

Bank of Cyprus



Interim Condensed Consolidated Financial Statements
for the nine months ended

30 September 2016

BANK OF CYPRUS GROUP
Interim Condensed Consolidated Financial Statements
for the nine months ended 30 September 2016

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BANK OF CYPRUS GROUP
Interim Consolidated Income Statement

		Nine months ended 30 September		Three months ended 30 September	
		2016	2015	2016	2015
	Notes	€000	€000	€000	€000
Continuing operations					
Turnover		928.621	1.108.090	287.799	342.654
Interest income		680.323	863.416	212.665	272.301
Interest expense		(155.836)	(219.068)	(48.640)	(66.539)
Net interest income		524.487	644.348	164.025	205.762
Fee and commission income		118.908	121.783	40.496	38.525
Fee and commission expense		(6.877)	(6.746)	(2.333)	(2.605)
Net foreign exchange gains		27.904	30.963	11.591	7.671
Net gains/(losses) on financial instrument transactions	9	65.727	28.254	8.338	(463)
Insurance income net of claims and commissions		34.672	31.818	10.039	11.549
Gains/(losses) from revaluation and disposal of investment properties		5.649	(36.128)	(157)	(12.744)
(Losses)/gains on disposal of stock of property		(3.042)	647	491	404
Other income		10.421	12.045	2.844	3.199
		777.849	826.984	235.334	251.298
Staff costs	10	(233.558)	(176.599)	(54.279)	(58.582)
Other operating expenses	10	(163.747)	(146.585)	(54.191)	(49.184)
		380.544	503.800	126.864	143.532
Gain on derecognition of loans and advances to customers and changes in expected cash flows	11	37.994	263.392	15.828	33.353
Provisions for impairment of loans and advances to customers and other customer credit losses	11	(304.876)	(592.764)	(124.951)	(128.838)
(Impairment)/reversal of impairment of other financial instruments	11	(11.822)	(37.105)	406	(5.937)
Impairment of non-financial instruments	11	(22.012)	-	(12.650)	-
Profit before share of profit from associates and joint ventures		79.828	137.323	5.497	42.110
Share of profit from associates and joint ventures		3.189	3.641	1.583	203
Profit before tax from continuing operations		83.017	140.964	7.080	42.313
Income tax	12	(17.839)	(17.631)	(4.144)	(7.156)
Profit after tax from continuing operations		65.178	123.333	2.936	35.157
Discontinued operations					
Loss after tax from discontinued operations	8	-	(65.107)	-	(28.840)
Profit for the period		65.178	58.226	2.936	6.317
Attributable to:					
Owners of the Company – continuing operations	8	61.627	129.048	5.255	39.723
Owners of the Company – discontinued operations	8	-	(55.839)	-	(26.734)
Total profit attributable to the owners of the Company		61.627	73.209	5.255	12.989
Non-controlling interests – continuing operations	8	3.551	(5.715)	(2.319)	(4.566)
Non-controlling interests – discontinued operations	8	-	(9.268)	-	(2.106)
Total profit/(loss) attributable to non-controlling interests		3.551	(14.983)	(2.319)	(6.672)
Profit for the period		65.178	58.226	2.936	6.317
Basic and diluted earnings per share (cent) attributable to the owners of the Company - continuing operations					
	13	0,7	1,4	0,1	0,4
Basic and diluted earnings per share (cent) attributable to the owners of the Company					
	13	0,7	0,8	0,1	0,1

BANK OF CYPRUS GROUP
Interim Consolidated Statement of Comprehensive Income

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
	€000	€000	€000	€000
Profit for the period	65.178	58.226	2.936	6.317
Other comprehensive income (OCI)				
<i>OCI to be reclassified in the consolidated income statement in subsequent periods</i>				
Foreign currency translation reserve				
(Loss)/profit on translation of net investment in foreign branches and subsidiaries	(42.262)	6.894	(8.269)	19.536
Profit/(loss) on hedging of net investments in foreign branches and subsidiaries	44.352	(9.227)	8.066	(16.998)
Transfer to the consolidated income statement on dissolution/disposal of foreign operations	1.049	21.020	-	31.082
	3.139	18.687	(203)	33.620
Available-for-sale investments				
Net gains/(losses) from fair value changes before tax	1.427	(2.445)	2.608	(795)
Share of net gains from fair value changes of associates	1.652	-	990	-
Transfer to the consolidated income statement on impairment	498	2.656	(32)	404
Transfer to the consolidated income statement on sale	(47.239)	(3.814)	4.025	(1.147)
	(43.662)	(3.603)	7.591	(1.538)
	(40.523)	15.084	7.388	32.082
<i>OCI not to be reclassified in the consolidated income statement in subsequent periods</i>				
Property revaluation				
Tax	159	(255)	180	(433)
Actuarial losses for the defined benefit plans				
Remeasurement losses on defined benefit plans	(18.975)	-	(3.832)	-
	(18.816)	(255)	(3.652)	(433)
Other comprehensive (loss)/income after tax	(59.339)	14.829	3.736	31.649
Total comprehensive income for the period	5.839	73.055	6.672	37.966
Attributable to:				
Owners of the Company	6.907	84.729	8.911	37.314
Non-controlling interests	(1.068)	(11.674)	(2.239)	652
Total comprehensive income for the period	5.839	73.055	6.672	37.966

