements – Contents

for the year ended 31 December 2015

Consolidated Income Statement

for the year ended 31 December 2015

	Notes	2015 €000	2014 (represented) €000
Continuing operations			
Turnover	*3.9*	**1.425.989**	1.642.002
Interest income	*6*	**1.122.105**	1.343.014
Interest expense	*7*	**(279.665)**	(373.345)
Net interest income		**842.440**	969.669
Fee and commission income	*8*	**162.557**	159.827
Fee and commission expense	*8*	**(9.100)**	(7.960)
Net foreign exchange gains/(losses)	*9*	**38.367**	(14.793)
Net gains on financial instrument transactions	*10*	**47.129**	176.850
Insurance income net of claims and commissions	*11*	**47.905**	45.610
Losses from revaluation and disposal of investment properties	*22*	**(53.080)**	(12.021)
Other income	*12*	**17.607**	12.068
		1.093.825	1.329.250
Staff costs	*13*	**(233.631)**	(234.424)
Other operating expenses	*14*	**(225.038)**	(228.482)
		635.156	866.344
Gain on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans	*15*	**305.089**	47.338
Provisions for impairment of loans and advances to customers and other customer credit losses	*15*	**(1.264.554)**	(816.983)
Impairment of other financial instruments	*15*	**(43.503)**	(56.540)
Impairment of non-financial instruments	*16*	**(18.103)**	(33.295)
(Loss) / profit before share of profit from associates and joint ventures		**(385.915)**	6.864
Share of profit from associates and joint ventures	*52*	**5.923**	4.852
(Loss) / profit before tax from continuing operations		**(379.992)**	11.716
Income tax	*17*	**(9.203)**	(10.877)
(Loss) / profit after tax from continuing operations		**(389.195)**	839
Discontinued operations			
Loss after tax from discontinued operations	*5*	**(65.107)**	(322.216)
Loss for the year		**(454.302)**	(321.377)

Attributable to:			
Owners of the Company – continuing operations		**(382.513)**	19.162
Owners of the Company – discontinued operations		**(55.839)**	(280.319)
Total loss attributable to the owners of the Company		**(438.352)**	(261.157)
Non-controlling interests – continuing operations		**(6.682)**	(18.323)
Non-controlling interests – discontinued operations		**(9.268)**	(41.897)
Total loss attributable to non-controlling interests		**(15.950)**	(60.220)
Loss for the year		**(454.302)**	(321.377)

Basic and diluted (losses) / earnings per share (cent) attributable to the owners of the Company - continuing operations	*18*	**(4,3)**	0,3
Basic and diluted losses per share (cent) attributable to the owners of the Company	*18*	**(4,9)**	(4,4)

		2015	2014
	Notes	**€000**	€000
Loss for the year		**(454.302)**	(321.377)
Other comprehensive income (OCI)			
OCI to be reclassified in the consolidated income statement in subsequent periods			
Foreign currency translation reserve			
Profit on translation of net investment in foreign branches and subsidiaries		**19.597**	37.843
Profit on translation of net investment in associates and joint ventures		**-**	13.408
(Loss)/profit on hedging of net investments in foreign branches and subsidiaries	*21*	**(22.860)**	6.102
Loss on hedging of associates and joint ventures	*21*	**-**	(3.522)
Transfer to the consolidated income statement on disposal of foreign operations		**21.020**	55.796
		17.757	109.627
Available-for-sale investments			
Net gains from fair value changes before tax		**52.056**	5.384
Share of net (losses)/gains from fair value changes of associates		**(2.060)**	721
Transfer to the consolidated income statement on impairment		**1.515**	7.308
Transfer to the consolidated income statement on sale		**(3.016)**	(52.617)
		48.495	(39.204)
		66.252	70.423
OCI not to be reclassified in the consolidated income statement in subsequent periods			
Property revaluation			
Fair value (loss)/gain before tax	*25*	**(4.795)**	7.511
Share of fair value gain of associate		**4**	10
Tax	*17*	**3.923**	234
		(868)	7.755
Actuarial gain / (loss) for the defined benefit plans			
Remeasurement gains/(losses) on defined benefit plans	*13*	**2.328**	(8.383)
		1.460	(628)
Other comprehensive income after tax		**67.712**	69.795
Total comprehensive loss for the year		**(386.590)**	(251.582)

Attributable to:			
Owners of the Company		**(378.679)**	(200.068)
Non-controlling interests		**(7.911)**	(51.514)
Total comprehensive loss for the year		**(386.590)**	(251.582)

		2015	2014 (represented)
Assets	*Notes*	**€000**	€000
Cash and balances with central banks	*19*	**1.422.602**	1.139.465
Loans and advances to banks	*19*	**1.314.380**	1.646.886
Derivative financial assets	*21*	**14.023**	62.598
Investments	*20*	**588.255**	1.871.136
Investments pledged as collateral	*20*	**421.032**	669.786
Loans and advances to customers	*23*	**17.191.632**	18.168.323
Life insurance business assets attributable to policyholders	*24*	**475.403**	472.992
Prepayments, accrued income and other assets	*28*	**281.780**	322.832
Stock of property	*27*	**515.858**	12.662
Investment properties	*22*	**34.628**	488.598
Property and equipment	*25*	**264.333**	290.420
Intangible assets	*26*	**133.788**	127.402
Investments in associates and joint ventures	*52*	**107.753**	116.776
Deferred tax assets	*17*	**456.531**	456.871
Non-current assets and disposal groups held for sale	*29*	**48.503**	942.655
Total assets		**23.270.501**	26.789.402
Liabilities			
Deposits by banks		**242.137**	162.388
Funding from central banks	*30*	**4.452.850**	8.283.773
Repurchase agreements		**368.151**	579.682
Derivative financial liabilities	*21*	**54.399**	71.967
Customer deposits	*31*	**14.180.681**	12.623.558
Insurance liabilities	*32*	**566.925**	576.701
Accruals, deferred income and other liabilities	*34*	**282.831**	350.431
Debt securities in issue	*33*	**712**	693
Deferred tax liabilities	*17*	**40.807**	44.741
Non-current liabilities and disposal groups held for sale	*29*	**3.677**	614.421
Total liabilities		**20.193.170**	23.308.355
Equity			
Share capital	*35*	**892.294**	892.238
Share premium	*35*	**552.618**	552.539
Capital reduction reserve	*35*	**1.952.486**	1.952.486
Shares subject to interim orders	*35*	**-**	441
Revaluation and other reserves		**258.709**	146.809
Accumulated losses	*37*	**(601.152)**	(79.021)
Equity attributable to the owners of the Company		**3.054.955**	3.465.492
Non-controlling interests		**22.376**	15.555
Total equity		**3.077.331**	3.481.047
Total liabilities and equity		**23.270.501**	26.789.402

Prof. Dr. J. Ackermann Chairman
Mr. I. Zographakis Director

Mr. J. P. Hourican Chief Executive Officer
Dr. Chr. Patsalides Finance Director
Mrs. E. Livadiotou Chief Financial Officer

Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

	Attributable to the owners of the Company													**Non-controlling interests**	**Total equity**
	Share capital (Note 35)	Share premium (Note 35)	Capital reduction reserve (Note 35)	Shares subject to interim orders (Note 35)	Accumulated losses (Note 37)	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Other reserves	Life insurance in-force business reserve	Foreign currency translation reserve	Treasury shares (Note 35)	Reserve of disposal groups and assets held for sale (Note 29)	**Total**		
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	**€000**
1 January 2015	**892.238**	**552.539**	**1.952.486**	**441**	**(79.021)**	**98.211**	**2.226**	**6.059**	**97.698**	**22.929**	**(88.051)**	**7.737**	**3.465.492**	**15.555**	**3.481.047**
Loss for the year	-	-	-	-	(438.352)	-	-	-	-	-	-	-	**(438.352)**	(15.950)	**(454.302)**
Other comprehensive income/(loss) after tax	-	-	-	-	2.328	(906)	44.899	-	-	(15.307)	-	28.659	**59.673**	8.039	**67.712**
Total comprehensive (loss)/income for the year	-	-	-	-	(436.024)	(906)	44.899	-	-	(15.307)	-	**28.659**	**(378.679)**	(7.911)	**(386.590)**
Issue of shares	56	79	-	-	-	-	-	-	-	-	-	-	**135**	-	**135**
Acquisition of non-controlling interest	-	-	-	-	(68)	-	-	-	-	-	-	-	**(68)**	68	**-**
Disposal of subsidiaries (Note 51.2.1)	-	-	-	-	6.805	-	-	-	-	-	-	(6.805)	**-**	(18.112)	**(18.112)**
Increase in shareholding of subsidiaries (Note 50)	-	-	-	-	(37.094)	-	-	-	-	11.693	-	-	**(25.401)**	25.401	**-**
Debt capitalisation for subsidiary non-controlling interests	-	-	-	-	(9.293)	-	-	-	-	-	-	-	**(9.293)**	9.293	**-**
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	**-**	(1.918)	**(1.918)**
Transfer of realised losses on sale of property	-	-	-	-	(1.565)	1.641	-	-	-	-	-	(76)	**-**	-	**-**
Increase in value of in-force life insurance business	-	-	-	-	(1.499)	-	-	-	1.499	-	-	-	**-**	-	**-**
Tax on increase in value of in-force life insurance business	-	-	-	-	147	-	-	-	(147)	-	-	-	**-**	-	**-**
Disposals of treasury shares	-	-	-	(441)	(43.540)	-	-	-	-	-	46.750	-	**2.769**	-	**2.769**
Reclassification from assets held-for-sale	-	-	-	-	-	272	-	-	-	11.624	-	(11.896)	**-**	-	**-**
31 December 2015	**892.294**	**552.618**	**1.952.486**	**-**	**(601.152)**	**99.218**	**47.125**	**6.059**	**99.050**	**30.939**	**(41.301)**	**17.619**	**3.054.955**	**22.376**	**3.077.331**

Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

	Attributable to the owners of the Company													Non-controlling interests	Total equity
	Share capital (Note 35)	Share premium (Note 35)	Capital reduction reserve (Note 35)	Shares subject to interim orders (Note 35)	Accumulated losses (Note 37)	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Other reserves	Life insurance in-force business reserve	Foreign currency translation reserve	Treasury shares (Note 35)	Reserve of disposal groups and assets held for sale (Note 29)	**Total**		
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	**€000**
1 January 2014	**4.683.985**	**-**	**-**	**58.922**	**(2.151.835)**	**115.958**	**42.450**	**6.059**	**92.297**	**(96.462)**	**(88.051)**	**-**	**2.663.323**	**74.353**	**2.737.676**
Loss for the year	-	-	-	-	(261.157)	-	-	-	-	-	-	-	**(261.157)**	(60.220)	**(321.377)**
Other comprehensive (loss)/income after tax	-	-	-	-	(8.383)	7.340	(39.251)	-	-	101.383	-	-	**61.089**	8.706	**69.795**
Total comprehensive (loss)/income for the year	-	-	-	-	(269.540)	7.340	(39.251)	-	-	101.383	-	-	**(200.068)**	(51.514)	**(251.582)**
Disposal groups and non-current assets held for sale	-	-	-	-	-	(24.772)	(973)	-	-	18.008	-	7.737	**-**	-	**-**
Allocation of prior year goodwill impairment between the owners of the Company and non-controlling interests	-	-	-	-	32.737	-	-	-	-	-	-	-	**32.737**	(32.737)	**-**
Bail-in of deposits and structured products	150	-	-	-	-	-	-	-	-	-	-	-	**150**	-	**150**
Issue of shares	416.667	583.333	-	-	-	-	-	-	-	-	-	-	**1.000.000**	-	**1.000.000**
Share capital issue costs	-	(30.794)	-	-	-	-	-	-	-	-	-	-	**(30.794)**	-	**(30.794)**
Reduction of nominal value of share capital	(4.280.140)	-	1.952.486	-	2.327.654	-	-	-	-	-	-	-	**-**	-	**-**
Shares subject to interim orders withdrawn/cancelled	58.625	-	-	(58.481)	-	-	-	-	-	-	-	-	**144**	-	**144**
Additional shares issued to Laiki Bank for 2013 acquisition	12.951	-	-	-	(12.951)	-	-	-	-	-	-	-	**-**	-	**-**
Transfer of realised profits on sale of property	-	-	-	-	315	(315)	-	-	-	-	-	-	**-**	-	**-**
Increase in value of in-force life insurance business	-	-	-	-	(6.042)	-	-	-	6.042	-	-	-	**-**	-	**-**
Tax on increase in value of in-force life insurance business	-	-	-	-	641	-	-	-	(641)	-	-	-	**-**	-	**-**
Disposal of subsidiary (Note 51.3.1)	-	-	-	-	-	-	-	-	-	-	-	-	**-**	(51)	**(51)**
Acquisitions of subsidiaries held for sale (Note 29)	-	-	-	-	-	-	-	-	-	-	-	-	**-**	25.942	**25.942**
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	**-**	(438)	**(438)**
31 December 2014	**892.238**	**552.539**	**1.952.486**	**441**	**(79.021)**	**98.211**	**2.226**	**6.059**	**97.698**	**22.929**	**(88.051)**	**7.737**	**3.465.492**	**15.555**	**3.481.047**

		2015	2014 (represented)
	Notes	**€000**	€000
Net cash flow from operating activities	*40*	**2.418.378**	1.234.001
Cash flows from investing activities			
Purchases of debt securities, treasury bills and equity securities		**(32.670)**	-
Proceeds on disposal/redemption of investments:			
- debt securities and treasury bills		**1.551.748**	1.051.324
- equity securities		**4.446**	88.541
Interest received from debt securities and treasury bills		**14.937**	42.465
Dividend income from equity securities		**900**	338
Dividend income from associates		**2.641**	-
Cash consideration paid for acquisition of subsidiaries net of cash acquired		**-**	(520)
Proceeds on disposal of subsidiary companies and operations		**3.396**	98.860
Proceeds on disposal of joint ventures		**89.011**	-
Purchase of property and equipment		**(8.709)**	(8.364)
Proceeds on disposal of property and equipment and intangible assets		**343**	3.490
Purchase of intangible assets		**(15.045)**	(9.663)
Proceeds on disposal of investment properties and investment properties held for sale		**30.996**	21.336
Net cash flow from investing activities		**1.641.994**	1.287.807
Cash flows from financing activities			
Proceeds from the issue of shares		**135**	894.000
Share issue costs paid		**-**	(29.620)
Net repayment of funding from central banks		**(3.830.923)**	(2.672.504)
Redemption of debt securities in issue		**(1.733)**	-
Interest on debt securities in issue		**(25)**	(86)
Interest on funding from central banks		**(78.187)**	(138.643)
Proceeds from the issue of debt securities in issue		**-**	2.059
Proceeds from disposal of treasury shares		**2.769**	-
Dividend paid by subsidiaries to non-controlling interests		**(1.918)**	-
Net cash flow used in financing activities		**(3.909.882)**	(1.944.794)
Net increase in cash and cash equivalents for the year		**150.490**	577.014
Cash and cash equivalents			
1 January		**2.238.601**	1.463.243
Foreign exchange adjustments		**17.253**	198.344
Net increase in cash and cash equivalents for the year		**150.490**	577.014
31 December	*41*	**2.406.344**	2.238.601

Details on the non-cash transactions are presented in Note 40.

1. Corporate information

Bank of Cyprus Public Company Ltd (the 'Company') is the holding company of the Bank of Cyprus Group (the 'Group'). The principal activities of the Company and its subsidiary companies during the year continued to be the provision of banking, financial, insurance services and management and disposal of property.

The Company is a limited liability company incorporated in 1930 under the Cyprus Companies Law. The Company has a primary listing on the Cyprus Stock Exchange and a secondary listing on the Athens Exchange. It is also a public company for the purposes of the Cyprus Income Tax Laws.

Consolidated financial statements
The consolidated financial statements of Bank of Cyprus Public Company Ltd for the year ended 31 December 2015 were authorised for issue by a resolution of the Board of Directors on 31 March 2016.

2. Operating environment in Cyprus

Economic recovery started in the first quarter of 2015 and continued throughout the year at an accelerating pace. Thus real GDP rose as per the Cyprus Statistical Service by 2,7% in the fourth quarter when seasonally adjusted. For the year as a whole, real GDP increased by 1,6% compared with a decline of 2,5% the year before (Cyprus Statistical Service). Growth was mainly driven by tourism, business services and financial and insurance services on the supply side. On the expenditure side, the driver of growth was mainly investments in buildings, metals and machinery, and transport equipment. Growth in the year was also supported by the depreciation of the euro and the drop in oil price.

The outlook for the medium term remains positive according to the European Commission and the International Monetary Fund. Real GDP is expected to grow by about 2% per annum in 2016-2017. Downside risks to the outlook relate to the high level of non-performing loans and to a worsening of the external environment. A deteriorating external environment would pose a risk for an open economy like Cyprus. This might include a worsening of conditions in Greece, a continuing downturn in Russia and further Rouble weakness, weaker growth in the euro area and in the UK or a worsening of credit conditions in world bond markets. Conversely, upside risks to the economic outlook relate to a longer period of low oil prices, improving conditions in Greece and an improvement in foreign investment climate.

In the labour market, unemployment reached a peak in the fourth quarter of 2013 at 16,6% seasonally adjusted and had been declining since that time (as per Eurostat). The unemployment rate in 2015 averaged 15,6% as per Eurostat and is expected to decline further in the medium term, to reach 13,3% by 2017 according to the European Commission.

Consumer prices declined each year from 2013 onwards dropping by 1,4% and 2,1% in 2014 and 2015 (Cyprus Statistical Service) respectively. Thus economic adjustment entailed both a decline in quantities and prices, which explains why nominal GDP declined at a faster pace than real GDP. However, this was part of internal devaluation which was one of the objectives of the economic adjustment programme. Falling consumer prices also reflect the decline in commodity prices and specifically oil. Consumer prices are expected to turn moderately higher in 2016 according to the European Commission.

In the area of public finances Cyprus has achieved considerable consolidation over the period of the programme. Per the Cyprus Statistical Service, the budget deficit has almost been eliminated dropping to near zero in 2014 from 5,7% of GDP in 2011. This constitutes an adjustment of over €1 billion in an economy which is a little more than €17 billion. Fiscal consolidation involved substantial spending cuts including wages and pensions. Interest payments were also reduced and the expenditures of ministries were capped. On the revenue side, the better than expected economic performance led to higher direct and indirect tax receipts and social security contributions. The budget is expected to swing into surplus in 2016-2017, albeit marginally, according to the European Commission.

The general government debt rose to 108,2% of GDP in 2014 as per Eurostat and rose only slightly in 2015 based on budget developments. Government debt is expected to drop to 94,6% of GDP by 2017 according to the European Commission. This will be on the back of the budgetary consolidation and the relatively favourable economic outlook. Gross debt will drop considerably lower when including an asset swap with the Central Bank of Cyprus (CBC). Discretionary deficit reducing measures are not anticipated in the medium term and further improvement in the fiscal balance will emanate from further improvements in economic activity.

2. Operating environment in Cyprus (continued)

The International Monetary Fund completed a ninth review of Cyprus' economic adjustment programme in January 2016 and approved the disbursement of €126 million, bringing total disbursements under the adjustment programme to about €1 billion. Total disbursements from the European Stability Mechanism (ESM) amount to €6,3 billion to date, out of a total committed of €9 billion. That is, about 30% of the funding under the adjustment programme envelope remains unutilised. The eighth review of the European Commission has not been completed because a last prior action under the last review, has not been fulfilled.

In a statement issued by the Executive Board of the International Monetary Fund on 27 January 2016 following the completion of the ninth review, the performance of Cyprus under the programme was noted: 'Macroeconomic achievements under the Fund-supported programme have been favourable. Economic and fiscal outcomes are better than expected, non-performing loans have stabilised, and bank liquidity has continued to improve. However, with recent delays in implementing structural reforms, there is a need to re-energize reform implementation to protect confidence and longer-term growth. At the same time, public debt and non-performing loans need to be reduced from their current high levels. Accelerated workout of non-performing loans is critical to reviving lending and improving growth prospects. Following the recent passage of key legislation, the toolkit for debt restructuring is now largely in place. However, progress on the legal framework to facilitate securitisation of loans and transfer of property title deeds in non-legacy cases should be accelerated'.

The ESM Macroeconomic Adjustment Programme ends on 31 March 2016 and the government has decided to exit without a successor arrangement. The Eurogroup at its 7 March 2016 meeting commended the Cyprus authorities for the overall successful implementation of the programme and highlighted the need for further reform to strengthen the resilience of the Cyprus economy. Following this development, the IMF programme which formally ends on 14 May 2016, has been cancelled by the Republic of Cyprus.

Cyprus will remain under post-programme surveillance until at least 75% of the financial assistance received has been paid. Under the post-programme surveillance, the European Commission in liaison with the European Central Bank (ECB) will have regular review missions to analyse fiscal and financial developments and report semi-annual assessments which may recommend further measures when necessary.

In recognition of the progress achieved on the fiscal front and on economic recovery, as well as the adoption in April 2015, of a comprehensive reform framework for corporate and personal insolvency, the international credit rating agencies have upgraded the credit ratings for the Cypriot sovereign, paving the way for the sovereign to access the international capital markets. In May 2015 and in October 2015, the Cyprus Government issued a €1 billion bond maturing in year 2022, with a yield of 4,00% per annum and a €1 billion bond maturing in year 2025 with a yield of 4,25%.

2.1 The insolvency and foreclosure framework

The insolvency framework was enacted in May 2015 and as a result of this, the foreclosure law which was enacted by the Cypriot Parliament in September 2014 has also come into force.

The implementation of the foreclosure law will result in the following:

- An improvement in the Group's negotiating power with defaulted customers.
- A reduction in the recovery period in case of repossession of an asset from defaulted customers.
- A likely improvement in the Group's liquidity risk management as proceeds from an earlier repayment period and/or better repayment of loans should facilitate the Group's management of its assets and liabilities.

2. Operating environment in Cyprus (continued)

2.1 The insolvency and foreclosure framework (continued)

The main objectives of the insolvency framework are to modernise and increase the efficiency of liquidation and bankruptcy proceedings for individuals and companies and to create appropriate incentives for debt repayment, thereby contributing to the reduction of non-performing loans, while at the same time provide certain protections and benefits to debtors including the following:

- Protecting the primary residence of debtors based upon strict eligibility criteria.
- Providing for the economic rehabilitation of bankrupt individuals where possible.
- Providing incentives for the preservation and rehabilitation of companies.
- Introducing a new mechanism for the relief of individual debtors with no income or assets and low total debt.

In general, the Group views the new insolvency and foreclosure framework as a useful improvement that is likely to assist and enhance the current legal and operational framework.

3. Summary of accounting policies

3.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for properties held for own use and investment properties, available-for-sale investments, derivative financial instruments and financial assets at fair value through profit or loss, that have been measured at fair value, non-current assets held for sale measured at fair value less costs to sell and stock of property measured at net realisable value where this is lower than cost. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

Presentation of consolidated financial statements
The consolidated financial statements are presented in Euro (€) and all amounts are rounded to the nearest thousand, except where otherwise indicated.

The Group presents its balance sheet broadly in order of liquidity. An analysis regarding expected recovery or settlement of financial assets and liabilities within twelve months after the balance sheet date and more than twelve months after the balance sheet date is presented in Note 43.

Statement of compliance
The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

3.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards and interpretations as explained in Note 3.2.1 below.

3.2.1 New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments were applied for the first time in 2015, they did not have a material impact on the annual consolidated financial statements of the Group. The nature and the impact of each new standard or amendment is described below:

3. Summary of accounting policies (continued)

3.2 Changes in accounting policies and disclosures (continued)

3.2.1 New and amended standards and interpretations (continued)

IFRIC Interpretation 21: Levies
The Interpretations Committee was asked to consider how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. This Interpretation is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Special tax levy on deposits of credit institutions in Cyprus and immovable property tax are items falling under this interpretation, however there was no impact on the recognition of these in the consolidated financial statements for the year ended 31 December 2015.

Annual Improvements 2011-2013 Cycle
The International Accounting Standards Board (IASB) has issued the *Annual Improvements to IFRSs 2011–2013 Cycle*, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2015, with earlier adoption permitted from 1 July 2014.

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:
- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself and thus this amendment is not relevant for the Group and its subsidiaries.

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Group does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e. property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the financial statements of the Group.

3.3 Standards and Interpretations that are issued but not yet effective

3.3.1 Standards and Interpretations issued by the IASB and adopted by the EU

Up to the date of approval of the consolidated financial statements, certain new Standards, Interpretations and Amendments to existing standards have been published that are not yet effective for the current reporting period and which the Group has not early adopted, as follows:

IAS 19 Employee benefits (Amended): Employee Contributions
The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Group does not expect this amendment to have a material impact on its results and financial position.

3. **Summary of accounting policies** (continued)

3.3 **Standards and Interpretations that are issued but not yet effective** (continued)

3.3.1 **Standards and Interpretations issued by the IASB and adopted by the EU** (continued)

IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortisation
The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The Group does not expect any impact on its results and financial position from the adoption of this amendment.

IFRS 11 Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations
The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The Group does not expect a material impact on its results and financial position from the adoption of this amendment.

IAS 27 Separate Financial Statements
The amendment is effective from 1 January 2016. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. This amendment will have no impact on the results and financial position of the Group.

IAS 1: Disclosure Initiative (Amendment)
The amendments to IAS 1 Presentation of Financial Statements further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of OCI arising from equity accounted investments. This amendment will have no impact on the results and financial position of the Group, it will however impact disclosures in the financial statements.

Annual Improvements 2010-2012 Cycle
The IASB has issued the Annual Improvements to IFRSs 2010–2012 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015, with earlier adoption permitted from 1 July 2014. The Group is in the process of assessing the impact of these amendments on its results and financial position. They include:

- *IFRS 3 Business combinations:* This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.

- *IFRS 8 Operating Segments:* This improvement requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.

- *IFRS 13 Fair Value Measurement:* This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.

- *IAS 16 Property Plant & Equipment:* The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

3. Summary of accounting policies (continued)

3.3 Standards and Interpretations that are issued but not yet effective (continued)

3.3.1 Standards and Interpretations issued by the IASB and adopted by the EU (continued)

Annual Improvements 2010-2012 Cycle (continued)

- *IAS 24 Related Party Disclosures:* The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

- *IAS 38 Intangible Assets:* The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

Annual Improvements 2012-2014 Cycle

The IASB has issued the Annual Improvements 2012-2014 Cycle which is a collection of amendments to IFRSs. The Group is in the process of assessing the impact of these amendments on its results and financial position. These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*: The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, but rather as a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- *IFRS 7 Financial Instruments*: *Disclosures*: The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

- *IAS 19 Employee Benefits*: The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- *IAS 34 Interim Financial Reporting:* The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g. in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

3.3.2 Standards and Interpretations issued by the IASB but not yet adopted by the EU

IFRS 9 Financial Instruments – Classification and measurement

In July 2014, the IASB issued IFRS9 Financial Instruments, which is the comprehensive standard to replace IAS 39 Financial Instruments: Recognition and Measurement, and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The standard is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of adopting IFRS 9, which is expected to have a significant effect. However, the impact of adoption depends on the financial assets and liabilities of the Group at the date of adoption, and it is therefore not practical to quantify the effect at present.

3. **Summary of accounting policies** (continued)

3.3 **Standards and Interpretations that are issued but not yet effective** (continued)

3.3.2 **Standards and Interpretations issued by the IASB but not yet adopted by the EU** (continued)

IFRS 9 Financial Instruments – Classification and measurement (continued)

Classification and measurement

The classification and measurement of financial assets will depend on the entity's business model for their management and their contractual cash flow characteristics and result in financial assets being measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss. The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortised cost or fair value compared with IAS 39. The classification of financial liabilities is essentially unchanged, except that, for certain liabilities measured at fair value, gains or losses relating to changes in the entity's own credit risk are to be included in other comprehensive income.

Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI, lease receivables, certain loan commitments and financial guarantee contracts. At initial recognition, allowance (or provision in the case of commitments and guarantees) is required for expected credit losses (ECL) resulting from default events that are possible within the next 12 months (12 month ECL). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL).

The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL.

Hedge accounting

IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting. The standard does not explicitly address macro hedge accounting strategies, which are being considered in a separate project. To remove the risk of any conflict between existing macro hedge accounting practice and the new general hedge accounting requirements, the standard includes an accounting policy choice to remain with IAS 39 hedge accounting.

Transition

The classification, measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. Hedge accounting is generally applied prospectively from that date. The Group is in the process of assessing the impact of this standard on its results and financial position.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. Furthermore, the Group is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments. The Group is in the process of assessing the impact of this standard on its results and financial position.

IFRS 16 Leases

The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). The new standard requires lessees to recognise most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The Group is in the process of assessing the impact of this standard on its results and financial position.

3. Summary of accounting policies (continued)

3.3 Standards and Interpretations that are issued but not yet effective (continued)

3.3.2 Standards and Interpretations issued by the IASB but not yet adopted by the EU (continued)

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The Group does not expect these amendments to have a material impact on its results and financial position.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to IAS 12 Income Taxes. Recognition of Deferred Tax Assets for Unrealised Losses
The amendment addresses how to account for deferred tax assets related to debt instruments measured at fair value which give rise to a deductible temporary difference when the holder expects to recover the carrying amount of the asset by holding it to maturity and collecting all the contractual cash flows. IAS 12 provides requirements on the recognition and measurement of current or deferred tax liabilities or assets. The amendment clarifies the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. The amendment is effective for annual periods beginning on or after 1 January 2017.

Amendments to IAS 7: Disclosure Initiative
The IASB added an initiative on disclosure to its work programme in 2013 to complement the work being done in the Conceptual Framework project. The initiative is, inter alia, made up of a number of smaller projects that aim at exploring opportunities to see how presentation and disclosure principles and requirements in existing standards can be improved short-term. Among them was a narrow scope project on IAS 7 Statement of Cash Flows to improve information provided to users of financial statements about an entity's financing activities and liquidity.

The objective of the amendments is to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes. The amendments to IAS 7 respond to investors' requests for information that helps them better understand changes in an entity's debt, which is important to their analysis of financial statements. These amendments are effective for annual periods beginning on or after 1 January 2017.

3. Summary of accounting policies (continued)

3.4 Basis of consolidation

The consolidated financial statements comprise the consolidated financial statements of the Group as at and for the year ended 31 December 2015. The financial statements of the subsidiaries are prepared as of the same reporting date as that of the Company, using consistent accounting policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over an investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including the contractual arrangement with the other vote holders, rights arising from other contractual arrangements, and the Group's voting and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts indicate that there are changes to any of the three elements of control.

Assets, liabilities, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated financial statement from the date of acquisition or up to the date of disposal, respectively. Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Non-controlling interests represent the portion of profit or loss and net assets not held by the Group, directly or indirectly. The non-controlling interests are presented separately in the consolidated income statement and within equity, from the Company owners' equity.

All intra-group balances and transactions are eliminated on consolidation.

The Group promotes/sponsors the formation of special purpose entities (SPEs), primarily for the purpose of asset securitisation transactions and to accomplish certain narrow and well defined objectives. The Group consolidates these SPEs if the substance of its relationship with them indicates that it has control over them.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as a transaction between the owners, which affects equity. As a result, no goodwill arises nor is any gain/loss recognised in the income statement from such transactions. The foreign exchange differences which relate to the share of non-controlling interests being sold/acquired are reclassified between the foreign currency reserve and non-controlling interests.

3. Summary of accounting policies (continued)

3.5 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets acquired, is recognised as goodwill on the consolidated balance sheet. Where the Group's share of the fair values of the identifiable net assets are greater than the cost of acquisition (i.e. negative goodwill), the difference is recognised directly in the consolidated income statement in the year of acquisition. Acquisition related costs are expensed as incurred and included in other operating expenses.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Contingent consideration
When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not subsequently remeasured and subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is subsequently remeasured in accordance with IAS 39, or IAS 37, as appropriate, with the corresponding gain or loss being recognised in the consolidated income statement.

Provisional accounting
If the initial accounting for a business combination is incomplete at the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Such provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets and liabilities are recognised to reflect the new information obtained about facts and circumstances that existed at the acquisition date that if known, would have affected the amounts recognised as at that date.

3.6 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

In the consolidated financial statements, the Group's investments in associates and joint ventures are accounted for using the equity method of accounting.

3. Summary of accounting policies (continued)

3.6 Investments in associates and joint ventures (continued)

Using the equity method, the investment in an associate or a joint venture is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the associate or joint venture. The Group's share of the results of the associate or joint venture is included in the consolidated income statement. Losses of the associate or joint venture in excess of the Group's cost of the investment are recognised as a liability only when the Group has incurred obligations on behalf of the associate or joint venture. Goodwill relating to an associate or joint venture is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's or joint venture's identifiable assets over the cost of the investment (i.e. negative goodwill) is included as income in the determination of the Group's share of the associate's or joint venture's profit or loss in the period in which the investment is acquired. The aggregate of the Group's share of profit or loss of an associate or a joint venture is shown on the face of the profit or loss outside operative profit and represent profit or loss after tax.

The Group recognises its share of any changes in the equity of the associate or the joint venture through the consolidated statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate or the joint venture are eliminated to the extent of the Group's interest in the associate or the joint venture.

The financial statements of the associates or joint ventures are prepared as of the same reporting date as that of the Company, using consistent accounting policies.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investments in associates or joint ventures.

3.7 Foreign currency translation

The consolidated financial statements are presented in Euro (€), which is the functional and presentation currency of the Company and its subsidiaries in Cyprus. Each overseas branch or subsidiary of the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle the gain or loss that arises from using this method.

3.7.1 Transactions and balances

Transactions in foreign currencies are recorded using the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to 'Net foreign exchange gains/losses' in the consolidated income statement, with the exception of differences on foreign currency liabilities that provide a hedge against the net investment in subsidiaries and overseas branches. These differences are recognised in other comprehensive income in the 'Foreign currency translation reserve' until the disposal of the net investment, at which time the cumulative amount is reclassified to profit or loss in the consolidated income statement.

Non-monetary items that are measured at historic cost in a foreign currency are translated using the exchange rates ruling as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates ruling at the date when the fair value is determined.

3.7.2 Subsidiary companies and branches

At the reporting date, the assets and liabilities of subsidiaries (including special purpose entities that the Group consolidates) and branches whose functional currency is other than the Group's presentation currency are translated into the Group's presentation currency at the rate of exchange ruling at the reporting date, and their income statements are translated using the average exchange rates for the year.

Foreign exchange differences arising on translation are recognised in other comprehensive income in the 'Foreign currency translation reserve'. On disposal of a subsidiary or branch, the cumulative amount of the foreign exchange differences relating to that particular overseas operation, is reclassified to profit or loss in the consolidated income statement as part of the profit or loss on disposal.

3. Summary of accounting policies (continued)

3.8 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group of persons that allocate resources to and assess the performance of the operating segments.

The chief operating decision-maker is the Group Executive Committee.

3.9 Turnover

Group turnover comprises interest income, fee and commission income, foreign exchange gains, gross insurance premiums, gains/losses of investment properties and stock of properties, turnover of property and hotel business and other income.

3.10 Revenue recognition

Revenue is recognised when it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

3.10.1 Interest income

For all financial assets measured at amortised cost and interest bearing financial assets classified as available-for-sale investments or at fair value through profit or loss, interest income is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instruments, or where appropriate a shorter period, to the carrying amount of the financial instruments. Interest income is recognised on the recoverable portion of impaired loans using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The carrying amount of a financial asset or liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded in 'Net gains on financial instrument transactions', or 'Gain on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans' for loans and advances to customers.

3.10.2 Fee and commission income

Fee and commission income is generally recognised on the basis of work done so as to match the cost of providing the service, whereas fees and commissions in respect of loans and advances are recognised using the effective interest rate method as part of interest income.

3.10.3 Dividend income

Dividend income is recognised in the consolidated income statement when the Group's right to receive payment is established i.e. upon approval by the General Meeting of the shareholders.

3.10.4 Rental income

Rental income from investment properties is accounted for on a straight-line basis over the period of the lease and is recognised in the consolidated income statement in 'Other income'.

3.10.5 Income from the disposal of investment property

Gains on disposal of investment property are recognised in the consolidated income statement in 'Losses from revaluation and disposal of investment properties' when the buyer accepts delivery and the transfer of risks and rewards to the buyer is completed.

3.10.6 Income from the disposal of stock of property

Net gains on disposal of stock of property are recognised in the consolidated income statement when the buyer accepts delivery and the transfer of risks and rewards to the buyer is completed.

3. Summary of accounting policies (continued)

3.11 Retirement benefits

The Group operates several defined contribution and defined benefit retirement plans.

Defined contribution plans
The Group recognises obligations, in respect of the accounting period in the consolidated income statement. Any unpaid contributions at the reporting date are included as a liability.

Defined benefit plans
The cost of providing benefits for defined benefit plans is estimated separately for each plan using the Projected Unit Credit Method of actuarial valuation.

The defined benefit asset or liability comprises the present value of the defined benefit obligations (using a discount rate based on high quality corporate bonds), reduced by the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a funded plan or qualifying insurance policies. Any net defined benefit surplus is limited to the present value of available refunds and reductions in future contributions to the plan. Fair value is based on market price information and in the case of quoted securities it is the published bid price.

The net charge to the income statement mainly comprises the service costs and the net interest on the net defined benefit asset or liability, and is presented in staff costs. Service costs comprise current service costs, past-service costs, gains and losses or curtailments and non-routine settlements. Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling (excluding net interest), and the return on plan assets (excluding net interest), are recognised immediately on the balance sheet with a corresponding debit or credit in other comprehensive income. Re-measurements are not reclassified to profit or loss in subsequent periods.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in actuarial assumptions.

3.12 Tax

Current income tax and deferred tax
Tax on income is provided in accordance with the fiscal regulations and rates which apply in the countries where the Group operates and is recognised as an expense in the period in which the income arises. Deferred tax is provided using the liability method. Current income tax and deferred tax relating to items recognised directly in equity is recognised directly in equity.

Deferred tax liabilities are recognised for all taxable temporary differences between the tax basis of assets and liabilities and their carrying amounts at the reporting date, which will give rise to taxable amounts in future periods. Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary and associate companies and branches except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and carry-forward of unutilised tax losses to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and carry-forward of unutilised tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilise all or part of the deductible temporary differences or tax losses. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the amount that is expected to be paid to or recovered from the tax authorities, after taking into account the tax rates and legislation that have been enacted or substantially enacted by the reporting date.

Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity and relate to the same tax authority and when the legal right to offset exists.

3. Summary of accounting policies (continued)

3.12 Tax (continued)

Indirect Tax Value Added Tax (VAT)

Expenses and assets are recognised net of the amount of VAT, except:

- when the VAT incurred on a purchase of assets or services is not recoverable from the Tax authorities, in which case, the VAT suffered is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- when receivables and payables are stated with the amount of VAT charged. The amount of VAT recoverable from, or payable to the Tax authorities, is included as part of receivables or payables in the consolidated balance sheet.

3.13 Financial instruments

3.13.1 Date of recognition

All financial assets and liabilities are initially recognised on the trade date. Purchases or sales of financial assets, where delivery is required within a time frame established by regulations or by market convention, are also recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Derivatives are also recognised on a trade date basis. 'Balances with central banks', 'Funding from central banks', 'Deposits by banks', 'Customer deposits', 'Loans and advances to banks' and 'Loans and advances to customers' are recognised when cash is received by the Group or advanced to the borrowers.

3.13.2 Initial recognition and measurement of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and liabilities not measured at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

3.13.3 Derivative financial instruments

Derivatives are recorded at fair value and classified as assets when their fair value is positive and as liabilities when their fair value is negative. Subsequently, derivatives are measured at fair value. Revaluations of trading derivatives are included in the consolidated income statement in 'Net foreign exchange gains' in the case of currency derivatives and in 'Net gains on financial instrument transactions' in the case of all other derivatives. Interest income and expense are included in the corresponding captions in the consolidated income statement.

Derivatives embedded in other financial instruments, such as the conversion option in an acquired convertible bond, are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself measured at fair value with revaluation recognised in the consolidated income statement. The embedded derivatives separated from the host are carried at fair value, with revaluations recognised in 'Net gains on financial instrument transactions' in the consolidated income statement.

3.13.4 Financial assets or financial liabilities held for trading

Financial assets or financial liabilities held for trading represent assets and liabilities acquired or incurred principally for the purpose of selling or repurchasing them in the near term and are recognised in the consolidated balance sheet at fair value. Revaluations are recognised in 'Net gains on financial instrument transactions' in the consolidated income statement. Interest income and expense are included in the corresponding captions in the consolidated income statement according to the terms of the relevant contract, while dividend income is recognised in 'Other income' when the right to receive payment has been established.

3. Summary of accounting policies (continued)

3.13 Financial instruments (continued)

3.13.5 Financial assets or financial liabilities designated upon initial recognition at fair value through profit or loss

Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met: (a) the designation eliminates or significantly reduces the inconsistency that would otherwise arise from the measurement of the assets or liabilities or the recognition of gains or losses on them on a different basis, or (b) the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or (c) the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows of the instrument or it is clear, with little or no analysis, that the embedded derivative could not be separated.

These assets do not form part of the trading portfolio because no recent pattern of short-term profit taking exists. They include listed debt securities economically hedged by derivatives, and not designated for hedge accounting, as well as unlisted equities which are managed on a fair value basis.

Financial assets and financial liabilities designated upon initial recognition at fair value through profit or loss are recognised in the consolidated balance sheet at fair value. Changes in fair value are recognised in 'Net gains on financial instrument transactions' in the consolidated income statement. Interest income and expense are included in the corresponding captions in the consolidated income statement according to the terms of the relevant contract, while dividend income is recognised in 'Other income' when the right to receive payment has been established.

3.13.6 Held-to-maturity investments

Held-to-maturity investments are those with fixed or determinable payments and fixed maturities and which the Group has the intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in 'Interest income' in the consolidated income statement. Losses arising from impairment of such investments are recognised in 'Impairment of other financial instruments' in the consolidated income statement. If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held-to-maturity, it shall be reclassified as available-for-sale and remeasured at fair value, and the difference between its carrying amount and fair value shall be accounted for, accordingly.

3.13.7 Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as 'Trading investments', 'Investments available-for-sale' or 'Investments at fair value through profit or loss'. This accounting policy covers the captions 'Loans and advances to banks', 'Reverse repurchase agreements', 'Loans and advances to customers' and 'Investments classified as loans and receivables' in the balance sheet. After their initial recognition, loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. The losses arising from impairment are recognised in the consolidated income statement in 'Provisions for impairment of loans and advances and other customer credit losses' in the case of loans and advances to customers and in 'Impairment of other financial instruments' for all other items.

Renegotiated loans
A loan that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement made on substantially different terms, or if the terms of an existing agreement are modified, such that the renegotiated loan is substantially a different financial instrument.

3. Summary of accounting policies (continued)

3.13 Financial instruments (continued)

3.13.7 Loans and receivables (continued)

Renegotiated loans (continued)

Loans subject to collective impairment assessment whose terms have been renegotiated are no longer considered past due, but are treated as up to date loans for measurement purposes. Loans subject to collective impairment assessment whose terms have been renegotiated are taken into account in determining the inputs for collective impairment calculation. Loans subject to individual impairment assessment, whose terms have been renegotiated, are subject to ongoing review to determine whether they remain impaired. The carrying amounts of loans that have been classified as renegotiated retain this classification in accordance with the rules of the technical standard of the European Banking Authority (EBA).

3.13.8 Available-for-sale investments

Available-for-sale investments are those which are designated as such or do not qualify for classification in 'Investments at fair value through profit or loss', 'Investments held-to-maturity' or 'Loans and receivables'. These investments can be sold in response to changes in market risks or liquidity requirements and include equity securities and debt securities.

After initial recognition, available-for-sale investments are measured at fair value. Unrealised gains and losses from changes in fair value are recognised directly in other comprehensive income in the 'Available-for-sale investments' caption. When the investment is disposed of, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the consolidated income statement in 'Net gains on financial instrument transactions'.

Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a weighted average cost basis. Interest income from available-for-sale debt securities is recorded in 'Interest income' using the effective interest rate method. Dividend income from available-for-sale equity securities is recognised in the consolidated income statement in 'Other income' when the right to receive payment has been established. Impairment losses on available-for-sale investments are recognised in the consolidated income statement in 'Impairment of other financial instruments' caption.

3.13.9 Subordinated loan stock and debt securities in issue

Subordinated loan stock and debt securities in issue are initially measured at the fair value of the consideration received, net of any issue costs. They are subsequently measured at amortised cost using the effective interest rate method, in order to amortise the difference between the cost at inception and the redemption value, over the period to the earliest date that the Company has the right to redeem the subordinated loan stock and the debt securities in issue.

Debt instruments issued by the Company and held by the Group are treated as redemptions. Gains or losses on redemption are recognised if the repurchase price of the debt instrument was different from its carrying value at the date of repurchase. Subsequent sales of own debt instruments in the market are treated as debt re-issuance.

Interest on subordinated loan stock and debt securities in issue is included in 'Interest expense' in the consolidated income statement.

3.13.10 Other financial liabilities at amortised cost

Other financial liabilities include 'Customer deposits', 'Deposits by banks' and 'Funding from central banks'.

Financial liabilities are recognised when the Group enters into the contractual provisions of the arrangements with counterparties, which is generally on trade date, and initially measured at fair value, which is normally the consideration received, net of directly attributable transaction costs incurred. Subsequent measurement of deposits by customers, funding from central banks and due to banks is at amortised cost, using the effective interest rate method.

3. Summary of accounting policies (continued)

3.14 Derecognition of financial assets and financial liabilities

3.14.1 Financial assets

A financial asset is derecognised when: (a) the contractual rights to receive cash flows from the asset have expired, or (b) the Group has transferred its contractual rights to receive cash flows from the asset or (c) has assumed an obligation to pay the received cash flows in full to a third party and has: either (a) transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3.14.2 Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

3.15 Impairment of financial assets

3.15.1 Loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets, that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that the borrower might be declared bankrupt or proceed with a financial restructuring and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or the economic conditions that correlate with defaults. There is objective evidence that a loan is impaired when it is probable that the Group will not be able to collect all amounts due, according to the original contract terms.

For loans and advances to customers carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for loans and advances that are individually significant. Furthermore, a collective impairment assessment is made for loans and advances that are not individually significant and for losses that have been incurred but are not yet identified relating to loans and advances that have been assessed individually and for which no provision has been made.

Provisions for impairment of loans are determined using the 'incurred loss' model as required by IFRS, which requires recognition of impairment losses that arose from past events and prohibits recognition of impairment losses that could arise from future events, no matter how likely those events are.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan and the present value of the estimated future cash flows including the cash flows which may arise from guarantees and tangible collateral. The collectability of individually significant loans and advances is evaluated based on the customer's overall financial condition, resources and payment record, the prospect of support from creditworthy guarantors and the realisable value of any collateral.

The present value of the estimated future cash flows is calculated using the loan's original effective interest rate. If a loan bears a variable interest rate, the discount rate used for measuring any impairment loss is the current reference rate plus the margin specified in the initial contract.

For the purposes of a collective evaluation of impairment, loans are grouped based on similar credit risk characteristics taking into account the type of the loan, geographic location, past-due days and other relevant factors.

Future cash flows for a group of loans and advances that are collectively evaluated for impairment are estimated on the basis of historical loss experience for loans with similar credit risk characteristics to those of the group. Historical loss experience is adjusted on the basis of current observable data to reflect the impact of current conditions that did not affect the period on which the historical loss experience is based and to remove the impact of conditions in the historical period that do not currently apply. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3. Summary of accounting policies (continued)

3.15 Impairment of financial assets (continued)

3.15.1 Loans and receivables (continued)

The carrying amount of the loan is reduced through the use of a provision account and the amount of the loss is recognised in the consolidated income statement. Loans together with the associated provisions are written off when there is no realistic prospect of future recovery. Partial write-offs, including non contractual write-offs, may also occur when it is considered that there is no realistic prospect for the recovery of the contractual cash flows. If, in a subsequent period, the amount of the estimated impairment loss decreases and the decrease is due to an event occurring after the impairment was recognised, when the creditworthiness of the customer has improved to such an extent that there is reasonable assurance that all or part of the principal and interest according to the original contract terms of the loan will be collected timely, the previously recognised impairment loss is reduced by adjusting the impairment provision account. If a previously written-off loan is subsequently recovered, any amounts previously charged are credited to 'Provisions for impairment of loans and advances and other customer credit losses' in the consolidated income statement.

3.15.2 Investments classified as held-to-maturity and loans and receivables

For held-to-maturity investments and loans and receivables investments, the Group assesses at each reporting date whether there is objective evidence of impairment. If there is objective evidence that an impairment loss 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 not yet incurred). The carrying amount of the asset is reduced and the amount of the loss is recognised in 'Impairment of other financial instruments' caption in the consolidated income statement.

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, the impairment loss previously recognised is reversed and the reversal is credited to the 'Impairment of other financial instruments' caption in the consolidated income statement.

3.15.3 Available-for-sale investments

For available-for-sale investments, the Group assesses whether there is objective evidence of impairment at each reporting date.

In the case of equity securities classified as available-for-sale, objective evidence would include a significant or prolonged decrease, in the fair value of the investment below cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement – is deducted from the 'Revaluation reserve of available-for-sale investments' in other comprehensive income and recognised in 'Impairment of other financial instruments' caption in the consolidated income statement. Impairment losses on equity securities are not reversed through the consolidated income statement. Increases in their fair value after impairment are recognised in the 'Revaluation of available-for-sale investments' in other comprehensive income.

In the case of debt securities classified as available-for-sale, impairment is assessed based on the same criteria applicable to financial assets carried at amortised cost. If, in a subsequent period, the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss previously recognised is reversed through 'Impairment of other financial instruments' caption in the consolidated income statement.

3.16 Hedge accounting

The Group uses derivative financial instruments to hedge exposures to interest rate and foreign exchange risks and in the case of the hedge of net investments, the Group uses non-derivative financial liabilities. The Group applies hedge accounting for transactions which meet the specified criteria.

At inception of the hedging relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk and the objective and strategy for undertaking the hedge. The method that will be used to assess the effectiveness both at the inception and at ongoing basis, of the hedging relationship also forms part of the Group's documentation.

3. Summary of accounting policies (continued)

3.16 Hedge accounting (continued)

At inception of the hedging relationship and at each hedge effectiveness assessment date, a formal assessment is undertaken to ensure that the hedging relationship is highly effective regarding the offsetting of the changes in fair value or the cash flows attributable to the hedged risk. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk of the hedging instrument and the hedged item during the period for which the hedge is designated, are expected to offset in a range of 80% to 125%. In the case of cash flow hedges where the hedged item is a forecast transaction, the Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated income statement.

3.16.1 Fair value hedges

In the case of fair value hedges that meet the criteria for hedge accounting, the change in the fair value of a hedging instrument is recognised in the consolidated income statement in 'Net gains on financial instrument transactions'. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the consolidated income statement in 'Net gains on financial instrument transactions'.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedging relationship is discontinued prospectively. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised to the consolidated income statement, over the remaining term of the original hedge. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated income statement.

3.16.2 Cash flow hedges

In the case of cash flow hedges that meet the criteria for hedge accounting, the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the 'Cash flow hedge reserve'. The ineffective portion of the gain or loss on the hedging instrument is recognised in 'Net gains on financial instrument transactions' in the consolidated income statement.

When the hedged cash flows affect the consoldiated income statement, the gain or loss previously recognised in the 'Cash flow hedge reserve' is transferred to the consolidated income statement.

3.16.3 Hedges of a net investment in foreign operations

Hedges of net investments in overseas branches or subsidiaries are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while gains or losses relating to the ineffective portion are recognised in 'Net foreign exchange gains' in the consolidated income statement.

On disposal of an overseas branch or subsidiary, the cumulative gains or losses recognised in other comprehensive income are transferred in the consolidated income statement.

3.17 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.18 Cash and cash equivalents

Cash and cash equivalents for the purposes of the consolidated statement of cash flows consist of cash, non-obligatory balances with central banks, loans and advances to banks and other securities that are readily convertible into known amounts of cash or are repayable within three months of the date of their acquisition.

3. Summary of accounting policies (continued)

3.19 Insurance business

The Group undertakes both life insurance and general insurance business and issues insurance and investment contracts. An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Investment contracts are those contracts that transfer financial risk.

Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Once a contract has been classified as an insurance contract, it remains an insurance contract until expiry or until all of the rights and obligations under the contract have been fulfilled, even if the insurance risk has been significantly reduced during its term.

3.19.1 Life insurance business

Premium income from unit-linked insurance contracts is recognised when received and when the units have been allocated to policyholders. Premium income from non-linked insurance contracts is recognised when due, in accordance with the terms of the relevant insurance contracts.

Fees and other expenses chargeable to the long-term assurance funds in accordance with the terms of the relevant insurance contracts, as well as the cost of death cover, are recognised in a manner consistent with the recognition of the relevant insurance premiums.

Claims are recorded as an expense when they are incurred. Life insurance contract liabilities are determined on the basis of an actuarial valuation and for unit-linked insurance contracts they include the fair value of units allocated to policyholders on a contract by contract basis.

3.19.2 Life insurance in-force business

The Group recognises as an intangible asset the value of in-force business in respect of life insurance contracts. The asset represents the present value of the shareholders' interest in the profits expected to emerge from those contracts written at the reporting date, using appropriate economic and actuarial assumptions, similar to the calculation of the respective life insurance contract liabilities. The change in the present value is determined on a post-tax basis. For presentation purposes, the change in value is grossed up at the underlying rate of tax.

3.19.3 General insurance business

Premiums are recognised in the consolidated income statement in the period in which insurance cover is provided. Unearned premiums relating to the period of risk after the reporting date are deferred to subsequent reporting periods.

An increase in liabilities arising from claims is made for the estimated cost of claims notified but not settled and claims incurred but not notified at the reporting date. The increase in liabilities for the cost of claims notified but not settled is made on a case by case basis after taking into consideration all known facts, the cost of claims that have recently been settled and assumptions regarding the future development of outstanding cases. Similar statistical techniques are used to determine the increase in liabilities for claims incurred but not notified at the reporting date.

3.19.4 Investment contracts

The Group offers deposit administration funds which provide a guaranteed investment return on members' contributions. Policies are written to employees of companies, which define the benefits to be received. Any shortfalls are covered by the companies which employ the staff being insured. The Group has no liability for any actuarial deficit.

3. Summary of accounting policies (continued)

3.19 Insurance business (continued)

3.19.5 Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. In performing these tests, current best estimates of discounted future contractual cash flows and claims, expenses and investment returns are used. Any deficiency is charged to the consolidated income statement.

3.20 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase (repos) at a specific future date are not derecognised from the consolidated balance sheet. The corresponding cash received, including accrued interest, is recognised on the consolidated balance sheet as 'Repurchase agreements', reflecting its economic substance as a loan to the Group. The difference between the sale price and repurchase price is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method. Repos outstanding at the reporting date relate to agreements with financial institutions. The investments pledged as security for the repurchase agreements can be sold or repledged by the counterparty. When the counterparty has the right to sell or repledge the securities, the Group reclassifies those securities in its consolidated balance sheet to 'Investments pledged as collateral'.

Securities purchased under agreements to resell (reverse repos) at a specific future date, are recorded as reverse repo transactions. The difference between the purchase and the resale price is treated as interest income and is accrued over the life of the agreement using the effective interest rate method. Reverse repos outstanding at the reporting date relate to agreements with banks. The investments received as security under reverse repurchase agreements can either be sold or repledged by the Group.

3.21 Finance leases – The Group as lessor

Finance leases, where the Group transfers substantially all the risks and rewards incidental to ownership of the leased item to the lessee, are included in the consolidated balance sheet in 'Loans and advances to customers'. A receivable is recognised over the lease period of an amount equal to the present value of the lease payments using the implicit rate of interest and including any guaranteed residual value. Finance income is recognised in 'Interest income' in the consolidated income statement.

3.22 Operating leases

3.22.1 Group as lessee

Leases that do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term in 'Other operating expenses'.

3.22.2 Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of on asset are classified as operating leases.

3.23 Property and equipment

Owner-occupied property is property held by the Group for use in the supply of services or for administrative purposes. Investment property is property held by the Group to earn rentals and/or for capital appreciation. If a property of the Group includes a portion that is owner-occupied and another portion that is held to earn rentals or for capital appreciation, the classification is based on whether or not these portions can be sold separately. Otherwise, the whole property is classified as owner-occupied property unless the owner-occupied portion is insignificant. The classification of property is reviewed on a regular basis to account for major changes in its use.

3. Summary of accounting policies (continued)

3.23 Property and equipment (continued)

Owner-occupied property is initially measured at cost and subsequently measured at fair value less accumulated depreciation and impairment. Valuations are carried out periodically between 3 to 5 years, depending on the property, by independent qualified valuers or by the internal qualified valuers of the Group applying a valuation model recommended by the International Valuation Standards Council. Depreciation is calculated on the revalued amount less the estimated residual value of each building on a straight line basis over its estimated useful life. Gain or losses from revaluations are recognised in other comprehensive income in 'Property revaluation'.

The 'Property revaluation reserve' includes revaluation of property initially used by the Group for its operations and subsequently transferred to 'Investment properties'. Useful life is in the range of 30 to 67 years. Freehold land is not depreciated. On disposal of freehold land and buildings, the relevant revaluation reserve balance is transferred to 'Retained earnings'.

The cost of adapting/improving leasehold property is amortised over 3 to 5 years or over the period of the lease if this does not exceed 5 years.

Equipment is measured at cost less accumulated depreciation. Depreciation of equipment is calculated on a straight line basis over its estimated useful life of 3 to 10 years.

At the reporting date, when events or changes in circumstances indicate that the carrying value may not be recovered, property and equipment is assessed for impairment. Where the recoverable amount is less than the carrying amount, equipment is written down to its recoverable amount.

3.24 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, as at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in 'Losses from revaluation and disposal of investment properties' in the consolidated income statement. Valuations are carried out by independent qualified valuers or by the internal qualified valuers of the Group applying a valuation model recommended by the International Valuation Standards Council.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from owner-occupied property to investment property, the Group accounts for such property in accordance with the policy stated under 'Property and equipment' up to the date of change in use. For a transfer from investment property to stock of property the property's deemed cost for subsequent accounting is its fair value at the date of change in use.

3.25 Stock of property

The Group in its normal course of business acquires properties in debt satisfaction, which are held either directly or by entities set up and controlled by the Group for the sole purpose of managing these properties with an intention to be disposed of. These properties are recognised in the Group's consolidated financial statements as stock of property, reflecting the substance of these transactions.

The stock of property is measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price, less the estimated costs necessary to make the sale.

If net realisable value is below the cost of the stock of property, impairment is recognised in 'Impairment of non-financial instruments' in the consolidated income statement.

3. Summary of accounting policies (continued)

3.26 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use.

The condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, except for those assets and liabilities that are not within the scope of the measurement requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' such as deferred taxes, financial instruments, investment properties measured at fair value, insurance contracts and assets and liabilities arising from employee benefits. These are measured in accordance with the Group's relevant accounting policies described elsewhere in this note.

Immediately before the initial classification as held for sale, the carrying amount of the asset (or assets and liabilities in the disposal group) is measured in accordance with applicable IFRSs. On subsequent remeasurement of a disposal group, the carrying amounts of the assets and liabilities noted above that are not within the scope of the measurement requirements of IFRS 5 are remeasured in accordance with applicable IFRSs before the fair value less costs to sell of the disposal group is determined.

If fair value less costs to sell of the disposal group is below the aggregate carrying amount of all of the assets and liabilities included in the disposal group, the disposal group is written down. The impairment loss is recognised in profit or loss for the period. Where an impairment loss is recognised (or reversed) for a disposal group, it is allocated between the scoped-in non–current assets using the order of allocation set out in IAS 36 and no element of the adjustment is allocated to the other assets and liabilities of the disposal group. In case that the carrying amount of scoped-in non-current assets is less than the amount by which a disposal group's carrying amount exceeds its fair value less costs to sell, the excess is not recognised.

Property and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately in the balance sheet.

A disposal group qualifies as discontinued operation if an entity or a component of an entity has been disposed of or is classified as held for sale and a) represents a separate major line of business or geographical area of operations, b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or c) is a subsidiary acquired exclusively with a view to resale. Net loss/profit from discontinued operations includes the net total of operating profit and loss before tax from discontinued operations (including net gain or loss on sale before tax and gain or loss on measurement to fair value less cost to sell of a disposal group constituting a discontinued operation) and discontinued operations tax expense.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 5. All other notes to the financial statements include amounts from continuing operations, unless otherwise stated.

3.27 Intangible assets

Intangible assets include computer software, licence fees, brands, acquired insurance portfolio customer lists and customer relationships acquired as part of business combinations. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

3. Summary of accounting policies (continued)

3.27 Intangible assets (continued)

Amortisation is calculated on a straight line basis over the estimated useful life of the assets which is 10 years for license fees, 7 to 10 years for customer relationships, 8 years for brands and 3 to 5 years for computer software. For the accounting policy of in-force life insurance business, refer to Note 3.19.2.

Intangible assets are reviewed for impairment when events relating to changes to circumstances indicate that the carrying value may not be recoverable. If the carrying amount exceeds the recoverable amount then the intangible assets are written down to their recoverable amount.

3.28 Share capital

Any difference between the issue price of share capital and the nominal value is recognised as share premium. The costs incurred attributable to the issue of share capital are deducted from equity.

3.29 Treasury shares

Own equity instruments which are acquired by the Company or by any of its subsidiaries are presented as treasury shares at their acquisition cost. Treasury shares are deducted from equity until they are cancelled or reissued. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Company's own equity shares.

3.30 Provisions

3.30.1 Provisions for pending litigation or claims

Provisions for pending litigation or claims against the Group are made when: (a) there is a present obligation (legal or constructive) arising from past events, (b) the settlement of the obligation is expected to result in an outflow of resources embodying economic benefits, and (c) a reliable estimate of the amount of the obligation can be made.

3.30.2 Provisions for undrawn loan commitments

Provisions are made for undrawn loan commitments if it is probable that the facility will be drawn and result in the recognition of an asset at an amount less than the amount advanced.

3.31 Financial guarantees

The Group issues financial guarantees to its customers, consisting of letters of credit, letters of guarantee and acceptances. Financial guarantees are initially recognised in the consolidated financial statements at fair value, in 'Accruals, deferred income and other liabilities'. Subsequently, the Group's liability under each guarantee is measured at the higher of: (a) the amount initially recognised reduced by the cumulative amortised premium which is periodically recognised in the consolidated income statement in 'Fee and commission income' in accordance with the terms of the guarantee, and (b) the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recognised in the consolidated income statement in 'Provisions for impairment of loans and advances to customers and other customer credit losses'. The balance of the liability for financial guarantees that remains is recognised in 'Fee and commission income' in the consolidated income statement when the guarantee is fulfilled, cancelled or expired.

3.32 Comparative information

Comparatives have been reclassified to reflect the change in presentation of 'Losses from revaluation and disposal of investment properties' within the consolidated income statement.

The presentation of 'Gain on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans' (Note 15) has been changed in order to present this adjoining to the 'Provisions for impairment of loans and advances to customers and other customer credit losses' in the consolidated income statement. The Group considers this presentation to be more relevant as it considers such gains and changes in expected cash flows (mainly arising from the fair value adjustment on initial recognition for acquired loans) to be credit risk related.

3. Summary of accounting policies (continued)

3.32 Comparative information (continued)

In addition, comparatives have been represented for the results of the Russian loan portfolio not disposed together with Russian operations disposed in September 2015 (Note 29) from discontinued operations to continuing operations.

These changes in presentation did not have an impact on the results for the year.

The consolidated balance sheet has been represented to reflect the reclassification of part of the debt securities in issue into deposits by banks, since the Group considers this presentation to be more relevant. This change in presentation did not have an impact on the results for the year.

4. Significant judgements, estimates and assumptions

The preparation of the consolidated financial statements requires the Company's Board of Directors and management to make judgements, estimates and assumptions that can have a material impact on the amounts recognised in the consolidated financial statements and the accompanying disclosures, as well as the disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation of uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may, however, change due to market changes or circumstances beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

4.1 Going concern

The management has made an assessment of the Company's and Group's ability to continue as a going concern.

The conditions that existed during year 2015 and the developments up to the date of approval of these consolidated financial statements that have been considered in management's going concern assessment include, amongst others, the macroeconomic environment in Cyprus as described in Note 2, and the following considerations.

4.1.1 Regulatory capital ratios

The Common Equity Tier 1 (CET1) ratio of the Group at 31 December 2015 stands at 14,0% (transitional).

The minimum CET1 ratio under the Capital Requirements Regulation (CRR) and the Capital Requirements Directive IV (CRD IV) was set by the CBC at 8% on a transitional basis (Pillar I capital requirement). The Group is also subject to additional capital requirements for risks which are not covered by the Pillar I capital requirements (Pillar II add-ons). The Pillar II CET1 capital requirement was determined by the ECB to be at 3,75%, resulting in a total minimum CET1 of 11,75%. The Group's capital position at 31 December 2015 exceeds its Pillar I and its Pillar II add-on capital requirements, providing a loss–absorbing buffer to the Group. However, the Group's Pillar II add-on capital requirements are a point-in-time assessment and therefore are subject to change over time.

4.1.2 Supervisory Review and Evaluation Process (SREP)

The European Central Bank (ECB), as part of its supervisory role under Council Regulation (EU) No 1024/2013, has conducted during 2015 its annual Supervisory Review and Evaluation Process and a number of onsite inspections. SREP is a holistic assessment of, amongst other things: the Group's business model, internal governance and institution-wide control arrangements, risks to capital and adequacy of capital to cover these risks and risks to liquidity and adequacy of liquidity resources to cover these risks. The objective of SREP is for the ECB to form an up-to-date supervisory view of the Group's risks and viability and to form the basis for supervisory measures and dialogue with the Group. An onsite inspection on credit quality was performed by the ECB with a reference date of 31 December 2014, and its scope included the review and assessment of the Group's non-performing and restructured but performing exposures.

4. Significant judgements, estimates and assumptions (continued)

4.1 Going concern (continued)

4.1.2 Supervisory Review and Evaluation Process (SREP) (continued)

In the context of the ongoing regulatory dialogue with the ECB regarding the SREP, the Company decided to proceed with certain amendments to the assumptions used in its provisioning methodology. In changing its provisioning assumptions, the Company has considered its strategy for managing problem loans, as well as other available evidence, reflecting an increased level of conservatism within an acceptable range. These changes relate to extending the recovery periods and applying additional realisation discounts on the most stressed non performing portfolios, with both changes being a function of the Company's strategy for recovering delinquent exposures.

The ECB has notified the Group that it will participate in the Single Supervisory Mechanism (SSM) SREP stress test, which will be performed at the highest level of consolidation. The exercise will be based on the methodology of the European Banking Authority (EBA) EU-wide exercise, amended to duly respect the principle of proportionality. This will be facilitated by an extensive use of materiality thresholds. The exercise, which started in February of 2016, is expected to conclude early in the third quarter of 2016 and the results will be factored into the SSM's overall SREP assessment of the Group for 2016.

4.1.3 Asset quality

The challenging macroeconomic environment in Cyprus is affecting the Group's asset quality. The Group's loans that are impaired as defined in Note 44 or past due for more than 90 days (90+ DPD) have decreased by 10% during 2015 and totalled €11.329 million at 31 December 2015, representing 50% of gross loans (Note 44). The provisioning coverage ratio improved to 48% (compared to 41% at 31 December 2014), while taking into account tangible collateral at fair value, 90+ DPD loans are fully covered. The Group's non-performing exposures (NPEs) as defined by the European Banking Authority totalled €13.968 million at 31 December 2015 and accounted for 62% of gross loans. The provisioning coverage ratio of NPEs totalled 39% at 31 December 2015.

The Group's strategy is to address these challenges through the operation of independent, centralised and specialised restructuring and recovery units to manage large or distressed exposures. The Group's more effective interaction with borrowers and the improving fundamentals of the Cypriot economy, are playing a significant role in helping the Group to arrest and reverse the trend in problem loans.

The enactment of the foreclosure and insolvency framework (Note 2.1) and the law governing the sale of loans provide the Company with additional tools and power to address its asset quality challenges.

4.1.4 Liquidity

The Group currently has limited access to interbank and wholesale markets which, combined with a reduction in deposits in Cyprus in 2013, the deposit bail-in and the acquisition of certain operations of Cyprus Popular Bank Public Co Ltd (Laiki Bank) in March 2013 has resulted in increased reliance on Emergency Liquidity Assistance (ELA).

The Company is currently not in compliance with its regulatory liquidity requirements with respect to its operations in Cyprus. Additional information on liquidity and details on certain regulatory liquidity ratios are disclosed in Note 46.

The level of ELA funding at 31 December 2015 amounted to €3,8 billion (Note 30), down from €7,4 billion at 31 December 2014. As at 31 March 2016, the level of ELA funding has been further reduced by €500 million to €3,3 billion. The Group intends to continue with further ELA repayments, the pace of which will be dependent on the prevailing market conditions.

Following the recent restructuring of the Company's Covered Bond Programme and the notes issued by the Company which resulted in their rating being upgraded to Baa3 by Moody's Investors Service, the covered bond became eligible collateral for Eurosystem monetary operations. In October 2015 this eligibility provided access to ECB funding which was used for further ELA repayments. The Group also intends to resume issuing debt instruments in the capital markets as part of its funding strategy going forward, subject to market conditions and investor appetite.

4. Significant judgements, estimates and assumptions (continued)

4.1 Going concern (continued)

4.1.4 Liquidity (continued)

Since the beginning of April 2015 no restrictive measures or capital controls are in place in Cyprus. On 31 January 2015, the Company released the last tranche of the twelve-month time deposits of approximately €300 million out of a total of €2,8 billion that were blocked as per the decrees relating to the recapitalisation of the Company completed in July 2013.

Group customer deposits totalled €14.181 million at 31 December 2015 compared to €13.169 million at 31 December 2014. Despite the full abolition of capital controls in April 2015, customer deposits in Cyprus increased by €1.377 million during 2015, reaching €12.691 million at 31 December 2015 compared with €11.314 million at 31 December 2014. The Company also notes that given the significant reduction in ELA funding since the high of €11,4 billion in April 2013 and the fact that there was no significant release of assets pledged as collateral by the CBC, it is expected that the Company would be able to draw additional funding from the CBC, should the need arise.

Cyprus has exited its economic adjustment programme in March 2016. The credit ratings of the Republic of Cyprus by the main credit rating agencies continue to be below investment grade, albeit on a rising trend. As a result, the ECB is no longer able to include Cypriot Government Bonds in its asset purchase programme, or as eligible collateral for Eurosystem monetary operations, as was the case when the waiver for collateral eligibility due to the country being under an economic adjustment programme existed. This disruption may lead to higher borrowing costs for the Group. In addition, any weakening of the commitment to fiscal discipline and reform in the future might add to market pressures. The Group has proactively reduced its dependence on Eurosystem monetary operations in anticipation of the above risk materialising. The above change, is however expected to materially reduce the available ECB buffer. This buffer represented the amount that could be drawn from the ECB, based on the collateral pledged.

Although the Group has received no specific guarantees, management expects that it will continue to have access to the central bank liquidity facilities, in line with applicable rules. In this respect, the House of Representatives of Cyprus approved on 27 January 2014 the issuance of additional government guarantees of up to €2,9 billion. The Company expects that it will be able to make use of these guarantees, subject to approval by the Ministry of Finance.

Furthermore, in November 2014 the maturity of the Group's existing €1 billion government guaranteed bonds was extended for a further three years, until November 2017. It is further noted that the Group's approved Restructuring Plan included ELA funding throughout the Plan period.

4.1.5 Pending litigation and claims

The management has also considered the impact of litigation, claims and investigations against the Group, which include the bail-in of depositors and the absorption of losses by the holders of equity and debt instruments of the Company. The Group has obtained legal advice in respect of these claims.

Despite the novelty of the said claims and the uncertainties inherent in a unique situation, on the information available at present and on the basis of the law as it currently stands, the management considers that the said claims seem unlikely to have a material adverse impact on the financial position and capital adequacy of the Group (Note 39).

4.1.6 Going concern assessment

The Group's management believes that the Group is taking all necessary measures to maintain its viability and the development of its business in the current economic environment.

4. Significant judgements, estimates and assumptions (continued)

4.1 Going concern (continued)

4.1.6 Going concern assessment (continued)

The Group's management, taking into consideration the factors and uncertainties that existed at the reporting date as described above, is satisfied that the Group has the resources to continue in business for the foreseeable future and, therefore, the going concern principle is appropriate for the following reasons:

- The Group's CET1 ratio at 31 December 2015 stands at 14,0% (transitional), higher than the minimum required ratio of 11,75% relating to the Pillar II capital requirement.
- The liquidity position of the Group and the positive customer flows in Cyprus which continued during 2015.
- The sharp decrease of its reliance on ELA funding, which on 31 March 2016 stands at €3,3 billion, compared to €3,8 billion at 31 December 2015 and its peak level of €11,4 billion in April 2013. The intention of the Group is to resume issuing debt instruments in the capital markets as part of its funding strategy going forward, provided market conditions permit it.
- The improved ratings of both the Company (Fitch upgrade of Long-term Issuer Default Rating from 'CC' to 'CCC' in April 2015) and the Republic of Cyprus (Fitch upgrade by two notches to B+ with a positive outlook in October 2015, S&P's by one notch to BB- with a positive outlook in September 2015 and Moody's Investors Service by two notches to B1 with a stable outlook in November 2015). On 18 March 2016, S&P's affirmed its long and short-term ratings on the Republic of Cyprus with a positive outlook.

4.2 Provision for impairment of loans and advances to customers

The Group reviews its loans and advances to customers to assess whether a provision for impairment should be recorded in the consolidated income statement. In particular, management is required to estimate the amount and timing of future cash flows in order to determine the amount of provision required and the calculation of the impairment allowance involves the use of judgement. Such estimates are based on assumptions about a number of factors and therefore actual impairment losses may differ.

The carrying amount of the loan is reduced through the use of a provision account and the amount of the loss is recognised in the consolidated income statement. Loans together with the associated provisions are written off when there is no realistic prospect of future recovery. Partial write-offs, including non contractual write-offs, may also occur when it is considered that there is no realistic prospect for the recovery of the contractual cash flows. In addition, write-offs may reflect restructuring activity with customers who are subject to the terms of the agreement and satisfactory performance.

A very important factor for the estimation of provisions is the timing and net recoverable amount from foreclosure of collaterals which mainly comprise land and buildings. The Group may change certain estimates from period to period, however it is impracticable to estimate the effect of such individual estimates due to interdependencies between estimates and as the profile of the population of loans changes from period to period.

Assumptions have been made about the future changes in property values, as well as the timing for the realisation of the collateral and for taxes and expenses on the repossession and subsequent sale of the collateral. Indexation has been used to estimate updated market values of properties, while assumptions were made on the basis of a macroeconomic scenario for future changes in property values. The timing of recovery from real estate collaterals has been estimated to be on average 3 years, with the exception of specific cases where a different period has been used, based on specific facts and circumstances and for customers in Debt Recovery where a 6 year period has been used. In accordance with the Loan Impairment and Provisioning Directives of 2014 and 2015 of the CBC, the cumulative average future change in property values during the year has been capped to zero. On average, the realisable value of the collateral is estimated to be 10% lower than the projected open market value of the collateral.

Any changes in these assumptions or difference between assumptions made and actual results could result in significant changes in the amount of required provisions for impairment of loans and advances.

4. Significant judgements, estimates and assumptions (continued)

4.2 Provision for impairment of loans and advances to customers (continued)

For individually significant assets, impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows are taken into account (for example, the business prospects for the customer, the realisable value of collateral, the Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process). The level of the impairment allowance is the difference between the value of the discounted expected future cash flows (discounted at the loan's original effective interest rate) and its carrying amount. Subjective judgements are made in the calculation of future cash flows. Furthermore, judgements change with time as new information becomes available or as work-out strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairment charge.

In addition to provisions for impairment on an individual basis, the Group also makes collective impairment provisions. The Group adopts a formulaic approach for collective provisions, which includes assigning probabilities of default and loss given default for portfolios of loans. This methodology is subject to estimation uncertainty, partly because it is not practicable to identify losses on an individual loan basis because of the large number of loans in each portfolio. In addition, the use of historical information for probabilities of default and loss rates is supplemented with significant management judgement to assess whether current economic and credit conditions are such that the actual level of incurred losses is likely to be greater or less than that suggested by historical experience.

Impairment assessment also includes off-balance sheet credit exposures represented by guarantees given and by irrevocable commitments to disburse funds. Off-balance sheet credit exposures of the individually assessed assets require assumptions on the probability, timing and amount of cash outflows; otherwise the provision is calculated on a collective basis, taking into account the probability of loss for the portfolio in which the customer is included for on-balance sheet exposures impairment assessment. The Group may change certain estimates from period to period, however it is impracticable to estimate the effect of such individual estimates due to interdependencies between estimates and as the profile of the population of off-balance sheet exposure changes from period to period.

In normal circumstances, historical experience provides the most objective and relevant information from which to assess inherent loss within each portfolio. In certain circumstances, historical loss experience provides less relevant information about the incurred loss in a given portfolio at the reporting date, for example, where there have been changes in economic, regulatory or behavioural conditions such that the most recent trends in the portfolio risk factors are not fully reflected. In these circumstances, such risk factors are taken into account when calculating the appropriate levels of impairment allowances, by adjusting the provision for impairment derived solely from historical loss experience.

The total amount of the Group's provision for impairment of loans and advances is inherently uncertain because it is highly sensitive to changes in economic and credit conditions across a number of geographical areas. Economic and credit conditions within geographical areas are influenced by many factors with a high degree of interdependency so that there is no one single factor to which the Group's loan impairment provisions as a whole are particularly sensitive. Different factors are applied in each country to reflect the local economic conditions, laws and regulations and the assumptions underlying this judgement are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly. It is possible that the actual results within the next financial year could be different from the assumptions made, resulting in a material adjustment to the carrying amount of loans and advances.

Further details on impairment allowances and related credit information are set out in Note 44.

4.3 Fair value of investments and derivatives

The best evidence of fair value is a quoted price in an actively traded market. If the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employed by the Group use only observable market data and so the reliability of the fair value measurement is relatively high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant inputs that are not observable. Valuation techniques that rely on non-observable inputs require a higher level of management judgement to calculate a fair value than those based wholly on observable inputs.

4. Significant judgements, estimates and assumptions (continued)

4.3 Fair value of investments and derivatives (continued)

Valuation techniques used to calculate fair values include comparisons with similar financial instruments for which market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants. Valuation techniques incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, exchange rates, volatilities and default rates. When valuing instruments by reference to comparable instruments, management takes into account the maturity, structure and rating of the instrument with which the position held is being compared.

The Group only uses models with unobservable inputs for the valuation of certain unquoted equity investments. In these cases, estimates are made to reflect uncertainties in fair values resulting from a lack of market data inputs, for example, as a result of illiquidity in the market. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available from which to determine the level at which an arm's length transaction would occur under normal business conditions. Unobservable inputs are determined based on the best information available.

Further details on the fair value of assets and liabilities are disclosed in Note 22.

4.4 Impairment of available-for-sale investments

Available-for-sale investments in equity securities are impaired when there has been a significant or prolonged decline in their fair value below cost. The determination of what is significant or prolonged requires judgement by management. Management has assessed that a loss of 25% or more is considered significant, except in the cases of investment companies where higher limits are set. Prolonged has been assessed by management to be a period of 12 months or more. The factors which are evaluated include the expected volatility in share prices. In addition, impairment may be appropriate when there is evidence that significant adverse changes have taken place in the technological, market, economic or legal environment in which the investee operates.

Available-for-sale investments in debt securities are impaired when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the investment and the event (or events) has an impact on the estimated future cash flows of the investment. Such impairment review takes into account a number of factors such as the financial condition of the issuer, any breach of contract, the probability that the issuer will enter bankruptcy or other financial reorganisation, which involves a high degree of judgement, as well as changes in the fair value of individual instruments such as when their fair value at the reporting date falls below 90% of the instruments' amortised cost.

Further details on impairment of available-for-sale investments are presented in Notes 15 and 20.

4.5 Reclassification of financial assets

The Group classifies financial assets into the following categories: at fair value through profit or loss, available-for-sale, held-to-maturity or loans and receivables. The appropriate classification of financial assets is determined at the time of initial recognition. In addition, under the amendments to IAS 39 and IFRS 7 'Reclassification of Financial Assets' which were approved by the IASB and endorsed by the EU in October 2008, it is permissible to reclassify certain financial assets out of the financial assets at fair value through profit or loss (trading assets) and the available-for-sale classifications into the loans and receivables classification. For assets to be reclassified there must be a clear change in management intent with respect to the assets since initial recognition and the financial asset must meet the definition of a loan and receivable at the reclassification date. Additionally, there must be an intent and ability to hold the asset for the foreseeable future at the reclassification date. There is no ability for subsequent reclassification back to the trading or available-for-sale classifications.

Management judgement and assumptions are required to determine whether an active market exists in order for a financial asset to meet the definition of loans and receivables. Management judgement and assumptions are also required to estimate the fair value of the financial assets identified at the date of reclassification, which becomes the amortised cost base under the loans and receivables classification. The task facing management in both these matters can be particularly challenging in highly volatile and uncertain economic and financial market conditions. The change of intent to hold for the foreseeable future is another matter requiring management judgement. Financial assets proposed for reclassification need to be approved by the Assets and Liabilities Committee (ALCO) based on the facts and circumstances of each financial asset under consideration and after taking into account the ability and plausibility to execute the strategy to hold the asset.

4. Significant judgements, estimates and assumptions (continued)

4.5 Reclassification of financial assets (continued)

In addition to the above, management judgement is also required to assert that the expected repayment of the asset exceeds the estimated fair value and the returns on the asset will be optimised by holding it for the foreseeable future.

Information on assets reclassified is presented in Note 20.

4.6 Retirement benefits

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, the expected rate of return on plan assets, future salary increases, mortality rates as well as future pension increases where necessary. The Group's management sets these assumptions based on market expectations at the reporting date using its best estimates for each parameter covering the period over which the obligations are to be settled. In determining the appropriate discount rate, management considers the yield curve of high quality corporate bonds. In determining other assumptions, a certain degree of judgement is required. Future salary increases are based on expected future inflation rates for the specific country plus a margin to reflect the best possible estimate relating to parameters such as productivity, workforce maturity and promotions. The expected return on plan assets is based on the composition of each fund's plan assets, estimating a different rate of return for each asset class. Estimates of future inflation rates on salaries and expected rates of return of plan assets represent management's best estimates for these variables. These estimates are derived after consultation with the Group's advisors, and involve a degree of judgement. Due to the long-term nature of these plans, such estimates are inherently uncertain.

Further details on retirement benefits are disclosed in Note 13.

4.7 General insurance business

The Group is engaged in the provision of general insurance services. Risks under these policies usually cover a period of 12 months.

The liabilities for outstanding claims arising from insurance contracts issued by the Group are calculated based on case estimates by loss adjusters and facts known at the reporting date. With time, these estimates are reconsidered and any adjustments are recognised in the financial statements of the period in which they arise.

The principal assumptions underlying the estimates for each claim are based on past experience and market trends, and take into consideration claim handling costs. Other external factors that may affect the estimate of claims, such as recent court rulings and the introduction of new legislation are also taken into consideration.

Provision is also made for claims incurred but not reported (IBNR) by the reporting date. Past experience as to the number and amount of claims reported after the reporting date is taken into consideration in estimating the IBNR provision.

Insurance contract liabilities are sensitive to changes in the above key assumptions. The sensitivity of certain assumptions, such as the introduction of new legislation and the rulings of certain court cases, are very difficult to quantify. Furthermore, the delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement increase the uncertainty existing at the reporting date.

Further information on general insurance business is disclosed in Note 11.

4. Significant judgements, estimates and assumptions (continued)

4.8 Life insurance business

The Group is engaged in the provision of life insurance services. Whole life insurance plans (life plans) relate to plans associated with assets where the amount payable in the case of death is the greater of the sum insured and the value of investment units. Simple insurance or temporary term plans (term plans) relate to fixed term duration plans for protection against death. In case of death within the coverage period, the insured sum will be paid. Endowment insurance (investment plans/mortgage plans/horizon plans) refer to specific duration plans linked to investments, to create capital through systematic investment in association with death insurance coverage whereby the higher of the sum insured and the value of investment units is payable on death within the contract term.

Further information on life insurance business is disclosed in Note 11.

4.8.1 Value of in-force business

The value of the in-force business asset represents the present value of future profits expected to arise from the portfolio of in-force life insurance. The valuation of this asset requires assumptions to be made about future economic and operating conditions which are inherently uncertain and changes could significantly affect the value attributed to these assets. The methodology used and the key assumptions that have been made in determining the carrying value of the in-force business asset at 31 December 2015, are set out in Note 24.

4.8.2 Insurance liabilities

The calculation of liabilities and the choice of assumptions regarding insurance contracts require the management of the Group to make significant estimates.

The assumptions underlying the estimates for each claim are based on past experience, internal factors and conditions, as well as external factors which reflect current market prices and other published information. The assumptions and judgements are determined at the date of valuation of liabilities and are assessed systematically so that the reliability and realistic position can be ensured.

Estimates for insurance contracts are made in two stages. Initially, at the start of the contract, the Group determines the assumptions regarding future deaths, voluntary terminations, investment returns and administration expenses. Subsequently, at each reporting date, an actuarial valuation is performed which assesses whether liabilities are adequate according to the most recent estimates.

The assumptions with the greatest influence on the valuation of insurance liabilities are presented below:

Mortality and morbidity rates
Assumptions are based on standard national tables of mortality and morbidity, according to the type of contract. In addition, a study is performed based on the actual experience (actual deaths) of the insurance company for comparison purposes and if sufficient evidence exists which is statistically reliable, the results are incorporated in these tables. An increase in mortality rates will lead to a larger number of claims (or claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for shareholders.

Investment return and discount rate
The weighted average rate of return is derived based on assets that are assumed to back liabilities, consistent with the long-term investment strategy of the Group. These estimates are based on current market returns as well as expectations about future economic and financial developments. An increase in investment returns would lead to an increase in profits for shareholders.

Management expenses
Assumptions are made for management fees and contract maintenance as well as for general expenses, and are based on the actual costs of the Group. An assumption is also made for the rate of increase in expenses in relation to the annual inflation rate. An increase in the level of expenses would reduce profits for shareholders.

4. Significant judgements, estimates and assumptions (continued)

4.8 Life insurance business (continued)

4.8.2 Insurance liabilities (continued)

Lapses
Each year an analysis of contract termination rates is performed, using actual data from the insurance company incorporation until the immediate preceding year. Rates vary according to the type and duration of the plan. According to the insurance legislation of Cyprus, no assumption is made for policy termination rates in the actuarial valuation.

Further details on insurance liabilities are disclosed in Note 32.

4.9 Tax

The Group operates and is therefore subject to tax in various countries. Estimates are required in determining the provision for taxes at the reporting date. The Group recognises income tax liabilities for transactions and assessments whose tax treatment is uncertain. Where the final tax is different from the amounts initially recognised in the consolidated income statement, such differences will impact the income tax expense, the tax liabilities and deferred tax assets or liabilities of the period in which the final tax is agreed with the relevant tax authorities.

Deferred tax assets are recognised by the Group in respect of tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies. These variables have been established on the basis of significant management judgement and are subject to uncertainty. It is possible that the actual future events could be different from the assumptions made, resulting in a material adjustment to the carrying amount of deferred tax assets.

Further details on taxes are disclosed in Note 17.

4.10 Consolidation of Special Purpose Entities (SPEs)

The Group sponsors the formation of SPEs for various purposes including asset securitisation, which may or may not be directly or indirectly owned subsidiaries. The Group consolidates those SPEs that it controls. In determining whether the Group controls an SPE, judgements are made about the Group's exposure to the variable returns of the SPE and about its ability to exercise power over the relevant activities of the SPE in question and its ability to use that power to affect the variable returns.

Details about the Group's SPEs are disclosed in Note 50.

4.11 Classification of property

The Group determines whether a property is classified as investment property or stock of property as follows:
- Investment property comprises land and buildings that are not occupied for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.
- Stock of property comprises land and buildings held with an intention to be disposed of. This principally relates to repossessed properties and properties acquired through the acquisition of certain operations of Laiki Bank in 2013, which as a result of the formation of the Real Estate Management Unit by the Group in 2015, are being managed with an intention to be disposed of.

4. Significant judgements, estimates and assumptions (continued)

4.12 Fair value of properties held for own use and investment properties

The Group's accounting policy for property held for own use, as well as for investment property requires that it is measured at fair value. In the case of property held for own use, valuations are carried out periodically so that the carrying value is not materially different from the fair value, whereas in the case of investment properties, the valuation is performed at each reporting date. Valuations are carried out by qualified valuers by applying valuation models recommended by the International Valuation Standards Council.

Depending on the nature of the underlying asset and available market information, the determination of the fair value of property may require the use of estimates such as future cash flows from assets and discount rates applicable to those assets. All these estimates are based on local market conditions existing at the reporting date.

Since the acceleration of the economic crisis in Cyprus in 2010, transaction activity in both commercial and residential properties has recorded a significant decrease and according to local published indices, prices have declined by approximately 15% to 45% since 2011 (depending on the location and type of property). Forced sales activity is expected to accelerate as a result of pressures on the banks to enforce security on property collaterals. The high prevailing uncertainty over the economic developments in Cyprus in the financial and property sectors in particular, makes forecasts of the future developments in the real estate market extremely difficult.

In arriving at their estimates of the fair values of properties, the valuers used their market knowledge and professional judgement and did not rely solely on historical transactional comparables, taking into consideration that there is a greater degree of uncertainty than that which exists in a more active market.

Further information on inputs used is disclosed in Note 22.

4.13 Stock of property – estimation of net realisable value

Stock of property is measured at the lower of cost and net realisable value. The estimated sales price is determined with reference to the fair value of properties adjusted for any impact of specific circumstances on the sale process of each property. Depending on the value of the underlying asset and available market information, the determination of costs to sell may require professional judgement which involves a large degree of uncertainly due to the relatively low level of market activity.

More details on the stock of property is presented in Note 27.

4.14 Provisions

The accounting policy for provisions is described in Note 3.30.1. Judgement is involved in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. Provisions for pending litigations, claims or regulatory matters require a higher degree of judgement than other types of provisions.

For a detailed description of the nature of uncertainties and assumptions and the effect on the amount and timing of pending litigation and claims refer to Note 39.

5. Segmental analysis

The Group is organised into operating segments based on the geographic location of each unit.

In addition, the Cyprus segment is further organised into operating segments based on the business.

At 31 December 2014, the Group classified its Russian operations as a disposal group held for sale. The disposal of the majority of the Russian operations was completed in September 2015 (Note 51.2.1) and the results of the Russian operations which have been disposed of are presented as discontinued operations.

The results of the remaining Russian operations, being the management of a distressed loan portfolio, are presented within continuing operations of the 'Other countries' segment.

In addition, as part of its management of large exposures, the Group acquired a 75% shareholding in Aphrodite Holdings Ltd and Aphrodite Hills (Lakkos tou Frangou) Ltd, collectively referred to as 'Aphrodite group', in November 2014. The Group management had classified Aphrodite group as a subsidiary acquired exclusively with a view to resale upon acquisition, and therefore presented the operations of Aphrodite group as discontinued. In September 2015 the Group completed the disposal of 65% of the shares of Aphrodite group (Note 29).

In April 2014, the Group's activities in Ukraine were sold to the Alfa Group as described in Note 51.3.1. As a result, the Ukrainian operations are also presented as discontinued in the comparative period.

The remaining Group's activities in Greece, the United Kingdom, Romania and Russia are separate operating segments for which information is provided to management but, due to their size, have been grouped for disclosure purposes into one segment, namely 'Other countries'.

The Group's activities in Cyprus include the provision of banking, financial and insurance services, as well as property either held as stock or as investment property and hotel business. In the other countries, the Group provides banking services, financial and insurance services, as well as management of properties either held as stock or as investment property.

Management monitors the operating results of each business segment separately for the purposes of performance assessment and resource allocation. Segment performance is evaluated based on profit after tax and non-controlling interests. Inter-segment transactions and balances are eliminated on consolidation and are made on an arm's length basis.

Operating segment disclosures are provided as presented to the Group Executive Committee.

The loans and advances to customers, the customer deposits and the related income and expense are generally included in the segment where the business is originated, instead of the segment where the transaction is recorded.

5. **Segmental analysis** (continued)

Continuing operations

	Cyprus	Other countries	**Total continuing operations**
2015	€000	€000	**€000**
Net interest income	788.389	54.051	**842.440**
Net fee and commission income	146.636	6.821	**153.457**
Net foreign exchange gains/(losses)	48.021	(9.654)	**38.367**
Net gains/(losses) on financial instrument transactions	48.205	(1.076)	**47.129**
Insurance income net of claims and commissions	46.961	944	**47.905**
Losses from revaluation and disposal of investment properties	(14.900)	(38.180)	**(53.080)**
Other income	8.303	9.304	**17.607**
	1.071.615	22.210	**1.093.825**
Staff costs	(218.057)	(15.574)	**(233.631)**
Other operating expenses	(164.950)	(16.958)	**(181.908)**
Restructuring costs (Note 14)	(38.357)	(4.773)	**(43.130)**
	650.251	**(15.095)**	**635.156**
Gain on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans	298.752	6.337	**305.089**
Provisions for impairment of loans and advances to customers and other customer credit losses	(1.145.460)	(119.094)	**(1.264.554)**
Impairment of other financial instruments	(29.757)	(13.746)	**(43.503)**
Impairment of non-financial instruments	(11.326)	(6.777)	**(18.103)**
Share of profit from associates and joint ventures	5.923	-	**5.923**
Loss before tax	**(231.617)**	**(148.375)**	**(379.992)**
Income tax	(5.695)	(3.508)	**(9.203)**
Loss after tax	**(237.312)**	**(151.883)**	**(389.195)**
Non-controlling interests - loss	794	5.888	**6.682**
Loss after tax attributable to the owners of the Company	**(236.518)**	**(145.995)**	**(382.513)**

5. **Segmental analysis** (continued)

Discontinued operations

	Russia	Subsidiary acquired with the view to resale	**Total discontinued operations**
2015	€000	€000	**€000**
Net interest income	16.353	-	**16.353**
Net fee and commission income	8.108	-	**8.108**
Net foreign exchange gains	1.537	-	**1.537**
Losses from revaluation and disposal of investment properties	(160)	-	**(160)**
Other income	1.156	18.833	**19.989**
	26.994	18.833	**45.827**
Staff costs	(17.010)	(5.433)	**(22.443)**
Other operating expenses	(17.147)	(7.954)	**(25.101)**
	(7.163)	**5.446**	**(1.717)**
Provisions for impairment of loans and advances to customers and other customer credit losses	(42.665)	-	**(42.665)**
Impairment upon remeasurement of disposal group at fair value less costs to sell	(3.288)	-	**(3.288)**
(Loss)/profit on disposal of discontinued operations	(23.032)	5.640	**(17.392)**
(Loss) / profit before tax	**(76.148)**	**11.086**	**(65.062)**
Income tax	(45)	-	**(45)**
(Loss) / profit after tax	**(76.193)**	**11.086**	**(65.107)**
Non-controlling interests – loss/(profit)	10.630	(1.362)	**9.268**
(Loss) / profit after tax attributable to the owners of the Company	**(65.563)**	**9.724**	**(55.839)**

5. Segmental analysis (continued)

Continuing operations

	Cyprus	Other countries	**Total continuing operations**
2014 (represented)	€000	€000	**€000**
Net interest income	919.403	50.266	**969.669**
Net fee and commission income	145.405	6.462	**151.867**
Net foreign exchange losses	(10.458)	(4.335)	**(14.793)**
Net gains/(losses) on financial instrument transactions	191.225	(14.375)	**176.850**
Insurance income net of claims and commissions	43.154	2.456	**45.610**
(Losses)/gains from revaluation and disposal of investment properties	(24.276)	12.255	**(12.021)**
Other income/(expenses)	19.437	(7.369)	**12.068**
	1.283.890	45.360	**1.329.250**
Staff costs	(219.588)	(14.836)	**(234.424)**
Other operating expenses	(166.929)	(25.689)	**(192.618)**
Restructuring costs (Note 14)	(33.464)	(2.400)	**(35.864)**
	863.909	**2.435**	**866.344**
Gain on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans	47.338	-	**47.338**
Provisions for impairment of loans and advances to customers and other customer credit losses	(579.619)	(237.364)	**(816.983)**
Impairment of other financial instruments	(48.146)	(8.394)	**(56.540)**
Impairment of non-financial instruments	(33.295)	-	**(33.295)**
Share of profit from associates and joint ventures	4.852	-	**4.852**
Profit/(loss) before tax	**255.039**	**(243.323)**	**11.716**
Income tax	(3.214)	(7.663)	**(10.877)**
Profit/(loss) after tax	**251.825**	**(250.986)**	**839**
Non-controlling interests – (profit)/loss	(95)	18.418	**18.323**
Profit/(loss) after tax attributable to the owners of the Company	**251.730**	**(232.568)**	**19.162**

5. **Segmental analysis** (continued)

Discontinued operations

	Russia	Subsidiary acquired with the view to sale	Greece (Note 39)	Ukraine	**Total discontinued operations**
2014 (represented)	€000	€000	€000	€000	**€000**
Net interest income	55.593	26	-	4.064	**59.683**
Net fee and commission income	17.853	-	-	270	**18.123**
Net foreign exchange gains/(losses)	5.236	(10)	-	617	**5.843**
Net losses on financial instrument transactions	(25)	-	-	-	**(25)**
Gains from revaluation and disposal of investment properties	670	-	-	-	**670**
Other income/(expenses)	685	(1.631)	-	1.051	**105**
	80.012	(1.615)	-	6.002	**84.399**
Staff costs	(32.568)	(1.444)	-	(1.233)	**(35.245)**
Other operating (expenses)/income	(38.779)	(1.229)	36.000	(2.882)	**(6.890)**
	8.665	**(4.288)**	**36.000**	**1.887**	**42.264**
Provisions for impairment of loans and advances to customers and other customer credit losses	(113.128)	-	-	(38.528)	**(151.656)**
Loss on disposal of discontinued operations (Note 51.3.1)	-	-	-	(114.228)	**(114.228)**
Impairment upon measurement of disposal group at fair value less costs to sell	(84.098)	-	-	-	**(84.098)**
(Loss) / profit before tax	**(188.561)**	**(4.288)**	**36.000**	**(150.869)**	**(307.718)**
Income tax	(14.297)	(855)	-	654	**(14.498)**
(Loss) / profit after tax	**(202.858)**	**(5.143)**	**36.000**	**(150.215)**	**(322.216)**
Non-controlling interests - loss	40.572	1.286	-	39	**41.897**
(Loss) / profit after tax attributable to the owners of the Company	**(162.286)**	**(3.857)**	**36.000**	**(150.176)**	**(280.319)**

5. **Segmental analysis** (continued)

Analysis of total revenue

Total revenue includes net interest income, net fee and commission income, net foreign exchange gains, net gains on financial instrument transactions, insurance income net of claims and commissions, impact from revaluation and disposal of investment properties and other income.

Continuing operations

	Cyprus	Other countries	**Total continuing operations**
2015	€000	€000	**€000**
Banking and financial services	1.007.178	35.969	**1.043.147**
Insurance services	45.370	1.328	**46.698**
Property and hotel business	3.011	(55)	**2.956**
Total revenue from third parties	1.055.559	37.242	**1.092.801**
Inter-segment revenue/(expense)	16.056	(15.032)	**1.024**
Total revenue	**1.071.615**	**22.210**	**1.093.825**

Discontinued operations

	Russia	Subsidiary acquired with the view to sale	**Total discontinued operations**
2015	€000	€000	**€000**
Banking and financial services	28.018	-	**28.018**
Property and hotel business	-	18.833	**18.833**
Total revenue from third parties	28.018	18.833	**46.851**
Inter-segment expense	(1.024)	-	**(1.024)**
Total revenue	**26.994**	**18.833**	**45.827**

Continuing operations

	Cyprus	Other countries	**Total continuing operations**
2014 (represented)	€000	€000	**€000**
Banking and financial services	1.215.080	52.885	**1.267.965**
Insurance services	44.175	2.979	**47.154**
Property and hotel business	2.185	(102)	**2.083**
Total revenue from third parties	1.261.440	55.762	**1.317.202**
Inter-segment revenue/(expense)	22.450	(10.402)	**12.048**
Total revenue	**1.283.890**	**45.360**	**1.329.250**

5. **Segmental analysis** (continued)

Analysis of total revenue (continued)

Discontinued operations

	Russia	Subsidiary acquired with the view to sale	Ukraine	**Total discontinued operations**
2014 (represented)	€000	€000	€000	**€000**
Banking and financial services	91.631	-	6.431	**98.062**
Property and hotel business	-	(1.615)	-	**(1.615)**
Total revenue/(expenses) from third parties	91.631	(1.615)	6.431	**96.447**
Inter-segment expenses	(11.619)	-	(429)	**(12.048)**
Total revenue / (expenses)	**80.012**	**(1.615)**	**6.002**	**84.399**

Analysis of assets

	Cyprus	Other countries	Russia – held-for-sale	**Total**
2015	€000	€000	€000	**€000**
Assets	22.088.820	2.324.038	-	**24.412.858**
Inter-segment assets				**(1.142.357)**
Total assets				**23.270.501**

2014				
Assets	25.164.546	2.112.860	715.428	**27.992.834**
Inter-segment assets				**(1.203.432)**
Total assets				**26.789.402**

Analysis of liabilities

	Cyprus	Other countries	Russia – held-for-sale	**Total**
2015	€000	€000	€000	**€000**
Liabilities	18.665.209	2.672.612	-	**21.337.821**
Inter-segment liabilities				**(1.144.651)**
Total liabilities				**20.193.170**

2014				
Liabilities	21.247.697	2.408.893	857.381	**24.513.971**
Inter-segment liabilities				**(1.205.616)**
Total liabilities				**23.308.355**

Segmental analysis of customer deposits and loans and advances to customers is presented in Notes 31 and 44, respectively.

5. Segmental analysis (continued)

Analysis by business line

In addition to monitoring operations by geographical location, from 2015 onwards, management also monitors the operating results of each business line for the Cyprus segment of the Group, and such disclosures are presented to the Group Executive Committee. No comparative information has been disclosed for the results of the new business lines as their reorganisation was completed in 2014.

Income and expenses directly associated with each business line are included in determining the line's performance. Transfer pricing methodologies are applied between the business lines to present their results on an arm's length basis. Total other operating income includes net foreign exchange gains, net gains on financial instrument transactions, insurance income net of claims and commissions, losses from revaluation and disposal of investment properties and other income. Notional tax at the 12,5% Cyprus tax rate is charged/credited on profit or loss before tax of each business line.

The business line 'Other' includes group and head office functions such as treasury, real estate management, finance, risk management, compliance, legal, corporate affairs and human resources. Head office functions provide services to the operating segments.

5. Segmental analysis (continued)

Analysis by business line (continued)

	Corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	Insurance	Other	**Total Cyprus**
2015	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Net interest income	76.307	68.833	243.461	285.823	62.145	6.576	670	44.574	**788.389**
Net fee and commission income/(expense)	7.953	9.154	54.146	14.774	47.020	1.806	(2.951)	14.734	**146.636**
Total other operating income	627	615	4.511	345	7.579	3.956	47.651	71.306	**136.590**
	84.887	78.602	302.118	300.942	116.744	12.338	45.370	130.614	**1.071.615**
Staff costs and other operating expenses	(10.709)	(12.250)	(120.618)	(32.673)	(22.629)	(5.159)	(15.510)	(163.459)	**(383.007)**
Restructuring costs	-	-	-	-	-	-	-	(38.357)	**(38.357)**
	74.178	66.352	181.500	268.269	94.115	7.179	29.860	(71.202)	**650.251**
Gain on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans	35.676	30.336	65.537	152.863	2.725	1.797	-	9.818	**298.752**
Reversal of provisions/(provisions) for impairment of loans and advances to customers and other customer credit losses	9.930	(7.020)	(33.706)	(1.098.916)	(11.665)	(3.863)	-	(220)	**(1.145.460)**
Impairment of other financial instruments	-	-	-	-	-	-	-	(29.757)	**(29.757)**
Impairment of non-financial instruments	-	-	-	-	-	-	-	(11.326)	**(11.326)**
Share of profit from associates and joint ventures	-	-	-	-	-	-	-	5.923	**5.923**
Profit/(loss) before tax	119.784	89.668	213.331	(677.784)	85.175	5.113	29.860	(96.764)	**(231.617)**
Income tax	(14.973)	(11.209)	(26.666)	84.723	(10.647)	(639)	(1.522)	(24.762)	**(5.695)**
Profit/(loss) after tax	104.811	78.459	186.665	(593.061)	74.528	4.474	28.338	(121.526)	**(237.312)**
Non-controlling interests - loss	-	-	-	-	-	-	-	794	**794**
Profit/(loss) after tax attributable to the owners of the Company	**104.811**	**78.459**	**186.665**	**(593.061)**	**74.528**	**4.474**	**28.338**	**(120.732)**	**(236.518)**

In addition loans and advances to customers and deposits of the above business lines are reported to the Group Executive Committee. Such an analysis is disclosed in Notes 44 and 31 respectively.

6. Interest income

	2015	2014 (represented)
	€000	€000
Loans and advances to customers	**1.009.766**	1.115.120
Loans and advances to banks and central banks	**4.534**	23.084
Investments available-for-sale	**13.664**	16.387
Investments classified as loans and receivables	**88.456**	177.228
	1.116.420	1.331.819
Trading investments	**148**	74
Derivative financial instruments	**4.798**	10.382
Other investments at fair value through profit or loss	**739**	739
	1.122.105	1.343.014

Interest income from loans and advances to customers includes interest on the recoverable amount of impaired loans and advances amounting to €215.145 thousand (2014: €262.035 thousand).

7. Interest expense

	2015	2014 (represented)
	€000	€000
Customer deposits	**154.796**	192.494
Funding from central banks and deposits by banks	**95.633**	142.045
Repurchase agreements	**7.583**	11.910
	258.012	346.449
Derivative financial instruments	**21.653**	26.896
	279.665	373.345

8. Fee and commission income and expense

Fee and commission income

	2015	2014 (represented)
	€000	€000
Credit-related fees and commissions	**82.161**	78.995
Other banking commissions	**64.277**	64.654
Mutual funds and asset management fees	**2.262**	2.503
Brokerage commissions	**1.183**	709
Other commissions	**12.674**	12.966
	162.557	159.827

Mutual funds and asset management fees include income of €1.964 thousand (2014: €2.185 thousand) relating to fiduciary and other similar activities.

8. Fee and commission income and expense (continued)

Fee and commission expense

	2015	2014 (represented)
	€000	€000
Banking commissions	8.731	7.718
Mutual funds and asset management fees	184	119
Brokerage commissions	185	123
	9.100	7.960

9. Net foreign exchange gains/(losses)

Net foreign exchange gains/(losses) comprise the conversion of monetary assets in foreign currency at the reporting date, realised exchange gains/(losses) from transactions in foreign currency settled during the year and the revaluation of foreign exchange derivatives.

10. Net gains on financial instrument transactions

	2015	2014 (represented)
	€000	€000
Trading portfolio:		
- equity securities	710	1.107
- debt securities	24	425
- derivative financial instruments	(13.145)	11.877
Other investments at fair value through profit or loss:		
- debt securities	466	1.742
- equity securities	26	-
Net gains/(losses) on disposal of available-for-sale investments:		
- equity securities	1.075	48.907
- debt securities	(9)	2.908
Net gains on disposal/repayment of loans and receivables:		
- debt securities	49.513	99.929
Realised gains on disposal of loans	35	11.444
Revaluation of financial instruments designated as fair value hedges:		
- hedging instruments	9.746	(11.582)
- hedged items	(11.317)	10.093
Gain on disposal of joint ventures (Note 29)	10.005	-
	47.129	176.850

10. Net gains on financial instrument transactions (continued)

The gain on disposal of debt securities classified as loans and receivables in years 2014 and 2015 relates to the gain from the earlier than expected repayment of a Cyprus Government bond.

The gain on disposal of joint ventures relates mainly to the disposal of Marfin Diversified Strategy Fund Plc (MDSF) in April 2015 and represents the recycling of the related foreign currency reserves into the consolidated income statement. Further details are disclosed in Note 29.

The realised gains on disposal of loans for 2014 primarily relate to the disposal of Serbian loans and to the disposal of the majority of a UK loan portfolio, both of which were acquired from Laiki Bank in 2013.

Additionally, the gain on disposal of available-for-sale equity securities in 2014 relates mainly to gains on the disposal of the investment in equity securities of the Romanian bank Banca Transilvania in April 2014.

11. Insurance income net of claims and commissions

	2015			2014		
	Income	**Claims and commissions**	**Insurance income net of claims and commissions**	Income	Claims and commissions	Insurance income net of claims and commissions
	€000	**€000**	**€000**	€000	€000	€000
Life insurance business	**89.575**	**(63.759)**	**25.816**	115.743	(92.413)	23.330
General insurance business	**37.664**	**(15.575)**	**22.089**	40.332	(18.052)	22.280
	127.239	**(79.334)**	**47.905**	156.075	(110.465)	45.610

	2015		2014	
	Life insurance	**General insurance**	Life insurance	General insurance
Income	**€000**	**€000**	€000	€000
Gross premiums	**85.212**	**64.828**	85.829	66.856
Reinsurance premiums	**(14.399)**	**(36.927)**	(15.511)	(38.218)
Net premiums	**70.813**	**27.901**	70.318	28.638
Change in the provision for unearned premiums	**-**	**613**	-	2.181
Total net earned premiums	**70.813**	**28.514**	70.318	30.819
Investment income and other income	**12.167**	**18**	36.702	35
Commissions from reinsurers and other income	**5.096**	**9.132**	2.681	9.478
	88.076	**37.664**	109.701	40.332
Change in value of in-force business before tax (Note 26)	**1.499**	**-**	6.042	-
	89.575	**37.664**	115.743	40.332

11. Insurance income net of claims and commissions (continued)

	2015		2014	
	Life insurance	**General insurance**	Life insurance	General insurance
Claims and commissions	**€000**	**€000**	€000	€000
Gross payments to policyholders	**(63.912)**	**(28.175)**	(63.970)	(24.093)
Reinsurers' share of payments to policyholders	**10.376**	**14.423**	9.270	9.759
Gross change in insurance contract liabilities	**3.340**	**5.562**	(33.989)	3.232
Reinsurers' share of gross change in insurance contract liabilities	**(5.147)**	**(4.019)**	3.790	(2.304)
Commissions paid to agents and other direct selling costs	**(8.416)**	**(3.373)**	(7.514)	(4.654)
Changes in equalisation reserve	**-**	**7**	-	8
	(63.759)	**(15.575)**	(92.413)	(18.052)

In addition to the above, the following income and expense items related to the insurance operations have been recognised in the relevant captions of the consolidated income statement:

	2015		2014	
	Life insurance	**General insurance**	Life insurance	General insurance
	€000	**€000**	€000	€000
Net (expense)/income from non-linked insurance business assets	**(676)**	**(1.331)**	(355)	1.102
Net gains/(losses) on financial instrument transactions and other non-linked insurance business income	**229**	**(20)**	1.319	305
Staff costs	**(4.830)**	**(5.098)**	(4.717)	(4.826)
Other operating expenses	**(3.994)**	**(2.340)**	(3.379)	(2.237)

12. Other income

	2015	2014 (represented)
	€000	€000
Dividend income	**885**	317
Profit on sale of stock of property	**882**	126
Losses on sale and write-off of property and equipment and intangible assets	**(50)**	(2.272)
Rental income from investment properties	**889**	1.042
Income from hotel activities	**2.353**	2.303
Other income	**12.648**	10.552
	17.607	12.068

13. Staff costs

	2015	2014 (represented)
	€000	€000
Salaries	**184.797**	182.617
Employer's contributions to state social insurance and pension funds	**28.759**	27.030
Retirement benefit plan costs	**20.075**	24.462
	233.631	234.109
Restructuring costs – voluntary retirement schemes	**-**	315
	233.631	234.424

The number of persons employed by the Group as at 31 December 2015 was 4.605 (2014: 6.726).

Retirement benefit plan costs

In addition to the employer's contributions to state social insurance and pension funds, the Group operates plans for the provision of additional retirement benefits as described below:

	2015	2014
	€000	€000
Defined benefit plans	**636**	433
Defined contribution plans	**19.439**	24.029
	20.075	24.462

Cyprus
The main retirement plan for the Group's permanent employees in Cyprus (88% of total Group employees) is a defined contribution plan. This plan provided for employer contributions of 14% up until 31 May 2015 and 9% thereafter and employee contributions of 3%-10% of the employees' gross salaries. This plan is managed by a Committee appointed by the members.

A small number of employees who do not participate in the main retirement plan, are members of a pension scheme that is closed to new entrants and may receive part or all of their retirement benefit entitlement by way of a pension for life. This plan is managed by an Administrative Committee composed of representatives of both the members and the employer.

A small number of employees of Group subsidiaries in Cyprus are also members of defined benefit plans. These plans are funded, with assets backing the obligations held in separate legal vehicles.

Greece
As part of the disposal of the Greek operations in 2013, the staff and the related obligations under the defined benefit plan in Greece were transferred to Piraeus Bank. All employees were entitled by law to compensation in case of dismissal or a lump sum payment upon normal retirement, at rates specified in the Greek legislation. All the benefits payable under this defined benefit plan were paid out of the Group's assets because this plan is unfunded. A small number of employees of the Group's Greek subsidiaries continue to be members of the defined benefit plans.

13. Staff costs (continued)

Retirement benefit plan costs (continued)

United Kingdom
The Group's employees in the United Kingdom (4% of total Group employees) are covered by a defined contribution plan for all current employees which provides for employer contributions of 7,5% plus matching contributions by the employer of up to 7,5% depending on the employee contributions and employee contributions of 0%-7,5% on the employees' gross salaries. In addition, a defined benefit plan (which was closed in December 2008 to future accrual of benefits) for active members remains.

Other countries
The Group does not operate any retirement benefit plans in Romania and Russia.

Analysis of the results of the actuarial valuations for the defined benefit plans

	2015	2014
Amounts recognised in the consolidated balance sheet	**€000**	€000
Liabilities (Note 34)	**12.588**	16.201
Assets (Note 28)	**(1.203)**	(42)
	11.385	16.159

One of the plans has a funded status surplus of €15.066 thousand (2014: €14.000 thousand) that is not recognised as an asset on the basis that the Group has no unconditional right to future economic benefits either via a refund or a reduction in future contributions.

The amounts recognised in the consolidated balance sheet and the movements in the net defined benefit obligation over the years are presented below.

13. Staff costs (continued)

Retirement benefit plan costs (continued)

Analysis of the results of the actuarial valuations for the defined benefit plans (continued)

	Present value of obligation	Fair value of plan assets	Net amount before impact of asset ceiling	Impact of minimum funding requirement / asset ceiling	Net defined benefit liability
	€000	€000	€000	€000	€000
1 January 2015	97.164	(94.926)	2.238	13.921	**16.159**
Current service cost	499	-	499	-	**499**
Gains on curtailment and settlement	(126)	-	(126)	-	**(126)**
Net interest expense/(income)	3.173	(2.910)	263	-	**263**
Total amount recognised in the consolidated income statement	3.546	(2.910)	636	-	**636**
Remeasurements:					
- Return on plan assets, excluding amounts included in net interest expense	-	2.487	2.487	-	**2.487**
- Actuarial loss from changes in demographic assumptions	16	-	16	-	**16**
- Actuarial gain from changes in financial assumptions	(5.396)	-	(5.396)	-	**(5.396)**
- Experience adjustments	(579)	-	(579)	-	**(579)**
- Change in asset ceiling	-	-	-	1.144	**1.144**
Total amount recognised in the consolidated OCI	(5.959)	2.487	(3.472)	1.144	**(2.328)**
Exchange differences	3.988	(3.037)	951	-	**951**
Contributions:					
- Employer	-	(3.946)	(3.946)	-	**(3.946)**
- Plan participants	187	(187)	-	-	**-**
Benefits paid from the plans	(4.724)	4.724	-	-	**-**
Benefits paid directly by the employer	(87)	-	(87)	-	**(87)**
31 December 2015	**94.115**	**(97.795)**	**(3.680)**	**15.065**	**11.385**

13. Staff costs (continued)

Retirement benefit plan costs (continued)

Analysis of the results of the actuarial valuations for the defined benefit plans (continued)

	Present value of obligation	Fair value of plan assets	Net amount before impact of asset ceiling	Impact of minimum funding requirement/ asset ceiling	Net defined benefit liability
	€000	€000	€000	€000	€000
1 January 2014	80.022	(86.651)	(6.629)	14.449	**7.820**
Current service cost	622	-	622	-	**622**
Gains on curtailment and settlement	(59)	-	(59)	-	**(59)**
Net interest expense/(income)	3.446	(3.576)	(130)	-	**(130)**
Total amount recognised in the consolidated income statement	4.009	(3.576)	433	-	**433**
Remeasurements:					
- Return on plan assets, excluding amounts included in net interest income	-	(4.944)	(4.944)	-	**(4.944)**
- Actuarial gain from changes in demographic assumptions	(42)	-	(42)	-	**(42)**
- Actuarial loss from changes in financial assumptions	14.329	-	14.329	-	**14.329**
- Experience adjustments	(432)	-	(432)	-	**(432)**
- Change in asset ceiling	-	-	-	(528)	**(528)**
Total amount recognised in the consolidated OCI	13.855	(4.944)	8.911	(528)	**8.383**
Exchange differences	3.672	(3.062)	610	-	**610**
Contributions:					
- Employer	-	(724)	(724)	-	**(724)**
- Plan participants	183	(183)	-	-	**-**
Benefits paid from the plans	(4.214)	4.214	-	-	**-**
Benefits paid directly by the employer	(363)	-	(363)	-	**(363)**
31 December 2014	**97.164**	**(94.926)**	**2.238**	**13.921**	**16.159**

13. Staff costs (continued)

Retirement benefit plan costs (continued)

Analysis of the results of the actuarial valuations for the defined benefit plans (continued)
The actual return on plan assets for year 2015 was a gain of €423 thousand (2014: gain of €8.520 thousand).

The assets of funded plans are generally held in separately administered trusts, either as specific assets or as a proportion of a general fund, or as insurance contracts. Plan assets held in trust are governed by local regulations and practice in each country.

Pension plan assets are invested in different asset classes in order to maintain a balance between risk and return. Investments are well diversified to limit the financial effect of the failure of any individual investment. Through its defined benefit plans, the Group is exposed to a number of risks as outlined below:

Interest rate risk	The Group is exposed to interest rate risk due to the mismatch of the duration of assets and liabilities.
Changes in bond yields	A decrease in corporate bond yields will increase the liabilities, although this will be partially offset by an increase in the value of bond holdings.
Inflation risk	The Group faces inflation risk, since the liabilities are either directly (through increases in pensions) or indirectly (through wage increases) exposed to inflation risks. Investments to ensure inflation-linked returns (i.e. real returns through investments such as equities, index-linked bonds and assets whose return increase with increasing inflation) could be used for better match with the expected increases in liabilities.
Asset volatility	The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, a deficit will be created.

The major categories of plan assets as a percentage of total plan assets are as follows:

	2015	2014
Equity securities	**43%**	42%
Debt securities	**46%**	42%
Loans and advances to banks	**11%**	16%
	100%	100%

The assets held by the funded plans include equity securities issued by the Company, the fair value of which is as at 31 December 2015 €2.412 thousand (2014: €3.853 thousand).

The Group expects to make contributions to defined benefit plans of €2.605 thousand during 2016.

At the end of the reporting period, the average duration of the defined benefit obligation was 17,9 years.

13. **Staff costs** (continued)

Retirement benefit plan costs (continued)

Principal actuarial assumptions used in the actuarial valuations
The present value of the defined benefit obligations of the retirement plans is estimated annually using the Projected Unit Credit Method of actuarial valuation, carried out by independent actuaries. The principal actuarial assumptions used for the valuations of the retirement plans of the Group during 2015 and 2014 are set out below:

2015	**Cyprus**	**Greece**	**UK**
Discount rate	2,21%-2,32%	2,30%-2,80%	3,90%
Inflation rate	1,75%	1,75%	3,10%
Future salary increases	0% for 2016 and 2% thereafter	0% for 2016 and 2% thereafter	N/a
Rate of pension increase	0% for 2016 and 2% thereafter	N/a	3,05%
Life expectancy for pensioners at age 60	23,5 years M 29,6 years F	N/a	N/a
Life expectancy for pensioners at age 65	N/a	N/a	23,9 years M 25,4 years F

2014			
Discount rate	1,87%-2,11%	1,83%-2,30%	3,70%
Inflation rate	1,75%	1,75%	3,10%
Future salary increases	0% for 2015-2016 and 3% thereafter	0% for 2015-2016 and 3% thereafter	N/a
Rate of pension increase	0% - 2%	N/a	3,00%
Life expectancy for pensioners at age 60	24,0 years M 30,1 years F	N/a	N/a
Life expectancy for pensioners at age 65	N/a	N/a	23,8 years M 25,3 years F

The discount rate used in the actuarial valuations reflects the rate at which liabilities could effectively be settled and is set by reference to market yields at the reporting date in high quality corporate bonds of suitable maturity and currency. For the Group's plans in the Eurozone (Cyprus and Greece) which comprise 28% of the defined benefit obligations, the Group adopted a full yield curve approach using AA- rated corporate bond data from the iBoxx Euro Corporates AA10+ index. For the Group's plan in the UK which comprises 72% of the defined benefit obligations, the Group adopted a full yield curve approach using the discount rate that has been set based on the yields on AA- rated corporate bonds with duration consistent with the scheme's liabilities. Under this approach, each future liability payment is discounted by a different discount rate that reflects its exact timing.

To develop the assumptions relating to the expected rates of return on plan assets, the Group, in consultation with its actuaries, uses forward-looking assumptions for each asset class reflecting market conditions and future expectations at the reporting date. Adjustments are made annually to the expected rate of return assumption based on revised expectations of future investment performance of asset classes, changes to local legislation that may affect investment strategy, as well as changes to the target strategic asset allocation.

A quantitative sensitivity analysis for significant assumptions as at 31 December 2015 and 31 December 2014 is presented below.

13. Staff costs (continued)

Retirement benefit plan costs (continued)

Principal actuarial assumptions used in the actuarial valuations (continued)

	2015		2014	
Variable	**Change +0,5%**	**Change -0,5%**	Change +0,5%	Change -0,5%
Discount rate	**-8,2%**	**9,1%**	-7,9%	8,9%
Inflation growth rate	**5,7%**	**-5,4%**	5,5%	-5,1%
Salary growth rate	**0,5%**	**-0,2%**	0,4%	-0,1%
Pension growth rate	**0,8%**	**-0,8%**	0,9%	-0,8%
	Plus 1 year	**Minus 1 year**	Plus 1 year	Minus 1 year
Life expectancy	**-1,2%**	**1,6%**	-1,3%	1,6%

The above sensitivity analysis (with the exception of the inflation sensitivity) is based on a change in one assumption while holding all other assumptions constant. In practice this is unlikely to occur and some changes of the assumptions may be correlated. The inflation sensitivity above includes changes to any inflation-linked benefit increases. When calculating the sensitivity of the defined benefit obligation to significant assumptions, the same method has been applied as when calculating the pension liability recognised on the consolidated balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous periods.

14. Other operating expenses

	2015	2014 (represented)
	€000	€000
Repairs and maintenance of property and equipment	**25.819**	21.383
Other property-related costs	**16.934**	13.875
Operating lease rentals for property and equipment	**10.176**	12.618
Special tax levy on deposits of credit institutions in Cyprus	**17.347**	19.220
Consultancy and other professional services fees	**16.445**	18.601
Insurance expenses	**14.941**	14.437
Advertising and marketing	**13.375**	13.488
Depreciation of property and equipment (Note 25)	**12.257**	13.425
Amortisation of intangible assets (Note 26)	**7.001**	7.000
Communication expenses	**8.543**	10.724
Provisions and settlements of litigations or claims (Note 34)	**7.604**	11.345
Printing and stationery	**3.988**	5.005
Local cash transfer expenses	**2.749**	2.457
Contribution to depositor protection scheme	**381**	823
Other operating expenses	**24.348**	28.217
	181.908	192.618
Advisory and other restructuring costs	**43.130**	35.864
	225.038	228.482

14. **Other operating expenses** (continued)

Restructuring costs comprise mainly costs of external advisors in relation to disposal of operations as well as fees for customer loan restructuring activities which are not part of the effective interest rate and other expenses including property transfer fees relating to the restructuring process of the Group and costs incurred in closing down branches and operations.

Consultancy and other professional services fees include fees (including taxes) to the independent auditors of the Group, for audit and other professional services provided both in Cyprus and overseas, as follows:

	2015	2014
	€000	€000
Audit of the financial statements of the Group and its subsidiaries	**1.918**	1.952
Other audit-related services	**1.890**	167
Tax services	**488**	385
Other services	**435**	1.276
	4.731	3.780
Continuing operations	**4.633**	2.578
Discontinued operations	**98**	1.202
	4.731	3.780

15. **Impairment of financial instruments and gain on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans**

	2015	2014 (represented)
	€000	€000
Gain on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans	**(305.089)**	(47.338)

Net provisions for impairment of loans and advances to customers and other customer credit losses		
Loans and advances to customers (Note 44)	**1.305.957**	731.232
Financial guarantees and commitments (Note 34)	**(41.403)**	85.751
	1.264.554	816.983

Net impairment of other financial instruments		
Available-for-sale debt securities	**-**	72
Available-for-sale equity securities	**1.291**	7.237
Available-for-sale mutual funds	**1.206**	-
Loans and receivables debt securities	**(169)**	-
Loans and advances to banks (Note 44)	**19.604**	18.940
Other receivables	**21.571**	30.291
	43.503	56.540

15. Impairment of financial instruments and gain on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans (continued)

The gain on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans arose on settlement of loans acquired in 2013 through the acquisition of certain operations of Laiki Bank, at an amount which is higher than their carrying amount on settlement date and on changes in expectations of future cash flows on acquired loans compared to the initial expectations.

16. Impairment of non-financial instruments

	2015	2014
	€000	€000
Property held for own use (Note 25)	**311**	1.460
Investment in associate	**-**	2.078
Stock of property (Note 27)	**17.792**	-
Remeasurement of investment in joint venture held for sale at fair value less costs to sell (Note 29)	**-**	29.757
	18.103	33.295

17. Income tax

	2015	2014 (represented)
	€000	€000
Current tax:		
- Cyprus	**3.271**	1.407
- overseas	**1.502**	4.822
Cyprus special defence contribution	**193**	159
Deferred tax	**338**	4.343
Prior year tax adjustments	**3.899**	146
	9.203	10.877

The Group had no material share of income tax charge from associates for years 2014 and 2015.

The reconciliation between the income tax expense and the (loss)/profit before tax as estimated using the current income tax rates is set out below:

	2015	2014 (represented)
	€000	€000
(Loss)/profit before tax from continuing operations	**(379.992)**	11.716
Income tax at the normal tax rates in Cyprus	**(47.306)**	1.624
Income tax effect of:		
- expenses not deductible for income tax purposes	**22.368**	12.428
- income not subject to income tax	**(20.550)**	(18.336)
- differences between overseas income tax rates and Cyprus income tax rates	**7.756**	15.086
- losses on which deferred tax is not recognised	**43.036**	(71)
	5.304	10.731
Prior years' income tax adjustments	**3.899**	146
	9.203	10.877

17. Income tax (continued)

The loss on disposal of the Russian operations and Aphrodite group in 2015 and the Ukrainian operations in 2014 is included in discontinued operations and is partially income tax deductible, whereas the impairment loss on measurement to fair value less costs to sell of the Russian operations, which is also included in discontinued operations, is non-income tax deductible.

Corporation tax in Cyprus is calculated at the rate of 12,5% on taxable income (2014: 12,5%).

For life insurance business there is a minimum income tax charge of 1,5% on gross premiums. Special defence contribution is payable on rental income at a rate of 3% (2014: 3%) and on interest income from activities outside the ordinary course of business at a rate of 30% (2014: 30%).

The Group's profits from overseas operations are taxed at the rates prevailing in the respective countries, which for 2015 were: Greece 29% (2014: 26%), Romania 16% (2014: 16%), Russia 20% (2014: 20%), UK 21% until 31 March 2015 and 20% thereafter (2014: 23% until 31 March 2014 and 21% thereafter). The Group had no operations in Ukraine during 2015 (2014: 18%).

The Group is subject to income taxes in the various jurisdictions it operates and the calculation of the Group's income tax charge and provisions for income tax necessarily involves a degree of estimation and judgement. There are transactions and calculations for which the ultimate income tax treatment is uncertain and cannot be determined until resolution has been reached with the relevant tax authority. The Group has a number of open income tax returns with various income tax authorities and liabilities relating to these open and judgemental matters, which are based on estimates of whether additional income taxes will be due. In case the final income tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The accumulated income tax losses are presented in the table below:

	Total income tax losses	Income tax losses for which a deferred tax asset was recognised	Income tax losses for which no deferred tax asset was recognised
31 December 2015	**€000**	**€000**	**€000**
Expiring within 4 years	**4.307.396**	**295.584**	**4.011.812**
Expiring between 5 and 10 years	**401.156**	**-**	**401.156**
Expiring between 11 and 15 years	**7.378.801**	**3.336.000**	**4.042.801**
	12.087.353	**3.631.584**	**8.455.769**
31 December 2014			
Expiring within 4 years	4.140.267	297.148	3.843.119
Expiring between 5 and 10 years	216.962	-	216.962
Expiring between 11 and 15 years	7.378.801	3.336.000	4.042.801
Expiring indefinitely	6.447	-	6.447
	11.742.477	3.633.148	8.109.329

17. Income tax (continued)

The majority of the deferred tax asset relates to the Laiki Bank income tax losses transferred to the Company as a result of the acquisition on 29 March 2013. The income tax losses were transferred under 'The Resolution of Credit and Other Institutions Law' which states that any accumulated losses of the transferring credit institution at the time of the transfer, are transferred to the acquiring credit institution and may be used by it for a period of up to 15 years from the end of the year during which the transfer took place. In the case of the Group's acquisition of Laiki Bank, these losses can be utilised up to 2028. The income tax losses transferred are still subject to review and agreement with the income tax authorities in Cyprus. The deferred tax asset recognised on these specific losses can be set off against the future profits of the Company by 2028 at an income tax rate of 12,5%.

Recognition of deferred tax assets on unutilised income tax losses is supported by management's business forecasts, taking into account available information and making various assumptions on future growth rates of customer loans, deposits, funding evolution, loan impairment and pricing, and considering the recoverability of the deferred tax assets within their expiry period.

The Group performed its regular assessment regarding the recoverability of its deferred tax asset as at 31 December 2015, taking into account the actual results for the year ended 31 December 2015, the declining trend of loans that are impaired or past due for more than 90 days, the improved funding structure with the loans to deposits ratio of 121%, the significant inflow of deposits and the decrease of ELA funding.

Taking into consideration the Group's actual performance, the key objectives of the Group's strategy as well as the macroeconomic environment in Cyprus as described in Note 2, Management prepared analytical financial projections up to the end of 2018 and used these to roll out assumptions thereafter until year 2028. The key assumptions, amongst others, include the following:
- New loan originations and repayments.
- Loan and deposit interest income/expense evolution.
- Funding structure and associated cost.
- Diversified income streams.
- Level of operating expenses, including programme of staff exits.
- Level of loans that are impaired or past due for more than 90 days (new defaults, curing, cost of risk).

The financial projections have taken into account the key objectives of the Group's strategy which are set out below:

- Materially reduce the level of delinquent loans.
- Normalise the funding structure and fully repay the ELA.
- Focus on the core markets in Cyprus by providing credit to promising sectors and exit from non-core markets.
- Achieve a lean operating model.
- Maintain an appropriate capital position by internally generating capital through profitability, deleveraging and disposing of non-core assets.
- Deliver value to shareholders and other stakeholders.

Based on the above, Management has concluded that the deferred tax asset of €456.531 thousand for the Group as at 31 December 2015 is recoverable.

No significant income tax losses of prior years were utilised during 2015 and 2014.

The income tax losses relate to the same jurisdiction to which the deferred tax asset relates.

17. **Income tax** (continued)

Deferred tax

The net deferred tax asset arises from:

	2015	2014
	€000	€000
Difference between capital allowances and depreciation	**7.773**	6.581
Property revaluation	**16.658**	20.722
Investment revaluation	**90**	977
Unutilised income tax losses carried forward	**(453.948)**	(454.138)
Value of in-force life insurance business	**14.271**	14.124
Other temporary differences	**(568)**	(396)
Net deferred tax asset	**(415.724)**	(412.130)

Deferred tax asset	**(456.531)**	(456.871)
Deferred tax liability	**40.807**	44.741
Net deferred tax asset	**(415.724)**	(412.130)

The table below sets out the geographical analysis of the deferred tax asset:

	2015	2014
	€000	€000
Cyprus	**(456.531)**	(456.581)
United Kingdom	**-**	(190)
Greece	**-**	(38)
Romania	**-**	(62)
Deferred tax asset	**(456.531)**	(456.871)
Deferred tax liability	**40.807**	44.741
Net deferred tax asset	**(415.724)**	(412.130)

The movement of the net deferred tax asset is set out below:

	2015	2014
	€000	€000
1 January	**(412.130)**	(429.123)
Deferred tax recognised in the consolidated income statement – continuing operations	**338**	4.343
Deferred tax recognised in the consolidated income statement – discontinued operations	**-**	13.780
Deferred tax recognised in the consolidated statement of comprehensive income	**(3.923)**	(234)
Deferred tax related to assets held for sale (Note 29)	**-**	(3.222)
Deferred tax on disposal of subsidiaries	**(510)**	392
Foreign exchange adjustments	**501**	1.934
31 December	**(415.724)**	(412.130)

The Group offsets income tax assets and liabilities if and only if, it has a legally enforceable right to set off current income tax assets and current income tax liabilities.

17. **Income tax** (continued)

Deferred tax (continued)

The analysis of the net deferred tax expense/(income) recognised in the consolidated income statement is set out below:

	2015	2014
	€000	€000
Difference between capital allowances and depreciation	**1.057**	13.953
Investment revaluation	**(895)**	1.672
Unutilised income tax losses carried forward	**203**	1.262
Value of in-force life insurance business	**147**	641
Other temporary differences	**(174)**	595
	338	18.123
Continuing operations	**338**	4.343
Discontinued operations	**-**	13.780
	338	18.123

The analysis of the net deferred tax recognised in the consolidated statement of comprehensive income is set out below:

	2015	2014
	€000	€000
Timing differences on property revaluation - income	**3.923**	234

18. Earnings per share

	2015	2014 (represented)
Basic and diluted losses per share attributable to the owners of the Company		
Loss for the year attributable to the owners of the Company (€ thousand)	**(438.352)**	(261.157)
Weighted average number of shares in issue during the year, excluding treasury shares (thousand)	**8.911.574**	5.922.158
Basic and diluted losses per share (€ cent)	**(4,9)**	(4,4)

Basic and diluted (losses) / earnings per share attributable to the owners of the Company – continuing operations		
(Loss)/profit after tax attributable to the owners of the Company – continuing operations (€ thousand)	**(382.513)**	19.162
Weighted average number of shares in issue during the year, excluding treasury shares (thousand)	**8.911.574**	5.922.158
Basic and diluted (losses)/earnings per share – continuing operations (€ cent)	**(4,3)**	0,3

18. Earnings per share (continued)

	2015	2014 (represented)
Basic and diluted losses per share attributable to the owners of the Company – discontinued operations		
Loss after tax attributable to the owners of the Company – discontinued operations (€ thousand)	**(55.839)**	(280.319)
Weighted average number of shares in issue during the year, excluding treasury shares (thousand)	**8.911.574**	5.922.158
Basic and diluted losses per share – discontinued operations (€ cent)	**(0,6)**	(4,7)

19. Cash, balances with central banks and loans and advances to banks

	2015	2014
	€000	€000
Cash	**154.017**	185.053
Balances with central banks	**1.268.585**	954.412
Cash and balances with central banks	**1.422.602**	1.139.465

Loans and advances to banks	**1.314.380**	1.646.886

Balances with central banks include obligatory deposits for liquidity purposes which amount to €122.807 thousand (2014: €484.202 thousand).

The analysis of balances with central banks and loans and advances to banks by independent credit rating agencies is set out in Note 44.

Loans and advances to banks earn interest based on the interbank rate of the relevant term and currency.

20. Investments

	2015	2014
	€000	€000
Investments		
Investments at fair value through profit or loss	**50.785**	34.347
Investments available-for-sale	**100.535**	53.480
Investments classified as loans and receivables	**436.935**	1.783.309
	588.255	1.871.136

The amounts pledged as collateral under repurchase agreements with banks are shown below:

	2015	2014
	€000	€000
Investments pledged as collateral		
Investments available-for-sale	**421.032**	669.786

All investments pledged as collateral under repurchase agreements can be sold or repledged by the counterparty.

20. **Investments** (continued)

Investments at fair value through profit or loss

	Trading investments		Other investments at fair value through profit or loss		Total	
	2015	2014	**2015**	2014	**2015**	2014
	€000	€000	**€000**	€000	**€000**	€000
Debt securities	**317**	1	**17.430**	17.151	**17.747**	17.152
Equity securities	**3.832**	7.138	**4.018**	991	**7.850**	8.129
Mutual funds	**9.205**	9.066	**15.983**	-	**25.188**	9.066
	13.354	16.205	**37.431**	18.142	**50.785**	34.347

Debt securities						
Cyprus government	**316**	-	**17.430**	17.147	**17.746**	17.147
Banks and other corporations	**1**	1	**-**	4	**1**	5
	317	1	**17.430**	17.151	**17.747**	17.152
Listed on the Cyprus Stock Exchange	**1**	1	**17.430**	17.147	**17.431**	17.148
Listed on other stock exchanges	**316**	-	**-**	4	**316**	4
	317	1	**17.430**	17.151	**17.747**	17.152

Equity securities						
Listed on the Cyprus Stock Exchange	**3.384**	6.722	**3.310**	427	**6.694**	7.149
Listed on other stock exchanges	**448**	416	**-**	-	**448**	416
Unlisted	**-**	-	**708**	564	**708**	564
	3.832	7.138	**4.018**	991	**7.850**	8.129

The debt securities classified as other investments at fair value through profit or loss were originally classified as such, to eliminate an accounting mismatch with derivatives used to economically hedge these instruments.

Mutual funds classified as other investments at fair value through profit or loss represent a group of financial assets managed by the Group and their performance is evaluated on a fair value basis according to the Group's investment strategy. Mutual funds are unlisted and issued in other European countries.

20. **Investments** (continued)

Investments available-for-sale

	2015	2014
	€000	€000
Debt securities	**461.934**	707.858
Equity securities	**59.292**	14.081
Mutual funds	**341**	1.327
	521.567	723.266

Debt securities		
Cyprus government	**4.478**	204
French government	**290.205**	489.606
Other governments	**130.832**	186.881
Banks and other corporations	**36.419**	31.167
	461.934	707.858
Listed on the Cyprus Stock Exchange	**4.478**	263
Listed on other stock exchanges	**457.456**	707.595
	461.934	707.858
Geographic dispersion by country of issuer		
Cyprus	**4.478**	263
France	**290.205**	489.606
Germany	**45.686**	59.011
Italy	**23.234**	53.572
United Kingdom	**-**	6.191
Other European countries	**75.513**	74.297
European Financial Stability Facility and European Investment Fund	**11.928**	14.640
Ukraine	**-**	1
Supranational organisations	**10.890**	10.277
	461.934	707.858

Equity securities		
Listed on the Cyprus Stock Exchange	**5.427**	12.025
Listed on other stock exchanges	**271**	1.471
Unlisted	**53.594**	585
	59.292	14.081

At 31 December 2015 and 31 December 2014 there were no available-for-sale investments in debt securities which have been determined to be individually impaired.

Available-for-sale mutual funds are unlisted and issued in other countries.

20. **Investments** (continued)

Investments classified as loans and receivables

	2015	2014
	€000	€000
Debt securities	**436.935**	1.783.309
Cyprus government	**436.935**	1.782.998
Banks and other corporations	**-**	311
	436.935	1.783.309
Listed on the Cyprus Stock Exchange	**436.935**	1.783.309
Geographic dispersion by country of issuer		
Cyprus	**436.935**	1.783.309

Loans and receivables at 31 December 2015 include €21.451 thousand (2014: €169.365 thousand) of debt securities which have been determined to be individually impaired.

Reclassification of investments

Reclassification of trading investments to loans and receivables
On 1 April 2010, in light of the crisis prevailing in global markets, the Group identified the investments which it had no intention to trade or sell in the foreseeable future. These investments in debt securities were reclassified from trading investments to loans and receivables.

Reclassification of available-for-sale investments to loans and receivables
On 1 October 2008 and 30 June 2011 the Group reclassified certain available-for-sale debt securities to investments classified as loans and receivables, in view of the fact that there was no active market for these debt securities and the Group had the intention and ability to hold these securities in the foreseeable future.

Reclassification of held–to-maturity investments to available-for-sale investments
On 1 November 2012, the Group reassessed its policies in respect of the management of its investment portfolio in view of its efforts to strengthen its liquidity and capital adequacy ratios and decided to reclassify all debt securities previously classified as held-to-maturity to investments available-for-sale, in order to be able to sell these securities as and when required. As a result, in accordance with the Group's accounting policies and IFRSs, the Group was not allowed to classify any investments as held-to-maturity until November 2014.

20. Investments (continued)

Reclassification of investments (continued)

The table below presents the debt securities reclassified by the Group, by date of reclassification.

	Reclassification date	Carrying and fair value on reclassification date	31 December 2015		31 December 2014		Year 2015		Effective interest rate on reclassification date
			Carrying value	Fair value	Carrying value	Fair value	Additional profit in the income statement had the debt securities not been reclassified	Additional gain/(loss) in other comprehensive income had the debt securities not been reclassified	
		€000	€000	€000	€000	€000	€000	€000	
Reclassification of trading investments to:									
- loans and receivables	1 April 2010	34.810	35.255	35.227	36.722	35.056	171	-	1,2%-4,4%
Reclassification of available-for-sale investments to:									
- loans and receivables	1 October 2008	129.497	119.683	126.913	120.235	120.289	-	7.230	4,6%-4,7%
- loans and receivables	30 June 2011	151.967	90.600	87.327	92.613	84.046	-	(3.273)	2,8%-6,3%
Reclassification of held-to-maturity investments to:									
- available-for-sale	1 November 2012	42.151	41.763	41.763	43.358	43.358	-	-	0,4%-3,1%

20. Investments (continued)

Reclassification of investments (continued)

The table below presents the debt securities reclassified by the Group, by date of reclassification.

	Reclassification date	Carrying and fair value on reclassification date	31 December 2014		31 December 2013		Year 2014		Effective interest rate on reclassification date
			Carrying value	Fair value	Carrying value	Fair value	Additional profit in the income statement had the debt securities not been reclassified	Additional gain/(loss) in other comprehensive income had the debt securities not been reclassified	
		€000	€000	€000	€000	€000	€000	€000	
Reclassification of trading investments to:									
- loans and receivables	1 April 2010	34.810	36.722	35.056	38.059	32.204	2.852	-	1,2%-4,4%
Reclassification of available-for-sale investments to:									
- loans and receivables	1 October 2008	154.248	156.566	156.728	156.283	136.809	-	162	4,6%-4,7%
- loans and receivables	30 June 2011	155.249	174.785	165.977	176.586	149.088	-	(8.808)	2,8%-6,3%
Reclassification of held-to-maturity investments to:									
- available-for-sale	1 November 2012	72.794	73.813	73.813	75.160	75.160	-	-	0,4%-3,1%

21. Derivative financial instruments

The contract amount and fair value of the derivative financial instruments is set out below:

	2015			2014		
	Contract amount	**Fair value**		Contract amount	Fair value	
		Assets	**Liabilities**		Assets	Liabilities
	€000	**€000**	**€000**	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	**90.870**	**1.113**	**2.103**	108.599	18.927	433
Currency swaps	**1.484.763**	**12.235**	**5.720**	1.268.923	22.623	7.196
Interest rate swaps	**34.511**	**141**	**2.305**	205.661	11.930	3.773
Currency options	**175**	**8**	**167**	995	76	919
Equity options	**1.515**	**477**	**441**	3.113	580	346
Interest rate caps/floors	**6.562**	**-**	**53**	10.388	-	153
GDP warrant securities	**-**	**-**	**-**	1.208	13	-
	1.618.396	**13.974**	**10.789**	1.598.887	54.149	12.820
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	**425.900**	**45**	**39.570**	674.883	-	59.147
Net investments – forward exchange rate contracts	**151.246**	**4**	**4.040**	60.616	8.449	-
	577.146	**49**	**43.610**	735.499	8.449	59.147
Total	**2.195.542**	**14.023**	**54.399**	2.334.386	62.598	71.967

The use of derivatives is an integral part of the Group's activities. Derivatives are used to manage the Group's own exposure to fluctuations in interest rates, exchange rates and equity price indices. Derivatives are also sold to customers as risk management products.

Forward exchange rate contracts are irrevocable agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate.

Currency swaps include simple currency swaps and cross-currency swaps. Simple currency swaps involve the exchange of two currencies at the current market rate and the commitment to re-exchange them at a specified rate upon maturity of the swap. Cross-currency swaps are interest rate swaps in which the cash flows are in different currencies.

Interest rate swaps are contractual agreements between two parties to exchange fixed rate and floating rate interest, by means of periodic payments, based upon a notional principal amount and the interest rates defined in the contract.

Currency options are contracts that grant the holder the right, but not the obligation, to buy or sell currency at a specified exchange rate during a specified period of time.

21. Derivative financial instruments (continued)

Interest rate, currency and equity options provide the buyer with the right but not the obligation, to either purchase or sell the underlying values at a specified price or level on or before a specified date.

Interest rate caps/floors protect the holder from fluctuations of interest rates above or below a specified interest rate for a specified period of time.

The credit exposure of derivative financial instruments represents the cost to replace these contracts at the reporting date. The exposure arising from these transactions is managed as part of the Group's credit risk management process for credit facilities granted to customers and financial institutions.

The contract amount of certain types of derivative financial instruments provides a basis for comparison with other instruments recognised on the consolidated balance sheet, but does not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, consequently, does not indicate the Group's exposure to credit or market risk.

The fair value of the derivatives can be either positive (asset) or negative (liability) as a result of fluctuations in market interest rates, foreign exchange rates or equity price indices, in accordance with the terms of the relevant contract. The aggregate net fair value of derivatives may fluctuate significantly over time.

Hedge accounting

The Group applies fair value hedge accounting using derivatives when the required criteria for hedge accounting are met. The Group also uses derivatives for economic hedging (hedging the changes in interest rates, exchange rates or other risks) which do not meet the criteria for hedge accounting. As a result, these derivatives are accounted for as trading derivatives and the gains or losses arising from revaluation are recognised in the consolidated income statement.

Changes in the fair value of derivatives designated as fair value hedges and the fair value of the item in relation to the risk being hedged are recognised in the consolidated income statement.

Fair value hedges
The Group uses interest rate swaps to hedge the interest rate risk arising as a result of the possible adverse movement in the fair value of fixed rate available-for-sale debt securities and fixed rate customer loans and deposits.

Hedges of net investments
The Group's consolidated balance sheet is affected by foreign exchange differences between the Euro and all non-Euro functional currencies of overseas subsidiaries and branches and other foreign operations. The Group hedges its structural currency risk when it considers that the cost of such hedging is within an acceptable range (in relation to the underlying risk). This hedging is effected by financing with borrowings in the same currency as the functional currency of the overseas subsidiaries and branches, as well as overseas associates and joint ventures and forward exchange rate contracts.

As at 31 December 2015, deposits and forward exchange rate contracts amounting to €178.101 thousand and €151.246 thousand respectively (2014: €249.967 thousand and €60.616 thousand respectively) have been designated as hedging instruments and have given rise to a loss of €22.860 thousand (2014: gain of €2.580 thousand) during the year which was recognised in the 'Foreign currency translation reserve' in the consolidated statement of comprehensive income, against the profit or loss from the retranslation of the net assets of the overseas subsidiaries and branches and other foreign operations.

22. Fair value measurement

The following table presents the carrying value and fair value of the Group's financial assets and liabilities.

	2015		2014	
	Carrying value	**Fair value**	Carrying value (represented)	Fair value (represented)
	€000	**€000**	€000	€000
Financial assets				
Cash and balances with central banks	**1.422.602**	**1.422.602**	1.139.465	1.139.465
Loans and advances to banks	**1.314.380**	**1.303.414**	1.646.886	1.620.413
Investments at fair value through profit or loss	**50.785**	**50.785**	34.347	34.347
Investments available-for-sale	**521.567**	**521.567**	723.266	723.266
Investments classified as loans and receivables	**436.935**	**445.521**	1.783.309	1.861.909
Derivative financial assets	**14.023**	**14.023**	62.598	62.598
Loans and advances to customers	**17.191.632**	**18.150.401**	18.168.323	18.365.310
Life insurance business assets attributable to policyholders	**462.613**	**462.613**	459.912	459.912
Financial assets included in disposal groups held for sale	**-**	**-**	673.104	624.961
Other assets	**179.661**	**179.661**	196.739	196.739
	21.594.198	**22.550.587**	24.887.949	25.088.920
Financial liabilities				
Obligations to central banks and deposits by banks	**4.694.987**	**4.694.987**	8.446.161	8.446.161
Repurchase agreements	**368.151**	**406.014**	579.682	592.113
Derivative financial liabilities	**54.399**	**54.399**	71.967	71.967
Customer deposits	**14.180.681**	**14.185.996**	12.623.558	12.609.522
Debt securities in issue	**712**	**712**	693	693
Financial liabilities included in disposal groups held for sale	**-**	**-**	579.930	578.666
Other liabilities	**141.357**	**141.357**	172.186	172.186
	19.440.287	**19.483.465**	22.474.177	22.471.308

The fair value of financial assets and liabilities in the above table is as at the reporting date and does not represent any expectations about their future value.

The Group uses the following hierarchy for determining and disclosing fair value:

Level 1: investments valued using quoted prices in active markets.

Level 2: investments valued using models for which all inputs that have a significant effect on fair value are market observable.

Level 3: investments valued using models for which inputs that have a significant effect on fair value are not based on observable market data.

22. **Fair value measurement** (continued)

The following is a description of the determination of fair value for financial instruments and non-financial assets which are recorded at fair value on a recurring and on a non-recurring basis and for financial instruments and non-financial assets which are not measured at fair value but for which fair value is disclosed, using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Derivative financial instruments
Derivative financial instruments valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps, currency rate options, forward foreign exchange rate contracts, equity options and interest rate collars. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Credit Valuation adjustments and Debit Valuation adjustments
The Credit Valuation adjustments (CVA) and Debit Valuation adjustments (DVA) are incorporated into derivative valuations to reflect the impact on fair value of counterparty risk and the Company's own credit quality respectively.

The Group calculates the CVA by applying the probability of default (PD) of the counterparty, conditional on the non-default of the Group, to the Group's expected positive exposure to the counterparty and multiplying the result by the loss expected in the event of default. Conversely, the Group calculates the DVA by applying its own PD, conditional on the non-default of the counterparty, to the expected positive exposure of the counterparty to Group and multiplying the result by the loss expected in the event of default. Both calculations are performed over the life of the potential exposure.

The expected exposure of derivatives is calculated as per the CRR and takes into account the netting agreements where they exist. A standard loss given default (LGD) assumption in line with industry norms is adopted. Alternative LGD assumptions may be adopted when both the nature of the exposure and the available data support this.

The Group does not hold any significant derivative instruments which are valued using a valuation technique with significant non-market observable inputs.

Investments available-for-sale and other investments at fair value through profit or loss
Available-for-sale investments and investments at fair value through profit or loss which are valued using a valuation technique or pricing models, primarily consist of unquoted equity securities and debt securities. These assets are valued using valuation models which sometimes only incorporate market observable data and at other times use both observable and non-observable data.

Loans and advances to customers
The fair value of loans and advances to customers is based on the present value of expected future cash flows. Future cash flows have been based on the future expected loss rate per loan portfolio, taking into account expectations for the credit quality of the borrowers. The discount rate includes components that capture the funding cost and the cost of capital.

Customer deposits
The fair value of customer deposits is determined by calculating the present value of future cash flows. The discount rate takes into account current market rates and the credit profile of the Company. The fair values of deposits repayable on demand and deposits protected by the Deposit Protection Guarantee Scheme are approximated by their carrying values.

Repurchase agreements
Repurchase agreements are collateralised bank takings. Given that the collateral provided by the Group is greater than the amount borrowed, the fair value calculation of these repurchase agreements only takes into account the time value of money.

22. **Fair value measurement** (continued)

Loans and advances to banks
Loans and advances to banks with maturity over one year are discounted using an appropriate risk free rate plus the credit spread of each counterparty. For short-term lending, the fair value is approximated by the carrying value.

Deposits by banks
Since almost all deposits by banks are very short-term, the fair value is an approximation of the carrying value.

Investment properties
Investment properties are classified as residential, offices and other commercial properties, industrial properties, hotels, land (fields and plots) and under construction properties. Their fair value is based on valuations performed by external accredited, independent valuers and internal accredited valuers. Further information on the techniques applied is disclosed in the remainder of this Note.

Property and equipment
The freehold land and buildings consist of offices and other commercial properties. The fair value of the properties is determined using valuations performed by external, accredited independent valuers and internal accredited valuers. Further information on the techniques applied is disclosed in the remainder of this Note.

Model inputs for valuation
Observable inputs to the models for the valuation of unquoted equity and debt securities include, where applicable, current and expected market interest rates, market expected default rates, market implied country and counterparty credit risk and market liquidity discounts.

22. **Fair value measurement** (continued)

Model inputs for valuation (continued)

The following table presents the fair value measurement hierarchy of the Group's assets and liabilities recorded at fair value or for which fair value is disclosed, by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	**Total**
2015	€000	€000	€000	**€000**
Assets measured at fair value				
Investment properties				
Offices and other commercial properties	-	-	20.325	**20.325**
Manufacturing and industrial	-	-	583	**583**
Land (plots)	-	-	13.720	**13.720**
	-	-	34.628	**34.628**
Investment properties classified as held for sale				
Residential	-	2.095	-	**2.095**
Offices and other commercial properties	-	5.222	6.552	**11.774**
Hotels	-	-	8.466	**8.466**
	-	7.317	15.018	**22.335**
Freehold property				
Offices and other commercial properties	-	12.364	227.945	**240.309**
Freehold property held for sale				
Hotels	-	-	25.400	**25.400**
Trading derivatives				
Forward exchange rate contracts	-	1.113	-	**1.113**
Currency swaps	-	12.235	-	**12.235**
Interest rate swaps	-	141	-	**141**
Currency options	-	8	-	**8**
Equity options	-	477	-	**477**
	-	13.974	-	**13.974**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	45	-	**45**
Net investments-forward exchange rate contracts	-	4	-	**4**
	-	49	-	**49**
Investments at fair value through profit or loss				
Trading investments	12.865	-	489	**13.354**
Other investments at fair value through profit or loss	19.293	17.905	233	**37.431**
	32.158	17.905	722	**50.785**
Investments available-for-sale	466.995	41	54.531	**521.567**
	499.153	51.650	358.244	**909.047**
Other financial assets not measured at fair value				
Loans and advances to banks	-	1.303.414	-	**1.303.414**
Loans and receivables - investments	-	424.070	-	**424.070**
Loans and advances to customers	-	-	18.150.401	**18.150.401**
	-	1.727.484	18.150.401	**19.877.885**

For available-for-sale equity securities categorised as Level 3, for an amount €51.263 thousand, a change in the conversion factor by 10% would result in a change in the value of the equity securities by €750 thousand.

22. Fair value measurement (continued)

Model inputs for valuation (continued)

	Level 1	Level 2	Level 3	**Total**
2015	€000	€000	€000	**€000**
Liabilities measured at fair value				
Trading derivatives				
Forward exchange rate contracts	-	2.103	-	**2.103**
Currency swaps	-	5.720	-	**5.720**
Interest rate swaps	-	2.305	-	**2.305**
Currency options	-	167	-	**167**
Equity options	-	441	-	**441**
Interest rate caps/floors	-	53	-	**53**
	-	10.789	-	**10.789**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	39.570	-	**39.570**
Net investments-forward exchange rate contracts	-	4.040	-	**4.040**
	-	43.610	-	**43.610**
	-	54.399	-	**54.399**
Other financial liabilities not measured at fair value				
Deposits by banks	-	242.137	-	**242.137**
Repurchase agreements	-	406.014	-	**406.014**
Customer deposits	-	-	14.185.996	**14.185.996**
	-	648.151	14.185.996	**14.834.147**

22. Fair value measurement (continued)

Model inputs for valuation (continued)

	Level 1	Level 2	Level 3	**Total**
2014	€000	€000	€000	**€000**
Assets measured at fair value				
Investment properties				
Residential	-	-	94.382	**94.382**
Offices and other commercial properties	-	-	151.897	**151.897**
Manufacturing and industrial	-	-	60.692	**60.692**
Hotels	-	-	95.203	**95.203**
Land (fields and plots)	-	-	86.031	**86.031**
Properties under construction	-	-	393	**393**
	-	-	488.598	**488.598**
Investment properties classified as held for sale				
Residential	-	-	5.090	**5.090**
Offices and other commercial properties	-	-	6.146	**6.146**
Manufacturing and industrial	-	-	5.816	**5.816**
Hotels	-	-	4.283	**4.283**
Land (fields and plots)	-	-	23.105	**23.105**
Properties under construction	-	-	126	**126**
	-	-	44.566	**44.566**
Freehold property				
Offices and other commercial properties	-	11.939	251.491	**263.430**
Freehold property held for sale				
Hotels	-	-	25.681	**25.681**
Trading derivatives				
Forward exchange rate contracts	-	18.927	-	**18.927**
Currency swaps	-	22.623	-	**22.623**
Interest rate swaps	-	11.930	-	**11.930**
Currency options	-	76	-	**76**
Equity options	-	580	-	**580**
GDP warrant securities	-	13	-	**13**
	-	54.149	-	**54.149**
Derivatives designated as net investment hedges				
Forward exchange rate contracts	-	8.449	-	**8.449**
Investments at fair value through profit or loss				
Trading investments	16.205	-	-	**16.205**
Other investments at fair value through profit or loss	431	17.711	-	**18.142**
	16.636	17.711	-	**34.347**
Investments available-for-sale	719.373	205	3.688	**723.266**
	736.009	92.453	814.024	**1.642.486**
Other financial assets not measured at fair value				
Loans and advances to banks	-	1.620.413	-	**1.620.413**
Loans and receivables - investments	-	1.682.511	-	**1.682.511**
Loans and advances to customers	-	-	18.365.310	**18.365.310**
	-	3.302.924	18.365.310	**21.668.234**

22. **Fair value measurement** (continued)

Model inputs for valuation (continued)

	Level 1	Level 2	Level 3	**Total**
2014	€000	€000	€000	**€000**
Liabilities measured at fair value				
Trading derivatives				
Forward exchange rate contracts	-	433	-	**433**
Currency swaps	-	7.196	-	**7.196**
Interest rate swaps	-	3.773	-	**3.773**
Currency options	-	919	-	**919**
Equity options	-	346	-	**346**
Interest rate caps/floors	-	153	-	**153**
	-	12.820	-	**12.820**
Derivatives designated as fair value hedges				
Interest rate swaps	-	59.147	-	**59.147**
	-	71.967	-	**71.967**
Other financial liabilities not measured at fair value (represented)				
Deposits by banks	-	162.388	-	**162.388**
Repurchase agreements	-	592.113	-	**592.113**
Customer deposits	-	-	12.609.522	**12.609.522**
	-	754.501	12.609.522	**13.364.023**

The cash and balances with central banks, the funding from central banks and the treasury bills are financial instruments whose carrying value is a reasonable approximation of fair value, because they are mostly short-term in nature or are repriced to current market rates frequently.

During years 2015 and 2014 there were no significant transfers between Level 1 and Level 2.

22. Fair value measurement (continued)

The movement in Level 3 assets which are measured at fair value is presented below:

	2015					2014				
	Investment properties	**Investment properties held for sale**	**Own use properties**	**Own use properties held for sale**	**Financial instruments**	Investment properties	Investment properties held for sale	Own use properties	Own use properties held for sale	Financial instruments
	€000	**€000**	**€000**	**€000**	**€000**	€000	€000	€000	€000	€000
1 January	**488.598**	**44.566**	**251.491**	**25.681**	**3.688**	495.658	-	361.984	-	4.308
Additions	**114.404**	**1.927**	**1.456**	**-**	**339**	117.257	-	2.950	-	-
Disposals and write offs	**(13.923)**	**(18.238)**	**(191)**	**-**	**(45)**	(19.531)	(1.975)	(530)	-	(855)
Disposal of Ukrainian operations	**-**	**-**	**-**	**-**	**-**	(34.395)	-	-	-	-
Disposal of Russian operations	**-**	**(31.051)**	**-**	**-**	**-**	-	-	-	-	-
Transfer from own use properties to investment properties (Note 25)	**16.782**	**-**	**(16.782)**	**-**	**-**	19.847	-	(19.847)	-	-
Transfer to stock of property (Note 27)	**(492.927)**	**(247)**	**(541)**	**-**	**-**	(893)	-	-	-	-
Transfer from non-current assets and disposal groups held for sale (Note 25)	**-**	**-**	**25.681**	**(25.681)**	**-**	-	-	-	-	-
Transfer to non-current assets and disposal groups held for sale (Notes 25 & 29)	**(21.908)**	**21.908**	**(25.400)**	**25.400**	**-**	(46.841)	46.841	(65.764)	65.764	-
Transfer to equipment (Note 25)	**-**	**-**	**-**	**-**	**-**	(277)	-	-	-	-
Transfers (to)/from Levels 1 and 2	**(7.317)**	**-**	**-**	**-**	**321**	-	-	-	-	-
Net gains from fair value changes recognised in the consolidated statement of other comprehensive income	**-**	**-**	**-**	**-**	**50.695**	-	-	-	-	416
Depreciation charge for the year – continuing operations	**-**	**-**	**(2.688)**	**-**	**-**	-	-	(2.609)	-	-
Depreciation charge for the year – discontinued operations	**-**	**-**	**-**	**-**	**-**	-	-	(1.655)	-	-
Impairment charge for the year – continuing operations	**-**	**-**	**(311)**	**-**	**-**	-	-	(1.460)	-	(181)
Impairment loss on measurement at fair value less costs to sell – discontinued operations	**-**	**-**	**-**	**-**	**-**	-	-	-	(57.579)	-
Revaluation (losses)/gains – continuing operations	**(49.801)**	**(2.774)**	**(4.795)**	**-**	**-**	(11.771)	(300)	3.028	-	-
Revaluation gains – discontinued operations	**-**	**-**	**-**	**-**	**-**	949	-	212	-	-
Foreign exchange adjustments	**720**	**(1.073)**	**25**	**-**	**255**	(31.405)	-	(24.818)	17.496	-
31 December	**34.628**	**15.018**	**227.945**	**25.400**	**55.253**	488.598	44.566	251.491	25.681	3.688

22. **Fair value measurement** (continued)

Valuation policy and sensitivity analysis

Financial instruments
The valuation policy for Level 3 financial instruments is defined by the ALCO committee.

Investment properties, investment properties held for sale and own use properties
The valuation methodology for properties is determined by the Group's Property and Valuations Department. The valuation technique mainly applied by the Group is the market comparable approach, adjusted for market and property specific conditions. In certain cases, the Group also utilises the income capitalisation approach. The key inputs used for the valuations of the investment properties, investment properties held for sale and own use properties are presented in the tables below.

22. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

Analysis of investment properties and investment properties held for sale

Type and country	2015	Estimated rental value per m² per annum	Rent growth per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land	Building area	Age of building
Residential	**€000**							**m²**	**m²**	**Years**
UK	2.095	€548	n/a	n/a	n/a	€12.965	n/a	n/a	156	46
Offices and other commercial properties										
Cyprus	24.427	€54-€353	n/a	€658-€1.302	4%-6%	€1.060-€7.059	€95-€1.053	1.591-30.001	68-4.788	5-32
Greece	2.450	€480	n/a	n/a	7%-10%	€3.926	n/a	447	624	8
UK	5.222	€110-€230	n/a	n/a	n/a	€1.013-€3.123	n/a	n/a	233-954	26-116
	32.099									
Manufacturing and industrial										
Russia	583	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Hotels										
Romania	8.466	n/a	n/a	n/a	n/a	n/a	n/a	10.337	4.789	40
Land (fields and plots)										
Cyprus	13.720	n/a	n/a	n/a	n/a	n/a	€248-€750	4.627-21.053	n/a	n/a
Total	**56.963**									

Analysis of own use properties

Type and country	2015	Estimated rental value per m² per annum	Rent growth per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land	Building area	Age of building
Offices and other commercial properties	**€000**							**m²**	**m²**	**Years**
Cyprus	224.479	€23-€434	n/a	€674-€2.102	5%-6%	€566-€8.860	€139-€3.007	390-53.155	94-10.985	8-36
Romania	3.466	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
UK	12.364	€181-€671	5%-6%	n/a	5%-7%	€2.704-€13.982	n/a	173-1.740	173-1.689	Re-furbished in 2009
Total	**240.309**									

22. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

Analysis of investment properties and investment properties held for sale

Type and country	2014	Estimated rental value per m² per annum	Rent growth per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land	Building area	Age of building
Residential	**€000**							**m²**	**m²**	**Years**
Cyprus	19.966	€13-€166	n/a	€268-€1.186	n/a	€219-€3.495	€50-€1.350	335-8.057	41-2.526	5-54
Greece	46.896	€28	n/a	€77-€663	9%	€22-€2.894	€8-€400	114-26.896	3-10.441	2-79
Romania	27.520	n/a	n/a	n/a	n/a	€689-€1.379	€6-€974	237-38.717	43-24.753	5-77
Russia	5.090	n/a	n/a	n/a	n/a	€48-€2.038	n/a	301-3.500	28-800	n/a
	99.472									
Offices and other commercial properties										
Cyprus	90.375	€32-€353	n/a	€239-€1.140	4%-6%	€495-€7.059	€98-€6.651	175-9.948	54-15.265	10-52
Greece	60.317	€6-€635	n/a	€92-€318	6%-10%	€33-€8.028	€20-€300	265-8.582	17-5.743	4-70
Romania	1.200	€72	n/a	n/a	16%	€318	n/a	1.372	3.772	34
UK	1.315	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Russia	4.836	n/a	n/a	n/a	n/a	€61-€1.314	n/a	270-5.307	18-1.940	n/a
	158.043									
Manufacturing and industrial										
Cyprus	9.506	€24-€141	n/a	€243-€1.300	5%-7%	€850-€1.658	€65-€1.350	664-25.497	664-5.250	30
Greece	51.186	€6-€36	11%	€46-€422	8%-11%	€12-€949	€1-€200	451-136.620	300-27.146	3-68
Russia	5.816	n/a	n/a	n/a	n/a	€10-€747	n/a	29-11.582	17-10.167	n/a
	66.508									
Hotels										
Cyprus	77.075	n/a	n/a	€739	4%-5%	€518-€1.037	€150-€335	5.604-40.764	2.730-12.386	14-25
Greece	13.870	€15-€59	n/a	n/a	10%-11%	€395-€1.459	n/a	1.390-32.631	619-8.073	8-59
Romania	8.541	n/a	n/a	n/a	n/a	n/a	n/a	10.337	4.789	40
	99.486									

22. **Fair value measurement** (continued)

Valuation policy and sensitivity analysis (continued)

Analysis of investment properties and investment properties held for sale (continued)

Type and country	2014	Estimated rental value per m² per annum	Rent growth per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land	Building area	Age of building
Land (fields and plots)	**€000**							**m²**	**m²**	**Years**
Cyprus	84.722	€1-€26	n/a	€530-€1.317	5%	€1-€3.036	€1-€3.036	90-67.225	950	n/a
Greece	6.846	n/a	n/a	n/a	n/a	€1-€798	n/a	88-170.701	n/a	n/a
Russia	17.568	n/a	n/a	n/a	n/a	n/a	€10-€108	680-8.117.500	89-1.709	n/a
	109.136									
Under construction properties										
Cyprus	393	n/a	n/a	€385-€400	n/a	n/a	€139-€165	1.812	285	n/a
Russia	126	n/a	n/a	n/a	n/a	€150-€217	n/a	735	45-182	n/a
	519									
Total	**533.164**									

Analysis of own use properties

Type and country	2014	Estimated rental value per m² per annum	Rent growth per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land	Building area	Age of building
Offices and other commercial properties	**€000**							**m²**	**m²**	**Years**
Cyprus	244.705	€23-€340	n/a	€133-€6.321	5%-6%	€200-€6.667	€125-€3.429	390-51.947	68-15.805	8-34
Romania	3.274	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
UK	15.451	€181-€671	5%-6%	n/a	5%-7%	€2.704-€13.982	n/a	173-1.740	173-1.689	Re-furbished in 2009
Total	**263.430**									

22. **Fair value measurement** (continued)

Valuation policy and sensitivity analysis (continued)

Sensitivity analysis
Most of the Group's property valuations have been classified as Level 3. Significant increases/decreases in estimated values per square meter for properties valued with the comparable approach or significant increases/decreases in estimated rental values or yields for properties valued with the income capitalisation approach would result in a significantly higher/lower fair value of the properties.

23. Loans and advances to customers

	2015	2014
	€000	€000
Gross loans and advances to customers	**21.385.065**	21.240.277
Provisions for impairment of loans and advances to customers (Note 44)	**(4.193.433)**	(3.071.954)
	17.191.632	18.168.323

Loans and advances to customers include mortgage loans of €1.003 million (2014: €1.123 million) in Cyprus which are pledged as collateral for the covered bond issued by the Company in 2011 under the Covered Bond Programme (Note 33).

At 31 December 2014 loans and advances to customers classified as held for sale included loans amounting to €30 million which were pledged as collateral in accordance with the terms of a Russian government programme to provide loans to support Russian small and medium sized enterprises.

Additional analysis and information regarding credit risk and analysis of the provisions for impairment of loans and advances to customers are set out in Note 44.

24. Life insurance business assets attributable to policyholders

	2015	2014
	€000	€000
Equity securities	**9.288**	14.049
Debt securities	**58.440**	64.543
Mutual funds	**344.331**	318.969
Mortgages and other loans	**1.668**	1.859
Bank deposits	**48.886**	60.492
	462.613	459.912
Property	**12.790**	13.080
	475.403	472.992

Financial assets of life insurance business attributable to policyholders are classified as investments at fair value through profit or loss.

24. Life insurance business assets attributable to policyholders (continued)

The analysis of the financial assets of life insurance business attributable to policyholders measured at fair value by level, is presented below:

	Level 1	Level 2	Level 3	Total
2015	**€000**	**€000**	**€000**	**€000**
Equity securities	**7.852**	**-**	**1.436**	**9.288**
Debt securities	**27.881**	**30.559**	**-**	**58.440**
Mutual funds	**344.331**	**-**	**-**	**344.331**
Mortgages and other loans	**1.668**	**-**	**-**	**1.668**
	381.732	**30.559**	**1.436**	**413.727**

2014				
Equity securities	12.606	-	1.443	14.049
Debt securities	22.229	42.314	-	64.543
Mutual funds	318.969	-	-	318.969
Mortgages and other loans	1.859	-	-	1.859
	355.663	42.314	1.443	399.420

Bank deposits are financial instruments whose carrying amount is a reasonable approximation of fair value, because they are short-term in nature or are repriced to current market rates frequently.

The movement of financial assets classified as Level 3 is presented below:

	2015	2014
	€000	€000
1 January	**1.443**	1.816
Transfer to level 1	**-**	(517)
Unrealised (losses)/gains recognised in the consolidated income statement	**(7)**	144
31 December	**1.436**	1.443

During years 2015 and 2014 there were no significant transfers between Level 1 and Level 2.

25. Property and equipment

	Property	Equipment	**Total**
2015	€000	€000	**€000**
Net book value at 1 January	267.126	23.294	**290.420**
Additions	2.620	6.089	**8.709**
Revaluation	(4.795)	-	**(4.795)**
Transfer to investment properties (Note 22)	(16.782)	-	**(16.782)**
Transfer to stock of property (Note 27)	(541)	-	**(541)**
Transfer from disposal group classified as held for sale	25.681	-	**25.681**
Transfer to disposal group classified as held for sale	(25.400)	-	**(25.400)**
Disposals and write-offs	(191)	(222)	**(413)**
Depreciation charge for the year – continuing operations (Note 14)	(4.689)	(7.568)	**(12.257)**
Impairment charge for the year – continuing operations (Note 16)	(311)	-	**(311)**
Foreign exchange adjustments	223	(201)	**22**
Net book value at 31 December	**242.941**	**21.392**	**264.333**

1 January 2015			
Cost or valuation	301.535	165.080	**466.615**
Accumulated depreciation	(34.409)	(141.786)	**(176.195)**
Net book value	**267.126**	**23.294**	**290.420**

31 December 2015			
Cost or valuation	278.285	147.602	**425.887**
Accumulated depreciation	(35.344)	(126.210)	**(161.554)**
Net book value	**242.941**	**21.392**	**264.333**

25. **Property and equipment** (continued)

	Property	Equipment	**Total**
2014	€000	€000	**€000**
Net book value at 1 January	379.193	35.211	**414.404**
Additions	4.454	3.910	**8.364**
Revaluation	7.511	-	**7.511**
Transfer (to)/from investment properties (Note 22)	(19.847)	277	**(19.570)**
Transfer to disposal group classified as held for sale (Note 29)	(68.157)	(3.039)	**(71.196)**
Disposals and write-offs	(1.852)	(1.319)	**(3.171)**
Depreciation charge for the year – continuing operations (Note 14)	(4.860)	(8.565)	**(13.425)**
Depreciation charge for the year – discontinued operations	(1.863)	(1.291)	**(3.154)**
Impairment charge for the year – continuing operations (Note 16)	(1.460)	-	**(1.460)**
Foreign exchange adjustments	(25.993)	(1.890)	**(27.883)**
Net book value at 31 December	**267.126**	**23.294**	**290.420**

1 January 2014			
Cost or valuation	417.036	182.974	**600.010**
Accumulated depreciation	(37.843)	(147.763)	**(185.606)**
Net book value	**379.193**	**35.211**	**414.404**

31 December 2014			
Cost or valuation	301.535	165.080	**466.615**
Accumulated depreciation	(34.409)	(141.786)	**(176.195)**
Net book value	**267.126**	**23.294**	**290.420**

The net book value of the Group's property comprises:

	2015	2014
	€000	€000
Freehold property	**240.309**	263.430
Improvements on leasehold property	**2.632**	3.696
	242.941	267.126

Freehold property includes land amounting to €89.272 thousand (2014: €96.987 thousand) for which no depreciation is charged.

25. Property and equipment (continued)

The Group's policy is to revalue its properties periodically (between 3 to 5 years). As a consequence of the prevailing economic conditions in Cyprus, and their impact on the real estate market, the Group performed revaluations as at 31 December 2014 and 31 December 2015. As a result, a net loss on revaluation of €4.795 thousand (2014: gain of €7.511 thousand) was recognised in the consolidated statement of comprehensive income and an impairment loss of €311 thousand (2014: loss of €1.460 thousand) was recognised in the consolidated income statement. The valuations are carried out by independent qualified valuers, on the basis of market value using observable prices and/or recent market transactions depending on the location of the property. Details on valuation techniques and inputs are presented in Note 22.

The net book value of freehold property, on a cost less accumulated depreciation basis, as at 31 December 2015 would have amounted to €164.503 thousand (2014: €181.818 thousand).

26. Intangible assets

	Computer software	In-force life insurance business	**Total**
2015	€000	€000	**€000**
Net book value at 1 January	15.577	111.825	**127.402**
Additions	11.827	-	**11.827**
Increase in value of in-force life insurance business	-	1.499	**1.499**
Amortisation charge for the year - continuing operations (Note 14)	(7.001)	-	**(7.001)**
Foreign exchange adjustments	61	-	**61**
Net book value at 31 December	**20.464**	**113.324**	**133.788**

1 January 2015			
Cost	123.027	111.825	**234.852**
Accumulated amortisation and impairment	(107.450)	-	**(107.450)**
Net book value	**15.577**	**111.825**	**127.402**

31 December 2015			
Cost	130.151	113.324	**243.475**
Accumulated amortisation and impairment	(109.687)	-	**(109.687)**
Net book value	**20.464**	**113.324**	**133.788**

26. Intangible assets (continued)

	Computer software	In-force life insurance business	**Total**
2014	€000	€000	**€000**
Net book value at 1 January	24.797	105.783	**130.580**
Additions	9.663	-	**9.663**
Increase in value of in-force life insurance business	-	6.042	**6.042**
Disposals and write-offs	(2.592)	-	**(2.592)**
Amortisation charge for the year - continuing operations (Note 14)	(7.000)	-	**(7.000)**
Amortisation charge for the year - discontinued operations	(1.679)	-	**(1.679)**
Transfer to disposal group held for sale (Note 29)	(6.990)	-	**(6.990)**
Foreign exchange adjustments	(622)	-	**(622)**
Net book value at 31 December	**15.577**	**111.825**	**127.402**

1 January 2014			
Cost	132.821	105.783	**238.604**
Accumulated amortisation and impairment	(108.024)	-	**(108.024)**
Net book value	**24.797**	**105.783**	**130.580**

31 December 2014			
Cost	123.027	111.825	**234.852**
Accumulated amortisation and impairment	(107.450)	-	**(107.450)**
Net book value	**15.577**	**111.825**	**127.402**

In 2014, a write-off of €1.342 thousand, included in disposals and write-offs, is included as restructuring costs in 'Other operating expenses' (Note 14).

Valuation of in-force life insurance business

The actuarial assumptions made to determine the value of in-force life insurance business relate to future mortality, redemptions, level of administration and selling expenses and investment returns. The main assumptions used in determining the value of the in-force business are:

	2015	2014
Discount rate (after tax)	**10,0%**	10,0%
Return on investments	**5,0%**	5,5%
Expense inflation	**4,0%**	5,0%

27. Stock of property

In December 2015, the Group has changed its business model with respect to real estate assets acquired from customers as part of the Group's efforts to provide solutions to distressed borrowers and properties acquired through the acquisition of certain operations of Laiki Bank in 2013, to a model that involves actively managing such properties with an intention to sell them. To execute its strategy, the Group has set up a dedicated Real Estate Management Unit (REMU). Following the establishment of REMU and certain other actions undertaken by the Group, the Group has assessed that for the majority of properties previously classified as investment properties, there has been a change in use and has therefore transferred such properties from investment properties to stock of property. This has led to a change in the measurement basis of these properties from fair value to the lower of cost and net realisable value. As a result, an impairment loss of €17.792 thousand (Note 16) was recognised in 'Impairment of non-financial instruments' in the consolidated income statement during 2015. The carrying value of stock is determined as the lower of cost and net realisable value. Impairment is recognised if the net realisable value is below the cost of the stock of property. At 31 December 2015, stock of €496.594 thousand (2014: €1.060 thousand) is carried at net realisable value which is approximately the fair value less costs to sell.

The stock of property includes residential, offices and other commercial properties, manufacturing and industrial, hotels, land (fields and plots) and under construction properties. The stock of property pledged as collateral for central bank funding facilities under Eurosystem monetary policy operations and ELA amounts to €21.875 thousand.

The carrying value of the stock of property is analysed in the tables below.

	2015	2014
	€000	€000
Net book value at 1 January	**12.662**	14.110
Additions	**32.216**	605
Disposals	**(4.298)**	(920)
Transfer from investment properties (Note 22)	**492.927**	893
Transfer from own use properties (Note 25)	**541**	-
Transfer from/(to) disposal groups held for sale	**247**	(1.530)
Impairment (Note 16)	**(17.792)**	-
Foreign exchange adjustments	**(645)**	(496)
Net book value at 31 December	**515.858**	12.662

Analysis by type and country	**Cyprus**	**Greece**	**Romania**	**Total**
2015	**€000**	**€000**	**€000**	**€000**
Residential	17.664	39.222	13.030	**69.916**
Offices and other commercial properties	122.885	63.934	13.553	**200.372**
Manufacturing and industrial	18.174	59.279	513	**77.966**
Hotels	73.630	2.221	-	**75.851**
Land (fields and plots)	75.494	6.347	9.547	**91.388**
Properties under construction	365	-	-	**365**
Total	**308.212**	**171.003**	**36.643**	**515.858**

2014				
Residential	-	431	202	**633**
Offices and other commercial properties	74	461	-	**535**
Land (fields and plots)	10.551	168	775	**11.494**
Total	**10.625**	**1.060**	**977**	**12.662**

28. Prepayments, accrued income and other assets

	2015	2014
	€000	€000
Receivables relating to disposal of operations	**98.454**	101.550
Reinsurers’ share of insurance contract liabilities (Note 32)	**56.763**	66.177
Taxes refundable	**38.204**	48.607
Debtors	**23.020**	21.279
Prepaid expenses	**1.411**	1.279
Retirement benefit plan assets (Note 13)	**1.203**	42
Other assets	**62.725**	83.898
	281.780	322.832

As at 31 December 2015 the receivables relating to the disposal of operations relate to the disposal of the Ukrainian and Russian operations (Notes 51.3.1 and 51.2.1 respectively), whereas as at 31 December 2014 it related entirely to the disposal of the Ukrainian operations.

During 2015, an impairment loss of €21.571 thousand was recognised in relation to other assets (Note 15).

29. Non-current assets and disposal groups classified as held for sale

Non-current assets and disposal groups classified as held for sale

	2015	2014
	€000	€000
Disposal groups classified as held for sale	**26.168**	741.877
Subsidiary acquired with the view to sale	**-**	115.965
Non-current assets classified as held for sale:		
- investment properties	**22.335**	11.130
- investment in joint venture	**-**	73.683
	48.503	942.655

Non-current liabilities and disposal groups classified as held for sale

	2015	2014
	€000	€000
Disposal groups held for sale	**3.677**	589.223
Subsidiary acquired with the view to sale	**-**	25.198
	3.677	614.421

29. Non-current assets and disposal groups classified as held for sale (continued)

The following non-current assets and disposal groups were classified as held for sale as at 31 December 2015 and 31 December 2014:

Non-current assets held for sale

Investment properties
The investment properties classified as held for sale are properties which management is committed to sell and has proceeded with an active programme to complete this plan. The disposals are expected to take place within 12 months from the date of classification. Investment properties classified as held for sale are measured at fair value. The results of the fair value changes are presented within 'Losses from revaluation and disposal of investment properties' in the consolidated income statement and are within the Cyprus operating segment for investment properties in Cyprus and in the Other countries operating segment for Greek, UK and Romanian investment properties. An analysis of investment properties held for sale by country and key valuation inputs is disclosed in Note 22.

Investment in joint venture
As at 31 December 2014 the Group's investment in joint venture held for sale comprised MDSF acquired by the Group as part of the acquisition of certain operations of Laiki Bank in 2013. The Group held approximately 90% of the units of the fund.

Upon measurement at fair value less costs to sell, an impairment loss of €29.757 thousand was recognised in 2014. This impairment loss was recognised within 'Impairment of non-financial instruments' in the consolidated income statement (Note 16) and is part of the Cyprus operating segment results (Note 5). The investment was sold in April 2015, for a sale consideration of approximately €84.000 thousand and profit on disposal of €10.005 thousand (Note 10) which primarily represents the recycling of the related foreign currency reserves into the consolidated income statement.

Subsidiaries acquired with a view to sale
At 31 December 2014, the subsidiaries acquired with a view to sale related to the Aphrodite group (Note 5), which the Group acquired in November 2014, as part of its strategy to manage large borrower exposures and which the Group was in the disposal process. The Group had therefore classified this as a subsidiary acquired with a view to sale upon initial recognition, and measured it at fair value less costs to sell. The results of the Aphrodite group for the period to disposal and the gain on disposal is presented in discontinued operations and disclosed in Note 5.

In September 2015, the Group completed the sale of a 65% shareholding in the Aphrodite group to an investment structure managed by a foreign institutional investment management firm, for the amount of €500 thousand. Following the sale, the Group retained a 10% minority equity stake in the Aphrodite group. The transaction also involved the restructuring of the debt owed by these companies to the Group.

Disposal groups classified as held for sale

As at 31 December 2015, the disposal group classified as held for sale relates to the Kermia Hotel business of the Group, for which management has assessed that a disposal within 12 months is highly probable. The disposal group was also classified as held for sale as at 31 December 2014 but as the disposal did not go through it was classified out of held for sale in March 2015 and classified back to held for sale when the disposal plan was reconsumed and factors for classification were assessed to be met. In addition, as at 31 December 2014 the Russian operations of the Group were classified as a disposal group held for sale. In September 2015, the Group completed the sale of the majority of its Russian operations (Note 51.2.1) with the exception of a loan portfolio. The part of the operations not disposed of has ceased to be classified as held for sale.

29. Non-current assets and disposal groups classified as held for sale (continued)

Disposal groups classified as held for sale (continued)

The major classes of assets and liabilities of the disposal groups classified as held for sale at 31 December 2015 and 31 December 2014 are set out below:

2015	**Kermia Hotel business**
Assets	**€000**
Property and equipment	**25.400**
Prepayments, accrued income and other assets	**768**
	26.168
Liabilities	
Deferred tax liability	**3.677**
	22.491

2014	Russian operations	Kermia Hotel business	**Total**
Assets	€000	€000	**€000**
Cash and balances with central banks	85.952	-	**85.952**
Loans and advances to banks	35.994	-	**35.994**
Investments	348	-	**348**
Loans and advances to customers	549.830	-	**549.830**
Property and equipment	-	25.681	**25.681**
Investment properties	33.436	-	**33.436**
Prepayments, accrued income and other assets	9.868	768	**10.636**
	715.428	26.449	**741.877**
Liabilities			
Deposits by banks	29.650	-	**29.650**
Customer deposits	545.620	-	**545.620**
Derivative financial liabilities	589	-	**589**
Debt securities in issue	1.770	-	**1.770**
Subordinated loan stock	2.301	-	**2.301**
Accruals, deferred income and other liabilities	6.071	3.222	**9.293**
	586.001	3.222	**589.223**
	129.427	**23.227**	**152.654**

In 2014, immediately before classification of the Group's Russian operations as a disposal group held for sale, the recoverable amount of property and equipment and intangible assets was estimated and an impairment loss of €526 thousand was identified. Loans and advances to customers were measured at amortised cost and were stated net of impairment provisions. Investment properties were measured at fair value.