BANK OF CYPRUS GROUP
Interim Consolidated Balance Sheet

		30 September 2016	31 December 2015
Assets	<i>Notes</i>	€000	€000
Cash and balances with central banks	25	1.587.386	1.422.602
Loans and advances to banks	25	1.183.579	1.314.380
Derivative financial assets	15	11.965	14.023
Investments	14	193.308	588.255
Investments pledged as collateral	14	401.914	421.032
Loans and advances to customers	17	15.939.593	17.191.632
Life insurance business assets attributable to policyholders		490.503	475.403
Prepayments, accrued income and other assets	19	232.731	281.780
Stock of property	18	1.304.628	515.858
Investment properties		37.519	34.628
Property and equipment		282.127	264.333
Intangible assets		142.297	133.788
Investments in associates and joint ventures	34	112.582	107.753
Deferred tax assets		450.397	456.531
Non-current assets and disposal group held for sale	20	11.569	48.503
Total assets		22.382.098	23.270.501
Liabilities			
Deposits by banks		371.378	242.137
Funding from central banks	21	1.950.045	4.452.850
Repurchase agreements		329.325	368.151
Derivative financial liabilities	15	50.460	54.399
Customer deposits	22	15.642.924	14.180.681
Insurance liabilities		574.586	566.925
Accruals, deferred income and other liabilities	23	315.576	282.831
Debt securities in issue		-	712
Deferred tax liabilities		45.140	40.807
Non-current liabilities and disposal group held for sale	20	-	3.677
Total liabilities		19.279.434	20.193.170
Equity			
Share capital	24	892.294	892.294
Share premium	24	552.618	552.618
Capital reduction reserve	24	1.952.486	1.952.486
Revaluation and other reserves		240.647	258.709
Accumulated losses		(575.442)	(601.152)
Equity attributable to the owners of the Company		3.062.603	3.054.955
Non-controlling interests		40.061	22.376
Total equity		3.102.664	3.077.331
Total liabilities and equity		22.382.098	23.270.501

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

Mr. J. P. Hourican Chief Executive Officer
Mrs. E. Livadiotou Finance Director

BANK OF CYPRUS GROUP
Interim Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company												Non-controlling interests	Total equity
	Share capital (Note 24)	Share premium (Note 24)	Capital reduction reserve (Note 24)	Treasury shares (Note 24)	Accumulated losses	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Other reserves	Life insurance in-force business reserve	Foreign currency translation reserve	Reserve of disposal group and assets held for sale (Note 20)	Total		
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
1 January 2016	892.294	552.618	1.952.486	(41.301)	(601.152)	99.218	47.125	6.059	99.050	30.939	17.619	3.054.955	22.376	3.077.331
Profit for the period	-	-	-	-	61.627	-	-	-	-	-	-	61.627	3.551	65.178
Other comprehensive (loss)/income after tax for the period	-	-	-	-	(18.975)	159	(39.043)	-	-	3.139	-	(54.720)	(4.619)	(59.339)
Total comprehensive income /(loss) for the period	-	-	-	-	42.652	159	(39.043)	-	-	3.139	-	6.907	(1.068)	5.839
Increase in value of in-force life insurance business	-	-	-	-	(2.520)	-	-	-	2.520	-	-	-	-	-
Tax on increase in value of in-force life insurance business	-	-	-	-	209	-	-	-	(209)	-	-	-	-	-
Transfer of realised profits on sale of properties	-	-	-	-	8.310	(8.310)	-	-	-	-	-	-	-	-
Disposal of subsidiary (Note 33.2.1)	-	-	-	-	17.619	-	-	-	-	-	(17.619)	-	-	-
Acquisition of subsidiary (Note 33.1.1)	-	-	-	-	-	-	-	-	-	-	-	-	18.753	18.753
Disposals of treasury shares	-	-	-	41.301	(40.560)	-	-	-	-	-	-	741	-	741
30 September 2016	892.294	552.618	1.952.486	-	(575.442)	91.067	8.082	6.059	101.361	34.078	-	3.062.603	40.061	3.102.664

BANK OF CYPRUS GROUP
Interim Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company													Non-controlling interests	Total equity
	Share capital (Note 24)	Share premium (Note 24)	Capital reduction reserve (Note 24)	Shares subject to interim orders	Treasury shares (Note 24)	Accumulated losses	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Other reserves	Life insurance in-force business reserve	Foreign currency translation reserve	Reserve of disposal group and assets held for sale (Note 20)	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	(88.051)	(79.021)	115.830	2.226	6.059	97.698	22.929	(9.882)	3.465.492	15.555	3.481.047
Profit/(loss) for the period	-	-	-	-	-	73.209	-	-	-	-	-	-	73.209	(14.983)	58.226
Other comprehensive (loss)/income after tax for the period	-	-	-	-	-	-	(255)	(2.510)	-	-	(14.374)	28.659	11.520	3.309	14.829
Total comprehensive income/(loss) for the period	-	-	-	-	-	73.209	(255)	(2.510)	-	-	(14.374)	28.659	84.729	(11.674)	73.055
Issue of share capital	56	79	-	-	-	-	-	-	-	-	-	-	135	-	135
Transfer of realised losses on sale of properties	-	-	-	-	-	(1.565)	1.641	-	-	-	-	(76)	-	-	-
Acquisition of non-controlling interests	-	-	-	-	-	(68)	-	-	-	-	-	-	(68)	68	-
Disposal of subsidiaries	-	-	-	-	-	6.805	-	-	-	-	-	(6.805)	-	(18.112)	(18.112)
Increase in shareholding of subsidiaries	-	-	-	-	-	(37.094)	-	-	-	-	11.693	-	(25.401)	25.401	-
Debt capitalisation for subsidiary non-controlling interests	-	-	-	-	-	(9.293)	-	-	-	-	-	-	(9.293)	9.293	-
Increase in value of in-force life insurance business	-	-	-	-	-	(1.323)	-	-	-	1.323	-	-	-	-	-
Tax on increase in value of in-force life insurance business	-	-	-	-	-	121	-	-	-	(121)	-	-	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(918)	(918)
Disposals of treasury shares	-	-	-	(441)	42.242	(38.934)	-	-	-	-	-	-	2.867	-	2.867
Reclassification from assets held-for-sale	-	-	-	-	-	-	272	-	-	-	11.624	(11.896)	-	-	-
30 September 2015	892.294	552.618	1.952.486	-	(45.809)	(87.163)	117.488	(284)	6.059	98.900	31.872	-	3.518.461	19.613	3.538.074

BANK OF CYPRUS GROUP
Interim Consolidated Statement of Cash Flows

		Nine months ended 30 September	
		2016	2015
		€000	€000
	<i>Note</i>		
Net cash flows from operating activities			
Profit before tax from continuing operations	8	83.017	140.964
Loss before tax from discontinued operations	8	-	(65.062)
Profit for the period before tax		83.017	75.902
Share of profit from associates and joint ventures		(3.189)	(3.641)
Gain on derecognition, changes in expected cash flows and provisions for impairment of loans and advances to customer and other customer credit losses		266.882	372.037
Depreciation of property and equipment and amortisation of intangible assets		13.958	15.411
Increase in value of in-force life insurance policies		(2.520)	(1.323)
Impairment upon re-measurement of disposal group at fair value less costs to sell		-	3.288
Impairment of other financial instruments		11.822	37.105
(Profit)/loss upon disposal of disposal groups held for sale and discontinued operations		(2.545)	17.392
Amortisation of discounts/premiums, catch-up adjustment and interest on debt securities		(18.258)	(56.677)
Dividend income		(247)	-
Net gains on disposal of available-for-sale investments in equity securities and available-for-sale investments and investments classified as loans and receivables in debt securities		(67.204)	(959)
Interest on funding from central banks		27.337	63.821
Impairment of non-financial instruments	11	22.012	-
Gain on disposal of joint ventures		-	(10.005)
Loss on dissolution of subsidiaries		1.049	-
Losses/(gains) on disposal of stock of property		3.042	(581)
Losses from investments and disposals of investment properties, equipment and intangible assets		4.142	43.721
		339.298	555.491
Net decrease in loans and advances to customers and other accounts		233.451	249.939
Net increase in customer deposits and other accounts		1.578.817	835.105
		2.151.566	1.640.535
Tax received/(paid)		258	(1.310)
Net cash flow from operating activities		2.151.824	1.639.225
Cash flows from investing activities			
Purchases of debt securities, treasury bills and equity securities		(67.855)	(28.473)
Proceeds on disposal/redemption of investments		458.493	991.684
Interest received from debt securities and treasury bills		19.632	30.536
Dividend income from equity securities		247	629
Proceeds on disposal of subsidiaries and operations		26.500	3.396
Proceeds on disposal of joint ventures		-	89.011
Purchases of property and equipment		(9.554)	(6.676)
Proceeds on disposal of property and equipment		152	305
Purchases of intangible assets		(11.446)	(10.669)
Proceeds on disposal of intangible assets		12	-
Proceeds on disposal of investment property		13.634	18.098
Net cash flow from investing activities		429.815	1.087.841
Cash flows from financing activities			
Proceeds from the issue of shares		-	135
Net repayment of funding from central banks		(2.502.805)	(2.881.172)
Redemption of debt securities in issue		(712)	(1.733)
Interest on subordinated loan stock		-	(25)
Proceeds from disposal of treasury shares		741	2.867
Interest on funding from central banks		(27.337)	(63.821)
Dividend paid by subsidiaries to non-controlling interests		-	(918)
Net cash flow used in financing activities		(2.530.113)	(2.944.667)
Net increase/(decrease) in cash and cash equivalents for the period		51.526	(217.601)
Cash and cash equivalents			
1 January		2.406.344	2.238.601
Foreign exchange adjustments		6.687	18.373
Net increase/(decrease) in cash and cash equivalents for the period		51.526	(217.601)
30 September	25	2.464.557	2.039.373