Following the classification of the Russian operations as a disposal group held for sale and the measurement of the disposal group at fair value less costs to sell, an impairment loss of €84.098 thousand was recognised, to reduce the carrying amount of the scoped-in non-current assets (namely the property and equipment, intangible and other non-financial assets) of the disposal group to fair value less costs to sell in 2014. During 2015 additional impairment of €3.288 thousand was recognised. As a result, the carrying value of the scoped-in non-current assets had been reduced to zero prior to disposal. This impairment loss as well as the loss on disposal and results for the period up to disposal is included within losses from discontinued operations in the consolidated income statement (Note 5).

29. Non-current assets and disposal groups classified as held for sale (continued)

Disposal groups classified as held for sale (continued)

The part of the Russian operations not disposed of is presented as part of the continuing operations and are within the Other countries operating segment (Note 5).

The results of the Kermia Hotel business are part of the continuing operations of the Group and are within the Cyprus operating segment (Note 5).

The net cash flows of the Russian operations are as follows:

	2015	2014
	€000	€000
Operating	**(34.108)**	28.160
Investing	**(15.927)**	(5.946)
Financing	**(1.733)**	2.059
Net cash (outflow)/inflow for the year	**(51.768)**	24.273

The cash and cash equivalents of the Russian operations as at the date of disposal amounted to €75.009 thousand.

Cumulative amounts of the consolidated other comprehensive income items of the non-current assets and disposal groups classified as held for sale are presented below:

	2015	2014
	€000	€000
Revaluation reserve of available-for-sale investments	**-**	973
Property revaluation reserve	**17.619**	24.772
Foreign currency translation reserve	**-**	(18.008)
Reserve of disposal groups classified as held for sale	**17.619**	7.737

30. Funding from central banks

Funding from central banks comprises funding from the CBC under Eurosystem monetary policy operations, including standing facilities, and Emergency Liquidity Assistance (ELA), as set out in the table below:

	2015	2014
	€000	€000
Emergency Liquidity Assistance (ELA)	**3.802.058**	7.403.741
Monetary policy operations	**150.000**	380.001
Targeted Long Term Refinancing Operations (TLTRO)	**500.792**	500.031
	4.452.850	8.283.773

The funding under monetary policy operations bears interest at the ruling main refinancing operations (MRO) rate of the Eurosystem.

In 2014 the Group participated in the targeted long term refinancing operations (TLTRO) of the ECB. The interest rate on the TLTRO is fixed over its life at 15 bps (being a fixed spread of 10 bps over the MRO level prevailing at the time of allotment). The TLTRO mature in 2018.

30. **Funding from central banks** (continued)

The Company's ELA funding bears interest at a rate equal to the ruling marginal lending facility rate (MLF rate) of the Eurosystem, plus a margin.

Details on encumbered assets related to the above funding facilities are disclosed in Note 46.

31. Customer deposits

	2015	2014
	€000	€000
By type of deposit		
Demand	**4.987.078**	4.237.590
Savings	**1.033.991**	955.556
Time or notice	**8.159.612**	7.430.412
	14.180.681	12.623.558
By geographical area		
Cyprus	**12.691.090**	11.314.137
United Kingdom	**1.486.551**	1.304.844
Romania	**3.040**	4.577
	14.180.681	12.623.558

By customer sector	Cyprus	United Kingdom	Romania	**Total**
2015	€000	€000	€000	**€000**
Corporate	978.672	40.425	2.242	**1.021.339**
SMEs	455.133	236.616	461	**692.210**
Retail	6.995.757	1.134.334	337	**8.130.428**
Restructuring				
– Corporate	189.196	-	-	**189.196**
– SMEs	35.363	-	-	**35.363**
Recoveries				
– Corporate	7.865	-	-	**7.865**
International banking services	3.710.742	-	-	**3.710.742**
Wealth management	318.362	75.176	-	**393.538**
	12.691.090	**1.486.551**	**3.040**	**14.180.681**
2014				
Corporate	646.993	39.946	2.946	**689.885**
SMEs	382.929	213.623	1.317	**597.869**
Retail	6.307.379	971.071	314	**7.278.764**
Restructuring				
– Corporate	216.784	-	-	**216.784**
– SMEs	39.982	-	-	**39.982**
Recoveries				
– Corporate	8.466	-	-	**8.466**
International banking services	3.467.017	-	-	**3.467.017**
Wealth management	244.587	80.204	-	**324.791**
	11.314.137	**1.304.844**	**4.577**	**12.623.558**

31. Customer deposits (continued)

Deposits by geographical area are based on the originator country of the deposit.

At 31 December 2014 the deposits of the Russian operations, which were disposed of during September 2015, were classified as held for sale (Note 29).

32. Insurance liabilities

	2015			2014		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
Life insurance	**€000**	**€000**	**€000**	€000	€000	€000
Life insurance contract liabilities	**510.729**	**(30.396)**	**480.333**	514.074	(35.542)	478.532
General insurance						
Provision for unearned premiums	**24.029**	**(11.533)**	**12.496**	24.891	(11.782)	13.109
Other liabilities						
Claims outstanding	**32.083**	**(14.834)**	**17.249**	37.581	(18.853)	18.728
Unexpired risks reserve	**61**	**-**	**61**	125	-	125
Equalisation reserve	**23**	**-**	**23**	30	-	30
General insurance contract liabilities	**56.196**	**(26.367)**	**29.829**	62.627	(30.635)	31.992
	566.925	**(56.763)**	**510.162**	576.701	(66.177)	510.524

Reinsurance balances receivable are included in 'Prepayments, accrued income and other assets' (Note 28).

Life insurance contract liabilities

The movement of life insurance contract liabilities and reinsurance assets during the year is analysed as follows:

	2015			2014		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	€000	**€000**	**€000**	€000	€000	€000
1 January	**514.074**	**(35.542)**	**478.532**	480.085	(31.752)	448.333
New business	**8.403**	**(1.035)**	**7.368**	6.756	(877)	5.879
Change in existing business	**(11.748)**	**6.181**	**(5.567)**	27.233	(2.913)	24.320
31 December	**510.729**	**(30.396)**	**480.333**	514.074	(35.542)	478.532

32. Insurance liabilities (continued)

General insurance liabilities

The movement in general insurance contract liabilities and reinsurance assets for the year is analysed as follows:

	2015			2014		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Liabilities for unearned premiums	€000	€000	€000	€000	€000	€000
1 January	24.891	(11.782)	13.109	30.768	(15.478)	15.290
Premium income	64.828	(36.927)	27.901	66.856	(38.218)	28.638
Earned premiums	(65.690)	37.176	(28.514)	(72.733)	41.914	(30.819)
31 December	24.029	(11.533)	12.496	24.891	(11.782)	13.109

The provisions for unearned insurance and reinsurance premiums represent the portion of premiums that relates to risks that have not yet expired at the reporting date.

	2015			2014		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Claims and adjustments for losses	€000	€000	€000	€000	€000	€000
1 January	37.581	(18.853)	18.728	40.922	(21.157)	19.765
Amount paid for claims settled in the year	(28.175)	14.423	(13.752)	(24.093)	9.759	(14.334)
Increase in liabilities arising from claims	22.677	(10.404)	12.273	20.752	(7.455)	13.297
31 December	32.083	(14.834)	17.249	37.581	(18.853)	18.728
Reported claims	30.125	(13.916)	16.209	34.838	(17.542)	17.296
Incurred but not reported	1.958	(918)	1.040	2.743	(1.311)	1.432
	32.083	(14.834)	17.249	37.581	(18.853)	18.728

33. Debt securities in issue

	Contractual interest rate	2015	2014 (represented)
Medium term senior debt		€000	€000
€2 million 2010/2016	DJ EUROSTOXX 50 index	531	531
USD 2 million 2010/2016	S&P 500 index	181	162
		712	693

Debt securities in issue are not secured and the rights and claims of debt security holders rank pari passu with the claims of depositors and other creditors of the Group.

Medium term senior debt

The Company maintains a Euro Medium Term Note (EMTN) Programme under which debt securities with an aggregate nominal amount of up to €4.000 million (2014: €4.000 million) may be issued.

33. Debt securities in issue (continued)

Covered Bond

The Company maintains a Covered Bond Programme set up under the Cyprus Covered Bonds legislation and the Covered Bonds Directive of the CBC.

Under the Programme, the Company issued in December 2011 covered bond of €1.000 million. The terms of the €1.000 million covered bond secured by residential mortgage loans originated in Cyprus were amended in 2014 and the maturity date was revised to 12 June 2017.

On 29 September 2015 the terms of the Covered Bond Programme and the outstanding €1.000 million covered bond were amended to a Conditional Pass–Through structure. As part of the restructuring, €350.000 thousand of the retained covered bond was repurchased and cancelled. The outstanding principal of the retained covered bond following the above transactions remained at €650.000 thousand with a new maturity date of 12 December 2018. The credit rating of the covered bond was upgraded to an investment grade rating and the covered bond has become eligible collateral for the Eurosystem credit operations.

The covered bond bears interest at the three month Euribor plus 3,25% per annum.

Loans and advances pledged as collateral for covered bond are disclosed in Note 46.

No liability from the issue of covered bond is presented in debt securities in issue in the consolidated balance sheet as all the bonds issued are held by the Company.

Bonds guaranteed by the Republic of Cyprus

The Company maintains the rights and obligations as issuer of two bonds guaranteed by the Republic of Cyprus of €500 million each. In November 2014, the maturity of the bonds was extended for a period of 3 years. The bonds bear an annual fixed interest rate at 5%. The bonds are guaranteed by the Republic of Cyprus and are issued in accordance with the relevant legislation and decrees on the 'Granting of Government Guarantees for the Conclusion of Loans and/or the Issue of Bonds by Credit Institutions Law'. No liability from the issue of these bonds is presented in debt securities in issue in the consolidated balance sheet as all the bonds are held by the Company. The bonds are pledged as collateral for obtaining funding from central banks. The bonds are listed on the Cyprus Stock Exchange.

34. Accruals, deferred income and other liabilities

	2015	2014
	€000	€000
Income tax payable	**23.308**	25.069
Special defence contribution payable	**6.354**	8.289
Retirement benefit plans liabilities (Note 13)	**12.588**	16.201
Provisions for pending litigation or claims (Note 39)	**34.749**	27.329
Provisions for financial guarantees and undrawn contractual commitments (Notes 15 and 39)	**44.348**	85.751
Liabilities for investment-linked contracts under administration	**4.954**	4.984
Accrued expenses and other provisions	**59.850**	43.390
Deferred income	**7.820**	8.024
Shares subject to interim orders (Note 35)	**-**	(441)
Items in the course of settlement	**29.905**	31.708
Other liabilities	**58.955**	100.127
	282.831	350.431

34. Accruals, deferred income and other liabilities (continued)

Provisions for pending litigation or claims

The movement for the year in the provisions for pending litigation or claims is as follows:

	2015	2014
	€000	€000
1 January	**27.329**	52.312
Increase of provisions in the year – continuing operations (Note 14)	**11.904**	11.345
Increase of provisions in the year – discontinued operations	**-**	704
Utilisation of provisions	**(225)**	(800)
Release of provisions in the year – discontinued operations (Note 39)	**-**	(36.000)
Release of provisions in the year – continuing operations (Note 14)	**(4.300)**	-
Foreign exchange adjustments	**41**	(78)
31 December	**34.749**	27.483
Less: classified as held for sale	**-**	(154)
	34.749	27.329

The provisions for pending litigation or claims do not include insurance claims arising in the ordinary course of business of the Group's insurance subsidiaries as these are included in Insurance liabilities (Note 32).

Further details are disclosed in Note 39.

35. Share capital

	2015		2014	
	Shares (thousand)	**€000**	Shares (thousand)	€000
Authorised				
Ordinary shares of €0,10 each	**47.677.593**	**4.767.759**	47.677.593	4.767.759
Issued				
1 January	**8.922.378**	**892.238**	4.683.985	4.683.985
Bail-in of deposits and structured products	**-**	**-**	150	150
Shares subject to interim orders withdrawn/cancelled	**-**	**-**	58.625	58.625
Additional shares issued to Laiki Bank for 2013 acquisition	**-**	**-**	12.951	12.951
Reduction of nominal value of share capital	**-**	**-**	-	(4.280.140)
Issue of shares	**567**	**56**	4.166.667	416.667
31 December	**8.922.945**	**892.294**	8.922.378	892.238

Authorised share capital

On 28 August 2014, an Extraordinary General Meeting approved the authorised share capital reduction from €4.767.759 thousand divided into 4.767.759.272 ordinary shares with a nominal value of €1,00 each, to €476.776 thousand divided into 4.767.759.272 ordinary shares with a nominal value of €0,10 each.

Following the reduction in the nominal value per share, the authorised share capital was increased from €476.776 thousand divided into 4.767.759.272 ordinary shares with a nominal value of €0,10 each to €4.767.759 thousand divided into 47.677.592.720 ordinary shares of €0,10 each, through the increase of 42.909.833.448 new ordinary shares with a nominal value of €0,10 each, which rank pari passu in all respects with each other and with all other ordinary shares of the Company.

35. Share capital (continued)

Issued share capital

2015

During 2015 the issued share capital was increased by 567 thousand shares of a nominal value of €0,10 each.

2014

During 2014 the Company reduced the nominal value of its issued ordinary shares from €1,00 each to €0,10 each.

During August 2014, the nominal value of the ordinary shares in issue, was reduced from €1,00 each to €0,10 each. Additionally, in September 2014 the Company completed a €1 billion Capital Raising, which comprised a private placement to qualified institutional investors and an offer to existing shareholders to acquire up to 20% of the issue. As a result, the issued share capital was increased by 4.166.667 thousand shares of a nominal value of €0,10 leading to an increase of the Company's share capital by €416.667 thousand. The shares issued had a subscription price of €0,24 each. Additionally, the issued share capital increased by 58.625 thousand shares as a result of the cancellation and withdrawal in 2014 of interim orders prohibiting the Company from conversion of deposits to shares as a result of the bail-in in 2013. Consequently, 12.951 thousand shares were issued to Laiki Bank in accordance with the provisions of the decrees.

All issued ordinary shares carry the same rights.

Share premium reserve

The share premium reserve is maintained pursuant to the provisions of section 55 of the Companies Law, Cap. 113 and is not available for distribution to equity holders in the form of a dividend.

During 2015, as a result of the issuance of 567 thousand shares of a nominal value of €0,10 each at a subscription price of €0,24 each, the Company's share premium increased by €79 thousand.

In 2014, as a result of the issuance of 4.166.667 thousand shares of a nominal value of €0,10 each at a subscription price of €0,24 each, the Company's share premium increased by €583.333 thousand. Transaction costs of €30.794 thousand associated with the issue of new shares were deducted from share premium.

Capital reduction reserve

The capital reduction reserve was created upon the reduction of the nominal value of ordinary shares from €1,00 each to €0,10 each in 2014. The reduction in capital amounted to €4.280.140 thousand, of which an amount of €2.327.654 thousand was applied against accumulated losses and an amount of €1.952.486 thousand was credited to the capital reduction reserve.

35. Share capital (continued)

Shares subject to interim orders

Following the issue of the Bail-in Decrees in 2013, a number of the affected depositors have filed claims against the Company and other parties (CBC, Ministry of Finance, etc) on the ground, inter alia, that the 'Resolution of Credit and Other Institutions Law of 2013' and the various Decrees issued by virtue of the Law to implement the bail-in, were in conflict with the Constitution of the Republic and the European Convention of Human Rights.

In some of the actions, interim orders were issued prohibiting the Company from treating the deposits of the applicants in question as bailed-in, i.e. converted into shares. The said actions were contested by the Company and were pending before the District Courts.

The shares which as per the bail-in Decree corresponded to the deposits which were subject to these interim orders were included in equity in the consolidated balance sheet as 'Shares subject to interim orders', with an equivalent debit balance included in 'Accruals, deferred income and other liabilities' within total liabilities. As at 31 December 2015 there were no shares subject to interim orders (2014: €441 thousand).

Treasury shares of the Company

Shares of the Company held by entities controlled by the Group are deducted from equity on the purchase, sale, issue or cancellation of such shares. No gain or loss is recognised in the consolidated income statement. The number of these shares at 31 December 2015 was 5.136 thousand of a nominal value of €0,10 each (2014: 20.751 thousand of a nominal value of €0,10 each). The total cost of acquisition of treasury shares was €41.301 thousand (2014: €88.051 thousand).

Part of these shares held by entities controlled by the Group resulted from the bail-in of deposits that these entities maintained with the Company and shall be disposed of in the near future.

In addition, the life insurance subsidiary of the Group held, as at 31 December 2015, a total of 2.889 thousand (2014: 3.156 thousand) shares of the Company, as part of its financial assets which are invested for the benefit of insurance policyholders (Note 24). The cost of acquisition of these shares was €25.333 thousand (2014: €25.333 thousand).

Share-based payments-share options

On 24 November 2015, the Annual General Meeting of the Company's shareholders authorised the Board to establish and implement a Long Term Incentive Plan and allowed the Company the flexibility to increase the ratio of variable remuneration relative to fixed remuneration up to a maximum of 100% of fixed remuneration for members of senior management ('Shareholder Resolution'). The Long Term Incentive Plan involves the granting of options for the acquisition of shares to a defined group of employees of the Group and under the current terms of the Shareholder Resolution:

(i) the total amount of shares that may be issued and allotted under the Long Term Incentive Plan shall not exceed 178.458.891 ordinary shares of nominal value of €0,10 each,
(ii) the exercise price shall be set at €0,25 per share,
(iii) the vested share options will only be able to be exercised three years after the grant date, and
(iv) any share options not exercised by 31 March 2026 will lapse.

The options will be designed to vest only if certain key performance conditions are met, including amongst other things, the full repayment of ELA, the lifting of dividend restrictions, the cancellation of government guarantee and the performance of eligible employees.

The Long Term Incentive Plan is currently under regulatory review. Therefore, the original proposed grant date under the Shareholder Resolution of 31 March 2016 will be postponed until such time that all relevant regulatory approvals have been obtained for the Long Term Incentive Plan.

No share options were issued until the date of issuance of these Consolidated Financial Statements.

36. Dividends

The Company is currently under a regulatory dividend distribution prohibition and therefore no dividend was declared or paid during years 2015 and 2014.

37. Accumulated losses

Retained earnings are the only distributable reserve.

Companies, tax resident in Cyprus, which do not distribute at least 70% of their profits after tax as defined by the Special Defence Contribution Law during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special defence contribution at 20% for years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividend distribution to the extent that the shareholders of the Company (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer are directly or indirectly Cyprus tax residents. Deemed distribution does not apply in respect of profits that are directly or indirectly attributable to shareholders that are non-Cyprus tax residents.

The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year.

This special defence contribution is paid by the Company on account of the shareholders.

During 2015 and 2014 no deemed dividend distribution was paid by the Company.

38. Fiduciary transactions

The Group offers fund management and custody services that result in holding or investing financial assets on behalf of its customers. The Group is not liable to its customers for any default by other banks or organisations. The assets under management and custody are not included in the consolidated balance sheet of the Group unless they are placed with the Group. Total assets under management and custody at 31 December 2015 amounted to €1.012.357 thousand (2014: €951.293 thousand).

39. Contingent liabilities and commitments

As part of the services provided to its customers, the Group enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend.

Even though these obligations may not be recognised on the consolidated balance sheet, they do contain credit risk and are therefore part of the overall credit risk exposure of the Group (Note 44).

During the year, the Group has reversed a provision of €41.403 thousand (Notes 15 and 34) relating to these obligations.

Capital commitments

Capital commitments for the acquisition of property, equipment and intangible assets as at 31 December 2015 amount to €17.099 thousand (2014: €5.203 thousand).

Pending litigation and claims

The Group faces legal and regulatory challenges, many of which are beyond its control. The extent of the impact of these matters, in which the Group is or may in the future become involved, cannot always be predicted with certainty but may materially impact its reputation, operations, financial results, condition and prospects. At the same time, most cases and matters relate to the period prior to the issue of the Resolution Decrees and to the problems brought about as a result of the said Decrees. In most cases, the Group believes that it has viable defences which it will advance in the course of the relevant proceedings.

Apart from what is described below, the Group considers that none of these matters are material, either individually or in aggregate. Where an individual provision is material, the fact that a provision has been made is stated and quantified. Any provision recognised does not constitute an admission of wrongdoing or legal liability.

While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of legal proceedings and regulatory matters as at 31 December 2015 and hence it is not believed that such litigation, when concluded, will have a material impact upon the financial position of the Group. It is not practicable to provide an aggregate estimate of potential liability for the Company's legal procedures and regulatory matters as a class of contingent liabilities.

39. Contingent liabilities and commitments (continued)

Pending litigation and claims (continued)

Investigations and litigation on securities issued by the Company
A number of customers have filed actions against the Company alleging that the Company is guilty of mis-selling in relation to securities issued by the Company and have claimed various remedies, including the return of the money they have paid. The Company is contesting these claims, which are pending before the courts in Cyprus and in Greece.

The bonds and capital securities in respect of which claims have been brought are the following: 2007 Capital Securities, 2008 Convertible Bonds, 2009 Convertible Capital Securities (CCS) and Convertible Enhanced Capital Securities (CECS).
The Company observes that such claims vary considerably between them. In many cases, the Company believes that it has a number of viable legal defences, which it will advance in the course of the proceedings, particularly with respect to institutional investors and those purchasers who had received investment advice from independent investment advisors before proceeding with the purchase. In the case of retail investors, particularly where it can be documented that the relevant Company officers 'persuaded' them to proceed with the purchase and/or purported to offer 'investment advice', the Company may face significant difficulties. In any event, the resolution of the claims brought in the courts of Cyprus and Greece could take a number of years. Provision has been made based on management's best estimate of probable outflows.

In addition, the CBC has conducted an investigation into the Company's issue of capital securities and concluded that the Company breached certain regulatory requirements concerning the issue of 2009 Convertible Capital Securities, but not in relation to the CECS. The CBC imposed upon the Company a fine of €4 thousand in 2013. The Company has filed a recourse before the Supreme Court against the CBC's ruling and the fine. This recourse is still pending before the Administrative Court.

The Hellenic Capital Market Commission (HCMC) Investigation
In 2014, the Company was under investigation in Greece by the HCMC in relation to the issue of 2009 Convertible Capital Securities and CECS; and more specifically, whether the Company had violated certain provisions of Greek law by providing investment advice without having entered into the required client agreements or having conducted the required fitness test pursuant to the Greek law which transposes the EU Directive on Markets in Financial Instruments and the implementing regulation.

The HCMC investigation was concluded at the end of 2014. According to its decision issued in February 2015, the Company provided accurate and sufficient information to potential investors through the prospectuses for the CCS and CECS regarding the characteristics and particularities of such securities and the risk factors for an investment thereof. However, the HCMC also held that the Company provided investment advice to potential investors when promoting such securities and omitted to comply with its obligation to perform a suitability assessment for such investors, according to the provisions of the law and related regulations. For this violation, a fine of €10 thousand was imposed upon the Company. In April 2015, the Company filed a petition before the competent Administrative Court challenging HCMC's decision. While the decision of the HCMC in this matter will not be binding on the Greek or Cypriot courts, it may be put before the court by the complainants in any proceedings against the Company. Overall, though much litigation may be expected, it is not believed that such litigation, when concluded, will have a material impact upon the financial position of the Group.

In addition to the above, the HCMC is currently in the process of investigating matters concerning the Group's investment in Greek government bonds.

The Cyprus Securities and Exchange Commission (CySEC) Investigations
On 2 August 2013, CySEC published its conclusions regarding an investigation for the failure by the Company in June 2012 to disclose material information to investors concerning the amount of a capital shortfall to meet the requirements of the EBA. CySEC came to the conclusion that the Company was in breach of the 'Insider Dealing and Market Manipulation (Market Abuse) Law of 2005' and on 27 November 2013 imposed an administrative fine on the Company of €70 thousand. On 27 November 2013, CySEC also imposed administrative fines on certain of the then members of the Board of Directors. The recourses that the Company has filed before the Supreme Court challenging CySEC's decision and fine are currently pending.

39. Contingent liabilities and commitments (continued)

Pending litigation and claims (continued)

The Cyprus Securities and Exchange Commission (CySEC) Investigations (continued)
CySEC has also concluded during 2013 and 2014 an investigation in respect of the Group's exposure to Greek Government bonds, related non-disclosure of material information and other corporate governance deficiencies. In this respect, CySEC has issued two decisions, coming to the conclusion that the Company was in breach of certain laws regarding disclosure of information and has imposed administrative fines upon the Company of a total sum of €1.110 thousand. It has also imposed fines upon certain of the then members of the Board of Directors and management of the Company. The Company has filed recourses before the Supreme Court regarding the decisions of CySEC and the fines imposed upon it. CySEC has meanwhile filed legal actions against the Company for the non-payment of these fines and the fine of €70 thousand referred to above.

CySEC has also conducted an investigation in relation to the level of goodwill of CB Uniastrum Bank LLC in the interim financial statements of the Group in 2012. The Company and certain of its former officers and members of the Board have submitted written addresses in respect of this investigation in late 2014. The matter is now before the CySEC Committee. According to information obtained from CySEC it has referred the matter to the Attorney General for consideration of any criminal issues or matters arising therefrom.

CySEC is additionally conducting an investigation into the adequacy of provisions for impairment of loans and advances in year 2011 and has requested written addresses from the Company and certain of its former officers and members of the Board on this matter, which have not yet been submitted to CySEC.

CySEC has also completed an investigation on the reclassification of Greek Government bonds on 1 April 2010, which is now pending with the Attorney General and CySEC.

In addition to the above, CySEC is currently in the process of investigating:
- Matters concerning possible price manipulation for the period from 1 November 2009 to 30 June 2010 post the investment in Banca Transylvania.
- The non-disclosure of the Company's request to the Ministry of Finance for granting additional government guarantees of up to €3 billion, for bonds that the Company could issue to enhance its liquidity position.
- The adequacy of provisions for impairment of loans and advances in year 2013 in light of the results of the Asset Quality Review.

A decision of CySEC will not be binding on the courts. If a person wishes to claim damages or any other remedy against the Company, fresh proceedings must be brought against the Company before the competent Courts of the Republic of Cyprus.

The above investigations are in progress and therefore it is not practical at this stage for the Group to estimate reliably the possible consequences thereof, though it is not thought that any resulting liability or damages will have a material impact upon the Group.

Bail-in related litigation
Depositors
A number of the affected depositors filed claims against the Company and other parties (such as the CBC and the Ministry of Finance of Cyprus) on the grounds that, inter alia, the Resolution Law of 2013 and the Bail-in Decrees are in conflict with the Constitution of the Republic of Cyprus and the European Convention on Human Rights. Actions on the part of the affected depositors have been filed before the District Courts and their objective is to obtain damages for the loss allegedly sustained by them as a result of the bail-in of their deposits effected by the relevant Decrees. In a number of those actions, interim orders were issued prohibiting the Company from treating the deposits of the applicants in question as converted into shares of the Company. The Company took active steps and obtained the discharge and cancellation of the interim orders. In parallel, the Company is defending the actions of depositors vigorously.

39. Contingent liabilities and commitments (continued)

Pending litigation and claims (continued)

Bail-in related litigation (continued)
Shareholders
There are also numerous claims filed by shareholders against the Government and the CBC before the Supreme Court in relation to the dilution of their shareholding as a result of the recapitalisation pursuant to the Resolution Law and the Bail-in Decrees issued thereunder. The objective of these proceedings before the Supreme Court was to obtain the annulment (i.e. cancellation and setting aside) of the Decrees as unconstitutional and/or unlawful and/or irregular. The Company appeared in these proceedings as an interested party and has supported the position that, as with depositors, the cases should be adjudicated upon in the context of private law. As of the present date, both the Resolution Law and the Bail-in Decrees have not been annulled by a court of law and thus remain legally valid and in effect. On 9 October 2014, the Supreme Court ruled that the proceedings fall within private and public law (before the District Courts), thus accepting the position of the Company and accordingly, all recourses instituted before the Supreme Court (in its revisional jurisdiction) were dismissed. It is expected that actions for damages will be instituted in due course before the District Courts.

Claims based on set-off
Certain claims have been filed by customers against the Company. These claims allege that the implementation of the bail-in under the Bail-in Decrees was not carried out correctly in relation to them and, in particular, that their rights of set-off were not properly respected.

Laiki Bank depositors and shareholders
The Company has been joined as a defendant with regards to certain claims which have been brought against Laiki Bank by its depositors, shareholders and holders of debt securities. These claims have been brought on grounds similar to the claims brought by the Company's bailed-in depositors and shareholders as described above.

Implementation of Decrees
Occasionally, other claims are brought against the Company in respect of the implementation of the Decrees issued following the adoption of the Resolution Law (as regards the way and methodology whereby such Decrees have been implemented).

Legal position of the Group
All above claims are being vigorously disputed by the Group, in close consultation with the appropriate state and governmental authorities. The position of the Group is that the Resolution Law and the Decrees take precedence over all other laws. As matters now stand, both the Resolution Law and the Decrees issued thereunder are constitutional and lawful, in that they were properly enacted and have not so far been annulled by any court.

Commission for the Protection of Competition Investigation
Following an investigation, which began in 2010, the Cypriot Commission for the Protection of Competition (the CPC) in April 2014 issued a statement of objections, alleging violations of Cypriot and EU competition law relating to the activities and/or omissions in respect of card payment transactions by, among others, the Company. The CPC has alleged that the market conduct of JCC Payment Systems Ltd (JCC), a card-processing business owned and controlled by its shareholder banks, which includes the Company (which owns 75% of the shares of JCC) together with the conduct of other banks, violates competition law in various respects.

There was also an allegation concerning the Company's arrangements with American Express, namely that such exclusive arrangements violated competition law. The Company vigorously defended the relevant proceedings but the CPC has concluded that the Company (in common with other banks and institutions, namely JCC) has breached in respect of both matters the relevant provisions of the applicable law for the protection of competition. The CPC has invited further representations regarding the size of the administrative penalty to be imposed upon the Company. The Company put before the CPC certain views and proposals, in an effort to mitigate the fine (though the CPC has the power to impose a fine as a percentage of the Company's turnover). For the time being, the proceedings before the CPC are not progressing owing to another Court decision holding that the composition of the CPC is contrary to law. In any event, the Company intends to file a recourse before the Administrative Court for the annulment of the CPC's decision upon the notification of the fine. At this stage it is not possible to predict the amount of the fine that may be imposed upon the Company, though the Company does not believe that such fine will have a material impact on the financial position of the Group.

39. Contingent liabilities and commitments (continued)

Pending litigation and claims (continued)

CNP Arbitration
CNP Cyprus Insurance Holdings Ltd (a company in which the Group has a 49,9% shareholding, acquired as part of the acquisition of certain operations of Laiki Bank) had certain exclusive arrangements with Laiki Bank with respect to insurance products offered in Cyprus through the formation of a local company (CNP Cyprus). CNP France held 50,1% of the shares of CNP Cyprus and Laiki Bank held 49,9% of the shares. In the context of the total arrangement between the parties, two agreements were in place between CNP and Laiki Bank, a Shareholding Agreement and a Distribution Agreement. As regards the Shareholding Agreement, the Company (pursuant to the Resolution Law and the Decrees made thereunder) has succeeded to the shareholding of Laiki Bank, thus becoming a 49,9% shareholder of CNP Cyprus.

Following the resolution of Laiki Bank, CNP has instituted arbitration proceedings in London under the auspices of the International Chamber of Commerce, alleging that the Company is a successor to Laiki Bank in respect of both the Shareholding and Distribution Agreements and that the said Agreements (particularly the Distribution Agreement) have been violated. The claims of CNP amount to approximately €240 million (including interest and grossed-up for tax). The Company considers that it has viable defences in respect of both proceedings which it intends to contest vigorously. One of the defences raised by the Company is that of frustration, namely that as a result of the very significant changes of March 2013, the Agreements as concluded between CNP and Laiki Bank cannot possibly operate in the context of the new situation resulting from the events of March 2013. The hearing of the Arbitration is planned to take place in June 2016.

Other litigation
The Group is involved in a number of other litigation proceedings involving cases against the Group arising in the course of its normal operating activities, mainly in Cyprus and Greece.

Provident fund cases
Twenty three claims are pending before the Labour Disputes Tribunal by former employees with respect to their retirement benefits. These employees retired and/or departed in 1999 and claim that the Company and/or the Company's provident fund did not calculate their benefits correctly. In the event that the claims succeed, the total amount will be approximately €24 million. Provision has been made based on management's best estimate of probable outflows.

In December 2015, the Bank of Cyprus Employees Provident Fund filed an action against the Company claiming €70 million allegedly owed as part of the Company's contribution by virtue of an agreement with the union dated 31 December 2011. The case is still at a very early stage. Based on facts currently known, it is not practicable at this time for the Company to predict the resolution of this matter, including the timing or any possible impact on the Company, however at this stage the Group does not expect a material impact.

Employment litigation
Former senior officers of the Company have instituted claims for unfair dismissal and for provident fund entitlements against the Company and Trustees of the Company's provident fund. The Company does not consider that these cases will have a material impact upon its financial position.

Greek case
For a legal dispute (one case by the Company against Themis and one by Themis against the Company) relating to the discontinued operations in Greece (Themis case), a provision was recognised in previous periods (30 September 2014: €38.950 thousand) following a court judgement of the Athens Court of Appeal (dismissing the Company's case and upholding the Themis case). This provision was reversed as at 31 December 2014 following the dismissal of the said judgement by the Supreme Court in March 2015. The Supreme Court further ruled that these claims (the Company's claim against Themis for approximately €25 million which had been transferred to Piraeus Bank SA in March 2013, as well as Themis' claim against the Company for a similar amount) be reconsidered by the Supreme Court on the merits at the instigation of the affected party. Both cases are fixed to be heard in April 2016. The Company has indemnified Piraeus Bank SA (the acquirer of its Greek operations in March 2013) through a letter of guarantee, for any claim brought against it in connection with this case, however the Group does not consider that this will have a material impact upon its financial position.

39. Contingent liabilities and commitments (continued)

Pending litigation and claims (continued)

Other litigation (continued)

Swiss Francs loans litigation in Cyprus and UK

Some actions have been instituted against the Company by borrowers who obtained loans in foreign currency (mainly Swiss Francs). The central allegation in these cases is that the Company misled these borrowers and/or misrepresented matters, in violation of applicable Law. The Company intends to contest such proceedings vigorously.

UK cases

The Company is the defendant in certain proceedings alleging that the Company is legally responsible in respect of various alleged irregularities involving, inter alia, the advance and mis-selling of loans for the purchase by UK nationals of property in Cyprus. The Company's defence will vary depending on whether the purchasers can be categorised as consumers or investors. However, all the proceedings in the UK are currently stayed in order for the parties to have time to negotiate possible settlements.

Ukrainian case

In October 2015, a Ukrainian undertaking initiated legal proceedings against the Company and others before the High Court in London asking, inter alia, for a declaration that the Company has no title to or rights under a facility agreement entered into originally by Laiki Bank and later transferred to the Alfa group in the context of the sale by the Group of its Ukrainian operations. Also, local/ancillary proceedings before the District Court of Nicosia in aid of the London proceedings were instituted in November 2015. The Company vigorously contests the proceedings in both jurisdictions. In any event, whatever their outcome, such proceedings are not expected to have a material impact on the financial position of the Group.

Private criminal prosecutions

Four private criminal prosecutions filed by certain customers against the Company and certain of its directors and officers advancing their own grievances and complaints are currently outstanding. These are proceedings instituted by individuals and not by the State. The Company has asked the Attorney General to discontinue the proceedings (nolle prosequi). Already, a number of the initially filed prosecutions have been discontinued by the Attorney General.

On the basis of legal advice, the Company considers these private criminal prosecutions to have been instituted for their 'nuisance value'. In any event, the said private criminal prosecutions are not expected to have a material bearing on the financial position of the Group.

General criminal investigations

As part of the investigations and inquiries following and relating to the financial crisis which culminated in March 2013, the Attorney General and the Police are conducting various investigations (confidentially). The Company is fully cooperating with the authorities of the Republic of Cyprus and is providing all information requested of it. Based on the currently available information, the Company is of the view that any further investigations or claims resulting from these investigations will not have a material impact on the financial position of the Group.

The Attorney General has filed a criminal case against the Company and five former members of the Board of Directors for alleged breach of Article 302 (conspiracy to defraud) of Cyprus' criminal code and Article 19 of the Manipulation of Insider Information and Market Manipulation (Market Abuse) Law. The alleged offence refers to the non-publication in a timely manner of the increased capital shortfall of the Company in 2012. The Company denies all allegations. The hearing has commenced and the maximum penalty on the Company, if found guilty, will be the imposition of a fine that is not expected to be significant.

The Attorney General has filed another criminal case against the Company and six former members of the Board of Directors for alleged breach of Article 19 of the Manipulation of Insider Information and Market Manipulation (Market Abuse) Law, with respect to the Greek Government Bonds. The case was scheduled for first appearance in December 2015 and the alleged offence refers to the non-publication of the purchase and sale of the Greek Government Bonds during a specified period. The Company denies all allegations. The case has not yet been fixed for hearing and the maximum penalty on the Company, if found guilty, will be the imposition of a fine that is not expected to be significant.

39. Contingent liabilities and commitments (continued)

Other contingent liabilities

The Group, as part of its disposal process of certain of its operations, has provided various representations and warranties to the buyers. These relate to, among other things, the ownership of the loans, the validity of the liens and other matters agreed with the buyers. In the event of a breach of its representations and warranties, the Group may be obliged to repurchase the loans with identified defects and/or to indemnify the buyers.

A provision has been made, based on management’s best estimate of probable outflows, where it was assessed that such an outflow is probable.

40. Net cash flow from operating activities

	2015	2014 (represented)
	€000	€000
(Loss) / profit before tax from continuing operations	**(379.992)**	11.716
Loss before tax from discontinued operations	**(65.062)**	(307.718)
Adjustments for:		
Provisions for impairment of loans and advances to customers and other customer credit losses and gain on derecognition and changes in expected cash flows on acquired loans	**1.002.130**	921.301
Depreciation of property and equipment	**12.257**	16.579
Amortisation of intangible assets	**7.001**	8.679
Impairment of property and equipment	**1.203**	1.460
Impairment on measurement of disposal groups at fair value less costs to sell	**3.288**	113.855
Impairment of other financial instruments	**43.503**	56.540
Losses on disposal of discontinued operations	**17.392**	114.228
Amortisation of discounts/premiums and catch-up adjustment of debt securities	**(65.215)**	(53.764)
Losses on disposal and write-offs of property and equipment and intangible assets	**70**	2.273
Losses on disposal of investment properties and investment properties held for sale	**665**	170
Losses from revaluation of investment properties and investment properties held for sale	**52.575**	11.122
Interest on debt securities	**(7.037)**	(140.732)
Dividend income	**(900)**	(338)
Net gains on disposal of investments in equity securities	**(1.075)**	(48.907)
Net gains on disposal of investments in debt securities	**(49.504)**	(102.837)
Share of profit from associates and joint ventures	**(5.923)**	(4.852)
Loss/(profit) from revaluation of debt securities designated as fair value hedges	**11.600**	(2.162)
Impairment of investment in associate	**-**	2.078
Gain on disposal of joint ventures	**(10.005)**	-
Impairment of stock of property	**17.792**	-
Interest on funding from central banks	**78.187**	138.643
Interest on debt securities in issue	**25**	86
Change in value of in-force life insurance business	**(1.499)**	(6.042)
	661.476	731.378
Change in:		
Loans and advances to banks	**119.140**	88.053
Deposits by banks	**51.029**	(66.684)
Obligatory balances with central banks	**362.954**	283.715
Customer deposits	**1.503.754**	(1.648.459)
Value of in-force life insurance policies and liabilities	**(12.187)**	(4.541)
Loans and advances to customers	**(51.339)**	1.730.517
Other assets	**6.373**	139.921
Accrued income and prepaid expenses	**446**	(233)
Other liabilities	**(44.366)**	40.607
Accrued expenses and deferred income	**16.042**	13.548
Derivative financial instruments	**30.418**	(45.171)
Investments at fair value through profit or loss	**(16.438)**	(9.187)
Repurchase agreements	**(211.531)**	(14.322)
Subordinated loan stock	**475**	(918)
Stock of property (disposals)	**5.617**	-
	2.421.863	1.238.224
Tax paid	**(3.485)**	(4.223)
Net cash flow from operating activities	**2.418.378**	1.234.001

40. Net cash flow from operating activities (continued)

Non-cash transactions

2015

Disposal of the majority of the Russian operations
On 25 September 2015, the Group completed the disposal of the majority of its Russian operations. As part of the sales agreement, the parties agreed an asset swap arrangement which involved the exchange of certain assets between them that resulted in €41.849 thousand receivable for the Group.

Disposal of Aphrodite group
During 2015 the Group disposed of a 65% shareholding in the Aphrodite group. The transaction involved the restructuring of the debt owed by this group to the Company. Further information is disclosed in Note 29.

2014

Bail-in
Deposits under interim orders withdrawn and cancelled in 2014 of €58.625 thousand were converted into issued share capital. Customer deposits were reduced by an equivalent amount and the respective credit entry was reflected in 'Accruals, deferred income and other liabilities'.

Further details on the recapitalisation of the Company through the Bail-in Decrees are presented in Note 35.

During 2014, following the withdrawal and cancellation of interim orders described in Note 35, 12.951 thousand additional shares were issued to Laiki Bank in relation to the 2013 acquisition.

Disposal of Ukrainian operations
In April 2014, the Group completed the disposal of its Ukrainian operations. The sale consideration was €198.860 thousand, comprising €98.860 thousand received and €100.000 thousand deferred up to 31 March 2015. In 2015 the settlement terms of the deferred consideration and the related interest rate were amended. The deferred consideration is due to be paid to the Group under a repayment programme which extends until 1 June 2019. The assets and liabilities of the Group's Ukrainian business at the date of its disposal are presented in Note 51.3.1.

Reduction of nominal value of ordinary shares and share capital issue
During 2014 the Company reduced the nominal value of its issued ordinary shares from €1,00 each to €0,10 each and the total amount from the reduction was applied for the absorption of losses of the Company and the creation of a capital reduction reserve.

As part of the 2014 Capital Raising, existing customer deposits amounting to €106.000 thousand were used to subscribe for new shares.

Details of the 2014 reduction of the nominal value of ordinary shares and the 2014 Capital Raising are presented in Note 35.

Net cash flow used in operating activities – interest and dividends

	2015	2014
	€000	€000
Interest paid	**(342.158)**	(477.593)
Interest received	**1.270.146**	1.251.613
Dividends received	**900**	338
	928.888	774.358

41. Cash and cash equivalents

Cash and cash equivalents comprise:

	2015	2014
	€000	€000
Cash and non-obligatory balances with central banks	**1.299.795**	655.263
Treasury bills repayable within three months	**21.451**	179.398
Loans and advances to banks with original maturity less than three months	**1.085.098**	1.304.358
Cash and balances with central banks and loans and advances to banks with maturity less than three months classified as held for sale	**-**	99.582
	2.406.344	2.238.601

Analysis of cash and balances with central banks and loans and advances to banks

	2015	2014
	€000	€000
Cash and non-obligatory balances with central banks	**1.299.795**	655.263
Obligatory balances with central banks	**122.807**	484.202
Total cash and balances with central banks (Note 19)	**1.422.602**	1.139.465

Loans and advances to banks with original maturity less than three months	**1.085.098**	1.304.358
Other restricted loans and advances to banks	**82.123**	70.771
Other loans and advances to banks	**147.159**	271.757
Total loans and advances to banks (Note 19)	**1.314.380**	1.646.886

Other restricted loans and advances to banks relate to collateral under derivative transactions of €82.123 thousand (2014: €70.771 thousand) which is not immediately available for use by the Group, but is released once the transactions are terminated.

42. Operating leases – The Group as lessee

The total future minimum lease payments under non-cancellable operating leases at 31 December are presented below:

	2015	2014
	€000	€000
Within one year	**1.615**	2.309
Between one and five years	**3.680**	3.845
After five years	**472**	1.057
	5.767	7.211

The above mainly relate to property leases for the Group's branches and offices.

43. Analysis of assets and liabilities by expected maturity

	2015			2014		
	Less than one year	**Over one year**	**Total**	Less than one year	Over one year	Total
Assets	**€000**	**€000**	**€000**	€000	€000	€000
Cash and balances with central banks	**1.300.846**	**121.756**	**1.422.602**	660.104	479.361	1.139.465
Loans and advances to banks	**1.212.418**	**101.962**	**1.314.380**	1.522.315	124.571	1.646.886
Derivative financial assets	**13.939**	**84**	**14.023**	61.896	702	62.598
Investments	**348.596**	**660.691**	**1.009.287**	571.863	1.969.059	2.540.922
Loans and advances to customers	**5.147.878**	**12.043.754**	**17.191.632**	4.487.855	13.680.468	18.168.323
Life insurance business assets attributable to policyholders	**17.243**	**458.160**	**475.403**	20.906	452.086	472.992
Prepayments, accrued income and other assets	**87.690**	**194.090**	**281.780**	234.670	88.162	322.832
Property, equipment and intangible assets	**485**	**397.636**	**398.121**	8.086	409.736	417.822
Investment properties	**-**	**34.628**	**34.628**	-	488.598	488.598
Investments in associates and joint ventures	**-**	**107.753**	**107.753**	-	116.776	116.776
Deferred tax assets	**8.828**	**447.703**	**456.531**	9.905	446.966	456.871
Stock of property	**90.115**	**425.743**	**515.858**	1.799	10.863	12.662
Non-current assets and disposal groups held for sale	**48.503**	**-**	**48.503**	942.655	-	942.655
	8.276.541	**14.993.960**	**23.270.501**	8.522.054	18.267.348	26.789.402
Liabilities						
Deposits by banks	**206.997**	**35.140**	**242.137**	114.143	48.245	162.388
Funding from central banks	**2.744.764**	**1.708.086**	**4.452.850**	1.554.000	6.729.773	8.283.773
Repurchase agreements	**111.605**	**256.546**	**368.151**	230.305	349.377	579.682
Derivative financial liabilities	**16.032**	**38.367**	**54.399**	13.371	58.596	71.967
Customer deposits	**4.981.609**	**9.199.072**	**14.180.681**	4.416.865	8.206.693	12.623.558
Insurance liabilities	**80.118**	**486.807**	**566.925**	93.837	482.864	576.701
Accruals, deferred income and other liabilities	**219.346**	**63.485**	**282.831**	317.664	32.767	350.431
Debt securities in issue	**712**	**-**	**712**	-	693	693
Deferred tax liabilities	**415**	**40.392**	**40.807**	565	44.176	44.741
Non-current liabilities and disposal groups held for sale	**3.677**	**-**	**3.677**	614.421	-	614.421
	8.365.275	**11.827.895**	**20.193.170**	7.355.171	15.953.184	23.308.355

The main assumptions used in determining the expected maturity of assets and liabilities are set out below.

Part of the funding from central banks has been included in the over one year time band, since it is expected that it will continue to be required and available. It is noted, however, that funding under MRO and ELA has a contractual maturity of less than one year whereas funding under TLTRO has a contractual maturity of more than one year.

The investments are classified in the relevant time band based on expectations as to their realisation. In most cases this is the maturity date, unless there is an indication that the maturity will be prolonged or there is an intention to sell, roll or replace the security with a similar one. The latter would be the case where there is secured borrowing, requiring the pledging of bonds and these bonds mature before the maturity of the secured borrowing. The maturity of bonds is then extended to cover the period of the secured borrowing.

43. Analysis of assets and liabilities by expected maturity (continued)

Performing loans and advances to customers in Cyprus are classified based on the contractual repayment schedule. Overdraft accounts are classified in the over one year time band. The impaired loans as defined in Note 44, net of specific and collective provisions, and the loans which are past due for more than 90 days, are classified in the over one year time band except from expected receipts which are included within time bands, according to historic amounts of receipts in the last months.

A percentage of customer deposits in Cyprus maturing within one year is transferred in the over one year time band, based on the observed behavioural analysis. In the United Kingdom, Romania and Channel Islands deposits are classified on the basis of contractual maturities.

Trading investments are classified in the less than one year column.

The expected maturity of all prepayments, accrued income and other assets and accruals, deferred income and other liabilities is the same as their contractual maturity. If they don't have a contractual maturity, the expected maturity is based on the timing the asset is expected to be realised and the liability is expected to be settled.

44. Risk management – Credit risk

In the ordinary course of its business the Group is exposed to credit risk which is monitored through various control mechanisms across all Group entities in order to prevent undue risk concentrations and to price credit facilities and products on a risk-adjusted basis.

Credit risk is the risk that arises from the possible failure of one or more customers to discharge their obligations towards the Group.

The Credit Risk department sets the Group's credit disbursement policies and monitors compliance with credit risk policy applicable to each business line and monitors the quality of the Group's loans and advances portfolio through the timely assessment of problematic customers. The credit exposures from related accounts are aggregated and monitored on a consolidated basis.

Credit Risk department, safeguards the effective management of credit risk at all stages of the credit cycle, monitors the quality of decisions and processes and ensures that credit sanctioning function is being properly managed.

The credit policies are combined with modern methods used for the assessment of the customers' creditworthiness (credit rating and credit scoring systems).

The loan portfolio is analysed on the basis of assessments about the customers' creditworthiness, their economic sector of activity and the country in which they operate.

The credit risk exposure of the Group is diversified both geographically and across the various sectors of the economy. The Credit Risk department determines the prohibitive/dangerous sectors of the economy and sets out stricter policy rules for these sectors, according to their degree of riskiness.

The Market Risk department assesses the credit risk relating to investments in liquid assets (mainly loans and advances to banks and debt securities) and submits its recommendations for limits to be set for banks and countries to the Assets and Liabilities Committee (ALCO) for approval.

Following the March 2013 events relating to the Group's recapitalisation and restructuring, the Group has applied stricter lending criteria and has significantly reduced the approval limits of the various credit authorities. Since then, lending criteria and approval limits are revised in a dynamic way to accommodate new market conditions and satisfy Group's Risk Appetite Statement.

44. Risk management – Credit risk (continued)

Maximum exposure to credit risk and collateral and other credit enhancements

The Group's maximum exposure to credit risk is analysed by geographic area as follows:

	2015	2014
On-balance sheet	**€000**	€000
Cyprus	**18.851.208**	21.443.313
Greece	**57.032**	156.043
Russia	**93.432**	625.207
United Kingdom	**1.673.293**	1.525.666
Romania	**266.695**	478.432
	20.941.660	24.228.661

Off-balance sheet		
Cyprus	**2.736.014**	3.067.737
Greece	**131.172**	185.271
Russia	**20.000**	79.926
United Kingdom	**21.063**	18.225
Romania	**307**	317
	2.908.556	3.351.476

Total on and off-balance sheet		
Cyprus	**21.587.222**	24.511.050
Greece	**188.204**	341.314
Russia	**113.432**	705.133
United Kingdom	**1.694.356**	1.543.891
Romania	**267.002**	478.749
	23.850.216	27.580.137

44. Risk management – Credit risk (continued)

Maximum exposure to credit risk and collateral and other credit enhancements (continued)

The Group offers guarantee facilities to its customers under which the Group may be required to make payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs.

Letters of credit and guarantee (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Group to risks similar to those of loans and advances and are therefore monitored by the same policies and control processes.

Loans and advances to customers
The Credit Risk department determines the amount and type of collateral and other credit enhancements required for the granting of new loans to customers.

The main types of collateral obtained by the Group are mortgages on real estate, cash collateral/blocked deposits, bank guarantees, government guarantees, pledges of equity securities and debt instruments of public companies, fixed and floating charges over corporate assets, assignment of life insurance policies, assignment of rights on certain contracts and personal and corporate guarantees.

The Group's management regularly monitors the changes in the market value of the collateral and, where necessary, requests the pledging of additional collateral in accordance with the relevant agreement.

Other financial instruments
Collateral held as security for financial assets other than loans and advances is determined by the nature of the financial instrument. Debt securities and other eligible bills are generally unsecured with the exception of asset-backed securities and similar instruments, which are secured by pools of financial assets. In addition, some debt securities are government-guaranteed.

The Group has chosen the ISDA Master Agreement for documenting its derivatives activity. It provides the contractual framework within which dealing activity across a full range of over-the-counter (OTC) products is conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement, if either party defaults. In most cases the parties execute a Credit Support Annex (CSA) in conjunction with the ISDA Master Agreement. Under a CSA, the collateral is passed between the parties in order to mitigate the market contingent counterparty risk inherent in their open positions.

Settlement risk arises in any situation where a payment in cash or securities is made in the expectation of a corresponding receipt in securities or cash. The Group sets daily settlement limits for each counterparty. Settlement risk is mitigated when transactions are effected via established payment systems or on a delivery upon payment basis.

The table below presents the maximum exposure to credit risk, the tangible and measurable collateral and credit enhancements held and the net exposure to credit risk, that is the exposure after taking into account the impairment loss and tangible and measurable collateral and credit enhancements held. Personal guarantees are an additional form of collateral, but are not included in the information below since it is impracticable to estimate their fair value.

The fair value of the collateral presented in the tables below is capped to the carrying value of the loans and advances to customers.

44. Risk management – Credit risk (continued)

Maximum exposure to credit risk and collateral and other credit enhancements (continued)

	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held by the Group							**Net exposure to credit risk**
		Cash	Securities	Letters of credit /guarantee	Property	Other	Surplus collateral	Net collateral	
2015	**€000**	€000	€000	€000	€000	€000	€000	€000	**€000**
Balances with central banks (Note 19)	**1.268.585**	-	-	-	-	-	-	-	**1.268.585**
Loans and advances to banks (Note 19)	**1.314.380**	28.667	-	-	-	-	-	28.667	**1.285.713**
Trading investments - debt securities (Note 20)	**317**	-	-	-	-	-	-	-	**317**
Debt securities at fair value through profit or loss (Note 20)	**17.430**	-	-	-	-	-	-	-	**17.430**
Debt securities classified as available-for-sale and loans and receivables (Note 20)	**898.869**	-	-	-	-	-	-	-	**898.869**
Derivative financial instruments (Note 21)	**14.023**	-	-	-	-	-	-	-	**14.023**
Loans and advances to customers (Note 23)	**17.191.632**	484.628	253.305	377.011	23.791.204	348.057	(9.717.984)	15.536.221	**1.655.411**
Debtors (Note 28)	**23.020**	-	-	-	-	-	-	-	**23.020**
Reinsurers' share of insurance contract liabilities (Note 28)	**56.763**	-	-	-	-	-	-	-	**56.763**
Other assets	**156.641**	-	4.600	-	19.043	-	-	23.643	**132.998**
On-balance sheet total	**20.941.660**	**513.295**	**257.905**	**377.011**	**23.810.247**	**348.057**	**(9.717.984)**	**15.588.531**	**5.353.129**
Contingent liabilities									
Acceptances and endorsements	**8.385**	717	-	-	13.124	32	(7.478)	6.395	**1.990**
Guarantees	**793.111**	52.455	687	73.436	187.437	10.442	(237)	324.220	**468.891**
Commitments									
Documentary credits	**18.441**	1.123	9	71	8.245	495	-	9.943	**8.498**
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**2.088.619**	30.445	1.302	1.744	336.646	14.433	(28.544)	356.026	**1.732.593**
Off-balance sheet total	**2.908.556**	**84.740**	**1.998**	**75.251**	**545.452**	**25.402**	**(36.259)**	**696.584**	**2.211.972**
Total credit risk exposure	**23.850.216**	**598.035**	**259.903**	**452.262**	**24.355.699**	**373.459**	**(9.754.243)**	**16.285.115**	**7.565.101**

44. Risk management – Credit risk (continued)

Maximum exposure to credit risk and collateral and other credit enhancements (continued)

	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held by the Group							**Net exposure to credit risk**
		Cash	Securities	Letters of credit /guarantee	Property	Other	Surplus collateral	Net collateral	
2014	**€000**	€000	€000	€000	€000	€000	€000	€000	**€000**
Balances with central banks (Note 19)	**954.412**	-	-	-	-	-	-	-	**954.412**
Loans and advances to banks (Note 19)	**1.646.886**	3.316	-	-	-	-	-	3.316	**1.643.570**
Trading investments - debt securities (Note 20)	**1**	-	-	-	-	-	-	-	**1**
Debt securities at fair value through profit or loss (Note 20)	**17.151**	-	-	-	-	-	-	-	**17.151**
Debt securities classified as available-for-sale and loans and receivables (Note 20)	**2.491.167**	-	-	-	-	-	-	-	**2.491.167**
Derivative financial instruments (Note 21)	**62.598**	16.685	-	-	-	-	-	16.685	**45.913**
Loans and advances to customers (Note 23)	**18.168.323**	599.824	370.302	1.395.931	24.762.117	238.068	(11.366.689)	15.999.553	**2.168.770**
Assets held for sale (Note 29)	**625.207**	250	-	8.299	1.160.777	20.562	(688.682)	501.206	**124.001**
Debtors (Note 28)	**21.279**	-	-	-	-	-	-	-	**21.279**
Reinsurers' share of insurance contract liabilities (Note 28)	**66.177**	-	-	-	-	-	-	-	**66.177**
Other assets	**175.460**	-	-	-	-	-	-	-	**175.460**
On-balance sheet total	**24.228.661**	**620.075**	**370.302**	**1.404.230**	**25.922.894**	**258.630**	**(12.055.371)**	**16.520.760**	**7.707.901**
Contingent liabilities									
Acceptances and endorsements	**9.227**	6	-	-	1.311	-	(840)	477	**8.750**
Guarantees	**972.673**	102.555	1.705	14.803	700.181	8.167	(33.715)	793.696	**178.977**
Guarantees related to the disposal group held for sale	**8.547**	1.499	-	-	9.662	996	(3.991)	8.166	**381**
Commitments									
Documentary credits	**16.217**	-	-	-	-	-	-	-	**16.217**
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**2.273.433**	210	-	-	45.649	-	(29.236)	16.623	**2.256.810**
Undrawn formal stand-by facilities, other credit lines and other commitments to lend for disposal group held for sale	**71.379**	-	-	-	-	-	-	-	**71.379**
Off-balance sheet total	**3.351.476**	**104.270**	**1.705**	**14.803**	**756.803**	**9.163**	**(67.782)**	**818.962**	**2.532.514**
Total credit risk exposure	**27.580.137**	**724.345**	**372.007**	**1.419.033**	**26.679.697**	**267.793**	**(12.123.153)**	**17.339.722**	**10.240.415**

44. Risk management – Credit risk (continued)

Credit risk concentration of loans and advances to customers

There are restrictions on loan concentrations which are imposed by the Banking Law in Cyprus and the relevant CBC Directive. According to these restrictions, banks are prohibited from lending more than 25% of the capital base to a single customer group. The Group's risk appetite statement imposes stricter concentration limits and the Group is taking actions to run down those exposures which are in excess of these internal limits over time.

In addition to the above, the Group's overseas subsidiaries must comply with guidelines for large exposures as set by the regulatory authorities of the countries in which they operate.

Fair value adjustment on initial recognition

The fair value adjustment on initial recognition relates to the loans and advances to customers acquired as part of the acquisition of certain operations of Laiki Bank in 2013. In accordance with the provisions of IFRS 3, this adjustment has decreased the gross balance of loans and advances to customers. However, for IFRS 7 disclosure purposes as well as for credit risk monitoring, the aforementioned adjustment is not presented within the gross balances of loans and advances.

44. **Risk management – Credit risk** (continued)

Credit risk concentration of loans and advances to customers (continued)

Geographical and industry concentrations of Group loans and advances to customers are presented below:

	Cyprus	Greece	United Kingdom	Romania	Russia	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
2015	€000	€000	€000	€000	€000	**€000**	**€000**	**€000**
By economic activity								
Trade	2.267.092	-	23.138	12.360	57.704	**2.360.294**	**(121.192)**	**2.239.102**
Manufacturing	801.536	-	9.214	7.604	15.066	**833.420**	**(31.596)**	**801.824**
Hotels and catering	1.463.129	-	98.871	6.209	-	**1.568.209**	**(77.444)**	**1.490.765**
Construction	3.976.254	-	27.119	56.830	10.457	**4.070.660**	**(335.803)**	**3.734.857**
Real estate	2.130.028	43.443	927.423	250.956	69.132	**3.420.982**	**(137.185)**	**3.283.797**
Private individuals	7.282.322	216	44.627	5.684	-	**7.332.849**	**(268.496)**	**7.064.353**
Professional and other services	1.595.010	-	64.398	38.834	96.542	**1.794.784**	**(101.913)**	**1.692.871**
Other sectors	1.145.327	24.866	12.325	28.759	-	**1.211.277**	**(133.781)**	**1.077.496**
	20.660.698	**68.525**	**1.207.115**	**407.236**	**248.901**	**22.592.475**	**(1.207.410)**	**21.385.065**
By customer sector								
Corporate	9.222.429	68.309	918.423	386.973	232.733	**10.828.867**	**(666.631)**	**10.162.236**
SMEs	4.408.096	-	248.647	17.523	9.520	**4.683.786**	**(263.630)**	**4.420.156**
Retail								
- housing	4.285.156	-	17.336	1.306	-	**4.303.798**	**(108.267)**	**4.195.531**
- consumer, credit cards and other	2.152.950	216	22.709	1.434	6.648	**2.183.957**	**(154.174)**	**2.029.783**
International banking services	528.795	-	-	-	-	**528.795**	**(8.056)**	**520.739**
Wealth management	63.272	-	-	-	-	**63.272**	**(6.652)**	**56.620**
	20.660.698	**68.525**	**1.207.115**	**407.236**	**248.901**	**22.592.475**	**(1.207.410)**	**21.385.065**

44. Risk management – Credit risk (continued)

Credit risk concentration of loans and advances to customers (continued)

	Cyprus	Greece	United Kingdom	Romania	Russia	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
2015	€000	€000	€000	€000	€000	**€000**	**€000**	**€000**
By business line								
Corporate	2.188.777	68.309	918.423	305.980	219.040	**3.700.529**	**(83.695)**	**3.616.834**
SMEs	1.502.261	-	248.647	17.523	9.520	**1.777.951**	**(46.973)**	**1.730.978**
Retail								
- housing	3.657.181	-	17.336	1.306	-	**3.675.823**	**(45.585)**	**3.630.238**
- consumer, credit cards and other	1.409.855	216	22.709	1.434	-	**1.434.214**	**(36.834)**	**1.397.380**
Restructuring								
- corporate	4.692.503	-	-	35.736	-	**4.728.239**	**(251.865)**	**4.476.374**
- SMEs	1.376.635	-	-	-	-	**1.376.635**	**(67.758)**	**1.308.877**
Recoveries								
- corporate	2.341.149	-	-	45.257	13.693	**2.400.099**	**(331.071)**	**2.069.028**
- SMEs	1.529.200	-	-	-	-	**1.529.200**	**(148.899)**	**1.380.301**
- retail housing	627.975	-	-	-	-	**627.975**	**(62.682)**	**565.293**
- retail other	743.095	-	-	-	6.648	**749.743**	**(117.340)**	**632.403**
International banking services	528.795	-	-	-	-	**528.795**	**(8.056)**	**520.739**
Wealth management	63.272	-	-	-	-	**63.272**	**(6.652)**	**56.620**
	20.660.698	**68.525**	**1.207.115**	**407.236**	**248.901**	**22.592.475**	**(1.207.410)**	**21.385.065**

44. Risk management – Credit risk (continued)

Credit risk concentration of loans and advances to customers (continued)

	Cyprus	Greece	United Kingdom	Romania	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
2014	€000	€000	€000	€000	**€000**	**€000**	**€000**
By economic activity							
Trade	2.280.096	-	22.058	12.904	**2.315.058**	**(169.687)**	**2.145.371**
Manufacturing	819.309	-	10.079	7.620	**837.008**	**(46.564)**	**790.444**
Hotels and catering	1.411.823	-	87.487	6.379	**1.505.689**	**(94.943)**	**1.410.746**
Construction	3.839.921	-	46.487	47.164	**3.933.572**	**(407.901)**	**3.525.671**
Real estate	2.030.507	44.274	645.641	279.266	**2.999.688**	**(170.448)**	**2.829.240**
Private individuals	7.447.640	234	37.733	8.767	**7.494.374**	**(336.364)**	**7.158.010**
Professional and other services	1.503.453	-	51.446	39.342	**1.594.241**	**(122.444)**	**1.471.797**
Other sectors	1.867.190	129.632	13.183	116.753	**2.126.758**	**(217.760)**	**1.908.998**
	21.199.939	**174.140**	**914.114**	**518.195**	**22.806.388**	**(1.566.111)**	**21.240.277**
By customer sector							
Corporate	9.435.472	173.906	488.868	486.900	**10.585.146**	**(868.788)**	**9.716.358**
SMEs	4.504.394	-	392.422	27.992	**4.924.808**	**(339.515)**	**4.585.293**
Retail							
- housing	4.358.366	-	24.327	1.577	**4.384.270**	**(125.294)**	**4.258.976**
- consumer, credit cards and other	2.228.198	234	8.497	1.726	**2.238.655**	**(210.372)**	**2.028.283**
International banking services	603.557	-	-	-	**603.557**	**(12.472)**	**591.085**
Wealth management	69.952	-	-	-	**69.952**	**(9.670)**	**60.282**
	21.199.939	**174.140**	**914.114**	**518.195**	**22.806.388**	**(1.566.111)**	**21.240.277**

44. **Risk management – Credit risk** (continued)

Credit risk concentration of loans and advances to customers (continued)

	Cyprus	Greece	United Kingdom	Romania	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
2014	€000	€000	€000	€000	**€000**	**€000**	**€000**
By business line							
Corporate	2.028.081	173.906	488.868	400.806	**3.091.661**	**(168.703)**	**2.922.958**
SMEs	1.715.930	-	392.422	27.992	**2.136.344**	**(77.973)**	**2.058.371**
Retail							
- housing	3.795.958	-	24.327	1.577	**3.821.862**	**(56.086)**	**3.765.776**
- consumer, credit cards and other	1.538.872	234	8.497	1.726	**1.549.329**	**(83.560)**	**1.465.769**
Restructuring							
- corporate	5.317.892	-	-	35.609	**5.353.501**	**(348.013)**	**5.005.488**
- SMEs	1.401.022	-	-	-	**1.401.022**	**(110.044)**	**1.290.978**
Recoveries							
- corporate	2.089.499	-	-	50.485	**2.139.984**	**(352.072)**	**1.787.912**
- SMEs	1.387.442	-	-	-	**1.387.442**	**(151.498)**	**1.235.944**
- retail housing	562.408	-	-	-	**562.408**	**(69.208)**	**493.200**
- retail other	689.326	-	-	-	**689.326**	**(126.812)**	**562.514**
International banking services	603.557	-	-	-	**603.557**	**(12.472)**	**591.085**
Wealth management	69.952	-	-	-	**69.952**	**(9.670)**	**60.282**
	21.199.939	**174.140**	**914.114**	**518.195**	**22.806.388**	**(1.566.111)**	**21.240.277**

The loans and advances to customers in Cyprus include lending exposures to Greek entities granted by the Company in Cyprus in its normal course of business with a carrying value of €81.078 thousand (2014: €94.703 thousand) and lending exposures in Cyprus with collaterals in Greece with a carrying value of €69.983 thousand (2014: €71.473 thousand).

44. Risk management – Credit risk (continued)

Credit risk concentration of loans and advances to customers classified as held for sale

Geographical and industry concentrations of loans and advances to customers which are classified as held for sale are presented below:

	Russia	
	2015	2014
By economic activity	**€000**	€000
Trade	-	160.632
Manufacturing	-	59.466
Construction	-	43.932
Real estate	-	131.943
Private individuals	-	294.733
Professional and other sectors	-	275.018
	-	965.724

By customer sector		
Corporate	-	507.838
SMEs	-	163.152
Retail		
- housing	-	25.999
- consumer, credit cards and other	-	204.867
International banking services	-	63.868
	-	965.724

By business line		
Corporate	-	507.838
SMEs	-	163.152
Retail		
- housing	-	25.999
- consumer, credit cards and other	-	204.867
International banking services	-	63.868
	-	965.724

44. Risk management – Credit risk (continued)

Currency concentration of loans and advances to customers

	Cyprus	Greece	United Kingdom	Romania	Russia	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
2015	€000	€000	€000	€000	€000	**€000**	**€000**	**€000**
Euro	19.261.905	68.525	28.423	405.998	16.099	**19.780.950**	**(1.128.137)**	**18.652.813**
US Dollar	250.757	-	507	22	137.204	**388.490**	**(11.540)**	**376.950**
British Pound	49.052	-	1.154.110	93	-	**1.203.255**	**(10.121)**	**1.193.134**
Russian Rouble	108	-	-	-	95.598	**95.706**	**(1)**	**95.705**
Romanian Lei	1	-	-	1.123	-	**1.124**	**-**	**1.124**
Swiss Franc	1.028.865	-	13.492	-	-	**1.042.357**	**(51.761)**	**990.596**
Other currencies	70.010	-	10.583	-	-	**80.593**	**(5.850)**	**74.743**
	20.660.698	**68.525**	**1.207.115**	**407.236**	**248.901**	**22.592.475**	**(1.207.410)**	**21.385.065**
2014								
Euro	19.692.806	172.587	41.166	516.875	-	**20.423.434**	**(1.453.728)**	**18.969.706**
US Dollar	279.609	-	866	21	-	**280.496**	**(12.212)**	**268.284**
British Pound	56.206	-	854.962	95	-	**911.263**	**(16.359)**	**894.904**
Russian Rouble	555	-	-	-	-	**555**	**(2)**	**553**
Romanian Lei	1	-	-	1.204	-	**1.205**	**-**	**1.205**
Swiss Franc	1.078.751	1.553	12.326	-	-	**1.092.630**	**(77.424)**	**1.015.206**
Other currencies	92.011	-	4.794	-	-	**96.805**	**(6.386)**	**90.419**
	21.199.939	**174.140**	**914.114**	**518.195**	**-**	**22.806.388**	**(1.566.111)**	**21.240.277**

44. Risk management – Credit risk (continued)

Currency concentration of loans and advances to customers classified as held for sale

	Russia	
	2015	2014
	€000	€000
Euro	**-**	98.575
US Dollar	**-**	193.991
Russian Rouble	**-**	673.158
	-	965.724

Credit quality of loans and advances to customers

The following table presents the credit quality of the Group's loans and advances to customers:

	2015			2014		
	Gross loans before fair value adjustment on initial recognition	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**	Gross loans before fair value adjustment on initial recognition	Fair value adjustment on initial recognition	Gross loans after fair value adjustment on initial recognition
	€000	**€000**	**€000**	€000	€000	€000
Neither past due nor impaired	**10.442.903**	**(173.260)**	**10.269.643**	9.629.157	(181.393)	9.447.764
Past due but not impaired	**3.048.929**	**(60.803)**	**2.988.126**	4.281.050	(106.020)	4.175.030
Impaired	**9.100.643**	**(973.347)**	**8.127.296**	8.896.181	(1.278.698)	7.617.483
	22.592.475	**(1.207.410)**	**21.385.065**	22.806.388	(1.566.111)	21.240.277

Past due loans are those with delayed payments or in excess of authorised credit limits. Impaired loans are those which are not considered fully collectable and for which a provision for impairment has been recognised on an individual basis or for which incurred losses exist at their initial recognition or customers in Debt Recovery.

During 2015 the total non-contractual write-offs recorded by the Group amounted to €172.670 thousand (2014: nil). The remaining gross loan balance of these customers as at 31 December 2015 was €280.575 thousand, of which €56.548 thousand were past due for more than 90 days but not impaired and €198.296 thousand were impaired.

Loans and advances to customers that are neither past due nor impaired

The credit quality of loans and advances to customers that were neither past due nor impaired is monitored by the Group using internal systems. The table below presents the credit risk quality of loans and advances to customers that were neither past due nor impaired.

	Grade 1	**Grade 2**	**Grade 3**	**Total**
2015	**€000**	**€000**	**€000**	**€000**
Cyprus	5.572.036	1.441.298	2.244.258	**9.257.592**
Greece	-	-	216	**216**
United Kingdom	1.009.277	63.300	20.803	**1.093.380**
Romania	45.962	35.141	10.551	**91.654**
Russia	-	61	-	**61**
	6.627.275	**1.539.800**	**2.275.828**	**10.442.903**

44. Risk management – Credit risk (continued)

Credit quality of loans and advances to customers (continued)

Loans and advances to customers that are neither past due nor impaired (continued)

	Grade 1	Grade 2	Grade 3	Total
2014	**€000**	**€000**	**€000**	**€000**
Cyprus	5.853.811	844.316	2.049.957	**8.748.084**
Greece	234	-	-	**234**
United Kingdom	718.105	27.449	27.608	**773.162**
Romania	47.467	39.179	21.031	**107.677**
	6.619.617	**910.944**	**2.098.596**	**9.629.157**

Loans and advances to customers that were neither past due nor in excess of their limit during the last twelve months, are classified as Grade 1.

Loans and advances to customers that were past due or in excess of their limit for up to 30 consecutive days during the first half of the year or for up to 15 consecutive days during the second half of the year, are classified as Grade 2.

Loans and advances to customers that were past due or in excess of their limit for more than 30 consecutive days during the first half of the year or for more than 15 consecutive days during the second half of the year, are classified as Grade 3.

Loans and advances to customers that are past due but not impaired

	2015	2014
Past due analysis:	**€000**	€000
- up to 30 days	**468.791**	550.070
- 31 to 90 days	**351.450**	480.961
- 91 to 180 days	**144.362**	432.947
- 181 to 365 days	**258.920**	908.614
- over one year	**1.825.406**	1.908.458
	3.048.929	4.281.050

The fair value of the collateral that the Group holds (to the extent that it mitigates credit risk) in respect of loans and advances to customers that are past due but not impaired as at 31 December 2015 is €2.466.960 thousand (2014: €3.459.628 thousand). The fair value of the collateral is capped to the gross carrying value of the loans and advances to customers.

Impaired loans and advances to customers

	2015		2014	
	Gross loans and advances	**Fair value of collateral**	Gross loans and advances	Fair value of collateral
	€000	**€000**	€000	€000
Cyprus	**8.414.868**	**5.596.169**	8.265.182	6.045.030
Greece	**68.309**	**17.945**	173.906	19.950
Russia	**247.319**	**94.417**	-	-
United Kingdom	**56.584**	**10.821**	81.840	50.198
Romania	**313.563**	**170.080**	375.253	219.462
	9.100.643	**5.889.432**	8.896.181	6.334.640

44. **Risk management – Credit risk** (continued)

Credit quality of loans and advances to customers (continued)

Impaired loans and advances to customers (continued)

The fair value of the collateral presented above has been computed based on the extent that the collateral mitigates credit risk and has been capped to the gross carrying value of the loans and advances to customers.

	2015	2014
Impaired:	**€000**	€000
- no arrears	**875.488**	1.045.979
- up to 30 days	**78.176**	83.946
- 31 to 90 days	**24.353**	133.984
- 91 to 180 days	**65.382**	136.512
- 181 to 365 days	**310.167**	671.093
- over one year	**7.747.077**	6.824.667
	9.100.643	8.896.181

Credit quality of loans and advances to customers classified as held for sale

	Russia	
	2015	2014
	€000	€000
Neither past due nor impaired	-	435.912
Past due but not impaired:		
- up to 30 days	-	12.655
- 31 to 90 days	-	10.178
- 91 to 180 days	-	7.166
- 181 to 365 days	-	17.246
- over one year	-	84.663
	-	131.908
Impaired:		
- no arrears	-	106.624
- up to 30 days	-	65.538
- 31 to 90 days	-	8.049
- 91 to 180 days	-	6.463
- 181 to 365 days	-	14.385
- over one year	-	196.845
	-	397.904
	-	965.724

There are no loans and advances to customers classified as held for sale as at 31 December 2015. The fair value of the collateral for the impaired and for the past due but not impaired loans and advances to customers classified as held for sale at 31 December 2014 amounted to €154.543 thousand and €15.192 thousand respectively.

44. Risk management – Credit risk (continued)

Provision for impairment of loans and advances to customers, including loans and advances to customers held for sale

The movement in provisions for impairment of loans and advances, including the loans and advances to customers held for sale, is as follows:

	Cyprus	Greece	Russia	Other countries	**Total**
2015	€000	€000	€000	€000	**€000**
1 January	2.867.345	9.275	415.894	195.334	**3.487.848**
Disposal of Russian operations	-	-	(238.012)	-	**(238.012)**
Foreign exchange and other adjustments	80.372	-	(310)	1.538	**81.600**
Transfer between geographical areas	(63.380)	6.329	-	57.051	**-**
Applied in writing off impaired loans and advances	(151.812)	(16.700)	(62.313)	(63.022)	**(293.847)**
Interest accrued on impaired loans and advances	(197.009)	(2.134)	(146)	(1.430)	**(200.719)**
Collection of loans and advances previously written off	2.671	-	-	5.270	**7.941**
Charge for the year – continuing operations (Note 15)	1.193.563	37.063	37.239	38.092	**1.305.957**
Charge for the year – discontinued operations (Note 5)	-	-	42.665	-	**42.665**
31 December	**3.731.750**	**33.833**	**195.017**	**232.833**	**4.193.433**
Individual impairment	**3.255.398**	**29.458**	**194.805**	**227.579**	**3.707.240**
Collective impairment	**476.352**	**4.375**	**212**	**5.254**	**486.193**

	Cyprus	Greece	Russia	Other countries	**Total**
2014	€000	€000	€000	€000	**€000**
1 January	2.554.672	189	286.366	235.043	**3.076.270**
Disposal of Ukrainian operations	-	-	-	(137.645)	**(137.645)**
Foreign exchange and other adjustments	27.764	-	(134.406)	(10.567)	**(117.209)**
Applied in writing off impaired loans and advances	(46.976)	(12)	(187)	(57)	**(47.232)**
Interest accrued on impaired loans and advances/settlements	(162.213)	(1.071)	(301)	(7.136)	**(170.721)**
Collection of loans and advances previously written off	230	-	-	1.267	**1.497**
Charge for the year – continuing operations (Note 15)	493.868	10.169	151.294	75.901	**731.232**
Charge for the year – discontinued operations (Note 5)	-	-	113.128	38.528	**151.656**
31 December	**2.867.345**	**9.275**	**415.894**	**195.334**	**3.487.848**
Individual impairment	**2.274.162**	**9.275**	**286.924**	**186.649**	**2.757.010**
Collective impairment	**593.183**	**-**	**128.970**	**8.685**	**730.838**

There are no loans and advances to customers classified as held for sale as at 31 December 2015. The balance of provisions for impairment of loans and advances to customers at 31 December 2014 includes €415.894 thousand for loans and advances to customers classified as held for sale. The above table does not include the provisions for impairment on financial guarantees and commitments which are part of 'Accruals, deferred income and other liabilities' (Note 34).

44. Risk management – Credit risk (continued)

Provision for impairment of loans and advances to customers including loans and advances to customers held for sale (continued)

The impairment loss is measured as the difference between the carrying amount of a loan and the present value of the estimated future cash flows, including the cash flows which may arise from guarantees and tangible collateral.

The carrying amount of the loan is reduced through the use of a provision account and the amount of the loss is recognised in the consolidated income statement. Loans together with the associated provisions are written off when there is no realistic prospect of future recovery. Partial write-offs including non-contractual write-offs may also occur when it is considered that there is no realistic prospect for the recovery of the provisioned amount. In addition, write-offs may reflect restructuring activity with customers who are subject to the terms of the agreement and satisfactory performance.

Assumptions have been made about the future changes in property values, as well as the timing for the realisation of the collateral and for taxes and expenses on the repossession and subsequent sale of the collateral. Indexation has been used to estimate updated market values of properties, while assumptions were made on the basis of a macroeconomic scenario for future changes in property values. The timing of recovery from real estate collaterals has been estimated to be on average 3 years, with the exception of specific cases where a different period has been used, based on specific facts and circumstances and for customers in Debt Recovery where a 6 year period has been used. In accordance with the Loan Impairment and Provisioning Directives of 2014 and 2015 of the CBC, the cumulative average future change in property values during the year has been capped to zero. On average, the realisable value of the collateral is estimated to be 10% lower than the projected open market value of the collateral.

Any changes in these assumptions or difference between assumptions made and actual results could result in significant changes in the amount of required provisions for impairment of loans and advances.

44. Risk management – Credit risk (continued)

Provision for impairment of loans and advances to customers including loans and advances to customers held for sale (continued)

Sensitivity analysis
The Group has performed sensitivity analysis on certain of the loan impairment assumptions relating to the loan portfolio in Cyprus. The impact on the provisions for impairment of loans and advances is presented below:

	Increase / (decrease) on provisions for impairment of loans and advances
Change in provisions assumptions:	**€000**
Increase the timing of recovery from collaterals by 1 year (to an average of 4 years) for the customers that were assessed on a collective basis, excluding any customers in Debt Recovery	43.820
Decrease the timing of recovery from collaterals by 1 year (to an average of 2 years) for the customers that were assessed on a collective basis, excluding any customers in Debt Recovery	(39.466)
Decrease the recoverable amount from collaterals of customers individually assessed and which have an identified impairment loss and all customers in Debt Recovery by 5% compared to the expected recoverable amount applied in the provisions calculations	140.344
Decrease the recoverable amount from collaterals of customers individually assessed and which have an identified impairment loss and all customers in Debt Recovery by 10% compared to the expected recoverable amount applied in the provisions calculations	284.574
Increase the recoverable amount from collaterals of customers individually assessed and which have an identified impairment loss and all customers in Debt Recovery by 5% compared to the expected recoverable amount applied in the provisions calculations	(139.417)
Increase the recoverable amount from collaterals of customers individually assessed and which have an identified impairment loss and all customers in Debt Recovery by 10% compared to the expected recoverable amount applied in the provisions calculations	(274.406)
Increase the timing of recovery from collaterals by 1 year and decrease the liquidation haircut by 20% on customers that have been individually assessed for impairment with an identified impairment loss and on customers collectively assessed for impairment	(110.645)
Decrease the timing of recovery from collaterals by 1 year and increase the liquidation haircut by 20% on customers that have been individually assessed for impairment with an identified impairment loss and on customers collectively assessed for impairment	115.500

44. Risk management – Credit risk (continued)

Collateral and other credit enhancements obtained

The carrying value of assets obtained during the year by taking possession of collateral held as security, was as follows:

	2015	2014
	€000	€000
Residential property	**2.108**	5.477
Commercial and other property	**123.323**	102.243
	125.431	107.720

The total carrying value of the assets obtained over the years by taking possession of collateral held as security for customer loans and advances and held by the Group as at 31 December 2015 amounted to €455.416 thousand including an amount of €6.552 thousand relating to commercial and other property which were classified as held for sale (2014: €440.751 thousand, including an amount of €7.461 thousand relating to residential property and €17.932 thousand relating to commercial and other property for loans and advances to customers classified as held for sale).

The disposals of repossessed assets during the year amounted to €29.499 thousand (2014: €15.929 thousand).

Forbearance

Forbearance measures occur in situations in which the borrower is considered to be unable to meet the terms and conditions of the contract due to financial difficulties. Taking into consideration these difficulties, the Group decides to modify the terms and conditions of the contract to provide the borrower the ability to service the debt or refinance the contract, either partially or fully.

The practice of extending forbearance measures constitutes a grant of a concession whether temporarily or permanently to that borrower. A concession may involve restructuring the contractual terms of a debt or payment in some form other than cash, such as an arrangement whereby the borrower transfers collateral pledged to the Group. As such, it constitutes an objective indicator that requires assessing whether impairment is needed.

Modifications of loans and advances that do not affect payment arrangements, such as restructuring of collateral or security arrangements are not regarded as sufficient to indicate impairment as by themselves they do not necessarily indicate credit distress affecting payment ability.

Rescheduled loans and advances are those facilities for which the Group has modified the repayment programme (provision of a grace period, suspension of the obligation to repay one or more instalments, reduction in the instalment amount and/or elimination of overdue instalments relating to capital or interest) and current accounts/overdrafts for which the credit limit has been increased with the sole purpose of covering an excess.

For an account to qualify for rescheduling it must meet certain criteria including that the client's business must be considered to be viable. The extent to which the Group reschedules accounts that are eligible under its existing policies may vary depending on its view of the prevailing economic conditions and other factors which may change from year to year. In addition, exceptions to policies and practices may be made in specific situations in response to legal or regulatory agreements or orders.

Forbearance activities may include measures that restructure the borrower's business (operational restructuring) and/or measures that restructure the borrower's financing (financial restructuring).

Restructuring options may be of a short or long-term nature or combination thereof. The Group has developed and deployed sustainable restructuring solutions, which are suitable for the borrower and acceptable for the Group.

44. Risk management – Credit risk (continued)

Forbearance (continued)

Short-term restructuring solutions are defined as restructured repayment solutions of duration of less than two years. In the case of loans for the construction of commercial property and project finance, a short-term solution may not exceed one year.

Short-term restructuring solutions can include the following:

- Interest only: during a defined short-term period, only interest is paid on credit facilities and no principal repayment is made.
- Reduced payments: decrease of the amount of repayment instalments over a defined short-term period in order to accommodate the borrower's new cash flow position.
- Arrears and/or interest capitalisation: the capitalisation of arrears and/or of accrued interest arrears to the principal; that is forbearance of the arrears and addition of any unpaid interest to the outstanding principal balance for repayment under a rescheduled program.
- Grace period: an agreement allowing the borrower a defined delay in fulfilling the repayment obligations usually with regard to the principal.
- Interest rate reduction: permanent or temporary reduction of interest rate (fixed or variable) into a fair and sustainable rate.

Long-term restructuring solutions can include the following:

- Extension of maturity: extension of the maturity of the loan which allows a reduction in instalment amounts by spreading the repayments over a longer period.
- Additional security: when additional liens on unencumbered assets are obtained as additional security from the borrower in order to compensate for the higher risk exposure and as part of the restructuring process.
- Forbearance of penalties in loan agreements: waiver, temporary or permanent, of violations of covenants in the loan agreements.
- Rescheduling of payments: the existing contractual repayment schedule is adjusted to a new sustainable repayment program based on a realistic, current and forecasted, assessment of the cash flow generation of the borrower.
- Strengthening of the existing collateral: a restructuring solution may entail the pledge of additional security for instance, in order to compensate for the reduction in interest rates or to balance the advantages the borrower receives from the restructuring.
- New loan facilities: new loan facilities may be granted during a restructuring agreement, which may entail the pledge of additional security and in the case of inter-creditor arrangements the introduction of covenants in order to compensate for the additional risk incurred by the Group in providing a new financing to a distressed borrower.
- Debt consolidation: the combination of multiple exposures into a single loan or limited number of loans.
- Debt/equity swaps: partial set-off of the debt and obtaining of an equivalent amount of equity by the Group, with the remaining debt right-sized to the cash flows of the borrower to allow repayment to the Group from repayment on the re-sized debt and from the eventual sale of the equity stake in the business. This solution is used only in exceptional cases and only where all other efforts for restructuring are exhausted and after ensuring compliance with the banking law.
- Debt/asset swaps: agreement between the Group and the borrower to voluntarily dispose of the secured asset to partially or fully repay the debt. The asset may be acquired by the Group and any residual debt may be restructured within an appropriate repayment schedule in line with the borrower's reassessed repayment ability.
- Debt write-off: cancellation of part or the whole of the amount of debt outstanding by the borrower. The Group applies the debt forgiveness solution only as a last resort and in remote cases having taken into consideration the ability of the borrower to repay the remaining debt in the agreed timeframe and the moral hazard.
- Split and freeze: the customer's debt is split into sustainable and unsustainable parts. The sustainable part is restructured and continues to operate. The unsustainable part is 'frozen' for the restructured duration of the sustainable part. At the maturity of the restructuring, the frozen part is either forgiven pro-rata (based on the actual repayment of the sustainable part) or restructured.

Rescheduled loans and advances to customers

The below tables present the Group's rescheduled loans and advances to customers by industry sector, geography and credit quality classification, as well as impairment provisions and tangible collateral held for rescheduled loans. Similar information is disclosed for rescheduled loans and advances to customers classified as held for sale.

44. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	**Total**
2015	€000	€000	€000	€000	€000	€000	**€000**
1 January	7.024.847	75.778	234.659	136.421	184.585	-	**7.656.290**
Disposal of Russian operations	-	-	(118.313)	-	-	-	**(118.313)**
New loans and advances rescheduled in the year	2.189.524	-	24.097	32.695	-	-	**2.246.316**
Assets no longer classified as rescheduled (including repayments)	(1.125.219)	(35.927)	-	(66.606)	(32.396)	-	**(1.260.148)**
Applied in writing off rescheduled loans and advances	(80.896)	(16.700)	-	-	(33.888)	-	**(131.484)**
Interest accrued on rescheduled loans and advances	337.231	1.714	10.424	5.538	1.687	-	**356.594**
Foreign exchange adjustments	46.137	-	(12.491)	8.184	(803)	-	**41.027**
31 December	**8.391.624**	**24.865**	**138.376**	**116.232**	**119.185**	**-**	**8.790.282**
2014							
1 January	7.070.764	-	187.031	107.624	127.308	62.051	**7.554.778**
New loans and advances rescheduled in the year	1.838.478	69.732	240.080	84.269	28.258	4.481	**2.265.298**
Assets no longer classified as rescheduled (including repayments)	(2.139.356)	-	(95.774)	(66.101)	(35.928)	(3.975)	**(2.341.134)**
Applied in writing off rescheduled loans and advances	(56)	-	-	-	-	-	**(56)**
Interest accrued on rescheduled loans and advances	310.271	6.046	17.459	5.673	3.040	2.460	**344.949**
Transfer	(58.671)	-	-	(3.385)	62.056	-	**-**
Disposal of Ukrainian operations	-	-	-	-	-	(65.017)	**(65.017)**
Foreign exchange adjustments	3.417	-	(114.137)	8.341	(149)	-	**(102.528)**
31 December	**7.024.847**	**75.778**	**234.659**	**136.421**	**184.585**	**-**	**7.656.290**

The classification as rescheduled loans is discontinued when all EBA criteria for the discontinuation of the classification as forborne exposure are met. These are set out in EBA Final draft Implementing Technical Standards (ITS) on supervisory reporting and non-performing exposures.

At 31 December 2014, the total of the rescheduled loans and advances to customers in Russia was classified as held for sale.

44. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit quality

	Cyprus	Greece	Russia	United Kingdom	Romania	**Total**
2015	€000	€000	€000	€000	€000	**€000**
Neither past due nor impaired	3.636.868	-	-	84.829	60.182	**3.781.879**
Past due but not impaired	1.591.934	-	699	29.229	297	**1.622.159**
Impaired	3.162.822	24.865	137.677	2.174	58.706	**3.386.244**
	8.391.624	**24.865**	**138.376**	**116.232**	**119.185**	**8.790.282**
2014						
Neither past due nor impaired	2.546.020	-	61.677	109.269	70.899	**2.787.865**
Past due but not impaired	1.764.528	-	16.468	21.814	3.247	**1.806.057**
Impaired	2.714.299	75.778	156.514	5.338	110.439	**3.062.368**
	7.024.847	**75.778**	**234.659**	**136.421**	**184.585**	**7.656.290**

At 31 December 2014, the total of the rescheduled loans and advances to customers in Russia was classified as held for sale.

The comparatives above include rescheduled loans and advances to customers acquired from Laiki Bank which had been rescheduled prior to the acquisition date (29 March 2013), previously disclosed separately.

44. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Fair value of collateral

	Cyprus	Russia	United Kingdom	Romania	**Total**
2015	€000	€000	€000	€000	**€000**
Neither past due nor impaired	3.360.868	-	84.722	59.930	**3.505.520**
Past due but not impaired	1.407.575	696	29.182	178	**1.437.631**
Impaired	2.709.602	49.297	1.668	39.696	**2.800.263**
	7.478.045	**49.993**	**115.572**	**99.804**	**7.743.414**
2014					
Neither past due nor impaired	2.241.882	58.144	108.699	70.899	**2.479.624**
Past due but not impaired	1.534.072	15.764	21.579	3.150	**1.574.565**
Impaired	2.556.664	86.725	3.267	50.943	**2.697.599**
	6.332.618	**160.633**	**133.545**	**124.992**	**6.751.788**

The fair value of collateral presented above has been computed based on the extent that the collateral mitigates credit risk. The fair value of the collateral as at 31 December 2014 includes the fair value of collateral for rescheduled loans and advances to customers classified as held for sale.

44. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration

	Cyprus	Greece	Russia	United Kingdom	Romania	**Total**
2015	€000	€000	€000	€000	€000	**€000**
By economic activity						
Trade	707.105	-	31.580	-	2.936	**741.621**
Manufacturing	282.449	-	14.207	136	1.258	**298.050**
Hotels and catering	743.585	-	-	7.072	6.196	**756.853**
Construction	2.155.778	-	8.081	14.862	2.444	**2.181.165**
Real estate	1.069.156	-	-	59.190	82.739	**1.211.085**
Private individuals	2.526.554	-	-	4.393	153	**2.531.100**
Professional and other services	584.836	-	84.508	19.517	22.697	**711.558**
Other sectors	322.161	24.865	-	11.062	762	**358.850**
	8.391.624	**24.865**	**138.376**	**116.232**	**119.185**	**8.790.282**
By customer sector						
Corporate	4.368.307	24.865	133.932	99.603	116.385	**4.743.092**
SMEs	1.720.453	-	4.444	12.519	2.647	**1.740.063**
Retail						
- housing	1.685.668	-	-	-	-	**1.685.668**
- consumer, credit cards and other	568.986	-	-	4.110	153	**573.249**
International banking services	42.481	-	-	-	-	**42.481**
Wealth management	5.729	-	-	-	-	**5.729**
	8.391.624	**24.865**	**138.376**	**116.232**	**119.185**	**8.790.282**

44. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

	Cyprus	Greece	Russia	United Kingdom	Romania	**Total**
2015	€000	€000	€000	€000	€000	**€000**
By business line						
Corporate	647.785	24.865	133.932	99.603	115.639	**1.021.824**
SMEs	550.664	-	4.444	12.519	2.647	**570.274**
Retail						
- housing	1.562.149	-	-	-	-	**1.562.149**
- consumer, credit cards and other	468.368	-	-	4.110	153	**472.631**
Restructuring						
- corporate	3.040.868	-	-	-	626	**3.041.494**
- SMEs	798.010	-	-	-	-	**798.010**
Recoveries						
- corporate	679.654	-	-	-	120	**679.774**
- SMEs	371.779	-	-	-	-	**371.779**
- retail housing	123.519	-	-	-	-	**123.519**
- retail other	100.618	-	-	-	-	**100.618**
International banking services	42.481	-	-	-	-	**42.481**
Wealth management	5.729	-	-	-	-	**5.729**
	8.391.624	**24.865**	**138.376**	**116.232**	**119.185**	**8.790.282**

44. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

	Cyprus	Greece	Russia	United Kingdom	Romania	**Total**
2014	€000	€000	€000	€000	€000	**€000**
By economic activity						
Trade	530.047	-	49.794	645	2.935	**583.421**
Manufacturing	226.724	-	23.934	3.630	523	**254.811**
Hotels and catering	550.447	-	-	9.467	6.213	**566.127**
Construction	1.867.156	-	29.411	18.239	1.088	**1.915.894**
Real estate	849.667	-	-	83.656	89.933	**1.023.256**
Private individuals	2.121.324	-	-	2.411	63	**2.123.798**
Professional and other services	355.101	-	131.520	17.798	21.366	**525.785**
Other sectors	524.381	75.778	-	575	62.464	**663.198**
	7.024.847	**75.778**	**234.659**	**136.421**	**184.585**	**7.656.290**
By customer sector						
Corporate	3.590.159	75.778	210.689	75.085	180.885	**4.132.596**
SMEs	1.490.020	-	17.733	60.756	3.636	**1.572.145**
Retail						
- housing	1.405.686	-	1.463	62	-	**1.407.211**
- consumer, credit cards and other	492.791	-	4.774	518	64	**498.147**
International banking services	32.355	-	-	-	-	**32.355**
Wealth management	13.836	-	-	-	-	**13.836**
	7.024.847	**75.778**	**234.659**	**136.421**	**184.585**	**7.656.290**

44. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

	Cyprus	Greece	Russia	United Kingdom	Romania	**Total**
2014	€000	€000	€000	€000	€000	**€000**
By business line						
Corporate	412.853	75.778	210.689	75.085	180.069	**954.474**
SMEs	564.493	-	17.733	60.756	3.636	**646.618**
Retail						
- housing	1.316.481	-	1.463	62	-	**1.318.006**
- consumer, credit cards and other	409.038	-	4.774	518	64	**414.394**
Restructuring						
- corporate	2.613.905	-	-	-	699	**2.614.604**
- SMEs	629.956	-	-	-	-	**629.956**
Recoveries						
- corporate	563.401	-	-	-	117	**563.518**
- SMEs	295.571	-	-	-	-	**295.571**
- retail housing	89.205	-	-	-	-	**89.205**
- retail other	83.753	-	-	-	-	**83.753**
International banking services	32.355	-	-	-	-	**32.355**
Wealth management	13.836	-	-	-	-	**13.836**
	7.024.847	**75.778**	**234.659**	**136.421**	**184.585**	**7.656.290**

At 31 December 2014, the rescheduled loans and advances to customers in Russia are classified as held for sale.

44. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Provisions for impairment

	Cyprus	Greece	Russia	United Kingdom	Romania	**Total**
2015	€000	€000	€000	€000	€000	**€000**
Individual impairment	1.144.475	22.966	113.177	1.396	35.694	**1.317.708**
Collective impairment	207.106	-	49	266	1.813	**209.234**
	1.351.581	**22.966**	**113.226**	**1.662**	**37.507**	**1.526.942**
2014						
Individual impairment	732.657	15.310	103.704	1.836	60.385	**913.892**
Collective impairment	203.113	-	10.133	12	1.671	**214.929**
	935.770	**15.310**	**113.837**	**1.848**	**62.056**	**1.128.821**

Provisions for impairment for rescheduled loans and advances to customers as at 31 December 2014 above include provisions for impairment for rescheduled loans and advances to customers which were classified as held for sale.

44. Risk management – Credit risk (continued)

Credit quality of Group assets exposed to credit risk other than loans and advances to customers - analysis by rating agency designation

Balances with central banks and loans and advances to banks

Balances with central banks and loans and advances to banks are analysed by Moody's rating as follows:

	2015	2014
	€000	€000
Aaa – Aa3	**555.594**	896.788
A1 – A3	**643.540**	768.592
Baa1 – Baa3	**146.428**	123.309
Ba1 – Ba3	**36.954**	23.965
B1 – B3	**957.074**	483.053
Caa - C	**8.750**	4.510
Unrated	**205.924**	261.758
Other receivables from banks	**28.701**	39.323
	2.582.965	2.601.298

Band B1-B3 above includes an amount of €121.756 thousand which mainly relates to obligatory deposits for liquidity purposes with the Central Bank of Cyprus. As at 31 December 2015, bank balances with carrying value of €134.291 thousand are impaired, with cumulative impairment loss of €28.605 thousand (2014: €18.940 thousand).

Balances with central banks and loans and advances to banks classified as held for sale

Balances with central banks and loans and advances to banks which form part of disposal groups classified as held for sale are analysed by Moody's rating as follows:

	2015	2014
	€000	€000
A1 – A3	**-**	16.098
Baa1 – Baa3	**-**	38.159
Ba1 – Ba3	**-**	1.976
B1 – B3	**-**	46
Unrated	**-**	17.137
	-	73.416

44. Risk management – Credit risk (continued)

Credit quality of Group assets exposed to credit risk other than loans and advances to customers - analysis by rating agency designation (continued)

Debt securities
Investments in debt securities are analysed by Moody's rating, their issuer and classification, as follows:

	2015	2014
	€000	€000
Aaa – Aa3	**402.830**	615.766
A1 – A3	**-**	5.268
Baa1 – Baa3	**54.626**	86.560
B1 – B3	**459.159**	1.800.349
Caa – C	**1**	376
	916.616	2.508.319
Issued by:		
- Cyprus government	**459.159**	1.800.349
- other governments	**421.037**	676.487
- banks and other corporations	**36.420**	31.483
	916.616	2.508.319
Classified as:		
- trading investments	**317**	1
- investments at fair value through profit or loss	**17.430**	17.151
- available-for-sale investments	**461.934**	707.858
- investments classified as loans and receivables	**436.935**	1.783.309
	916.616	2.508.319

45. Risk management – Market risk

Market risk is the risk of loss from adverse changes in market prices – namely from changes in interest rates, exchange rates and security prices. The Market Risk department is responsible for monitoring the risk resulting from such changes with the objective to minimise the impact on earnings and capital. The department also monitors liquidity risk and credit risk with counterparties and countries. It is also responsible for monitoring compliance with the various market risk policies and procedures.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It arises as a result of timing differences on the repricing of assets, liabilities and off-balance sheet items.

Interest rate risk is measured using interest rate sensitivity gap analysis where the difference between assets and liabilities repricing in each time band is calculated separately for each currency. A rate change is applied on each item of the balance sheet for the number of days between its repricing date and the one year horizon in order to calculate the impact on net interest income.

Interest rate risk is managed through maximum loss limits from interest rate mismatches which are set for each banking unit of the Group. There are different limits for the Euro and for foreign currencies. The maximum loss limits apply for each of the next three years. These limits are set as a percentage of Group capital and as a percentage of net interest income (when positive) and are allocated to the various banking units of the Group based on their contribution to net interest income. Small limits for open interest rate positions for periods of more than three years are also in place.

Sensitivity analysis

The table below sets out the impact on the Group's net interest income, over a one-year period, from reasonably possible changes in the interest rates of the main currencies:

	Euro	US Dollar	British Pound	Other currencies	Total
Change in interest rates	**€000**	**€000**	**€000**	**€000**	**€000**
2015					
+5% for Russian Rouble +0,75% for US Dollar +0,5% for all other currencies	**14.244**	**10.281**	**4.524**	**(570)**	**28.479**
-5% for Russian Rouble -0,25% for Japanese Yen -0,5% for Euro Euribor ECB -1% for Euro Bank Basic Rate -0,5% for all other currencies	**(24.120)**	**(7.275)**	**(3.454)**	**532**	**(34.317)**
2014					
+5% for Russian Rouble +0,5% for all other currencies	19.799	5.015	3.835	(5.857)	22.792
-7% for Russian Rouble -0,25% for British Pound, Swiss Franc and US Dollar -0,1% for Japanese Yen and Euro -0,5% for all other currencies	(3.879)	(2.508)	(1.917)	8.019	(285)

45. **Risk management – Market risk** (continued)

Interest rate risk (continued)

Sensitivity analysis (continued)
In addition to the above fluctuations in net interest income, the Group results are also affected by changes in interest rates which result in fluctuations in the fair value of investments at fair value through profit or loss (including investments held for trading) and in the fair value of derivative financial instruments.

The equity of the Group is also affected by changes in market interest rates. The impact on the Group's equity arises from changes in the fair value of fixed rate debt securities classified as available-for-sale (unless impaired).

The sensitivity analysis is based on the assumption of a parallel shift of the yield curve. The table below sets out the impact on the Group's loss before tax and equity as a result of reasonably possible changes in the interest rates of the major currencies.

	Impact on loss before tax	**Impact on equity**
Change in interest rates	**€000**	**€000**
2015		
+5% for Russian Rouble +0,75% for US Dollar +0,5% for all other currencies	**572**	**(97)**
-5% for Russian Rouble -0,25% for Japanese Yen -0,5% for all other currencies	**(572)**	**97**
2014		
+5% for Russian Rouble +0,5% for all other currencies	2.258	(337)
-7% for Russian Rouble -0,25% for British Pound, Swiss Franc and US Dollar -0,1% for Japanese Yen and Euro -0,5% for all other currencies	(466)	71

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

In order to manage currency risk, the Assets and Liabilities Committee (ALCO) has approved open position limits for the total foreign exchange position limits. The foreign exchange position limits are lower than those prescribed by the Central Bank of Cyprus. These limits are managed by Treasury and monitored daily by market risk officers in all the banking units of the Group, who report the overnight foreign currency position of each unit to Market Risk daily.

The Group does not maintain a currency trading book.

45. Risk management – Market risk (continued)

Currency risk (continued)

The table below sets out the Group's currency risk resulting from the financial instruments that it holds. The analysis assumes reasonably possible changes in the exchange rates of major currencies against the Euro based mainly on historical price fluctuations. The impact on loss after tax includes the change in net interest income that arises from the change of currency rate.

	Change in foreign exchange rate	Impact on loss after tax	Impact on equity
2015	**%**	**€000**	**€000**
US Dollar	+10	1.753	-
Russian Rouble	+40	5.819	78.573
Romanian Lei	+10	1	3.634
Swiss Franc	+20	9.344	-
British Pound	+10	515	(18.304)
Japanese Yen	+10	490	-
Other currencies	+10	111	-
US Dollar	-10	(1.434)	-
Russian Rouble	-40	(2.494)	(33.674)
Romanian Lei	-10	(1)	(2.974)
Swiss Franc	-20	(6.229)	-
British Pound	-10	(422)	14.976
Japanese Yen	-10	(401)	-
Other currencies	-10	(91)	-

The impact on equity arises from the hedging instruments that are used to hedge part of the net assets of the subsidiaries whose functional currency is not the euro. The net assets of foreign operations are also revalued and affect equity, but their impact is not taken into account in the above sensitivity analysis as the above relates only to financial instruments which have a direct impact either on profit/loss after tax or on equity.

45. Risk management – Market risk (continued)

Currency risk (continued)

	Change in foreign exchange rate	Impact on loss after tax	Impact on equity
2014	**%**	**€000**	**€000**
US Dollar	+10	9.717	(11.664)
Russian Rouble	+40	(1.065)	(11.952)
Romanian Lei	+10	(2)	4.165
Swiss Franc	+20	6.506	-
British Pound	+10	1.904	(16.110)
Japanese Yen	+10	854	-
Other currencies	+10	65	-
US Dollar	-10	(7.950)	9.543
Russian Rouble	-40	456	5.122
Romanian Lei	-10	2	(3.408)
Swiss Franc	-20	(4.337)	-
British Pound	-10	(1.558)	13.181
Japanese Yen	-10	(699)	-
Other currencies	-10	(53)	-

Price risk

Equity securities price risk
The risk of loss from changes in the price of equity securities arises when there is an unfavourable change in the prices of equity securities held by the Group as investments.

Investments in equities are outside the Group's risk appetite. The Group monitors the current portfolio mostly acquired by the Group as part of the acquisition of certain operations of Laiki Bank, with the objective to gradually liquidate all positions for which there is a market. Equity securities may also be acquired in the context of delinquent loan workouts and are disposed of by the Group as soon as practicable.

Changes in the prices of equity securities that are classified as investments at fair value through profit or loss, affect the results of the Group, whereas changes in the value of equity securities classified as available-for-sale affect the equity of the Group (if not impaired).

The table below shows the impact on the loss before tax and on equity of the Group from a change in the price of the equity securities held, as a result of reasonably possible changes in the relevant stock exchange indices.

45. Risk management – Market risk (continued)

Price risk (continued)

Equity securities price risk (continued)

	Change in index	Impact on loss before tax	Impact on equity
2015	**%**	**€000**	**€000**
Cyprus Stock Exchange	**+30**	**2.164**	**1.509**
Athens Exchange	**+50**	**-**	**83**
Other Stock Exchanges and non listed	**+20**	**1.721**	**1.916**
Cyprus Stock Exchange	**-30**	**(2.298)**	**(1.376)**
Athens Exchange	**-50**	**(58)**	**(25)**
Other Stock Exchanges and non listed	**-20**	**(1.768)**	**(1.869)**
2014			
Cyprus Stock Exchange	+30	1.075	3.406
Athens Exchange	+35	-	100
Moscow Exchange	+35	-	258
Other Stock Exchanges and non listed	+20	1.887	384
Cyprus Stock Exchange	-30	(1.609)	(2.872)
Athens Exchange	-35	(14)	(86)
Moscow Exchange	-35	(75)	(182)
Other Stock Exchanges and non listed	-20	(1.887)	(384)

Debt securities price risk

Debt securities price risk is the risk of loss as a result of adverse changes in the prices of debt securities held by the Group. Debt security prices change as the credit risk of the issuers changes and/or as the interest rate changes for fixed rate securities. The Group invests a significant part of its liquid assets in debt securities issued mostly by governments and banks. The average Moody's rating of the debt securities portfolio of the Group as at 31 December 2015 was Baa2 (2014: Ba3).

Changes in the prices of debt securities classified as investments at fair value through profit or loss, affect the profit or loss of the Group, whereas changes in the value of debt securities classified as available-for-sale affect the equity of the Group (if not impaired).

The table below indicates how the loss before tax and equity of the Group will be affected from reasonably possible changes in the price of the debt securities held, based on observations of changes in credit risk over the past years.

45. Risk management – Market risk (continued)

Price risk (continued)

Debt securities price risk (continued)

	Impact on loss before tax	Impact on equity
Change in market prices	**€000**	**€000**
2015		
+5,5%	**2.002**	**25.188**
-5,5%	**(2.002)**	**(25.188)**
2014		
+4,5%	1.779	31.530
-4,5%	(1.779)	(31.530)

46. Risk management – Liquidity risk and funding

Liquidity risk is the risk that the Group is unable to fully or promptly meet current and future payment obligations as and when they fall due. This risk includes the possibility that the Group may have to raise funding at high cost or sell assets at a discount to fully and promptly satisfy its obligations.

It reflects the potential mismatch between incoming and outgoing payments, taking into account unexpected delays in repayment or unexpectedly high payment outflows. Liquidity risk involves both the risk of unexpected increases in the cost of funding of the portfolio of assets and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

In order to limit this risk, management aims to achieve diversified funding sources in addition to the Group's core deposit base, and has adopted a policy of managing assets with liquidity in mind and monitoring cash flows and liquidity on a daily basis. The Group has developed internal control processes and contingency plans for managing liquidity risk. These incorporate an assessment of expected cash flows and the availability of collateral which could be used to secure additional funding if required.

Management and structure

The Board sets the Group's Liquidity Risk Appetite being the level of risk at which the Group should operate.

The Board of Directors, through its Risk Committee, approves the Liquidity Policy Statement and reviews almost at every meeting, the liquidity position of the Group. Information on inflows/outflows is also provided.

The ALCO of each unit is responsible for monitoring the liquidity position of the unit and ensuring compliance with the approved policies. The ALCO is responsible for setting the policies for the effective management and monitoring of liquidity across the Group. It also monitors the liquidity position of its major banking units at least monthly. Given the current liquidity position of the Company, the ALCO considers the monitoring of liquid assets and the cash inflows/outflows of the Company in Cyprus, to be of utmost importance.

Local Treasury departments at each banking unit are responsible for managing liquidity in their respective unit. Group Treasury is responsible for liquidity management at Group level and for overseeing the operations of each country banking unit, to ensure compliance with internal and regulatory liquidity policies and provide direction as to the actions to be taken regarding liquidity needs. Every unit targets to finance its own needs in the medium term. Group Treasury assesses on a continuous basis, and informs ALCO at regular time intervals, the adequacy of the liquid assets and takes the necessary actions to enhance the Group's liquidity position.

46. Risk management – Liquidity risk and funding (continued)

Management and structure (continued)

Liquidity is also monitored daily by Market Risk, which is an independent department responsible to monitor compliance at the level of individual units, as well as at Group level, with both internal policies and limits, and with the limits set by the regulatory authorities in the countries where the Group operates. Market Risk reports to ALCO the regulatory liquidity position of the various units and of the Group, at least monthly. It also provides the results of various stress tests to ALCO.

Liquidity is monitored and managed on an ongoing basis through:

(i) Risk appetite: established Group Risk Appetite together with the appropriate limits for the management of all risks including liquidity risk.

(ii) Liquidity limits: a number of internal and regulatory limits are monitored on a daily, monthly and quarterly basis. Where applicable, a traffic light system (RAG) has been introduced for the ratios, in order to raise flags when the ratios deteriorate.

(iii) Early warning indicators: monitoring of a range of market indicators for early signs of liquidity risk in the market or specific to the Group. These are designed to immediately identify the emergence of increased liquidity risk to maximise the time available to execute appropriate mitigating actions.

(iv) Contingency Funding Plan: maintenance of a Contingency Funding Plan (CFP) which is designed to provide a framework where a liquidity stress could be effectively managed. The CFP provides a communication plan and includes management actions to respond to liquidity stresses.

(v) Recovery Plan: the Group has developed a Recovery Plan. The key objectives are to provide the Group with a range of options to ensure its viability in a stress, to set consistent Early Warning Indicators and to enable the Group to be adequately prepared to respond to stressed conditions.

Temporary restrictions on withdrawal of deposits

Since the beginning of April 2015, no restrictive measures or capital controls are in force in Cyprus.

Monitoring process

Daily

The daily monitoring of cash flows and highly liquid assets is important to safeguard and ensure the uninterrupted operations of the Group's activities. Market Risk prepares a report for submission to the CBC and ECB/SSM, indicating the cash inflows and outflows observed in customer balances and other balances, as well as the opening and closing balances of cash. Also, Group Treasury monitors daily and intraday the inflows and outflows in the main currencies used by the Group.

Weekly

Market Risk prepares a weekly report of Euro and foreign currency liquidity mismatch which is submitted to the CBC.

Monthly

Market Risk prepares reports indicating compliance with internal and regulatory liquidity ratios, for all banking units and for the Group and submits them to the ALCO, the Executive Committee and the Board Risk Committee. It also calculates the expected flows under a stress scenario and compares them with the projected available liquidity buffer. The fixed deposit renewal rates and deposits by tenor are also presented to the ALCO.

Market Risk reports the Liquidity Coverage Ratio (LCR) to the CBC/ECB monthly.

Group Treasury prepares and submits a liquidity report to the ALCO and the Executive Committee on a monthly basis that indicates the liquidity position of the Group, as well as summary information on inflows and outflows. Moreover, in this report, Group Treasury indicates projections of expected inflows and outflows covering a two month period.

46. Risk management – Liquidity risk and funding (continued)

Monitoring process (continued)

Quarterly
Market risk performs stress testing for bank-specific, market wide and combined scenarios and reports results to ALCO. The requirement is to have a sufficient buffer to enable the Company to survive during two time frames, namely for the first two weeks and then adequate capacity to draw liquidity for the 3 month period of the stress test, for all three scenarios.

The liquidity buffer is made up of: bank notes, CBC balances (excluding the Minimum Reserve Requirements (MRR)), nostro current accounts, money market placements up to the stress horizon and market value net of haircut of eligible unencumbered/available bonds.

The designing of the stress tests followed best practice guidance, after consulting with experts, and was based on the liquidity risk drivers which are recognised internationally by both the Prudential Regulation Authority (PRA) and EBA SREP. The stress tests assumptions are included in the Group Liquidity Policy which is reviewed on an annual basis and approved by the Board. However, whenever it is considered appropriate to amend the assumptions during the year, approval is requested by ALCO and the Board Risk Committee. The main items shocked in the different scenarios are: deposit outflows, wholesale funding, loan repayments, off-balance sheet commitments, marketable securities and cash collateral for derivatives.

Moreover, Market Risk reports the Net Stable Funding Ratio (NSFR) and Leverage Ratio to the CBC/ECB quarterly and various other liquidity reports, included in the short-term exercise of the SSM per their SREP guidelines.

Annually
The Company has completed in mid May 2015 its Internal Liquidity Adequacy Assessment Process (ILAAP). Market Risk coordinated the preparation of the report, which was discussed at the ALCO and approved by the Board through its Risk Committee and submitted to the CBC/ECB.

As part of the Group's procedures for monitoring and managing liquidity risk, there is a Group Contingency Funding Plan for handling liquidity difficulties. The plan details the steps to be taken in the event that liquidity problems arise, which escalate to a special meeting of the ALCO. The plan sets out the members of this Committee and a series of the possible actions that can be taken. This plan, as well as the Group's Liquidity Policy, is reviewed by ALCO at least annually, during the ILAAP review. The latter submits the updated policy with its recommendations to the Board through the Board Risk Committee for approval. The approved policy is notified to the SSM.

Liquidity ratios

The ratio of liquid assets to total deposits and other liabilities falling due in the next twelve months is prepared monthly by Market Risk and monitored by ALCO. Liquid assets are defined as cash, interbank deposits maturing within thirty days and debt and equity securities at haircuts prescribed by the regulatory authorities. Total deposits comprise all customer deposits irrespective of maturity and other liabilities include all non-customer deposit/liabilities due to be paid in the next twelve months.

The Group's liquidity ratio was as follows:

	2015	2014
	%	%
31 December	**18,25**	20,97
Average ratio	**18,31**	15,27
Highest ratio	**21,62**	20,97
Lowest ratio	**15,64**	12,11

46. Risk management – Liquidity risk and funding (continued)

Liquidity ratios (continued)

The minimum liquidity ratios for the operations in Cyprus are set at the levels required by the CBC: 20% for Euro and 70% for foreign currencies. It is noted that in the calculation of the above ratios, as well as for CBC regulatory reports, ELA is treated as a long term liability. The Company is currently not in compliance with its regulatory liquidity requirements with respect to its operations in Cyprus.

As at 31 December 2015 and 31 December 2014 the other banking units of the Group were in compliance with their liquidity regulatory ratios. It is noted that Romania's regulatory requirements were abolished since November 2015. As at 31 December 2014 the branch in Romania had a small regulatory breach.

The ratio of loans and advances to customer deposits is presented below:

	2015	2014
	%	%
31 December	**120,92**	141,48
Average quarterly ratio	**133,57**	146,85
Highest quarterly ratio	**141,48**	150,96
Lowest quarterly ratio	**120,92**	141,71

Sources of funding

Currently the Group's main sources of liquidity are its deposit base and central bank funding, either through the Eurosystem monetary policy operations or through ELA.

The Group currently has limited access to interbank and wholesale markets which, combined with a reduction in deposits in Cyprus in 2013, the deposit bail-in and the acquisition of certain operations of Laiki Bank in March 2013, has resulted in increased reliance on central bank funding. It is noted that during 2015, reliance on ECB funding was reduced significantly. As at 31 December 2015, the funding from ELA amounted to €3.802.058 thousand (31 December 2014: €7.403.741 thousand) (Note 30).

The liquidity received from central banks is subject to the relevant regulations and requires qualifying assets as collateral. In 2014 the Group participated in the targeted long term refinancing operations (TLTRO) of the ECB (Note 30).

The funding provided to the Group through ELA is short term (usually 2-3 weeks), covering the period until the next scheduled meeting of the ECB Governing Council. The funding via Eurosystem monetary ruling operations ranges from short term to long term.

The funding provided by the Company to its subsidiaries for liquidity purposes is repayable as per the terms of the respective agreements. For lending provided for capital purposes (subordinated loan stocks) the prior approval of the regulator is usually required on any repayment before the maturity date and for Bank of Cyprus UK Ltd approval is also required for the final repayment. The Group subsidiaries Bank of Cyprus UK Ltd and Bank of Cyprus (Channel Islands) Ltd, cannot place funds with the Group in excess of maximum limits set by the local regulator.

Any new funding to subsidiaries requires approval from the ECB.

The subsidiaries may proceed with dividend distributions in the form of cash to the Company, provided that they are not in breach of their regulatory capital and liquidity requirements. Certain subsidiaries have a recommendation from their regulator to avoid any dividend distribution at this point in time.

46. Risk management – Liquidity risk and funding (continued)

Collateral requirements

The carrying values of the Group's encumbered assets as at 31 December 2015 and 31 December 2014 are summarised below:

	2015	2014
	€000	€000
Cash and other liquid assets	**154.896**	191.968
Investments	**892.728**	2.435.766
Loans and advances	**12.882.139**	13.531.026
Non-current assets and disposal groups classified as held for sale	**-**	54.536
Property	**93.500**	99.468
	14.023.263	16.312.764

Cash is mainly used to cover collateral required for (i) derivatives and repurchase transactions, (ii) trade finance transactions and guarantees issued and (iii) covered bond.

Investments are mainly used as collateral for repurchase transactions with the ECB and other commercial banks as well as supplementary assets for the covered bond, while loans are mainly used as collateral for funding from the CBC and for the covered bond.

In the case of ELA, as collateral is not usually released upon repayment of funding, there may be an inherent buffer which could be utilised for further funding if required.

In addition, bonds guaranteed by the Cyprus government amounting to €1.000 million are pledged as collateral for obtaining funding from the CBC (Note 33).

On 29 September 2015 the terms of the Covered Bond Programme and outstanding €1.000 million covered bond were amended to a Conditional Pass–Through structure. As part of the restructuring, €350.000 thousand of the retained covered bond was repurchased and cancelled. The outstanding principal of the retained covered bond following the above transactions remained at €650.000 thousand with a new maturity date of 12 December 2018. The credit rating of the covered bond was upgraded to an investment grade rating and the covered bond has become eligible collateral for the Eurosystem credit operations. As from 2 October 2015 the covered bond has been placed as collateral for accessing funding from the ECB. Through this transaction, the Company has raised €550.000 thousand of ECB funding for the repayment of ELA. Prior to the rating upgrade, the covered bond was used as collateral for ELA.

The assets used as collateral for the covered bond are already included in the table above.

Recent developments

Cyprus has exited its economic adjustment programme in March 2016. The credit ratings of the Republic of Cyprus by the main credit rating agencies continue to be below investment grade, albeit on a rising trend. As a result, the ECB is no longer able to include Cypriot Government Bonds in its asset purchase programme, or as eligible collateral for Eurosystem monetary operations, as was the case when the waiver for collateral eligibility due to the country being under an economic adjustment programme existed. This disruption may lead to higher borrowing costs for the Group. In addition, any weakening of the commitment to fiscal discipline and reform in the future might add to market pressures. The Group has proactively reduced its dependence on Eurosystem monetary operations in anticipation of the above risk materialising. The above change, is however expected to materially reduce the available ECB buffer. This buffer represented the amount that could be drawn from the ECB, based on the collateral pledged.

46. Risk management – Liquidity risk and funding (continued)

Analysis of financial assets and liabilities based on remaining contractual maturity

The analysis of the Group's financial assets and liabilities based on the remaining contractual maturity at 31 December is based on undiscounted cash flows, analysed in time bands according to the number of days remaining from 31 December to the contractual maturity date.

Financial assets
The analysis of financial assets does not include any interest receivable cash flows. Financial assets have a much longer duration than financial liabilities and non-discounted interest receivable cash flows are higher than non-discounted interest payable cash flows (based on remaining contractual maturity). As a result, non-discounted cash inflows from interest receivable would have greatly exceeded non-discounted cash outflows on interest payable, thus artificially improving liquidity.

Current accounts, overdrafts and amounts in arrears are included within the first maturity time band which reflects their contractual maturity. All other loans and advances to customers are analysed according to their contractual repayment schedule.

Loans and advances to banks are analysed in the time bands according to the number of days remaining from 31 December, until their contractual maturity date. Amounts placed as collateral (primarily for derivatives and loans) are assigned to different time bands based on either their maturity (in the case of loans), or proportionally according to the maturities of derivatives (where the collateral had no fixed maturity).

Financial assets with no contractual maturity (such as equity securities) are included in the 'over five years' time band, unless classified as at fair value through profit or loss, in which case they are included in the 'up to one month time band'.

The investments are classified in the relevant time band according to their contractual maturity.

Financial liabilities
All financial liabilities for the repayment of which notice is required, are included in the relevant time bands as if notice had been given on 31 December, despite the fact that the Group expects that the majority of its customers will not demand repayment of such liabilities on the earliest possible date. Fixed deposits are classified in time bands based on their contractual maturity. Although customers may demand repayment of time deposits (subject to penalties depending on the type of the deposit account), the Group has the discretion not to accept such early termination of deposits.

The amounts presented in the table below are not equal to the amounts presented on the balance sheet, since the table below presents all cash flows (including interest to maturity) on an undiscounted basis.

Derivative financial instruments
Derivative financial instruments were classified according to whether the settlement of cash flows occurs on a net or gross basis.

For net settled derivatives, after offset of receivable and payable amounts, the fair value of the derivatives is included in financial assets or in financial liabilities in the time band corresponding to the remaining maturity of the derivative.

Gross settled derivatives or net settled derivatives that are hedging instruments in cash flow hedges are presented in a separate table and the corresponding cash flows are classified accordingly in the time bands which relate to the number of days until their receipt or payment.

Commitments and contingent liabilities
The limits of loans and advances are commitments to provide credit to customers. The limits are granted for predetermined periods and can be cancelled by the Group after giving relevant notice to the customers. Usually the customers do not fully utilise the limits granted to them.

46. Risk management – Liquidity risk and funding (continued)

Analysis of financial assets and liabilities based on remaining contractual maturity (continued)

	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	**Total**
2015	€000	€000	€000	€000	€000	**€000**
Financial assets						
Cash and balances with central banks	1.373.351	20.898	27.943	410	-	**1.422.602**
Loans and advances to banks	1.045.275	13.865	45.027	191.869	18.344	**1.314.380**
Investments at fair value through profit or loss	28.378	-	6.719	14.769	919	**50.785**
Loans and advances to customers	6.990.238	229.696	1.043.964	3.529.475	5.398.259	**17.191.632**
Fair value of net settled derivative assets	12.615	733	593	39	43	**14.023**
Non-trading investments	57.136	51.367	203.219	485.305	161.475	**958.502**
Other assets	31.459	8.192	9.348	123.787	6.875	**179.661**
Total undiscounted financial assets	**9.538.452**	**324.751**	**1.336.813**	**4.345.654**	**5.585.915**	**21.131.585**
Financial liabilities						
Deposits by banks	181.358	-	16.946	8.505	38.395	**245.204**
Funding from central banks	3.953.955	-	-	502.846	-	**4.456.801**
Repurchase agreements	-	29.826	82.217	288.676	9.679	**410.398**
Customer deposits	7.675.374	2.273.718	3.767.389	561.323	2.658	**14.280.462**
Debt securities in issue	-	-	712	-	-	**712**
Fair value of net settled derivative liabilities	6.865	3.658	5.266	33.826	4.544	**54.159**
Other liabilities	84.527	18.475	31.366	6.278	2.338	**142.984**
Total undiscounted financial liabilities	**11.902.079**	**2.325.677**	**3.903.896**	**1.401.454**	**57.614**	**19.590.720**

46. Risk management – Liquidity risk and funding (continued)

Analysis of financial assets and liabilities based on remaining contractual maturity (continued)

The analysis below includes the assets and liabilities classified as held for sale.

	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	**Total**
2014	€000	€000	€000	€000	€000	**€000**
Financial assets						
Cash and balances with central banks	1.040.222	78.860	98.729	7.606	-	**1.225.417**
Loans and advances to banks	1.258.382	25.821	28.687	284.468	85.522	**1.682.880**
Investments at fair value through profit or loss	11.940	-	168	21.359	880	**34.347**
Loans and advances to customers	5.804.731	465.695	2.434.111	3.886.131	6.127.485	**18.718.153**
Fair value of net settled derivative assets	-	7	11.437	616	13	**12.073**
Non-trading investments	68.383	182.774	1.299.473	424.208	532.085	**2.506.923**
Other assets	11.208	4.007	133.980	48.519	6	**197.720**
Total undiscounted financial assets	**8.194.866**	**757.164**	**4.006.585**	**4.672.907**	**6.745.991**	**24.377.513**
Financial liabilities						
Deposits by banks	112.263	851	28.357	37.834	26.028	**205.333**
Funding from central banks	7.783.773	-	-	500.000	-	**8.283.773**
Repurchase agreements	-	13.920	220.554	175.529	188.035	**598.038**
Customer deposits	7.542.467	2.272.674	3.101.767	512.280	2.208	**13.431.396**
Debt securities in issue	1.535	492	242	693	-	**2.962**
Fair value of net settled derivative liabilities	143	108	3.531	17.818	35.320	**56.920**
Subordinated loan stock	-	-	2.358	-	-	**2.358**
Other liabilities	60.772	10.250	26.193	6.395	33.445	**137.055**
Total undiscounted financial liabilities	**15.500.953**	**2.298.295**	**3.383.002**	**1.250.549**	**285.036**	**22.717.835**

46. Risk management – Liquidity risk and funding (continued)

Analysis of financial assets and liabilities based on remaining contractual maturity (continued)

The analysis of financial assets and liabilities based on the remaining contractual maturity relating to the disposal groups held for sale are presented below:

	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	**Total**
2014	€000	€000	€000	€000	€000	**€000**
Financial assets						
Cash and balances with central banks	85.952	-	-	-	-	**85.952**
Loans and advances to banks	29.435	-	79	1.081	5.399	**35.994**
Loans and advances to customers	91.214	41.255	152.539	231.537	33.285	**549.830**
Non-trading investments	209	-	-	-	139	**348**
Other assets	48	933	-	-	-	**981**
Total undiscounted financial assets	**206.858**	**42.188**	**152.618**	**232.618**	**38.823**	**673.105**
Financial liabilities						
Deposits by banks	1.967	311	25.543	4.220	-	**32.041**
Customer deposits	137.823	126.487	459.472	29.070	61	**752.913**
Debt securities in issue	1.535	-	242	-	-	**1.777**
Fair value of net settled derivative liabilities	575	-	-	-	-	**575**
Subordinated loan stock	-	-	2.358	-	-	**2.358**
Other liabilities	82	1.048	-	-	-	**1.130**
Total undiscounted financial liabilities	**141.982**	**127.846**	**487.615**	**33.290**	**61**	**790.794**

46. Risk management – Liquidity risk and funding (continued)

Analysis of financial assets and liabilities based on remaining contractual maturity (continued)

	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	**Total**
2015	€000	€000	€000	€000	€000	**€000**
Gross settled derivatives						
Financial assets						
Contractual amounts receivable	931.730	57.648	1.196	-	-	**990.574**
Contractual amounts payable	(920.083)	(56.874)	(1.175)	-	-	**(978.132)**
	11.647	**774**	**21**	**-**	**-**	**12.442**
Financial liabilities						
Contractual amounts receivable	408.995	160.095	167.212	-	-	**736.302**
Contractual amounts payable	(414.868)	(161.442)	(169.407)	-	-	**(745.717)**
	(5.873)	**(1.347)**	**(2.195)**	**-**	**-**	**(9.415)**

Contingent liabilities and commitments						
Contingent liabilities						
Acceptances and endorsements	3.587	2.750	2.048	-	-	**8.385**
Guarantees	66.251	140.400	245.352	254.419	86.689	**793.111**
Commitments						
Documentary credits	2.259	8.028	4.116	2.643	1.395	**18.441**
Undrawn formal standby facilities, credit lines and other commitments to lend	2.069.129	19.490	-	-	-	**2.088.619**
	2.141.226	**170.668**	**251.516**	**257.062**	**88.084**	**2.908.556**

46. Risk management – Liquidity risk and funding (continued)

Analysis of financial assets and liabilities based on remaining contractual maturity (continued)

	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	**Total**
2014	€000	€000	€000	€000	€000	**€000**
Gross settled derivatives						
Financial assets						
Contractual amounts receivable	1.085.899	54.330	17.718	-	90.782	**1.248.729**
Contractual amounts payable	(1.071.311)	(52.892)	(17.186)	-	(68.534)	**(1.209.923)**
	14.588	**1.438**	**532**	**-**	**22.248**	**38.806**
Financial liabilities						
Contractual amounts receivable	71.922	39.377	557	-	42.813	**154.669**
Contractual amounts payable	(75.618)	(39.799)	(833)	-	(43.203)	**(159.453)**
	(3.696)	**(422)**	**(276)**	**-**	**(390)**	**(4.784)**

Contingent liabilities and commitments						
Contingent liabilities						
Acceptances and endorsements	2.763	3.781	1.788	-	895	**9.227**
Guarantees	66.915	41.517	166.413	454.084	243.744	**972.673**
Commitments						
Documentary credits	2.208	4.380	8.140	94	1.395	**16.217**
Undrawn formal standby facilities, credit lines and other commitments to lend	2.256.587	16.846	-	-	-	**2.273.433**
	2.328.473	**66.524**	**176.341**	**454.178**	**246.034**	**3.271.550**

Contingent liabilities and commitments of disposal groups held for sale

Guarantees	-	64	8.483	-	-	**8.547**
Undrawn formal standby facilities, credit lines and other commitments to lend	2.420	3.661	28.367	32.640	4.291	**71.379**
	2.420	**3.725**	**36.850**	**32.640**	**4.291**	**79.926**

47. Risk management – Insurance risk

Insurance risk is the risk that an insured event under an insurance contract occurs and the uncertainty of the amount and the timing of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces is that the actual claims and benefit payments will exceed the carrying amount of insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual volume and cost of claims and benefits will vary from year to year compared to the estimate established using statistical or actuarial techniques.

The above risk exposure is mitigated by the Group through the diversification across a large portfolio of insurance contracts. The variability of risks is also reduced by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to policyholders and is thus exposed to credit risk with respect to ceded insurance, to the extent that any reinsurer is unable to meet the obligations assumed under such reinsurance arrangements. For that reason, the creditworthiness of reinsurers is evaluated by considering their solvency and credit rating.

Life insurance contracts

The main factors that could affect the overall frequency of claims are epidemics, major lifestyle changes and natural disasters.

The underwriting strategy and risk assessment is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through the use of medical screening in order to ensure that pricing takes account the current medical conditions and family medical history and through the regular review of actual claims and product pricing. The Group has the right to decline policy applications, it can impose additional charges and it has the right to reject the payment of fraudulent claims.

The most significant risks relating to accident and health insurance contracts result from lifestyle changes and from climate and environmental changes. The risks are mitigated by the careful use of strategic selection and risk-taking at the underwriting stage and by thorough investigation for possible fraudulent claims.

The Group uses an analysis based on its embedded value which provides a comprehensive framework for the evaluation and management of risks faced, the understanding of earnings volatility and operational planning. The table below shows the sensitivity of the embedded value to assumption changes that substantially affect the results.

	2015	2014
Change in embedded value	**€000**	€000
Change in interest rates +0,25%	**93**	101
Change in expenses +10%	**(2.639)**	(2.930)
Change in lapsation rates +10%	**(953)**	(997)
Change in mortality rates+10%	**(6.711)**	(6.703)

The variables above are not linear. In each sensitivity calculation for changes in key economic variables, all other assumptions remain unchanged except when they are directly affected by the revised economic conditions.

Changes to key non–economic variables do not incorporate management actions that could be taken to mitigate effects, nor do they take account of consequential changes in policyholder behaviour. In each sensitivity calculation all other assumptions are therefore unchanged.

Some of the sensitivity scenarios shown in respect of changes to both economic and non–economic variables may have a consequential effect on the valuation basis when a product is valued on an active basis which is updated to reflect current economic conditions.

47. Risk management – Insurance risk (continued)

Life insurance contracts (continued)
While the magnitude of these sensitivities will, to a large extent, reflect the size of closing embedded value, each variable will have a different impact on different components of the embedded value. In addition, other factors such as the intrinsic cost and time value of options and guarantees, the proportion of investments between equities and bonds and the type of business written, including for example, the extent of with–profit business versus non–profit business and to the extent to which the latter is invested in matching assets, will also have a significant impact on sensitivities.

General insurance contracts
The risk of a general insurance contract occurs from the uncertainty of the amount and time of presentation of the claim. Therefore the level of risk is determined by the frequency of such claims, the severity and the evolution of claims from one period to the next.

The main risks for the general insurance business arise from major catastrophic events like natural disasters. These risks vary depending on location, type and nature. The variability of risks is mitigated by the diversification of risk of loss to a large portfolio of insurance contracts, as a more diversified portfolio is less likely to be affected by changes in any subset of the portfolio. The Group's exposure to insurance risks from general insurance contracts is also mitigated by the following measures: adherence to strict underwriting policies, strict review of all claims occurring, immediate review and processing of claims to minimise the possibility of negative developments in the future, and use of effective reinsurance arrangements in order to minimise the impact of risks, especially for catastrophic events.

48. Capital management

The primary objective of the Group's capital management is to ensure compliance with the relevant regulatory capital requirements and to maintain strong credit ratings and healthy capital adequacy ratios in order to support its business and maximise shareholder value.

The capital adequacy regulations which govern the Group's operations are established by the CBC/ECB.

The Group has complied with the minimum capital requirements (Pillar I and Pillar II) during 2015.

In addition, the Group's overseas banking subsidiaries comply with the regulatory capital requirements of the local regulators in the countries in which they operate. The insurance subsidiaries of the Group comply with the requirements of the Superintendent of Insurance including the minimum solvency ratio. The regulated investment firms of the Group comply with the regulatory capital requirements of the CySEC laws and regulations.

The Pillar 3 disclosures (unaudited) required with respect to the requirements of the Capital Requirement Regulation (EU) No 575/2013 are available on the Group's website www.bankofcyprus.com (Investor Relations).

49. Related party transactions

	2015	2014	**2015**	2014
	Number of directors		**€000**	€000
Loans and advances to members of the Board of Directors and connected persons:				
- less than 1% of the Group's net assets per director	**9**	10	**369**	382
	9	10	**369**	382
Loans and advances to other key management personnel and connected persons			**3.871**	4.317
Total loans and advances as at 31 December			**4.240**	4.699
Loans and advances as at 31 December:				
- members of the Board of Directors and other key management personnel			**3.354**	3.615
- connected persons			**886**	1.084
			4.240	4.699
Interest income for the year			**138**	205

Deposits as at 31 December:				
- members of the Board of Directors and other key management personnel			**3.366**	18.368
- connected persons			**3.147**	11.206
			6.513	29.574
Interest expense on deposits for the year			**187**	398

The above table does not include balances for members of the Board of Directors and their connected persons who resigned during the year.

Interest income and expense is disclosed for the period during which they were members of the Board of Directors or served as key management personnel.

In addition to loans and advances, there were contingent liabilities and commitments in respect of members of the Board of Directors and their connected persons, mainly in the form of documentary credits, guarantees and commitments to lend amounting to €135 thousand (2014: €175 thousand). As at 31 December 2015 and 2014, none of the directors or their connected persons had total loans and advances which exceeded 1% of the net assets of the Group per director. There were also contingent liabilities and commitments to other key management personnel and their connected persons amounting to €856 thousand (2014: €689 thousand).

The total unsecured amount of the loans and advances and contingent liabilities and commitments to members of the Board of Directors, key management personnel and other connected persons (using forced-sale values for tangible collaterals and assigning no value to other types of collaterals) at 31 December 2015 amounted to €1.094 thousand (2014: €1.586 thousand).

There were no transactions during the year with connected persons of the current members of the Board of Directors nor with any members who resigned during the year.

During 2014, there were no transactions with connected persons of the members of the Board of Directors who were on the Board with the exception of Mr Xanthos Vrachas who is the CFO of Universal Insurance Agency Ltd to which the Group paid €137 thousand relating to insurance transactions.

49. Related party transactions (continued)

Connected persons include spouses, minor children and companies in which directors/other key management personnel hold, directly or indirectly, at least 20% of the voting shares in a general meeting, or act as executive director or exercise control of the entities in any way.

All transactions with members of the Board of Directors and their connected persons are made on normal business terms as for comparable transactions with customers of a similar credit standing. A number of loans and advances have been extended to other key management personnel and their connected persons on the same terms as those applicable to the rest of the Group's employees.

Fees and emoluments of members of the Board of Directors and other key management personnel

	2015	2014
Director emoluments	**€000**	€000
Executives		
Salaries and other short term benefits	**1.061**	859
Employer's contributions	**66**	51
Retirement benefit plan costs	**128**	113
	1.255	1.023
Non-executives		
Fees	**822**	424
Total directors' emoluments	**2.077**	1.447
Other key management personnel emoluments		
Salaries and other short term benefits	**3.328**	2.231
Termination benefits	**-**	250
Employer's contributions	**164**	166
Retirement benefit plan costs	**178**	210
Total other key management personnel emoluments	**3.670**	2.857
Total	**5.747**	4.304

Fees and benefits are included for the period that they serve as members of the Board of Directors.

49. Related party transactions (continued)

Fees and emoluments of members of the Board of Directors and other key management personnel (continued)

Executive Directors
The salaries and other short term benefits of the Executive Directors are analysed as follows:

	2015	2014
	€000	€000
John Patrick Hourican (Chief Executive Officer)	910	844
Christodoulos Patsalides (Finance Director - appointed on 20 November 2014)	151	15
	1.061	859

The retirement benefit plan costs for 2015 amounting to €128 thousand (2014: €113 thousand) relate to: Mr John Patrick Hourican €110 thousand (2014: €111 thousand) and Dr Christodoulos Patsalides €18 thousand (2014: €2 thousand).

Non-executive Directors

	2015	2014
	€000	€000
Josef Ackermann	150	8
Wilbur L. Ross Jr.	120	6
Vladimir Strzhalkovskiy	21	50
Arne Berggren	107	2
Maksim Goldman	116	2
Michalis Spanos	100	2
Ioannis Zographakis	115	30
Marios Kalochoritis	93	25
Christis Hassapis	-	60
Andreas Yiasemides	-	32
Adonis Papaconstantinou	-	31
Anjelica Anshakova	-	24
Eriskhan Kurazov	-	12
Anton Smetanin	-	12
Dmitry Chichikashvili	-	20
Kirill Parinov	-	5
Konstantinos Katsaros	-	35
Marinos Gialeli	-	33
Xanthos Vrachas	-	28
Marios Yiannas	-	7
	822	424

The fees of the Non-executive Directors include fees as members of the Board of Directors of the Company and its subsidiaries, as well as of committees of the Board of Directors.

Other key management personnel
The other key management personnel emoluments include the remuneration of the members of the Executive Committee since the date of their appointment to the Committee and other directors who report directly to the Chief Executive Officer.

49. Related party transactions (continued)

Fees and emoluments of members of the Board of Directors and other key management personnel (continued)

Other key management personnel (continued)
The termination benefits in 2014 relate to early retirement benefits paid to a member of key management personnel who left the Group in 2014.

50. Group companies

The main subsidiary companies and branches included in the consolidated financial statements of the Group, their country of incorporation, their activities, and the percentage held by the Company (directly or indirectly) as at 31 December 2015 are:

Company	Country	Activities	Percentage holding (%)
Bank of Cyprus Public Company Ltd	Cyprus	Commercial bank	N/A
The Cyprus Investment and Securities Corporation Ltd (CISCO)	Cyprus	Investment banking, asset management and brokerage	100
General Insurance of Cyprus Ltd	Cyprus	General insurance	100
EuroLife Ltd	Cyprus	Life insurance	100
Kermia Ltd	Cyprus	Property trading and development	100
Kermia Properties & Investments Ltd	Cyprus	Property trading and development	100
Kermia Hotels Ltd	Cyprus	Hotel business	100
Cytrustees Investment Public Company Ltd	Cyprus	Closed-end investment company	53
Finerose Properties Ltd	Cyprus	Financing services	100
LCP Holdings and Investments Public Ltd (formerly Laiki Capital Public Co Ltd)	Cyprus	Holding company	67
JCC Payment Systems Ltd	Cyprus	Card processing transaction services	75
CLR Investment Fund Public Ltd	Cyprus	Investment company	20
Auction Yard Ltd	Cyprus	Auction company	100
Bank of Cyprus Public Company Ltd (branch of the Company)	Greece	Administration of guarantees and holding of real estate properties	N/A
Kyprou Zois (branch of EuroLife Ltd)	Greece	Life insurance	N/A
Kyprou Asfalistiki (branch of General Insurance of Cyprus Ltd)	Greece	General insurance	N/A
Bank of Cyprus UK Ltd	United Kingdom	Commercial bank	100
BOC Financial Services Ltd	United Kingdom	Financial advisory services	100
Bank of Cyprus (Channel Islands) Ltd	Channel Islands	Commercial bank	100
Bank of Cyprus Romania (branch of the Company)	Romania	Commercial bank	N/A
Cyprus Leasing Romania IFN SA	Romania	Leasing	100
MC Investment Assets Management LLC	Russia	Problem asset management company	100
Kyprou Finance (NL) B.V.	Netherlands	Financing services	100

50. Group companies (continued)

In addition to the above companies, at 31 December 2015 the Company had 100% shareholding in the companies listed below whose main activity is the ownership and management of immovable property and other assets:

Cyprus: Timeland Properties Ltd, Cobhan Properties Ltd, Bramwell Properties Ltd, Birkdale Properties Ltd, Newington Properties Ltd, Innerwick Properties Ltd, Lameland Properties Ltd, Fairford Properties Ltd, Citlali Properties Ltd, Endar Properties Ltd, Ramendi Properties Ltd, Ligisimo Properties Ltd, Thames Properties Ltd, Moonland Properties Ltd, Polkima Properties Ltd, Nalmosa Properties Ltd, Smooland Properties Ltd, Emovera Properties Ltd, Estaga Properties Ltd, Skellom Properties Ltd, Blodar Properties Ltd, Spaceglowing Properties Ltd, Threefield Properties Ltd, Lepidoland Properties Ltd, Stamoland Properties Ltd, Ecunaland Properties Ltd, Tebane Properties Ltd, Cranmer Properties Ltd, Calomland Properties Ltd, Vieman Ltd, Les Coraux Estates Ltd, Natakon Company Ltd, Karmazi (Apartments) Ltd, Kermia Palace Enterprises Ltd, Oceania Ltd, Dominion Industries Ltd, Ledra Estates Ltd, Eurolife Properties Ltd, Laiki Lefkothea Center Ltd, Labancor Ltd, Paneuropean Ltd, Philiki Ltd, Cyprialife Ltd, Imperial Life Assurance Ltd, Philiki Management Services Ltd, Nelcon Transport Co. Ltd, Steparco Ltd, Joberco Ltd, Zecomex Ltd, Domita Estates Ltd, Memdes Estates Ltd, Obafemi Holdings Ltd, Pamaco Platres Complex Ltd, Gosman Properties Ltd, Odaina Properties Ltd, Vameron Properties Ltd, Thryan Properties Ltd, Icecastle Properties Ltd, Otoba Properties Ltd, Edoric Properties Ltd, Belvesi Properties Ltd, Ingane Properties Ltd, Indene Properties Ltd, Canosa Properties Ltd, Silen Properties Ltd, Kernland Properties Ltd, Unduma Properties Ltd, Iperi Properties Ltd, Warmbaths Properties Ltd, Danoma Properties Ltd, Kimrar Properties Ltd, Jobelis Properties Ltd, Tavoni Properties Ltd, Metin Properties Ltd, Pekiro Properties Ltd, Melsolia Properties Ltd, Nimoland Properties Ltd, Lozzaria Properties Ltd, Koralmon Properties Ltd, Petrassimo Properties Ltd, Kedonian Properties Ltd, Lasteno Properties Ltd, Armozio Properties Ltd, Spacous Properties Ltd, Calinora Properties Ltd, Marcozaco Properties Ltd, Soluto Properties Ltd, Solomaco Properties Ltd, Linaland Properties Ltd, Besadoco Properties Ltd, Mainport Properties Ltd, Tezia Properties Ltd, Andaz Properties Ltd, Unital Properties Ltd, Astromeria Properties Ltd, Neraland Properties Ltd, Gilfront Properties Ltd, Canemia Properties Ltd, Orzo Properties Ltd, Pariza Properties Ltd, Wingstreet Properties Ltd, Nolory Properties Ltd, Lynoco Properties Ltd, Renalandia Properties Ltd, Fitrus Properties Ltd, Lisbo Properties Ltd, Mantinec Properties Ltd and Browneye Properties Ltd.

Romania: Otherland Properties Dorobanti SRL, Pittsburg Properties SRL, Battersee Real Estate SRL, Trecoda Real Estate SRL, Green Hills Properties SRL, Bocaland Properties SRL, Buchuland Properties SRL, Commonland Properties SRL, Romaland Properties SRL, Janoland Properties SRL, Blindingqueen Properties SRL, Fledgego Properties SRL, Hotel New Montana SRL, Loneland Properties SRL, Unknownplan Properties SRL, Frozenport Properties SRL, Imoreth Properties SRL, Inroda Properties SRL, Melgred Properties SRL, Tantora Properties SRL, Zunimar Properties SRL, Allioma Properties SRL, Mirodi Properties SRL, Nallora Properties SRL, Nikaba Properties SRL and Selilar Properties SRL.

In addition, the Company holds 100% of the following intermediate holding companies:

Cyprus: Otherland Properties Ltd, Pittsburg Properties Ltd, Battersee Properties Ltd, Trecoda Properties Ltd, Bonayia Properties Ltd, Bocaland Properties Ltd, Buchuland Properties Ltd, Commonland Properties Ltd, Romaland Properties Ltd, BC Romanoland Properties Ltd, Blindingqueen Properties Ltd, Fledgego Properties Ltd, Janoland Properties Ltd, Threerich Properties Ltd, Loneland Properties Ltd, Unknownplan Properties Ltd, Frozenport Properties Ltd, Imoreth Properties Ltd, Inroda Properties Ltd, Melgred Properties Ltd, Tantora Properties Ltd, Zunimar Properties Ltd, Selilar Properties Ltd, Mirodi Properties Ltd, Nallora Properties Ltd, Nikaba Properties Ltd, Allioma Properties Ltd and Hydrobius Ltd.

The Group also holds 100% of the following companies which are inactive:

Cyprus: Laiki Bank (Nominees) Ltd, Laiki EDAK Ltd and BOC Secretarial Company Ltd.

Greece: Kyprou Commercial SA and Kyprou Properties SA.

All Group companies are accounted for as subsidiaries using the full consolidation method.

50. Group companies (continued)

Change in the control holding of MC Investment Assets Management LLC

In the context of the disposal of the majority of the Russian operations in September 2015, the Group increased its controlling interest in MC Investment Assets Management LLC to 100% from 80%. This transaction has been reflected as an equity transaction from non-controlling interests to the owners of the Company.

Control over CLR Investment Fund Public Ltd (CLR) without substantial shareholding

The Group considers that it exercises control over CLR through control of the members of the Board of Directors and is exposed to variable returns through its holding.

Dissolution and disposal of subsidiaries

As at 31 December 2015, the following subsidiaries were in the process of dissolution or in the process of being struck off: Samarinda Navigation Co Ltd, Kyprou Securities SA, BOC Ventures Ltd, Tefkros Investments Ltd, Tefkros Investments (CI) Ltd, Salecom Ltd, Longtail Properties Ltd, Turnmill Properties Ltd, Limestone Holdings Ltd, Bank of Cyprus Mutual Funds Ltd, Diners Club (Cyprus) Ltd, Leasing Finance LLC, Corner LLC and Omiks Finance LLC.

Misthosis Funding Plc and Misthosis Funding (Holding) Ltd were dissolved on 13 June and 30 June 2015 respectively.

Elswick Properties Ltd was disposed of on 27 July 2015. Guarded Path Properties Ltd was struck off during 2015.

51. Acquisitions and disposals

51.1 Acquisitions during 2015

51.1.1 Acquisition of shares of Laiki Financial Services Ltd (LFS)

On 30 January 2015, the Annual General Meeting of the shareholders of LFS approved the disposal of the shares of LFS to the Company for a consideration of €3 million. Previously, LFS was 100% owned by LCP Holdings and Investments Public Ltd (formerly Laiki Capital Public Co Ltd), a subsidiary of the Company. As a result, the increase of the Company's holding from 67% to 100% in LFS is accounted for as an equity transaction.

In November 2015, CISCO, a subsidiary of the Company issued 1.000 thousand shares of a nominal value €1,71 each, at a total premium of €534 thousand, for the transfer of the Company's investment in LFS to CISCO. Following the transfer of shares, LFS was dissolved, without liquidation, under the Merger and Reconstruction Scheme and its net assets were transferred to CISCO in accordance with a court order.

51.2 Disposals during 2015

51.2.1 Disposal of the majority of the Group's Russian operations

On 25 September 2015, the Group completed the disposal of the majority of its Russian operations, comprising (i) its 100% holding in its subsidiary, BOC Russia (Holdings) Ltd, its 80% holding in its Russian banking subsidiary, CB Uniastrum Bank LLC, and its 80% holding in its Russian leasing subsidiary, Leasing Company Uniastrum Leasing LLC and (ii) certain other Russian loan exposures.

The transaction resulted in a loss on disposal of €23.032 thousand, comprising a loss of €28.237 thousand representing the recycling of the foreign currency translation reserve from other comprehensive income to the consolidated income statement and a profit of €5.205 thousand against the net book value of the assets as at the disposal date. As part of the sales agreement, the parties agreed an asset swap arrangement which involved the exchange of certain assets between them that resulted in a €41.849 thousand receivable for the Group on the date of the transaction.

Following the disposal of the Group's Russian operations, the remaining net exposure as at 31 December 2015 (on and off-balance sheet) in Russia is €113.738 thousand, comprising primarily of customer loans and the deferred component of the asset swap arrangement with carrying value of €38.940 thousand.

The results of the Group's Russian operations from 1 January 2015 until the date of their disposal are presented in Note 5 of these consolidated financial statements and are classified as discontinued operations.

51. Acquisitions and disposals (continued)

51.2 Disposals during 2015 (continued)

51.2.1 Disposal of the majority of the Group's Russian operations (continued)

The assets and liabilities of the Group's Russian operations disposed as at the date of their disposal are presented below:

Assets	**€000**
Cash and balances with central banks	**64.291**
Loans and advances to banks	**26.269**
Investments	**12.726**
Loans and advances to customers	**343.909**
Prepayments, accrued income and other assets	**41.950**
	489.145
Liabilities	
Deposits by banks	**24.422**
Customer deposits	**494.274**
Debt securities in issue	**139**
Subordinated loan stock	**2.673**
Accruals, deferred income and other liabilities	**4.976**
	526.484
Net liabilities	**(37.339)**

The sale consideration is analysed below:

	€000
Net cash consideration received, of which:	**2.896**
- Outflow of cash and cash equivalents	**(3.945)**

The net cash flows of the Russian operations are presented in Note 29.

51.2.2 Disposal of Aphrodite group

In September 2015, the Group completed the sale of shares representing a 65% shareholding in the Aphrodite Hills Resort Ltd and Aphrodite Hills (Lakkos tou Frangou) Ltd. For additional information refer to Note 29.

51.2.3 Disposal of Kyprou Leasing SA

Following the disposal of the Group's leasing operations in Greece to Piraeus Bank SA through a Decree issued on 26 March 2013, the Group completed the transfer of the legal ownership of its subsidiary, Kyprou Leasing SA to Piraeus Bank SA during the first quarter of 2015.

51. Acquisitions and disposals (continued)

51.3 Disposals during 2014

51.3.1 Disposal of the Group's Ukrainian operations

In April 2014, the Group completed the disposal of its Ukrainian operations, comprising (i) its holding of 99,77% in its subsidiary bank in Ukraine, PJSC Bank of Cyprus, (ii) the funding provided by the Company to PJSC Bank of Cyprus, and (iii) its loans with Ukrainian exposures, to Alfa group. The sale consideration was €198.860 thousand, comprising €98.860 thousand received and €100.000 thousand deferred up to 31 March 2015. In 2015 the settlement terms of the deferred consideration and the related interest rate were amended. The deferred consideration is due to be paid to the Group under a repayment programme which extends until 1 June 2019.

The accounting loss from the sale was €114.228 thousand and represented the difference of the consideration and the carrying value of the assets and liabilities disposed, as well as the unwinding of the related foreign currency reserve of €55.796 thousand as at the disposal date.

The results of the Group's Ukrainian operations from 1 January 2014 until the date of its disposal are presented in Note 5 of these consolidated financial statements and are classified as discontinued operations.

The assets and liabilities of the Group's Ukrainian operations as at the date of their disposal are presented below:

	€000
Cash and balances with central banks	**10.181**
Loans and advances to banks	**15.924**
Loans and advances to customers	**250.076**
Investment properties	**34.395**
Prepayments, accrued income and other assets	**1.168**
Customer deposits	**(47.235)**

The net cash flows of the Group's Ukrainian business are presented below:

	€000
Net cash flow used in operating activities and net decrease in cash and cash equivalents	**(999)**

51.3.2 Sale of a UK loan portfolio

On 31 October 2014 the Company completed the sale of a UK loan portfolio owned by the Group and largely composed of residential and commercial real estate-backed facilities.

This loan portfolio was acquired by the Group through the acquisition of certain operations of Laiki Bank in March 2013.

51.3.3 Sale of assets in Romania

On 11 September 2014, as part of its strategy of focusing on its core business, the Group completed the sale of its assets related to Grand Hotel Enterprises Society Ltd (GHES), a limited liability company incorporated in Romania and owner of the JW Marriott Bucharest Grand Hotel to STRABAG SE, an Austrian stock company. The assets comprised (i) a facility agreement between GHES, as borrower, and Bank of Cyprus Romania (branch of the Company), as lender, (ii) 1.474.482 shares issued by GHES to an affiliate of the Company, representing 35,292% of the issued share capital of GHES, and (iii) a subordinated loan agreement between GHES, as borrower, and an associate of the Company, as lender.

The sale consideration was €95 million and the accounting loss from the transaction was €1.424 thousand.

52. Investments in associates and joint ventures

Share of profit/(loss) from investments in associates and joint ventures

	2015	2014
	€000	€000
CNP Cyprus Insurance Holdings Ltd	**6.709**	9.412
Interfund Investments Plc	**(786)**	(13)
Marfin Diversified Strategy Fund Plc	**-**	(4.547)
Rosequeens Properties SRL	**-**	-
	5.923	4.852

Carrying value of the investments in associates and joint ventures

	2015	2014
	€000	€000
CNP Cyprus Insurance Holdings Ltd	**105.540**	108.467
Interfund Investments Plc	**2.201**	2.987
Byron Capital Partners Ltd	**-**	5.322
Aris Capital Management LLC	**-**	-
Rosequeens Properties Limited	**-**	-
Rosequeens Properties SRL	**-**	-
Tsiros (Agios Tychon) Ltd	**12**	-
	107.753	116.776

Investments in associates

CNP Cyprus Insurance Holdings Ltd
As part of the acquisition of certain operations of Laiki Bank in 2013, 49,9% of CNP Cyprus Insurance Holdings Ltd, the parent company of a group of insurance companies in Cyprus and Greece, was acquired by the Group.

The main financial highlights of the associate is presented as follows:

	2015	2014
	€000	€000
Total assets	**676.915**	696.415
Liabilities	**(465.416)**	(479.046)
Net assets, including value of in-force business	**211.499**	217.369

CNP Cyprus Insurance Holdings Ltd holds deposits with companies within the Group amounting to €15.255 thousand. The transactions between CNP Cyprus Insurance Holdings Ltd and the Group are presented in the table below:

	2015	2014
	€000	€000
Dividend income	**7.580**	-
Interest expense paid by the Group	**239**	303
Other expenses paid by the Group	**239**	293
Other income received by the Group	**2**	247

52. **Investments in associates and joint ventures** (continued)

Investments in associates (continued)

Interfund Investments Plc
The Group has a 23,12% interest in Interfund Investments Plc, which is a closed-end investment company in Cyprus, listed on the Cyprus Stock Exchange.

The main financial highlights of the associate is presented as follows:

	2015	2014
	€000	€000
Total assets	**9.691**	13.110
Liabilities	**(166)**	(190)
Net assets	**9.525**	12.920
Market value of the investment on the Cyprus Stock Exchange	**1.372**	1.477

During the year there were no material transactions between the Group and the associate.

Rosequeens Properties Limited and Rosequeens Properties SRL
The Group effectively owns 33% of the share capital of Rosequeens Properties SRL which is incorporated in Romania and owns a shopping mall in Romania. The shareholding was acquired after the Company took part in a public auction for the settlement of customer loan balances amounting to approximately €21 million. The Group's share of net assets of the associate at 31 December 2015 and 2014 had nil accounting value as the net assets of the associate had a negative balance.

Aris Capital Management LLC
The Group's holding in Aris Capital Management LLC of 30% was transferred to the Group following the acquisition of certain operations of Laiki Bank. During 2014, the Group has recognised an impairment loss of €2.078 thousand (Note 16). During years 2015 and 2014, there were no material balances or transactions between the Group and the associate.

Grand Hotel Enterprises Society Ltd
In September 2014, the Group sold its holding of 35,292% in its associate Grand Hotel Enterprises Society Ltd, which had a zero carrying value as at the date of the disposal.

Investment in joint ventures

MDSF and BCP
The Group's investment in joint ventures comprised of BCP and MDSF acquired by the Group as part of the acquisition of certain operations of Laiki Bank in 2013. BCP managed 100% of the shares of MDSF. The Group was a party to a shareholder agreement with the other shareholder of BCP and this agreement stipulated a number of matters which required consent by both shareholders. The Group considered that it jointly controlled BCP (shareholding of 70%) and through BCP it also had joint control over MDSF.

The investment in MDSF was classified as held for sale since 31 December 2014 and was sold in April 2015 (Note 29). Further in 2015, BCP bought back all its shares held by the Group.

During the years 2015 and 2014 there were no transactions between the Group and the joint ventures.

Tsiros (Agios Tychon) Ltd
The Group holds a 50% shareholding in Tsiros (Agios Tychon) Ltd. The shareholder agreement with the other shareholder of Tsiros (Agios Tychon) Ltd stipulates a number of matters which require consent by both shareholders, therefore the Group considers that it jointly controls the company.

53. Country by country reporting

Article 89 of CRD IV requires banks to disclose on a consolidated basis the following information for all countries where the Group operates. The table below provides information on the following items of the Group for year 2015:

Country	Total operating income	Average number of employees	(Loss) / profit before tax	Accounting tax expense / (income) on profit / (loss)	Corporation tax paid / (refunded)	Public subsidies received
	€000		€000	€000	€000	€000
Cyprus	976.028	4.339	(440.471)	5.223	2.302	-
Russia	45.923	1.050	(72.218)	(13)	45	-
United Kingdom	122.958	205	103.280	840	559	-
Romania	4.945	45	(6.679)	67	50	-
Greece	(11.146)	10	(27.521)	2.621	1.371	-
Channel Islands	959	1	(1.344)	-	-	-
Netherlands	(15)	-	(101)	135	(214)	-
Total	**1.139.652**	**5.650**	**(445.054)**	**8.873**	**4.113**	**-**

The above table includes information on both continued and discontinued operations. The activities of Group companies by geographical area are disclosed in Note 50.

Total operating income: comprises net interest income, net fee and commission income, net foreign exchange gains/(losses), net gains on financial instrument transactions, insurance income net of claims and commissions, losses from revaluation and disposal of investment properties and other income/(expenses).

Number of employees: the number of employees has been calculated as the average number of employees, on a quarterly basis, who were employed by the Group during the year ended 31 December 2015.

(Loss)/profit before tax: (loss)/profit before tax represents (losses)/profits after the deduction of inter-segment revenues/(expenses).

Accounting tax expense/(income) on profit/(loss): includes corporation tax and Cyprus special defence contribution. Deferred tax charge for the year is excluded from the above.

Corporation tax paid: includes actual payments made during 2015 for corporation tax (including insurance premium taxes) and Cyprus special defence contribution. It excludes any withholding taxes.

54. Events after the reporting date

54.1 Programme of staff exits

In February 2016 the Group announced a programme of staff exits for all its permanent employees. The exit compensation is a one-off compensation granted on specific terms.

54.2 Bank Recovery and Resolution Directive 2014/59/EU

The EU Bank Recovery and Resolution Directive 2014/59/EU (BRRD) establishes a framework for the recovery and resolution of EU credit institutions. The BRRD includes the concept of loss absorption and a minimum requirement for own funds and eligible liability.

The BRRD also has significant funding implications for credit institutions, which include the establishment of pre-funded resolution funds of 1% of covered deposits under the recast Deposit Guarantee Scheme to be built up by 31 December 2024.

The BRRD has been implemented in Cyprus.

The EU has also established a Single Resolution Mechanism (SRM), made under the Single Resolution Mechanism Regulation No 806/2014 as part of the European Banking Union. Under the SRM, a single resolution process applies to all credit institutions supervised by the SSM. This process is co-ordinated by the Single Resolution Board (SRB). The Company is subject to the supervision of the SSM and accordingly the SRM.

The SRM Regulation is closely connected with the BRRD. For credit institutions within the SSM, the SRB effectively takes on the role of the relevant national resolution authority established under the BRRD. The Company is subject to the supervision of the SRB.

54.3 Deposit Guarantee Scheme

The recast EU Deposit Guarantee Schemes Directive 2014/49/EU (DGSD) requires Member States to establish deposit guarantee schemes. The recast DGSD provides that national deposit guarantee schemes should be pre-funded, with the funds to be raised over a number of years. The funds of national deposit guarantee scheme should at least reach 0,8% of the covered deposits by 3 July 2024. The Cypriot implementing legislation of the DGSD was passed on 11 February 2016 which amends the existing Cypriot Deposit Protection Scheme.

54.4 Solvency II

On 1 January 2016, the Directive 2009/138/EC of the European Parliament and of the Council and the related Regulations on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) became effective. The new Directive introduces increasing requirements both on a quantitative and a qualitative level for insurance undertakings.

Following a detailed action plan during the last years, the insurance subsidiaries of the Group are in a position to fully comply with new requirements on implementation of the Directive as from 1 January 2016. During the preparation phase, the insurance subsidiaries of the Group applied material improvements on corporate governance, risk management and compliance.

54.5 Pursue of Premium Listing on the London Stock Exchange

On 31 March 2016, the Group announced its intention to pursue a premium listing on the London Stock Exchange (LSE). The Group also intends to maintain a listing on the Cyprus Stock Exchange. The Group does not intend to maintain a listing on the Athens Exchange, as it no longer has banking operations in Greece.

The Group is currently working towards a listing in the second half of 2016, subject to relevant approvals, an assessment of various technical aspects and market conditions.

Ernst & Young Cyprus Ltd
Jean Nouvel Tower
6 Stasinou Avenue
P.O.Box 21656
1511 Nicosia, Cyprus

Tel: +357 22209999
Fax: +357 22209998
ey.com/cy

Independent Auditor's Report

To the Members of Bank of Cyprus Public Company Ltd

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Bank of Cyprus Company Public Company Ltd (the "Company") and its subsidiaries (together with the Company, the "Group") on pages 14 to 190, which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Company's Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Emphasis of matter

We draw your attention to note 4 to the consolidated financial statements which discusses the significant judgments, estimates and assumptions used in the preparation of the consolidated financial statements and the related uncertainties. Our opinion is not qualified in respect of this matter.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 3 to 13 is consistent with the consolidated financial statements.

Pursuant to the requirements of Directive DI190-2007-04 of the Cyprus Securities and Exchange Commission, we report that a corporate governance statement has been made for the information relating to paragraphs (a), (b), (c), (f) and (g) of article 5 of Directive DI190-2007-04, which forms a specific part of the Directors' Report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Savvas Pentaris
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
31 March 2016

Statement by the Members of the Board of Directors and the Company Officials Responsible for the Drafting of the Financial Statements

(in accordance with the provisions of Cyprus Law 190(I)/2007 on Transparency Requirements)

We, the members of the Board of Directors and the Company officials responsible for the drafting of the financial statements of Bank of Cyprus Public Company Ltd (the 'Company') for the year ended 31 December 2015, the names of which are listed below, confirm that, to the best of our knowledge:

(a) the Company's financial statements on pages 195 to 327

(i) have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law,

(ii) give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the financial statements taken as a whole, and

(b) the Report of the Board of Directors provides a fair review of the developments and performance of the business and the position of the Company and the undertakings included in the financial statements taken as a whole, together with a description of the principal risks and uncertainties that they face.

Prof. Dr. Josef Ackermann	Chairman
Wilbur L. Ross Jr.	Vice Chairman
Maksim Goldman	Vice Chairman
Arne Berggren	Non-executive Director
Marios Kalochoritis	Non-executive Director
Michalis Spanos	Non-executive Director
Ioannis Zographakis	Non-executive Director
John Patrick Hourican	Executive Director
Dr. Christodoulos Patsalides	Executive Director
Eliza Livadiotou	Chief Financial Officer

31 March 2016

FINANCIAL STATEMENTS

Income Statement

for the year ended 31 December 2015

		2015	2014
	Notes	**€000**	€000
Continuing operations			
Turnover		**1.231.142**	1.513.037
Interest income	5	**1.084.545**	1.383.355
Interest expense	6	**(269.123)**	(374.057)
Net interest income		**815.422**	1.009.298
Fee and commission income	7	**145.279**	143.596
Fee and commission expense	7	**(8.460)**	(7.838)
Net foreign exchange gains/(losses)	8	**11.571**	(9.547)
Dividend income from subsidiary companies and associates	23	**33.542**	16.850
Net gains on financial instrument transactions and disposal of subsidiaries	9	**24.166**	163.981
Losses from revaluation and disposal of investment properties	21	**(35.550)**	(23.893)
Other income	10	**11.146**	4.302
		997.116	1.296.749
Staff costs	11	**(202.379)**	(203.844)
Other operating expenses	12	**(194.088)**	(196.740)
		600.649	896.165
Gain on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans	13	**305.089**	47.338
Provisions for impairment of loans and advances to customers and other customer credit losses	13	**(1.229.627)**	(728.448)
Impairment of other financial instruments	13	**(69.041)**	(253.139)
Impairment of non-financial instruments	14	**(40.452)**	(252.130)
Loss before tax from continuing operations		**(433.382)**	(290.214)
Income tax	16	**(4.272)**	(357)
Loss after tax from continuing operations		**(437.654)**	(290.571)
Discontinued operations			
Profit after tax from discontinued operations	15	**-**	36.000
Loss for the year		**(437.654)**	(254.571)

Basic and diluted losses per share (cent)– continuing operations	17	**(4,9)**	(4,9)
Basic and diluted losses per share (cent)	17	**(4,9)**	(4,3)

Statement of Comprehensive Income

for the year ended 31 December 2015

	Notes	**2015**	2014
		€000	€000
Loss for the year		**(437.654)**	(254.571)
Other comprehensive income (OCI)			
OCI to be reclassified in the income statement in subsequent periods			
Foreign currency translation reserve			
Profit/(loss) on translation of net investment in foreign branches		**41**	(3.775)
Profit on hedging of net investments in foreign branches	20	**-**	2.580
		41	(1.195)
Available-for-sale investments			
Net gains from fair value changes before tax		**33.342**	5.240
Transfer to the income statement on impairment	13	**1.515**	7.032
Transfer to the income statement on sale		**(1.846)**	(52.634)
		33.011	(40.362)
		33.052	(41.557)
OCI not to be reclassified in the income statement in subsequent periods			
Property revaluation			
Fair value (loss)/gain before tax	25	**(6.072)**	6.271
Tax	16	**4.038**	(1.883)
		(2.034)	4.388
Actuarial gain / (loss) for the defined benefit plans			
Remeasurement gains/(losses) on defined benefit plans	11	**695**	(6.665)
		(1.339)	(2.277)
Other comprehensive income / (loss) after tax		**31.713**	(43.834)
Total comprehensive loss for the year		**(405.941)**	(298.405)

Balance Sheet

as at 31 December 2015

	Notes	**2015** €000	2014 €000
Assets			
Cash and balances with central banks	18	**1.111.354**	668.292
Loans and advances to banks	18	**1.112.337**	1.462.824
Derivative financial assets	20	**14.022**	62.585
Investments	19	**512.631**	1.831.297
Investments pledged as collateral	19	**421.032**	669.786
Loans and advances to customers	22	**16.005.878**	17.329.208
Balances with Group companies	23	**735.579**	809.959
Prepayments, accrued income and other assets	28	**167.486**	181.752
Stock of property	27	**276.095**	822
Investment properties	21	**11.688**	250.888
Property and equipment	25	**198.227**	221.106
Intangible assets	26	**14.773**	13.105
Investments in associates and joint ventures	24	**97.293**	102.615
Investments in Group companies	48	**207.781**	236.369
Deferred tax assets	16	**456.479**	456.479
Non-current assets held for sale	29	**9.767**	114.060
Total assets		**21.352.422**	24.411.147
Liabilities			
Deposits by banks		**237.860**	159.765
Funding from central banks	30	**4.452.850**	8.283.773
Repurchase agreements		**368.151**	579.682
Derivative financial liabilities	20	**54.408**	71.761
Customer deposits	31	**12.694.130**	11.329.157
Balances with Group companies	23	**568.486**	550.683
Accruals, deferred income and other liabilities	33	**233.084**	283.735
Debt securities in issue	32	**712**	693
Deferred tax liabilities	16	**19.868**	23.219
Total liabilities		**18.629.549**	21.282.468
Equity			
Share capital	34	**892.294**	892.238
Share premium	34	**551.368**	551.289
Capital reduction reserve	34	**1.952.486**	1.952.486
Shares subject to interim orders	34	**-**	441
Revaluation and other reserves		**76.462**	5.506
Accumulated losses	36	**(749.737)**	(273.281)
Total equity		**2.722.873**	3.128.679
Total liabilities and equity		**21.352.422**	24.411.147

Prof. Dr. J. Ackermann	Chairman	**Mr. J. P. Hourican**	Chief Executive Officer
Mr. I. Zographakis	Director	**Dr. Chr. Patsalides**	Finance Director
		Mrs. E. Livadiotou	Chief Financial Officer

Statement of Changes in Equity

for the year ended 31 December 2015

	Share capital (Note 34)	Share premium (Note 34)	Capital reduction reserve (Note 34)	Shares subject to interim orders (Note 34)	Accumulated losses (Note 36)	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Other reserves	Foreign currency translation reserve	Treasury shares (Note 34)	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
1 January 2015	**892.238**	**551.289**	**1.952.486**	**441**	**(273.281)**	**74.537**	**(277)**	**6.059**	**(9.314)**	**(65.499)**	**3.128.679**
Loss for the year	-	-	-	-	(437.654)	-	-	-	-	-	**(437.654)**
Other comprehensive income/(loss) after tax	-	-	-	-	695	(2.034)	33.011	-	41	-	**31.713**
Total comprehensive (loss)/income for the year	-	-	-	-	(436.959)	(2.034)	33.011	-	41	-	**(405.941)**
Issue of shares	56	79	-	-	-	-	-	-	-	-	**135**
Disposals of treasury shares	-	-	-	(441)	(28.209)	-	-	-	-	28.650	**-**
Transfers between reserves	-	-	-	-	(11.288)	-	-	-	11.288	-	**-**
31 December 2015	**892.294**	**551.368**	**1.952.486**	**-**	**(749.737)**	**72.503**	**32.734**	**6.059**	**2.015**	**(36.849)**	**2.722.873**

Statement of Changes in Equity

for the year ended 31 December 2014

	Share capital (Note 34)	Share premium (Note 34)	Capital reduction reserve (Note 34)	Shares subject to interim orders (Note 34)	Accumulated losses (Note 36)	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Other reserves	Foreign currency translation reserve	Treasury shares (Note 34)	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
1 January 2014	**4.683.985**	**-**	**-**	**58.922**	**(2.327.159)**	**70.560**	**40.085**	**6.059**	**(8.119)**	**(65.499)**	**2.458.834**
Loss for the year	-	-	-	-	(254.571)	-	-	-	-	-	**(254.571)**
Other comprehensive (loss)/income after tax	-	-	-	-	(6.665)	4.388	(40.362)	-	(1.195)	-	**(43.834)**
Total comprehensive (loss)/income for the year	-	-	-	-	(261.236)	4.388	(40.362)	-	(1.195)	-	**(298.405)**
Bail-in of deposits and structured products	150	-	-	-	-	-	-	-	-	-	**150**
Issue of shares	416.667	583.333	-	-	-	-	-	-	-	-	**1.000.000**
Share capital issue costs	-	(32.044)	-	-	-	-	-	-	-	-	**(32.044)**
Reduction of nominal value of share capital	(4.280.140)	-	1.952.486	-	2.327.654	-	-	-	-	-	**-**
Shares subject to interim orders withdrawn/cancelled	58.625	-	-	(58.481)	-	-	-	-	-	-	**144**
Additional shares issued to Laiki Bank for 2013 acquisition	12.951	-	-	-	(12.951)	-	-	-	-	-	**-**
Transfer of realised profits on sale of property	-	-	-	-	411	(411)	-	-	-	-	**-**
31 December 2014	**892.238**	**551.289**	**1.952.486**	**441**	**(273.281)**	**74.537**	**(277)**	**6.059**	**(9.314)**	**(65.499)**	**3.128.679**

Statement of Cash Flows

for the year ended 31 December 2015

		2015	2014
	Note	**€000**	€000
Net cash flow from operating activities	39	**2.664.196**	1.275.890
Cash flows from investing activities			
Purchases of debt securities, treasury bills and equity securities		**(5.549)**	-
Proceeds on disposal/redemption of investments:			
- debt securities and treasury bills		**1.536.815**	1.045.820
- equity securities		**5.588**	88.541
Interest received from debt securities and treasury bills		**14.637**	42.147
Dividend income received		**25.674**	17.040
Cash consideration paid for increase in holding of/acquisition of subsidiaries		**(3.000)**	(520)
(Amounts paid)/proceeds on disposal of subsidiary companies and operations		**(3.445)**	98.860
Proceeds on disposal of joint ventures		**89.011**	-
Purchase of property and equipment		**(5.635)**	(2.074)
Proceeds on disposal of property and equipment and intangible assets		**147**	2.953
Purchase of intangible assets		**(7.424)**	(4.399)
Proceeds on disposal of investment properties and investment properties held for sale		**12.794**	454
Net cash flow from investing activities		**1.659.613**	1.288.822
Cash flows from financing activities			
Proceeds from the issue of shares		**135**	894.000
Share issue costs paid		**-**	(29.620)
Net repayment of funding from central banks		**(3.830.923)**	(2.672.504)
Interest on funding from central banks		**(78.187)**	(138.643)
Net cash flow used in financing activities		**(3.908.975)**	(1.946.767)
Net increase in cash and cash equivalents for the year		**414.834**	617.945
Cash and cash equivalents			
1 January		**1.486.608**	900.181
Foreign exchange adjustments		**987**	(31.518)
Net increase in cash and cash equivalents for the year		**414.834**	617.945
31 December	40	**1.902.429**	1.486.608

Details on the non-cash transactions are presented in Note 39.

1. Corporate information

Bank of Cyprus Public Company Ltd (the 'Company') is the holding company of the Bank of Cyprus Group (the 'Group'). The principal activities of the Company during the year continued to be the provision of banking, financial services and management and disposal of property.

The Company is a limited liability company incorporated in 1930 under the Cyprus Companies Law. The Company has a primary listing on the Cyprus Stock Exchange and a secondary listing on the Athens Exchange. It is also a public company for the purposes of the Cyprus Income Tax Laws.

Financial statements

The financial statements of Bank of Cyprus Public Company Ltd for the year ended 31 December 2015 were authorised for issue by a resolution of the Board of Directors on 31 March 2016.

2. Operating environment in Cyprus

Economic recovery started in the first quarter of 2015 and continued throughout the year at an accelerating pace. Thus real GDP rose as per the Cyprus Statistical Service by 2,7% in the fourth quarter when seasonally adjusted. For the year as a whole, real GDP increased by 1,6% compared with a decline of 2,5% the year before (Cyprus Statistical Service). Growth was mainly driven by tourism, business services and financial and insurance services on the supply side. On the expenditure side the driver of growth was mainly investments in buildings, metals and machinery, and transport equipment. Growth in the year was also supported by the depreciation of the euro and the drop in oil price.

The outlook for the medium term remains positive according to the European Commission and the International Monetary Fund. Real GDP is expected to grow by about 2% per annum in 2016-2017. Downside risks to the outlook relate to the high level of non-performing loans and to a worsening of the external environment. A deteriorating external environment would pose a risk for an open economy like Cyprus. This might include a worsening of conditions in Greece, a continuing downturn in Russia and further Rouble weakness, weaker growth in the euro area and in the UK or a worsening of credit conditions in world bond markets. Conversely, upside risks to the economic outlook relate to a longer period of low oil prices, improving conditions in Greece and an improvement in foreign investment climate.

In the labour market, unemployment reached a peak in the fourth quarter of 2013 at 16,6% seasonally adjusted and had been declining since that time (as per Eurostat). The unemployment rate in 2015 averaged 15,6% as per Eurostat and is expected to decline further in the medium term, to reach 13,3% by 2017 according to the European Commission.

Consumer prices declined each year from 2013 onwards dropping by 1,4% and 2,1% in 2014 and 2015 (Cyprus Statistical Service) respectively. Thus economic adjustment entailed both a decline in quantities and prices, which explains why nominal GDP declined at a faster pace than real GDP. However, this was part of internal devaluation which was one of the objectives of the economic adjustment programme. Falling consumer prices also reflect the decline in commodity prices and specifically oil. Consumer prices are expected to turn moderately higher in 2016 according to the European Commission.

In the area of public finances Cyprus has achieved considerable consolidation over the period of the programme. Per the Cyprus Statistical Service, the budget deficit has almost been eliminated dropping to near zero in 2014 from 5,7% of GDP in 2011. This constitutes an adjustment of over €1 billion in an economy which is a little more than €17 billion. Fiscal consolidation involved substantial spending cuts including wages and pensions. Interest payments were also reduced and the expenditures of ministries were capped. On the revenue side, the better than expected economic performance led to higher direct and indirect tax receipts and social security contributions. The budget is expected to swing into surplus in 2016-2017, albeit marginally, according to the European Commission.

The general government debt rose to 108,2% of GDP in 2014 as per Eurostat and rose only slightly in 2015 based on budget developments. Government debt is expected to drop to 94,6% of GDP by 2017 according to the European Commission. This will be on the back of the budgetary consolidation and the relatively favourable economic outlook. Gross debt will drop considerably lower when including an asset swap with the Central Bank of Cyprus. Discretionary deficit reducing measures are not anticipated in the medium term and further improvement in the fiscal balance will emanate from further improvements in economic activity.

2. Operating environment in Cyprus (continued)

The International Monetary Fund completed a ninth review of Cyprus' economic adjustment programme in January 2016 and approved the disbursement of €126 million bringing total disbursements under the adjustment programme to about €1 billion. Total disbursements from the European Stability Mechanism (ESM) amount to €6,3 billion to date, out of a total committed of €9 billion. That is, about 30% of the funding under the adjustment programme envelope remains unutilised. The eighth review of the European Commission has not been completed because a last prior action under the last review, has not been fulfilled.

In a statement issued by the Executive Board of the International Monetary Fund on 27 January 2016 following the completion of the ninth review, the performance of Cyprus under the programme was noted: 'Macroeconomic achievements under the Fund-supported programme have been favourable. Economic and fiscal outcomes are better than expected, non-performing loans have stabilised, and bank liquidity has continued to improve. However, with recent delays in implementing structural reforms, there is a need to re-energize reform implementation to protect confidence and longer-term growth. At the same time, public debt and non-performing loans need to be reduced from their current high levels. Accelerated workout of non-performing loans is critical to reviving lending and improving growth prospects. Following the recent passage of key legislation, the toolkit for debt restructuring is now largely in place. However, progress on the legal framework to facilitate securitisation of loans and transfer of property title deeds in non-legacy cases should be accelerated'.

The ESM Macroeconomic Adjustment Programme ends on 31 March 2016 and the government has decided to exit without a successor arrangement. The Eurogroup at its 7 March 2016 meeting commended the Cyprus authorities for the overall successful implementation of the programme and highlighted the need for further reform to strengthen the resilience of the Cyprus economy. Following this development, the IMF programme which formally ends on 14 May 2016, has been cancelled by the Republic of Cyprus.

Cyprus will remain under post-programme surveillance until at least 75% of the financial assistance received has been paid. Under the post-programme surveillance, the European Commission in liaison with the ECB will have regular review missions to analyse fiscal and financial developments and report semi-annual assessments which may recommend further measures when necessary.

In recognition of the progress achieved on the fiscal front and on economic recovery, as well as the adoption in April 2015, of a comprehensive reform framework for corporate and personal insolvency, the international credit rating agencies have upgraded the credit ratings for the Cypriot sovereign, paving the way for the sovereign to access the international capital markets. In May 2015 and in October 2015, the Cyprus Government issued a €1 billion bond maturing in year 2022, with a yield of 4,00% per annum and a €1 billion bond maturing in year 2025 with a yield of 4,25%.

2.1 The insolvency and foreclosure framework

The insolvency framework was enacted in May 2015 and as a result of this, the foreclosure law which was enacted by the Cypriot Parliament in September 2014 has also come into force.

The implementation of the foreclosure law will result in the following:
- An improvement in the Company's negotiating power with defaulted customers.
- A reduction in the recovery period in case of repossession of an asset from defaulted customers.
- A likely improvement in the Company's liquidity risk management as proceeds from an earlier repayment period and/or better repayment of loans should facilitate the Company's management of its assets and liabilities.

2. Operating environment in Cyprus (continued)

2.1 The insolvency and foreclosure framework (continued)

The main objectives of the insolvency framework are to modernise and increase the efficiency of liquidation and bankruptcy proceedings for individuals and companies and to create appropriate incentives for debt repayment, thereby contributing to the reduction of non-performing loans, while at the same time provide certain protections and benefits to debtors including the following:

- Protecting the primary residence of debtors based upon strict eligibility criteria.
- Providing for the economic rehabilitation of bankrupt individuals where possible.
- Providing incentives for the preservation and rehabilitation of companies.
- Introducing a new mechanism for the relief of individual debtors with no income or assets and low total debt.

In general, the Company views the new insolvency and foreclosure framework as a useful improvement that is likely to assist and enhance the current legal and operational framework.

3. Summary of accounting policies

3.1 Basis of preparation

The financial statements have been prepared on a historical cost basis, except for properties held for own use and investment properties, available-for-sale investments, derivative financial instruments and financial assets at fair value through profit or loss, that have been measured at fair value, non-current assets held for sale measured at fair value less costs to sell and stock of property measured at net realisable value where this is lower than cost. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

Presentation of financial statements

The financial statements are presented in Euro (€) and all amounts are rounded to the nearest thousand, except where otherwise indicated.

The Company presents its balance sheet broadly in order of liquidity. An analysis regarding expected recovery or settlement of financial assets and liabilities within twelve months after the balance sheet date and more than twelve months after the balance sheet date is presented in Note 42.

These are the financial statements of the holding company Bank of Cyprus Public Company Ltd and include branches of the Company in Greece and Romania.

Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

3.2 Changes in accounting policies and disclosures

The accounting policies adopted in preparing the financial statements of the Company are consistent with those adopted in preparing the consolidated financial statements of the Group, a summary of which is presented in Note 3 of the consolidated financial statements of the Group for the year ended 31 December 2015.

In addition the following policies are adopted:

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures are measured at cost less impairment.

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards and interpretations as explained in Note 3.2.1 below.