Non-cash transactions

Nine months ended 30 September 2016

Acquisition of S.Z. Eliades Leisure Ltd

During the nine months ended 30 September 2016, the Group acquired a 70% interest in the share capital of S.Z. Eliades Leisure Ltd in exchange for the settlement of the majority of the borrowing due from S.Z. Eliades Leisure Ltd to the Company, as part of the restructuring of its debt. The acquisition did not include any cash consideration. Further information is disclosed in Note 33.1.1.

Sale of shares held in Visa Europe Ltd

During the nine months ended 30 September 2016, the Group sold its shares in Visa Europe Ltd following the purchase of Visa Europe Ltd by Visa Inc. The transaction, in addition to the cash paid, involved the granting of preferred stock in Visa Inc. with a fair value of approximately €8 million and a deferred cash component of a fair value of approximately €4 million at the date of the transaction.

Repossession of collaterals

During the nine months ended 30 September 2016, the Group acquired stock of property by taking possession of collaterals held as security for customer loans and advances and held by the Group as at 30 September 2016 of €845.256 thousand (Note 18).

Nine months ended 30 September 2015

Disposal of the majority of the Group's Russian operations

In September 2015 the Group completed the disposal of the majority of its Russian operations. As part of the sales agreement, the parties agreed to an asset swap arrangement which involved the exchange of certain assets between them that resulted in a €41.849 thousand receivable for the Group (Note 33.3.1).

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 period 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.

Interim Condensed Consolidated Financial Statements

The Interim Condensed Consolidated Financial Statements include the financial statements of the Company and its subsidiaries. They were approved and authorised for issue by a resolution of the Board of Directors on 14 November 2016.

2. Unaudited financial statements

The Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2016 have not been audited by the Group's external auditors.

The Group's external auditors have conducted a review in accordance with the International Standard on Review Engagements 2410 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'.

3. Basis of preparation

The Interim Condensed Consolidated Financial Statements are presented in Euro (€) and all amounts are rounded to the nearest thousand, except where otherwise indicated.

3.1 Statement of compliance

The Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2016 have been prepared in accordance with the International Accounting Standard (IAS) applicable to interim financial reporting as adopted by the EU ('IAS 34').

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required for the annual financial statements and should be read in conjunction with the Annual Consolidated Financial Statements for the year ended 31 December 2015.

3.2 Comparative information

Comparatives have been reclassified to reflect the change in presentation of '(Losses)/gains on disposal of stock of property' within the consolidated income statement.

This change in presentation did not have an impact on the profit of the period.