3. Summary of accounting policies (continued)

3.2 Changes in accounting policies and disclosures (continued)

3.2.1 New and amended standards and interpretations

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments were applied for the first time in 2015, they did not have a material impact on the annual financial statements of the Company. The nature and the impact of each new standard or amendment is described below:

IFRIC Interpretation 21: Levies
The Interpretations Committee was asked to consider how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. This Interpretation is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The special tax levy on deposits of credit institutions in Cyprus and immovable property tax are items falling under this interpretation, however there was no impact on the recognition of these in the financial statements for the year ended 31 December 2015.

Annual Improvements 2011-2013 Cycle
The International Accounting Standards Board (IASB) has issued the *Annual Improvements to IFRSs 2011–2013 Cycle*, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2015, with earlier adoption permitted from 1 July 2014.

IFRS 3 Business Combinations
The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:
- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3.
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself and thus this amendment is not relevant for the Company.

IFRS 13 Fair Value Measurement
The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Company does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property
The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e. property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Company has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the financial statements of the Company.

4. Significant judgements, estimates and assumptions

The preparation of the financial statements requires the Company's Board of Directors and management to make judgements, estimates and assumptions that can have a material impact on the amounts recognised in the financial statements and the accompanying disclosures, as well as the disclosures of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

4. Significant judgements, estimates and assumptions (continued)

The key assumptions concerning the future and other key sources of estimation of uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments may, however, change due to market changes or circumstances beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

4.1 Going concern

The management has made an assessment of the Company's and Group's ability to continue as a going concern.

The conditions that existed during year 2015 and the developments up to the date of approval of these financial statements that have been considered in management's going concern assessment include, amongst others, the macroeconomic environment in Cyprus as described in Note 2, and the following considerations.

4.1.1 Regulatory capital ratios

The Common Equity Tier 1 (CET1) ratio of the Group at 31 December 2015 stands at 14,0% (transitional) and on an individual basis at 14,2% (transitional).

The minimum CET1 ratio under the Capital Requirements Regulation (CRR) and the Capital Requirements Directive IV (CRD IV) was set by the CBC at 8% on a transitional basis (Pillar I capital requirement). The Group is also subject to additional capital requirements for risks which are not covered by the Pillar I capital requirements (Pillar II add-ons). The Pillar II CET1 capital requirement was determined by the ECB to be at 3,75%, resulting in a total minimum CET1 of 11,75%. The Group's capital position at 31 December 2015 exceeds its Pillar I and its Pillar II add-on capital requirements, providing a loss–absorbing buffer to the Group. However, the Group's Pillar II add-on capital requirements are a point-in-time assessment and therefore are subject to change over time.

4.1.2 Supervisory Review and Evaluation Process (SREP)

The European Central Bank (ECB), as part of its supervisory role under Council Regulation (EU) No 1024/2013, has conducted during 2015 its annual Supervisory Review and Evaluation Process and a number of onsite inspections. SREP is a holistic assessment of, amongst other things: the Group's business model, internal governance and institution-wide control arrangements, risks to capital and adequacy of capital to cover these risks and risks to liquidity and adequacy of liquidity resources to cover these risks. The objective of SREP is for the ECB to form an up-to-date supervisory view of the Group's risks and viability and to form the basis for supervisory measures and dialogue with the Group. An onsite inspection on credit quality was performed by the ECB with a reference date of 31 December 2014, and its scope included the review and assessment of the Group's non-performing and restructured but performing exposures.

In the context of the ongoing regulatory dialogue with the ECB regarding the SREP, the Company decided to proceed with certain amendments to the assumptions used in its provisioning methodology. In changing its provisioning assumptions, the Company has considered its strategy for managing problem loans, as well as other available evidence reflecting an increased level of conservatism within an acceptable range. These changes relate to extending the recovery periods and applying additional realisation discounts on the most stressed non performing portfolios, with both changes being a function of the Company's strategy for recovering delinquent exposures.

The ECB has notified the Group that it will participate in the SSM SREP stress test, which will be performed at the highest level of consolidation. The exercise will be based on the methodology of the European Banking Authority (EBA) EU-wide exercise, amended to duly respect the principle of proportionality. This will be facilitated by an extensive use of materiality thresholds. The exercise, which started in February of 2016, is expected to conclude early in the third quarter of 2016 and the results will be factored into the SSM's overall SREP assessment of the Group for 2016.

4. Significant judgements, estimates and assumptions (continued)

4.1 Going concern (continued)

4.1.3 Asset quality

The challenging macroeconomic environment in Cyprus is affecting the Group's asset quality. The Group's loans that are impaired as defined in Note 43 or past due for more than 90 days (90+ DPD) have decreased by 10% during 2015 and totalled €11.329 million at 31 December 2015, representing 50% of gross loans. The provisioning coverage ratio improved to 48% (compared to 41% at 31 December 2014), while taking into account tangible collateral at fair value, 90+ DPD loans are fully covered. The Group's non-performing exposures (NPEs) as defined by the European Banking Authority totalled €13.968 million at 31 December 2015 and accounted for 62% of gross loans. The provisioning coverage ratio of NPEs totalled 39% at 31 December 2015.

The Company's strategy is to address these challenges through the operation of independent, centralised and specialised restructuring and recovery units to manage large or distressed exposures. The Company's more effective interaction with borrowers and the improving fundamentals of the Cypriot economy, are playing a significant role in helping the Company to arrest and reverse the trend in problem loans.

The enactment of the foreclosure and insolvency framework (Note 2.1) and the law governing the sale of loans provide the Company with additional tools and power to address its asset quality challenges.

4.1.4 Liquidity

The Company currently has limited access to interbank and wholesale markets which, combined with a reduction in deposits in Cyprus in 2013, the deposit bail-in and the acquisition of certain operations of Cyprus Popular Bank Public Co Ltd (Laiki Bank) in March 2013 has resulted in increased reliance on Emergency Liquidity Assistance (ELA).

The Company is currently not in compliance with its regulatory liquidity requirements with respect to its operations in Cyprus. Additional information on liquidity and details on certain regulatory liquidity ratios are disclosed in Note 45.

The level of ELA funding at 31 December 2015 amounted to €3,8 billion (Note 30), down from €7,4 billion at 31 December 2014. As at 31 March 2016, the level of ELA funding has been further reduced by €500 million to €3,3 billion. The Company intends to continue with further ELA repayments, the pace of which will be dependent on the prevailing market conditions.

Following the recent restructuring of the Company's Covered Bond Programme and the notes issued by the Company which resulted in their rating being upgraded to Baa3 by Moody's Investors Service, the covered bond became eligible collateral for Eurosystem monetary operations. In October 2015, this eligibility provided access to ECB funding which was used for further ELA repayments. The Company also intends to resume issuing debt instruments in the capital markets as part of its funding strategy going forward, subject to market conditions and investor appetite.

Since the beginning of April 2015 no restrictive measures or capital controls are in place in Cyprus. On 31 January 2015, the Company released the last tranche of the twelve-month time deposits of approximately €300 million out of a total of €2,8 billion that were blocked as per the decrees relating to the recapitalisation of the Company completed in July 2013.

Despite the full abolition of capital controls in April 2015, customer deposits in Cyprus increased by €1.377 million during 2015, reaching €12.691 million at 31 December 2015 compared with €11.314 million at 31 December 2014. The Company also notes that given the significant reduction in ELA funding since the high of €11,4 billion in April 2013 and the fact that there was no significant release of assets pledged as collateral by the CBC, it is expected that the Company would be able to draw additional funding from the CBC, should the need arise.

4. Significant judgements, estimates and assumptions (continued)

4.1 Going concern (continued)

4.1.4 Liquidity (continued)

Cyprus has exited its economic adjustment programme in March 2016. The credit ratings of the Republic of Cyprus by the main credit rating agencies continue to be below investment grade, albeit on a rising trend. As a result, the ECB is no longer able to include Cypriot Government Bonds in its asset purchase programme, or as eligible collateral for Eurosystem monetary operations, as was the case when the waiver for collateral eligibility due to the country being under an economic adjustment programme existed. This disruption may lead to higher borrowing costs for the Group. In addition, any weakening of the commitment to fiscal discipline and reform in the future might add to market pressures. The Group has proactively reduced its dependence on Eurosystem monetary operations in anticipation of the above risk materialising. The above change, is however expected to materially reduce the available ECB buffer. This buffer represented the amount that could be drawn from the ECB, based on the collateral pledged.

Although the Company has received no specific guarantees, management expects that it will continue to have access to the central bank liquidity facilities, in line with applicable rules. In this respect, the House of Representatives of Cyprus approved on 27 January 2014 the issuance of additional government guarantees of up to €2,9 billion. The Company expects that it will be able to make use of these guarantees, subject to approval by the Ministry of Finance.

Furthermore, in November 2014 the maturity of the Company's existing €1 billion government guaranteed bonds was extended for a further three years, until November 2017. It is further noted that the Group's approved Restructuring Plan included ELA funding throughout the Plan period.

4.1.5 Pending litigation and claims

The management has also considered the impact of litigation, claims and investigations against the Company, which include the bail-in of depositors and the absorption of losses by the holders of equity and debt instruments of the Company. The Company has obtained legal advice in respect of these claims.

Despite the novelty of the said claims and the uncertainties inherent in a unique situation, on the information available at present and on the basis of the law as it currently stands, the management considers that the said claims seem unlikely to have a material adverse impact on the financial position and capital adequacy of the Company (Note 38).

4.1.6 Going concern assessment

The Group's management believes that the Group is taking all necessary measures to maintain its viability and the development of its business in the current economic environment.

The Group's management, taking into consideration the factors and uncertainties that existed at the reporting date as described above, is satisfied that the Group has the resources to continue in business for the foreseeable future and, therefore, the going concern principle is appropriate for the following reasons:

- The Group's CET1 ratio at 31 December 2015 stands at 14,0% (transitional), higher than the minimum required ratio of 11,75% relating to the Pillar II capital requirement.
- The liquidity position of the Company and the Group and the positive customer flows in Cyprus which continued during 2015.
- The sharp decrease of its reliance on ELA funding, which on 31 March 2016 stands at €3,3 billion, compared to €3,8 billion at 31 December 2015 and its peak level of €11,4 billion in April 2013. The intention of the Group is to resume issuing debt instruments in the capital markets as part of its funding strategy going forward, provided market conditions permit it.
- The improved ratings of both the Company (Fitch upgrade of Long-term Issuer Default Rating from 'CC' to 'CCC' in April 2015) and the Republic of Cyprus (Fitch upgrade by two notches to B+ with a positive outlook in October 2015, S&P's by one notch to BB- with a positive outlook in September 2015 and Moody's Investors Service by two notches to B1 with a stable outlook in November 2015). On 18 March 2016, S&P's affirmed its long and short-term ratings on the Republic of Cyprus with a positive outlook.

4. Significant judgements, estimates and assumptions (continued)

4.2 Provision for impairment of loans and advances to customers

The Company reviews its loans and advances to customers to assess whether a provision for impairment should be recorded in the income statement. In particular, management is required to estimate the amount and timing of future cash flows in order to determine the amount of provision required and the calculation of the impairment allowance involves the use of judgement. Such estimates are based on assumptions about a number of factors and therefore actual impairment losses may differ.

The carrying amount of the loan is reduced through the use of a provision account and the amount of the loss is recognised in the income statement. Loans together with the associated provisions are written off when there is no realistic prospect of future recovery. Partial write-offs, including non contractual write-offs, may also occur when it is considered that there is no realistic prospect for the recovery of the contractual cash flows. In addition, write-offs may reflect restructuring activity with customers who are subject to the terms of the agreement and satisfactory performance.

A very important factor for the estimation of provisions is the timing and net recoverable amount from foreclosure of collaterals which mainly comprise land and buildings. The Company may change certain estimates from period to period, however it is impracticable to estimate the effect of such individual estimates due to interdependencies between estimates and as the profile of the population of loans changes from period to period.

Assumptions have been made about the future changes in property values, as well as the timing for the realisation of the collateral and for taxes and expenses on the repossession and subsequent sale of the collateral. Indexation has been used to estimate updated market values of properties, while assumptions were made on the basis of a macroeconomic scenario for future changes in property values. The timing of recovery from real estate collaterals has been estimated to be on average 3 years, with the exception of specific cases where a different period has been used, based on specific facts and circumstances and for customers in Debt Recovery where a 6 year period has been used. In accordance with the Loan Impairment and Provisioning Directives of 2014 and 2015 of the CBC, the cumulative average future change in property values during the year has been capped to zero. On average, the realisable value of the collateral is estimated to be 10% lower than the projected open market value of the collateral.

Any changes in these assumptions or difference between assumptions made and actual results could result in significant changes in the amount of required provisions for impairment of loans and advances.

For individually significant assets, impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows are taken into account (for example, the business prospects for the customer, the realisable value of collateral, the Company's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process). The level of the impairment allowance is the difference between the value of the discounted expected future cash flows (discounted at the loan's original effective interest rate) and its carrying amount. Subjective judgements are made in the calculation of future cash flows. Furthermore, judgements change with time as new information becomes available or as work-out strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairment charge.

In addition to provisions for impairment on an individual basis, the Company also makes collective impairment provisions. The Company adopts a formulaic approach for collective provisions, which includes assigning probabilities of default and loss given default for portfolios of loans. This methodology is subject to estimation uncertainty, partly because it is not practicable to identify losses on an individual loan basis because of the large number of loans in each portfolio. In addition, the use of historical information for probabilities of default and loss rates is supplemented with significant management judgement to assess whether current economic and credit conditions are such that the actual level of incurred losses is likely to be greater or less than that suggested by historical experience.

4. Significant judgements, estimates and assumptions (continued)

4.2 Provision for impairment of loans and advances to customers (continued)

Impairment assessment also includes off-balance sheet credit exposures represented by guarantees given and by irrevocable commitments to disburse funds. Off-balance sheet credit exposures of the individually assessed assets require assumptions on the probability, timing and amount of cash outflows; otherwise the provision is calculated on a collective basis, taking into account the probability of loss for the portfolio in which the customer is included for on-balance sheet exposures impairment assessment. The Group may change certain estimates from period to period, however it is impracticable to estimate the effect of such individual estimates due to interdependencies between estimates and as the profile of the population of off-balance sheet exposure changes from period to period.

In normal circumstances, historical experience provides the most objective and relevant information from which to assess inherent loss within each portfolio. In certain circumstances, historical loss experience provides less relevant information about the incurred loss in a given portfolio at the reporting date, for example, where there have been changes in economic, regulatory or behavioural conditions such that the most recent trends in the portfolio risk factors are not fully reflected. In these circumstances, such risk factors are taken into account when calculating the appropriate levels of impairment allowances, by adjusting the provision for impairment derived solely from historical loss experience.

The total amount of the Company's provision for impairment of loans and advances is inherently uncertain because it is highly sensitive to changes in economic and credit conditions across a number of geographical areas. Economic and credit conditions within geographical areas are influenced by many factors with a high degree of interdependency so that there is no one single factor to which the Company's loan impairment provisions as a whole are particularly sensitive. Different factors are applied in each country to reflect the local economic conditions, laws and regulations and the assumptions underlying this judgement are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly. It is possible that the actual results within the next financial year could be different from the assumptions made, resulting in a material adjustment to the carrying amount of loans and advances.

Further details on impairment allowances and related credit information are set out in Note 43.

4.3 Fair value of investments and derivatives

The best evidence of fair value is a quoted price in an actively traded market. If the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employed by the Company use only observable market data and so the reliability of the fair value measurement is relatively high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant inputs that are not observable. Valuation techniques that rely on non-observable inputs require a higher level of management judgement to calculate a fair value than those based wholly on observable inputs.

Valuation techniques used to calculate fair values include comparisons with similar financial instruments for which market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants. Valuation techniques incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, exchange rates, volatilities and default rates. When valuing instruments by reference to comparable instruments, management takes into account the maturity, structure and rating of the instrument with which the position held is being compared.

The Company only uses models with unobservable inputs for the valuation of certain unquoted equity investments. In these cases, estimates are made to reflect uncertainties in fair values resulting from a lack of market data inputs, for example, as a result of illiquidity in the market. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available from which to determine the level at which an arm's length transaction would occur under normal business conditions. Unobservable inputs are determined based on the best information available.

Further details on the fair value of assets and liabilities are disclosed in Note 21.

4. Significant judgements, estimates and assumptions (continued)

4.4 Impairment of available-for-sale investments

Available-for-sale investments in equity securities are impaired when there has been a significant or prolonged decline in their fair value below cost. The determination of what is significant or prolonged requires judgement by management. Management has assessed that a loss of 25% or more is considered significant, except in the cases of investment companies where higher limits are set. Prolonged has been assessed by management to be a period of 12 months or more. The factors which are evaluated include the expected volatility in share prices. In addition, impairment may be appropriate when there is evidence that significant adverse changes have taken place in the technological, market, economic or legal environment in which the investee operates.

Available-for-sale investments in debt securities are impaired when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the investment and the event (or events) has an impact on the estimated future cash flows of the investment. Such impairment review takes into account a number of factors such as the financial condition of the issuer, any breach of contract, the probability that the issuer will enter bankruptcy or other financial reorganisation, which involves a high degree of judgement, as well as changes in the fair value of individual instruments such as when their fair value at the reporting date falls below 90% of the instruments' amortised cost.

Further details on impairment of available-for-sale investments are presented in Notes 13 and 19.

4.5 Reclassification of financial assets

The Company classifies financial assets into the following categories: at fair value through profit or loss, available-for-sale, held-to-maturity or loans and receivables. The appropriate classification of financial assets is determined at the time of initial recognition. In addition, under the amendments to IAS 39 and IFRS 7 'Reclassification of Financial Assets' which were approved by the IASB and endorsed by the EU in October 2008, it is permissible to reclassify certain financial assets out of the financial assets at fair value through profit or loss (trading assets) and the available-for-sale classifications into the loans and receivables classification. For assets to be reclassified, there must be a clear change in management intent with respect to the assets since initial recognition and the financial asset must meet the definition of a loan and receivable at the reclassification date. Additionally, there must be an intent and ability to hold the asset for the foreseeable future at the reclassification date. There is no ability for subsequent reclassification back to the trading or available-for-sale classifications.

Management judgement and assumptions are required to determine whether an active market exists in order for a financial asset to meet the definition of loans and receivables. Management judgement and assumptions are also required to estimate the fair value of the financial assets identified at the date of reclassification, which becomes the amortised cost base under the loans and receivables classification. The task facing management in both these matters can be particularly challenging in highly volatile and uncertain economic and financial market conditions. The change of intent to hold for the foreseeable future is another matter requiring management judgement. Financial assets proposed for reclassification need to be approved by the Assets and Liabilities Committee (ALCO) based on the facts and circumstances of each financial asset under consideration and after taking into account the ability and plausibility to execute the strategy to hold the asset.

In addition to the above, management judgement is also required to assert that the expected repayment of the asset exceeds the estimated fair value and the returns on the asset will be optimised by holding it for the foreseeable future.

Information on assets reclassified is presented in Note 19.

4. Significant judgements, estimates and assumptions (continued)

4.6 Retirement benefits

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, the expected rate of return on plan assets, future salary increases, mortality rates as well as future pension increases where necessary. The Company's management sets these assumptions based on market expectations at the reporting date using its best estimates for each parameter covering the period over which the obligations are to be settled. In determining the appropriate discount rate, management considers the yield curve of high quality corporate bonds. In determining other assumptions, a certain degree of judgement is required. Future salary increases are based on expected future inflation rates for the specific country plus a margin to reflect the best possible estimate relating to parameters such as productivity, workforce maturity and promotions. The expected return on plan assets is based on the composition of each fund's plan assets, estimating a different rate of return for each asset class. Estimates of future inflation rates on salaries and expected rates of return of plan assets represent management's best estimates for these variables. These estimates are derived after consultation with the Company's advisors, and involve a degree of judgement. Due to the long-term nature of these plans, such estimates are inherently uncertain.

Further details on retirement benefits are disclosed in Note 11.

4.7 Tax

The Company operates and is therefore subject to tax in various countries. Estimates are required in determining the provision for taxes at the reporting date. The Company recognises income tax liabilities for transactions and assessments whose tax treatment is uncertain. Where the final tax is different from the amounts initially recognised in the income statement, such differences will impact the income tax expense, the tax liabilities and deferred tax assets or liabilities of the period in which the final tax is agreed with the relevant tax authorities.

Deferred tax assets are recognised by the Company in respect of tax losses to the extent that it is probable that future taxable profits will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies. These variables have been established on the basis of significant management judgement and are subject to uncertainty. It is possible that the actual future events could be different from the assumptions made, resulting in a material adjustment to the carrying amount of deferred tax assets.

Further details on taxes are disclosed in Note 16.

4.8 Classification of property

The Company determines whether a property is classified as investment property or stock of property as follows:

- Investment property comprises land and buildings that are not occupied for use by, or in the operations of, the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. These buildings are substantially rented to tenants and not intended to be sold in the ordinary course of business.
- Stock of property comprises land and buildings held with an intention to be disposed of. This principally relates to repossessed properties and properties acquired through the acquisition of certain operations of Laiki Bank in 2013, which as a result of the formation of the Real Estate Management Unit by the Company in 2015, are being managed with an intention to be disposed of.

4. Significant judgements, estimates and assumptions (continued)

4.9 Fair value of properties held for own use and investment properties

The Company's accounting policy for property held for own use, as well as for investment property requires that it is measured at fair value. In the case of property held for own use, valuations are carried out periodically so that the carrying value is not materially different from the fair value, whereas in the case of investment properties, the valuation is performed at each reporting date. Valuations are carried out by qualified valuers by applying valuation models recommended by the International Valuation Standards Council.

Depending on the nature of the underlying asset and available market information, the determination of the fair value of property may require the use of estimates such as future cash flows from assets and discount rates applicable to those assets. All these estimates are based on local market conditions existing at the reporting date.

Since the acceleration of the economic crisis in Cyprus in 2010, transaction activity in both commercial and residential properties has recorded a significant decrease and according to local published indices, prices have declined by approximately 15% to 45% since 2011 (depending on the location and type of property). Forced sales activity is expected to accelerate as a result of pressures on the banks to enforce security on property collaterals. The high prevailing uncertainty over the economic developments in Cyprus in the financial and property sectors in particular, makes forecasts of the future developments in the real estate market extremely difficult.

In arriving at their estimates of the fair values of properties, the valuers used their market knowledge and professional judgement and did not rely solely on historical transactional comparables, taking into consideration that there is a greater degree of uncertainty than that which exists in a more active market.

Further information on inputs used is disclosed in Note 21.

4.10 Stock of property – estimation of net realisable value

Stock of property is measured at the lower of cost and net realisable value. The estimated sales price is determined with reference to the fair value of properties adjusted for any impact of specific circumstances on the sale process of each property. Depending on the value of the underlying asset and available market information, the determination of costs to sell may require professional judgement which involves a large degree of uncertainly due to the relatively low level of market activity.

Further information on the stock of property is presented in Note 27.

4.11 Provisions

Judgement is involved in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. Provisions for pending litigations, claims or regulatory matters require a higher degree of judgement than other types of provisions.

For a detailed description of the nature of uncertainties and assumptions and the effect on the amount and timing of pending litigation and claims refer to Note 38.

5. Interest income

	2015	2014
	€000	€000
Loans and advances to customers	**967.081**	1.140.841
Loans and advances to banks and central banks	**9.445**	37.399
Investments available-for-sale	**13.494**	16.184
Investments classified as loans and receivables	**88.455**	177.225
	1.078.475	1.371.649
Trading investments	**-**	1
Derivative financial instruments	**5.331**	10.966
Other investments at fair value through profit or loss	**739**	739
	1.084.545	1.383.355

Interest income from loans and advances to customers includes interest on the recoverable amount of impaired loans and advances amounting to €215.145 thousand (2014: €261.002 thousand).

6. Interest expense

	2015	2014
	€000	€000
Customer deposits	**140.724**	178.619
Funding from central banks and deposits by banks	**99.041**	156.505
Repurchase agreements	**7.583**	11.910
	247.348	347.034
Derivative financial instruments	**21.775**	27.023
	269.123	374.057

7. Fee and commission income and expense

Fee and commission income

	2015	2014
	€000	€000
Credit-related fees and commissions	**82.133**	78.974
Other banking commissions	**61.487**	62.392
Mutual funds and asset management fees	**1.534**	1.892
Other commissions	**125**	338
	145.279	143.596

Mutual funds and asset management fees include income of €1.534 thousand (2014: €1.860 thousand) relating to fiduciary and other similar activities.

Fee and commission expense

	2015	2014
	€000	€000
Banking commissions	**8.276**	7.719
Mutual funds and asset management fees	**184**	119
	8.460	7.838

8. Net foreign exchange gains/(losses)

Net foreign exchange gains/(losses) comprise the conversion of monetary assets in foreign currency at the reporting date, realised exchange gains/(losses) from transactions in foreign currency settled during the year and the revaluation of foreign exchange derivatives.

9. Net gains on financial instrument transactions and disposal of subsidiaries

	2015	2014 (represented)
	€000	€000
Trading portfolio:		
- equity securities	**179**	490
- debt securities	**14**	1
- derivative financial instruments	**(13.257)**	11.764
Other investments at fair value through profit or loss:		
- debt securities	**464**	1.717
Net gains/(losses) on disposal of available-for-sale investments:		
- equity securities	**1.060**	48.907
- debt securities	**(11)**	2.868
Net gains on disposal/repayment of loans and receivables:		
- debt securities	**49.513**	99.911
Realised gains on disposal of loans	**35**	11.444
Revaluation of financial instruments designated as fair value hedges:		
- hedging instruments	**9.354**	(11.897)
- hedged items	**(11.099)**	10.290
Loss on disposal of subsidiaries	**(25.612)**	(11.514)
Gain on disposal of joint ventures (Note 29)	**13.526**	-
	24.166	163.981

The gain on disposal of debt securities classified as loans and receivables in years 2014 and 2015 relates to the gain from the earlier than expected repayment of a Cyprus Government bond.

The gain on disposal of joint ventures relates mainly to the disposal of Marfin Diversified Strategy Fund Plc (MDSF) in April 2015. Further details are disclosed in Note 29.

Loss on disposal of subsidiaries in 2015 relates to the loss on disposal of the Company's subsidiaries relating to Russian operations disposed of (Note 49.2.1) and profit on disposal of Aphrodite group (Note 49.2.2). Loss on disposal of subsidiaries in 2014 relates to the loss on disposal of the Ukrainian subsidiaries and related assets (Note 49.3.1).

The realised gains on disposal of loans for 2014 primarily relate to the disposal of Serbian loans and to the disposal of the majority of a UK loan portfolio, both of which were acquired from Laiki Bank in 2013.

Additionally, the gain on disposal of available-for-sale equity securities in 2014 relates mainly to gains on the disposal of the investment in equity securities of the Romanian bank Banca Transilvania in April 2014.

10. Other income

	2015	2014
	€000	€000
Dividend income – third parties	**571**	190
Losses on sale and write-off of property and equipment and intangible assets	**(41)**	(2.055)
Rental income from investment properties	**595**	630
Other income	**10.021**	5.537
	11.146	4.302

11. Staff costs

	2015	2014
	€000	€000
Salaries	**159.769**	158.349
Employer's contributions to state social insurance and pension funds	**25.432**	23.669
Retirement benefit plan costs	**17.178**	21.511
	202.379	203.529
Restructuring costs – voluntary retirement schemes	**-**	315
	202.379	203.844

The number of persons employed by the Company as at 31 December 2015 was 4.045 (2014: 4.213).

Retirement benefit plan costs

In addition to the employer's contributions to state social insurance and pension funds, the Company operates plans for the provision of additional retirement benefits as described below:

	2015	2014
	€000	€000
Defined benefit plans	**91**	(288)
Defined contribution plans	**17.087**	21.799
	17.178	21.511

Cyprus

The main retirement plan for the Company's permanent employees in Cyprus (99% of total Company employees) is a defined contribution plan. This plan provided for employer contributions of 14% up until 31 May 2015 and 9% thereafter and employee contributions of 3%-10% of the employees' gross salaries. This plan is managed by a Committee appointed by the members.

A small number of employees who do not participate in the main retirement plan, are members of a pension scheme that is closed to new entrants and may receive part or all of their retirement benefit entitlement by way of a pension for life. This plan is managed by an Administrative Committee composed of representatives of both the members and the employer.

11. Staff costs (continued)

Retirement benefit plan costs (continued)

Greece
As part of the disposal of the Greek operations in 2013, the staff and the related obligations under the defined benefit plan in Greece were transferred to Piraeus Bank. All employees were entitled by law to compensation in case of dismissal or a lump sum payment upon normal retirement, at rates specified in the Greek legislation. All the benefits payable under this defined benefit plan were paid out of the Company's assets because this plan is unfunded.

United Kingdom
The Company has assumed in prior years the obligation of the defined benefit plan of its employees in the United Kingdom which was closed in December 2008 to future accrual of benefits for active members.

Romania
The Company does not operate any retirement benefit plans in Romania.

Analysis of the results of the actuarial valuations for the defined benefit plans

	2015	2014
Amounts recognised in the balance sheet	**€000**	€000
Liabilities (Note 33)	**12.559**	15.731
Assets (Note 28)	**(20)**	(42)
	12.539	15.689

One of the plans has a funded status surplus of €15.066 thousand (2014: €14.000 thousand) that is not recognised as an asset on the basis that the Company has no unconditional right to future economic benefits either via a refund or a reduction in future contributions.

The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the years are presented below:

11. Staff costs (continued)

Retirement benefit plan costs (continued)

Analysis of the results of the actuarial valuations for the defined benefit plans (continued)

	Present value of obligation	Fair value of plan assets	Net amount before impact of asset ceiling	Impact of minimum funding requirement / asset ceiling	Net defined benefit liability
	€000	€000	€000	€000	€000
1 January 2015	84.508	(82.740)	1.768	13.921	**15.689**
Current service cost	22	-	22	-	**22**
Gains on curtailment and settlement	(190)	-	(190)	-	**(190)**
Net interest expense/(income)	2.905	(2.646)	259	-	**259**
Total amount recognised in the income statement	2.737	(2.646)	91	-	**91**
Remeasurements:					
- Return on plan assets, excluding amounts included in net interest expense	-	2.292	2.292	-	**2.292**
- Actuarial gain from changes in financial assumptions	(3.600)	-	(3.600)	-	**(3.600)**
- Experience adjustments	(531)	-	(531)	-	**(531)**
- Change in asset ceiling	-	-	-	1.144	**1.144**
Total amount recognised in the OCI	(4.131)	2.292	(1.839)	1.144	**(695)**
Exchange differences	3.988	(3.037)	951	-	**951**
Contributions:					
- Employer	-	(3.497)	(3.497)	-	**(3.497)**
Benefits paid from the plans	(4.449)	4.449	-	-	**-**
31 December 2015	**82.653**	**(85.179)**	**(2.526)**	**15.065**	**12.539**

11. Staff costs (continued)

Retirement benefit plan costs (continued)

Analysis of the results of the actuarial valuations for the defined benefit plans (continued)

	Present value of obligation	Fair value of plan assets	Net amount before impact of asset ceiling	Impact of minimum funding requirement/ asset ceiling	Net defined benefit liability
	€000	€000	€000	€000	€000
1 January 2014	70.312	(75.772)	(5.460)	14.449	**8.989**
Current service cost	16	-	16	-	**16**
Gains on curtailment and settlement	(223)	-	(223)	-	**(223)**
Net interest expense/(income)	3.080	(3.161)	(81)	-	**(81)**
Total amount recognised in the income statement	2.873	(3.161)	(288)	-	**(288)**
Remeasurements:					
- Return on plan assets, excluding amounts included in net interest income	-	(4.672)	(4.672)	-	**(4.672)**
- Actuarial loss from changes in financial assumptions	11.832	-	11.832	-	**11.832**
- Experience adjustments	33	-	33	-	**33**
- Change in asset ceiling	-	-	-	(528)	**(528)**
Total amount recognised in the OCI	11.865	(4.672)	7.193	(528)	**6.665**
Exchange differences	3.669	(3.062)	607	-	**607**
Contributions:					
- Employer	-	(284)	(284)	-	**(284)**
Benefits paid from the plans	(4.211)	4.211	-	-	**-**
31 December 2014	**84.508**	**(82.740)**	**1.768**	**13.921**	**15.689**

11. Staff costs (continued)

Retirement benefit plan costs (continued)

Analysis of the results of the actuarial valuations for the defined benefit plans (continued)
The actual return on plan assets for year 2015 was a gain of €354 thousand (2014: gain of €7.833 thousand).

The assets of funded plans are generally held in separately administered trusts, either as specific assets or as a proportion of a general fund, or as insurance contracts. Plan assets held in trust are governed by local regulations and practice in each country.

Pension plan assets are invested in different asset classes in order to maintain a balance between risk and return. Investments are well diversified to limit the financial effect of the failure of any individual investment. Through its defined benefit plans, the Company is exposed to a number of risks as outlined below:

Interest rate risk	The Company is exposed to interest rate risk due to the mismatch of the duration of assets and liabilities.
Changes in bond yields	A decrease in corporate bond yields will increase the liabilities, although this will be partially offset by an increase in the value of bond holdings.
Inflation risk	The Company faces inflation risk, since the liabilities are either directly (through increases in pensions) or indirectly (through wage increases) exposed to inflation risks. Investments to ensure inflation-linked returns (i.e. real returns through investments such as equities, index-linked bonds and assets whose return increase with increasing inflation) could be used for better match with the expected increases in liabilities.
Asset volatility	The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, a deficit will be created.

The major categories of plan assets as a percentage of total plan assets are as follows:

	2015	2014
Equity securities	**42%**	41%
Debt securities	**46%**	42%
Loans and advances to banks	**12%**	17%
	100%	100%

The assets held by the funded plans include equity securities issued by the Company, the fair value of which is as at 31 December 2015 €2.407 thousand (2014: €3.577 thousand).

The Company expects to make contributions to defined benefit plans of €1.974 thousand during 2016.

At the end of the reporting period, the average duration of the defined benefit obligation was 18,5 years.

11. Staff costs (continued)

Retirement benefit plan costs (continued)

Principal actuarial assumptions used in the actuarial valuations

The present value of the defined benefit obligations of the retirement plans is estimated annually using the Projected Unit Credit Method of actuarial valuation, carried out by independent actuaries. The principal actuarial assumptions used for the valuations of the retirement plans of the Company during 2015 and 2014 are set out below:

2015	Cyprus	Greece	UK
Discount rate	2,32%	2,30%-2,80%	3,90%
Inflation rate	1,75%	1,75%	3,10%
Future salary increases	0% for 2016 and 2% thereafter	0% for 2016 and 2% thereafter	N/a
Rate of pension increase	0% for 2016 and 2% thereafter	N/a	3,05%
Life expectancy for pensioners at age 60	23,5 years M 29,6 years F	N/a	N/a
Life expectancy for pensioners at age 65	N/a	N/a	23,9 years M 25,4 years F

2014			
Discount rate	1,87%	1,83%-2,30%	3,70%
Inflation rate	1,75%	1,75%	3,10%
Future salary increases	0% for 2015-2016 and 3% thereafter	0% for 2015-2016 and 3% thereafter	N/a
Rate of pension increase	0% - 2%	N/a	3,00%
Life expectancy for pensioners at age 60	24,0 years M 30,1 years F	N/a	N/a
Life expectancy for pensioners at age 65	N/a	N/a	23,8 years M 25,3 years F

The discount rate used in the actuarial valuations reflects the rate at which liabilities could effectively be settled and is set by reference to market yields at the reporting date in high quality corporate bonds of suitable maturity and currency. For the Company's plans in the Eurozone (Cyprus and Greece) which comprise 18% of the defined benefit obligations, the Company adopted a full yield curve approach using AA- rated corporate bond data from the iBoxx Euro Corporates AA10+ index. For the Company's plan in the UK which comprises 82% of the defined benefit obligations, the Company adopted a full yield curve approach using the discount rate that has been set based on the yields on AA- rated corporate bonds with duration consistent with the scheme's liabilities. Under this approach, each future liability payment is discounted by a different discount rate that reflects its exact timing.

To develop the assumptions relating to the expected rates of return on plan assets, the Company, in consultation with its actuaries, uses forward-looking assumptions for each asset class reflecting market conditions and future expectations at the reporting date. Adjustments are made annually to the expected rate of return assumption based on revised expectations of future investment performance of asset classes, changes to local legislation that may affect investment strategy, as well as changes to the target strategic asset allocation.

A quantitative sensitivity analysis for significant assumptions as at 31 December 2015 and 31 December 2014 is presented below.

11. **Staff costs** (continued)

Retirement benefit plan costs (continued)

Principal actuarial assumptions used in the actuarial valuations (continued)

	2015		2014	
Variable	**Change +0,5%**	**Change -0,5%**	Change +0,5%	Change -0,5%
Discount rate	**-9,1%**	**9,7%**	-9,0%	9,7%
Inflation growth rate	**6,5%**	**-6,1%**	6,3%	-5,9%
Salary growth rate	**0%**	**0%**	0%	0%
Pension growth rate	**0,9%**	**-0,9%**	1,1%	-1,0%
	Plus 1 year	**Minus 1 year**	Plus 1 year	Minus 1 year
Life expectancy	**-1,4%**	**1,8%**	-1,5%	1,9%

The above sensitivity analysis (with the exception of the inflation sensitivity) is based on a change in one assumption while holding all other assumptions constant. In practice this is unlikely to occur and some changes of the assumptions may be correlated. The inflation sensitivity above includes changes to any inflation-linked benefit increases. When calculating the sensitivity of the defined benefit obligation to significant assumptions, the same method has been applied as when calculating the pension liability recognised on the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous periods.

12. **Other operating expenses**

	2015	2014
	€000	€000
Repairs and maintenance of property and equipment	**19.361**	16.206
Other property-related costs	**14.851**	11.761
Operating lease rentals for property and equipment	**10.199**	12.739
Special tax levy on deposits of credit institutions in Cyprus	**17.347**	19.220
Consultancy and other professional services fees	**14.643**	17.598
Insurance expenses	**14.603**	14.122
Advertising and marketing	**11.778**	12.231
Depreciation of property and equipment (Note 25)	**8.237**	9.116
Amortisation of intangible assets (Note 26)	**5.756**	5.756
Communication expenses	**7.237**	9.425
Provisions and settlements of litigations or claims (Note 33)	**7.316**	6.260
Printing and stationery	**3.445**	4.257
Local cash transfer expenses	**2.749**	2.457
Contribution to depositor protection scheme	**-**	1
Other operating expenses	**13.436**	19.786
	150.958	160.935
Advisory and other restructuring costs	**43.130**	35.805
	194.088	196.740

12. **Other operating expenses** (continued)

Restructuring costs comprise mainly costs of external advisors in relation to disposal of operations as well as fees for customer loan restructuring activities which are not part of the effective interest rate and other expenses, including property transfer fees relating to the restructuring process and costs incurred in closing down branches.

Consultancy and other professional services fees include fees (including taxes) to the independent auditors of the Company, for audit and other professional services provided both in Cyprus and overseas, as follows:

	2015	2014
	€000	€000
Audit of the financial statements of the Company	**1.173**	921
Other audit-related services	**1.850**	130
Tax services	**370**	245
Other services	**331**	1.270
	3.724	2.566

13. **Impairment of financial instruments and gain on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans**

	2015	2014
	€000	€000
Gain on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans	**(305.089)**	(47.338)

Net provisions for impairment of loans and advances to customers and other customer credit losses		
Loans and advances to customers (Note 43)	**1.271.030**	642.697
Financial guarantees and commitments (Note 33)	**(41.403)**	85.751
	1.229.627	728.448

Net impairment of other financial instruments		
Available-for-sale equity securities	**1.291**	7.032
Available-for-sale mutual funds	**1.206**	-
Loans and receivables debt securities	**(169)**	-
Impairment of balances with Group companies (Note 23)	**27.039**	198.066
Loans and advances to banks (Note 43)	**19.604**	18.940
Other receivables	**20.070**	29.101
	69.041	253.139

13. Impairment of financial instruments and gain on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans (continued)

The gain on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans arose on settlement of loans acquired in 2013 through the acquisition of certain operations of Laiki Bank, at an amount which is higher than their carrying amount on settlement date and on changes in expectations of future cash flows on acquired loans compared to the initial expectations.

14. Impairment of non-financial instruments

	2015	2014
	€000	€000
Stock of property (Note 27)	**9.709**	-
Property held for own use (Note 25)	**288**	1.460
Investment in associate	**-**	7.753
Remeasurement of investment in joint venture held for sale at fair value less costs to sell (Note 29)	**-**	20.491
Investments in subsidiaries (Note 48)	**30.455**	141.426
Remeasurement of investments in subsidiaries held for sale at fair value less costs to sell (Note 29)	**-**	81.000
	40.452	252.130

15. Discontinued operations

	2015	2014
	€000	€000
Reversal of other operating expenses and profit after tax	**-**	36.000

Reversal of other operating expenses relates to a reversal of a legal provision and further details are disclosed in Note 38.

16. Income tax

	2015	2014
	€000	€000
Current tax:		
- Cyprus	**1.565**	-
- overseas	**-**	1.000
Cyprus special defence contribution	**11**	4
Deferred tax	**687**	(647)
Prior year tax adjustments	**2.009**	-
	4.272	357

16. Income tax (continued)

The reconciliation between the income tax expense and the loss before tax as estimated using the current income tax rates is set out below:

	2015	2014
	€000	€000
Loss before tax from continuing operations	(433.382)	(290.214)
Income tax at the normal tax rates in Cyprus	(54.162)	(36.273)
Income tax effect of:		
- expenses not deductible for income tax purposes	18.823	45.898
- income not subject to income tax	(15.177)	(16.970)
- differences between overseas income tax rates and Cyprus income tax rates	2.187	(18.279)
- losses on which deferred tax is not recognised	50.592	25.981
	2.263	357
Prior years' income tax adjustments	2.009	-
	4.272	357

The loss on disposal of the Russian subsidiaries and Aphrodite group in 2015 and the Ukrainian subsidiaries in 2014 is included in 'Net gains on financial instrument transactions and disposal of subsidiaries' and is partially income tax deductible.

Corporation tax in Cyprus is calculated at the rate of 12,5% on taxable income (2014: 12,5%).

Special defence contribution is payable on rental income at a rate of 3% (2014: 3%) and on interest income from activities outside the ordinary course of business at a rate of 30% (2014: 30%).

The Company's profits from overseas operations are taxed at the rates prevailing in the respective countries, which for 2015 were: Greece 29% (2014: 26%) and Romania 16% (2014: 16%).

The Company is subject to income taxes in the various jurisdictions it operates and the calculation of the Company's income tax charge and provisions for income tax necessarily involves a degree of estimation and judgement. There are transactions and calculations for which the ultimate income tax treatment is uncertain and cannot be determined until resolution has been reached with the relevant tax authority. The Company has a number of open income tax returns with various income tax authorities and liabilities relating to these open and judgemental matters, which are based on estimates of whether additional income taxes will be due. In case the final income tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

16. Income tax (continued)

The accumulated income tax losses are presented in the table below:

	Total income tax losses	Income tax losses for which a deferred tax asset was recognised	Income tax losses for which no deferred tax asset was recognised
31 December 2015	**€000**	**€000**	**€000**
Expiring within 4 years	**4.293.207**	**295.584**	**3.997.623**
Expiring between 5 and 10 years	**400.992**	**-**	**400.992**
Expiring between 11 and 15 years	**7.378.801**	**3.336.000**	**4.042.801**
	12.073.000	**3.631.584**	**8.441.416**
31 December 2014			
Expiring within 4 years	4.139.002	297.148	3.841.854
Expiring between 5 and 10 years	196.066	-	196.066
Expiring between 11 and 15 years	7.378.801	3.336.000	4.042.801
	11.713.869	3.633.148	8.080.721

The majority of the deferred tax asset relates to the Laiki Bank income tax losses transferred to the Company as a result of the acquisition on 29 March 2013. The income tax losses were transferred under 'The Resolution of Credit and Other Institutions Law' which states that any accumulated losses of the transferring credit institution at the time of the transfer, are transferred to the acquiring credit institution and may be used by it for a period of up to 15 years from the end of the year during which the transfer took place. In the case of the Company's acquisition of Laiki Bank, these losses can be utilised up to 2028. The income tax losses transferred are still subject to review and agreement with the income tax authorities in Cyprus. The deferred tax asset recognised on these specific losses can be set off against the future profits of the Company by 2028 at an income tax rate of 12,5%.

Recognition of deferred tax assets on unutilised income tax losses is supported by management's business forecasts, taking into account available information and making various assumptions on future growth rates of customer loans, deposits, funding evolution, loan impairment and pricing, and considering the recoverability of the deferred tax assets within their expiry period.

The Company performed its regular assessment regarding the recoverability of its deferred tax asset as at 31 December 2015, taking into account the actual results for the year ended 31 December 2015, the declining trend of loans that are impaired or past due for more than 90 days, the improved funding structure with the loans to deposits ratio of 121%, the significant inflow of deposits and the decrease of ELA funding.

Taking into consideration the Company's actual performance, the key objectives of the Company's strategy, as well as the macroeconomic environment in Cyprus as described in Note 2, Management prepared analytical financial projections up to the end of 2018 and used these to roll out assumptions thereafter until year 2028. The key assumptions, amongst others, include the following:

- New loan originations and repayments.
- Loan and deposit interest income/expense evolution.
- Funding structure and associated cost.
- Diversified income streams.
- Level of operating expenses, including programme of staff exits.
- Level of loans that are impaired or past due for more than 90 days, (new defaults, curing, cost of risk).

16. **Income tax** (continued)

The financial projections have taken into account the key objectives of the Company's strategy which are set out below:

- Materially reduce the level of delinquent loans.
- Normalise the funding structure and fully repay the ELA.
- Focus on the core markets in Cyprus by providing credit to promising sectors and exit from non-core markets.
- Achieve a lean operating model.
- Maintain an appropriate capital position by internally generating capital through profitability, deleveraging and disposing of non-core assets.
- Deliver value to shareholders and other stakeholders.

Based on the above, Management has concluded that the deferred tax asset of €456.479 thousand for the Company as at 31 December 2015 is recoverable.

No significant income tax losses of prior years were utilised during 2015 and 2014.

The income tax losses relate to the same jurisdiction to which the deferred tax asset relates.

Deferred tax

The net deferred tax asset arises from:

	2015	2014
	€000	€000
Difference between capital allowances and depreciation	**6.518**	5.831
Property revaluation	**13.350**	17.388
Unutilised income tax losses carried forward	**(453.948)**	(453.948)
Other temporary differences	**(2.531)**	(2.531)
Net deferred tax asset	**(436.611)**	(433.260)

Deferred tax asset	**(456.479)**	(456.479)
Deferred tax liability	**19.868**	23.219
Net deferred tax asset	**(436.611)**	(433.260)

The deferred tax asset relates to operations in Cyprus.

The movement of the net deferred tax asset is set out below:

	2015	2014
	€000	€000
1 January	**(433.260)**	(434.496)
Deferred tax recognised in the income statement	**687**	(647)
Deferred tax recognised in the statement of comprehensive income	**(4.038)**	1.883
31 December	**(436.611)**	(433.260)

The Company offsets income tax assets and liabilities if and only if, it has a legally enforceable right to set off current income tax assets and current income tax liabilities.

16. Income tax (continued)

Deferred tax (continued)

The analysis of the net deferred tax expense/(income) recognised in the income statement is set out below:

	2015	2014
	€000	€000
Difference between capital allowances and depreciation	**687**	(647)

The analysis of the net deferred tax recognised in the statement of comprehensive income is set out below:

	2015	2014
	€000	€000
Timing differences on property revaluation (income)/expense	**(4.038)**	1.883

17. Earnings per share

	2015	2014
Basic and diluted losses per share		
Loss for the year (€ thousand)	**(437.654)**	(254.571)
Weighted average number of shares in issue during the year, excluding treasury shares (thousand)	**8.922.923**	5.941.934
Basic and diluted losses per share (€ cent)	**(4,9)**	(4,3)

Basic and diluted losses per share – continuing operations		
Loss after tax – continuing operations (€ thousand)	**(437.654)**	(290.571)
Weighted average number of shares in issue during the year, excluding treasury shares (thousand)	**8.922.923**	5.941.934
Basic and diluted losses per share – continuing operations (€ cent)	**(4,9)**	(4,9)

Basic and diluted earnings per share – discontinued operations		
Profit after tax – discontinued operations (€ thousand)	**-**	36.000
Weighted average number of shares in issue during the year, excluding treasury shares (thousand)	**8.922.923**	5.941.934
Basic and diluted earnings per share – discontinued operations (€ cent)	**-**	0,6

18. Cash, balances with central banks and loans and advances to banks

	2015	2014
	€000	€000
Cash	**153.742**	184.435
Balances with central banks	**957.612**	483.857
Cash and balances with central banks	**1.111.354**	668.292

Loans and advances to banks	**1.112.337**	1.462.824

Balances with central banks include obligatory deposits for liquidity purposes which amount to €122.347 thousand (2014: €483.857 thousand).

The analysis of balances with central banks and loans and advances to banks by independent credit rating agencies is set out in Note 43.

Loans and advances to banks earn interest based on the interbank rate of the relevant term and currency.

19. Investments

	2015	2014
	€000	€000
Investments		
Investments at fair value through profit or loss	**19.727**	19.168
Investments available-for-sale	**55.969**	28.820
Investments classified as loans and receivables	**436.935**	1.783.309
	512.631	1.831.297

The amounts pledged as collateral under repurchase agreements with banks are shown below:

	2015	2014
	€000	€000
Investments pledged as collateral		
Investments available-for-sale	**421.032**	669.786

All investments pledged as collateral under repurchase agreements can be sold or repledged by the counterparty.

Investments at fair value through profit or loss

	Trading investments		Other investments at fair value through profit or loss		Total	
	2015	2014	**2015**	2014	**2015**	2014
	€000	€000	**€000**	€000	**€000**	€000
Debt securities	**-**	-	**17.430**	16.979	**17.430**	16.979
Equity securities	**2.297**	2.189	**-**	-	**2.297**	2.189
	2.297	2.189	**17.430**	16.979	**19.727**	19.168
Debt securities						
Cyprus government	**-**	-	**17.430**	16.979	**17.430**	16.979
Listed on the Cyprus Stock Exchange	**-**	-	**17.430**	16.979	**17.430**	16.979
Equity securities						
Listed on the Cyprus Stock Exchange	**2.297**	2.189	**-**	-	**2.297**	2.189

The debt securities classified as other investments at fair value through profit or loss were originally classified as such, to eliminate an accounting mismatch with derivatives used to economically hedge these instruments.

19. **Investments** (continued)

Investments available-for-sale

	2015	2014
	€000	€000
Debt securities	**437.402**	684.552
Equity securities	**39.258**	12.727
Mutual funds	**341**	1.327
	477.001	698.606

Debt securities		
Cyprus government	**4.437**	-
French government	**290.205**	489.606
Other governments	**130.832**	174.056
Banks and other corporations	**11.928**	20.890
	437.402	684.552
Listed on the Cyprus Stock Exchange	**4.437**	59
Listed on other stock exchanges	**432.965**	684.493
	437.402	684.552
Geographic dispersion by country of issuer		
Cyprus	**4.437**	59
France	**290.205**	489.606
Germany	**45.686**	46.187
Italy	**23.234**	53.572
United Kingdom	**-**	6.191
Other European countries	**61.912**	74.297
European Financial Stability Facility and European Investment Fund	**11.928**	14.640
	437.402	684.552

Equity securities		
Listed on the Cyprus Stock Exchange	**4.663**	11.166
Listed on other stock exchanges	**271**	1.472
Unlisted	**34.324**	89
	39.258	12.727

At 31 December 2015 and 31 December 2014 there were no available-for-sale investments in debt securities which have been determined to be individually impaired.

Available-for-sale mutual funds are unlisted and issued in other countries.

19. **Investments** (continued)

Investments classified as loans and receivables

	2015	2014
	€000	€000
Debt securities	**436.935**	1.783.309
Cyprus government	**436.935**	1.782.998
Banks and other corporations	**-**	311
	436.935	1.783.309
Listed on the Cyprus Stock Exchange	**436.935**	1.783.309
Geographic dispersion by country of issuer		
Cyprus	**436.935**	1.783.309

Loans and receivables at 31 December 2015 include €21.451 thousand (2014: €169.365 thousand) of debt securities which have been determined to be individually impaired.

Reclassification of investments

Reclassification of trading investments to loans and receivables
On 1 April 2010, in light of the crisis prevailing in global markets, the Company identified the investments which it had no intention to trade or sell in the foreseeable future. These investments in debt securities were reclassified from trading investments to loans and receivables.

Reclassification of available-for-sale investments to loans and receivables
On 1 October 2008 and 30 June 2011 the Company reclassified certain available-for-sale debt securities to investments classified as loans and receivables, in view of the fact that there was no active market for these debt securities and the Company had the intention and ability to hold these securities in the foreseeable future.

Reclassification of held–to-maturity investments to available-for-sale investments
On 1 November 2012, the Company reassessed its policies in respect of the management of its investment portfolio in view of its efforts to strengthen its liquidity and capital adequacy ratios and decided to reclassify all debt securities previously classified as held-to-maturity to investments available-for-sale, in order to be able to sell these securities as and when required. As a result, in accordance with the Company's accounting policies and IFRSs, the Company was not allowed to classify any investments as held-to-maturity until November 2014.

19. Investments (continued)

Reclassification of investments (continued)

The table below presents the debt securities reclassified by the Company, by date of reclassification.

	Reclassification date	Carrying and fair value on reclassification date	31 December 2015		31 December 2014		Year 2015		Effective interest rate on reclassification date
			Carrying value	Fair value	Carrying value	Fair value	Additional profit in the income statement had the debt securities not been reclassified	Additional gain/(loss) in other comprehensive income had the debt securities not been reclassified	
		€000	€000	€000	€000	€000	€000	€000	
Reclassification of trading investments to:									
- loans and receivables	1 April 2010	34.810	35.255	35.227	36.722	35.056	171	-	1,2%-4,4%
Reclassification of available-for-sale investments to:									
- loans and receivables	1 October 2008	129.497	119.683	126.913	120.235	120.289	-	7.230	4,6%-4,7%
- loans and receivables	30 June 2011	151.967	90.600	87.327	92.613	84.046	-	(3.273)	2,8%-6,3%
Reclassification of held-to-maturity investments to:									
- available-for-sale	1 November 2012	42.151	41.763	41.763	43.358	43.358	-	-	0,4%-3,1%

19. **Investments** (continued)

Reclassification of investments (continued)

The table below presents the debt securities reclassified by the Company, by date of reclassification.

	Reclassification date	Carrying and fair value on reclassification date	31 December 2014		31 December 2013		Year 2014		Effective interest rate on reclassification date
			Carrying value	Fair value	Carrying value	Fair value	Additional profit in the income statement had the debt securities not been reclassified	Additional gain/(loss) in other comprehensive income had the debt securities not been reclassified	
		€000	€000	€000	€000	€000	€000	€000	
Reclassification of trading investments to:									
- loans and receivables	1 April 2010	34.810	36.722	35.056	38.059	32.204	2.852	-	1,2%-4,4%
Reclassification of available-for-sale investments to:									
- loans and receivables	1 October 2008	154.248	156.566	156.728	156.283	136.809	-	162	4,6%-4,7%
- loans and receivables	30 June 2011	155.249	174.785	165.977	176.586	149.088	-	(8.808)	2,8%-6,3%
Reclassification of held-to-maturity investments to:									
- available-for-sale	1 November 2012	72.794	73.813	73.813	75.160	75.160	-	-	0,4%-3,1%

20. Derivative financial instruments

The contract amount and fair value of the derivative financial instruments is set out below:

	2015			2014		
	Contract amount	**Fair value**		Contract amount	Fair value	
		Assets	**Liabilities**		Assets	Liabilities
	€000	**€000**	**€000**	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	**208.729**	**1.112**	**5.666**	108.595	18.923	433
Currency swaps	**1.484.763**	**12.235**	**5.729**	1.269.498	22.623	6.990
Interest rate swaps	**34.511**	**141**	**2.305**	205.661	11.930	3.773
Currency options	**175**	**8**	**167**	995	76	919
Equity options	**1.515**	**477**	**441**	3.113	580	346
Interest rate caps/floors	**6.562**	**-**	**53**	10.388	-	153
GDP warrant securities	**-**	**-**	**-**	1	4	-
	1.736.255	**13.973**	**14.361**	1.598.251	54.136	12.614
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	**425.900**	**45**	**39.570**	674.883	-	59.147
Net investments – forward exchange rate contracts	**33.386**	**4**	**477**	60.616	8.449	-
	459.286	**49**	**40.047**	735.499	8.449	59.147
Total	**2.195.541**	**14.022**	**54.408**	2.333.750	62.585	71.761

The use of derivatives is an integral part of the Company's activities. Derivatives are used to manage the Company's own exposure to fluctuations in interest rates, exchange rates and equity price indices. Derivatives are also sold to customers as risk management products.

Forward exchange rate contracts are irrevocable agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate.

Currency swaps include simple currency swaps and cross-currency swaps. Simple currency swaps involve the exchange of two currencies at the current market rate and the commitment to re-exchange them at a specified rate upon maturity of the swap. Cross-currency swaps are interest rate swaps in which the cash flows are in different currencies.

Interest rate swaps are contractual agreements between two parties to exchange fixed rate and floating rate interest, by means of periodic payments, based upon a notional principal amount and the interest rates defined in the contract.

Currency options are contracts that grant the holder the right, but not the obligation, to buy or sell currency at a specified exchange rate during a specified period of time.

20. Derivative financial instruments (continued)

Interest rate, currency and equity options provide the buyer with the right but not the obligation, to either purchase or sell the underlying values at a specified price or level on or before a specified date.

Interest rate caps/floors protect the holder from fluctuations of interest rates above or below a specified interest rate for a specified period of time.

The credit exposure of derivative financial instruments represents the cost to replace these contracts at the reporting date. The exposure arising from these transactions is managed as part of the Company's credit risk management process for credit facilities granted to customers and financial institutions.

The contract amount of certain types of derivative financial instruments provides a basis for comparison with other instruments recognised on the balance sheet, but does not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, consequently, does not indicate the Company's exposure to credit or market risk.

The fair value of the derivatives can be either positive (asset) or negative (liability) as a result of fluctuations in market interest rates, foreign exchange rates or equity price indices, in accordance with the terms of the relevant contract. The aggregate net fair value of derivatives may fluctuate significantly over time.

Hedge accounting

The Company applies fair value hedge accounting using derivatives when the required criteria for hedge accounting are met. The Company also uses derivatives for economic hedging (hedging the changes in interest rates, exchange rates or other risks) which do not meet the criteria for hedge accounting. As a result, these derivatives are accounted for as trading derivatives and the gains or losses arising from revaluation are recognised in the income statement.

Changes in the fair value of derivatives designated as fair value hedges and the fair value of the item in relation to the risk being hedged are recognised in the income statement.

Fair value hedges
The Company uses interest rate swaps to hedge the interest rate risk arising as a result of the possible adverse movement in the fair value of fixed rate available-for-sale debt securities and fixed rate customer loans and deposits.

Hedges of net investments
The Company's balance sheet is affected by foreign exchange differences between the Euro and all non-Euro functional currencies of overseas branches. The Company hedges its structural currency risk when it considers that the cost of such hedging is within an acceptable range (in relation to the underlying risk). This hedging is effected by financing with borrowings in the same currency as the functional currency of the overseas branches and forward exchange rate contracts.

As at 31 December 2015, deposits and forward exchange rate contracts amounting to €178.101 thousand and €33.386 thousand respectively (2014: €249.967 thousand and €60.616 thousand respectively) have been designated as hedging instruments.

21. Fair value measurement

The following table presents the carrying value and fair value of the Company's financial assets and liabilities.

	2015		2014	
	Carrying value	**Fair value**	Carrying value	Fair value
	€000	**€000**	€000	€000
Financial assets				
Cash and balances with central banks	**1.111.354**	**1.111.354**	668.292	668.292
Loans and advances to banks	**1.112.337**	**1.102.191**	1.462.824	1.438.851
Investments at fair value through profit or loss	**19.727**	**19.727**	19.168	19.168
Investments available-for-sale	**477.001**	**477.001**	698.606	698.606
Investments classified as loans and receivables	**436.935**	**445.521**	1.783.309	1.861.909
Derivative financial assets	**14.022**	**14.022**	62.585	62.585
Loans and advances to customers	**16.005.878**	**16.999.781**	17.329.208	17.542.999
Balances with Group companies	**735.579**	**735.579**	809.959	809.959
Financial assets held for sale	**-**	**-**	39.010	39.010
Other assets	**145.977**	**145.977**	168.690	168.690
	20.058.810	**21.051.153**	23.041.651	23.310.069
Financial liabilities				
Obligations to central banks and deposits by banks	**4.690.710**	**4.690.710**	8.443.538	8.443.538
Repurchase agreements	**368.151**	**406.014**	579.682	592.113
Derivative financial liabilities	**54.408**	**54.408**	71.761	71.761
Customer deposits	**12.694.130**	**12.700.673**	11.329.157	11.305.971
Balances with Group companies	**568.486**	**568.486**	550.683	550.683
Debt securities in issue	**712**	**712**	693	693
Other liabilities	**106.788**	**106.788**	136.919	136.919
	18.483.385	**18.527.791**	21.112.433	21.101.678

The fair value of financial assets and liabilities in the above table is as at the reporting date and does not represent any expectations about their future value.

The Company uses the following hierarchy for determining and disclosing fair value:

Level 1: investments valued using quoted prices in active markets.

Level 2: investments valued using models for which all inputs that have a significant effect on fair value are market observable.

Level 3: investments valued using models for which inputs that have a significant effect on fair value are not based on observable market data.

The following is a description of the determination of fair value for financial instruments and non-financial assets which are recorded at fair value on a recurring and on a non-recurring basis and for financial instruments and non-financial assets which are not measured at fair value but for which fair value is disclosed, using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

21. Fair value measurement (continued)

Derivative financial instruments
Derivative financial instruments valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps, currency rate options, forward foreign exchange rate contracts, equity options and interest rate collars. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Credit Valuation adjustments and Debit Valuation adjustments
The Credit Valuation adjustments (CVA) and Debit Valuation adjustments (DVA) are incorporated into derivative valuations to reflect the impact on fair value of counterparty risk and the Company's own credit quality respectively.

The Company calculates the CVA by applying the probability of default (PD) of the counterparty, conditional on the non-default of the Company, to the Company's expected positive exposure to the counterparty and multiplying the result by the loss expected in the event of default. Conversely, the Company calculates the DVA by applying its own PD, conditional on the non-default of the counterparty, to the expected positive exposure of the counterparty to the Company and multiplying the result by the loss expected in the event of default. Both calculations are performed over the life of the potential exposure.

The expected exposure of derivatives is calculated as per the CRR and takes into account the netting agreements where they exist. A standard loss given default (LGD) assumption in line with industry norms is adopted. Alternative LGD assumptions may be adopted when both the nature of the exposure and the available data support this.

The Company does not hold any significant derivative instruments which are valued using a valuation technique with significant non-market observable inputs.

Investments available-for-sale and other investments at fair value through profit or loss
Available-for-sale investments and investments at fair value through profit or loss which are valued using a valuation technique or pricing models, primarily consist of unquoted equity securities and debt securities. These assets are valued using valuation models which sometimes only incorporate market observable data and at other times use both observable and non-observable data.

Loans and advances to customers
The fair value of loans and advances to customers is based on the present value of expected future cash flows. Future cash flows have been based on the future expected loss rate per loan portfolio, taking into account expectations for the credit quality of the borrowers. The discount rate includes components that capture the funding cost and the cost of capital.

Customer deposits
The fair value of customer deposits is determined by calculating the present value of future cash flows. The discount rate takes into account current market rates and the credit profile of the Company. The fair values of deposits repayable on demand and deposits protected by the Deposit Protection Guarantee Scheme are approximated by their carrying values.

Repurchase agreements
Repurchase agreements are collateralised bank takings. Given that the collateral provided by the Company is greater than the amount borrowed, the fair value calculation of these repurchase agreements only takes into account the time value of money.

Loans and advances to banks
Loans and advances to banks with maturity over one year are discounted using an appropriate risk free rate plus the credit spread of each counterparty. For short-term lending, the fair value is approximated by the carrying value.

Deposits by banks
Since almost all deposits by banks are very short-term, the fair value is an approximation of the carrying value.

21. Fair value measurement (continued)

Investment properties
Investment properties are classified as residential, offices and other commercial properties, industrial properties, hotels, land (fields and plots) and under construction properties. Their fair value is based on valuations performed by external accredited, independent valuers and internal accredited valuers. Further information on the techniques applied is disclosed in the remainder of this Note.

Property and equipment
The freehold land and buildings consist of offices and other commercial properties. The fair value of the properties is determined using valuations performed by external accredited, independent valuers and internal accredited valuers. Further information on the techniques applied is disclosed in the remainder of this Note.

Model inputs for valuation
Observable inputs to the models for the valuation of unquoted equity and debt securities include, where applicable, current and expected market interest rates, market expected default rates, market implied country and counterparty credit risk and market liquidity discounts.

The following table presents the fair value measurement hierarchy of the Company's assets and liabilities recorded at fair value or for which fair value is disclosed, by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	**Total**
2015	€000	€000	€000	**€000**
Assets measured at fair value				
Investment properties				
Offices and other commercial properties	-	-	11.688	**11.688**
Investment properties classified as held for sale				
Residential	-	2.095	-	**2.095**
Offices and other commercial properties	-	5.222	2.450	**7.672**
	-	7.317	2.450	**9.767**
Freehold property				
Offices and other commercial properties	-	-	180.994	**180.994**
Trading derivatives				
Forward exchange rate contracts	-	1.112	-	**1.112**
Currency swaps	-	12.235	-	**12.235**
Interest rate swaps	-	141	-	**141**
Currency options	-	8	-	**8**
Equity options	-	477	-	**477**
	-	13.973	-	**13.973**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	45	-	**45**
Net investments-forward exchange rate contracts	-	4	-	**4**
	-	49	-	**49**
Investments at fair value through profit or loss				
Trading investments	2.297	-	-	**2.297**
Other investments at fair value through profit or loss	-	17.430	-	**17.430**
	2.297	17.430	-	**19.727**
Investments available-for-sale	442.336	-	34.665	**477.001**
	444.633	38.769	229.797	**713.199**

21. **Fair value measurement** (continued)

Model inputs for valuation (continued)

	Level 1	Level 2	Level 3	**Total**
Other financial assets not measured at fair value	€000	€000	€000	**€000**
Loans and advances to banks	-	1.102.191	-	**1.102.191**
Loans and receivables - investments	-	424.070	-	**424.070**
Loans and advances to customers	-	-	16.999.781	**16.999.781**
	-	1.526.261	16.999.781	**18.526.042**

For available-for-sale equity securities categorised as Level 3 for an amount €32.489 thousand, a change in the conversion factor by 10% would result in a change in the value of the equity securities by €475 thousand.

2015	Level 1	Level 2	Level 3	**Total**
Liabilities measured at fair value	€000	€000	€000	**€000**
Trading derivatives				
Forward exchange rate contracts	-	2.103	-	**2.103**
Currency swaps	-	5.729	-	**5.729**
Interest rate swaps	-	2.305	-	**2.305**
Currency options	-	167	-	**167**
Equity options	-	441	-	**441**
Interest rate caps/floors	-	53	-	**53**
	-	10.798	-	**10.798**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	39.570	-	**39.570**
Net investments-forward exchange rate contracts	-	4.040	-	**4.040**
	-	43.610	-	**43.610**
	-	54.408	-	**54.408**
Other financial liabilities not measured at fair value				
Deposits by banks	-	237.860	-	**237.860**
Repurchase agreements	-	406.014	-	**406.014**
Customer deposits	-	-	12.700.673	**12.700.673**
	-	643.874	12.700.673	**13.344.547**

21. **Fair value measurement** (continued)

Model inputs for valuation (continued)

	Level 1	Level 2	Level 3	**Total**
2014	€000	€000	€000	**€000**
Assets measured at fair value				
Investment properties				
Residential	-	-	65.519	**65.519**
Offices and other commercial properties	-	-	71.995	**71.995**
Manufacturing and industrial	-	-	42.222	**42.222**
Hotels	-	-	23.081	**23.081**
Land (fields and plots)	-	-	47.678	**47.678**
Properties under construction	-	-	393	**393**
	-	-	250.888	**250.888**
Investment properties classified as held for sale				
Offices and other commercial properties	-	-	1.310	**1.310**
Land (fields and plots)	-	-	57	**57**
	-	-	1.367	**1.367**
Freehold property				
Offices and other commercial properties	-	-	201.671	**201.671**
Trading derivatives				
Forward exchange rate contracts	-	18.923	-	**18.923**
Currency swaps	-	22.623	-	**22.623**
Interest rate swaps	-	11.930	-	**11.930**
Currency options	-	76	-	**76**
Equity options	-	580	-	**580**
GDP warrant securities	-	4	-	**4**
	-	54.136	-	**54.136**
Derivatives designated as net investment hedges				
Forward exchange rate contracts	-	8.449	-	**8.449**
Investments at fair value through profit or loss				
Trading investments	2.189	-	-	**2.189**
Other investments at fair value through profit or loss	-	16.979	-	**16.979**
	2.189	16.979	-	**19.168**
Investments available-for-sale	696.008	-	2.598	**698.606**
	698.197	79.564	456.524	**1.234.285**

21. **Fair value measurement** (continued)

Model inputs for valuation (continued)

	Level 1	Level 2	Level 3	**Total**
Other financial assets not measured at fair value	€000	€000	€000	**€000**
Loans and advances to banks	-	1.438.851	-	**1.438.851**
Loans and receivables - investments	-	1.682.511	-	**1.682.511**
Loans and advances to customers	-	-	17.542.999	**17.542.999**
	-	3.121.362	17.542.999	**20.664.361**

2014				
Liabilities measured at fair value				
Trading derivatives				
Forward exchange rate contracts	-	433	-	**433**
Currency swaps	-	6.990	-	**6.990**
Interest rate swaps	-	3.773	-	**3.773**
Currency options	-	919	-	**919**
Equity options	-	346	-	**346**
Interest rate caps/floors	-	153	-	**153**
	-	12.614	-	**12.614**
Derivatives designated as fair value hedges				
Interest rate swaps	-	59.147	-	**59.147**
	-	71.761	-	**71.761**
Other financial liabilities not measured at fair value				
Deposits by banks	-	159.765	-	**159.765**
Repurchase agreements	-	592.113	-	**592.113**
Customer deposits	-	-	11.305.971	**11.305.971**
	-	751.878	11.305.971	**12.057.849**

The cash and balances with central banks, the funding from central banks and the treasury bills are financial instruments whose carrying value is a reasonable approximation of fair value, because they are mostly short-term in nature or are repriced to current market rates frequently.

During years 2015 and 2014 there were no significant transfers between Level 1 and Level 2.

21. Fair value measurement (continued)

The movement in Level 3 assets which are measured at fair value is presented below:

	2015				2014			
	Investment properties	**Investment properties held for sale**	**Own use properties**	**Available-for-sale investments**	Investment properties	Investment properties held for sale	Own use properties	Available-for-sale investments
	€000	**€000**	**€000**	**€000**	€000	€000	€000	€000
1 January	**250.888**	**1.367**	**201.671**	**2.598**	198.629	-	216.034	3.074
Additions	**39.343**	**-**	**1.099**	**-**	59.626	-	658	-
Disposals and write offs	**(3.853)**	**(9.946)**	**-**	**(33)**	(5)	(395)	(126)	(855)
Transfer from/(to) own use properties to investment properties (Note 25)	**13.690**	**-**	**(13.690)**	**-**	18.303	-	(18.303)	-
Transfer to non-current assets classified as held for sale (Note 29)	**(17.081)**	**17.081**	**-**	**-**	(1.842)	1.842	-	-
Transfer to stock of property (Note 27)	**(282.855)**	**(247)**	**-**	**-**	(100)	-	-	-
Transfer on disposal of Kyprou Leasing SA to Greek branch	**43.454**	**4.286**	**-**	**-**	-	-	-	-
Transfer to Level 2	**-**	**(7.317)**	**-**	**-**	-	-	-	-
Net gains from fair value changes recognised in the statement of other comprehensive income	**-**	**-**	**-**	**31.845**	-	-	-	379
Depreciation charge for the year	**-**	**-**	**(1.726)**	**-**	-	-	(1.629)	-
Impairment charge for the year (Note 25)	**-**	**-**	**(288)**	**-**	-	-	(1.460)	-
Revaluation (losses)/gains	**(32.271)**	**(2.774)**	**(6.072)**	**-**	(23.723)	(80)	6.271	-
Foreign exchange adjustments	**373**	**-**	**-**	**255**	-	-	226	-
31 December	**11.688**	**2.450**	**180.994**	**34.665**	250.888	1.367	201.671	2.598

21. Fair value measurement (continued)

Valuation policy and sensitivity analysis

Financial instruments
The valuation policy for Level 3 financial instruments is defined by the ALCO committee.

Investment properties, investment properties held for sale and own use properties
The valuation methodology for properties is determined by the Group's Property and Valuations Department. The valuation technique mainly applied by the Company, is the market comparable approach, adjusted for market and property specific conditions. In certain cases, the Company also utilises the income capitalisation approach. The key inputs used for the valuations of the investment properties, investment properties held for sale and own use properties are presented in the tables below.

Analysis of investment properties and investment properties held for sale

Type and country	2015	Estimated rental value per m^2 per annum	Rent growth per annum	Estimated building cost per m^2	Yield	Estimated fair value per m^2	Estimated land value per m^2	Land	Building area	Age of building
Residential	**€000**							**m^2**	**m^2**	**Years**
UK	2.095	€548	n/a	n/a	n/a	€12.965	n/a	n/a	156	46
Offices and other commercial properties										
Cyprus	11.688	€117	n/a	€1.302	4%	€2.773	€152	30.001	4.323	13
Greece	2.450	€480	n/a	n/a	7%-10%	€3.926	n/a	447	624	8
UK	5.222	€110-€230	n/a	n/a	n/a	€1.013-€3.123	n/a	n/a	233-954	26-116
	19.360									
Total	**21.455**									

Analysis of own use properties

Type and country	2015	Estimated rental value per m^2 per annum	Rent growth per annum	Estimated building cost per m^2	Yield	Estimated fair value per m^2	Estimated land value per m^2	Land	Building area	Age of building
Offices and other commercial properties	**€000**							**m^2**	**m^2**	**Years**
Cyprus	**180.994**	€23-€434	n/a	€674-€2.102	5%-6%	€566-€8.860	€138-€3.007	390-53.155	94-10.985	8-36

21. **Fair value measurement** (continued)

Valuation policy and sensitivity analysis (continued)

Analysis of investment properties and investment properties held for sale

Type and country	2014	Estimated rental value per m² per annum	Rent growth per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land	Building area	Age of building
Residential	**€000**							**m²**	**m²**	**Years**
Cyprus	18.623	€14-€166	n/a	€268-€1.186	n/a	€463-€3.333	€50-€1.350	335-7.586	41-2.526	5-52
Greece	46.896	€28	n/a	€77-€663	9%	€22-€2.894	€8-€400	114-26.896	3-10.441	2-79
	65.519									
Offices and other commercial properties										
Cyprus	36.513	€32-€353	n/a	€305	4%-6%	€495-€7.059	€1.053-€6.651	175-1.750	54-11.190	10-52
Greece	34.277	€6-€321	n/a	€92-€318	n/a	€33-€8.028	n/a	265-8.582	17-5.743	4-70
UK	1.315	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Romania	1.200	€72	n/a	n/a	16%	€318	n/a	1.372	3.772	34
	73.305									
Manufacturing and industrial										
Cyprus	1.138	€24	n/a	€243-€296	n/a	n/a	€300-€350	1.940	1.840-1.894	n/a
Greece	41.084	€6-€30	n/a	n/a	n/a	€231- €473	n/a	n/a	1.283-3.122	n/a
	42.222									
Hotels										
Cyprus	20.808	n/a	n/a	€739	5%	€518-€1.037	€210	1.115-19.115	2.730-12.386	25
Greece	2.273	€15	n/a	n/a	n/a	€544-€1.050	n/a	4.484	619-2.984	26-59
	23.081									

21. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

Analysis of investment properties and investment properties held for sale (continued)

Type and country	2014	Estimated rental value per m² per annum	Rent growth per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land	Building area	Age of building
Land (fields and plots)	**€000**							**m²**	**m²**	**Years**
Cyprus	40.890	n/a	n/a	€900-€1.317	5%	€2-€3.063	€1-€3.036	90-67.225	n/a	n/a
Greece	6.845	n/a	n/a	n/a	n/a	€1-€798	n/a	88-170.701	n/a	n/a
	47.735									
Under construction properties										
Cyprus	393	n/a	n/a	€385-€400	n/a	n/a	€139-€165	1.812	285	n/a
Total	**252.255**									

Analysis of own use properties

Type and country	2014	Estimated rental value per m² per annum	Rent growth per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land	Building area	Age of building
Offices and other commercial properties	**€000**							**m²**	**m²**	**Years**
Cyprus	198.158	€27-€340	1.300-1.367	€133-€1.883	5%-6%	€566-€6.667	€125-€2.118	390-51.947	68-15.805	11-34
UK	3.513	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total	**201.671**									

21. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

Sensitivity analysis
Most of the Company's property valuations have been classified as Level 3. Significant increases/decreases in estimated values per square meter for properties valued with the comparable approach or significant increases/decreases in estimated rental values or yields for properties valued with the income capitalisation approach would result in a significantly higher/lower fair value of the properties.

22. Loans and advances to customers

	2015	2014
	€000	€000
Gross loans and advances to customers	**19.986.349**	20.371.022
Provisions for impairment of loans and advances to customers (Note 43)	**(3.980.471)**	(3.041.814)
	16.005.878	17.329.208

Loans and advances to customers include mortgage loans of €1.003 million (2014: €1.123 million) in Cyprus which are pledged as collateral for the covered bond issued by the Company in 2011 under the Covered Bond Programme (Note 32).

Additional analysis and information regarding credit risk and analysis of the provisions for impairment of loans and advances to customers are set out in Note 43.

23. Balances and transactions with Group companies

Debit balances with Group companies

Name of Group company	**2015**	2014
	€000	€000
The Cyprus Investment and Securities Corporation Ltd (CISCO)	**1.072**	2.444
General Insurance of Cyprus Ltd	**2.251**	-
EuroLife Ltd	**4.393**	2.966
Kermia Properties & Investments Ltd	**-**	19
Kermia Ltd	**1.978**	4.715
Finerose Properties Ltd	**38.935**	30.000
Aphrodite group	**-**	71.341
Bank of Cyprus (Channel Islands) Ltd	**24.905**	26.020
Kyprou Leasing SA	**-**	47.446
Kyprou Commercial SA	**-**	291
Cyprus Leasing Romania IFN SA	**12.491**	14.278
CB Uniastrum Bank LLC	**-**	31.606
MC Investment Assets Management LLC	**2.631**	-
Kyprou Finance (NL) B.V	**317.142**	317.244
Bank of Cyprus UK Ltd	**71.010**	53.852
Obafemi Holdings Ltd	**6.822**	6.960
Group property companies in Cyprus	**186.055**	140.162
Group property companies in Romania	**64.853**	59.613
Other Group companies in Cyprus	**1.041**	1.002
TOTAL	**735.579**	809.959

The provision for impairment for intercompany balances recognised during 2015 amounts to €27.039 thousand (2014: €198.066 thousand) (Note 13).

23. Balances and transactions with Group companies (continued)

Credit balances with Group companies

Name of Group company	2015	2014
	€000	€000
JCC Payment Systems Ltd	20.663	8.067
The Cyprus Investment and Securities Corporation Ltd (CISCO)	3.788	2.218
General Insurance of Cyprus Ltd	33.129	37.867
EuroLife Ltd	31.143	20.462
Kermia Properties & Investments Ltd	5.526	2.743
Kermia Ltd	685	662
Bank of Cyprus (Channel Islands) Ltd	59.620	58.903
Kyprou Zois (branch of EuroLife Ltd)	2.094	1.746
Kyprou Securities SA	1.650	-
Cyprus Leasing Romania IFN SA	296	527
CB Uniastrum Bank LLC	-	31.606
MC Investment Assets Management LLC	8.077	-
Cytrustees Investment Public Company Ltd	1.041	402
Kyprou Finance (NL) B.V	369.316	369.306
Bank of Cyprus UK Ltd	28.624	12.201
Obafemi Holdings Ltd	122	405
Group property companies in Romania	671	603
Other Group companies in Cyprus	2.041	2.965
TOTAL	**568.486**	550.683

23. Balances and transactions with Group companies (continued)

Dividends received from subsidiary companies and associates

	2015	2014
	€000	€000
EuroLife Ltd	**13.500**	10.500
General Insurance of Cyprus Ltd	**6.000**	5.000
JCC Payment Systems Ltd	**3.000**	1.313
LCP Holdings and Investments Public Ltd	**1.904**	-
Labancor Ltd	**1.558**	17
Auction Yard Ltd	**-**	20
CNP Cyprus Insurance Holdings Ltd	**7.580**	-
	33.542	16.850

Transactions with Group companies

	2015	2014
	€000	€000
Interest income	**21.314**	87.864
Interest expense	**6.249**	6.220
Fee and commission income	**2.943**	444
Fee and commission expense	**-**	13
Other income	**280**	183
Other operating expenses	**1.106**	1.115

24. Investments in associates and joint ventures

Carrying value of the investments in associates and joint ventures

	2015	2014
	€000	€000
CNP Cyprus Insurance Holdings Ltd	**95.068**	95.068
Interfund Investments Plc	**2.225**	2.225
Byron Capital Partners Ltd (BCP)	**-**	5.322
Aris Capital Management LLC	**-**	-
Rosequeens Properties Limited	**-**	-
Rosequeens Properties SRL	**-**	-
	97.293	102.615

24. Investments in associates and joint ventures (continued)

Investments in associates

CNP Cyprus Insurance Holdings Ltd
As part of the acquisition of certain operations of Laiki Bank in 2013, 49,9% of CNP Cyprus Insurance Holdings Ltd, the parent company of a group of insurance companies in Cyprus and Greece, was acquired by the Company.

The main financial highlights of the associate is presented as follows:

	2015	2014
	€000	€000
Total assets	**676.915**	696.415
Liabilities	**(465.416)**	(479.046)
Net assets, including value of in-force business	**211.499**	217.369

CNP Cyprus Insurance Holdings Ltd holds deposits with the Company amounting to €15.255 thousand. The transactions between CNP Cyprus Insurance Holdings Ltd and the Company are presented in the table below:

	2015	2014
	€000	€000
Interest expense paid by the Company	**239**	303
Other expenses paid by the Company	**239**	293
Other income received by the Company	**2**	247

Interfund Investments Plc
The Company has a 23,12% interest in Interfund Investments Plc, which is a closed-end investment company in Cyprus, listed on the Cyprus Stock Exchange.

The main financial highlights of the associate is presented as follows:

	2015	2014
	€000	€000
Total assets	**9.691**	13.110
Liabilities	**(166)**	(190)
Net assets	**9.525**	12.920
Market value of the investment on the Cyprus Stock Exchange	**1.372**	1.477

During the year there were no material transactions between the Company and the associate.

Rosequeens Properties Limited and Rosequeens Properties SRL
The Company effectively owns 33% of the share capital of Rosequeens Properties SRL which is incorporated in Romania and owns a shopping mall in Romania. The shareholding was acquired after the Company took part in a public auction for the settlement of customer loan balances amounting to approximately €21 million. The Company fully impaired its investment.

24. Investments in associates and joint ventures (continued)

Investment in associates (continued)

Aris Capital Management LLC
The Company's holding in Aris Capital Management LLC of 30% was transferred to the Company following the acquisition of certain operations of Laiki Bank. During years 2015 and 2014, there were no material transactions between the Company and the associate. The Company fully impaired its investment during 2014.

Grand Hotel Enterprises Society Ltd
In September 2014, the Company sold its holding of 35,292% in its associate Grand Hotel Enterprises Society Ltd, which had a zero carrying value as at the date of the disposal.

Investment in joint ventures

MDSF and BCP
The Company's investment in joint ventures comprised BCP and MDSF acquired by the Company as part of the acquisition of certain operations of Laiki Bank in 2013. BCP managed 100% of the shares of MDSF. The Company was a party to a shareholder agreement with the other shareholder of BCP and this agreement stipulated a number of matters which required consent by both shareholders. The Company considered that it jointly controlled BCP (shareholding of 70%) and through BCP it also had joint control over MDSF.

The investment in MDSF was classified as held for sale in 31 December 2014 and was sold in April 2015 (Note 29). Further in 2015, BCP bought back all its shares held by the Company.

During the years 2015 and 2014 there were no transactions between the Company and the joint ventures.

25. Property and equipment

	Property	Equipment	**Total**
2015	€000	€000	**€000**
Net book value at 1 January	205.340	15.766	**221.106**
Additions	1.769	3.866	**5.635**
Revaluation	(6.072)	-	**(6.072)**
Transfer to investment properties (Note 21)	(13.726)	-	**(13.726)**
Disposals and write-offs	-	(188)	**(188)**
Depreciation charge for the year (Note 12)	(3.426)	(4.811)	**(8.237)**
Impairment charge for the year (Note 14)	(288)	-	**(288)**
Foreign exchange adjustments	(3)	-	**(3)**
Net book value at 31 December	**183.594**	**14.633**	**198.227**

1 January 2015			
Cost or valuation	237.871	104.113	**341.984**
Accumulated depreciation	(32.531)	(88.347)	**(120.878)**
Net book value	**205.340**	**15.766**	**221.106**

31 December 2015			
Cost or valuation	217.821	100.845	**318.666**
Accumulated depreciation	(34.227)	(86.212)	**(120.439)**
Net book value	**183.594**	**14.633**	**198.227**

25. Property and equipment (continued)

	Property	Equipment	**Total**
2014	€000	€000	**€000**
Net book value at 1 January	222.724	21.184	**243.908**
Additions	1.010	1.064	**2.074**
Revaluation	6.271	-	**6.271**
Transfer to investment properties (Note 21)	(18.303)	-	**(18.303)**
Disposals and write-offs	(1.431)	(1.064)	**(2.495)**
Depreciation charge for the year (Note 12)	(3.698)	(5.418)	**(9.116)**
Impairment charge for the year (Note 14)	(1.460)	-	**(1.460)**
Foreign exchange adjustments	227	-	**227**
Net book value at 31 December	**205.340**	**15.766**	**221.106**

1 January 2014			
Cost or valuation	254.609	107.335	**361.944**
Accumulated depreciation	(31.885)	(86.151)	**(118.036)**
Net book value	**222.724**	**21.184**	**243.908**

31 December 2014			
Cost or valuation	237.871	104.113	**341.984**
Accumulated depreciation	(32.531)	(88.347)	**(120.878)**
Net book value	**205.340**	**15.766**	**221.106**

The net book value of the Company's property comprises:

	2015	2014
	€000	€000
Freehold property	**180.994**	201.671
Improvements on leasehold property	**2.600**	3.669
	183.594	205.340

Freehold property includes land amounting to €74.816 thousand (2014: €80.978 thousand) for which no depreciation is charged.

The Company's policy is to revalue its properties periodically (between 3 to 5 years). As a consequence of the prevailing economic conditions in Cyprus, and their impact on the real estate market, the Company performed revaluations as at 31 December 2014 and 31 December 2015. As a result, a net loss on revaluation of €6.072 thousand (2014: gain of €6.271 thousand) was recognised in the statement of comprehensive income and an impairment loss of €288 thousand (2014: loss of €1.460 thousand) was recognised in the income statement. The valuations were carried out by independent qualified valuers, on the basis of market value using observable prices and/or recent market transactions depending on the location of the property. Details on valuation techniques and inputs are presented in Note 21.

The net book value of freehold property, on a cost less accumulated depreciation basis, as at 31 December 2015 would have amounted to €129.940 thousand (2014: €142.530 thousand).

26. Intangible assets

Computer software

	2015	2014
	€000	€000
Net book value at 1 January	**13.105**	16.975
Additions	**7.424**	4.399
Disposals and write-offs	**-**	(2.513)
Amortisation charge for the year (Note 12)	**(5.756)**	(5.756)
Net book value at 31 December	**14.773**	13.105
1 January		
Cost	**98.726**	103.210
Accumulated amortisation	**(85.621)**	(86.235)
Net book value	**13.105**	16.975
31 December		
Cost	**106.143**	98.726
Accumulated amortisation	**(91.370)**	(85.621)
Net book value	**14.773**	13.105

27. Stock of property

In December 2015, the Company has changed its business model with respect to real estate assets acquired from customers as part of the Company's efforts to provide solutions to distressed borrowers and properties acquired through the acquisition of certain operations of Laiki Bank in 2013, to a model that involves actively managing such properties with an intention to sell them. To execute its strategy, the Company has set up a dedicated Real Estate Management Unit (REMU). Following the establishment of REMU and certain other actions undertaken by the Company, the Company has assessed that for the majority of properties previously classified as investment properties, there has been a change in use and has therefore transferred such properties from investment properties to stock of property. This has led to a change in the measurement basis of these properties from fair value to the lower of cost and net realisable value. As a result, an impairment loss of €9.709 thousand (Note 14) was recognised in 'Impairment of non-financial instruments' in the income statement during 2015. The carrying value of stock is determined as the lower of cost and net realisable value. Impairment is recognised if the net realisable value is below the cost of the stock of property. At 31 December 2015, stock of €256.831 thousand (2014: €822 thousand) is carried at net realisable value which is approximately the fair value less costs to sell.

27. Stock of property (continued)

The stock of property includes residential, offices and other commercial properties, manufacturing and industrial, hotels, land (fields and plots) and under construction properties. The stock of property pledged as collateral for central bank funding facilities under Eurosystem monetary policy operations and ELA amounts to €21.875 thousand.

The carrying value of the stock of property is analysed in the tables below.

	2015	2014
	€000	€000
Net book value at 1 January	**822**	722
Additions	**1.880**	-
Transfer from investment properties (Note 21)	**282.855**	100
Transfer from non-current assets classified as held for sale (Note 21)	**247**	-
Impairment (Note 14)	**(9.709)**	-
Net book value at 31 December	**276.095**	822

Analysis by type and country	**Cyprus**	**Greece**	**Romania**	**Total**
2015	**€000**	**€000**	**€000**	**€000**
Residential	15.221	39.176	-	**54.397**
Offices and other commercial properties	30.127	63.934	1.200	**95.261**
Manufacturing and industrial	1.001	59.279	-	**60.280**
Hotels	18.763	2.221	-	**20.984**
Land (fields and plots)	38.598	6.210	-	**44.808**
Properties under construction	365	-	-	**365**
Total	**104.075**	**170.820**	**1.200**	**276.095**

2014				
Residential	-	361	-	**361**
Offices and other commercial properties	-	461	-	**461**
Total	**-**	**822**	**-**	**822**

28. Prepayments, accrued income and other assets

	2015	2014
	€000	€000
Receivables relating to disposal of operations	**98.454**	101.550
Taxes refundable	**35.340**	45.584
Debtors	**259**	137
Prepaid expenses	**268**	605
Retirement benefit plan assets (Note 11)	**20**	42
Other assets	**33.145**	33.834
	167.486	181.752

As at 31 December 2015 the receivables relating to disposal of operations relate to the disposal of the Ukrainian and Russian operations (Notes 49.3.1 and 49.2.1), whereas as at 31 December 2014 it related entirely to the disposal of the Ukrainian operations.

During 2015, an impairment loss of €20.070 thousand was recognised in relation to other assets (Note 13).

29. Non-current assets classified as held for sale

	2015	2014
	€000	€000
Investment properties	**9.767**	1.367
Investment in joint venture	**-**	73.683
Loans and advances to customers	**-**	39.010
	9.767	114.060

The following non-current assets were classified as held for sale as at 31 December 2015 and 31 December 2014:

Investment properties
The investment properties classified as held for sale are properties which management is committed to sell and has proceeded with an active programme to complete this plan. The disposals are expected to take place within 12 months from the date of classification. Investment properties classified as held for sale are measured at fair value. The results of the fair value changes are presented within 'Losses from revaluation and disposal of investment properties' in the income statement. An analysis of investment properties held for sale by country and key valuation inputs is disclosed in Note 21.

Investment in joint venture
As at 31 December 2014 the Company's investment in joint venture held for sale comprised MDSF acquired by the Company as part of the acquisition of certain operations of Laiki Bank in 2013. The Company held approximately 90% of the units of the fund.

Upon measurement at fair value less costs to sell, an impairment loss of €20.491 thousand was recognised in 2014. This impairment loss was recognised within 'Impairment of non-financial instruments' in the income statement (Note 14). The investment was sold in April 2015 for a sale consideration of approximately €84.000 thousand and profit on disposal amounted to €13.526 thousand (Note 9).

29. Non-current assets classified as held for sale (continued)

Loans and advances classified as held for sale
Loans and advances classified as held for sale as at 31 December 2014 related to the loans that formed part of the Russian operations of the Company for which a plan to dispose of was initiated and for which management had assessed that a disposal within 12 months from classification was highly probable. The loans were not disposed of in 2015 together with the subsidiaries and as at 31 December 2015 they are presented within loans and advances to customers on the balance sheet.