4. Accounting policies

New and amended standards and interpretations

The accounting policies adopted for the preparation of the Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2016 are consistent with those followed for the preparation of the Annual Consolidated Financial Statements for the year ended 31 December 2015. In addition, the Group has adopted the following new standards, amendments and interpretations, which did not have a material impact on these Interim Condensed Consolidated Financial Statements:

- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortisation
- IFRS 11 Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations
- IAS 27 Separate Financial Statements (Amendment)
- IAS 1: Disclosure Initiative (Amendment)
- Annual Improvements IFRSs 2012-2014 Cycle issued by the International Accounting Standards Board (IASB), which is a collection of amendments to IFRS. These improvements include:
 - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Amendments
 - IFRS 7 Financial Instruments: Disclosures – Amendments
 - IAS 19 Employee Benefits – Amendments
 - IAS 34 Interim Financial Reporting – Amendments
- IAS 19 Employee benefits (Amended): Employee contributions
- Annual Improvements IFRSs 2010-2012 Cycle issued by the IASB, which is a collection of amendments to IFRSs. These improvements include:
 - IFRS 2 Share-based Payment
 - IFRS 3 Business Combinations
 - IFRS 8 Operating Segments
 - IFRS 13 Fair Value Measurement
 - IAS 16 Property, Plant & Equipment
 - IAS 24 Related Party Disclosures
 - IAS 38 Intangible Assets

5. Going concern

Management has made an assessment of the Group's ability to continue as a going concern.

The conditions that existed during the nine months ended 30 September 2016 and the developments up to the date of approval of these Interim Condensed Consolidated Financial Statements that have been considered in management's going concern assessment include, amongst others, the operating environment in Cyprus and of the Group (Note 6).

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 described below and the uncertainties that existed at the reporting date, 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 reasons set out below, despite the fact that, as disclosed in Notes 6.2.3 and 29, it is currently in breach of the regulatory liquidity ratios in Cyprus, which can be considered as a material uncertainty as to its ability to continue as a going concern.

- The Group's Common Equity Tier 1 (CET1) ratio at 30 September 2016 stands at 14,6% (transitional), higher than the minimum required ratio of 11,75% and total capital at 14,7% (Note 6.2.1).
- The improved funding structure of the Group as a result of the continuing positive customer flows in Cyprus.
- The significant decrease of its reliance on Emergency Liquidity Assistance (ELA) funding, which on 14 November 2016 stands at €0,8 billion, compared to €3,8 billion at 31 December 2015 and €11,4 billion at its peak level in April 2013 (Note 6.2.3).

5. Going concern (continued)

- The improved ratings of both the Company (Fitch Ratings upgrade of Long-term Issuer Default Rating from 'CCC' to 'B-' in April 2016 with stable outlook, and Moody's Investor Service upgrade of long-term deposit rate from Caa3 with stable outlook to Caa3 with positive outlook in June 2016) and the Republic of Cyprus (Fitch Ratings upgrade by two notches to B+ with a positive outlook in October 2015, S&P Global Rating 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). In September 2016, S&P Global Rating improved their rating on the Republic of Cyprus to BB with a positive outlook. In October 2016 Fitch Ratings improved their rating on the Republic of Cyprus to BB- with a positive outlook. In November 2016 Moody's Investors Service improved the outlook on the Republic of Cyprus from stable to positive.

6. Operating environment

6.1 Cyprus

Cyprus exited its economic adjustment programme at the end of March 2016 after a successful return to markets and having utilised only about 70% of the €10 billion funding resources made available by the European Union (EU) and the International Monetary Fund (IMF). Based on the Ministry of Finance Stability Programme 2016-2019 (May 2016), in the area of public finances, the government carried out a strong fiscal adjustment and the budget returned to near balance, public spending was reduced and tax collection was made more efficient.

Unemployment dropped to 13,1% in the first quarter of the year on a seasonally adjusted basis, and further to 12,4% in the second quarter compared to an average unemployment rate of 14,9% for 2015 as a whole and a peak of 16,5% in the fourth quarter of 2014 as per Eurostat.

Real GDP rose by 2,7% in the first half of 2016 year-on-year in a seasonally adjusted basis according to the Cyprus Statistical Service.

Consumer prices continued to decline for the fourth consecutive year, down by 1,6% year-on-year in the first nine months of 2016, (comparative year-on-year drop:2,1%). In the last three months to September 2016 the index dropped by 0,4% year-on-year, as per the Cyprus Statistical service.

Tourist arrivals increased significantly in the first eight months of 2016, up by 19,2% year-on-year. Industrial activity as measured by the index of industrial production continued to expand, up by 9,4% in the seven months to July, as per the Cyprus Statistical service.