In September 2015, the Company completed the sale of the majority of its Russian operations. Further details on the disposal are included in Note 49.2.1. As at 31 December 2014 the assets held for sale represented loans and advances which were measured at amortised cost and stated net of impairment provisions. In addition, the investment in subsidiaries relating to the Russian operations was classified as held for sale, and an impairment of €81.000 thousand was recognised in 2014, to reduce the carrying amount to nil, based on management's expectations. This impairment loss was included within 'Impairment of non-financial instruments', in the income statement (Note 14).

30. Funding from central banks

Funding from central banks comprises funding from the CBC under Eurosystem monetary policy operations, including standing facilities, and Emergency Liquidity Assistance (ELA), as set out in the table below:

	2015	2014
	€000	€000
Emergency Liquidity Assistance (ELA)	**3.802.058**	7.403.741
Monetary policy operations	**150.000**	380.001
Targeted Long Term Refinancing Operations (TLTRO)	**500.792**	500.031
	4.452.850	8.283.773

The funding under monetary policy operations bears interest at the ruling main refinancing operations (MRO) rate of the Eurosystem.

In 2014 the Company participated in the TLTRO of the ECB. The interest rate on the TLTRO is fixed over its life at 15 bps (being a fixed spread of 10 bps over the MRO level prevailing at the time of allotment). The TLTRO mature in 2018.

The Company's ELA funding bears interest at a rate equal to the ruling marginal lending facility rate (MLF rate) of the Eurosystem, plus a margin.

Details on encumbered assets related to the above funding facilities are disclosed in Note 45.

31. Customer deposits

	2015	2014
	€000	€000
By type of deposit		
Demand	**4.675.564**	3.970.136
Savings	**762.993**	687.692
Time or notice	**7.255.573**	6.671.329
	12.694.130	11.329.157
By geographical area		
Cyprus	**12.691.090**	11.324.580
Romania	**3.040**	4.577
	12.694.130	11.329.157

31. **Customer deposits** (continued)

By customer sector	Cyprus	Romania	**Total**
2015	€000	€000	**€000**
Corporate	978.672	2.242	**980.914**
SMEs	455.133	461	**455.594**
Retail	6.995.757	337	**6.996.094**
Restructuring			
– Corporate	189.196	-	**189.196**
– SMEs	35.363	-	**35.363**
Recoveries			
– Corporate	7.865	-	**7.865**
International banking services	3.710.742	-	**3.710.742**
Wealth management	318.362	-	**318.362**
	12.691.090	**3.040**	**12.694.130**
2014			
Corporate	646.993	2.946	**649.939**
SMEs	382.929	1.317	**384.246**
Retail	6.317.822	314	**6.318.136**
Restructuring			
– Corporate	216.784	-	**216.784**
– SMEs	39.982	-	**39.982**
Recoveries			
– Corporate	8.466	-	**8.466**
International banking services	3.467.017	-	**3.467.017**
Wealth management	244.587	-	**244.587**
	11.324.580	**4.577**	**11.329.157**

Deposits by geographical area are based on the originator country of the deposit.

32. Debt securities in issue

	Contractual interest rate	2015	2014
Medium term senior debt		**€000**	€000
€2 million 2010/2016	DJ EUROSTOXX 50 index	**531**	531
USD 2 million 2010/2016	S&P 500 index	**181**	162
		712	693

Debt securities in issue are not secured and the rights and claims of debt security holders rank pari passu with the claims of depositors and other creditors of the Company.

Medium term senior debt

The Company maintains a Euro Medium Term Note (EMTN) Programme under which debt securities with an aggregate nominal amount of up to €4.000 million (2014: €4.000 million) may be issued.

Covered Bond

The Company maintains a Covered Bond Programme set up under the Cyprus Covered Bonds legislation and the Covered Bonds Directive of the CBC.

Under the Programme, the Company issued in December 2011 covered bond of €1.000 million. The terms of the €1.000 million covered bond secured by residential mortgage loans originated in Cyprus were amended in 2014 and the maturity date was revised to 12 June 2017.

On 29 September 2015 the terms of the Covered Bond Programme and the outstanding €1.000 million covered bond were amended to a Conditional Pass–Through structure. As part of the restructuring, €350.000 thousand of the retained covered bond was repurchased and cancelled. The outstanding principal of the retained covered bond following the above transactions remained at €650.000 thousand with a new maturity date of 12 December 2018. The credit rating of the covered bond was upgraded to an investment grade rating and the covered bond has become eligible collateral for the Eurosystem credit operations.

The covered bond bears interest at the three month Euribor plus 3,25% per annum.

Loans and advances pledged as collateral for covered bond are disclosed in Note 45.

No liability from the issue of covered bond is presented in debt securities in issue in the balance sheet as all the bonds issued are held by the Company.

Bonds guaranteed by the Republic of Cyprus

The Company maintains the rights and obligations as issuer of two bonds guaranteed by the Republic of Cyprus of €500 million each. In November 2014, the maturity of the bonds was extended for a period of 3 years. The bonds bear an annual fixed interest rate at 5%. The bonds are guaranteed by the Republic of Cyprus and are issued in accordance with the relevant legislation and decrees on the 'Granting of Government Guarantees for the Conclusion of Loans and/or the Issue of Bonds by Credit Institutions Law'. No liability from the issue of these bonds is presented in debt securities in issue in the balance sheet as all the bonds are held by the Company. The bonds are pledged as collateral for obtaining funding from central banks. The bonds are listed on the Cyprus Stock Exchange.

33. Accruals, deferred income and other liabilities

	2015	2014
	€000	€000
Income tax payable	**15.387**	9.356
Special defence contribution payable	**6.354**	8.289
Retirement benefit plans liabilities (Note 11)	**12.559**	15.731
Provisions for pending litigation or claims (Note 38)	**33.772**	17.987
Provisions for financial guarantees and undrawn contractual commitments (Notes 13 and 38)	**44.348**	85.751
Accrued expenses and other provisions	**51.324**	37.209
Deferred income	**7.278**	7.093
Shares subject to interim orders (Note 34)	**-**	(441)
Items in the course of settlement	**29.905**	31.708
Other liabilities	**32.157**	71.052
	233.084	283.735

Provisions for pending litigation or claims

The movement for the year in the provisions for pending litigation or claims is as follows:

	2015	2014
	€000	€000
1 January	**17.987**	47.728
Transfer on disposal of Kyprou Leasing SA (Note 49.2.3)	**8.500**	-
Increase of provisions in the year–continuing operations (Note 12)	**11.616**	9.710
Utilisation of provisions	**(30)**	-
Release of provisions in the year–discontinued operations (Note 38)	**-**	(36.000)
Release of provisions in the year–continuing operations (Note 12)	**(4.300)**	(3.450)
Foreign exchange adjustments	**(1)**	(1)
31 December	**33.772**	17.987

Further details are disclosed in Note 38.

34. Share capital

	2015		2014	
	Shares (thousand)	**€000**	Shares (thousand)	€000
Authorised				
Ordinary shares of €0,10 each	**47.677.593**	**4.767.759**	47.677.593	4.767.759
Issued				
1 January	**8.922.378**	**892.238**	4.683.985	4.683.985
Bail-in of deposits and structured products	**-**	**-**	150	150
Shares subject to interim orders withdrawn/cancelled	**-**	**-**	58.625	58.625
Additional shares issued to Laiki Bank for 2013 acquisition	**-**	**-**	12.951	12.951
Reduction of nominal value of share capital	**-**	**-**	-	(4.280.140)
Issue of shares	**567**	**56**	4.166.667	416.667
31 December	**8.922.945**	**892.294**	8.922.378	892.238

Authorised share capital

On 28 August 2014, an Extraordinary General Meeting approved the authorised share capital reduction from €4.767.759 thousand divided into 4.767.759.272 ordinary shares with a nominal value of €1,00 each, to €476.776 thousand divided into 4.767.759.272 ordinary shares with a nominal value of €0,10 each.

Following the reduction in the nominal value per share, the authorised share capital was increased from €476.776 thousand divided into 4.767.759.272 ordinary shares with a nominal value of €0,10 each to €4.767.759 thousand divided into 47.677.592.720 ordinary shares of €0,10 each, through the increase of 42.909.833.448 new ordinary shares with a nominal value of €0,10 each, which rank pari passu in all respects with each other and with all other ordinary shares of the Company.

Issued share capital

2015

During 2015 the issued share capital was increased by 567 thousand shares of a nominal value of €0,10 each.

2014

During 2014 the Company reduced the nominal value of its issued ordinary shares from €1,00 each to €0,10 each.

During August 2014, the nominal value of the ordinary shares in issue, was reduced from €1,00 each to €0,10 each. Additionally, in September 2014 the Company completed a €1 billion Capital Raising, which comprised a private placement to qualified institutional investors and an offer to existing shareholders to acquire up to 20% of the issue. As a result, the issued share capital was increased by 4.166.667 thousand shares of a nominal value of €0,10 leading to an increase of the Company's share capital by €416.667 thousand. The shares issued had a subscription price of €0,24 each. Additionally, the issued share capital increased by 58.625 thousand shares as a result of the cancellation and withdrawal in 2014 of interim orders prohibiting the Company from conversion of deposits to shares as a result of the bail-in in 2013. Consequently, 12.951 thousand shares were issued to Laiki Bank in accordance with the provisions of the decrees.

All issued ordinary shares carry the same rights.

34. Share capital (continued)

Share premium reserve

The share premium reserve is maintained pursuant to the provisions of section 55 of the Companies Law, Cap. 113 and is not available for distribution to equity holders in the form of a dividend.

During 2015, as a result of the issuance of 567 thousand shares of a nominal value of €0,10 each at a subscription price of €0,24 each, the Company's share premium increased by €79 thousand.

In 2014, as a result of the issuance of 4.166.667 thousand shares of a nominal value of €0,10 each at a subscription price of €0,24 each, the Company's share premium increased by €583.333 thousand. Transaction costs of €32.044 thousand associated with the issue of new shares were deducted from share premium.

Capital reduction reserve

The capital reduction reserve was created upon the reduction of the nominal value of ordinary shares from €1,00 each to €0,10 each in 2014. The reduction in capital amounted to €4.280.140 thousand, of which an amount of €2.327.654 thousand was applied against accumulated losses and an amount of €1.952.486 thousand was credited to the capital reduction reserve.

Shares subject to interim orders

Following the issue of the Bail-in Decrees in 2013, a number of the affected depositors have filed claims against the Company and other parties (CBC, Ministry of Finance, etc) on the ground, inter alia, that the 'Resolution of Credit and Other Institutions Law of 2013' and the various Decrees issued by virtue of the Law to implement the bail-in, were in conflict with the Constitution of the Republic and the European Convention of Human Rights.

In some of the actions, interim orders were issued prohibiting the Company from treating the deposits of the applicants in question as bailed-in, i.e. converted into shares. The said actions were contested by the Company and were pending before the District Courts.

The shares which as per the bail-in Decree corresponded to the deposits which were subject to these interim orders were included in equity in the balance sheet as 'Shares subject to interim orders', with an equivalent debit balance included in 'Accruals, deferred income and other liabilities' within total liabilities. As at 31 December 2015 there were no shares subject to interim orders (2014: €441 thousand).

Treasury shares of the Company

Shares of the Company held by the Company are deducted from equity on the purchase, sale, issue or cancellation of such shares. No gain or loss is recognised in the income statement. The number of these shares at 31 December 2015 was 684 thousand of a nominal value of €0,10 each (2014: 1.005 thousand of a nominal value of €0,10 each). The total cost of acquisition of treasury shares was €36.849 thousand (2014: €65.499 thousand).

Share-based payments-share options

On 24 November 2015, the Annual General Meeting of the Company's shareholders authorised the Board to establish and implement a Long Term Incentive Plan and allowed the Company the flexibility to increase the ratio of variable remuneration relative to fixed remuneration up to a maximum of 100% of fixed remuneration for members of senior management ('Shareholder Resolution'). The Long Term Incentive Plan involves the granting of options for the acquisition of shares to a defined group of employees of the Company and under the current terms of the Shareholder Resolution:

(i) the total amount of shares that may be issued and allotted under the Long Term Incentive Plan shall not exceed 178.458.891 ordinary shares of nominal value of €0,10 each,
(ii) the exercise price shall be set at €0,25 per share,
(iii) the vested share options will only be able to be exercised three years after the grant date, and
(iv) any share options not exercised by 31 March 2026 will lapse.

The options will be designed to vest only if certain key performance conditions are met, including amongst other things, the full repayment of ELA, the lifting of dividend restrictions, the cancellation of government guarantee and the performance of eligible employees.

34. Share capital (continued)

Share-based payments-share options (continued)

The Long Term Incentive Plan is currently under regulatory review. Therefore, the original proposed grant date under the Shareholder Resolution of 31 March 2016 will be postponed until such time that all relevant regulatory approvals have been obtained for the Long Term Incentive Plan.

No share options were issued until the date of issuance of these Financial Statements.

35. Dividends

The Company is currently under a regulatory dividend distribution prohibition and therefore no dividend was declared or paid during years 2015 and 2014.

36. Accumulated losses

Retained earnings are the only distributable reserve.

Companies, tax resident in Cyprus, which do not distribute at least 70% of their profits after tax as defined by the Special Defence Contribution Law during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special defence contribution at 20% for years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividend distribution to the extent that the shareholders of the Company (individuals and companies), at the end of the period of two years from the end of the year of assessment to which the profits refer are, directly or indirectly Cyprus tax residents. Deemed distribution does not apply in respect of profits that are directly or indirectly attributable to shareholders that are non-Cyprus tax residents.

The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year.

This special defence contribution is paid by the Company on account of the shareholders.

During 2015 and 2014 no deemed dividend distribution was paid by the Company.

37. Fiduciary transactions

The Company offers fund management and custody services that result in holding or investing financial assets on behalf of its customers. The Company is not liable to its customers for any default by other banks or organisations. The assets under management and custody are not included in the balance sheet of the Company unless they are placed with the Company. Total assets under management and custody at 31 December 2015 amounted to €768.995 thousand (2014: €738.000 thousand).

38. Contingent liabilities and commitments

As part of the services provided to its customers, the Company enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend.

Even though these obligations may not be recognised on the balance sheet, they do contain credit risk and are therefore part of the overall credit risk exposure of the Company (Note 43).

During the year, the Company has reversed a provision of €41.403 thousand (Notes 13 and 33) relating to these obligations.

Capital commitments

Capital commitments for the acquisition of property, equipment and intangible assets as at 31 December 2015 amount to €12.673 thousand (2014: €4.388 thousand).

38. Contingent liabilities and commitments (continued)

Pending litigation and claims

The Company faces legal and regulatory challenges, many of which are beyond its control. The extent of the impact of these matters, in which the Company is or may in the future become involved, cannot always be predicted with certainty but may materially impact its reputation, operations, financial results, condition and prospects. At the same time, most cases and matters relate to the period prior to the issue of the Resolution Decrees and to the problems brought about as a result of the said Decrees. In most cases, the Company believes that it has viable defences which it will advance in the course of the relevant proceedings.

Apart from what is described below, the Company considers that none of these matters are material, either individually or in aggregate. Where an individual provision is material, the fact that a provision has been made is stated and quantified. Any provision recognised does not constitute an admission of wrongdoing or legal liability.

While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of legal proceedings and regulatory matters as at 31 December 2015 and hence it is not believed that such litigation, when concluded, will have a material impact upon the financial position of the Company. It is not practicable to provide an aggregate estimate of potential liability for the Company's legal procedures and regulatory matters as a class of contingent liabilities.

Investigations and litigation on securities issued by the Company

A number of customers have filed actions against the Company alleging that the Company is guilty of mis-selling in relation to securities issued by the Company and have claimed various remedies, including the return of the money they have paid. The Company is contesting these claims, which are pending before the courts in Cyprus and in Greece.

The bonds and capital securities in respect of which claims have been brought are the following: 2007 Capital Securities, 2008 Convertible Bonds, 2009 Convertible Capital Securities (CCS) and Convertible Enhanced Capital Securities (CECS).

The Company observes that such claims vary considerably between them. In many cases, the Company believes that it has a number of viable legal defences, which it will advance in the course of the proceedings, particularly with respect to institutional investors and those purchasers who had received investment advice from independent investment advisors before proceeding with the purchase. In the case of retail investors, particularly where it can be documented that the relevant Company officers 'persuaded' them to proceed with the purchase and/or purported to offer 'investment advice', the Company may face significant difficulties. In any event, the resolution of the claims brought in the courts of Cyprus and Greece could take a number of years. Provision has been made based on management's best estimate of probable outflows.

In addition, the CBC has conducted an investigation into the Company's issue of capital securities and concluded that the Company breached certain regulatory requirements concerning the issue of 2009 Convertible Capital Securities, but not in relation to the CECS. The CBC imposed upon the Company a fine of €4 thousand in 2013. The Company has filed a recourse before the Supreme Court against the CBC's ruling and the fine. This recourse is still pending before the Administrative Court.

The Hellenic Capital Market Commission (HCMC) Investigation

In 2014, the Company was under investigation in Greece by the HCMC in relation to the issue of 2009 Convertible Capital Securities and CECS; and more specifically, whether the Company had violated certain provisions of Greek law by providing investment advice without having entered into the required client agreements or having conducted the required fitness test pursuant to the Greek law which transposes the EU Directive on Markets in Financial Instruments and the implementing regulation.

The HCMC investigation was concluded at the end of 2014. According to its decision issued in February 2015, the Company provided accurate and sufficient information to potential investors through the prospectuses for the CCS and CECS regarding the characteristics and particularities of such securities and the risk factors for an investment thereof. However, the HCMC also held that the Company provided investment advice to potential investors when promoting such securities and omitted to comply with its obligation to perform a suitability assessment for such investors, according to the provisions of the law and related regulations. For this violation, a fine of €10 thousand was imposed upon the Company.

38. Contingent liabilities and commitments (continued)

Pending litigation and claims (continued)

The Hellenic Capital Market Commission (HCMC) Investigation (continued)
In April 2015, the Company filed a petition before the competent Administrative Court challenging HCMC's decision. While the decision of the HCMC in this matter will not be binding on the Greek or Cypriot courts, it may be put before the court by the complainants in any proceedings against the Company. Overall, though much litigation may be expected, it is not believed that such litigation, when concluded, will have a material impact upon the financial position of the Company.

In addition to the above, the HCMC is currently in the process of investigating matters concerning the Company's investment in Greek government bonds.

The Cyprus Securities and Exchange Commission (CySEC) Investigations
On 2 August 2013, CySEC published its conclusions regarding an investigation for the failure by the Company in June 2012 to disclose material information to investors concerning the amount of a capital shortfall to meet the requirements of the European Banking Authority (EBA). CySEC came to the conclusion that the Company was in breach of the 'Insider Dealing and Market Manipulation (Market Abuse) Law of 2005' and on 27 November 2013 imposed an administrative fine on the Company of €70 thousand. On 27 November 2013, CySEC also imposed administrative fines on certain of the then members of the Board of Directors. The recourses that the Company has filed before the Supreme Court challenging CySEC's decision and fine are currently pending.

CySEC has also concluded during 2013 and 2014 an investigation in respect of the Group's exposure to Greek Government bonds, related non-disclosure of material information and other corporate governance deficiencies. In this respect, CySEC has issued two decisions, coming to the conclusion that the Company was in breach of certain laws regarding disclosure of information and has imposed administrative fines upon the Company of a total sum of €1.110 thousand. It has also imposed fines upon certain of the then members of the Board of Directors and management of the Company. The Company has filed recourses before the Supreme Court regarding the decisions of CySEC and the fines imposed upon it. CySEC has meanwhile filed legal actions against the Company for the non-payment of these fines and the fine of €70 thousand referred to above.

CySEC has also conducted an investigation in relation to the level of goodwill of CB Uniastrum Bank LLC in the interim financial statements of the Group in 2012. The Company and certain of its former officers and members of the Board have submitted written addresses in respect of this investigation in late 2014. The matter is now before the CySEC Committee. According to information obtained from CySEC it has referred the matter to the Attorney General for consideration of any criminal issues or matters arising therefrom.

CySEC is additionally conducting an investigation into the adequacy of provisions for impairment of loans and advances in year 2011 and has requested written addresses from the Company and certain of its former officers and members of the Board on this matter, which have not yet been submitted to CySEC.

CySEC has also completed an investigation on the reclassification of Greek Government bonds on 1 April 2010, which is now pending with the Attorney General and CySEC.

In addition to the above, CySEC is currently in the process of investigating:

- Matters concerning possible price manipulation for the period from 1 November 2009 to 30 June 2010 post the investment in Banca Transylvania.
- The non-disclosure of the Company's request to the Ministry of Finance for granting additional government guarantees of up to €3 billion, for bonds that the Company could issue to enhance its liquidity position.
- The adequacy of provisions for impairment of loans and advances in year 2013 in light of the results of the Asset Quality Review.

A decision of CySEC will not be binding on the courts. If a person wishes to claim damages or any other remedy against the Company, fresh proceedings must be brought against the Company before the competent Courts of the Republic of Cyprus.

The above investigations are in progress and therefore it is not practical at this stage for the Company to estimate reliably the possible consequences thereof, though it is not thought that any resulting liability or damages will have a material impact upon the Group.

38. Contingent liabilities and commitments (continued)

Pending litigation and claims (continued)

Bail-in related litigation

Depositors

A number of the affected depositors filed claims against the Company and other parties (such as the CBC and the Ministry of Finance of Cyprus) on the grounds that, inter alia, the Resolution Law of 2013 and the Bail-in Decrees are in conflict with the Constitution of the Republic of Cyprus and the European Convention on Human Rights. Actions on the part of the affected depositors have been filed before the District Courts and their objective is to obtain damages for the loss allegedly sustained by them as a result of the bail-in of their deposits effected by the relevant Decrees. In a number of those actions, interim orders were issued prohibiting the Company from treating the deposits of the applicants in question as converted into shares of the Company. The Company took active steps and obtained the discharge and cancellation of the interim orders. In parallel, the Company is defending the actions of depositors vigorously.

Shareholders

There are also numerous claims filed by shareholders against the Government and the CBC before the Supreme Court in relation to the dilution of their shareholding as a result of the recapitalisation pursuant to the Resolution Law and the Bail-in Decrees issued thereunder. The objective of these proceedings before the Supreme Court was to obtain the annulment (i.e. cancellation and setting aside) of the Decrees as unconstitutional and/or unlawful and/or irregular. The Company appeared in these proceedings as an interested party and has supported the position that, as with depositors, the cases should be adjudicated upon in the context of private law. As of the present date, both the Resolution Law and the Bail-in Decrees have not been annulled by a court of law and thus remain legally valid and in effect. On 9 October 2014, the Supreme Court ruled that the proceedings fall within private and public law (before the District Courts), thus accepting the position of the Company and accordingly, all recourses instituted before the Supreme Court (in its revisional jurisdiction) were dismissed. It is expected that actions for damages will be instituted in due course before the District Courts.

Claims based on set-off

Certain claims have been filed by customers against the Company. These claims allege that the implementation of the bail-in under the Bail-in Decrees was not carried out correctly in relation to them and, in particular, that their rights of set-off were not properly respected.

Laiki Bank depositors and shareholders

The Company has been joined as a defendant with regards to certain claims which have been brought against Laiki Bank by its depositors, shareholders and holders of debt securities. These claims have been brought on grounds similar to the claims brought by the Company's bailed-in depositors and shareholders as described above.

Implementation of Decrees

Occasionally, other claims are brought against the Company in respect of the implementation of the Decrees issued following the adoption of the Resolution Law (as regards the way and methodology whereby such Decrees have been implemented).

Legal position of the Company

All above claims are being vigorously disputed by the Company, in close consultation with the appropriate state and governmental authorities. The position of the Company is that the Resolution Law and the Decrees take precedence over all other laws. As matters now stand, both the Resolution Law and the Decrees issued thereunder are constitutional and lawful, in that they were properly enacted and have not so far been annulled by any court.

Commission for the Protection of Competition Investigation

Following an investigation, which began in 2010, the Cypriot Commission for the Protection of Competition (the CPC) in April 2014 issued a statement of objections, alleging violations of Cypriot and EU competition law relating to the activities and/or omissions in respect of card payment transactions by, among others, the Company. The CPC has alleged that the market conduct of JCC Payment Systems Ltd (JCC), a card-processing business owned and controlled by its shareholder banks, which includes the Company (which owns 75% of the shares of JCC) together with the conduct of other banks, violates competition law in various respects.

38. Contingent liabilities and commitments (continued)

Pending litigation and claims (continued)

Commission for the Protection of Competition Investigation (continued)
There was also an allegation concerning the Company's arrangements with American Express, namely that such exclusive arrangements violated competition law. The Company vigorously defended the relevant proceedings but the CPC has concluded that the Company (in common with other banks and institutions, namely JCC) has breached in respect of both matters the relevant provisions of the applicable law for the protection of competition. The CPC has invited further representations regarding the size of the administrative penalty to be imposed upon the Company. The Company put before the CPC certain views and proposals, in an effort to mitigate the fine (though the CPC has the power to impose a fine as a percentage of the Company's turnover). For the time being, the proceedings before the CPC are not progressing owing to another Court decision holding that the composition of the CPC is contrary to law. In any event, the Company intends to file a recourse before the Administrative Court for the annulment of the CPC's decision upon the notification of the fine. At this stage it is not possible to predict the amount of the fine that may be imposed upon the Company, though the Company does not believe that such fine will have a material impact on the financial position of the Company.

CNP Arbitration
CNP Cyprus Insurance Holdings Ltd (a company in which the Company has a 49,9% shareholding, acquired as part of the acquisition of certain operations of Laiki Bank) had certain exclusive arrangements with Laiki Bank with respect to insurance products offered in Cyprus through the formation of a local company (CNP Cyprus). CNP France held 50,1% of the shares of CNP Cyprus and Laiki Bank held 49,9% of the shares. In the context of the total arrangement between the parties, two agreements were in place between CNP and Laiki Bank, a Shareholding Agreement and a Distribution Agreement. As regards the Shareholding Agreement, the Company (pursuant to the Resolution Law and the Decrees made thereunder) has succeeded to the shareholding of Laiki Bank, thus becoming a 49,9% shareholder of CNP Cyprus.

Following the resolution of Laiki Bank, CNP has instituted arbitration proceedings in London under the auspices of the International Chamber of Commerce, alleging that the Company is a successor to Laiki Bank in respect of both the Shareholding and Distribution Agreements and that the said Agreements (particularly the Distribution Agreement) have been violated. The claims of CNP amount to approximately €240 million (including interest and grossed-up for tax). The Company considers that it has viable defences in respect of both proceedings which it intends to contest vigorously. One of the defences raised by the Company is that of frustration, namely that as a result of the very significant changes of March 2013, the Agreements as concluded between CNP and Laiki Bank cannot possibly operate in the context of the new situation resulting from the events of March 2013. The hearing of the Arbitration is planned to take place in June 2016.

Other litigation
The Company is involved in a number of other litigation proceedings involving cases against the Company arising in the course of its normal operating activities, mainly in Cyprus and Greece.

Provident fund cases
Twenty three claims are pending before the Labour Disputes Tribunal by former employees with respect to their retirement benefits. These employees retired and/or departed in 1999 and claim that the Company and/or the Company's provident fund did not calculate their benefits correctly. In the event that the claims succeed, the total amount will be approximately €24 million. Provision has been made based on management's best estimate of probable outflows.

In December 2015, the Bank of Cyprus Employees Provident Fund filed an action against the Company claiming €70 million allegedly owed as part of the Company's contribution by virtue of an agreement with the union dated 31 December 2011. The case is still at a very early stage. Based on facts currently known, it is not practicable at this time for the Company to predict the resolution of this matter, including the timing or any possible impact on the Company, however at this stage the Company does not expect a material impact.

Employment litigation
Former senior officers of the Company have instituted claims for unfair dismissal and for provident fund entitlements against the Company and Trustees of the Company's provident fund. The Company does not consider that these cases will have a material impact upon its financial position.

38. Contingent liabilities and commitments (continued)

Pending litigation and claims (continued)

Other litigation (continued)
Greek cases
For a legal dispute (one case by the Company against Themis and one by Themis against the Company) relating to the discontinued operations in Greece (Themis case), a provision was recognised in previous periods (30 September 2014: €38.950 thousand) following a court judgement of the Athens Court of Appeal (dismissing the Company's case and upholding the Themis case). This provision was reversed as at 31 December 2014 following the dismissal of the said judgement by the Supreme Court in March 2015. The Supreme Court further ruled that these claims (the Company's claim against Themis for approximately €25 million which had been transferred to Piraeus Bank SA in March 2013, as well as Themis' claim against the Company for a similar amount) be reconsidered by the Supreme Court on the merits at the instigation of the affected party. Both cases are fixed to be heard in April 2016. The Company has indemnified Piraeus Bank SA (the acquirer of its Greek operations in March 2013) through a letter of guarantee, for any claim brought against it in connection with this case, however the Group does not consider that this will have a material impact upon its financial position.

Swiss Francs loans litigation in Cyprus and UK
Some actions have been instituted against the Company by borrowers who obtained loans in foreign currency (mainly Swiss Francs). The central allegation in these cases is that the Company misled these borrowers and/or misrepresented matters, in violation of applicable Law. The Company intends to contest such proceedings vigorously.

UK cases
The Company is the defendant in certain proceedings alleging that the Company is legally responsible in respect of various alleged irregularities involving, inter alia, the advance and mis-selling of loans for the purchase by UK nationals of property in Cyprus. The Company's defence will vary depending on whether the purchasers can be categorised as consumers or investors. However, all the proceedings in the UK are currently stayed in order for the parties to have time to negotiate possible settlements.

Ukrainian case
In October 2015, a Ukrainian undertaking initiated legal proceedings against the Company and others before the High Court in London asking, inter alia, for a declaration that the Company has no title to or rights under a facility agreement entered into originally by Laiki Bank and later transferred to the Alfa group in the context of the sale by the Group of its Ukrainian operations. Also, local/ancillary proceedings before the District Court of Nicosia in aid of the London proceedings were instituted in November 2015. The Company vigorously contests the proceedings in both jurisdictions. In any event, whatever their outcome, such proceedings are not expected to have a material impact on the financial position of the Company.

Private criminal prosecutions
Four private criminal prosecutions filed by certain customers against the Company and certain of its directors and officers advancing their own grievances and complaints are currently outstanding. These are proceedings instituted by individuals and not by the State. The Company has asked the Attorney General to discontinue the proceedings (nolle prosequi). Already, a number of the initially filed prosecutions have been discontinued by the Attorney General.

On the basis of legal advice, the Company considers these private criminal prosecutions to have been instituted for their 'nuisance value'. In any event, the said private criminal prosecutions are not expected to have a material bearing on the financial position of the Company and the Group.

General criminal investigations
As part of the investigations and inquiries following and relating to the financial crisis which culminated in March 2013, the Attorney General and the Police are conducting various investigations (confidentially). The Company is fully cooperating with the authorities of the Republic of Cyprus and is providing all information requested of it. Based on the currently available information, the Company is of the view that any further investigations or claims resulting from these investigations will not have a material impact on the financial position of the Company.

38. Contingent liabilities and commitments (continued)

Pending litigation and claims (continued)

Other litigation (continued)
General criminal investigations (continued)
The Attorney General has filed a criminal case against the Company and five former members of the Board of Directors for alleged breach of Article 302 (conspiracy to defraud) of Cyprus' criminal code and Article 19 of the Manipulation of Insider Information and Market Manipulation (Market Abuse) Law. The alleged offence refers to the non-publication in a timely manner of the increased capital shortfall of the Company in 2012. The Company denies all allegations. The hearing has commenced and the maximum penalty on the Company, if found guilty, will be the imposition of a fine that is not expected to be significant.

The Attorney General has filed another criminal case against the Company and six former members of the Board of Directors for alleged breach of Article 19 of the Manipulation of Insider Information and Market Manipulation (Market Abuse) Law, with respect to the Greek Government Bonds. The case was scheduled for first appearance in December 2015 and the alleged offence refers to the non-publication of the purchase and sale of the Greek Government Bonds during a specified period. The Company denies all allegations. The case has not yet been fixed for hearing and the maximum penalty on the Company, if found guilty, will be the imposition of a fine that is not expected to be significant.

Other contingent liabilities

The Company, as part of its disposal process of certain of its operations, has provided various representations and warranties to the buyers. These relate to, among other things, the ownership of the loans, the validity of the liens and other matters agreed with the buyers. In the event of a breach of its representations and warranties, the Company may be obliged to repurchase the loans with identified defects and/or to indemnify the buyers.

A provision has been made based on management's best estimate of probable outflows, where it was assessed that such an outflow is probable.

39. Net cash flow from operating activities

	2015	2014
	€000	€000
Loss before tax from continuing operations	**(433.382)**	(290.214)
Profit before tax from discontinued operations	**-**	36.000
Adjustments for:		
Provisions for impairment of loans and advances to customers and other customer credit losses and gain on derecognition and changes in expected cash flows on acquired loans	**924.538**	681.110
Depreciation of property and equipment	**8.237**	9.116
Amortisation of intangible assets	**5.756**	5.756
Impairment of property and equipment	**288**	1.460
Impairment of other financial instruments	**42.002**	55.073
Amortisation of discounts/premiums and catch-up adjustment of debt securities	**(65.348)**	(53.764)
Losses on disposal and write-offs of property and equipment and intangible assets	**41**	2.055
Losses on disposal of investment properties and investment properties held for sale	**505**	90
Losses from revaluation of investment properties and investment properties held for sale	**35.045**	23.803
Losses/(gains) on disposal of subsidiaries	**25.612**	(198.860)
Interest on debt securities	**(6.586)**	(140.385)
Dividend income	**(34.113)**	(17.040)
Impairment of investments in Group companies, associates and joint ventures	**30.455**	250.670
Provision for impairment of balances with Group companies	**27.039**	198.066
Net gains on disposal of investments in equity securities	**(1.060)**	(48.907)
Net gains on disposal of investments in debt securities	**(49.502)**	(102.779)
Loss/(profit) from revaluation of debt securities designated as fair value hedges	**11.600**	(2.240)
Gain on disposal of joint ventures	**(13.526)**	-
Impairment of stock of property	**9.709**	-
Interest on funding from central banks	**78.187**	138.643
	595.497	547.653
Change in:		
Loans and advances to banks	**119.019**	93.617
Deposits by banks	**77.069**	35.613
Obligatory balances with central banks	**361.510**	(22.247)
Customer deposits	**1.364.973**	(1.310.292)
Debit balances with Group companies	**114.839**	108.001
Credit balances with Group companies	**17.803**	(12.896)
Loans and advances to customers	**220.574**	1.691.241
Other assets	**7.281**	157.040
Accrued income and prepaid expenses	**318**	(386)
Other liabilities	**(47.036)**	43.993
Accrued expenses and deferred income	**14.300**	13.038
Derivative financial instruments	**31.210**	(46.058)
Investments at fair value through profit or loss	**(559)**	(2.195)
Repurchase agreements	**(211.531)**	(14.322)
	2.665.267	1.281.800
Tax paid	**(1.071)**	(5.910)
Net cash flow from operating activities	**2.664.196**	1.275.890

39. Net cash flow from operating activities (continued)

Non-cash transactions

2015

Disposal of the majority of the Russian subsidiaries
On 25 September 2015, the Company completed the disposal of the majority of its Russian operations, including its related subsidiaries. As part of the sales agreement, the parties agreed an asset swap arrangement which involved the exchange of certain assets between them that resulted in €41.849 thousand receivable for the Company. Further information is disclosed in Note 49.2.1.

Disposal of Aphrodite group
During 2015 the Company disposed of a 65% shareholding in the Aphrodite group. The transaction involved the restructuring of the debt owed by this group to the Company. Further information is disclosed in Note 29.

2014

Bail-in
Deposits under interim orders withdrawn and cancelled in 2014 of €58.625 thousand were converted into issued share capital. Customer deposits were reduced by an equivalent amount and the respective credit entry was reflected in 'Accruals, deferred income and other liabilities'.

Further details on the recapitalisation of the Company through the Bail-in Decrees are presented in Note 34.

During 2014, following the withdrawal and cancellation of interim orders described in Note 34, 12.951 thousand additional shares were issued to Laiki Bank in relation to the 2013 acquisition.

Disposal of Ukrainian operations and subsidiaries
In April 2014, the Company completed the disposal of its Ukrainian operations and subsidiaries. The sale consideration was €198.860 thousand, comprising €98.860 thousand received and €100.000 thousand deferred up to 31 March 2015. In 2015 the settlement terms of the deferred consideration and the related interest rate were amended. The deferred consideration is due to be paid to the Company under a repayment programme which extends until 1 June 2019.

Reduction of nominal value of ordinary shares and share capital issue
During 2014 the Company reduced the nominal value of its issued ordinary shares from €1,00 each to €0,10 each and the total amount from the reduction was applied for the absorption of losses of the Company and the creation of a capital reduction reserve.

As part of the 2014 Capital Raising, existing customer deposits amounting to €106.000 thousand were used to subscribe for new shares.

Details of the 2014 reduction of the nominal value of ordinary shares and the 2014 Capital Raising are presented in Note 34.

Net cash flow used in operating activities – interest and dividends

	2015	2014
	€000	€000
Interest paid	**(268.106)**	(381.031)
Interest received	**1.134.300**	1.157.470
Dividends received	**34.113**	17.040
	900.307	793.479

40. Cash and cash equivalents

Cash and cash equivalents comprise:

	2015	2014
	€000	€000
Cash and non-obligatory balances with central banks	**989.007**	184.435
Treasury bills repayable within three months	**21.451**	179.398
Loans and advances to banks with original maturity less than three months	**891.971**	1.122.775
	1.902.429	1.486.608

Analysis of cash and balances with central banks and loans and advances to banks

	2015	2014
	€000	€000
Cash and non-obligatory balances with central banks	**989.007**	184.435
Obligatory balances with central banks	**122.347**	483.857
Total cash and balances with central banks (Note 18)	**1.111.354**	668.292

Loans and advances to banks with original maturity less than three months	**891.971**	1.122.775
Other restricted loans and advances to banks	**82.123**	70.771
Other loans and advances to banks	**138.243**	269.278
Total loans and advances to banks (Note 18)	**1.112.337**	1.462.824

Other restricted loans and advances to banks relate to collateral under derivative transactions of €82.123 thousand (2014: €70.771 thousand) which is not immediately available for use by the Company, but is released once the transactions are terminated.

41. Operating leases – The Company as lessee

The total future minimum lease payments under non-cancellable operating leases at 31 December are presented below:

	2015	2014
	€000	€000
Within one year	**1.537**	2.262
Between one and five years	**3.680**	3.837
After five years	**472**	1.057
	5.689	7.156

The above mainly relate to property leases for the Company's branches and offices.

42. Analysis of assets and liabilities by expected maturity

	2015			2014		
	Less than one year	**Over one year**	**Total**	Less than one year	Over one year	Total
Assets	**€000**	**€000**	**€000**	€000	€000	€000
Cash and balances with central banks	**989.598**	**121.756**	**1.111.354**	188.931	479.361	668.292
Loans and advances to banks	**1.010.375**	**101.962**	**1.112.337**	1.341.711	121.113	1.462.824
Derivative financial assets	**13.938**	**84**	**14.022**	61.892	693	62.585
Investments	**317.542**	**616.121**	**933.663**	542.338	1.958.745	2.501.083
Loans and advances to customers	**4.821.788**	**11.184.090**	**16.005.878**	3.590.524	13.738.684	17.329.208
Balances with Group companies	**192.677**	**542.902**	**735.579**	414.834	395.125	809.959
Prepayments, accrued income and other assets	**11.049**	**156.437**	**167.486**	128.885	52.867	181.752
Property, equipment and intangible assets	**335**	**212.665**	**213.000**	-	234.211	234.211
Investment properties	**-**	**11.688**	**11.688**	-	250.888	250.888
Investments in associates and joint ventures	**-**	**97.293**	**97.293**	-	102.615	102.615
Investments in Group companies	**-**	**207.781**	**207.781**	-	236.369	236.369
Deferred tax assets	**8.828**	**447.651**	**456.479**	9.696	446.783	456.479
Stock of property	**62.683**	**213.412**	**276.095**	822	-	822
Non-current assets classified as held for sale	**9.767**	**-**	**9.767**	114.060	-	114.060
	7.438.580	**13.913.842**	**21.352.422**	6.393.693	18.017.454	24.411.147
Liabilities						
Deposits by banks	**204.697**	**33.163**	**237.860**	111.520	48.245	159.765
Funding from central banks	**2.744.764**	**1.708.086**	**4.452.850**	1.554.000	6.729.773	8.283.773
Repurchase agreements	**111.605**	**256.546**	**368.151**	230.305	349.377	579.682
Derivative financial liabilities	**16.041**	**38.367**	**54.408**	13.165	58.596	71.761
Customer deposits	**3.705.967**	**8.988.163**	**12.694.130**	3.317.231	8.011.926	11.329.157
Balances with Group companies	**199.170**	**369.316**	**568.486**	181.129	369.554	550.683
Accruals, deferred income and other liabilities	**184.710**	**48.374**	**233.084**	265.539	18.196	283.735
Debt securities in issue	**712**	**-**	**712**	-	693	693
Deferred tax liabilities	**-**	**19.868**	**19.868**	-	23.219	23.219
	7.167.666	**11.461.883**	**18.629.549**	5.672.889	15.609.579	21.282.468

42. Analysis of assets and liabilities by expected maturity (continued)

The main assumptions used in determining the expected maturity of assets and liabilities are set out below.

Part of the funding from central banks has been included in the over one year time band, since it is expected that it will continue to be required and available. It is noted, however, that funding under MRO and ELA has a contractual maturity of less than one year whereas funding under TLTRO has a contractual maturity of more than one year.

The investments are classified in the relevant time band based on expectations as to their realisation. In most cases this is the maturity date, unless there is an indication that the maturity will be prolonged or there is an intention to sell, roll or replace the security with a similar one. The latter would be the case where there is secured borrowing, requiring the pledging of bonds and these bonds mature before the maturity of the secured borrowing. The maturity of bonds is then extended to cover the period of the secured borrowing.

Performing loans and advances to customers in Cyprus are classified based on the contractual repayment schedule. Overdraft accounts are classified in the over one year time band. The impaired loans as defined in Note 43, net of specific and collective provisions, and the loans which are past due for more than 90 days, are classified in the over one year time band except from expected receipts which are included within time bands, according to historic amounts of receipts in the last months.

A percentage of customer deposits in Cyprus maturing within one year is transferred in the over one year time band, based on the observed behavioural analysis. In Romania deposits are classified on the basis of contractual maturities.

Trading investments are classified in the less than one year column.

The expected maturity of all prepayments, accrued income and other assets and accruals, deferred income and other liabilities is the same as their contractual maturity. If they don't have a contractual maturity, the expected maturity is based on the timing the asset is expected to be realised and the liability is expected to be settled.

43. Risk management – Credit risk

In the ordinary course of its business the Company is exposed to credit risk which is monitored through various control mechanisms, in order to prevent undue risk concentrations and to price credit facilities and products on a risk-adjusted basis.

Credit risk is the risk that arises from the possible failure of one or more customers to discharge their obligations towards the Company.

The Credit Risk department sets the Company's credit disbursement policies and monitors compliance with credit risk policy applicable to each business line and monitors the quality of the Company's loans and advances portfolio through the timely assessment of problematic customers. The credit exposures from related accounts are aggregated and monitored on a consolidated basis.

Credit Risk department, safeguards the effective management of credit risk at all stages of the credit cycle, monitors the quality of decisions and processes and ensures that credit sanctioning function is being properly managed.

The credit policies are combined with modern methods used for the assessment of the customers' creditworthiness (credit rating and credit scoring systems).

The loan portfolio is analysed on the basis of assessments about the customers' creditworthiness, their economic sector of activity and the country in which they operate.

The credit risk exposure of the Company is diversified both geographically and across the various sectors of the economy. The Credit Risk department determines the prohibitive/dangerous sectors of the economy and sets out stricter policy rules for these sectors, according to their degree of riskiness.

43. Risk management – Credit risk (continued)

The Market Risk department assesses the credit risk relating to investments in liquid assets (mainly loans and advances to banks and debt securities) and submits its recommendations for limits to be set for banks and countries to the Assets and Liabilities Committee (ALCO) for approval.

Following the March 2013 events relating to the Group's recapitalisation and restructuring, the Company has applied stricter lending criteria and has significantly reduced the approval limits of the various credit authorities. Since then, lending criteria and approval limits are revised in a dynamic way to accommodate new market conditions and satisfy Group's Risk Appetite Statement.

Maximum exposure to credit risk and collateral and other credit enhancements

The Company's maximum exposure to credit risk is analysed by geographic area as follows:

	2015	2014
On-balance sheet	**€000**	€000
Cyprus	**19.423.767**	22.035.679
Greece	**48.126**	183.105
United Kingdom	**16.545**	69.918
Romania	**319.477**	513.261
Russia	**55.257**	39.010
	19.863.172	22.840.973
Off-balance sheet		
Cyprus	**2.736.014**	3.098.819
Greece	**131.172**	185.271
Romania	**307**	317
Russia	**20.000**	-
	2.887.493	3.284.407
Total on and off-balance sheet		
Cyprus	**22.159.781**	25.134.498
Greece	**179.298**	368.376
United Kingdom	**16.545**	69.918
Romania	**319.784**	513.578
Russia	**75.257**	39.010
	22.750.665	26.125.380

43. Risk management – Credit risk (continued)

Maximum exposure to credit risk and collateral and other credit enhancements (continued)

The Company offers guarantee facilities to its customers under which the Company may be required to make payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs.

Letters of credit and guarantee (including standby letters of credit) commit the Company to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Company to risks similar to those of loans and advances and are therefore monitored by the same policies and control processes.

Loans and advances to customers
The Credit Risk department determines the amount and type of collateral and other credit enhancements required for the granting of new loans to customers.

The main types of collateral obtained by the Company are mortgages on real estate, cash collateral/blocked deposits, bank guarantees, government guarantees, pledges of equity securities and debt instruments of public companies, fixed and floating charges over corporate assets, assignment of life insurance policies, assignment of rights on certain contracts and personal and corporate guarantees.

The Company's management regularly monitors the changes in the market value of the collateral and, where necessary, requests the pledging of additional collateral in accordance with the relevant agreement.

Other financial instruments
Collateral held as security for financial assets other than loans and advances is determined by the nature of the financial instrument. Debt securities and other eligible bills are generally unsecured with the exception of asset-backed securities and similar instruments, which are secured by pools of financial assets. In addition, some debt securities are government-guaranteed.

The Company has chosen the ISDA Master Agreement for documenting its derivatives activity. It provides the contractual framework within which dealing activity across a full range of over-the-counter (OTC) products is conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement, if either party defaults. In most cases the parties execute a Credit Support Annex (CSA) in conjunction with the ISDA Master Agreement. Under a CSA, the collateral is passed between the parties in order to mitigate the market contingent counterparty risk inherent in their open positions.

Settlement risk arises in any situation where a payment in cash or securities is made in the expectation of a corresponding receipt in securities or cash. The Company sets daily settlement limits for each counterparty. Settlement risk is mitigated when transactions are effected via established payment systems or on a delivery upon payment basis.

The table below presents the maximum exposure to credit risk, the tangible and measurable collateral and credit enhancements held and the net exposure to credit risk, that is the exposure after taking into account the impairment loss and tangible and measurable collateral and credit enhancements held. Personal guarantees are an additional form of collateral, but are not included in the information below since it is impracticable to estimate their fair value.

The fair value of the collateral presented in the tables below is capped to the carrying value of the loans and advances to customers.

43. Risk management – Credit risk (continued)

Maximum exposure to credit risk and collateral and other credit enhancements (continued)

	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held by the Company							Net exposure to credit risk
		Cash	Securities	Letters of credit / guarantee	Property	Other	Surplus collateral	Net collateral	
2015	**€000**	€000	€000	€000	€000	€000	€000	€000	**€000**
Balances with central banks (Note 18)	**957.612**	-	-	-	-	-	-	-	**957.612**
Loans and advances to banks (Note 18)	**1.112.337**	-	-	-	-	-	-	-	**1.112.337**
Debt securities at fair value through profit or loss (Note 19)	**17.430**	-	-	-	-	-	-	-	**17.430**
Debt securities classified as available-for-sale and loans and receivables (Note 19)	**874.337**	-	-	-	-	-	-	-	**874.337**
Derivative financial instruments (Note 20)	**14.022**	-	-	-	-	-	-	-	**14.022**
Loans and advances to customers (Note 22)	**16.005.878**	478.532	253.305	377.011	20.944.487	347.591	(8.058.447)	14.342.479	**1.663.399**
Debtors (Note 28)	**259**	-	-	-	-	-	-	-	**259**
Balances with Group companies (Note 23)	**735.579**	-	-	-	-	-	-	-	**735.579**
Other assets	**145.718**	-	4.600	-	19.043	-	-	23.643	**122.075**
On-balance sheet total	**19.863.172**	**478.532**	**257.905**	**377.011**	**20.963.530**	**347.591**	**(8.058.447)**	**14.366.122**	**5.497.050**
Contingent liabilities									
Acceptances and endorsements	**7.041**	666	-	-	4.352	32	-	5.050	**1.991**
Guarantees	**792.883**	52.446	687	73.436	186.975	10.442	-	323.986	**468.897**
Commitments									
Documentary credits	**18.441**	1.123	9	71	8.245	495	-	9.943	**8.498**
Undrawn formal stand-by facilities, other credit lines and other commitments to lend	**2.069.128**	30.339	1.302	1.744	288.908	14.433	-	336.726	**1.732.402**
Off-balance sheet total	**2.887.493**	**84.574**	**1.998**	**75.251**	**488.480**	**25.402**	**-**	**675.705**	**2.211.788**
Total credit risk exposure	**22.750.665**	**563.106**	**259.903**	**452.262**	**21.452.010**	**372.993**	**(8.058.447)**	**15.041.827**	**7.708.838**

43. Risk management – Credit risk (continued)

Maximum exposure to credit risk and collateral and other credit enhancements (continued)

	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held by the Company							**Net exposure to credit risk**
		Cash	Securities	Letters of credit / guarantee	Property	Other	Surplus collateral	Net collateral	
2014	**€000**	€000	€000	€000	€000	€000	€000	€000	**€000**
Balances with central banks (Note 18)	**483.857**	-	-	-	-	-	-	-	**483.857**
Loans and advances to banks (Note 18)	**1.462.824**	3.316	-	-	-	-	-	3.316	**1.459.508**
Debt securities at fair value through profit or loss (Note 19)	**16.979**	-	-	-	-	-	-	-	**16.979**
Debt securities classified as available-for-sale and loans and receivables (Note 19)	**2.467.861**	-	-	-	-	-	-	-	**2.467.861**
Derivative financial instruments (Note 20)	**62.585**	16.685	-	-	-	-	-	16.685	**45.900**
Loans and advances to customers (Note 22)	**17.329.208**	568.011	370.302	1.390.577	22.576.575	238.068	(9.984.264)	15.159.269	**2.169.939**
Assets held for sale (Note 29)	**39.010**	-	-	-	72.124	-	(40.150)	31.974	**7.036**
Debtors (Note 28)	**137**	-	-	-	-	-	-	-	**137**
Balances with Group companies (Note 23)	**809.959**	-	-	-	-	-	-	-	**809.959**
Other assets	**168.553**	-	-	-	-	-	-	-	**168.553**
On-balance sheet total	**22.840.973**	**588.012**	**370.302**	**1.390.577**	**22.648.699**	**238.068**	**(10.024.414)**	**15.211.244**	**7.629.729**
Contingent liabilities									
Acceptances and endorsements	**8.332**	-	-	-	-	-	-	-	**8.332**
Guarantees	**1.003.271**	102.544	1.705	14.803	697.755	8.167	(32.162)	792.812	**210.459**
Commitments									
Documentary credits	**16.217**	-	-	-	-	-	-	-	**16.217**
Undrawn formal stand-by facilities, other credit lines and other commitments to lend	**2.256.587**	-	-	-	-	-	-	-	**2.256.587**
Off-balance sheet total	**3.284.407**	**102.544**	**1.705**	**14.803**	**697.755**	**8.167**	**(32.162)**	**792.812**	**2.491.595**
Total credit risk exposure	**26.125.380**	**690.556**	**372.007**	**1.405.380**	**23.346.454**	**246.235**	**(10.056.576)**	**16.004.056**	**10.121.324**

43. Risk management – Credit risk (continued)

Credit risk concentration of loans and advances to customers

There are restrictions on loan concentrations which are imposed by the Banking Law in Cyprus and the relevant CBC Directive. According to these restrictions, banks are prohibited from lending more than 25% of the capital base to a single customer group. The Group's risk appetite statement imposes stricter concentration limits and the Company is taking actions to run down those exposures which are in excess of these internal limits over time.

In addition to the above, the Company's overseas branches must comply with guidelines for large exposures as set by the regulatory authorities of the countries in which they operate.

Fair value adjustment on initial recognition

The fair value adjustment on initial recognition relates to the loans and advances to customers acquired as part of the acquisition of certain operations of Laiki Bank in 2013. In accordance with the provisions of IFRS 3, this adjustment has decreased the gross balance of loans and advances to customers. However, for IFRS 7 disclosure purposes as well as for credit risk monitoring, the aforementioned adjustment is not presented within the gross balances of loans and advances.

43. Risk management – Credit risk (continued)

Credit risk concentration of loans and advances to customers (continued)

Geographical and industry concentrations of the Company loans and advances to customers are presented below:

	Cyprus	Greece	United Kingdom	Romania	Russia	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
2015	€000	€000	€000	€000	€000	**€000**	**€000**	**€000**
By economic activity								
Trade	2.267.092	-	47	12.350	-	**2.279.489**	**(121.192)**	**2.158.297**
Manufacturing	801.536	-	-	7.590	-	**809.126**	**(31.596)**	**777.530**
Hotels and catering	1.463.129	-	2.268	6.209	-	**1.471.606**	**(77.444)**	**1.394.162**
Construction	3.976.156	-	774	45.510	-	**4.022.440**	**(335.803)**	**3.686.637**
Real estate	2.130.028	43.443	39.547	249.630	6.648	**2.469.296**	**(137.185)**	**2.332.111**
Private individuals	7.282.322	-	7.429	5.585	-	**7.295.336**	**(268.496)**	**7.026.840**
Professional and other services	1.595.010	-	830	37.880	13.693	**1.647.413**	**(101.913)**	**1.545.500**
Other sectors	1.145.344	24.866	259	28.584	-	**1.199.053**	**(133.781)**	**1.065.272**
	20.660.617	**68.309**	**51.154**	**393.338**	**20.341**	**21.193.759**	**(1.207.410)**	**19.986.349**
By customer sector								
Corporate	9.222.446	68.309	15.173	386.841	13.693	**9.706.462**	**(666.631)**	**9.039.831**
SMEs	4.408.096	-	33.134	3.857	-	**4.445.087**	**(263.630)**	**4.181.457**
Retail								
- housing	4.285.058	-	-	1.306	-	**4.286.364**	**(108.267)**	**4.178.097**
- consumer, credit cards and other	2.152.950	-	2.847	1.334	6.648	**2.163.779**	**(154.174)**	**2.009.605**
International banking services	528.795	-	-	-	-	**528.795**	**(8.056)**	**520.739**
Wealth management	63.272	-	-	-	-	**63.272**	**(6.652)**	**56.620**
	20.660.617	**68.309**	**51.154**	**393.338**	**20.341**	**21.193.759**	**(1.207.410)**	**19.986.349**

43. Risk management – Credit risk (continued)

Credit risk concentration of loans and advances to customers (continued)

	Cyprus	Greece	United Kingdom	Romania	Russia	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
2015	€000	€000	€000	€000	€000	**€000**	**€000**	**€000**
By business line								
Corporate	2.188.794	68.309	15.173	305.848	-	**2.578.124**	**(83.695)**	**2.494.429**
SMEs	1.502.261	-	33.134	3.857	-	**1.539.252**	**(46.973)**	**1.492.279**
Retail								
- housing	3.657.083	-	-	1.306	-	**3.658.389**	**(45.585)**	**3.612.804**
- consumer, credit cards and other	1.409.855	-	2.847	1.334	-	**1.414.036**	**(36.834)**	**1.377.202**
Restructuring								
- corporate	4.692.503	-	-	35.736	-	**4.728.239**	**(251.865)**	**4.476.374**
- SMEs	1.376.635	-	-	-	-	**1.376.635**	**(67.758)**	**1.308.877**
Recoveries								
- corporate	2.341.149	-	-	45.257	13.693	**2.400.099**	**(331.071)**	**2.069.028**
- SMEs	1.529.200	-	-	-	-	**1.529.200**	**(148.899)**	**1.380.301**
- retail housing	627.975	-	-	-	-	**627.975**	**(62.682)**	**565.293**
- retail other	743.095	-	-	-	6.648	**749.743**	**(117.340)**	**632.403**
International banking services	528.795	-	-	-	-	**528.795**	**(8.056)**	**520.739**
Wealth management	63.272	-	-	-	-	**63.272**	**(6.652)**	**56.620**
	20.660.617	**68.309**	**51.154**	**393.338**	**20.341**	**21.193.759**	**(1.207.410)**	**19.986.349**

43. Risk management – Credit risk (continued)

Credit risk concentration of loans and advances to customers (continued)

	Cyprus	Greece	United Kingdom	Romania	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
2014	€000	€000	€000	€000	**€000**	**€000**	**€000**
By economic activity							
Trade	2.279.905	-	36	12.799	**2.292.740**	**(169.687)**	**2.123.053**
Manufacturing	819.309	-	115	7.578	**827.002**	**(46.564)**	**780.438**
Hotels and catering	1.411.823	-	2.442	6.379	**1.420.644**	**(94.943)**	**1.325.701**
Construction	3.839.577	-	1.431	28.719	**3.869.727**	**(407.901)**	**3.461.826**
Real estate	2.030.507	44.274	53.102	277.188	**2.405.071**	**(170.448)**	**2.234.623**
Private individuals	7.447.642	-	-	8.647	**7.456.289**	**(336.364)**	**7.119.925**
Professional and other services	1.503.453	-	12.293	36.945	**1.552.691**	**(122.444)**	**1.430.247**
Other sectors	1.867.205	129.632	83	116.049	**2.112.969**	**(217.760)**	**1.895.209**
	21.199.421	**173.906**	**69.502**	**494.304**	**21.937.133**	**(1.566.111)**	**20.371.022**
By customer sector							
Corporate	9.435.300	173.906	25.272	486.304	**10.120.782**	**(868.788)**	**9.251.994**
SMEs	4.504.392	-	41.184	4.750	**4.550.326**	**(339.515)**	**4.210.811**
Retail							
- housing	4.358.022	-	-	1.577	**4.359.599**	**(125.294)**	**4.234.305**
- consumer, credit cards and other	2.228.198	-	3.046	1.673	**2.232.917**	**(210.372)**	**2.022.545**
International banking services	603.557	-	-	-	**603.557**	**(12.472)**	**591.085**
Wealth management	69.952	-	-	-	**69.952**	**(9.670)**	**60.282**
	21.199.421	**173.906**	**69.502**	**494.304**	**21.937.133**	**(1.566.111)**	**20.371.022**

43. Risk management – Credit risk (continued)

Credit risk concentration of loans and advances to customers (continued)

	Cyprus	Greece	United Kingdom	Romania	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
2014	€000	€000	€000	€000	**€000**	**€000**	**€000**
By business line							
Corporate	2.027.909	173.906	25.272	400.210	**2.627.297**	**(168.703)**	**2.458.594**
SMEs	1.715.928	-	41.184	4.750	**1.761.862**	**(77.973)**	**1.683.889**
Retail							
- housing	3.795.614	-	-	1.577	**3.797.191**	**(56.086)**	**3.741.105**
- consumer, credit cards and other	1.538.872	-	3.046	1.673	**1.543.591**	**(83.560)**	**1.460.031**
Restructuring							
- corporate	5.317.892	-	-	35.609	**5.353.501**	**(348.013)**	**5.005.488**
- SMEs	1.401.022	-	-	-	**1.401.022**	**(110.044)**	**1.290.978**
Recoveries							
- corporate	2.089.499	-	-	50.485	**2.139.984**	**(352.072)**	**1.787.912**
- SMEs	1.387.442	-	-	-	**1.387.442**	**(151.498)**	**1.235.944**
- retail housing	562.408	-	-	-	**562.408**	**(69.208)**	**493.200**
- retail other	689.326	-	-	-	**689.326**	**(126.812)**	**562.514**
International banking services	603.557	-	-	-	**603.557**	**(12.472)**	**591.085**
Wealth management	69.952	-	-	-	**69.952**	**(9.670)**	**60.282**
	21.199.421	**173.906**	**69.502**	**494.304**	**21.937.133**	**(1.566.111)**	**20.371.022**

The loans and advances to customers in Cyprus include lending exposures to Greek entities granted by the Company in Cyprus in its normal course of business with a carrying value of €81.078 thousand (2014: €94.703 thousand) and lending exposures in Cyprus with collaterals in Greece with a carrying value of €69.983 thousand (2014: €71.473 thousand).

43. Risk management – Credit risk (continued)

Credit risk concentration of loans and advances to customers classified as held for sale

Geographical and industry concentrations of loans and advances to customers which are classified as held for sale are presented below:

	Russia	
	2015	2014
By economic activity	**€000**	€000
Real estate	-	27.028
Private individuals	-	63.868
Professional and other sectors	-	13.144
	-	104.040
By customer sector		
Corporate	-	40.172
International banking services	-	63.868
	-	104.040
By business line		
Corporate	-	40.172
International banking services	-	63.868
	-	104.040

43. Risk management – Credit risk (continued)

Currency concentration of loans and advances to customers

	Cyprus	Greece	United Kingdom	Romania	Russia	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
2015	€000	€000	€000	€000	€000	**€000**	**€000**	**€000**
Euro	19.261.824	68.309	2.260	392.100	13.693	**19.738.186**	**(1.128.137)**	**18.610.049**
US Dollar	251.075	-	-	22	6.648	**257.745**	**(11.858)**	**245.887**
British Pound	50.831	-	48.894	93	-	**99.818**	**(11.900)**	**87.918**
Russian Rouble	108	-	-	-	-	**108**	**(1)**	**107**
Romanian Lei	1	-	-	1.123	-	**1.124**	**-**	**1.124**
Swiss Franc	1.029.847	-	-	-	-	**1.029.847**	**(52.743)**	**977.104**
Other currencies	66.931	-	-	-	-	**66.931**	**(2.771)**	**64.160**
	20.660.617	**68.309**	**51.154**	**393.338**	**20.341**	**21.193.759**	**(1.207.410)**	**19.986.349**
2014								
Euro	19.692.287	172.353	9.170	492.984	-	**20.366.794**	**(1.453.728)**	**18.913.066**
US Dollar	279.609	-	-	21	-	**279.630**	**(12.212)**	**267.418**
British Pound	56.206	-	60.332	95	-	**116.633**	**(16.359)**	**100.274**
Russian Rouble	555	-	-	-	-	**555**	**(2)**	**553**
Romanian Lei	1	-	-	1.204	-	**1.205**	**-**	**1.205**
Swiss Franc	1.078.751	1.553	-	-	-	**1.080.304**	**(77.424)**	**1.002.880**
Other currencies	92.012	-	-	-	-	**92.012**	**(6.386)**	**85.626**
	21.199.421	**173.906**	**69.502**	**494.304**	**-**	**21.937.133**	**(1.566.111)**	**20.371.022**

43. Risk management – Credit risk (continued)

Currency concentration of loans and advances to customers held for sale

	Russia	
	2015	2014
	€000	€000
Euro	**-**	98.412
US Dollar	**-**	5.628
	-	104.040

Credit quality of loans and advances to customers

The following table presents the credit quality of the Company's loans and advances to customers:

	2015			2014		
	Gross loans before fair value adjustment on initial recognition	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**	Gross loans before fair value adjustment on initial recognition	Fair value adjustment on initial recognition	Gross loans after fair value adjustment on initial recognition
	€000	**€000**	**€000**	€000	€000	€000
Neither past due nor impaired	**9.356.952**	**(173.260)**	**9.183.692**	8.867.087	(181.393)	8.685.694
Past due but not impaired	**2.993.746**	**(60.803)**	**2.932.943**	4.224.031	(106.020)	4.118.011
Impaired	**8.843.061**	**(973.347)**	**7.869.714**	8.846.015	(1.278.698)	7.567.317
	21.193.759	**(1.207.410)**	**19.986.349**	21.937.133	(1.566.111)	20.371.022

Past due loans are those with delayed payments or in excess of authorised credit limits. Impaired loans are those which are not considered fully collectable and for which a provision for impairment has been recognised on an individual basis or for which incurred losses exist at their initial recognition or customers in Debt Recovery.

During 2015 the total non-contractual write-offs recorded by the Company amounted to €172.670 thousand (2014: nil). The remaining gross loan balance of these customers as at 31 December 2015 was €280.575 thousand, of which €56.548 thousand were past due for more than 90 days but not impaired and €198.296 thousand were impaired.

43. Risk management – Credit risk (continued)

Credit quality of loans and advances to customers (continued)

Loans and advances to customers that are neither past due nor impaired
The credit quality of loans and advances to customers that were neither past due nor impaired is monitored by the Company using internal systems. The table below presents the credit risk quality of loans and advances to customers that were neither past due nor impaired.

	Grade 1	Grade 2	Grade 3	Total
2015	**€000**	**€000**	**€000**	**€000**
Cyprus	5.572.053	1.441.298	2.244.258	**9.257.609**
United Kingdom	-	9.267	-	**9.267**
Romania	45.962	34.973	9.141	**90.076**
	5.618.015	**1.485.538**	**2.253.399**	**9.356.952**
2014				
Cyprus	5.853.829	844.316	2.049.957	**8.748.102**
United Kingdom	12.758	-	-	**12.758**
Romania	47.467	38.530	20.230	**106.227**
	5.914.054	**882.846**	**2.070.187**	**8.867.087**

Loans and advances to customers that were neither past due nor in excess of their limit during the last twelve months, are classified as Grade 1.

Loans and advances to customers that were past due or in excess of their limit for up to 30 consecutive days during the first half of the year or for up to 15 consecutive days during the second half of the year, are classified as Grade 2.

Loans and advances to customers that were past due or in excess of their limit for more than 30 consecutive days during the first half of the year or for more than 15 consecutive days during the second half of the year, are classified as Grade 3.

43. Risk management – Credit risk (continued)

Credit quality of loans and advances to customers (continued)

Loans and advances to customers that are past due but not impaired

	2015	2014
Past due analysis:	**€000**	€000
- up to 30 days	**431.813**	510.112
- 31 to 90 days	**347.009**	475.525
- 91 to 180 days	**142.245**	430.473
- 181 to 365 days	**258.038**	905.630
- over one year	**1.814.641**	1.902.291
	2.993.746	4.224.031

The fair value of the collateral that the Company holds (to the extent that it mitigates credit risk) in respect of loans and advances to customers that are past due but not impaired as at 31 December 2015 is €2.391.828 thousand (2014: €3.385.020 thousand). The fair value of the collateral is capped to the gross carrying value of the loans and advances to customers.

Impaired loans and advances to customers

	2015		2014	
	Gross loans and advances	**Fair value of collateral**	Gross loans and advances	Fair value of collateral
	€000	**€000**	€000	€000
Cyprus	**8.414.868**	**5.596.169**	8.264.989	6.045.030
Greece	**68.309**	**17.945**	173.906	19.950
United Kingdom	**37.196**	**2.845**	50.250	39.594
Romania	**302.347**	**165.994**	356.870	202.766
Russia	**20.341**	**13.684**	-	-
	8.843.061	**5.796.637**	8.846.015	6.307.340

The fair value of the collateral presented above has been computed based on the extent that the collateral mitigates credit risk and has been capped to the gross carrying value of the loans and advances to customers.

	2015	2014
Impaired:	**€000**	€000
- no arrears	**875.488**	1.045.065
- up to 30 days	**78.176**	83.946
- 31 to 90 days	**24.334**	132.771
- 91 to 180 days	**63.369**	135.397
- 181 to 365 days	**303.674**	659.701
- over one year	**7.498.020**	6.789.135
	8.843.061	8.846.015

43. Risk management – Credit risk (continued)

Credit quality of loans and advances to customers classified as held for sale

	Russia	
	2015	2014
	€000	€000
Neither past due nor impaired	-	21.389
Impaired		
- no arrears	-	63.868
- over one year	-	18.783
	-	82.651
	-	104.040

There are no loans and advances to customers classified as held for sale as at 31 December 2015. The fair value of the collateral for the impaired loans and advances to customers classified as held for sale at 31 December 2014 amounted to €10.680 thousand.

Provision for impairment of loans and advances to customers, including loans and advances to customers held for sale

The movement in provisions for impairment of loans and advances, including the loans and advances to customers held for sale, is as follows:

	Cyprus	Greece	Other countries	**Total**
2015	€000	€000	€000	**€000**
1 January	2.865.782	9.086	231.976	**3.106.844**
Foreign exchange and other adjustments	80.373	-	338	**80.711**
Transfer between geographical areas	(62.010)	6.329	55.681	**-**
Applied in writing off impaired loans and advances	(151.619)	(16.700)	(111.746)	**(280.065)**
Interest accrued on impaired loans and advances	(197.009)	(2.134)	(1.577)	**(200.720)**
Collection of loans and advances previously written off	2.671	-	-	**2.671**
Charge for the year (Note 13)	1.193.562	37.036	40.432	**1.271.030**
31 December	**3.731.750**	**33.617**	**215.104**	**3.980.471**
Individual impairment	**3.255.398**	**29.242**	**213.085**	**3.497.725**
Collective impairment	**476.352**	**4.375**	**2.019**	**482.746**

43. Risk management – Credit risk (continued)

Provision for impairment of loans and advances to customers, including loans and advances to customers held for sale (continued)

	Cyprus	Greece	Other countries	**Total**
2014	€000	€000	€000	**€000**
1 January	2.520.690	-	189.405	**2.710.095**
Disposal of loans	-	-	(97.683)	**(97.683)**
Foreign exchange adjustments	26.394	-	3.746	**30.140**
Applied in writing off impaired loans and advances	(8.947)	-	-	**(8.947)**
Interest accrued on impaired loans and advances/settlements	(162.213)	(1.071)	(6.404)	**(169.688)**
Collection of loans and advances previously written off	230	-	-	**230**
Charge for the year (Note 13)	489.628	10.157	142.912	**642.697**
31 December	**2.865.782**	**9.086**	**231.976**	**3.106.844**
Individual impairment	**2.272.945**	**9.086**	**226.938**	**2.508.969**
Collective impairment	**592.837**	**-**	**5.038**	**597.875**

There are no loans and advances to customers classified as held for sale as at 31 December 2015. The balance of provisions for impairment of loans and advances to customers at 31 December 2014 includes €65.030 thousand for loans and advances to customers classified as held for sale. The above table does not include the provisions for impairment on financial guarantees and commitments which are part of 'Accruals, deferred income and other liabilities' (Note 33).

The impairment loss is measured as the difference between the carrying amount of a loan and the present value of the estimated future cash flows, including the cash flows which may arise from guarantees and tangible collateral.

The carrying amount of the loan is reduced through the use of a provision account and the amount of the loss is recognised in the income statement. Loans together with the associated provisions are written off when there is no realistic prospect of future recovery. Partial write-offs including non-contractual write-offs may also occur when it is considered that there is no realistic prospect for the recovery of the provisioned amount. In addition, write-offs may reflect restructuring activity with customers who are subject to the terms of the agreement and satisfactory performance.

Assumptions have been made about the future changes in property values, as well as the timing for the realisation of the collateral and for taxes and expenses on the repossession and subsequent sale of the collateral. Indexation has been used to estimate updated market values of properties, while assumptions were made on the basis of a macroeconomic scenario for future changes in property values. The timing of recovery from real estate collaterals has been estimated to be on average 3 years, with the exception of specific cases where a different period has been used, based on specific facts and circumstances and for customers in Debt Recovery where a 6 year period has been used. In accordance with the Loan Impairment and Provisioning Directives of 2014 and 2015 of the CBC, the cumulative average future change in property values during the year has been capped to zero. On average, the realisable value of the collateral is estimated to be 10% lower than the projected open market value of the collateral.

Any changes in these assumptions or difference between assumptions made and actual results could result in significant changes in the amount of required provisions for impairment of loans and advances.

43. Risk management – Credit risk (continued)

Provision for impairment of loans and advances to customers, including loans and advances to customers held for sale (continued)

Sensitivity analysis
The Company has performed sensitivity analysis on certain of the loan impairment assumptions relating to the loan portfolio in Cyprus. The impact on the provisions for impairment of loans and advances is presented below:

	Increase / (decrease) on provisions for impairment of loans and advances
Change in provisions assumptions:	**€000**
Increase the timing of recovery from collaterals by 1 year (to an average of 4 years) for the customers that were assessed on a collective basis, excluding any customers in Debt Recovery	43.820
Decrease the timing of recovery from collaterals by 1 year (to an average of 2 years) for the customers that were assessed on a collective basis, excluding any customers in Debt Recovery	(39.466)
Decrease the recoverable amount from collaterals of customers individually assessed and which have an identified impairment loss and all customers in Debt Recovery by 5% compared to the expected recoverable amount applied in the provisions calculations	140.344
Decrease the recoverable amount from collaterals of customers individually assessed and which have an identified impairment loss and all customers in Debt Recovery by 10% compared to the expected recoverable amount applied in the provisions calculations	284.574
Increase the recoverable amount from collaterals of customers individually assessed and which have an identified impairment loss and all customers in Debt Recovery by 5% compared to the expected recoverable amount applied in the provisions calculations	(139.417)
Increase the recoverable amount from collaterals of customers individually assessed and which have an identified impairment loss and all customers in Debt Recovery by 10% compared to the expected recoverable amount applied in the provisions calculations	(274.406)
Increase the timing of recovery from collaterals by 1 year and decrease the liquidation haircut by 20% on customers that have been individually assessed for impairment with an identified impairment loss and on customers collectively assessed for impairment	(110.645)
Decrease the timing of recovery from collaterals by 1 year and increase the liquidation haircut by 20% on customers that have been individually assessed for impairment with an identified impairment loss and on customers collectively assessed for impairment	115.500

Collateral and other credit enhancements obtained

The carrying value of assets obtained during the year by taking possession of collateral held as security, was as follows:

	2015	2014
	€000	€000
Residential property	**1.946**	-
Commercial and other property	**110.771**	85.825
	112.717	85.825

43. Risk management – Credit risk (continued)

Collateral and other credit enhancements obtained (continued)

The total carrying value of the assets obtained over the years by taking possession of collateral held as security for customer loans and advances and held by the Company as at 31 December 2015 amounted to €421.110 thousand (2014: €339.958 thousand). An amount of €6.552 thousand relates to repossessions of collateral held as security for customer loans and advances classified as held for sale (2014: €5.480 thousand).

The disposals of repossessed assets during the year amounted to €28.883 thousand (2014: €1.654 thousand).

Forbearance

Forbearance measures occur in situations in which the borrower is considered to be unable to meet the terms and conditions of the contract due to financial difficulties. Taking into consideration these difficulties, the Company decides to modify the terms and conditions of the contract to provide the borrower the ability to service the debt or refinance the contract, either partially or fully.

The practice of extending forbearance measures constitutes a grant of a concession whether temporarily or permanently to that borrower. A concession may involve restructuring the contractual terms of a debt or payment in some form other than cash, such as an arrangement whereby the borrower transfers collateral pledged to the Company. As such, it constitutes an objective indicator that requires assessing whether impairment is needed.

Modifications of loans and advances that do not affect payment arrangements, such as restructuring of collateral or security arrangements are not regarded as sufficient to indicate impairment as by themselves they do not necessarily indicate credit distress affecting payment ability.

Rescheduled loans and advances are those facilities for which the Company has modified the repayment programme (provision of a grace period, suspension of the obligation to repay one or more instalments, reduction in the instalment amount and/or elimination of overdue instalments relating to capital or interest) and current accounts/overdrafts for which the credit limit has been increased with the sole purpose of covering an excess.

For an account to qualify for rescheduling it must meet certain criteria including that the client's business must be considered to be viable. The extent to which the Company reschedules accounts that are eligible under its existing policies may vary depending on its view of the prevailing economic conditions and other factors which may change from year to year. In addition, exceptions to policies and practices may be made in specific situations in response to legal or regulatory agreements or orders.

Forbearance activities may include measures that restructure the borrower's business (operational restructuring) and/or measures that restructure the borrower's financing (financial restructuring).

Restructuring options may be of a short or long-term nature or combination thereof. The Company has developed and deployed sustainable restructuring solutions, which are suitable for the borrower and acceptable for the Company.

Short-term restructuring solutions are defined as restructured repayment solutions of duration of less than two years. In the case of loans for the construction of commercial property and project finance, a short-term solution may not exceed one year.

Short-term restructuring solutions can include the following:

- Interest only: during a defined short-term period, only interest is paid on credit facilities and no principal repayment is made.
- Reduced payments: decrease of the amount of repayment instalments over a defined short-term period in order to accommodate the borrower's new cash flow position.
- Arrears and/or interest capitalisation: the capitalisation of arrears and/or of accrued interest arrears to the principal; that is forbearance of the arrears and addition of any unpaid interest to the outstanding principal balance for repayment under a rescheduled program.
- Grace period: an agreement allowing the borrower a defined delay in fulfilling the repayment obligations usually with regard to the principal.
- Interest rate reduction: permanent or temporary reduction of interest rate (fixed or variable) into a fair and sustainable rate.

43. Risk management – Credit risk (continued)

Forbearance (continued)

Long-term restructuring solutions can include the following:

- Extension of maturity: extension of the maturity of the loan which allows a reduction in instalment amounts by spreading the repayments over a longer period.
- Additional security: when additional liens on unencumbered assets are obtained as additional security from the borrower in order to compensate for the higher risk exposure and as part of the restructuring process.
- Forbearance of penalties in loan agreements: waiver, temporary or permanent, of violations of covenants in the loan agreements.
- Rescheduling of payments: the existing contractual repayment schedule is adjusted to a new sustainable repayment program based on a realistic, current and forecasted, assessment of the cash flow generation of the borrower.
- Strengthening of the existing collateral: a restructuring solution may entail the pledge of additional security for instance, in order to compensate for the reduction in interest rates or to balance the advantages the borrower receives from the restructuring.
- New loan facilities: new loan facilities may be granted during a restructuring agreement, which may entail the pledge of additional security and in the case of inter-creditor arrangements the introduction of covenants in order to compensate for the additional risk incurred by the Company in providing a new financing to a distressed borrower.
- Debt consolidation: the combination of multiple exposures into a single loan or limited number of loans.
- Debt/equity swaps: partial set-off of the debt and obtaining of an equivalent amount of equity by the Company, with the remaining debt right-sized to the cash flows of the borrower to allow repayment to the Company from repayment on the re-sized debt and from the eventual sale of the equity stake in the business. This solution is used only in exceptional cases and only where all other efforts for restructuring are exhausted and after ensuring compliance with the banking law.
- Debt/asset swaps: agreement between the Company and the borrower to voluntarily dispose of the secured asset to partially or fully repay the debt. The asset may be acquired by the Company and any residual debt may be restructured within an appropriate repayment schedule in line with the borrower's reassessed repayment ability.
- Debt write-off: cancellation of part or the whole of the amount of debt outstanding by the borrower. The Company applies the debt forgiveness solution only as a last resort and in remote cases having taken into consideration the ability of the borrower to repay the remaining debt in the agreed timeframe and the moral hazard.
- Split and freeze: the customer's debt is split into sustainable and unsustainable parts. The sustainable part is restructured and continues to operate. The unsustainable part is 'frozen' for the restructured duration of the sustainable part. At the maturity of the restructuring, the frozen part is either forgiven pro-rata (based on the actual repayment of the sustainable part) or restructured.

43. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers

The below tables present the Company's rescheduled loans and advances to customers by industry sector, geography and credit quality classification, as well as impairment provisions and tangible collateral held for rescheduled loans.

	Cyprus	Greece	United Kingdom	Romania	**Total**
2015	€000	€000	€000	€000	**€000**
1 January	7.024.847	75.778	4.451	183.372	**7.288.448**
New loans and advances rescheduled in the year	2.189.524	-	-	-	**2.189.524**
Assets no longer classified as rescheduled (including repayments)	(1.125.219)	(35.927)	(3.647)	(32.178)	**(1.196.971)**
Applied in writing off rescheduled loans and advances	(80.896)	(16.700)	-	(33.888)	**(131.484)**
Interest accrued on rescheduled loans and advances	337.231	1.714	-	1.610	**340.555**
Foreign exchange adjustments	46.137	-	10	(795)	**45.352**
31 December	**8.391.624**	**24.865**	**814**	**118.121**	**8.535.424**
2014					
1 January	7.070.764	-	-	107.445	**7.178.209**
New loans and advances rescheduled in the year	1.841.843	69.732	4.180	28.258	**1.944.013**
Assets no longer classified as rescheduled (including repayments)	(2.139.356)	-	-	(15.843)	**(2.155.199)**
Applied in writing off rescheduled loans and advances	(56)	-	-	-	**(56)**
Interest accrued on rescheduled loans and advances	310.271	6.046	-	1.770	**318.087**
Transfer	(62.056)	-	-	62.056	**-**
Foreign exchange adjustments	3.437	-	271	(314)	**3.394**
31 December	**7.024.847**	**75.778**	**4.451**	**183.372**	**7.288.448**

The classification as rescheduled loans is discontinued when all EBA criteria for the discontinuation of the classification as forborne exposure are met. These are set out in EBA Final draft Implementing Technical Standards (ITS) on supervisory reporting and non-performing exposures.

43. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit quality

	Cyprus	Greece	United Kingdom	Romania	**Total**
2015	€000	€000	€000	€000	**€000**
Neither past due nor impaired	3.636.868	-	106	60.182	**3.697.156**
Past due but not impaired	1.591.934	-	202	297	**1.592.433**
Impaired	3.162.822	24.865	506	57.642	**3.245.835**
	8.391.624	**24.865**	**814**	**118.121**	**8.535.424**
2014					
Neither past due nor impaired	2.546.020	-	3.605	70.899	**2.620.524**
Past due but not impaired	1.764.528	-	91	3.247	**1.767.866**
Impaired	2.714.299	75.778	755	109.226	**2.900.058**
	7.024.847	**75.778**	**4.451**	**183.372**	**7.288.448**

The comparatives above include rescheduled loans and advances to customers acquired from Laiki Bank which had been rescheduled prior to the acquisition date (29 March 2013), previously disclosed separately.

Fair value of collateral

	Cyprus	United Kingdom	Romania	**Total**
2015	€000	€000	€000	**€000**
Neither past due nor impaired	3.360.868	-	59.931	**3.420.799**
Past due but not impaired	1.407.575	155	178	**1.407.908**
Impaired	2.709.602	-	38.924	**2.748.526**
	7.478.045	**155**	**99.033**	**7.577.233**
2014				
Neither past due nor impaired	2.241.882	3.605	70.899	**2.316.386**
Past due but not impaired	1.534.072	91	3.150	**1.537.313**
Impaired	2.556.664	755	49.836	**2.607.255**
	6.332.618	**4.451**	**123.885**	**6.460.954**

The fair value of collateral presented above has been computed based on the extent that the collateral mitigates credit risk.

43. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration

	Cyprus	Greece	United Kingdom	Romania	**Total**
2015	€000	€000	€000	€000	**€000**
By economic activity					
Trade	707.105	-	-	2.936	**710.041**
Manufacturing	282.449	-	-	1.258	**283.707**
Hotels and catering	743.585	-	30	6.196	**749.811**
Construction	2.155.778	-	-	1.399	**2.157.177**
Real estate	1.069.156	-	295	82.739	**1.152.190**
Private individuals	2.526.554	-	451	153	**2.527.158**
Professional and other services	584.836	-	38	22.697	**607.571**
Other sectors	322.161	24.865	-	743	**347.769**
	8.391.624	**24.865**	**814**	**118.121**	**8.535.424**
By customer sector					
Corporate	4.368.307	24.865	27	116.385	**4.509.584**
SMEs	1.720.453	-	620	1.583	**1.722.656**
Retail					
- housing	1.685.668	-	-	-	**1.685.668**
- consumer, credit cards and other	568.986	-	167	153	**569.306**
International banking services	42.481	-	-	-	**42.481**
Wealth management	5.729	-	-	-	**5.729**
	8.391.624	**24.865**	**814**	**118.121**	**8.535.424**

43. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

	Cyprus	Greece	United Kingdom	Romania	**Total**
2015	€000	€000	€000	€000	**€000**
By business line					
Corporate	647.785	24.865	27	115.639	**788.316**
SMEs	550.664	-	620	1.583	**552.867**
Retail					
- housing	1.562.149	-	-	-	**1.562.149**
- consumer, credit cards and other	468.368	-	167	153	**468.688**
Restructuring					
- corporate	3.040.868	-	-	626	**3.041.494**
- SMEs	798.010	-	-	-	**798.010**
Recoveries					
- corporate	679.654	-	-	120	**679.774**
- SMEs	371.779	-	-	-	**371.779**
- retail housing	123.519	-	-	-	**123.519**
- retail other	100.618	-	-	-	**100.618**
International banking services	42.481	-	-	-	**42.481**
Wealth management	5.729	-	-	-	**5.729**
	8.391.624	**24.865**	**814**	**118.121**	**8.535.424**

43. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

	Cyprus	Greece	United Kingdom	Romania	**Total**
2014	€000	€000	€000	€000	**€000**
By economic activity					
Trade	530.047	-	-	2.935	**532.982**
Manufacturing	226.724	-	3.398	523	**230.645**
Hotels and catering	550.447	-	42	6.213	**556.702**
Construction	1.867.156	-	-	-	**1.867.156**
Real estate	849.667	-	382	89.933	**939.982**
Private individuals	2.121.324	-	-	63	**2.121.387**
Professional and other services	355.101	-	54	21.366	**376.521**
Other sectors	524.381	75.778	575	62.339	**663.073**
	7.024.847	**75.778**	**4.451**	**183.372**	**7.288.448**
By customer sector					
Corporate	3.590.159	75.778	3.472	180.885	**3.850.294**
SMEs	1.490.020	-	721	2.423	**1.493.164**
Retail					
- housing	1.405.686	-	-	-	**1.405.686**
- consumer, credit cards and other	492.791	-	258	64	**493.113**
International banking services	32.355	-	-	-	**32.355**
Wealth management	13.836	-	-	-	**13.836**
	7.024.847	**75.778**	**4.451**	**183.372**	**7.288.448**

43. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

	Cyprus	Greece	United Kingdom	Romania	**Total**
2014	€000	€000	€000	€000	**€000**
By business line					
Corporate	412.853	75.778	3.472	180.069	**672.172**
SMEs	564.493	-	721	2.423	**567.637**
Retail					
- housing	1.316.481	-	-	-	**1.316.481**
- consumer, credit cards and other	409.038	-	258	64	**409.360**
Restructuring					
- corporate	2.613.905	-	-	699	**2.614.604**
- SMEs	629.956	-	-	-	**629.956**
Recoveries					
- corporate	563.401	-	-	117	**563.518**
- SMEs	295.571	-	-	-	**295.571**
- retail housing	89.205	-	-	-	**89.205**
- retail other	83.753	-	-	-	**83.753**
International banking services	32.355	-	-	-	**32.355**
Wealth management	13.836	-	-	-	**13.836**
	7.024.847	**75.778**	**4.451**	**183.372**	**7.288.448**

43. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Provisions for impairment

	Cyprus	Greece	United Kingdom	Romania	**Total**
2015	€000	€000	€000	€000	**€000**
Individual impairment	1.144.476	22.966	504	35.402	**1.203.348**
Collective impairment	207.106	-	1	1.813	**208.920**
	1.351.582	**22.966**	**505**	**37.215**	**1.412.268**
2014					
Individual impairment	732.657	15.310	418	59.940	**808.325**
Collective impairment	203.113	-	12	1.671	**204.796**
	935.770	**15.310**	**430**	**61.611**	**1.013.121**

Credit quality of Company assets exposed to credit risk other than loans and advances to customers - analysis by rating agency designation

Balances with central banks and loans and advances to banks
Balances with central banks and loans and advances to banks are analysed by Moody's rating as follows:

	2015	2014
	€000	€000
Aaa – Aa3	**169.626**	300.711
A1 – A3	**533.973**	719.810
Baa1 – Baa3	**146.428**	123.244
Ba1 – Ba3	**36.954**	23.965
B1 – B3	**957.021**	482.885
Caa - C	**685**	2.444
Unrated	**196.560**	254.299
Other receivables from banks	**28.702**	39.323
	2.069.949	1.946.681

Band B1-B3 above includes an amount of €121.756 thousand which mainly relates to obligatory deposits for liquidity purposes with the Central Bank of Cyprus. As at 31 December 2015, bank balances with carrying value of €134.291 thousand are impaired, with cumulative impairment loss of €28.605 thousand (2014: € 18.940 thousand).

43. Risk management – Credit risk (continued)

Credit quality of Company assets exposed to credit risk other than loans and advances to customers - analysis by rating agency designation (continued)

Debt securities

Investments in debt securities are analysed by Moody's rating, their issuer and classification, as follows:

	2015	2014
	€000	€000
Aaa – Aa3	**378.339**	592.664
A1 – A3	**-**	5.268
Baa1 – Baa3	**54.626**	86.560
B1 – B3	**458.802**	1.799.977
Caa - C	**-**	371
	891.767	2.484.840
Issued by:		
- Cyprus government	**458.802**	1.799.977
- other governments	**421.037**	663.662
- banks and other corporations	**11.928**	21.201
	891.767	2.484.840
Classified as:		
- investments at fair value through profit or loss	**17.430**	16.979
- available-for-sale investments	**437.402**	684.552
- investments classified as loans and receivables	**436.935**	1.783.309
	891.767	2.484.840

44. Risk management – Market risk

Market risk is the risk of loss from adverse changes in market prices – namely from changes in interest rates, exchange rates and security prices. The Market Risk department is responsible for monitoring the risk resulting from such changes with the objective to minimise the impact on earnings and capital. The department also monitors liquidity risk and credit risk with counterparties and countries. It is also responsible for monitoring compliance with the various market risk policies and procedures.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It arises as a result of timing differences on the repricing of assets, liabilities and off-balance sheet items.

Interest rate risk is measured using interest rate sensitivity gap analysis where the difference between assets and liabilities repricing in each time band is calculated separately for each currency. A rate change is applied on each item of the balance sheet for the number of days between its repricing date and the one year horizon in order to calculate the impact on net interest income.

44. Risk management – Market risk (continued)

Interest rate risk (continued)

Interest rate risk is managed through maximum loss limits from interest rate mismatches which are set for each banking unit of the Company. There are different limits for the Euro and for foreign currencies. The maximum loss limits apply for each of the next three years. These limits are set as a percentage of Company capital and as a percentage of net interest income (when positive) and are allocated to the various banking units of the Company based on their contribution to net interest income. Small limits for open interest rate positions for periods of more than three years are also in place.

Sensitivity analysis

The table below sets out the impact on the Company's net interest income, over a one-year period, from reasonably possible changes in the interest rates of the main currencies:

	Euro	US Dollar	British Pound	Other currencies	Total
Change in interest rates	**€000**	**€000**	**€000**	**€000**	**€000**
2015					
+5% for Russian Rouble +0,75% for US Dollar +0,5% for all other currencies	**13.820**	**10.568**	**132**	**1.720**	**26.240**
-5% for Russian Rouble -0,25% for Japanese Yen -0,5% for Euro Euribor ECB -1% for Euro Bank Basic Rate -0,5% for all other currencies	**(23.895)**	**(7.489)**	**(241)**	**(1.767)**	**(33.392)**
2014					
+5% for Russian Rouble +0,5% for all other currencies	19.626	5.100	583	(1.477)	23.832
-7% for Russian Rouble -0,25% for British Pound, Swiss Franc and US Dollar -0,1% for Japanese Yen and Euro -0,5% for all other currencies	(3.845)	(2.550)	(292)	1.883	(4.804)

In addition to the above fluctuations in net interest income, the Company results are also affected by changes in interest rates which result in fluctuations in the fair value of investments at fair value through profit or loss (including investments held for trading) and in the fair value of derivative financial instruments.

The equity of the Company is also affected by changes in market interest rates. The impact on the Company's equity arises from changes in the fair value of fixed rate debt securities classified as available-for-sale (unless impaired).

The sensitivity analysis is based on the assumption of a parallel shift of the yield curve. The table below sets out the impact on the Company's loss before tax and equity as a result of reasonably possible changes in the interest rates of the major currencies.

44. Risk management – Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis (continued)

	Impact on loss before tax	Impact on equity
Change in interest rates	€000	€000
2015		
+5% for Russian Rouble +0,75% for US Dollar +0,5% for all other currencies	**1.192**	**(80)**
-5% for Russian Rouble -0,25% for Japanese Yen -0,5% for all other currencies	**(1.192)**	**80**
2014		
+5% for Russian Rouble +0,5% for all other currencies	2.526	(323)
-7% for Russian Rouble -0,25% for British Pound, Swiss Franc and US Dollar -0,1% for Japanese Yen and Euro -0,5% for all other currencies	(520)	64

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

In order to manage currency risk, the Assets and Liabilities Committee (ALCO) has approved open position limits for the total foreign exchange position limits. The foreign exchange position limits are lower than those prescribed by the Central Bank of Cyprus. These limits are managed by Treasury and monitored daily by market risk officers in all the banking units of the Company, who report the overnight foreign currency position of each unit to Market Risk daily.

The Company does not maintain a currency trading book.