Downside risks to the growth projections are associated with still high levels of non-performing loans, prolonged uncertainties in property markets and the credibility of the government. Downside risks may also be associated with a deterioration of the external environment for Cyprus. This would involve continuation of the recession in Russia in conditions of protracted declines in oil prices, weaker than expected growth in the euro area as a result of worsening global economic conditions and slower growth in the United Kingdom (UK) with a weakening of the pound following the Brexit referendum. Political uncertainty in Europe triggered by a British exit or by the refugee crisis and the escalation of regional military activity including tensions between the US and Russia and the Ukraine could also lead to increased economic uncertainty and undermine economic confidence.

Upside risks to the outlook relate to a longer period of low oil prices, better growth performance in the EU and investment decisions in tourism and energy and in public projects.

The international credit rating agencies have upgraded the rating of the country. Fitch Ratings upgraded the rating of the Republic of Cyprus by two notches to B+ with a positive outlook in October 2015, S&P Global Rating 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. In September 2016, S&P Global Rating improved their rating on the Republic of Cyprus to BB with a positive outlook. In October 2016 Fitch Ratings improved their rating on the Republic of Cyprus to BB- with a positive outlook. In November 2016 Moody's Investors Service improved the outlook on the Republic of Cyprus from stable to positive.

6. Operating environment (continued)

6.1 Cyprus (continued)

In July 2016 the Cyprus government accessed international capital markets for the third time since the start of the economic adjustment programme to date, issuing a seven year Eurobond of €1 billion at a yield of 3,8%.

6.2 The Group

6.2.1 Regulatory capital ratios

The Common Equity Tier 1 (CET1) ratio of the Group at 30 September 2016 stands at 14,6% (transitional) and total capital at 14,7%.

Since June 2016, the Pillar I CET1 minimum capital requirement applicable to the Group is 4,5%. The minimum Pillar I total capital requirement is 8,0% and may be met, in addition to the 4,5% CET1 requirement, with up to 1,5% by Additional Tier 1 capital and up to 2,0% by Tier 2 capital.

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 total minimum CET1 capital was determined by the European Central Bank (ECB) at 11,75% in November 2015. The Group's capital position at 30 September 2016 exceeds its Pillar I and its Pillar II add-on capital requirements. However, the Group's Pillar II add-on capital requirements are a point-in-time assessment and therefore are subject to change over time.

Following the Supervisory Review and Evaluation Process (SREP) performed by the ECB in 2016, based on the pre-notification received in September 2016, the Group's minimum phased-in CET1 capital ratio was set at 10,75%, comprising of a 4,5% Pillar I requirement, a 3,75% Pillar II requirement and the capital conservation buffer (CCB) which stands at 2,5% fully phased-in (in accordance with the prevailing Capital Requirement Directive IV (CRD IV) legislation in Cyprus). The ECB has also provided non public guidance for an additional Pillar II CET1 buffer.

The overall Total Capital Requirement has been set at 14,25%, comprising of a Pillar I requirement of 8% (of which up to 1,5% can be in the form of Additional Tier 1 capital and up to 2,0% in the form of Tier 2 capital), a Pillar II requirement of 3,75% (in the form of CET1), as well as the CCB of 2,5% fully phased in, which has been set for all credit institutions through the requirements of Capital Requirements Regulation (CRR)/CRD IV.

The new SREP requirements will be effective as from 1 January 2017 and as at the date of the publication of these Interim Condensed Consolidated Financial Statements, these requirements remain subject to ECB final confirmation, which is expected by end of 2016.

6.2.2 Asset quality

The Group's loans that are individually impaired or past due for more than 90 days (90+ DPD) have decreased by 23% during the nine months ended 30 September 2016 and totalled €8.768 million at 30 September 2016, representing 42,6% of gross loans (Note 27). The provisioning coverage ratio improved to 54% compared to 48% at 31 December 2015. The Group's non-performing exposures (NPEs), as defined by the European Banking Authority (EBA), totalled €11.901 million at 30 September 2016 and accounted for 58% of gross loans. The provisioning coverage ratio of NPEs totalled 40% at 30 September 2016.

The Group is currently addressing the asset quality challenge through the operation of independent, centralised and specialised restructuring and recovery units to manage large or distressed exposures. As a result of these efforts, 90+ DPD have decreased by 31% over the past six quarters since the peak of €12.789 million as at 31 March 2015. NPEs have decreased by 22% over the past six quarters since their peak of €15.175 million as at 31 March 2015. NPEs adhere to the technical reporting requirements of the EBA standards and the Loan Provisioning Directive.

The foreclosure and insolvency framework and the law governing the sale of loans provide the Group with additional tools and power to address its asset quality challenges.

6. Operating environment (continued)

6.2 The Group (continued)

6.2.3 Liquidity

The Group's funding position continues to improve with customer deposits increasing by €1.462 million or 10% in the nine months ended 30 September 2016.

Group customer deposits totalled €15.643 million at 30 September 2016 compared to €14.181 million at 31 December 2015. Customer deposits in Cyprus reached €14.210 million at 30 September 2016 and €12.691 million at 31 December 2015. Customer deposits accounted for 70% of total assets as at 30 September 2016 (compared to 61% at 31 December 2015 and a low of 48% at 31 March 2014).

The level of ELA funding at 30 September 2016 amounted to €1,3 billion (Note 21), down from €3,8 billion at 31 December 2015 and its peak level of €11,4 billion in April 2013. As at 14 November 2016, the level of ELA funding has been further reduced by €500 million to €0,8 billion represented a 93% reduction since peak. The Group intends to continue with further ELA repayments, the pace of which will be dependent on both the pace of increase in customer deposits and the prevailing market conditions which affect the Company's ability to raise wholesale funding. In this context, the Company successfully accessed the international markets for financing in May 2016 for the first time since the events of March 2013, completing a secured financing transaction (in the form of a repurchase agreement transaction) with a major international bank. This was partially repaid in August 2016 and fully terminated by the Company in October 2016.

It is noted that the Group's Restructuring Plan approved in 2013 by the Central Bank of Cyprus (CBC) included ELA funding throughout the Restructuring Plan period (2013-2017).

The Company is currently not in compliance with its regulatory liquidity requirements with respect to its operations in Cyprus and therefore dependent on continuing regulatory forbearance. Additional information on liquidity and details on certain regulatory liquidity ratios are disclosed in Note 29.

Cyprus 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. As a result, the ECB is no longer able to include Cyprus 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 resulted in the repayment of ECB funding at the end of March 2016 for an amount of €100 million which was collateralised by Cyprus Government bonds and materially reduced the available ECB buffer (this buffer represents the amount that could be drawn from the ECB based on the collateral pledged). However, any Cyprus Government bonds that remain unencumbered can be considered as ELA eligible collateral.

Although the Company has received no specific assurances, management expects that it will continue to have access to the central bank liquidity facilities, in line with applicable rules. In January 2014, the House of Representatives of Cyprus approved the issuance of up to €2,9 billion of guarantees. The European Commission announced in June 2016 the eighth extension of the bank guarantee scheme, which will see the scheme continue until 31 December 2016. At present, the Company does not expect to utilise the Government's guarantee scheme.

ELA is available to solvent Euro area credit institutions, and is therefore expected to remain available to the Company (subsequent to its repayment of existing ELA funds) if it were to face a 'stress event' that gave rise to temporary liquidity problems. If a stress event were to occur in the future, the Company would seek to utilise ELA funding, assuming it has sufficient available eligible collateral at the time.

6.2.4 Pending litigation and claims

The management has considered the potential impact of pending 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.

6. Operating environment (continued)

6.2 The Group (continued)

6.2.4 Pending litigation and claims (continued)

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 are considered unlikely to have a material adverse impact on the financial position and capital adequacy of the Group (Note 23).

7. 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 are described in the Annual Consolidated Financial Statements for the year ended 31 December 2015.

The critical judgements, estimates and assumptions are set out below.

7.1 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 and are part of the terms of the agreement and subject to satisfactory performance.

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.

A very important factor for the estimation of provisions is the timing and net recoverable amount from repossession of collaterals which mainly comprise land and buildings.

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 for which, based on specific facts and circumstances, a different period has been used and for customers in Debt Recovery where an average 6 year period has been used. In accordance with the Loan Impairment and Provisioning Procedures Directives of 2014 and 2015 of the CBC, the cumulative average future change in property values during the year has been capped to zero. The average liquidity haircut and selling expenses used in the provisions calculation is 10% of the current market value of the property for those collaterals for which their value is capped to zero and 10% of the projected market value of the property for those collaterals for which their value is expected to drop.

7. Significant judgements, estimates and assumptions (continued)

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

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 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 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 27.

7. Significant judgements, estimates and assumptions (continued)

7.2 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.

7.3 Classification of properties

The Group determines whether a property is classified as investment property or stock of property as follows:

- Investment properties comprise 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 (REMU) and Overseas Rundown' by the Group in 2015, are being managed with an intention to be disposed of.

7.4 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 uncertainty due to the relatively low level of market activity.

More details on the stock of property are presented in Note 18.