The table below sets out the Company's currency risk resulting from the financial instruments that it holds. The analysis assumes reasonably possible changes in the exchange rates of major currencies against the Euro based mainly on historical price fluctuations. The impact on loss after tax includes the change in net interest income that arises from the change of currency rate.

	Change in foreign exchange rate	Impact on loss after tax	Impact on equity
2015	%	€000	€000
US Dollar	**+10**	**1.753**	**-**
Russian Rouble	**+40**	**84.392**	**-**
Romanian Lei	**+10**	**1**	**3.634**
Swiss Franc	**+20**	**9.341**	**-**
British Pound	**+10**	**(17.788)**	**-**
Japanese Yen	**+10**	**492**	**-**
Other currencies	**+10**	**106**	**-**

44. Risk management – Market risk (continued)

Currency risk (continued)

	Change in foreign exchange rate	Impact on loss after tax	Impact on equity
2015	**%**	**€000**	**€000**
US Dollar	**-10**	**(1.434)**	**-**
Russian Rouble	**-40**	**(36.168)**	**-**
Romanian Lei	**-10**	**(1)**	**(2.974)**
Swiss Franc	**-20**	**(6.228)**	**-**
British Pound	**-10**	**14.554**	**-**
Japanese Yen	**-10**	**(403)**	**-**
Other currencies	**-10**	**(87)**	**-**

The impact on equity arises from the hedging instruments that are used to hedge part of the net assets of the Company's branches whose functional currency is not the euro. The net assets of foreign operations are also revalued and affect equity, but their impact is not taken into account in the above sensitivity analysis as the above relates only to financial instruments which have a direct impact either on profit/loss after tax or on equity.

	Change in foreign exchange rate	Impact on loss after tax	Impact on equity
2014	**%**	**€000**	**€000**
US Dollar	+10	(5.403)	-
Russian Rouble	+40	(13.017)	-
Romanian Lei	+10	(2)	4.165
Swiss Franc	+20	6.498	-
British Pound	+10	(14.208)	-
Japanese Yen	+10	853	-
Other currencies	+10	61	-
US Dollar	-10	4.421	-
Russian Rouble	-40	5.579	-
Romanian Lei	-10	2	(3.408)
Swiss Franc	-20	(4.332)	-
British Pound	-10	11.624	-
Japanese Yen	-10	(698)	-
Other currencies	-10	(50)	-

44. Risk management – Market risk (continued)

Price risk

Equity securities price risk

The risk of loss from changes in the price of equity securities arises when there is an unfavourable change in the prices of equity securities held by the Company as investments.

Investments in equities are outside the Group's risk appetite. The Company monitors the current portfolio mostly acquired by the Company as part of the acquisition of certain operations of Laiki Bank, with the objective to gradually liquidate all positions for which there is a market. Equity securities may also be acquired in the context of delinquent loan workouts and are disposed of by the Company as soon as practicable.

Changes in the prices of equity securities that are classified as investments at fair value through profit or loss, affect the results of the Company, whereas changes in the value of equity securities classified as available-for-sale affect the equity of the Company (if not impaired).

The table below shows the impact on the loss before tax and on equity of the Company from a change in the price of the equity securities held, as a result of reasonably possible changes in the relevant stock exchange indices.

	Change in index	**Impact on loss before tax**	**Impact on equity**
2015	**%**	**€000**	**€000**
Cyprus Stock Exchange	**+30**	**689**	**1.459**
Athens Exchange	**+50**	**-**	**13**
Other Stock Exchanges and non listed	**+20**	**-**	**1.365**
Cyprus Stock Exchange	**-30**	**(791)**	**(1.358)**
Athens Exchange	**-50**	**(4)**	**(9)**
Other Stock Exchanges and non listed	**-20**	**(47)**	**(1.318)**

2014			
Cyprus Stock Exchange	+30	657	3.326
Athens Exchange	+35	-	52
Moscow Exchange	+35	-	136
Other Stock Exchanges and non listed	+20	-	369
Cyprus Stock Exchange	-30	(3.502)	(421)
Athens Exchange	-35	(13)	(39)
Moscow Exchange	-35	-	(136)
Other Stock Exchanges and non listed	-20	-	(369)

44. Risk management – Market risk (continued)

Price risk (continued)

Debt securities price risk
Debt securities price risk is the risk of loss as a result of adverse changes in the prices of debt securities held by the Company. Debt security prices change as the credit risk of the issuers changes and/or as the interest rate changes for fixed rate securities. The Company invests a significant part of its liquid assets in debt securities issued mostly by governments and banks. The average Moody's rating of the debt securities portfolio of the Company as at 31 December 2015 was Baa2 (2014: Ba3).

Changes in the prices of debt securities classified as investments at fair value through profit or loss, affect the profit or loss of the Company, whereas changes in the value of debt securities classified as available-for-sale affect the equity of the Company (if not impaired).

The table below indicates how the loss before tax and equity of the Company will be affected from reasonably possible changes in the price of the debt securities held, based on observations of changes in credit risk over the past years.

	Impact on loss before tax	**Impact on equity**
Change in market prices	**€000**	**€000**
2015		
+5,5%	**944**	**23.825**
-5,5%	**(944)**	**(23.825)**
2014		
+4,5%	752	30.494
-4,5%	(752)	(30.494)

45. Risk management – Liquidity risk and funding

Liquidity risk is the risk that the Company is unable to fully or promptly meet current and future payment obligations as and when they fall due. This risk includes the possibility that the Company may have to raise funding at high cost or sell assets at a discount to fully and promptly satisfy its obligations.

It reflects the potential mismatch between incoming and outgoing payments, taking into account unexpected delays in repayment or unexpectedly high payment outflows. Liquidity risk involves both the risk of unexpected increases in the cost of funding of the portfolio of assets and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

In order to limit this risk, management aims to achieve diversified funding sources in addition to the Company's core deposit base, and has adopted a policy of managing assets with liquidity in mind and monitoring cash flows and liquidity on a daily basis. The Company has developed internal control processes and contingency plans for managing liquidity risk. These incorporate an assessment of expected cash flows and the availability of collateral which could be used to secure additional funding if required.

45. Risk management – Liquidity risk and funding (continued)

Management and structure

The Board sets the Group's Liquidity Risk Appetite being the level of risk at which the Company should operate.

The Board of Directors, through its Risk Committee, approves the Liquidity Policy Statement and reviews almost at every meeting, the liquidity position of the Company. Information on inflows/outflows is also provided.

The ALCO of each unit is responsible for monitoring the liquidity position of the unit and ensuring compliance with the approved policies. The ALCO is responsible for setting the policies for the effective management and monitoring of liquidity across the Company. It also monitors the liquidity position of its major banking units at least monthly. Given the current liquidity position of the Company, the ALCO considers the monitoring of liquid assets and the cash inflows/outflows of the Company in Cyprus, to be of utmost importance.

Local Treasury departments at each banking unit are responsible for managing liquidity in their respective unit. Group Treasury is responsible for liquidity management at Company level and for overseeing the operations of each country banking unit, to ensure compliance with internal and regulatory liquidity policies and provide direction as to the actions to be taken regarding liquidity needs. Every unit targets to finance its own needs in the medium term. Group Treasury assesses on a continuous basis, and informs ALCO at regular time intervals, the adequacy of the liquid assets and takes the necessary actions to enhance the Company's liquidity position.

Liquidity is also monitored daily by Market Risk, which is an independent department responsible to monitor compliance at the level of individual units, as well as at Company level, with both internal policies and limits, and with the limits set by the regulatory authorities in the countries where the Company operates. Market Risk reports to ALCO the regulatory liquidity position of the various units and of the Company, at least monthly. It also provides the results of various stress tests to ALCO.

Liquidity is monitored and managed on an ongoing basis through:

(i) Risk appetite: established Group Risk Appetite together with the appropriate limits for the management of all risks including liquidity risk.
(ii) Liquidity limits: a number of internal and regulatory limits are monitored on a daily, monthly and quarterly basis. Where applicable a traffic light system (RAG) has been introduced for the ratios, in order to raise flags when the ratios deteriorate.
(iii) Early warning indicators: monitoring of a range of market indicators for early signs of liquidity risk in the market or specific to the Company. These are designed to immediately identify the emergence of increased liquidity risk to maximise the time available to execute appropriate mitigating actions.
(iv) Contingency Funding Plan: maintenance of a Contingency Funding Plan (CFP) which is designed to provide a framework where a liquidity stress could be effectively managed. The CFP provides a communication plan and includes management actions to respond to liquidity stresses.
(v) Recovery Plan: the Group has developed a Recovery Plan. The key objectives are to provide the Company with a range of options to ensure its viability in a stress, to set consistent Early Warning Indicators and to enable the Company to be adequately prepared to respond to stressed conditions.

Temporary restrictions on withdrawal of deposits

Since the beginning of April 2015, no restrictive measures or capital controls are in force in Cyprus.

Monitoring process

Daily
The daily monitoring of cash flows and highly liquid assets is important to safeguard and ensure the uninterrupted operations of the Company's activities. Market Risk prepares a report for submission to the CBC and ECB/Single Supervisory Mechanism (SSM), indicating the cash inflows and outflows observed in customer balances and other balances, as well as the opening and closing balances of cash. Also, Group Treasury monitors daily and intraday the inflows and outflows in the main currencies used by the Company.

45. Risk management – Liquidity risk and funding (continued)

Monitoring process (continued)

Weekly
Market Risk prepares a weekly report of Euro and foreign currency liquidity mismatch which is submitted to the CBC.

Monthly
Market Risk prepares reports indicating compliance with internal and regulatory liquidity ratios, for all banking units and for the Company and submits them to the ALCO, the Executive Committee and the Board Risk Committee. It also calculates the expected flows under a stress scenario and compares them with the projected available liquidity buffer. The fixed deposit renewal rates and deposits by tenor are also presented to the ALCO.

Market Risk reports the Liquidity Coverage Ratio (LCR) to the CBC/ECB monthly.

Group Treasury prepares and submits a liquidity report to the ALCO and the Executive Committee on a monthly basis that indicates the liquidity position of the Company, as well as summary information on inflows and outflows. Moreover, in this report, Group Treasury indicates projections of expected inflows and outflows covering a two month period.

Quarterly
Market risk performs stress testing for bank-specific, market wide and combined scenarios and reports results to ALCO. The requirement is to have a sufficient buffer to enable the Company to survive during two time frames namely for the first two weeks and then adequate capacity to draw liquidity for the 3 month period of the stress test, for all three scenarios.

The liquidity buffer is made up of: bank notes, CBC balances (excluding the Minimum Reserve Requirements (MRR)), nostro current accounts, money market placements up to the stress horizon and market value net of haircut of eligible unencumbered/available bonds.

The designing of the stress tests followed best practice guidance, after consulting with experts, and was based on the liquidity risk drivers which are recognised internationally by both the Prudential Regulation Authority (PRA) and EBA SREP. The stress tests assumptions are included in the Group Liquidity Policy which is reviewed on an annual basis and approved by the Board. However, whenever it is considered appropriate to amend the assumptions during the year, approval is requested by ALCO and the Board Risk Committee. The main items shocked in the different scenarios are: deposit outflows, wholesale funding, loan repayments, off-balance sheet commitments, marketable securities and cash collateral for derivatives.

Moreover, Market Risk reports the Net Stable Funding Ratio (NSFR) and Leverage Ratio to the CBC/ECB quarterly and various other liquidity reports, included in the short-term exercise of the SSM per their SREP guidelines.

Annually
The Company has completed in mid May 2015 its Internal Liquidity Adequacy Assessment Process (ILAAP). Market Risk coordinated the preparation of the report, which was discussed at the ALCO and approved by the Board through its Risk Committee and submitted to the CBC/ECB.

As part of the Company's procedures for monitoring and managing liquidity risk, there is a Contingency Funding Plan for handling liquidity difficulties. The plan details the steps to be taken in the event that liquidity problems arise, which escalate to a special meeting of the ALCO. The plan sets out the members of this Committee and a series of the possible actions that can be taken. This plan, as well as the Group's Liquidity Policy, is reviewed by ALCO at least annually, during the ILAAP review. The latter submits the updated policy with its recommendations to the Board through the Board Risk Committee for approval. The approved policy is notified to the SSM.

45. Risk management – Liquidity risk and funding (continued)

Liquidity ratios

The ratio of liquid assets to total deposits and other liabilities falling due in the next twelve months is prepared monthly by Market Risk and monitored by ALCO. Liquid assets are defined as cash, interbank deposits maturing within thirty days and debt and equity securities at haircuts prescribed by the regulatory authorities. Total deposits comprise all customer deposits irrespective of maturity and other liabilities include all non-customer deposit/liabilities due to be paid in the next twelve months.

The Company's liquidity ratio was as follows:

	2015	2014
	%	%
31 December	**16,53**	18,36
Average ratio	**16,19**	11,73
Highest ratio	**19,50**	18,36
Lowest ratio	**13,30**	8,04

The minimum liquidity ratios for the operations in Cyprus are set at the levels required by the CBC: 20% for Euro and 70% for foreign currencies. It is noted that in the calculation of the above ratios, as well as for CBC regulatory reports, ELA is treated as a long term liability. The Company is currently not in compliance with its regulatory liquidity requirements with respect to its operations in Cyprus.

It is noted that Romania's regulatory requirements were abolished since November 2015. As at 31 December 2014 the branch in Romania had a small regulatory breach.

The ratio of loans and advances to customer deposits is presented below:

	2015	2014
	%	%
31 December	**125,74**	152,69
Average quarterly ratio	**142,14**	157,47
Highest quarterly ratio	**152,69**	161,47
Lowest quarterly ratio	**125,74**	152,69

45. Risk management – Liquidity risk and funding (continued)

Sources of funding

Currently the Company's main sources of liquidity are its deposit base and central bank funding, either through the Eurosystem monetary policy operations or through ELA.

The Company currently has limited access to interbank and wholesale markets which, combined with a reduction in deposits in Cyprus in 2013, the deposit bail-in and the acquisition of certain operations of Laiki Bank in March 2013, has resulted in increased reliance on central bank funding. It is noted that during 2015 reliance on ECB funding was reduced significantly. As at 31 December 2015, the funding from ELA amounted to €3.802.058 thousand (31 December 2014: €7.403.741 thousand) (Note 30).

The liquidity received from central banks is subject to the relevant regulations and requires qualifying assets as collateral. In 2014 the Company participated in the targeted-long term refinancing operations (TLTRO) of the ECB (Note 30).

The funding provided to the Company through ELA is short term (usually 2-3 weeks), covering the period until the next scheduled meeting of the ECB Governing Council. The funding via Eurosystem monetary ruling operations ranges from short term to long term.

The funding provided by the Company to its subsidiaries for liquidity purposes is repayable as per the terms of the respective agreements. For lending provided for capital purposes (subordinated loan stocks) the prior approval of the regulator is usually required on any repayment before the maturity date and for Bank of Cyprus UK Ltd approval is also required for the final repayment. The Company's subsidiaries Bank of Cyprus UK Ltd and Bank of Cyprus (Channel Islands) Ltd, cannot place funds with the Company in excess of maximum limits set by the local regulator.

Any new funding to subsidiaries requires approval from the ECB.

The subsidiaries may proceed with dividend distributions in the form of cash to the Company, provided that they are not in breach of their regulatory capital and liquidity requirements. Certain subsidiaries have a recommendation from their regulator to avoid any dividend distribution at this point in time.

Collateral requirements

The carrying values of the Company's encumbered assets as at 31 December 2015 and 31 December 2014 are summarised below:

	2015	2014
	€000	€000
Cash and other liquid assets	**154.896**	191.968
Investments	**891.701**	2.435.766
Loans and advances	**12.882.139**	13.531.026
Non-current assets classified as held for sale	**-**	25.845
Property	**93.500**	99.468
	14.022.236	16.284.073

Cash is mainly used to cover collateral required for (i) derivatives and repurchase transactions, (ii) trade finance transactions and guarantees issued and (iii) covered bond.

Investments are mainly used as collateral for repurchase transactions with the ECB and other commercial banks as well as supplementary assets for the covered bond, while loans are mainly used as collateral for funding from the CBC and for the covered bond.

45. Risk management – Liquidity risk and funding (continued)

Collateral requirements (continued)

In the case of ELA, as collateral is not usually released upon repayment of funding, there may be an inherent buffer which could be utilised for further funding if required.

In addition, bonds guaranteed by the Cyprus government amounting to €1.000 million are pledged as collateral for obtaining funding from the CBC (Note 32).

On 29 September 2015 the terms of the Covered Bond Programme and outstanding €1.000 million Covered Bond were amended to a Conditional Pass–Through structure. As part of the restructuring, €350.000 thousand of the retained covered bond was repurchased and cancelled. The outstanding principal of the retained covered bond following the above transactions remained at €650.000 thousand with a new maturity date of 12 December 2018. The credit rating of the covered bond was upgraded to an investment grade rating and the covered bond has become eligible collateral for the Eurosystem credit operations. As from 2 October 2015 the covered bond has been placed as collateral for accessing funding from the ECB. Through this transaction, the Company has raised €550.000 thousand of ECB funding for the repayment of ELA. Prior to the rating upgrade, the covered bond was used as collateral for ELA.

The assets used as collateral for the covered bond are already included in the table above.

Recent developments

Cyprus has exited its economic adjustment programme in March 2016. The credit ratings of the Republic of Cyprus by the main credit rating agencies continue to be below investment grade, albeit on a rising trend. As a result, the ECB is no longer able to include Cypriot Government Bonds in its asset purchase programme, or as eligible collateral for Eurosystem monetary operations, as was the case when the waiver for collateral eligibility due to the country being under an economic adjustment programme existed. This disruption may lead to higher borrowing costs for the Company. In addition, any weakening of the commitment to fiscal discipline and reform in the future might add to market pressures. The Company has proactively reduced its dependence on Eurosystem monetary operations in anticipation of the above risk materialising. The above change, is however expected to materially reduce the available ECB buffer. This buffer represented the amount that could be drawn from the ECB, based on the collateral pledged.

Analysis of financial assets and liabilities based on remaining contractual maturity

The analysis of the Company's financial assets and liabilities based on the remaining contractual maturity at 31 December is based on undiscounted cash flows, analysed in time bands according to the number of days remaining from 31 December to the contractual maturity date.

Financial assets

The analysis of financial assets does not include any interest receivable cash flows. Financial assets have a much longer duration than financial liabilities and non-discounted interest receivable cash flows are higher than non-discounted interest payable cash flows (based on remaining contractual maturity). As a result, non-discounted cash inflows from interest receivable would have greatly exceeded non-discounted cash outflows on interest payable, thus artificially improving liquidity.

Current accounts, overdrafts and amounts in arrears are included within the first maturity time band which reflects their contractual maturity. All other loans and advances to customers are analysed according to their contractual repayment schedule.

Loans and advances to banks are analysed in the time bands according to the number of days remaining from 31 December, until their contractual maturity date. Amounts placed as collateral (primarily for derivatives and loans) are assigned to different time bands based on either their maturity (in the case of loans), or proportionally according to the maturities of derivatives (where the collateral had no fixed maturity).

Financial assets with no contractual maturity (such as equity securities) are included in the 'over five years' time band, unless classified as at fair value through profit or loss, in which case they are included in the 'up to one month' time band.

The investments are classified in the relevant time band according to their contractual maturity.

45. Risk management – Liquidity risk and funding (continued)

Analysis of financial assets and liabilities based on remaining contractual maturity (continued)

Financial liabilities

All financial liabilities for the repayment of which notice is required, are included in the relevant time bands as if notice had been given on 31 December, despite the fact that the Company expects that the majority of its customers will not demand repayment of such liabilities on the earliest possible date. Fixed deposits are classified in time bands based on their contractual maturity. Although customers may demand repayment of time deposits (subject to penalties depending on the type of the deposit account), the Company has the discretion not to accept such early termination of deposits.

The amounts presented in the table below are not equal to the amounts presented on the balance sheet, since the table below presents all cash flows (including interest to maturity) on an undiscounted basis.

Derivative financial instruments

Derivative financial instruments were classified according to whether the settlement of cash flows occurs on a net or gross basis.

For net settled derivatives, after offset of receivable and payable amounts, the fair value of the derivatives is included in financial assets or in financial liabilities in the time band corresponding to the remaining maturity of the derivative.

Gross settled derivatives or net settled derivatives that are hedging instruments in cash flow hedges are presented in a separate table and the corresponding cash flows are classified accordingly in the time bands which relate to the number of days until their receipt or payment.

45. Risk management – Liquidity risk and funding (continued)

Analysis of financial assets and liabilities based on remaining contractual maturity (continued)

Commitments and contingent liabilities

The limits of loans and advances are commitments to provide credit to customers. The limits are granted for predetermined periods and can be cancelled by the Company after giving relevant notice to the customers. Usually the customers do not fully utilise the limits granted to them.

	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	**Total**
2015	€000	€000	€000	€000	€000	**€000**
Financial assets						
Cash and balances with central banks	1.062.261	20.744	27.939	410	-	**1.111.354**
Loans and advances to banks	858.603	6.745	36.774	191.869	18.346	**1.112.337**
Investments at fair value through profit or loss	1.378	-	6.719	10.711	919	**19.727**
Loans and advances to customers	6.884.219	172.935	880.654	2.945.186	5.122.884	**16.005.878**
Fair value of net settled derivative assets	12.615	733	590	39	45	**14.022**
Non-trading investments	44.922	51.367	203.219	452.953	161.475	**913.936**
Other assets	9.819	5.837	6.999	123.322	-	**145.977**
Balances with Group companies	58.542	56.813	77.322	493.237	49.665	**735.579**
Total undiscounted financial assets	**8.932.359**	**315.174**	**1.240.216**	**4.217.727**	**5.353.334**	**20.058.810**
Financial liabilities						
Deposits by banks	177.080	-	16.808	8.505	38.395	**240.788**
Funding from central banks	3.953.955	-	-	502.846	-	**4.456.801**
Repurchase agreements	-	29.826	82.217	288.676	9.679	**410.398**
Customer deposits	7.166.893	2.034.743	3.239.117	350.412	2.658	**12.793.823**
Debt securities in issue	-	-	712	-	-	**712**
Fair value of net settled derivative liabilities	6.865	3.658	5.266	33.826	4.544	**54.159**
Other liabilities	60.651	11.692	27.217	4.677	2.338	**106.575**
Balances with Group companies	160.843	23.634	14.814	371.916	-	**571.207**
Total undiscounted financial liabilities	**11.526.287**	**2.103.553**	**3.386.151**	**1.560.858**	**57.614**	**18.634.463**

45. Risk management – Liquidity risk and funding (continued)

Analysis of financial assets and liabilities based on remaining contractual maturity (continued)

	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	**Total**
2014	€000	€000	€000	€000	€000	**€000**
Financial assets						
Cash and balances with central banks	483.595	78.706	98.384	7.607	-	**668.292**
Loans and advances to banks	1.066.894	6.953	25.467	283.387	80.123	**1.462.824**
Investments at fair value through profit or loss	1.313	-	-	16.979	876	**19.168**
Loans and advances to customers	5.640.157	388.895	2.173.134	3.322.987	5.843.045	**17.368.218**
Fair value of net settled derivative assets	-	7	11.433	616	4	**12.060**
Non-trading investments	67.470	169.456	1.299.096	413.947	531.946	**2.481.915**
Other assets	131	-	122.969	45.584	6	**168.690**
Balances with Group companies	93.711	267	320.857	26.530	368.594	**809.959**
Total undiscounted financial assets	**7.353.271**	**644.284**	**4.051.340**	**4.117.637**	**6.824.594**	**22.991.126**
Financial liabilities						
Deposits by banks	110.604	540	375	33.614	26.028	**171.161**
Funding from central banks	7.783.773	-	-	500.000	-	**8.283.773**
Repurchase agreements	-	13.920	220.554	175.529	188.035	**598.038**
Customer deposits	6.939.375	1.890.544	2.263.514	278.002	2.147	**11.373.582**
Debt securities in issue	-	-	-	693	-	**693**
Fair value of net settled derivative liabilities	-	108	3.517	17.818	35.320	**56.763**
Other liabilities	45.469	8.686	15.634	5.874	33.445	**109.108**
Balances with Group companies	139.465	29.411	12.253	369.554	-	**550.683**
Total undiscounted financial liabilities	**15.018.686**	**1.943.209**	**2.515.847**	**1.381.084**	**284.975**	**21.143.801**

The loans and advances to customers related to non-current assets classified as held for sale are included in the 'Between one and five years' time band.

45. Risk management – Liquidity risk and funding (continued)

Analysis of financial assets and liabilities based on remaining contractual maturity (continued)

	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	**Total**
2015	€000	€000	€000	€000	€000	**€000**
Gross settled derivatives						
Financial assets						
Contractual amounts receivable	931.730	57.648	1.196	-	-	**990.574**
Contractual amounts payable	(920.083)	(56.874)	(1.175)	-	-	**(978.132)**
	11.647	**774**	**21**	**-**	-	**12.442**
Financial liabilities						
Contractual amounts receivable	408.995	160.095	167.212	-	-	**736.302**
Contractual amounts payable	(414.868)	(161.442)	(169.407)	-	-	**(745.717)**
	(5.873)	**(1.347)**	**(2.195)**	**-**	-	**(9.415)**

Contingent liabilities and commitments						
Contingent liabilities						
Acceptances and endorsements	2.243	2.750	2.048	-	-	**7.041**
Guarantees	66.251	140.400	245.352	254.419	86.461	**792.883**
Commitments						
Documentary credits	2.259	8.028	4.116	2.643	1.395	**18.441**
Undrawn formal standby facilities, credit lines and other commitments to lend	2.069.128	-	-	-	-	**2.069.128**
	2.139.881	**151.178**	**251.516**	**257.062**	**87.856**	**2.887.493**

45. Risk management – Liquidity risk and funding (continued)

Analysis of financial assets and liabilities based on remaining contractual maturity (continued)

	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	**Total**
2014	€000	€000	€000	€000	€000	**€000**
Gross settled derivatives						
Financial assets						
Contractual amounts receivable	1.085.899	54.330	17.718	-	90.782	**1.248.729**
Contractual amounts payable	(1.071.311)	(52.892)	(17.186)	-	(68.534)	**(1.209.923)**
	14.588	**1.438**	**532**	**-**	**22.248**	**38.806**
Financial liabilities						
Contractual amounts receivable	71.922	39.377	557	-	42.813	**154.669**
Contractual amounts payable	(75.618)	(39.799)	(833)	-	(43.203)	**(159.453)**
	(3.696)	**(422)**	**(276)**	**-**	**(390)**	**(4.784)**

Contingent liabilities and commitments						
Contingent liabilities						
Acceptances and endorsements	2.763	3.781	1.788	-	-	**8.332**
Guarantees	66.915	41.518	197.495	454.084	243.259	**1.003.271**
Commitments						
Documentary credits	2.208	4.380	8.140	94	1.395	**16.217**
Undrawn formal standby facilities, credit lines and other commitments to lend	2.256.587	-	-	-	-	**2.256.587**
	2.328.473	**49.679**	**207.423**	**454.178**	**244.654**	**3.284.407**

As at 31 December 2014 there are no contingent liabilities and commitments related to the non-current assets held for sale.

46. Capital management

The primary objective of the Group's capital management is to ensure compliance with the relevant regulatory capital requirements and to maintain strong credit ratings and healthy capital adequacy ratios in order to support its business and maximise shareholder value.

The capital adequacy regulations which govern the Group's operations are established by the CBC/ECB.

The Company has complied with the minimum capital requirements (Pillar I and Pillar II) during 2015.

The Pillar 3 disclosures (unaudited) of the Group required with respect to the requirements of the Capital Requirement Regulation (EU) No 575/2013 are available on the Group's website www.bankofcyprus.com (Investor Relations).

47. Related party transactions

	2015	2014	**2015**	2014
	Number of directors		**€000**	€000
Loans and advances to members of the Board of Directors and connected persons:				
- less than 1% of the Company's net assets per director	**9**	10	**369**	382
	9	10	**369**	382
Loans and advances to other key management personnel and connected persons			**3.871**	4.317
Total loans and advances as at 31 December			**4.240**	4.699
Loans and advances as at 31 December:				
- members of the Board of Directors and other key management personnel			**3.354**	3.615
- connected persons			**886**	1.084
			4.240	4.699
Interest income for the year			**138**	205

Deposits as at 31 December:				
- members of the Board of Directors and other key management personnel			**3.366**	18.368
- connected persons			**3.147**	11.206
			6.513	29.574
Interest expense on deposits for the year			**187**	398

The above table does not include balances for members of the Board of Directors and their connected persons who resigned during the year.

Interest income and expense is disclosed for the period during which they were members of the Board of Directors or served as key management personnel.

47. Related party transactions (continued)

In addition to loans and advances, there were contingent liabilities and commitments in respect of members of the Board of Directors and their connected persons, mainly in the form of documentary credits, guarantees and commitments to lend amounting to €135 thousand (2014: €175 thousand). As at 31 December 2015 and 2014, none of the directors or their connected persons had total loans and advances which exceeded 1% of the net assets of the Company per director. There were also contingent liabilities and commitments to other key management personnel and their connected persons amounting to €856 thousand (2014: €689 thousand).

The total unsecured amount of the loans and advances and contingent liabilities and commitments to members of the Board of Directors, key management personnel and other connected persons (using forced-sale values for tangible collaterals and assigning no value to other types of collaterals) at 31 December 2015 amounted to €1.094 thousand (2014: €1.586 thousand).

There were no transactions during the year with connected persons of the current members of the Board of Directors nor with any members who resigned during the year.

During 2014, there were no transactions with connected persons of the members of the Board of Directors who were on the Board during 2014.

Connected persons include spouses, minor children and companies in which directors/other key management personnel hold, directly or indirectly, at least 20% of the voting shares in a general meeting, or act as executive director or exercise control of the entities in any way.

All transactions with members of the Board of Directors and their connected persons are made on normal business terms as for comparable transactions with customers of a similar credit standing. A number of loans and advances have been extended to other key management personnel and their connected persons on the same terms as those applicable to the rest of the Company's employees.

Fees and emoluments of members of the Board of Directors and other key management personnel

	2015	2014
Director emoluments	**€000**	€000
Executives		
Salaries and other short term benefits	**1.061**	859
Employer's contributions	**66**	51
Retirement benefit plan costs	**128**	113
	1.255	1.023
Non-executives		
Fees	**818**	367
Total directors' emoluments	**2.073**	1.390
Other key management personnel emoluments		
Salaries and other short term benefits	**3.084**	1.986
Termination benefits	**-**	250
Employer's contributions	**139**	142
Retirement benefit plan costs	**149**	178
Total other key management personnel emoluments	**3.372**	2.556
Total	**5.445**	3.946

Fees and benefits are included for the period that they serve as members of the Board of Directors.

47. Related party transactions (continued)

Fees and emoluments of members of the Board of Directors and other key management personnel (continued)

Executive Directors

The salaries and other short term benefits of the Executive Directors are analysed as follows:

	2015	2014
	€000	€000
John Patrick Hourican (Chief Executive Officer)	**910**	844
Christodoulos Patsalides (Finance Director-appointed on 20 November 2014)	**151**	15
	1.061	859

The retirement benefit plan costs for 2015 amounting to €128 thousand (2014: €113 thousand) relate to: Mr John Patrick Hourican €110 thousand (2014: €111 thousand) and Dr Christodoulos Patsalides €18 thousand (2014: €2 thousand).

Non-executive Directors

	2015	2014
	€000	€000
Josef Ackermann	**150**	8
Wilbur L. Ross Jr.	**120**	6
Vladimir Strzhalkovskiy	**21**	50
Arne Berggren	**107**	2
Maksim Goldman	**116**	2
Michalis Spanos	**100**	2
Ioannis Zographakis	**115**	23
Marios Kalochoritis	**89**	23
Christis Hassapis	**-**	60
Andreas Yiasemides	**-**	25
Adonis Papaconstantinou	**-**	17
Anjelica Anshakova	**-**	24
Eriskhan Kurazov	**-**	12
Anton Smetanin	**-**	12
Dmitry Chichikashvili	**-**	20
Kirill Parinov	**-**	5
Konstantinos Katsaros	**-**	26
Marinos Gialeli	**-**	21
Xanthos Vrachas	**-**	24
Marios Yiannas	**-**	5
	818	367

47. Related party transactions (continued)

Fees and emoluments of members of the Board of Directors and other key management personnel (continued)

Non-executive Directors (continued)
The fees of the Non-executive Directors include fees as members of the Board of Directors of the Company, as well as of committees of the Board of Directors.

Other key management personnel
The other key management personnel emoluments include the remuneration of the members of the Executive Committee since the date of their appointment to the Committee and other directors who report directly to the Chief Executive Officer.

The termination benefits in 2014 relate to early retirement benefits paid to a member of key management personnel who left the Company in 2014.

48. Group companies

The main subsidiary companies and branches of the Company, their country of incorporation, their activities, and the percentage held by the Company (directly or indirectly) as at 31 December 2015 are:

Company	Country	Activities	Percentage holding (%)
Bank of Cyprus Public Company Ltd	Cyprus	Commercial bank	N/A
The Cyprus Investment and Securities Corporation Ltd (CISCO)	Cyprus	Investment banking, asset management and brokerage	100
General Insurance of Cyprus Ltd	Cyprus	General insurance	100
EuroLife Ltd	Cyprus	Life insurance	100
Kermia Ltd	Cyprus	Property trading and development	100
Kermia Properties & Investments Ltd	Cyprus	Property trading and development	100
Kermia Hotels Ltd	Cyprus	Hotel business	100
Cytrustees Investment Public Company Ltd	Cyprus	Closed-end investment company	53
Finerose Properties Ltd	Cyprus	Financing services	100
LCP Holdings and Investments Public Ltd (formerly Laiki Capital Public Co Ltd)	Cyprus	Holding company	67
JCC Payment Systems Ltd	Cyprus	Card processing transaction services	75
CLR Investment Fund Public Ltd	Cyprus	Investment company	20
Auction Yard Ltd	Cyprus	Auction company	100
Bank of Cyprus Public Company Ltd (branch of the Company)	Greece	Administration of guarantees and holding of real estate properties	N/A
Kyprou Zois (branch of EuroLife Ltd)	Greece	Life insurance	N/A
Kyprou Asfalistiki (branch of General Insurance of Cyprus Ltd)	Greece	General insurance	N/A
Bank of Cyprus UK Ltd	United Kingdom	Commercial bank	100
BOC Financial Services Ltd	United Kingdom	Financial advisory services	100
Bank of Cyprus (Channel Islands) Ltd	Channel Islands	Commercial bank	100
Bank of Cyprus Romania (branch of the Company)	Romania	Commercial bank	N/A
Cyprus Leasing Romania IFN SA	Romania	Leasing	100
MC Investment Assets Management LLC	Russia	Problem asset management company	100
Kyprou Finance (NL) B.V.	Netherlands	Financing services	100

48. Group companies (continued)

In addition to the above companies, at 31 December 2015 the Company had 100% shareholding in the companies listed below whose main activity is the ownership and management of immovable property and other assets:

Cyprus: Timeland Properties Ltd, Cobhan Properties Ltd, Bramwell Properties Ltd, Birkdale Properties Ltd, Newington Properties Ltd, Innerwick Properties Ltd, Lameland Properties Ltd, Fairford Properties Ltd, Citlali Properties Ltd, Endar Properties Ltd, Ramendi Properties Ltd, Ligisimo Properties Ltd, Thames Properties Ltd, Moonland Properties Ltd, Polkima Properties Ltd, Nalmosa Properties Ltd, Smooland Properties Ltd, Emovera Properties Ltd, Estaga Properties Ltd, Skellom Properties Ltd, Blodar Properties Ltd, Spaceglowing Properties Ltd, Threefield Properties Ltd, Lepidoland Properties Ltd, Stamoland Properties Ltd, Ecunaland Properties Ltd, Tebane Properties Ltd, Cranmer Properties Ltd, Calomland Properies Ltd, Vieman Ltd, Les Coraux Estates Ltd, Natakon Company Ltd, Karmazi (Apartments) Ltd, Kermia Palace Enterprises Ltd, Oceania Ltd, Dominion Industries Ltd, Ledra Estates Ltd, Eurolife Properties Ltd, Laiki Lefkothea Center Ltd, Labancor Ltd, Paneuropean Ltd, Philiki Ltd, Cyprialife Ltd, Imperial Life Assurance Ltd, Philiki Management Services Ltd, Nelcon Transport Co. Ltd, Steparco Ltd, Joberco Ltd, Zecomex Ltd, Domita Estates Ltd, Memdes Estates Ltd, Obafemi Holdings Ltd, Pamaco Platres Complex Ltd, Gosman Properties Ltd, Odaina Properties Ltd, Vameron Properties Ltd, Thryan Properties Ltd, Icecastle Properties Ltd, Otoba Properties Ltd, Edoric Properties Ltd, Belvesi Properties Ltd, Ingane Properties Ltd, Indene Properties Ltd, Canosa Properties Ltd, Silen Properties Ltd, Kernland Properties Ltd, Unduma Properties Ltd, Iperi Properties Ltd, Warmbaths Properties Ltd, Danoma Properties Ltd, Kimrar Properties Ltd, Jobelis Properties Ltd, Tavoni Properties Ltd, Metin Properties Ltd, Pekiro Properties Ltd, Melsolia Properties Ltd, Nimoland Properties Ltd, Lozzaria Properties Ltd, Koralmon Properties Ltd, Petrassimo Properties Ltd, Kedonian Properties Ltd, Lasteno Properties Ltd, Armozio Properties Ltd, Spacous Properties Ltd, Calinora Properties Ltd, Marcozaco Properties Ltd, Soluto Properties Ltd, Solomaco Properties Ltd, Linaland Properties Ltd, Besadoco Properties Ltd, Mainport Properties Ltd, Tezia Properties Ltd, Andaz Properties Ltd, Unital Properties Ltd, Astromeria Properties Ltd, Neraland Properties Ltd, Gilfront Properties Ltd, Canemia Properties Ltd, Orzo Properties Ltd, Pariza Properties Ltd, Wingstreet Properties Ltd, Nolory Properties Ltd, Lynoco Properties Ltd, Renalandia Properties Ltd, Fitrus Properties Ltd, Lisbo Properties Ltd, Mantinec Properties Ltd and Browneye Properties Ltd.

Romania: Otherland Properties Dorobanti SRL, Pittsburg Properties SRL, Battersee Real Estate SRL, Trecoda Real Estate SRL, Green Hills Properties SRL, Bocaland Properties SRL, Buchuland Properties SRL, Commonland Properties SRL, Romaland Properties SRL, Janoland Properties SRL, Blindingqueen Properties SRL, Fledgego Properties SRL, Hotel New Montana SRL, Loneland Properties SRL, Unknownplan Properties SRL, Frozenport Properties SRL, Imoreth Properties SRL, Inroda Properties SRL, Melgred Properties SRL, Tantora Properties SRL, Zunimar Properties SRL, Allioma Properties SRL, Mirodi Properties SRL, Nallora Properties SRL, Nikaba Properties SRL and Selilar Properties SRL.

In addition, the Company holds 100% of the following intermediate holding companies:

Cyprus: Otherland Properties Ltd, Pittsburg Properties Ltd, Battersee Properties Ltd, Trecoda Properties Ltd, Bonayia Properties Ltd, Bocaland Properties Ltd, Buchuland Properties Ltd, Commonland Properties Ltd, Romaland Properties Ltd, BC Romanoland Properties Ltd, Blindingqueen Properties Ltd, Fledgego Properties Ltd, Janoland Properties Ltd, Threerich Properties Ltd, Loneland Properties Ltd, Unknownplan Properties Ltd, Frozenport Properties Ltd, Imoreth Properties Ltd, Inroda Properties Ltd, Melgred Properties Ltd, Tantora Properties Ltd, Zunimar Properties Ltd, Selilar Properties Ltd, Mirodi Properties Ltd, Nallora Properties Ltd, Nikaba Properties Ltd, Allioma Properties Ltd and Hydrobius Ltd.

The Company also holds 100% of the following companies which are inactive:

Cyprus: Laiki Bank (Nominees) Ltd, Laiki EDAK Ltd and BOC Secretarial Company Ltd.

Greece: Kyprou Commercial SA and Kyprou Properties SA.

48. Group companies (continued)

Change in the control holding of MC Investment Assets Management LLC

In the context of the disposal of the majority of the Russian operations in September 2015, the Company increased its controlling interest in MC Investment Assets Management LLC to 100% from 80%.

Control over CLR Investment Fund Public Ltd (CLR) without substantial shareholding

The Company considers that it exercises control over CLR through control of the members of the Board of Directors and is exposed to variable returns through its holding.

Dissolution and disposal of subsidiaries

As at 31 December 2015, the following subsidiaries were in the process of dissolution or in the process of being struck off: Samarinda Navigation Co Ltd, Kyprou Securities SA, BOC Ventures Ltd, Tefkros Investments Ltd, Tefkros Investments (CI) Ltd, Salecom Ltd, Longtail Properties Ltd, Turnmill Properties Ltd, Limestone Holdings Ltd, Bank of Cyprus Mutual Funds Ltd, Diners Club (Cyprus) Ltd, Leasing Finance LLC, Corner LLC and Omiks Finance LLC.

Misthosis Funding Plc and Misthosis Funding (Holding) Ltd were dissolved on 13 June and 30 June 2015 respectively.

Elswick Properties Ltd was disposed of on 27 July 2015. Guarded Path Properties Ltd was struck off during 2015.

Carrying value of investments in Group companies

	2015	2014
	€000	€000
1 January	**236.369**	442.335
Additions (Note 49.1)	**3.000**	520
Merging of subsidiary operations	**-**	(14.143)
Contribution to subsidiaries	**-**	30.083
Reduction of share capital of subsidiaries	**(613)**	-
Impairment of investments in subsidiary companies (Note 14)	**(30.455)**	(141.426)
Impairment of investment in subsidiary held for sale (Note 29)	**-**	(81.000)
Disposal of subsidiaries (Note 49.2)	**(520)**	-
31 December	**207.781**	236.369

49. Acquisitions and disposals

49.1 Acquisitions during 2015

49.1.1 Acquisition of shares of Laiki Financial Services Ltd (LFS)

On 30 January 2015, the Annual General Meeting of the shareholders of LFS approved the disposal of the shares of LFS to the Company for a consideration of €3 million. Previously, LFS was 100% owned by LCP Holdings and Investments Public Ltd (formerly Laiki Capital Public Co Ltd), a subsidiary of the Company.

In November 2015, CISCO, a subsidiary of the Company, issued 1.000 thousand shares of a nominal value €1,71 each, at a total premium of €534 thousand, for the transfer of the Company's investment in LFS to CISCO. Following the transfer of shares, LFS was dissolved, without liquidation, under the Merger and Reconstruction Scheme and its net assets were transferred to CISCO in accordance with a court order.

49.2 Disposals during 2015

49.2.1 Disposal of the majority of the Company's Russian operations

On 25 September 2015, the Company completed the disposal of the majority of the operations of its Russian operations, comprising (i) its 100% holding in its subsidiary, BOC Russia (Holdings) Ltd, and through this its 80% holding in its Russian banking subsidiary, CB Uniastrum Bank LLC, and its 80% holding in its Russian leasing subsidiary, Leasing Company Uniastrum Leasing LLC and (ii) certain other Russian loan exposures.

The transaction resulted in a loss on disposal of €31.479 thousand. As part of the sales agreement, the parties agreed an asset swap arrangement which involved the exchange of certain assets between them that resulted in a €41.849 thousand receivable for the Company on the date of the transaction.

Following the disposal of the above operations, the remaining net exposure of the Company as at 31 December 2015 (on and off-balance sheet) in Russia is €74.980 thousand, comprising primarily of customer loans and the deferred component of the asset swap arrangement with carrying value of €38.940 thousand.

49.2.2 Disposal of Aphrodite group

In September 2015, the Company completed the sale of a 65% shareholding in the Aphrodite group to an investment structure managed by a foreign institutional investment management firm, for the amount of €500 thousand. Aphrodite group was acquired in November 2014 as part of the Company's strategy to manage a large borrower exposure and was in the disposal process. The Company had therefore classified this as a subsidiary acquired with a view to sale upon initial recognition. Following the sale, the Company retained a 10% minority equity stake in the Aphrodite group. The transaction also involved the restructuring of the debt owed by these companies to the Company.

49.2.3 Disposal of Kyprou Leasing SA

Following the disposal of the Company's leasing operations in Greece to Piraeus Bank SA through a Decree issued on 26 March 2013, the Company completed the transfer of the legal ownership of its subsidiary, Kyprou Leasing SA to Piraeus Bank SA during the first quarter of 2015. As a result, certain assets and liabilities of Kyprou Leasing SA were undertaken by the Company.

49. Acquisitions and disposals (continued)

49.3 Disposals during 2014

49.3.1 Disposal of the Company's Ukrainian operations and subsidiaries

In April 2014, the Company completed the disposal of its Ukrainian operations and subsidiaries, comprising (i) its holding of 99,77% in its subsidiary bank in Ukraine, PJSC Bank of Cyprus, (ii) the funding provided by the Company to PJSC Bank of Cyprus, and (iii) its loans with Ukrainian exposures, to Alfa group. The sale consideration was €198.860 thousand, comprising €98.860 thousand received and €100.000 thousand deferred up to 31 March 2015. In 2015 the settlement terms of the deferred consideration and the related interest rate were amended. The deferred consideration is due to be paid to the Company under a repayment programme which extends until 1 June 2019. The accounting loss from the sale was €11.514 thousand (Note 9) and represented the difference of the consideration and the carrying value of the assets and liabilities disposed.

49.3.2 Sale of a UK loan portfolio

On 31 October 2014 the Company completed the sale of a UK loan portfolio owned by the Company and largely composed of residential and commercial real estate-backed facilities.

This loan portfolio was acquired by the Company through the acquisition of certain operations of Laiki Bank in March 2013.

49.3.3 Sale of assets in Romania

On 11 September 2014, as part of its strategy of focusing on its core business, the Company completed the sale of its subsidiary, Grand Hotel Enterprises Society Ltd (GHES), a limited liability company incorporated in Romania and owner of the JW Marriott Bucharest Grand Hotel to STRABAG SE, an Austrian stock company. The subsidiary's assets comprised (i) a facility agreement between GHES, as borrower, and Bank of Cyprus Romania (branch of the Company), as lender, (ii) 1.474.482 shares issued by GHES to an affiliate of the Company, representing 35,292% of the issued share capital of GHES, and (iii) a subordinated loan agreement between GHES, as borrower, and an associate of the Company, as lender.

The sale consideration was €95 million and the accounting loss from the transaction was €1.424 thousand.

50. Events after the reporting date

50.1 Programme of staff exits

In February 2016 the Company announced a programme of staff exits for all its permanent employees. The exit compensation is a one-off compensation granted on specific terms.

50.2 Bank Recovery and Resolution Directive 2014/59/EU

The EU Bank Recovery and Resolution Directive 2014/59/EU (BRRD) establishes a framework for the recovery and resolution of EU credit institutions. The BRRD includes the concept of loss absorption and a minimum requirement for own funds and eligible liability.

The BRRD also has significant funding implications for credit institutions, which include the establishment of pre-funded resolution funds of 1% of covered deposits under the recast Deposit Guarantee Scheme to be built up by 31 December 2024.

The BRRD has been implemented in Cyprus.

The EU has also established a Single Resolution Mechanism (SRM), made under the Single Resolution Mechanism Regulation No 806/2014 as part of the European Banking Union. Under the SRM, a single resolution process applies to all credit institutions supervised by the SSM. This process is co-ordinated by the Single Resolution Board (SRB). The Company is subject to the supervision of the SSM and accordingly the SRM.

The SRM Regulation is closely connected with the BRRD. For credit institutions within the SSM, the SRB effectively takes on the role of the relevant national resolution authority established under the BRRD. The Company is subject to the supervision of the SRB.

50. Events after the reporting date (continued)

50.3 Deposit Guarantee Scheme

The recast EU Deposit Guarantee Schemes Directive 2014/49/EU (DGSD) requires Member States to establish deposit guarantee schemes. The recast DGSD provides that national deposit guarantee schemes should be pre-funded, with the funds to be raised over a number of years. The funds of national deposit guarantee scheme should at least reach 0,8% of the covered deposits by 3 July 2024. The Cypriot implementing legislation of the DGSD was passed on 11 February 2016 which amends the existing Cypriot Deposit Protection Scheme.

50.4 Pursue of Premium Listing on the London Stock Exchange

On 31 March 2016, the Group announced its intention to pursue a premium listing on the London Stock Exchange (LSE). The Group also intends to maintain a listing on the Cyprus Stock Exchange. The Group does not intend to maintain a listing on the Athens Exchange, as it no longer has banking operations in Greece.

The Group is currently working towards a listing in the second half of 2016, subject to relevant approvals, an assessment of various technical aspects and market conditions.

Building a better working world

Ernst & Young Cyprus Ltd
Jean Nouvel Tower
6 Stasinou Avenue
P.O.Box 21656
1511 Nicosia, Cyprus

Tel: +357 22209999
Fax: +357 22209998
ey.com/cy

Independent Auditor's Report

To the members of Bank of Cyprus Public Company Ltd

Report on the Financial Statements

We have audited the financial statements of parent company Bank of Cyprus Public Company Ltd (the "Company") on pages 195 to 327, which comprise the balance sheet as at 31 December 2015, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of parent Company as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Emphasis of matter

We draw your attention to note 4 to the parent company financial statements which discusses the significant judgments, estimates and assumptions used in the preparation of the financial statements of parent Company and the related uncertainties. Our opinion is not qualified in respect of this matter.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 3 to 13 is consistent with the financial statements.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Savvas Pentaris
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
31 March 2016

Introduction

The Board of Directors of the Bank of Cyprus Public Company Ltd ('the Bank' or 'the Company') adopted fully the Code of Corporate Governance (the 'Code'), which was published by the Cyprus Stock Exchange ('CSE') (4th Edition (Revised) April 2014). Listed companies have an obligation to include in their Annual Report a Report by the Board of Directors on Corporate Governance.

Part A

The Company is committed to good corporate governance which is vital to creating trust and engagement between the Company and its stakeholders and contributes towards its long-term success. This creates the framework within which the Executives can lead the company and deliver the agreed strategies.

The Company has adopted the Code and the Group's Policy on Corporate Governance and fully implements its principles. The Policy together with the Board Manual, the Terms of Reference and the practices followed by the Board and its Committees, constitute important foundations for maximising shareholder value.

The Board of Directors continually aims to ensure that the Bank is a modern, transparent and competitive organisation that applies best practices of corporate governance and corporate administration. By adopting these best practices, the Company achieves a dynamic and effective communication between the Board, management and shareholders, leading to a successful implementation of its strategy.

Part B

The Company complies with the provisions of the CSE Code. Throughout this Corporate Governance section a narrative statement is provided on how the principles of the Code have been applied.

Following the 4th revised edition of the Code, the Company revised its Group Board Manual and the Terms of Reference of the Board Committees and issued a Group Policy on Corporate Governance which applies to all Divisions and managers of the Bank as well as to the Members of the Board and those of subsidiary companies (where applicable).

1. Board of Directors

The authorities of the Members of the Board of Directors are specified by the Articles of Association of the Company, by the Code, the relevant Companies, Stock Exchange and Banking Laws and the Directives of the Central Bank of Cyprus ('CBC').

1.1 The Role of the Board of Directors

The Board of Directors ('Board') is accountable for ensuring that as a collective body, it has the appropriate skills, knowledge, diversity and experience to perform its role effectively. It sets the Group's strategic objectives, ensures that the necessary financial and human resources are in place for the Group to meet its objectives and reviews management performance.

The primary role of the Board is to provide strategic leadership of the Bank of Cyprus Group ('the Group') through oversight and review within a framework of prudent and effective controls, which enables risk to be assessed and managed. The Board also sets the Group's values and standards and ensures that its obligations towards its shareholders and other stakeholders are understood and met.

Specific decisions and matters are reserved for approval by the Board. These include decisions on the strategic policy of the Group, approval of risk appetite, major acquisitions, mergers or disposals, the Group's annual budget and three-year financial plan, significant capital expenditure, directors' conflicts of interest, Board membership and other governance and regulatory issues.

1. Board of Directors (continued)

1.2 Composition of the Board of Directors

In 2015 the Board approved the Group Board Diversity Policy which sets out to achieve gender diversity by 2020 with appointments based on meritocracy. Currently the Board has a diverse mix of nationalities and experience.

The Board comprises of individuals who have diverse skills, knowledge and experience that combine to provide different perspectives and effective board dynamics. As at 31 December 2015, the Board of Directors comprised nine Members, specifically the non-Executive Chairman, two non-Executive Vice-Chairmen, another 4 non-Executive Directors and two Executive Directors.

Board of Directors as at 1 January 2015

Josef Ackermann (Chairman)
Wilbur L. Ross (Vice-Chairman)
Vladimir Strzhalkovskiy (Vice-Chairman)
Arne Berggren
Maksim Goldman
John P. Hourican (Executive)
Marios Kalochoritis
Christodoulos Patsalides (Executive)
Michael Spanos
Ioannis Zographakis

On 29 May 2015 Mr. Vladimir Strzhalkovskiy resigned from the Board. In accordance with the Company's Articles of Association, at the Annual General Meeting of shareholders on 24 November 2015, Mr. Ioannis Zographakis, Mr. Marios Kalochoritis and Dr. Christodoulos Patsalides resigned and, being eligible, offered themselves for re-election.

Following the resignation of Mr. Strzhalkovskiy, Mr. Maksim Goldman was appointed as Vice-Chairman and member of the Nominations and Corporate Governance Committee.

Board of Directors as at the date of this Report
Josef Ackermann (Chairman)
Wilbur L. Ross (Vice-Chairman)
Maksim Goldman (Vice-Chairman)
Arne Berggren
John P. Hourican (Executive)
Marios Kalochoritis
Christodoulos Patsalides (Executive)
Michael Spanos
Ioannis Zographakis

The Board has nominated on the 18 December 2015 Mr. Michael Heger as new Member of the Board but until the end of the year this nomination was pending for approval at the ECB ('European Central Bank').

There is a clear and distinct segregation of duties between the Chairman of the Board and the Group Chief Executive Officer and the Terms of Reference of these two roles form part of the Group Board Manual.

All the Members of the Board were provided on appointment with an information pack which included among others, the Board Manual, key legislation, directives and regulations and the Company's Articles of Association.

1. Board of Directors (continued)

1.2 Composition of the Board of Directors (continued)

1.2.1 Independence

Provision A.2.3 of the Code requires that at least 50% of the Board of Directors, excluding the Chairman, should be independent non-Executive Directors.
The composition of the Board with six independent non-executive directors out of the nine-member Board well exceeds the requirements of the Code.
The Board of Directors considers the following Directors to be independent as at the date of this Report, thereby satisfying provision A.2.3 of the Code.
Josef Ackermann (Chairman)
Wilbur L. Ross (Vice-Chairman)
Arne Berggren
Marios Kalochoritis
Michael Spanos
Ioannis Zographakis

A relevant 'Confirmation of Independence' based on the independence criteria of provision A.2.3 of the Code has been signed by each of the above mentioned Directors and will be submitted to the Cyprus Stock Exchange together with the present Corporate Governance Report.

1.3 Senior Independent Director

Mr. Michael Spanos was appointed Senior Independent Director of the Board of Directors on 26 November 2014. The Senior Independent Director is available to shareholders if they have concerns that are not resolved through normal communication channels. He provides support to the Chairman of the Board in delivering his objectives and chairs an executive session of the non-Executive Directors to assess the performance of the Chairman as part of the annual evaluation of Board performance provided for in the CBC Directive on Governance and Management Arrangements in ACIs 2014 (the 'CBC Governance Directive').

Mr. Spanos chaired an executive session of the non-Executive Directors on 22 October 2015 to assess the performance of the Chairman of the Board as per the provisions of the CBC Governance Directive.

1.4 Meetings of the Board of Directors

The Board of Directors meets on a regular basis and has a formal schedule of matters for consideration. During 2015, 12 Board meetings were held. The main areas of focus for the Board were the Group's strategy, the disposal of non-core assets, liquidity and arrears management, and the overall improvement of operational efficiency.
Invariably it is ensured that all Members of the Board are correctly informed in writing of forthcoming Board meetings and all necessary documentation relating to the meeting is provided in a timely manner to allow them adequate time to review.
The attendance of the Members of the Board of Directors for 2015 is presented in the following table:

1. Board of Directors (continued)

1.4 Meetings of the Board of Directors (continued)

Board of Directors 1/1/2015-31/12/2015

Name	Board of Directors	Audit Committee	Remuneration Committee & Human Resources	Nomination & Corporate Governance Committee	Risk Committee
Josef Ackermann (Chairman)	12/12			8/8	
Maksim Goldman*	11/12	13/13	6/6	5/5	
Wilbur L. Ross (Vice-Chairman)	9/12			8/8	14/17
Vladimir Strzhalkovskiy (Vice-Chairman)**	5/5			3/3	4/4
Arne Berggren	12/12	13/13			17/17
John P. Hourican	12/12				
Marios Kalochoritis	12/12		8/8		15/17
Christodoulos Patsalides	11/12				
Michael Spanos	12/12		8/8		
Ioannis Zographakis	11/12	13/13			15/17
Total meetings	***12***	***13***	***8***	***8***	***17***

* Appointed Vice-Chairman 29/5/2015
** Resigned 29/5/2015

The Members hold positions on the Board of Directors of other companies as noted in their curricula vitae included in the Corporate Governance Report of the year they offer themselves for re-election. Their participation in other Boards does not prevent them from devoting the necessary time and attention to their duties as Members of the Board of Directors of the Bank and is within the limits set by the CBC Directive on the Assessment of the Fitness & Probity of Members of the Management Body and Managers of ACIs 2014.
During 2015 it is estimated that each non-Executive Director spent at least 30 days on board-related duties.

The key areas of focus in 2015 for the Board were:

- Group strategy and long term objectives in light of the regulatory and economic environment
  - Approved the three-year financial plan.
  - Disposal of non-core assets.
  - Overseas listing project.
  - Costs and efficiency optimisation project.
  - Reviewed business line individual strategy.
  - Mergers and acquisitions.

- Risk and governance
  - Approval of the Group's Risk Appetite.
  - Approval of ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process).
  - Received assurances during the year that that the Group continues to operate within its approved risk appetite.
  - Received an update on the Group's approach to IT.

- Legal issues/actions against the Bank
- Examination and approval of Group Financial results (monthly, quarterly and annual)

- International operations
  - Update and conclusion of Russian and Ukrainian transactions.
  - Progress of Romanian Loan Book.
  - Other matters of overseas subsidiaries and operations.

1. **Board of Directors** (continued)

1.4 **Meetings of the Board of Directors** (continued)

Board of Directors 1/1/2015-31/12/2015 (continued)

- Budget and performance oversight
  - Approved the 2015 budget and capital plan.
  - Assessed the Group's capital and liquidity position and approved its wholesale funding strategy.
  - Periodically reviewed the Company's share price performance.

- External environment
  - Reviewed the banking industry's outlook.
  - Cyprus economic developments and implications of a possible solution.
  - Bank's plans in a possible Grexit scenario.

- Monitored the key regulatory issues of the Group: SREP ('Supervisory Review and Evaluation Process'), on-site inspections and approved relevant responses to the SSM ('Single Supervisory Mechanism')
- Progress of Restructuring & Recoveries Division
- Reviewed the progress of Non-Performing Loans' management
- Nominations, appointments and Corporate Governance issues
- New regulatory developments and requirements
- Corporate Affairs
- Updates from Board Committees

During 2015 the following New Policies were approved by the Board of Directors:
- Group Corporate Governance Policy
- Group Policy on Fitness and Probity of Directors, Managers and Key Function Holders
- A number of Finance and Risk Policies
- Procurement Policy
- Outsourcing Policy
- Asset Acquisition & Disposal Policy
- Group Information Security Policy
- Group Whistleblowing Policy

Directors' induction and ongoing development

Training of the Board is provided through a number of ways such as during the meetings where further information is given to ensure that Directors receive adequate insight into a particular area and through dedicated training sessions on particular issues (see table below) usually identified by the Directors and the Company Secretary. A training schedule is prepared at the beginning of each year and Directors are expected to attend accordingly.

Name	Induction training	Accounting Treatment under IFRS 5, 9, 10, 11, 12, NPL's etc	Competition law	Prevention of ML & TF	Insolvency Framework	RWAs	CG responsibilities of BoD members
J. Ackermann	N/A	√		√	√		√
M. Goldman	N/A				√		√
W. L. Ross	N/A						
V. Strzhalkovskiy	N/A				√		
A Berggren	N/A			√	√		√
J. Hourican	N/A		√		√		
M. Kalochoritis	N/A	√			√		√
C. Patsalides	N/A	√	√		√		√
M. Spanos	N/A	√	√	√	√	√	√
Y. Zographakis	N/A		√	√	√	√	√

Training material is distributed to all Directors regardless of attendance or not. Following appointment, each Director receives a relevant package and undergoes an induction programme. Furthermore, Executive Directors develop and refresh their skills and knowledge through regular interactions, meetings and briefings with Senior Management.

1. Board of Directors (continued)

1.5 Company Secretary

Ms Katia Santis was appointed Company Secretary on 26 November 2014.

The duties and responsibilities of the Company Secretary are the following:

- To ensure the Board and its Committees are constituted and function in compliance with internal rules, the Articles of Association of the Bank, the Board Manual, CBC Directives and other applicable legal and supervisory requirements.
- To facilitate the flow of information within the Board and its Committees, between senior management and non-Executive Directors and between Heads of Internal Control functions and non-Executive Directors.
- To provide access to independent professional advice at the expense of the Bank as required.
- To be involved in preparing the schedule of all Board and Committee meetings.
- To ensure that relevant information is dispatched timely to all members of the Board to enable them to prepare adequately for these meetings.

The Company Secretary ensures minutes are kept in accordance with legal and regulatory requirements; the Company Secretary must:

- express explicitly, in a separate paragraph, her assessment as to whether the meeting had been held in compliance with internal rules and regulations of the management body, the provisions of the CBC Directive and other applicable legal and supervisory requirements.
- ensure minutes are circulated, finalised and approved in a timely manner by all Members present at the meeting.
- ensure finalised minutes are distributed in a timely manner to all recipients.
- ensure decisions taken are properly communicated, pursue follow up actions and report on matters arising.

All Directors have access to the advice and services of the Company Secretary and the Corporate Governance Compliance Officer who can provide relevant information related to Board procedures and the Code. Independent professional advice is also available to the Directors in accordance with the internal policy that was formulated and approved by the Board of Directors.

1.6 Board Renewal

The rules regarding the composition of the Board and the appointment and rotation of its Members are defined in the Articles of Association of the Bank as follows:

- The number of Directors shall neither be less than seven nor more than thirteen.
- At the Annual General Meeting of the Company, one-third of the Directors, or if their number is not three or a multiple of three, then the nearest number to one third, shall retire from office.
- The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day those to retire shall, unless they otherwise agree among themselves, be determined by lot ('Rotation Decision').
- A retiring Director shall be eligible for re-election.
- No person other than a Director retiring at the Meeting shall unless recommended by the Directors be eligible for election to the office of Director at any General Meeting unless not less than six or more than twenty-one days before the date appointed for the Meeting there shall be left at the registered office of the Company notice in writing, signed by a member duly qualified to attend and vote at the Meeting for which such notice is given, of his intention to propose such person for election, and also notice in writing signed by that person of his willingness to be elected.
- The Directors shall have power at any time, and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors shall not at any time exceed the number fixed in accordance with the Articles of Association. Any Director so appointed shall hold office only until the next Annual General Meeting, and shall then be eligible for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

1. Board of Directors (continued)

1.6 Board Renewal (continued)

The retiring Directors who are eligible and will offer themselves for re-election at the next Annual General Meeting are the following (brief curriculum vitae included in section 2 below): Mr. A. Berggren, Mr. M. Goldman and Mr. M. Spanos.

1.7 Board Performance Evaluation

The Board is committed to regular evaluation of its effectiveness and that of its Committees. In November 2015, external advisors executed an evaluation of the performance of the Board, its Committees and individual Members. The overall assessment of the Board, its Committees and Members was very positive.

As part of the Board's annual effectiveness review feedback, the Board was unanimous in pointing out that the Chairman encourages open dialogue enabling everyone to contribute to the debate and manages potential conflicts effectively.

All of the Members of the Board have the appropriate qualifications and broad relevant experience. Both the recent internal as well as external evaluation of performance of the Board, its Committees and individual Members indicated a strong and diverse composition of experiences that could be further enhanced by appointing members with IT background while at the same time striving for gender diversity.

The annual effectiveness review report made several recommendations and an action plan for the implementation of these recommendations has been set up. A summary of the recommendations made following the Board Effectiveness Review is set out below:

- Concentrate on strategy and the direction in which the Group is moving
- Institute a management succession planning strategy for implementation
- Design key performance indicators of the Group to better monitor management performance and value creation for stakeholders
- Revisit Board composition to cover gaps of gender diversity and IT experience

1.8 Other Key Milestones in 2015

In May 2015 the Group website was enriched with information and disclosures relevant to its corporate governance framework in line with best international practices of transparency and governance and in compliance with the provisions of the CBC Governance Directive. This information can be found on:
http://www.bankofcyprus.com/en-GB/Start/Corporate-Governance/Corporate-Governance/

In October 2015, the Corporate Affairs Division issued the first Social Corporate Responsibility Report of the Group, signalling a new era in terms of Corporate Social Responsibility and how this is fulfilled by the organisation. The report lays the emphasis on the environmental and social aspects that are of great importance for the Group's stakeholders. It aims to chart the Group's strategy and annual activities on matters of Corporate Social Responsibility. This first report is based on the guidelines of the new G4 version of the Global Reporting Initiative (GRI). The report can be found on:
http://www.bankofcyprus.com.cy/Documents/Cyprus/CSR/CSR%20Report%202014%20ENG%20website.pdf

2. Members of the Board of Directors

The curricula vitae of all the Members of the Board of Directors as at the date of this Report are provided below.

2.1 Non-Executive Directors

Josef Ackermann (Chairman)
Born in 1948. Dr. Ackermann is the former Chairman of the Management Board and the Group Executive Committee at Deutsche Bank. Dr. Ackermann joined Deutsche Bank's Board of Managing Directors in 1996, where he was responsible for the investment banking division. Under his leadership, this business unit developed into one of Deutsche Bank's principal revenue sources and entered the top group of global investment banks. Prior to Deutsche Bank, Dr. Ackermann was President of Schweizerische Kreditanstalt (SKA), today's Credit Suisse. Dr. Ackermann has held numerous board positions including sitting on the Board of Directors at Zurich Insurance Group, Royal Dutch Shell plc, Siemens AG and EQT Holdings AB among others. Today, he still holds numerous mandates, amongst them as a Member of the Board of Directors at Investor AB, and Renova Management AG. Dr. Ackerman also serves as Honorary Chairman of the St. Gallen Foundation for International Studies, Honorary Senate Member of the Foundation Lindau Nobel Prizewinners Meetings at Lake Constance, Vice Chair and a Member of the Board of Trustees of The Conference Board, among other posts. Dr. Ackerman also served as Vice-Chairman of the Foundation Board of the World Economic Forum. Dr. Ackermann studied economics and social sciences at the University of St. Gallen, where he earned his doctorate, and holds an honorary doctorate from the Democritus University of Thrace in Greece. Dr. Ackermann is also an Honorary Fellow of the London Business School, was visiting professor in finance at the London School of Economics, and was appointed honorary professor at the Johann Wolfgang Goethe University in Frankfurt.

Wilbur L. Ross (Vice-Chairman)
Born in 1937. Mr. Ross is the Founder, Chairman and Chief Strategy Officer of WL Ross & Co. LLC, a private equity firm. Mr. Ross was also formerly the Chief Executive Officer of WL Ross prior to April 30, 2014 when he became its Chairman and Chief Strategy Officer. In March 2014 Mr. Ross became the Chairman and Chief Executive Officer of WL Ross Holding Corp, a special purpose acquisition company. Mr. Ross is currently a Member of the Board of Directors of Arcelor Mittal, the world’s largest steel and mining company; EXCO Resources, Inc., a natural gas and oil exploration company; DSS Holdings LP, a shipping transportation company and Sun Bancorp, a bank holding company. Mr. Ross formerly served as a Member of the Board of Directors of many banks, financial and other companies, including but not limited to The Governor and Company of the Bank of Ireland, a commercial bank in Ireland until June 2014, BankUnited, Inc., until March 2014; Talmer Bancorp., Assured Guaranty, an insurance company; International Textile Group; NBNK Investments PLC; PB Materials Holdings, Inc.; Ohizumi Manufacturing; Ocwen Financial Corp.; Navigator Holdings, a maritime transport company until November 2014; Plascar Participacoes SA, a manufacturer of automotive interiors, until 2014 and Air Lease Corporation, an aircraft leasing company from 2010 to December 2013; International Coal Group from April 2005 to June 2011, Montpelier Re Holdings Ltd., a reinsurance company, from 2006 to March 2010; The Greenbrier Companies, a supplier of transportation equipment and services to the railroad industry from June 2009 until January 2013. Mr. Ross was Executive Managing Director of Rothschild Inc. for 24 years before acquiring that firm's private equity partnerships in 2000. Mr. Ross is a graduate of Yale University and of Harvard Business School. Through the course of Mr. Ross' career, he has assisted in restructuring more than $400 billion of corporate liabilities. Mr. Ross is well qualified to serve as a director due to his over 35 years of experience in private equity, numerous public and private company directorship roles, and globally-recognised financial expertise having been elected to both the Private Equity Hall of Fame and the Turnaround Management Association Hall of Fame. Mr. Ross has been appointed by President Clinton to the Board of Directors of the U.S-Russia Investment Fund and has served as Privatization Advisor to New York City Mayor Guiliani. He was awarded a medal by President Kim Dae Jung for assisting Korea during its financial crisis and in 2014 was awarded the Order of the Rising Sun with Gold and Silver Stars by the Japanese Government.

2. Members of the Board of Directors (continued)

2.1 Non-Executive Directors (continued)

Arne Berggren
Born in 1958. Mr. Berggren has been involved in corporate and bank restructurings, working for both the private sector as well as for international organizations since the early 90s starting with Nordea during the Swedish financial crisis. This was followed by bank crises management and bank restructuring assignments in numerous countries in Latin America, Eastern Europe and Asia, and more recently during the current financial crisis in the Baltics, Spain and Slovenia. He has been Head of Financial Restructuring and Recovery at Carnegie Investment Bank AB and Swedbank AB and as CEO of Swedcarrier AB he led the restructuring of parts of Swedish Rail. Mr Berggren has held numerous Board positions in the financial and corporate sector including a position on the Board of Directors at LBT Varlik Yönetim AS and DUTB Ldt. He is a graduate of the University of Uppsala, Sweden.

Maksim Goldman
Born in 1971. Mr. Goldman currently serves as Director of Strategic Projects at Renova where he is responsible for coordinating the business development of various significant assets under management of the Group. Mr. Goldman is currently a Member of the Board of Directors of UC Rusal Plc, OAO "Volga" and the Independence Group. Previously, Mr. Goldman served as Deputy Chief Investment Officer of Renova Group, responsible for implementing the investment policy and support of key mergers and acquisitions transactions. During 2005 to 2007 he worked as Vice President and International Legal Counsel of Sual-Holding, which was the management company for OAO "SUAL", the second largest aluminium company in Russia, and also participated in the creation of UC Rusal through combination of the assets of Sual-Holding, Rusal and Glencore. From 1999 to 2005 Mr. Goldman worked as an associate at Chadbourne & Parke LLP in New York and in Moscow. Mr. Goldman holds a J.D. from the School of Law, University of California (Los Angeles). He also holds a Bachelor of Arts degree in History at the University of California (Los Angeles).

Marios Kalochoritis
Marios Kalochoritis was born in 1973. He is a Financial Executive with experience in investment banking, hedge fund management, private equity, wealth management and as a Chief Financial Officer. Geographically he has covered North and South America, Western and Eastern Europe and the Middle East. He is experienced in start-ups and turnout situations. He is the founder and Managing Partner of Loggerhead Partners, a Consulting and Advisory firm, based out of Dubai. Previously he spent five and a half years in Cyprus where, as the Managing Director, he had set up and ran the operations and risk management of a global macro hedge fund. Prior to that he was Senior Vice President for Credit Suisse Bank in Zurich and he was heading business development for Central and Eastern Europe and Turkey. Between 2003 and 2006 he was the Chief Financial Officer for Amana Group in Dubai, a major regional construction group. He had moved to Dubai following a couple of years in New York where he was the co-founder of a boutique investment bank. He started his career at Enron in Houston where as a financial analyst and later an associate in the finance department, he analysed and made investments in oil & gas, energy and other infrastructure opportunities around the world. He also interned with J.P. Morgan Bank in New York and McKinsey & Co in Athens. He holds an MBA from Harvard Business School and a BSc in Finance from Louisiana State University.

Michael Spanos
Mr. Spanos, born in 1953, is a Managing Director of M.S. Business Power Ltd, which provides consultancy services on strategic and business development (since 2008); non-Executive Chairman of Lanitis Bros Ltd (since 2008); founding Chairman of Green Dot (Cyprus) Public Co Ltd (since 2004); and a Member of the Board of Directors of Coca-Cola Içecek (since 2012). Mr. Spanos worked at Lanitis Bros Ltd from 1981 to 2008 as Marketing Manager, General Manager and Managing Director. Between 2005 and 2009, Mr. Spanos served as Vice-Chairman of the Board of Directors of the Cyprus International Institute (Republic of Cyprus and Harvard School of Public Health). Mr. Spanos has also served on other boards, such as Heineken-Lanitis Cyprus Ltd (2005 to 2007), Lumiere TV Public Ltd (2000 to 2012), A. Petsas & Sons Public Ltd (2000 to 2007) and CypriaLife Insurance Ltd (1995 to 2000). Mr. Spanos is a former Director of the CBC Board of Directors. Mr. Spanos holds a Master's degree in economics from North Carolina State University.

2. Members of the Board of Directors (continued)

2.1 Non-Executive Directors (continued)

Ioannis Zographakis
Born in 1963. Mr. Zographakis is a senior Executive with a broad and diverse international experience in the banking industry. He has worked with Citibank for over 20 years, in the USA, UK and Greece. His line/business positions and divisional/corporate responsibilities, have provided him with an extensive background in corporate governance, business restructuring, re-engineering, crisis management, separation of businesses, business strategy, profit & loss management, finance, product and segment management, operations & technology management, and dealing with various regulatory bodies and industry related organisations. He started his career in 1990 with Citibank in Greece as a Management Associate for Europe, Middle-East & Africa (EMEA). He then worked as the Deputy Treasurer and Treasurer for the Consumer Bank in Greece, before moving to the USA in 1996 as the Director of Finance for CitiMortgage. In 1997 he became the Financial Controller for Citigroup's Consumer Finance business in the US and then he was the Chief Financial Officer for the Consumer Assets Division. From 1998 until 2004 he worked in the Student Loan Corporation (SLC), a Citigroup subsidiary and a New York Stock Exchange traded company. He started as the Chief Financial Officer, became the Chief Operations Officer and in 2001 he was named the Chief Executive Officer. In 2005 he moved back to Europe as Citibank's Consumer Lending Head for EMEA and UK Retail Bank Head. Deciding to move closer to home in 2006, he took the position as Citibank's Retail Bank Head in Greece where he stayed until 2011, before moving back to Cyprus consulting on financial services when requested. He has been a Director for the Student Loan Corporation in the US, a Director for Tiresias (Greek Credit Bureau) and the Secretary of the Audit Committee, a Director and member of the Audit Committee for Diners Club Greece, the Vice-Chairman of the Citi Insurance Brokerage Board in Greece and the Chairman of the Investments and Insurance Supervisory Committee in Citibank Greece. He holds a Bachelor’s degree in Civil Engineering from Imperial College in London and an MBA from Carnegie Mellon University in the USA.

2.2 Executive Directors

John Patrick Hourican (Chief Executive Officer)
He was born in 1970. Mr. Hourican served as Chief Executive of The Royal Bank of Scotland Group’s (“RBS”) Investment Bank (Markets & International Banking) from October 2008 until February 2013. Between 2007 and 2008, he served on behalf of a consortium of banks (RBS, Fortis and Santander) as Chief Financial Officer of ABN AMRO Group and as a Member of its Managing Board. He joined RBS in 1997 as a Leveraged Finance banker. He held a variety of senior positions within RBS's wholesale banking division, notably on the division's Board as Finance Director and Chief Operating Officer. He also ran the bank’s Leveraged Finance business in Europe and Asia. Mr. Hourican started his career at Price Waterhouse and he is a Fellow of the Institute of Chartered Accountants in Ireland. He is a graduate of the National University of Ireland and Dublin City University.

Christodoulos Patsalides (Finance Director)
Born in 1962. Dr. Patsalides currently serves as Finance Director of the Bank. From 1989 to 1996, Dr. Patsalides previously worked for the CBC in the Management of Government External Debt and Foreign Exchange Reserves department. In 1996, Dr. Patsalides joined the Bank where he has held a number of positions in corporate banking, treasury and private banking, among others. In Dr. Patsalides' current capacity as Finance Director, he is responsible for Finance, Treasury, Investor Relations, Economics Research and Procurement. He has recently been appointed to the Board of Directors of the Cyprus anti-Cancer Society (a charity organisation). Dr. Patsalides holds a PhD in Economics from the London School of Economics.

3. Board Committees

The Board of Directors set up four Board Committees in accordance with the relevant requirements of the Code and the relevant provisions of the CBC Governance Directive. Information about each of these Committees is provided in sections 3.1 to 3.4 below.

The Board has made a conscious decision to delegate a broader range of issues to the Board Committees. This linkage is important between the Committees and the Board given that it is impractical for all independent non-Executive Directors to be members of all the Committees.

In addition to a number of cross-committee memberships, the Board receives the minutes of each of the Committee’s meetings. In addition to the minutes, the Committee chairs provide regular updates to the Board throughout the year.

3. Board Committees (continued)

As described above, specific responsibilities have been delegated to Committees of the Board of Directors. The Terms of Reference of the Committees are based on the relevant provisions of the CSE Code and the CBC Governance Directive (where applicable).

3.1 Audit Committee

The role of the Committee, inter alia, is:

- To oversee the system of internal controls including reviewing its effectiveness.
- To monitor the integrity of the Group's financial statements and related announcements.
- To monitor the effectiveness of the internal audit function.
- To advise the Board on appointment of the external auditors and be responsible for oversight and remuneration of the external auditor.
- To review the Company’s financial and accounting policies and practices.
- To monitor the effectiveness of the Group's whistle-blowing procedures.
- To monitor the effectiveness of the anti-Money laundering function of the Company and all other aspects of regulatory compliance.

and make recommendations to the Board on such matters.

The role of the Audit Committee is fundamental to ensuring the financial integrity and accuracy of the Bank’s financial reporting. Good, open relationships between the Committee, the Finance Director, the Group Chief Risk Officer, the Group Internal Audit Director and the Group Compliance Director as well as the external auditors, are essential to adding value to the organisation. This is achieved by holding management to account for the implementation of all audit recommendations (internal and external) and inviting appropriate Divisional Directors to meetings to explain how they are delivering their agreed actions for which they are responsible. In addition to providing assurance within the governance and accountability structures of the Group, it is essential that the Committee contributes, delivers results and adds value to the Group.

<u>Financial Reporting</u>

The Committee has:

- Endorsed the going concern assessment and the statement of compliance with the CSE Corporate Governance Code for inclusion in the financial statements.
- Reviewed and monitored the appropriateness and completeness of the published financial statements and related announcements to shareholders of the Company and any formal announcements relating to the Group’s financial performance, including significant financial reporting judgments and estimates made by the Group.
- Discussed key areas of judgments and estimates in the Group’s financial results with the external auditors, Ernst & Young Cyprus Ltd; Particular areas for discussion included their findings/observations as part of their audit review of the Group’s financial statements, including inter alia, loan provisioning and impairment policies, going concern issues and the recoverability of deferred tax assets.
- Advised the Group Board that the Group Annual Financial Report and accounts, taken as a whole, is fair, balanced and understandable.
- Considered for disclosure all material relevant issues that have concerned management and the Group statutory auditors during the year.
- Reviewed accounting policies and practices, including approval of the critical accounting policies.
- Considered management’s recommendations in respect of provisions for impairments of loans and advances and any other impairment losses and charges as reported in the Group’s financial statements.

The Committee has the responsibility for examining any significant transactions in any form, carried out by the Bank and/or its subsidiary companies, where any Member of the Board, Chief Executive Officer, Senior Executive Officer, Secretary, Auditor or large shareholder has, directly or indirectly, any significant interest. It ensures that these transactions are carried out within the framework of the Bank’s normal commercial practices (at arm’s length).

3. Board Committees (continued)

3.1 Audit Committee (continued)

Internal Controls over Financial Reporting
The Committee received regular reports from the Group Finance Director, the Group Chief Financial Officer, the Group Internal Audit Director and the Director of Group Compliance.

The Committee reviewed the adequacy of resources, qualifications and experience of staff in the Finance Division. Reports were submitted to the Committee on internal control matters. The Group Finance Director, the Group Internal Audit Director, the Group Chief Financial Officer, the Director of Group Compliance, external auditors and other senior executives attended the Committee's meetings. The Committee has regular discussions with the external auditor, the Group Internal Audit Director and the Director of Group Compliance with opportunity to discuss issues without management present.

Control Environment
The Committee's activities included the consideration of reports submitted by the Group Internal Audit and Group Compliance Divisions. The Committee satisfied itself that the Group Internal Audit Division was effective and adequately resourced through regular meetings held with and reports provided by the Group Internal Audit Director on internal audit issues, including the effectiveness and adequacy of resources. KPMG Limited was engaged to undertake the triennial review of the effectiveness of the system of internal controls of the Group both on a consolidated and an individual basis. The Committee received reports over the course of 2015 on the activities of the internal audit function and reviewed its planned activities for the following year.

Management's responses to Group Internal Audit's findings and recommendations were reviewed and monitored. The monthly reports issued by the Group Internal Audit Director and Group Director of Compliance enable the Committee to focus discussion on specific areas of concern and root causes and to track remediation progress over time.

Areas of focus during 2015 have been the successful completion of the demanding 2014-2015 Anti-Money Laundering Remediation Programme, the completion of the overall compliance framework of the Company comprising of 19 Group Compliance Policies, the FATCA and CRS implementation, procurement processes, data quality and provisioning policies, Appeals Committee reports, Internal Audit methodology and ratings and the ECB SREP review.

The Committee reviewed and approved the Annual Action Plans of the Group Internal Audit and Group Compliance Divisions and the monitoring of subsequent actions.

The Board has delegated authority to the Nominations and Corporate Governance Committee to draw up the Corporate Governance Report, but the Audit Committee retains its duty to review and approve the Annual Corporate Governance Report.

The Audit Committee held 13 meetings during 2015.

3.1.1 Committee Activities in 2015

The members of the Audit Committee during 2015 were as follows:

Ioannis Zographakis (Chairman)
Arne Berggren
Maksim Goldman

The key areas of focus for the Committee in 2015 were:
- Discussion of the results of the audit of the 2014 Financial Statements with the external auditors
- Discussion of the Provisions methodology
- Consideration of key accounting judgements and estimates
- Review of monthly audit reports, compliance reports and internal control issues
- Appointment of the External Auditors
- Appointment of the Group Internal Audit Director
- Review of the annual report of the Group Internal Audit Division and major audit findings

3. Board Committees (continued)

3.1 Audit Committee (continued)

3.1.1 Committee Activities in 2015 (continued)

- Review and approval of the Audit Plan, the Anti-Money Laundering ('AML') Compliance Department Action Plan, the Regulatory & Ethics Compliance Department Action Plan for 2015
- Consideration of major compliance issues and reports submitted to it by the Compliance Function
- Review and approval of the AML Compliance Department annual report, the AML Risk Management Report, the Regulatory & Ethics Compliance Department annual report
- Review of the monthly reports of the AML Compliance Department and the Regulatory & Ethics Compliance Department
- Review of CBC's Audit main findings
- Review of the 2014 Annual Corporate Governance Report
- Review and approval of the AML risk appetite statement, AML Policy, Customer Acceptance Policy and Sanctions Policy
- Review and approval of the various AML Compliance and Regulatory & Ethics Compliance policies
- Review of the independence of the Group Internal Audit Division and the Group Internal Audit Director
- Approval of the Group Internal Audit three year Action Plan
- Approval for the restructuring and new organisational structure of Group Internal Audit
- Approval for recruiting specialised staff from outside the Bank to be utilised in the Group Internal Audit operations
- Review and approval of the Group Internal Audit charter
- Approval of the scope of the triennial internal control assessment
- Review and approval of the Quarterly Financial Results
- Approval of the provisions for impairment of loans and advances
- Approval of audit, tax compliance and non-audit fees for year 2015
- Review of the External Audit Plan for 2015
- Approval of revised Terms of Reference of the Audit Committee
- Review of the Internal Audit Activity Report
- Review of the Appeals Committee Quarterly Reports
- Review of the Operational Risk Quarterly Reports
- Review of the Complaints Management Quarterly Reports
- Updated on the progress of the ECB's onsite Review
- Updated on important forthcoming regulatory developments

3.1.2 Internal and External Audit Independence

The Group Internal Audit and Group Compliance Divisions report directly to the Board of Directors through the Audit Committee. They are organisationally independent of units with executive functions and are not subordinated to any other unit of the Bank, except the Director of Group Compliance who has a second reporting line to the Group CEO.

The Committee proposes to the Board the appointment or replacement of the Group Internal Audit Director and the Director of Group Compliance. It submits a report to the Board on a) the adequacy of the audits carried out, the conclusions and the proposals of the Group Internal Audit and b) subjects that are related to the independence and smooth execution of audit work carried out by Group Internal Audit.

The independence of the two functions as well as the independence of the Group Internal Audit Director were reviewed by the Audit Committee in the 1st Quarter of 2015.

The objectivity and independence of the external auditors is safeguarded through monitoring of their relationship with the Group by the Audit Committee, including the monitoring of the balance between audit and auxiliary non-audit services. The external auditors provided written confirmation of their objectivity and independence to the Group. In addition, the external auditors do not provide internal audit services to the Group. The Audit Committee reviews annually detailed analysis of the audit and non-audit fees relating to work done by the external auditors. The Committee reviews this to confirm the independence of the external auditors and refers this analysis to the Board of Directors.

3. Board Committees (continued)

3.2 Nominations and Corporate Governance Committee

The role of the Committee is to support and advise the Board in relation to Board Members' development and succession planning and to ensure that it is comprised of members who are best able to discharge the duties and responsibilities of Directors.

The Committee focuses primarily on the composition, appointment, succession and effectiveness of the Board, but also oversees the adoption of appropriate internal policies on the assessment of the fitness and probity of members of the Group Executive Committee, other Senior Managers and Heads of Internal Control functions.

The Committee keeps the Board's governance arrangement under review and makes appropriate recommendations to the Board to ensure that the Group's arrangements are consistent with best practice corporate governance standards. It assesses the structure, size, composition and performance of the Board of Directors on an annual basis and submits any recommendations to the Board.

The members of the Committee as at the date of this Report are:

Josef Ackermann (Chairman)
Maksim Goldman (from 29/5/2015)
Wilbur L. Ross
Vladimir Strzhalkovskiy (up to 29/5/2015)

During 2015, the Committee held 8 meetings. The Committee assessed the structure, size, diversity and composition of the Board, the independence of its members as well as their skills, knowledge and expertise and reported accordingly to the Board of Directors in March 2015. The Committee also recommended changes in the composition of subsidiary Boards and Board Committees. The Committee submitted the Annual Corporate Governance Report for 2014 to the Board of Directors for approval.

The Committee approved the revision to the Group Board of Directors Manual. A progress report on the gap analysis action plan for full adoption of the CBC Governance Directive was reviewed during May and the Group Board of Directors Diversity Policy and Group Nominations Policy were approved, together with a Code of Conduct of BoD Observers. Furthermore the Committee approved the questionnaires that were prepared for the Evaluation of Board, Committees and members performance as per the CBC Governance Directive.

It reviewed the composition of the Boards of BOC Oncology Centre, the Kermia Group and Cyprus Leasing (Romania) IFN SA and recommended to the Board the appointment of Directors to these subsidiaries.

It reviewed the fees and expenses of the members of the Bank of Cyprus UK Ltd Board as well as the remuneration of the Chairman of the Board.

The Committee reviewed and approved the terms of the Request for Proposals for the Purchase of Services for the Evaluation of the Board.

The Group CEO had given notice of his resignation and the Committee begun a search for a suitable replacement. However the search ended when the CEO agreed to remain and a new contract was approved and signed for a further two years.

The Committee had earlier reviewed and approved a new contract for the former Director of Restructuring and Recoveries Division who remained as a Consultant for a period of three months.

Following the resignation of the Vice Chairman of the Board Mr. Strzhalkovskiy, the Committee recommended for the Board's approval the appointment of a new Vice-Chairman and a new member of the Nominations and Corporate Governance Committee. It also recommended the appointment of a new Chairman of the Risk Committee. Additionally the Directors' rotation was discussed and a recommendation was made to the Board. At the same time the Committee began a search for the nomination of a new member of the Board of Directors.

3. Board Committees (continued)

3.2 Nominations and Corporate Governance Committee (continued)

The Committee also approved:

- The Corporate Governance Guidelines for Group Subsidiaries to align practice across the Group.
- The revision of the Group Corporate Governance Policy.
- The Group Policy on Fitness & Probity.
- The Terms of Reference of the Human Resources and Remuneration Committee.

The report of the external advisors engaged to carry out the evaluation of Board, Committees and members performance was ratified and so was the internal evaluation report.

Finally the Committee agreed to the participation of the Group CEO on an external Board.

3.3 Risk Committee

The Group Risk Committee is responsible for advising the Group Board on high-level risk related matters and risk governance and for non-executive oversight of risk management and internal controls (other than financial reporting).

The main purpose of the Committee is to review, on behalf of the Group Board, the aggregate Risk Profile of the Group, including performance against Risk Appetite for all risk types and to ensure that both the Risk Profile and Risk Appetite remain appropriate. Specifically it:

- Advises the Group Board on Risk Appetite and alignment with strategy.
- Monitors the effectiveness of the Group's risk management and internal controls systems except from financial reporting and compliance internal control systems.
- Monitors the Group's Risk Appetite and Risk Profile against key performance/risk indicators as set out in the Group's Risk Appetite Statement.
- Identifies the potential impact of key issues and themes that may impact the Risk Profile of the Group.
- Ensures that the Group's overall Risk Profile and Risk Appetite remain appropriate given the external environment, any key issues and themes impacting the Group and the internal control environment.
- Seeks to identify and assess future potential risks which, by virtue of their uncertainty, of low probability and unfamiliarity may not have been factored adequately into review by other Board Committees.
- Advises the Group Board on alignment of remuneration with Risk Appetite (through advice to the Group Human Resources and Remuneration Committee).
- Advises the Group Board on risks associated with proposed strategic acquisitions and disposals.

The Group, like all other financial institutions, is exposed to risks, the most significant of which are credit risk, liquidity and funding risk, market risk and operational risk. The Group monitors and manages these risks through various control mechanisms and reviews the mitigating actions proposed by management.

To ensure consistency of scope and approach by subsidiary company committees, the Group Risk Committee has established core terms of reference to guide subsidiary companies when adopting terms of reference for the non-executive risk committees. The Committee's endorsement is required for any proposed material changes to subsidiary company risk committee Terms of Reference and for appointments to such committees.

Detailed information relating to Group Risk Management is set out in Notes 44 to 47 of the Consolidated Financial Statements and the Additional Risk Disclosures section of the 2015 Annual Financial Report.

The members of the Risk Committee as at the date of this Report are:

Arne Berggren (Chairman from 29 May 2015)
Wilbur L. Ross
Marios Kalochoritis
Yiannis Zographakis
Vladimir Strzhalkovskiy (Chairman) (up to 29 May 2015)

3. Board Committees (continued)

3.3 Risk Committee (continued)

During 2015, the Risk Committee held 17 meetings. Key areas of focus for the Committee during the year were to set strategies and ensure compliance with reference to NPL management, review risk policies where necessary to comply with the changing regulatory environment and better support business needs and review the enhancements of the provisioning methodology. Furthermore, the Committee made recommendations for the enhancement of the reporting framework to the Committee in order to facilitate its oversight role over risk management.

The Committee identified the current and potential impact of key issues and themes that have an actual or potential impact on the Group's risk profile and performed deep dive discussions in order to better understand and provide guidance to the Management. Such deep dive discussions were on asset quality, RWA, credit documentation, Retail and SME delinquent portfolio. Deep dives have also been scheduled for 2016 to cover cybercrime and IT and operational risks, liquidity and funding risk, departments of RRD and the capital optimisation programme.

The Risk Committee undertook the following key activities in 2015:

- *Oversight of executive risk management*. Regular reports were received from the Group Chief Risk Officer including a risk map which provides analysis of risk profiles for categories of risk identified in the Group Risk Appetite Statement.
- *Review of risk management and internal controls*. The Committee recommended to the BoD the reports of Annual Risk Management, Annual Information Security, ICAAP and ILAAP. The Committee was also receiving regular update of the ECB's onsite reviews and was monitoring actions stemming from their findings.
- *Review of risk appetite*. The Committee reviewed the alignment of risk appetite and Group strategy. Regular reviews were undertaken of the Group's risk profile against the key performance indicators set out in the Risk Appetite Statement which considered the need for any adjustment to the risk appetite. The Risk Appetite Statement for 2015 was recommended to the Group Board for approval. Reports and presentations were received from the Group Chief Risk Officer, including on the results of the Bank's stress testing and scenario analysis programme.
- Important/material Reputational/Information Security and Operational Risk incidents were elevated to the Committee through the monthly Risk Report and other quarterly reporting from Operational Risk and Information Security.
- *Review of the top and emerging risks*. The Committee received reports on possible risks emerging from the possible exit of Greece from the Eurozone, loans denominated in CHF following the revaluation of the Swiss Franc, loans secured by capital securities, new regulatory developments on Arrears Management, Transfer and Mortgage of Immovable Property Law and the Insolvency Law.
- *Review of the acquisitions and disposals*. The Committee received reports on risk issues relating to proposed strategic acquisitions and the risk management of disposals and advised the Group Board accordingly.
- *Review of the operational risk*. The Committee received regular reports on the Group's operational risk management framework.
- *Review of risk management policies*. Approved a number of Risk Management related policies such as Group Information Security Policy, Asset Acquisition and Disposal Policy, Provisioning Policy, Restructuring Policy Framework, Lending Policy, Country Risk Policy, Business Continuity Management Policy and Fraud Management Policy.
- *Review of the Terms of Reference and Committee's effectiveness*. The Committee undertook a review of its Terms of Reference and of its own effectiveness.
- Approval/recommendation for approval of a large number of restructurings and contractual or non-contractual write-offs.
- Approved/recommend for approval special restructuring products and solutions.
- Updated on Group Regulatory/Supervisory Activity.
- Review of the Appeals Committee Reports.
- Approval of risk related limits.
- Updated on the Assets-Liabilities Committee (ALCO) meetings minutes.
- Prepared the 2016 Committee's calendar aiming to fully cover corporate governance and regulatory requirements and Committee's Terms of Reference. The calendar aims to focus on specific high risks ensuring that they are discussed by the Committee in an orderly manner gaining deeper understanding and providing solid feedback to executive management.

3.4 Remuneration and Human Resources Committee

Information on the composition and the role of the Committee as well as issues reviewed during 2015 can be found in the Remuneration Policy Report, on page 350 of this report

4. Loans to Directors and Other Transactions

Details of loans to Directors and other transactions with the Group are set out in Note 49 of the Consolidated Financial Statements for year 2015.

The Law currently forbids the extension of any credit to any independent member of the Board but the CBC may exempt any exposure from time to time having regard to the exceptionally low risk arising from the exposures concerned. Furthermore, any credit to be extended to non-independent members of the Board must comply with the following provisions of the Law:

- Be approved by a resolution of the Board carried by a majority of two-thirds of the members that participated in the relevant Board meeting and the member concerned should neither be present during the discussion nor vote on the resolution,
- The exposure granted should be on the same commercial terms as would apply to customers for similar exposures in the ordinary course of banking practice,
- The total value of exposures in respect of all members of the management body should not exceed at any time 10% of the Bank's own funds, or such other lower percentage as the CBC may determine from time to time,
- The total value of any unsecured exposures granted to all members of the Board should not exceed at any time 1% of the Bank's own funds or such other lower percentage as the CBC may determine from time to time,
- The total value of exposure to any member of the Board should not exceed at any time the amount of €500.000 or such other lower amount as the CBC may determine from time to time, and
- No financing is permitted to any Executive member of the management body that does not comply to the commercial terms or exceeds the limits that apply to all staff or such other lower amount as the CBC may determine from time to time.

All members of the Board of Directors complied with the relevant provisions of the CSE Code as at 31 December 2015.

5. Accountability and Audit

5.1 Going Concern

The Company's management, taking into consideration the factors noted in Note 4.1 of the Consolidated Financial Statements, is satisfied that the Group has the resources to continue in business for the foreseeable future and therefore, the going concern principle is appropriate.

5.2 System of Internal Controls

The Board of Directors is responsible for the adequacy and effectiveness of the system of internal controls in the Group. This system ensures that:

- The effectiveness of the governance framework is monitored and periodically assessed and appropriate steps are taken to address any deficiencies.
- The appropriate compliance framework is in place.
- The integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with legal and supervisory requirements and relevant standards, is adequate.
- The appropriate Information Security framework for the protection of confidential information is in place.

Policies and procedures have been designed in accordance with the nature, scale and complexity of the Group's operations in order to provide reasonable but not absolute assurance against material misstatements, errors, losses, fraud or breaches of laws and regulations. The Group's key policies and procedures pertain to the Group's capital adequacy assessment process, compliance policies and obligations and the internal control system.

5. Accountability and Audit (continued)

5.2 System of Internal Controls (continued)

The Board, through the Audit and Risk Committees, conducts reviews on a frequent basis, regarding the effectiveness of the Group's internal control systems, as well as in relation to the procedures used to ensure the accuracy, completeness and validity of the information provided to investors. The reviews cover all systems of internal controls, including financial, operational and compliance controls, as well as risk management systems. In carrying out their reviews, the Audit and Risk Committees receive regular business and operational risk assessments, regular reports from the Group Internal Audit Director, the Director of Group Compliance and the Group Chief Risk Officer, internal and external audit reports, as well as regulatory reports. Additionally, the Board of Directors receives a confirmation on an annual basis by the Group CEO as to the effectiveness of compliance, risk management and information security system of internal controls.

The Board, through the Audit and Risk Committees, has received confirmation that Executive management has taken or is taking the necessary actions to remedy all weaknesses identified through the operation of our framework of internal controls.

Based on the internal audit work carried out in 2015, significant steps have been made which further strengthened the Group's System of Internal Controls. Areas where significant progress was made are the provisioning process and the arrears management process. There is still room for improvement in certain areas within the Information Systems and Information Security environment and the Talent Management and Succession Planning process.

The Board confirms that the Group has an effective internal control system.

The Board confirms that it is not aware of any violation of the Cyprus Securities and Stock Exchange Laws and Regulations, except those that are known by the relevant authorities (where applicable).

5.3 Group Internal Auditor

The Board of Directors appointed Mr. George Zornas as Group Internal Audit Director in June 2015 after the resignation of Mr. Constantinos Tsolakis in December 2014. From January 2015 to June 2015 Mr. Zornas was Acting Group Internal Audit Director.

5.4 Corporate Governance Compliance Officer

The Board of Directors appointed Mr. Marios Skandalis as Corporate Governance Compliance Officer.

6. Remuneration Policy Report

The Remuneration Policy Report was prepared by the Board of Directors following a proposal by the Human Resources and Remuneration Committee in accordance with Annex 1 of the Code. It is presented in the Annual Financial Report of the Group after the present Report on Corporate Governance. The Remuneration Policy Report is presented to the Annual General Meeting of shareholders for approval.

Information on the remuneration of the Members of the Board of Directors for the year 2015 is disclosed in Note 49 of the Consolidated Financial Statements of the Group, as well as in the Remuneration Policy Report.

7. Shareholder Relations

The Board has appointed Mr. Constantinos Pittalis as Investor Relations Officer, responsible for the communication between shareholders and the Group. Information concerning the Group is provided to shareholders, prospective investors, brokers and analysts in a prompt and unbiased manner free of charge.

The Senior Independent Director, Mr. Michael Spanos, is available to shareholders if they have concerns that are not resolved through the normal communication channels.

All shareholders of the Bank are treated on an equal basis. There are no shareholders of securities with special control rights. Shareholders are promptly and accurately informed of any material changes regarding the Group, including its financial condition, financial results, ownership and governance.

7. Shareholder Relations (continued)

The Board of Directors provides to holders of at least 5% of the Company's share capital the opportunity to request the inclusion of items on the agenda of General Meetings. The Board of Directors is available at the Annual General Meeting to answer shareholders' questions.

Any change or addition to the Articles of Association of the Bank is only valid if approved by special resolution at a meeting of the shareholders.

Remuneration Policy Report for the year 2015

1. Introduction

In accordance with the provisions of the Code of Corporate Governance (the "Code") published by the Cyprus Stock Exchange ('CSE') (4th Edition (Revised) April 2014) and in particular Annex 1 of the Code, the Human Resources and Remuneration Committee ('HRRC') prepares the Annual Board of Directors' Remuneration Report which is ratified by the Board of Directors and submitted to the shareholders' Annual General Meeting. The Board of Directors Remuneration Report for the year 2015 was ratified by the Board of Directors on 31 March 2016.

2. Human Resources and Remuneration Committee

The HRRC is responsible for the development and periodic review of the Group Remuneration Policy which is proposed to the Board of Directors for ratification. In addition, the Board of Directors, through the Committee, is ultimately responsible for monitoring the implementation of the Group Remuneration Policy.

The Group's aim is to align its Remuneration Policy and Human Resources practices, with its long term objectives, its risk tolerance, capital and liquidity availability, the interests of its shareholders and ensuring that they are consistent with and promote sound and effective management of risk and do not encourage excessive risk-taking.

In developing its Remuneration Policy, the Group takes into account the provisions that are included in the Code as well as the CBC Directive on Governance and Management Arrangements of Credit Institutions (the 'CBC Governance Directive') which came into effect in August 2014 and incorporated the requirements for Remuneration Policies included in the European Capital Requirements Directive ('CRD IV'), as well as regulatory restrictions pertinent to the banking sector currently.

It is acknowledged that the implementation of the relevant requirements by financial institutions and the policies and practices that are to be adopted will evolve over time, as further experience and knowledge is gained and with the development of best practice in this area. Within this context, the Group aims to review its remuneration policies and practices on an ongoing basis and amend them where necessary, with the aim of ensuring that they are consistent with and promote sound and effective risk management.

Every year, the Committee proposes to the Board of Directors the Annual Remuneration Policy Report as part of the Annual Report of the Group, which is submitted to the shareholders' Annual General Meeting for approval. The Committee also reviews the related party transactions note (Note 49) of the Consolidated Financial Statements of the Group and the Remuneration Policy Report itself.

The members of the Committee as at the date of this Report are as follows:

Michael Spanos (Chairman)
Marios Kalochoritis
Maksim Goldman (up to 23/10/2015)

3. Governance of Group Remuneration Policy

3.1 Principles of the Code of Corporate Governance

Companies should implement official and transparent procedures for developing policies concerning the remuneration of Executive Directors and fixing the remuneration of each Board Member separately.

The level of remuneration should be sufficient to attract and retain the Directors needed to run the Company successfully, but companies should avoid paying more than is necessary for this purpose. Part of the remuneration of Executive Directors should be determined in such a way as to link rewards to corporate and individual performance.

The Company's Corporate Governance Report includes a statement of the Remuneration Policy Report and relevant criteria, as well as the total remuneration of the Executive and non-Executive Members of the Board.

3. Governance of Group Remuneration Policy (continued)

3.2 Terms of Reference of the Human Resources and Remuneration Committee

The Role of the Committee

The HRRC is responsible for the development and periodic review of the Group Remuneration Policy which is proposed to the Group Board of Directors for ratification.

The Committee's primary role is to ensure that people contribute to sustainable growth by staying ahead of challenges and opportunities.

The role of the Committee is:

- To ensure that the Group is equipped with the Human Capital necessary for the achievement of its strategic goals, whose reward will be based on personal performance and Group results.
- To ensure that the Group is equipped with the Organisational Capital to be able to effect continuous improvement.
- To ensure that the Group is equipped with the Information Capital and the technology necessary to facilitate process improvements that will create a comparative advantage in the market.
- To set the overarching principles and parameters of Compensation & Benefits policies across the Group and exercise oversight for such issues.
- To consider the remuneration arrangements of the non-Executive and the Executive Directors of the Group, other Identified Staff and the employee compensation policy bearing in mind the EBA Guidelines on remuneration policies and practices, the CBC Governance Directive and the CSE Code.

Appointment of the Committee

The Committee should have a minimum of 3 and a maximum of 5 members who are appointed by the Group Board on an annual basis. The Committee must consist entirely of non-Executive Directors of whom the majority must be independent Directors. The Chairman of the Committee is appointed by the Group Board. He/she must be an Independent Director and cannot chair any other Committee of the Group Board.

On 23 October 2015 Mr. Maksim Goldman resigned from the Committee to limit his participation to two Committees and therefore the Committee continued thereafter with only two Independent Non-Executive members.

Meetings of the Committee

The Committee holds regular meetings and, additionally, ad hoc meetings whenever called by the Chairman or any other two members of the Committee. The quorum for a meeting is 2 members or 50% rounded up whichever is the highest. The Committee keeps detailed minutes of its meetings.

The Committee has authority to obtain independent advice and information from external parties whenever this is considered necessary.

All independent non-Executive Directors have the right to attend any meetings of the HRRC, and the Committee may invite any person who may contribute to its conduct of business.

The Committee has a functional line of authority on the Director of Human Resources who is a regular attendee of all Committee meetings.

Duties and Responsibilities of the Human Resources and Remuneration Committee

The Committee's key objective is to ensure that the Remuneration Policy and Human Resource practices of the Group are aligned to the Group's long term strategic goals, its risk tolerance, capital and liquidity availability, the interests of its shareholders and do not encourage excessive risk taking.

The Committee reviews the operation and effectiveness of the Remuneration Policy and ensures this is in line with the Remuneration Framework as this is described in the CBC Governance Directive.

3. Governance of Group Remuneration Policy (continued)

3.2 Terms of Reference of the Human Resources and Remuneration Committee (continued)

Remuneration

Executive Directors (except Group CEO)
The Committee reviews the remuneration packages vis-a-vis their performance and makes appropriate recommendations to the Nominations and Corporate Governance Committee. It also performs the annual performance appraisals of the Executive Directors (except the Group CEO) against set targets.

Non-Executive Directors
The Committee defines the remuneration of the non-Executive Directors of the Group Board, and makes appropriate recommendations to the Board for approval by the Annual General Meeting, considering the following factors:

- The time allocated and effort exerted by non-Executive Directors to meetings and decision-making in the management of the Group,
- The undertaken level of risk,
- The increased compliance and reporting requirements,
- Adequate remuneration considered necessary to attract and retain high value-adding professionals. Therefore, remuneration has to be satisfactory vis-a-vis peer companies,
- The requirement not to link remuneration of non-Executive Directors to the profitability of the Group,
- The requirement that non-Executive Directors do not participate in the pension schemes of the Group,
- The requirement not to include share options as remuneration of non-Executive Directors.

Senior Management and other Identified Staff
The Committee reviews and approves remuneration packages of Group Divisional Directors, Senior Managers and subsidiaries' General Managers, including salary, pension policy, option plans, and other types of compensation, recommended by the Group CEO or by the Chairmen of the Risk and Audit Committees (in the case of the Heads of Internal Control functions) in consultation with the Group CEO and Group HR Division. It also reviews the performance appraisals of Group Divisional Directors, Senior Managers and subsidiaries' General Managers performed by the Group CEO.

The Committee reviews and approves appointments, transfers and dismissals of Group Divisional Directors, Senior Managers and subsidiaries' General Managers (except Heads of Internal Control Functions), recommended by the Group CEO, and ensures that all contractual obligations are adhered to.

Other Duties and Responsibilities

The Committee exercises oversight of negotiations with the Labour Union in Cyprus and provides guidance and support of the negotiating team. It advises the Board on the approval of the collective agreements and reviews the framework of industrial relations and collective agreements to ensure they are relevant to best practices and conducive to good performance.

It ensures that Internal Control functions are involved in the design, review and implementation of the Remuneration Policy and that staff members who are involved in the design, review and implementation of the Remuneration Policy and practices have relevant expertise and are capable of forming independent judgment on the suitability of the Remuneration Policy and practices, including their suitability for risk management.

The Committee reviews any voluntary retirement/separation schemes for material subsidiaries in cooperation with the Group Human Resources Division and succession planning for all Divisions and subsidiaries for Identified Staff throughout the Group.

The Committee monitors compliance with the Code of Conduct and reviews disciplinary controls and measures of the Group as presented by HRD on an annual basis. It also reviews the annual training plan as presented by HRD and approved by the Group CEO and ensure that it creates and/or develops the right competencies and behaviours that are necessary for meeting the Bank's strategic priorities.

3. Governance of Group Remuneration Policy (continued)

3.2 Terms of Reference of the Human Resources and Remuneration Committee (continued)

Other Duties and Responsibilities

The Committee reviews and approves the content of any resolutions submitted for approval at the General Meeting of the shareholders, which are prepared by the Company Secretary in cooperation with the Group's legal advisers in accordance with Annex 3 of the Code and concern possible plans for the compensation of Members of the Board in the form of shares, share warrants or share options.

Other Duties and Responsibilities (continued)

The Chairman of the Committee is available to shareholders in the Annual General Meeting to answer any questions regarding the Remuneration Policy of the Group.

4. Committee's Activities in 2015

The HRRC acts within the framework of the relevant provisions of the Code and bearing in mind the relevant provisions of the CBC Governance Directive.

The Committee held eight meetings during 2015.

The HRRC, amongst other, undertook the following activities during 2015:

- Submitted a suggestion, which was approved by the Board, pertaining to Board and Committee member fees;
- Reviewed and approved the Group's Remuneration Policy;
- Was instrumental in effecting salary adjustments to Highly Valued Employees ('HVEs'), thus protecting the Group's best people against labour market threats and was informed of the pay review process that took place in July 2015;
- Reviewed and approved the remuneration packages of Identified Staff, as presented by the Group CEO, securing the Union's peaceful stance;
- Reviewed and approved the Long Term Incentive Plan ('LTIP'), as presented by the Group CEO;
- Gave direction for, and subsequently reviewed, the Training Plan for 2015, as presented by HRD and approved by the Group CEO and ensured that it creates/develops the right competencies and behaviours that are necessary for meeting the Bank's strategic priorities;
- Reviewed the annual performance appraisals and 360° appraisals of Identified Staff, coordinated by the Group CEO;
- Reviewed the Bank's annual performance appraisal results and main findings;
- Reviewed the Staff Engagement Survey 2015;
- Informed of the Organisation Effectiveness Study, the new Grading and Pay Structures performed by external advisors;
- Entered into an engagement process with the Labour Union;
- Agreed the new Collective Agreement with the Labour Union (effective from 1/6/2015);
- Prepared a Road Map towards the establishment of a contemporary Collective Agreement to be negotiated during the period from June 2015 to December 2016;
- Initiated discussion on the external advisors New Grading and Pay Structure and merit pay systems.

4.1 Remuneration of non-Executive Directors

The remuneration of non-Executive Directors is not linked to the profitability of the Group. It is related to the responsibilities and time devoted for Board meetings and decision-making for the governance of the Group, and for their participation in the Committees of the Board of Directors and any participation in the Boards of Group subsidiary companies. The Annual General Meeting held on 24 November 2015 approved new levels of remuneration for the Non-Executive members of the Board as proposed by the HRRC.

The Chairman of the Board receives annual fees of €120.000, each of the Vice Chairmen of €80.000, the Senior Independent Director of €70.000 and the Members of €45.000. Additionally the Group reimburses all Directors for expenses incurred in the course of their duties.

4. Committee's Activities in 2015 (continued)

4.1 Remuneration of non-Executive Directors (continued)

The Chairmen of the Audit and Risk Committees receive annual fees of €45.000 and each member €25.000. The Chairmen of Remuneration Committee and Nominations Committee receive annual fees of €30.000. Each member of the Remuneration Committee receives €20.000 per annum, while each member of the Nominations Committee receives €15.000 per annum.

4.2 Remuneration and Other Benefits of Executive Directors

Contracts of Employment

The employment contract of the Group CEO, Mr. John Patrick Hourican, has been renewed for a period of two years commencing on 1 February 2016.

Due to current regulatory restrictions, the Group at present does not grant variable remuneration or discretionary pension payments.

Service Termination Agreements

The service contract of the Group CEO includes a clause for termination, by service of four months' notice to that effect by the Executive Director, without cause but at the Bank's sole discretion. In such a case the Bank shall have the right to pay the Director, in lieu of notice for immediate termination.

The terms of employment of Dr. Christodoulos Patsalides, Finance Director and Executive Member of the Board, are based on the provisions of the collective agreement in place, as with the rest of the employees, which provides for notice or compensation based on years of service.

Bonus

No bonus was recommended by the Bank's Board of Directors for Executive Directors for 2015.

Retirement Benefit Schemes

The Group CEO, Mr. John Patrick Hourican, and the Finance Director, Dr. Christodoulos Patsalides, participate in a defined contribution plan on the same basis as other employees.

The main characteristics of the retirement benefit schemes are presented in Note 13 of the Consolidated Financial Statements for the year 2015.

Share Options

No share options were granted to Executive Directors during 2015.

Other Benefits

Other benefits provided to the Executive Directors include other benefits provided to staff, medical fund contributions and life insurance. The Chief Executive Officer is provided with other benefits related to his relocation and residence in Cyprus. The relevant costs for Executive management are disclosed in Note 49 of the consolidated financial statements for the year 2015.

4. Committee's Activities in 2015 (continued)

Information Regarding the Remuneration of Directors for Year 2015

	Remuneration for services*	Remuneration for participation in the Board of Directors and its Committees	Total Remuneration for services	Remuneration and benefits from other Group companies	Remuneration in the form of profit and/or bonus distribution	Assessment of the value of benefits that are considered to form remuneration	Total remuneration and benefits	Annual contribution to retirement benefits
Executive Directors								
John P. Hourican	961.440	-	961.440	-	-	-	**961.440**	**110.451**
Christodoulos Patsalides	165.538	-	165.538	-	-	-	**165.538**	**18.052**
Non-Executive Directors								
Josef Ackermann	-	150.000	150.000	-	-	-	**150.000**	**-**
Maksim Goldman	-	115.834	115.834	-	-	-	**115.834**	**-**
Wilbur L. Ross	-	120.000	120.000	-	-	-	**120.000**	**-**
Vladimir Strzhalkovskiy	-	20.819	20.819	-	-	-	**20.819**	**-**
Arne Berggren	-	106.667	106.667	-	-	-	**106.667**	**-**
Marios Kalochoritis	-	90.000	90.000	3.500	-	-	**93.500**	**-**
Michael Spanos	-	100.000	100.000	-	-	-	**100.000**	**-**
Ioannis Zographakis	-	115.000	115.000	-	-	-	**115.000**	**-**
	1.126.978	**818.320**	**1.945.298**	**3.500**	**-**	**-**	**1.948.798**	**128.503**

*Includes employers' contributions excluding contribution to retirement benefits.

31 March 2016

Additional Risk and Capital Management Disclosures

2015

1. Credit risk

The Central Bank of Cyprus (CBC) issued to credit institutions the Loan Impairment and Provisioning Directives of 2014 and 2015 (Directive), which provides guidance to banks for loan impairment policy and procedures for provisions. The purpose of this Directive is to ensure that credit institutions have in place adequate provisioning policies and procedures for the identification of credit losses and prudent application of IFRSs in the preparation of their financial statements.

The Directive requires certain disclosures in relation to the loan portfolio quality, provisioning policy and levels of provision. The disclosures required by the Directive, in addition to those presented in Notes 3 and 44 of the consolidated financial statements for the year ended 31 December 2015, are set out in the following tables. The tables disclose non-performing exposures (NPEs) based on the definitions of the European Banking Authority (EBA) standards.

According to the EBA standards, NPEs are defined as those exposures that satisfy one of the following conditions:

(i) The debtor is assessed as unlikely to pay its credit obligations in full without the realisation of the collateral, regardless of the existence of any past due amount or of the number of days past due.
(ii) Defaulted or impaired exposures as per the approach provided in Regulation (EU) No 575/2013 Article 178.
(iii) Material exposures (as defined below) which are more than 90 days past due.
(iv) Performing forborne exposures under probation for which additional forbearance measures are extended.
(v) Performing forborne exposures under probation that present more than 30 days past due within the probation period.

Exposures include all on and off balance sheet exposures, except those held for trading, and are categorised as such for their entire amount without taking into account the existence of collateral.

The following materiality criteria are applied:

- When the problematic exposures of a customer that fulfil the NPE criteria set out above are greater than 20% of the gross carrying amount of all on balance sheet exposures of that customer, then the total customer exposure is classified as non-performing; otherwise only the problematic part of the exposure is classified as non-performing.

- Material arrears/excesses are defined as follows:
  - Retail exposures:
    - Loans: Arrears amount greater than €500 or number of instalments in arrears is greater than one.
    - Overdrafts: Excess amount is greater than €500 or greater than 10% of the approved limit.
  - Exposures other than retail: Total customer arrears/excesses are greater than €1.000 or greater than 10% of the total customer funded balances.

NPEs may cease to be considered as non-performing only when all of the following conditions are met:

(i) The extension of forbearance measures does not lead to the recognition of impairment or default.
(ii) One year has passed since the forbearance measures were extended.
(iii) Following the forbearance measures and according to the post-forbearance conditions, there is no past due amount or concerns regarding the full repayment of the exposure.

1. **Credit risk** (continued)

The tables below present the analysis of loans and advances to customers in accordance with the EBA standards.

	Gross loans and advances to customers				Provision for impairment and fair value adjustment on initial recognition			
31 December 2015	**Group gross customer loans and advances[1]**	**Of which NPEs**	**Of which exposures with forbearance measures**		**Total provision for impairment and fair value adjustment on initial recognition**	**Of which NPEs**	**Of which exposures with forbearance measures**	
			Total exposures with forbearance measures	**Of which on NPEs**			**Total exposures with forbearance measures**	**Of which on NPEs**
	€000	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
General governments	**115.358**	4.858	5.241	4.448	**345**	345	1.771	1.518
Other financial corporations	**450.287**	269.232	164.356	141.861	**175.712**	158.570	86.439	85.905
Non-financial corporations	**13.687.340**	9.447.487	6.250.424	5.101.675	**3.938.616**	3.852.385	1.651.274	1.618.835
Of which: Small and Medium sized Enterprises[3]	**7.595.447**	5.361.281	2.724.405	2.254.873	**2.412.273**	2.364.850	752.559	736.962
Of which: Commercial real estate[2,3]	**10.998.641**	8.009.181	5.684.179	4.661.835	**2.996.289**	2.931.498	1.418.013	1.390.942
Non-financial corporations by sector								
Construction	**4.023.260**	3.440.287			**1.391.760**			
Wholesale and retail trade	**2.286.348**	1.308.725			**552.581**			
Accommodation and food service activities	**1.484.868**	975.111			**329.840**			
Real estate activities	**3.034.255**	1.789.356			**705.072**			
Manufacturing	**809.277**	510.071			**219.188**			
Other sectors	**2.049.332**	1.423.937			**740.175**			
Households	**8.339.490**	4.246.315	2.912.440	2.133.845	**1.286.170**	1.193.223	327.292	310.740
Of which: Residential mortgage loans[2,3]	**5.565.680**	2.879.120	2.168.251	1.622.346	**614.752**	553.454	181.776	172.587
Of which: Credit for consumption[3]	**1.109.776**	637.137	306.799	255.511	**315.413**	298.330	70.554	66.974
Total on-balance sheet	**22.592.475**	**13.967.892**	**9.332.461**	**7.381.829**	**5.400.843**	**5.204.523**	**2.066.776**	**2.016.998**

[1] Excluding loans and advances to central banks and credit institutions.
[2] The balances are not comparable with the respective lines of the 31 December 2014 table, as the basis of preparation has changed, following a clarification received from EBA Q&As in May 2015.
[3] The analysis shown in lines 'non financial corprations' and 'households' are non-additive across categories as certain customers could be in both categories.

1. Credit risk (continued)

31 December 2014	Gross loans and advances to customers				Provision for impairment and fair value adjustment on initial recognition			
	Group gross customer loans and advances[1]	Of which NPEs	Of which exposures with forbearance measures		Total provision for impairment and fair value adjustment on initial recognition	Of which NPEs	Of which exposures with forbearance measures	
			Total exposures with forbearance measures	Of which on NPEs			Total exposures with forbearance measures	Of which on NPEs
	€000	€000	€000	€000	€000	€000	€000	€000
General governments	**130.052**	17.896	5.788	5.394	**5.408**	4.102	2.310	2.244
Other financial corporations	**1.377.624**	1.054.461	568.797	535.887	**413.685**	400.633	211.585	211.303
Non-financial corporations	**13.564.570**	9.638.812	5.258.556	4.633.644	**3.345.574**	3.201.810	1.302.186	1.276.545
Of which: Small and Medium sized Enterprises[3]	**7.905.810**	5.218.681	2.354.251	2.021.543	**1.872.104**	1.774.187	542.122	532.449
Of which: Commercial real estate[2,3]	**5.559.541**	3.829.988	2.413.147	1.991.612	**1.068.189**	995.537	472.554	456.664
Non-financial corporations by sector								
Construction	**3.915.975**	3.420.501			**1.099.188**			
Wholesale and retail trade	**2.398.645**	1.432.267			**503.531**			
Accommodation and food service activities	**1.417.618**	1.051.113			**295.932**			
Real estate activities	**2.793.045**	1.818.300			**535.422**			
Manufacturing	**871.240**	541.328			**214.513**			
Other sectors	**2.168.047**	1.375.303			**696.988**			
Households	**8.699.866**	4.249.680	2.480.680	1.745.329	**1.289.292**	1.191.582	271.687	257.169
Of which: Residential mortgage loans[2,3]	**4.885.223**	2.260.731	1.619.643	1.146.121	**346.303**	313.663	114.654	106.877
Of which: Credit for consumption[3]	**1.351.911**	740.501	278.255	223.496	**426.934**	384.774	59.024	56.558
Total on-balance sheet	**23.772.112**	**14.960.849**	**8.313.821**	**6.920.254**	**5.053.959**	**4.798.127**	**1.787.768**	**1.747.261**

The comparatives above include loans and related provisions classified as a disposal group held for sale.

1. **Credit risk** (continued)

The analysis of loans and advances to customers excluding loans and advances to general government by year of origination is presented in the tables below for balances as at 31 December 2015 and 2014.

31 December 2015	Gross loans and advances				Loans and advances to non-financial corporations				Loans and advances to other financial corporations				Loans and advances to households			
	Total gross loans and advances	NPEs	Provision for impairment	Fair value adjustment on initial recognition	Total gross loans and advances	NPEs	Provision for impairment	Fair value adjustment on initial recognition	Total gross loans and advances	NPEs	Provision for impair-ment	Fair value adjustment on initial recognition	Total gross loans and advances	NPEs	Provision for impair-ment	Fair value adjustment on initial recognition
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Within 1 year	1.967.003	887.825	98.983	48.404	1.394.714	677.063	86.665	43.736	6.008	5.116	647	-	566.281	205.646	11.671	4.668
1– 2 years	1.120.993	475.365	107.696	50.225	686.925	336.853	77.867	45.069	20.575	7.749	6.129	-	413.493	130.763	23.700	5.156
2 – 3 years	921.065	526.017	141.108	46.619	603.367	386.855	114.675	29.302	52.486	1.368	4.144	9.421	265.212	137.794	22.289	7.896
3 – 5 years	3.456.302	2.164.384	778.143	175.892	2.041.959	1.482.521	591.352	104.429	162.440	97.952	55.027	15.426	1.251.903	583.911	131.764	56.037
5 – 7 years	4.567.922	2.819.809	745.431	280.559	2.344.246	1.744.733	525.483	202.312	32.368	26.951	10.731	3.569	2.191.308	1.048.125	209.217	74.678
7 – 10 years	7.433.478	5.225.683	1.669.249	470.583	4.516.382	3.485.351	1.219.077	336.014	115.629	76.868	25.015	18.569	2.801.467	1.663.464	425.157	116.000
More than 10 years	3.010.354	1.863.951	652.126	135.480	2.099.747	1.334.111	461.967	100.668	60.781	53.228	24.167	2.867	849.826	476.612	165.992	31.945
Total	**22.477.117**	**13.963.034**	**4.192.736**	**1.207.762**	**13.687.340**	**9.447.487**	**3.077.086**	**861.530**	**450.287**	**269.232**	**125.860**	**49.852**	**8.339.490**	**4.246.315**	**989.790**	**296.380**
General government	115.358	4.858	697	(352)												
Total on balance sheet	**22.592.475**	**13.967.892**	**4.193.433**	**1.207.410**												

The table includes rescheduled loans amounting to €915 million which cannot be split by origination date and are included in the "Within 1 year time" time band.

1. Credit risk (continued)

31 December 2014	Gross loans and advances				Loans and advances to non-financial corporations				Loans and advances to other financial corporations				Loans and advances to households			
	Total gross loans and advances	NPEs	Provision For impairment	Fair value adjustment on initial recognition	Total gross loans and advances	NPEs	Provision for impairment	Fair value adjustment on initial recognition	Total gross loans and advances	NPEs	Provision for impairment	Fair value adjustment on initial recognition	Total gross loans and advances	NPEs	Provision for impairment	Fair value adjustment on initial recognition
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Within 1 year	1.362.933	574.149	88.419	39.379	799.998	342.373	59.921	34.319	106.256	78.015	10.304	-	456.679	153.761	18.194	5.060
1– 2 years	1.278.115	768.541	213.024	60.733	855.547	569.949	164.950	41.954	71.921	40.927	7.866	9.428	350.647	157.665	40.208	9.351
2 – 3 years	1.630.721	1.160.872	340.717	137.282	933.162	739.260	228.619	63.264	209.871	204.019	51.118	51.495	487.688	217.593	60.980	22.523
3 – 5 years	5.302.056	2.937.571	644.647	276.965	2.620.150	1.770.062	419.025	156.352	305.775	157.931	56.190	18.715	2.376.131	1.009.578	169.432	101.898
5 – 7 years	5.829.977	4.046.910	952.225	470.012	3.384.930	2.622.572	593.833	353.700	177.684	153.253	42.686	10.415	2.267.363	1.271.085	315.706	105.897
7 – 10 years	5.669.899	3.902.486	851.020	392.790	3.168.907	2.490.377	554.804	281.286	384.555	321.507	91.309	21.328	2.116.437	1.090.602	204.907	90.176
More than 10 years	2.568.359	1.552.424	395.594	185.744	1.801.876	1.104.219	254.622	138.925	121.562	98.809	38.988	3.843	644.921	349.396	101.984	42.976
Total	**23.642.060**	**14.942.953**	**3.485.646**	**1.562.905**	**13.564.570**	**9.638.812**	**2.275.774**	**1.069.800**	**1.377.624**	**1.054.461**	**298.461**	**115.224**	**8.699.866**	**4.249.680**	**911.411**	**377.881**
General government	130.052	17.896	2.202	3.206												
Total on balance sheet	**23.772.112**	**14.960.849**	**3.487.848**	**1.566.111**												

The table above includes loans and related provisions for loans classified as a disposal group held for sale. It also includes rescheduled loans amounting to €712 million which cannot be split by origination date and are included in the "Within 1 year" time band.

2. Liquidity risk and funding

2.1 Encumbered and unencumbered assets

Asset encumbrance arises from collateral pledged against secured funding and other collateralised obligations.

An asset is classified as encumbered if it has been pledged as collateral against secured funding and other collateralised obligations and, as a result, is no longer available to the Group for further collateral or liquidity requirements. The total encumbered assets of the Group amounted to €14.023.263 thousand as at 31 December 2015 (31 December 2014: €16.312.764 thousand).

An asset is categorised as unencumbered if it has not been pledged against secured funding and other collateralised obligations. Unencumbered assets are further analysed into those that are available and can be pledged and those that are not readily available to be pledged. As at 31 December 2015, the Group held €4.686.789 thousand (31 December 2014 represented: €4.233.522 thousand) of unencumbered assets that can be pledged and can be used to support potential liquidity funding needs and €3.067.147 thousand (31 December 2014 represented: €4.643.993 thousand) of unencumbered assets that are not readily available to be pledged for funding requirements in their current form.

The table below presents an analysis of the Group's encumbered and unencumbered assets and the extent to which these assets are currently pledged for funding or other purposes. The carrying amount of such assets is disclosed below.

	Encumbered	Unencumbered		**Total**
31 December 2015	Pledged as collateral	which can be pledged	which are not readily available to be pledged	
	€000	€000	€000	€000
Cash and bank placements	154.896	2.210.295	371.791	2.736.982
Investments	892.728	62.688	53.871	1.009.287
Loans and advances to customers	12.882.139	1.834.519	2.474.974	17.191.632
Non-current assets and disposal group classified as held for sale	-	15.018	33.485	48.503
Property	93.500	564.269	133.026	790.795
Total on-balance sheet	**14.023.263**	**4.686.789**	**3.067.147**	**21.777.199**
Bonds guaranteed by the Cyprus government	1.000.000	-	-	1.000.000
Total	**15.023.263**	**4.686.789**	**3.067.147**	**22.777.199**

31 December 2014 (represented)[4]				
Cash and bank placements	191.968	2.219.890	374.493	2.786.351
Investments	2.435.766	81.656	23.500	2.540.922
Loans and advances to customers	13.531.026	1.383.094	3.254.203	18.168.323
Non-current assets and disposal group classified as held for sale	54.536	36.519	851.600	942.655
Property	99.468	512.363	140.197	752.028
Total on-balance sheet	**16.312.764**	**4.233.522**	**4.643.993**	**25.190.279**
Bonds guaranteed by the Cyprus government	1.000.000	-	-	1.000.000
Total	**17.312.764**	**4.233.522**	**4.643.993**	**26.190.279**

[4] Comparatives for unencumbered assets have been represented to reflect the reclassification of the Russian operations as a disposal group held for sale.

2. Liquidity risk and funding (continued)

2.1 Encumbered and unencumbered assets (continued)

Encumbered assets primarily consist of loans and advances to customers and investments in debt securities (primarily Cyprus Government bonds) and property. These are mainly pledged for the funding facilities under the Eurosystem monetary policy operations and the Emergency Liquidity Assistance of the CBC (Note 30 of the consolidated financial statements for the year ended 31 December 2015) and for the covered bond. In the case of the Emergency Liquidity Assistance (ELA), as collateral is not usually released upon repayment of the funding, there may be an inherent buffer which could be utilised for further funding if required. Investments in debt securities are also used as collateral for repurchase transactions with the ECB and other commercial banks as well as for the covered bond (Note 33 of the consolidated financial statements for the year ended 31 December 2015). Encumbered assets include cash and other liquid assets placed with banks as collateral under ISDA/GMRA agreements which are not immediately available for use by the Group but are released once the transactions are terminated. Cash is mainly used to cover collateral required for (i) derivatives and repurchase transactions, (ii) trade finance transactions and guarantees issued, and (iii) the covered bond.

In addition, bonds guaranteed by the Cyprus government amounting to €1.000.000 thousand (fair value at 31 December 2015: €1.056.720 thousand and 31 December 2014: €1.007.446 thousand) are pledged as collateral for obtaining funding from the CBC (Note 33 of the consolidated financial statements for the year ended 31 December 2015).

On 29 September 2015, the terms of the Covered Bond Programme and outstanding €1 billion Covered Bond were amended to a Conditional Pass–Through structure. As part of the restructuring, €350.000 thousand of the retained covered bond was repurchased and cancelled. The outstanding principal of the retained covered bond following the above actions stood at €650.000 thousand. The credit rating of the covered bond was upgraded to an investment grade rating and as a result these have become eligible collateral for the Eurosystem credit operations. As from 2 October 2015, the covered bond has been placed as collateral for accessing funding from the ECB. Through this transaction, the Company has raised €550.000 thousand of ECB funding for the repayment of ELA. Prior to the rating upgrade, the covered bond was used as collateral for ELA.

Unencumbered assets that are available and can be pledged include Cyprus loans and advances which are less than 90 days past due as well as loans of overseas subsidiaries and branches which are not pledged. Customer loans of overseas subsidiaries and branches cannot be pledged with the CBC as collateral for Emergency Liquidity Assistance. Moreover, for some of the overseas subsidiaries and branches, these assets are only available to be pledged for other purposes for the needs of the particular subsidiary/branch and not to provide liquidity to any other entity of the Group. Balances with central banks are reported as unencumbered and can be pledged, to the extent that there is excess available over the minimum reserve requirement. The minimum reserve requirement is reported as unencumbered since it is not readily available as collateral.

Unencumbered assets that are not readily available to be pledged primarily consist of loans and advances which are prohibited by contract or law to be encumbered or which are over 90 days past due or for which there are pending litigations or other legal actions against the customer, a proportion of which would be suitable for use in secured funding structures but are conservatively classified as not readily available for collateral. Properties whose legal title has not been transferred in the name of the Company or the subsidiary are not considered to be readily available as collateral.

Insurance assets held by Group insurance subsidiaries are not included in the table below as they are primarily due to the insurance policyholders.

2. Liquidity risk and funding (continued)

2.1 Encumbered and unencumbered assets (continued)

The carrying and fair value of the encumbered and unencumbered investments of the Group as at 31 December 2015 and 31 December 2014 are as follows:

	Carrying value of encumbered investments	Fair value of encumbered investments	Carrying value of unencumbered investments	Fair value of unencumbered investments
31 December 2015	€000	€000	€000	€000
Equity securities	1.027	1.027	91.644	91.644
Debt securities	891.701	900.287	24.915	24.915
Total investments	**892.728**	**901.314**	**116.559**	**116.559**

31 December 2014				
Equity securities	-	-	32.603	32.603
Debt securities	2.435.766	2.447.482	72.553	139.437
Total investments	**2.435.766**	**2.447.482**	**105.156**	**172.040**

2.2 Liquidity regulation

Liquidity regulation

In addition to regulatory liquidity ratios disclosed in Note 46 of the consolidated financial statements for the year ended 31 December 2015, the Group has to comply with the CRR Liquidity Coverage Ratio (LCR). It also monitors its position against the Basel QIS Net Stable Funding Ratio (NSFR). The LCR is designed to promote short-term resilience of a Group's liquidity risk profile by ensuring that it has sufficient high quality liquid resources to survive an acute stress scenario lasting for 30 days. The NSFR has been developed to promote a sustainable maturity structure of assets and liabilities.

The CRR requires phased-in compliance with the LCR standard as from 1 October 2015 with an initial minimum ratio of 60%, increasing to 70% in 2016, 80% in 2017 and 100% by January 2018. In October 2014, the European Commission published a final Delegated Act for the LCR. During 2015, the monthly LCR was calculated as per the CRR and also quarterly as per the Delegated Act (as part of the SREP Short Term Exercise). Starting from January 2016, the LCR is also calculated monthly based on the final published Delegated Act. Once the Delegated Act is enacted, the LCR will only be calculated under this Act.

In October 2014, the Basel Committee on Banking Supervision published a final standard for the NSFR with the minimum requirement to be introduced in January 2018 at 100%. The methodology for calculating the NSFR is based on an interpretation of the Basel standards published in October 2014 and includes a number of assumptions which are subject to change prior to adoption by the European Commission through the CRR.

Based on the CRR and Basel QIS standards respectively, as at 31 December 2015 the Group had an estimated LCR of 76% (2014: 62%) and an estimated Basel QIS NSFR of 83% (2014: 72%). According to the LCR Delegated Act, as at 31 December 2015 the LCR ratio was 0%. Under the Delegated Act, the ELA funding is deducted from High Quality Liquid Assets, thus resulting in a zero ratio. It should be noted, however, that the Company considers that it has sufficient available liquidity to meet its day-to-day needs and the zero ratio is due to the above adjustment.

2. Liquidity risk and funding (continued)

2.3 Liquidity reserves

Composition of the liquidity reserves	**31 December 2015**		31 December 2014	
	Liquidity reserves	**Liquidity reserves of which CRR (Delegated Act Reg (EU) 2015/61) LCR eligible Level 1**	Liquidity reserves	Liquidity reserves of which Basel 3 LCR eligible Level 1
	€000	**€000**	€000	€000
Cash and balances with central banks	**1.421.733**	**1.002.649**	1.225.145	587.657
Nostro and overnight placements with banks	**537.722**	**-**	602.963	-
Other placements with banks	**477.604**	**-**	555.472	-
Liquid investments	**19.594**	**2.421**	472.319	472.319
Available ECB Buffer	**178.792**	**178.792**	-	-
Other investments	**8.637**	**-**	10.777	-
Total	**2.644.082**	**1.183.862**	2.866.676	1.059.976

Liquidity reserves include available cash and cash equivalents, unencumbered highly liquid securities and other unencumbered securities that can be sold in the market or used for secured funding purposes. The minimum reserve amount is included in the balances with central banks under 'Liquidity Reserves' but excluded from the LCR Liquidity Reserve. Moreover, in the LCR Liquidity Reserves, only the part of the overseas units liquids required to maintain a ratio of 100% is included (since any excess is not transferable to be used by other units).

Investments are shown at market value net of haircut in order to reflect the actual liquidity value that can be obtained. The Group only holds LCR Level 1 eligible assets.

The Liquidity Reserves are managed by Group Treasury. Liquid asset investments are acquired within limits and parameters specified in the Liquid Assets Investment Policy approved by the Board.

Cyprus has exited its economic adjustment programme in March 2016. The credit ratings of the Republic of Cyprus by the main credit rating agencies continue to be below investment grade, albeit on a rising trend. As a result, the ECB is no longer able to include Cypriot Government Bonds in its asset purchase programme, or as eligible collateral for Eurosystem monetary operations, as was the case when the waiver for collateral eligibility due to the country being under an economic adjustment programme existed. This disruption may lead to higher borrowing costs for the Group. In addition, any weakening of the commitment to fiscal discipline and reform in the future might add to market pressures. The Group has proactively reduced its dependence on Eurosystem monetary operations in anticipation of the above risk materialising. The above change is, however, expected to materially reduce the available ECB buffer.

The Council of Ministers and the Committee on Financial and Budgetary Affairs of the House of Representatives have approved the issuance of €2,9 billion of guarantees for bonds/loans issued by credit institutions under the 'Granting of Government Guarantees for Loans and/or issuance of Bonds by Credit Institutions Law of 2012'. It is expected that the Group will be able to make use of the above guarantees if the need arises, subject to the approval of the Ministry of Finance.

3. Other risks

3.1 Operational risk

Operational risk is defined as the risk of a direct or indirect impact resulting from human factors, inadequate or failed internal processes and systems or external events, including legal risk.

The Group recognises that the control of operational risk is directly related to effective and efficient management practices and high standards of corporate governance. To that effect, the management of operational risk is geared towards maintaining a strong internal control governance framework and managing operational risk exposures through a consistent set of management processes that drive risk identification, assessment, control and monitoring.

The main objectives of operational risk management within the Group are: (i) the development of operational risk awareness and culture, (ii) the provision of adequate information to the Group's management at all levels in relation to the operational risk profile at a Group entity and activity level, so as to facilitate decision making for risk control activities, and (iii) the control of operational risk to ensure that operational losses do not cause material damage to the Group's franchise and have minimal impact on the Group's profitability and corporate objectives.

Operational risks can arise from all business lines and from all activities carried out by the Group and are thus diverse in nature. To enable effective management of all material operational risks, the operational risk management framework adopted by the Group is based on the three lines of defence model, through which risk ownership is dispersed throughout the organisation. The first line of defence comprises management and staff who have immediate responsibility of day-to-day operational risk management. Each business unit owner is responsible for identifying and managing all the risks that arise from the unit's activities as an integral part of their first line responsibilities.

The second line of defence comprises the risk management function whose role is to provide operational risk oversight and independent and objective challenge to the first line of defence, supported by other specialist control and support functions such as the Group Compliance, Legal, Information Technology and Information Security, Health and Safety functions. The third line of defence comprises the Internal Audit function, which provides independent assurance over the integrity and effectiveness of the risk management framework throughout the Group.

During the past year, a number of regulatory changes were put in effect. From these new regulations emanate demands for changes in software and procedures that give rise to operational risks related to data integrity, data aggregation as well as non-compliance with the new regulatory provisions. Group Operational Risk is involved in the management of these risks as a matter of priority in collaboration with other control functions, such as Group Compliance and Information Security. Similarly, the focus on managing credit risk exposures and proceedings with the restructuring of loan facilities across the Company presents operational risk challenges that are adequately being addressed primarily in collaboration with the Credit Risk Management department.

The Group has progressed during 2015 in identifying and prioritising areas of operational improvement; such areas mainly involve required upgrades of existing systems and initiatives for enhancing the governance, control and organisation of the banking operations. Examples include improvements in the IT operations and governance, the human resource policies and company organisational structure as well as data management and governance.

Operational risk loss events are classified and recorded in the Group's internal loss database to enable risk identification, corrective action and statistical analysis. During the year ended 31 December 2015, 151 loss events with gross loss equal to or greater than €1.000 each were recorded (2014: 387).

The Group strives to continuously enhance its risk control culture and increase awareness of its employees on operational risk issues through ongoing staff training.

The Group also maintains adequate insurance policies to cover unexpected operational losses.

Business resiliency is treated as a priority and as such the Group places significant importance on continuously enhancing the continuity arrangements for all markets in which the Group operates, to ensure timely recovery in the case of events that may cause major disruptions to the business operations.

3. Other risks (continued)

3.2 Regulatory risk

The Group's operations are supervised by the CBC and the ECB as a supervisory body for all the banks in the Eurozone area (referred to as the Single Supervisory Mechanism, SSM). The ECB fully assumed several supervisory responsibilities as from 4 November 2014. The ECB and the national central banks together constitute the Eurosystem, the central banking system of the Eurozone. The ECB exercises its supervisory responsibilities in cooperation with the national central banks. As such, in Cyprus the ECB cooperates with the CBC, as the Company is considered as a significant credit institution for the purposes of the ECB Regulation.

The overseas subsidiaries and branches of the Group are also supervised by the national regulatory authorities in the countries where they operate.

In this context, the Group is exposed to a series of regulatory and legal risks:

- Legislative action and regulatory measures which may materially impact the Group and the financial and economic environment in which it operates.
- The Group's business and operations are subject to substantial regulation and supervision and can be negatively affected by its non-compliance with regulatory requirements and any adverse regulatory and governmental developments.
- The implementation of a more demanding and restrictive regulatory framework (including CRD IV/CRR) with respect to, amongst others, capital ratios, leverage, liquidity and disclosure requirements, notwithstanding the benefit to the financial system, poses additional risks for banks.
- Changes in laws or regulations might also restrict certain types of transactions, affect the Group's strategy and lead to modification of the customer charges for banking products or transactions.
- The Group is subject to certain regulatory and legal constraints in originating new loans, managing and restructuring existing loans and foreclosing on collateral.
- The Group's Restructuring Plan, approved by the CBC, restricts certain actions of the Group.
- As a result of the Group's dependency on ELA funding, its limited access to interbank and wholesale markets and a reduction in deposits in Cyprus in earlier years, the Group is not in compliance with its regulatory liquidity requirements.
- The Group is exposed to tax risk and failure to manage such risk may adversely impact the Group.

The operations of Cyprus insurance companies are supervised by the Insurance Companies Control Service (Ministry of Finance). Solvency II, the updated set of regulatory requirements for insurance companies that operate in the EU, is in force at a European level but the EU Directive has not yet passed into legislation in Cyprus. Solvency II establishes a revised set of market consistent EU-wide capital requirements and risk management standards. Solvency II requirements are expected to have an impact on the capital requirements of the Group's insurance undertakings and their implementation involves more complex calculations of factor-based formulas, stress testing and financial models. The two insurance subsidiaries of the Group, Eurolife Ltd and General Insurance of Cyprus Ltd, are Solvency II compliant.

The Cyprus Investment and Securities Corporation Ltd (CISCO) is a member of the Investor Compensation Fund (ICF) which was established pursuant to Article 59(1) and (2) of Law 144(I)/2007 which provides for the Provision of Investment Services, the Exercise of Investment Activities, the Operation of Regulated Markets and other Related Matters as an investor compensation fund for ICF clients other than credit institutions. The powers and functions of the ICF are regulated by the provisions of the aforementioned law and of the Directive 144-2007-15 of the CySEC for the Continuance of the Operation and the Operation of the IF Investor Compensation Fund. CISCO is obliged to contribute annually an amount of up to 0,1% of the eligible funds and financial instruments of the member's clients and to contribute when called upon by CySEC an extraordinary supplementary contribution, if it deems that the existing means for the payment of compensation are inadequate, particularly in the event of a liquidation procedure of a member of the ICF. The amount of the extraordinary supplementary contribution is not designated (nor capped).

The EU Investor Compensation Schemes Directive 97/9/EC (the ICSD) requires member states to establish investor compensation schemes (ICS) to protect investors with respect to firms carrying on investment business (which may be an investment firm or a credit institution). An ICS will typically make payouts if an investment firm or credit institution carrying on investment business fails.

3. Other risks (continued)

3.2 Regulatory risk (continued)

In Cyprus, the Investor Compensation Fund for Clients of Banks (the Fund) was established in 2004 and is administered by the CBC. The Company is obligated to contribute annually an amount of up to 0.001% of the eligible funds and financial instruments of the Company's clients.

3.3 Intensity of competition

The Group faces intense competition in the markets in which it operates. In Cyprus the competition primarily originates from other commercial banks, co-operative credit institutions, branches and subsidiaries of foreign banks, and insurance companies offering savings and investment products.

Following the acquisition of certain operations of Laiki Bank in 2013, the Group’s market share in loans and deposits in Cyprus was significantly boosted, even though depositor psychology led to substantial deposit outflows from the Cyprus banking system. Since then, deposit outflows have stabilised and during 2015 the Group’s market share in deposits increased due to deposit inflows. The Group remains today the biggest and most systemically important local banking organisation in Cyprus.

Any intensification of competition as a result of more competitive interest rates being offered on deposits and advances compared to those offered by the Group, may create pressure on Group profitability.

3.4 Litigation risk

The Group may, from time to time, become involved in legal or arbitration proceedings which may affect its operations and results. Litigation risk arises from pending or potential legal proceedings against the Group (Note 39) and in the event that legal issues are not properly dealt with, by the Group, resulting in the cancellation of contracts with customers thus exposing the Group to legal actions against it.

3.5 Political risk

External factors which are beyond the control of the Group, such as political developments and government actions in Cyprus, Russia, the EU and other countries may adversely affect the operations of the Group, its strategy and prospects, either directly or indirectly through their possible impact on the domestic economy.

The Eurogroup decisions in March 2013 leading to the Memorandum of Understanding between the Republic of Cyprus and the Troika that included a package of measures intended to restore the viability of the financial sector and sound public finances over a three-year period, had a material impact on the Group’s financial standing and prospects.

Other important political risk factors include a possible government intervention in the economy that may affect the Group’s activities, and social, economic and political developments in countries overseas where the Group operates or maintains exposure, developments in the Eurozone that may lead to a Euro exit of a Eurozone member state, the possible exit of Britain from the EU after the referendum of June 2016, developments in other non-EU countries with which Cyprus maintains significant economic links, the unresolved Cyprus problem, and political and social unrest or escalation of military conflict in neighbouring countries and/or other overseas areas.

Russia is an important economic partner of Cyprus both in terms of tourism and international business flows. Any developments that impact negatively on these linkages will have a negative impact on the economy and will thus affect the Group’s operations. The standoff between Russia and the West over Ukraine continues and the United States and the European Union maintain sanctions against Russia. Russia continues its military operations over Syria and relations with Turkey remain complicated. As a result of sanctions and most importantly the steep decline in oil and commodity prices, Russia entered a steep recession in 2015.

The Russian economy contracted by 3,8% in the year according to estimates from the IMF. Adjusting to lower oil prices requires an ambitious fiscal consolidation programme over the medium term. Monetary policy has been on hold but normalisation can resume once underlying inflation is firmly on a declining path. The anti-crisis measures helped stabilise the Russian banking system and the recapitalisation programme is largely complete.

3. Other risks (continued)

3.5 Political risk (continued)

In relation to Greece, the economy contracted by 0,6% in 2015 and is expected to contract further in 2016 according to the European Commission. The first programme review has been delayed. The Greek government and its creditors have not been able to agree on the fiscal measures to meet the budget deficit for 2016. There is no agreement about pension reform and about the new tax regime for farmers. Unemployment is at around 25% of the labour force and youth unemployment is in excess of 50%. With a shrinking labour force, low fertility rates and inefficient tax collection, the system may no longer be sustainable. As Greece seeks to negotiate around these issues with its creditors, discontent and social unrest may grow. At the same time, the refugee crisis is straining Greece's relationship with its European partners and some are calling for the suspension of Greece from Schengen. Social unrest may remain a threat throughout 2016 and with it, political instability will ensue. Early elections cannot be ruled out. In this context, the enforceability of the bailout programme and Greece's membership in the Eurozone will again come to be questioned.

The UK's referendum on EU membership and an exit from the EU may impact Cyprus. The UK accounts roughly for 40% of the tourist flow to Cyprus and remains an important trade partner generally. Exit of the UK from the EU might affect both the tourist and trade flows. The negotiation between the UK and the EU on membership may create other problems as other members choose to demand changes along the same lines, which may be leading to a more fragmented Europe.

Given the above, the Group recognises that unforeseen political events can have negative effects on the fulfilment of contractual relationships and obligations of its customers and other counterparties, which may have a significant impact on the Group's activities, operating results and position.

4. Capital management

The primary objective of the Group's capital management is to ensure compliance with the relevant regulatory capital requirements and to maintain strong credit ratings and healthy capital adequacy ratios in order to support its business and maximise shareholder value.

The new Capital Requirements Regulation (CRR) and amended Capital Requirements Directive IV (CRD IV) became effective, comprising the European regulatory package designed to transpose the new capital, liquidity and leverage standards of Basel III into the European Union's legal framework on 1 January 2014. CRR establishes the prudential requirements for capital, liquidity and leverage that entities need to abide by. It is immediately binding on all EU member states. CRD IV governs access to deposit-taking activities and internal governance arrangements including remuneration, board composition and transparency. Unlike the CRR, CRD IV needs to be transposed into national laws, and allows national regulators to impose additional capital buffer requirements. CRR introduced significant changes in the prudential regulatory regime applicable to banks including amended minimum capital adequacy ratios, changes to the definition of capital and the calculation of risk weighted assets and the introduction of new measures relating to leverage, liquidity and funding. CRR permits a transitional period for certain of the enhanced capital requirements and certain other measures, such as the leverage ratio, which will be largely fully effective by 2019 and some other transitional provisions provide for phase in until 2024.

The CBC has determined the extent of phasing-in of the transitional provisions relating to Common Equity Tier 1 deductions and in 2014 set the minimum Common Equity Tier 1 capital ratio at 8% on a transitional basis (Pillar I capital requirements). The Group is also subject to additional capital requirements for risks which are not covered by the above-mentioned capital requirements (Pillar II add-ons). However, the Group's Pillar II add-on capital requirement is a point-in-time assessment and therefore is subject to change over time.

Following the completion of the SREP for year 2015, the ECB notified the Group of the revised minimum required CET1 ratio. The revised Pillar II CET1 capital requirement was determined by the ECB to be at 3,75%, resulting in a total minimum CET1 of 11,75%. The Group's capital position as at 31 December 2015 exceeds its Pillar I and Pillar II add-on capital requirements, providing a loss-absorbing buffer to the Group.

4. Capital management (continued)

Based on the provisions of the Macroprudential Oversight of Institutions Law of 2015 which came into force on 1 January 2016, the CBC is the designated Authority responsible for setting the macroprudential buffers that derive from the CRD IV.

In accordance with the provisions of this law, the CBC sets, on a quarterly basis, the Countercyclical Capital buffer (CCyB) level in accordance with the methodology described in this law. The CCyB is effective as from 1 January 2016 and is determined by the CBC ahead of the beginning of each quarter. The CBC has set the level of the CCyB at 0% for the first two quarters of 2016.

In accordance with the provisions of this law, the CBC is also the responsible authority for the designation of banks that are Other Systemically Important Institutions (O-SIIs) and for the setting of the O-SII buffer requirement for these systemically important banks. The Group has been designated as an O-SII and the CBC set the O-SII buffer for the Group at 2%. This buffer will be phased-in gradually, starting from 1 January 2019 at 0,5% and increasing by 0,5% every year thereafter, until being fully implemented (2,0%) on 1 January 2022.

The capital conservation buffer is 2,5% over the minimum CET1 ratio. The revised Pillar II CET1 minimum capital requirement of the Group was determined by the ECB to be at 11,75% (section 6) which includes the capital conservation buffer.

The Group's overseas banking subsidiaries comply with the regulatory capital requirements of the local regulators in the countries in which they operate. The insurance subsidiaries of the Group comply with the requirements of the Superintendent of Insurance including the minimum solvency ratio. The regulated investment firms of the Group comply with the regulatory capital requirements of the CySEC laws and regulations.

4.1 Capital position

The capital position of the Group under CRD IV/CRR basis (after applying the transitional arrangements set by the CBC) is presented below.

	31 December 2015	31 December 2014
Regulatory capital	**€000**	€000
Transitional Common Equity Tier 1 (CET1)[5]	**2.747.772**	3.190.955
Transitional Additional Tier 1 capital (AT1)	**-**	-
Tier 2 capital (T2)	**30.290**	42.146
Transitional total regulatory capital	**2.778.062**	3.233.101
Risk weighted assets – credit risk[6]	**17.618.578**	20.624.507
Risk weighted assets – market risk	**7.811**	5.025
Risk weighted assets – operational risk	**2.039.888**	2.085.000
Total risk weighted assets	**19.666.277**	22.714.532
	%	%
Transitional Common Equity Tier 1 ratio	**14,0**	14,0
Transitional total capital ratio	**14,1**	14,2

[5] CET1 includes regulatory deductions, primarily comprising deferred tax assets and intangible assets amounting to €35.193 thousand and €68.468 thousand as at 31 December 2015 and 31 December 2014 respectively.

[6] Includes CVA.

4. **Capital management** (continued)

4.1 **Capital position** (continued)

During 2015 the CET1 was negatively affected by the losses for the year which arise due to the elevated provisions for impairment of customer loans following assumption changes in the Group's provisioning methodology in relation to the ongoing regulatory dialogue with the ECB regarding the SREP. The decrease of RWAs by €3.049 million during the year is due to the Group's strategy of deleveraging through the disposal of non-core operations (primarily due to disposal of the Russian Operations in September 2015) and its ongoing efforts for RWA optimisation.

The ECB has notified the Group that it will participate in the SSM SREP stress test, which will be performed at the highest level of consolidation. The exercise will be based on the methodology of the EBA EU-wide exercise, amended to duly respect the principle of proportionality. This will be facilitated by an extensive use of materiality thresholds. The exercise, which started in February of 2016, is expected to conclude early in the third quarter of 2016.

Additional information on capital management can be found in the 2015 Pillar 3 Disclosures Report which is available on the Group's website www.bankofcyprus.com (Investor Relations).

5. **Leverage ratio**

According to CRR Article 429, the leverage ratio, expressed as a percentage, is calculated as the capital measure divided by the total exposure measure of the Group.

The leverage ratio of the Group is presented below:

	31 December 2015	31 December 2014
Transitional basis	**€000**	€000
Capital measure (CET 1)	**2.747.772**	3.190.955
Total exposure measure	**22.866.525**	26.668.508
Leverage ratio (%)	**12,1**	12,0
Fully loaded basis		
Capital measure (CET 1)	**2.568.503**	3.055.016
Total exposure measure	**22.687.256**	26.532.569
Leverage ratio (%)	**11,3**	11,5

Additional information on leverage can be found in the 2015 Pillar 3 Disclosures Report which is available on the Group's website www.bankofcyprus.com (Investor Relations).

6. Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Assessment Process (ILAAP), Pillar II and Supervisory Review and Evaluation Process (SREP)

According to the resolution measures in 2013, the Group was required to prepare a restructuring plan for the period 2013 to 2017 aiming to ensure its viability and the reduction of its dependence on central bank funding. The CBC has assessed the Group's restructuring plan to ensure it is based on a robust and coherent strategy and is supported by a set of prudent financial projections. The restructuring plan was approved by the CBC on 26 November 2013. Based on the above, the CBC did not require the Group to submit an ICAAP report in 2014.

The Group has resumed the preparation and submission to the ECB of both the ICAAP and ILAAP reports as from year 2014. Both reports were approved by the Board of Directors and have been submitted to the ECB.

The Group also undertakes a quarterly review of its ICAAP results. The first such review took place as at 30 September 2015. During the quarterly review, the Group's risk profile and risk management policies and processes are reviewed and any changes since the full ICAAP exercise are taken into consideration. The quarterly review identifies whether the Group is exposed to new risks and assesses the adequacy of capital resources in order to cover its risks, as these have evolved (compared to the full ICAAP exercise).

A quarterly review is also performed for the ILAAP through quarterly stress tests submitted to ALCO. The first such review took place as at 31 March 2015. As from 2016, the quarterly review will also be submitted to the Board Risk Committee for review. During the quarterly review, the liquidity risk drivers are assessed and, if needed, the stress test assumptions are amended accordingly. The quarterly review identifies whether the Group has an adequate liquidity buffer to cover the stress outflows.

The ECB, as part of its supervisory role, has been conducting the Supervisory Review and Evaluation Process and onsite inspections on the Group. SREP is a holistic assessment of, amongst other things, the Group's business model, internal governance and institution-wide control arrangements, risks to capital and adequacy of capital to cover these risks and risks to liquidity and adequacy of liquidity resources to cover these risks. The objective of the SREP is for the ECB to form an up-to-date supervisory view of the Group's risks and viability and to form the basis for supervisory measures and dialogue with the Group. Additional capital and other requirements could be imposed on the Group as a result of these supervisory processes, including a revision of the level of Pillar II add-ons as the Pillar II add-on capital requirements are a point-in-time assessment and therefore subject to change over time.

Following the completion of the SREP for year 2015, the ECB notified the Group of the revised minimum required CET1 ratio. The revised Pillar II CET1 capital requirement was determined by the ECB to be at 3,75%, resulting in a total minimum CET1 of 11,75%. The Group's capital position as at 31 December 2015 exceeds its Pillar I and Pillar II add-on capital requirements, providing a loss-absorbing buffer to the Group.

During 2015, an onsite inspection on credit quality was also performed by the ECB with a reference date of 31 December 2014, and its scope included the review and assessment of the Group's non-performing and restructured but performing exposures. The onsite inspection and related recommendation letter stated that, on the basis of a modified set of assumptions there was, in the ECB's view, a provision-related adjustment of around €300 million for the judgemental (i.e. specifically assessed) portfolio and around €700 million for the statistical (i.e. collectively assessed) portfolio, mostly relating to the recovery value of real estate collateral.

Following the on-going regulatory dialogue with the ECB regarding the SREP, the Group decided to reassess its provisioning assumptions, estimates and methodologies, within the parameters of International Financial Reporting Standards (IFRS). Consequently, the Group proceeded with certain amendments to the assumptions in its provisioning methodologies. These changes relate to extending significantly the recovery periods and applying additional realisation discounts on the most stressed non-performing portfolios, with both changes being a function of the Group's strategy for recovering delinquent exposures. In changing its provisioning assumptions, the Group has considered its strategy for managing problem loans, as well as other available evidence, reflecting an increased level of conservatism within an acceptable range. This resulted in an elevated provisioning charge for 2015, totalling €959 million (2014: €770 million). The Group considers that the assumption amendments significantly bridged the regulatory dialogue with the ECB and boosted the Group's 90+ DPD provisioning coverage to 48% at 31 December 2015 (2014: 41%).

Following the completion of the SREP dialogue and onsite inspection process, the ECB requested the submission of a multi-year capital plan to demonstrate that the level of capital held by the Group is sufficient.

6. Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Assessment Process (ILAAP), Pillar II and Supervisory Review and Evaluation Process (SREP) (continued)

The capital plan was submitted to the ECB on 26 February 2016. The Group's CET1 ratio remains higher than the minimum required ratio of 11,75% relating to the Pillar II capital requirement, providing a loss-absorbing buffer to the Group.

Under article 100 of the Directive 2013/36/EU of the European Parliament, competent authorities shall carry out supervisory stress tests at least annually on institutions they supervise. This supervisory task has also been conferred on the ECB, which shall carry out where appropriate in coordination with EBA, stress tests. In execution of its mandate, the ECB, in close cooperation with the national competent authorities, will run a stress-testing exercise in 2016, the results of which will be factored into its overall assessment within the SREP. The scope of this SSM SREP stress test will complement this year's EU-wide exercise conducted by the EBA. It will therefore address banking groups other than those SSM significant institutions taking part in the EBA exercise.

The ECB has notified the Group that it will participate in the SSM SREP stress test, which will be performed at the highest level of consolidation. The exercise will be based on the methodology of the EBA EU-wide exercise, amended to duly respect the principle of proportionality. This will be facilitated by an extensive use of materiality thresholds. The exercise, which started in February of 2016, is expected to conclude early in the third quarter of 2016.

Financial Information for the Period from 1 January 2015 to 31 December 2015

as stipulated by Decision 4/507/28.04.2009 of
the Board of Directors of the Greek Capital Markets Commission

The financial information presented below is aiming to provide a general awareness about the financial position and results of the Bank of Cyprus Group (the 'Group') and the holding company Bank of Cyprus Public Company Ltd (the 'Company'). We recommend to the reader, before any investment decision or transaction is performed with the Group, to visit the Group's website where the financial statements prepared in accordance with International Financial Reporting Standards are available, together with the independent auditors' report, and the detailed explanatory statement of results. These documents are also available at the Registered Office of the Company (51 Stassinou Street, Ayia Paraskevi, Strovolos, P.O. Box 24884, CY-1398 Nicosia, Cyprus, Telephone: +357 22 122128, Fax: +357 22 378422).

Website: www.bankofcyprus.com - Investor Relations/Financial Information.

Members of the Board of Directors: Josef Ackermann (Chairman), Wilbur L. Ross Jr. (Vice Chairman), Maksim Goldman (Vice Chairman), Arne Berggren, Marios Kalochoritis, Christodoulos Patsalides, Michalis Spanos, Ioannis Zographakis and John Patrick Hourican.

Date of approval of the financial statements for year 2015 by the Board of Directors: 31 March 2016.

Independent auditors: Ernst & Young Cyprus Ltd.

Type of auditor's report: Unqualified opinion, emphasis of matter.

BANK OF CYPRUS GROUP

Extracts from the Consolidated Income Statement and Statement of Comprehensive Income

for the year ended 31 December 2015

	2015	2014 (represented)
	€000	€000
Continuing operations		
Net interest income	**842.440**	969.669
Net fee and commission income	**153.457**	151.867
Net foreign exchange gains/(losses)	**38.367**	(14.793)
Net gains on financial instrument transactions	**47.129**	176.850
Insurance income net of claims and commissions	**47.905**	45.610
Losses from revaluation and disposal of investment properties	**(53.080)**	(12.021)
Other income	**17.607**	12.068
	1.093.825	1.329.250
Staff costs	**(233.631)**	(234.424)
Other operating expenses	**(225.038)**	(228.482)
	635.156	866.344
Gain on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans	**305.089**	47.338
Provisions for impairment of loans and advances to customers and other customer credit losses	**(1.264.554)**	(816.983)
Impairment of other financial instruments	**(43.503)**	(56.540)
Impairment of non-financial instruments	**(18.103)**	(33.295)
(Loss)/profit before share of profit from associates and joint ventures	**(385.915)**	6.864
Share of profit from associates and joint ventures	**5.923**	4.852
(Loss)/profit before tax from continuing operations	**(379.992)**	11.716
Income tax	**(9.203)**	(10.877)
(Loss)/profit after tax from continuing operations	**(389.195)**	839
Discontinued operations		
Loss after tax from discontinued operations	**(65.107)**	(322.216)
Loss for the year	**(454.302)**	(321.377)

Attributable to:		
Owners of the Company - continuing operations	**(382.513)**	19.162
Owners of the Company - discontinued operations	**(55.839)**	(280.319)
Total loss attributable to the owners of the Company	**(438.352)**	(261.157)
Non-controlling interests - continuing operations	**(6.682)**	(18.323)
Non-controlling interests - discontinued operations	**(9.268)**	(41.897)
Total loss attributable to non-controlling interests	**(15.950)**	(60.220)
Loss for the year	**(454.302)**	(321.377)

Basic and diluted (losses)/earnings per share (€) attributable to the owners of the Company - continuing operations	**(0,0429)**	0,0032
Basic and diluted losses per share (€) attributable to the owners of the Company	**(0,0492)**	(0,0441)

Loss for the year	**(454.302)**	(321.377)
Other comprehensive income after tax	**67.712**	69.795
Total comprehensive loss for the year	**(386.590)**	(251.582)

Attributable to:		
Owners of the Company	**(378.679)**	(200.068)
Non-controlling interests	**(7.911)**	(51.514)
Total comprehensive loss for the year	**(386.590)**	(251.582)

Extracts from the Consolidated Balance Sheet

as at 31 December 2015

		2015	2014 (represented)
Assets	*Notes*	**€000**	€000
Cash and balances with central banks		**1.422.602**	1.139.465
Loans and advances to banks		**1.314.380**	1.646.886
Derivative financial assets		**14.023**	62.598
Investments	3	**588.255**	1.871.136
Investments pledged as collateral	3	**421.032**	669.786
Loans and advances to customers		**17.191.632**	18.168.323
Life insurance business assets attributable to policyholders		**475.403**	472.992
Prepayments, accrued income and other assets		**281.780**	322.832
Stock of property		**515.858**	12.662
Investment properties		**34.628**	488.598
Property and equipment		**264.333**	290.420
Intangible assets		**133.788**	127.402
Investments in associates and joint ventures		**107.753**	116.776
Deferred tax assets		**456.531**	456.871
Non-current assets and disposal groups held for sale		**48.503**	942.655
Total assets		**23.270.501**	26.789.402
Liabilities			
Deposits by banks		**242.137**	162.388
Funding from central banks		**4.452.850**	8.283.773
Repurchase agreements		**368.151**	579.682
Derivative financial liabilities		**54.399**	71.967
Customer deposits		**14.180.681**	12.623.558
Insurance liabilities		**566.925**	576.701
Accruals, deferred income and other liabilities	4	**282.831**	350.431
Debt securities in issue		**712**	693
Deferred tax liabilities		**40.807**	44.741
Non-current liabilities and disposal groups held for sale		**3.677**	614.421
Total liabilities		**20.193.170**	23.308.355
Equity			
Share capital		**892.294**	892.238
Share premium		**552.618**	552.539
Capital reduction reserve		**1.952.486**	1.952.486
Shares subject to interim orders		**-**	441
Revaluation and other reserves		**258.709**	146.809
Accumulated losses		**(601.152)**	(79.021)
Equity attributable to the owners of the Company		**3.054.955**	3.465.492
Non-controlling interests		**22.376**	15.555
Total equity		**3.077.331**	3.481.047
Total liabilities and equity		**23.270.501**	26.789.402

Extracts from the Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

	2015	2014
	€000	€000
Total equity at 1 January	**3.481.047**	2.737.676
Loss for the year	**(454.302)**	(321.377)
Other comprehensive income after tax	**67.712**	69.795
Bail-in of deposits and structured products	**-**	150
Issue of shares	**135**	1.000.000
Share capital issue costs	**-**	(30.794)
Disposals of treasury shares	**2.769**	-
Disposal of subsidiaries	**(18.112)**	(51)
Acquisitions of subsidiaries held for sale	**-**	25.942
Dividend paid to non-controlling interests	**(1.918)**	(438)
Shares subject to interim orders withdrawn/cancelled	**-**	144
Total equity at 31 December	**3.077.331**	3.481.047

Extracts from the Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015

	2015	2014
	€000	€000
Loss for the year	**(454.302)**	(321.377)
Foreign currency translation reserve	**17.757**	109.627
Available-for-sale investments	**48.495**	(39.204)
Property revaluation	**(868)**	7.755
Actuarial gain/(loss) for the defined benefit plans	**2.328**	(8.383)
Total comprehensive loss for the year	**(386.590)**	(251.582)

BANK OF CYPRUS GROUP

Extracts from the Consolidated Statement of Cash Flows

for the year ended 31 December 2015

	2015	2014 (represented)
	€000	€000
Net cash flow from operating activities	**2.418.378**	1.234.001
Net cash flow from investing activities	**1.641.994**	1.287.807
Net cash flow used in financing activities	**(3.909.882)**	(1.944.794)
Net increase in cash and cash equivalents for the year	**150.490**	577.014
Foreign exchange adjustments	**17.253**	198.344
Total cash inflow for the year	**167.743**	775.358
Cash and cash equivalents at 1 January	**2.238.601**	1.463.243
Cash and cash equivalents at 31 December	**2.406.344**	2.238.601

BANK OF CYPRUS PUBLIC COMPANY LTD
Extracts from the Income Statement and Statement of Comprehensive Income
for the year ended 31 December 2015

	2015	2014
	€000	€000
Continuing operations		
Net interest income	**815.422**	1.009.298
Net fee and commission income	**136.819**	135.758
Net foreign exchange gains/(losses)	**11.571**	(9.547)
Dividend income from subsidiary companies and associates	**33.542**	16.850
Net gains on financial instrument transactions and disposal of subsidiaries	**24.166**	163.981
Losses from revaluation and disposal of investment properties	**(35.550)**	(23.893)
Other income	**11.146**	4.302
	997.116	1.296.749
Staff costs	**(202.379)**	(203.844)
Other operating expenses	**(194.088)**	(196.740)
	600.649	896.165
Gain on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans	**305.089**	47.338
Provisions for impairment of loans and advances to customers and other customer credit losses	**(1.229.627)**	(728.448)
Impairment of other financial instruments	**(69.041)**	(253.139)
Impairment of non-financial instruments	**(40.452)**	(252.130)
Loss before tax from continuing operations	**(433.382)**	(290.214)
Income tax	**(4.272)**	(357)
Loss after tax from continuing operations	**(437.654)**	(290.571)
Discontinued operations		
Profit after tax from discontinued operations	**-**	36.000
Loss for the year	**(437.654)**	(254.571)

Basic and diluted losses per share (€) – continuing operations	**(0,0490)**	(0,0489)
Basic and diluted losses per share (€)	**(0,0490)**	(0,0428)

Loss for the year	**(437.654)**	(254.571)
Other comprehensive income/(loss) after tax	**31.713**	(43.834)
Total comprehensive loss for the year	**(405.941)**	(298.405)

BANK OF CYPRUS PUBLIC COMPANY LTD
Extracts from the Balance Sheet
as at 31 December 2015

		2015	2014
Assets	*Notes*	**€000**	€000
Cash and balances with central banks		**1.111.354**	668.292
Loans and advances to banks		**1.112.337**	1.462.824
Derivative financial assets		**14.022**	62.585
Investments	3	**512.631**	1.831.297
Investments pledged as collateral	3	**421.032**	669.786
Loans and advances to customers		**16.005.878**	17.329.208
Balances with Group companies		**735.579**	809.959
Prepayments, accrued income and other assets		**167.486**	181.752
Stock of property		**276.095**	822
Investment properties		**11.688**	250.888
Property and equipment		**198.227**	221.106
Intangible assets		**14.773**	13.105
Investments in associates and joint ventures		**97.293**	102.615
Investments in Group companies		**207.781**	236.369
Deferred tax assets		**456.479**	456.479
Non-current assets held for sale		**9.767**	114.060
Total assets		**21.352.422**	24.411.147
Liabilities			
Deposits by banks		**237.860**	159.765
Funding from central banks		**4.452.850**	8.283.773
Repurchase agreements		**368.151**	579.682
Derivative financial liabilities		**54.408**	71.761
Customer deposits		**12.694.130**	11.329.157
Balances with Group companies		**568.486**	550.683
Accruals, deferred income and other liabilities		**233.084**	283.735
Debt securities in issue		**712**	693
Deferred tax liabilities	4	**19.868**	23.219
Total liabilities		**18.629.549**	21.282.468
Equity			
Share capital		**892.294**	892.238
Share premium		**551.368**	551.289
Capital reduction reserve		**1.952.486**	1.952.486
Shares subject to interim orders		**-**	441
Revaluation and other reserves		**76.462**	5.506
Accumulated losses		**(749.737)**	(273.281)
Total equity		**2.722.873**	3.128.679
Total liabilities and equity		**21.352.422**	24.411.147

BANK OF CYPRUS PUBLIC COMPANY LTD
Extracts from the Statement of Changes in Equity
for the year ended 31 December 2015

	2015	2014
	€000	€000
Total equity at 1 January	**3.128.679**	2.458.834
Loss for the year	**(437.654)**	(254.571)
Other comprehensive income/(loss) after tax	**31.713**	(43.834)
Bail-in of deposits and structured products	**-**	150
Issue of shares	**135**	1.000.000
Share capital issue costs	**-**	(32.044)
Shares subject to interim orders withdrawn/cancelled	**-**	144
Total equity at 31 December	**2.722.873**	3.128.679

Extracts from the Statement of Comprehensive Income

for the year ended 31 December 2015

	2015	2014
	€000	€000
Loss for the year	**(437.654)**	(254.571)
Foreign currency translation reserve	**41**	(1.195)
Available-for-sale investments	**33.011**	(40.362)
Property revaluation	**(2.034)**	4.388
Actuarial gain/(loss) for the defined benefit plans	**695**	(6.665)
Total comprehensive loss for the year	**(405.941)**	(298.405)

BANK OF CYPRUS PUBLIC COMPANY LTD
Extracts from the Statement of Cash Flows
for the year ended 31 December 2015

	2015	2014 (represented)
	€000	€000
Net cash flow from operating activities	**2.664.196**	1.275.890
Net cash flow from investing activities	**1.659.613**	1.288.822
Net cash flow used in financing activities	**(3.908.975)**	(1.946.767)
Net increase in cash and cash equivalents for the year	**414.834**	617.945
Foreign exchange adjustments	**987**	(31.518)
Total cash inflow for the year	**415.821**	586.427
Cash and cash equivalents at 1 January	**1.486.608**	900.181
Cash and cash equivalents at 31 December	**1.902.429**	1.486.608

1. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

2. The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new and amended standards and interpretations (Note 3.2.1) as explained in the consolidated financial statements of the Group

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed in note 3.2.1 of the consolidated financial statements of the Group. Although these new standards and amendments were applied for the first time in 2015, they did not have a material impact on the annual consolidated financial statements of the Group.

3. Investments of the Group and the Company are analysed as follows:

	2015	2014
Group	**€000**	€000
Investments		
Investments at fair value through profit or loss	**50.785**	34.347
Investments available-for-sale	**100.535**	53.480
Investments classified as loans and receivables	**436.935**	1.783.309
	588.255	1.871.136
Investments pledged as collateral		
Investments available-for-sale	**421.032**	669.786
	1.009.287	2.540.922

	2015	2014
Company	**€000**	€000
Investments		
Investments at fair value through profit or loss	**19.727**	19.168
Investments available-for-sale	**55.969**	28.820
Investments classified as loans and receivables	**436.935**	1.783.309
	512.631	1.831.297
Investments pledged as collateral		
Investments available-for-sale	**421.032**	669.786
	933.663	2.501.083

4. Accruals, deferred income and other liabilities at 31 December 2015 include provisions for pending litigation or claims of €34.749 thousand for the Group and €33.772 thousand for the Company and other provisions of €18.387 thousand for the Group and €18.948 thousand for the Company. The Group's provision for pending litigation or claims at 31 December 2015 is set out in Note 34 of the consolidated financial statements. There are no other significant pending litigation, claims or assessments against the Group, the outcome of which would have a material effect on the Group's financial position or operations.

5. The number of persons employed by the Group as at 31 December 2015 was 4.605 (2014: 6.726) and by the Company was 4.045 (2014: 4.213).

6. Shares of the Company held by entities controlled by the Group (including shares that are held by life insurance subsidiary which holds the shares as part of financial assets that are invested for the benefit of insurance policyholders) at 31 December 2015 were 8.025 thousand and their cost of acquisition was €66.634 thousand.

7. The Group subsidiaries, branches and associates as at 31 December 2015 and the method of consolidation used are set out in Note 50 and 52 of the consolidated financial statements.

8. Related party transactions:

(a) Loans and other advances to members of the Board of Directors and key management personnel: €3.354 thousand for the Group and the Company.

(b) Loans and other advances to other connected persons: €886 thousand for the Group and €736.465 thousand for the Company.

(c) Contingent liabilities and commitments (mainly documentary credits, guarantees and commitments to lend): €991 thousand for the Group and the Company.

(d) Deposits by members of the Board of Directors and key management personnel: €3.366 thousand for the Group and the Company.

(e) Deposits by other connected persons: €3.147 thousand for the Group and €571.633 thousand for the Company.

(f) Interest income: €138 thousand for the Group and €24.675 thousand for the Company.

(g) Interest expense: €187 thousand for the Group and €7.542 thousand for the Company.

(h) Remuneration and other transactions of members of the Board of Directors, key management personnel and connected persons: €5.747 thousand for the Group and €5.445 thousand for the Company.

9. Other information

The total capital expenditure of the Group for the year ended 31 December 2015 amounted to €20.536 thousand.

As at 31 December 2015 and 24 March 2016 9,62%, 5,23% and 5,02% of the share capital of the Company was held by Cyprus Popular Bank Public Co Ltd, TD Asset Management and European Bank for Reconstruction and Development respectively. Also, as at 31 December 2015 7,18% of the share capital of the Company was held by Lamesa Holdings S.A. (affiliate of Renova Group) and 9,88% as at 24 March 2016.

10. Events after the reporting date

10.1 Programme of staff exits

In February 2016 the Group announced a programme of staff exits for all its permanent employees. The exit compensation is a one-off compensation granted on specific terms.

10.2 Bank Recovery and Resolution Directive 2014/59/EU

The EU Bank Recovery and Resolution Directive 2014/59/EU (BRRD) establishes a framework for the recovery and resolution of EU credit institutions. The BRRD includes the concept of loss absorption and a minimum requirement for own funds and eligible liability.

The BRRD also has significant funding implications for credit institutions, which include the establishment of pre-funded resolution funds of 1% of covered deposits under the recast Deposit Guarantee Scheme to be built up by 31 December 2024.

The BRRD has been implemented in Cyprus.

10. Events after the reporting date (continued)

10.2 Bank Recovery and Resolution Directive 2014/59/EU (continued)

The EU has also established a single resolution mechanism (SRM), made under the Single Resolution Mechanism Regulation No 806/2014 as part of the European Banking Union. Under the SRM, a single resolution process applies to all credit institutions supervised by the SSM. This process is co-ordinated by the Single Resolution Board (SRB). The Company is subject to the supervision of the SSM and accordingly the SRM.

The SRM Regulation is closely connected with the BRRD. For credit institutions within the SSM, the SRB effectively takes on the role of the relevant national resolution authority established under the BRRD. The Company is subject to the supervision of the SRB.

10.3 Deposit Guarantee Scheme

The recast EU Deposit Guarantee Schemes Directive 2014/49/EU (DGSD) requires Member States to establish deposit guarantee schemes. The recast DGSD provides that national deposit guarantee schemes should be pre-funded, with the funds to be raised over a number of years. The funds of national deposit guarantee scheme should at least reach 0,8% of the covered deposits by 3 July 2024. The Cypriot implementing legislation of the DGSD was passed on 11 February 2016 which amends the existing Cypriot Deposit Protection Scheme.

10.4 Solvency II

On 1 January 2016, the Directive 2009/138/EC of the European Parliament and of the Council and the related Regulations on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) became effective. The new Directive introduces increasing requirements both on a quantitative and a qualitative level for insurance undertakings.

Following a detailed action plan during the last years, the insurance subsidiaries of the Group are in a position to fully comply with new requirements on implementation of the Directive as from 1 January 2016. During the preparation phase, the insurance subsidiaries of the Group applied material improvements on corporate governance, risk management and compliance.

10.5 Pursue of Premium Listing on the London Stock Exchange

On 31 March 2016, the Group announced its intention to pursue a premium listing on the London Stock Exchange (LSE). The Group also intends to maintain a listing on the Cyprus Stock Exchange. The Group does not intend to maintain a listing on the Athens Exchange, as it no longer has banking operations in Greece.

The Group is currently working towards a listing in the second half of 2016, subject to relevant approvals, an assessment of various technical aspects and market conditions.

Table with Corresponding References to the information made publicly available by the Bank of Cyprus Public Company Ltd during the period 1.1.2015 to 30.3.2016

Date	Announcement	Electronic Address
13 Jan 2015	Share Capital Increase: Completion of Retail Offer	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20150113RetailOfferCompletionENG.pdf
20 Jan 2015	Developments relating to the Swiss franc	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20150120CHFexposureENG.pdf
27 Jan 2015	Press reports regarding capital securities	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20150127CapitalSecurtiesENG_Final.pdf
29 Jan 2015	Listing of the Retail Offer Shares and commencement of trading	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20150129ListingRetailSharesENG.pdf
6 Feb 2015	Preliminary financial results for year ended 31 December 2014: - Update - Date of announcement	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20150206FY2014UpdateAnnouncementENG.pdf
25 Feb 2015	Report and Explanatory Statement: Preliminary Group Financial Results for the year ended 31 December 2014	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/PrelimFY2014ENGFINAL.pdf
13 Mar 2015	Date of announcement of the Audited Financial Statements for the year ended 31 December 2014	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20150313AnnouncementDateAuditedFY2014ENG.pdf
31 Mar 2015	Audited Group Financial Results for the year ended 31 December 2014	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/Audited%20FY2014ENG_Final.pdf
21 Apr 2015	Notice of Resignation of Group Chief Executive Officer	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20150421CEOResignation_ENG.pdf
30 Apr 2015	Sale of investment in Marfin Diversified Strategy Fund Plc	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20150429SaleOfMDSF_ENG_Final.pdf
8 May 2015	Group Financial Results for the three months ended 31 March 2015: - Update - Date of announcement	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20150508UpdateAnnouncementDate1Q2015_ENG_FINAL.pdf
29 May 2015	Appointment of Director of Internal Audit	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20150529GroupInternalAuditorENG.pdf
29 May 2015	Group Financial Results for the quarter ended 31 March 2015	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/FinancialResults_1Q2015_ENG_FINAL.pdf

Table with Corresponding References to the information
made publicly available by the Bank of Cyprus Public Company Ltd
during the period 1.1.2015 to 30.3.2016

Date	Announcement	Electronic Address
29 May 2015	Resignation of Board Member - Changes in the Composition of the Board of Directors and Board Committees	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20150529ChangesinBODandCommitteesENG.pdf
5 Jun 2015	Republic of Cyprus repays €750 mn of a bond held by Bank of Cyprus	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/GR/20150605RecapBondGR_Final.pdf
11 Jun 2015	Update	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20150611Announcement_ENG_Final.pdf
17 Jul 2015	Agreement for the sale of Uniastrum Bank and certain other Russian assets	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20150717AgreementSaleofBOCRENG_Final.pdf
14 Aug 2015	Date of Announcement of the Group Financial Results for the six months ended 30 June 2015	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20150814AnnouncementDate1H2015_ENG_Final.pdf
26 Aug 2015	Group Financial Results for the six months ended 30 June 2015	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/FinancialResults_1H2015_ENG_FINAL.pdf
28 Sep 2015	Completion of the sale of Uniastrum Bank and certain other Russian assets	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20150928CompletionofthesaleofROENG_Final.pdf
29 Sep 2015	Date of Annual General Meeting	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20150929AnnouncementofAGM_ENG_Final.pdf
2 Oct 2015	Covered bonds become eligible assets for Eurosystem credit operations	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20151002CoveredBond_ENG_Final.pdf
23 Oct 2015	Change in the composition of a Board Committee	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20151023ChangeinBoardCommitteeENG_FINAL.pdf
2 Nov 2015	Notice of Annual General Meeting	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20151002AGMNoticeProxy_ENG_Final.pdf

Table with Corresponding References to the information made publicly available by the Bank of Cyprus Public Company Ltd during the period 1.1.2015 to 30.3.2016

Date	Announcement	Electronic Address
6 Nov 2015	Clarification regarding Directors' Report/Recommendation to accompany Special Resolutions at Annual General Meeting	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20151106AdditionalInfoAGM_ENG_Final.pdf
11 Nov 2015	Date of Announcement of the Group Financial Results for the nine months ended 30 September 2015	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20151111AnnouncementDateFor9M2015%20ENG%20Final.pdf
11 Nov 2015	Payment of interest of Bank of Cyprus Public Company Ltd Guaranteed Bond (ΚΥΠΡΕ/BOCYG) issued 14 November 2012	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20151111PaymentOfInterestOfGuaranteedBonds%20ENG%20Final.pdf
23 Nov 2015	Group Financial Results for the nine months ended 30 September 2015	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/FinancialResults_9M2015_ENG_Final.pdf
24 Nov 2015	Extension of Appointment of Group Chief Executive Officer	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20151124AnnouncementENG_Final.pdf
24 Nov 2015	Resolutions of the Shareholders Annual General Meeting (AGM)	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20151124ResolutionsOfAGM_ENG_Final.pdf
25 Nov 2015	Payment of interest of Bank of Cyprus Public Company Ltd Guaranteed Bond (ΚΥΠΡΕ2/BOCYG2) issued 27 November 2012	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20151125PaymentOfInterestOfGuaranteedBonds2%20ENG_Final.pdf
14 Dec 2015	Republic of Cyprus repays €340 mn of a bond held by Bank of Cyprus; Reduction of ELA to €3,8 bn	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20151214RecapBondFinalRepaymentENG-Final.pdf
18 Dec 2015	Appointment of New Director	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/Announcement%20of%20New%20Director%20ENG%20final.pdf
2 Feb 2016	Trading update relating to Preliminary financial results for year ended 31 December 2015: - Trading update - Date of announcement	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20160202PremFY2015UpdateAnnouncementENG_Final.pdf
25 Feb 2016	Preliminary Group Financial Results for the year ended 31 December 2015	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/FinancialResults_Preliminary%20FY2015_ENG_Final.pdf
18 Mar 2015	Date of announcement of the Audited Financial Statements for the year ended 31 December 2015	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20160318Date%20of%20the%20announcement%20of%20the%20audited%20results_ENG.pdf