7.5 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 usually require a higher degree of judgement than other types of provisions. It is expected that the Group will continue to have a material exposure to litigation and regulatory proceedings and investigations relating to legacy issues in the medium term. The matters for which the Group determines that the probability of a future loss is more than remote will change from time to time, as will the matters as to which a reliable estimate can be made and the estimated possible loss for such matters. Actual results may prove to be significantly higher or lower than the estimate of possible loss in those matters, where an estimate was made. In addition, loss may be incurred in matters with respect to which the Group believed the probability of loss was remote.

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 23.

7.6 Exercise of significant influence

The Group determines whether it exercises significant influence on companies in which it has shareholdings of less 20% if other factors exist that demonstrate significant influence. In performing this assessment it considers its representation in the Board of Directors which gives rise to voting rights of more than 20% and participation in policy-making processes, including participation in decisions about dividends and other distributions.

8. Segmental analysis

The Group is organised into operating segments based on the geographic location of each unit. The main geographical location where the Group operates is Cyprus.

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

The remaining Group's activities in Greece, 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 and other countries include mainly the provision of banking, 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.

The disposal of the majority of the Russian operations was completed in September 2015 and the results of the Russian operations which have been disposed of are presented as discontinued operations in the comparative period. 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 September 2015, the Group completed the disposal of its 65% shareholding in the Aphrodite group. The results of the Aphrodite group acquired in November 2014 and disposed of in September 2015 are presented as discontinued operations in the comparative period.

8. Segmental analysis (continued)*Continuing operations*

	Cyprus	Other countries	Total continuing operations
Nine months ended 30 September 2016	€000	€000	€000
Net interest income	490.746	33.741	524.487
Net fee and commission income	106.851	5.180	112.031
Net foreign exchange gains	15.200	12.704	27.904
Net gains on financial instrument transactions	65.423	304	65.727
Insurance income net of claims and commissions	34.393	279	34.672
Gains/(losses) from revaluation and disposal of investment properties	5.991	(342)	5.649
Losses on disposal of stock of property	(2.715)	(327)	(3.042)
Other income	8.867	1.554	10.421
	724.756	53.093	777.849
Staff costs (excluding voluntary exit plan) (Note 10)	(158.398)	(12.734)	(171.132)
Staff costs – voluntary exit plan (Note 10)	(62.426)	-	(62.426)
Other operating expenses (excluding advisory and other restructuring costs) (Note 10)	(108.476)	(19.420)	(127.896)
Other operating expenses - advisory and other restructuring costs (Note 10)	(34.020)	(1.831)	(35.851)
	361.436	19.108	380.544
Gain on derecognition of loans and advances to customers and changes in expected cash flows	37.949	45	37.994
Provisions for impairment of loans and advances to customers and other customer credit losses	(263.813)	(41.063)	(304.876)
(Impairment)/reversal of impairment of other financial instruments	(12.800)	978	(11.822)
Impairment of non-financial instruments	(12.566)	(9.446)	(22.012)
Share of profit from associates and joint ventures	3.189	-	3.189
Profit/(loss) before tax	113.395	(30.378)	83.017
Income tax	(15.820)	(2.019)	(17.839)
Profit/(loss) after tax	97.575	(32.397)	65.178
Non-controlling interests - profit	(3.551)	-	(3.551)
Profit/(loss) after tax attributable to the owners of the Company	94.024	(32.397)	61.627

8. Segmental analysis (continued)*Continuing operations (continued)*

	Cyprus	Other countries	Total continuing operations
Nine months ended 30 September 2015	€000	€000	€000
Net interest income	602.782	41.566	644.348
Net fee and commission income	110.144	4.893	115.037
Net foreign exchange gains/(losses)	32.719	(1.756)	30.963
Net gains/(losses) on financial instrument transactions	29.403	(1.149)	28.254
Insurance income net of claims and commissions	31.104	714	31.818
Losses from revaluation and disposal of investment properties	(15.865)	(20.263)	(36.128)
Gains/(losses) on disposal of stock of property	803	(156)	647
Other income/(expenses)	15.805	(3.760)	12.045
	806.895	20.089	826.984
Staff costs (Note 10)	(163.907)	(12.692)	(176.599)
Other operating expenses (excluding advisory and other restructuring costs) (Note 10)	(106.379)	(13.395)	(119.774)
Other operating expenses – advisory and other restructuring costs (Note 10)	(22.495)	(4.316)	(26.811)
	514.114	(10.314)	503.800
Gain on derecognition of loans and advances to customers and changes in expected cash flows	257.113	6.279	263.392
Provisions for impairment of loans and advances to customers and other customer credit losses	(511.249)	(81.515)	(592.764)
Impairment of other financial instruments	(25.943)	(11.162)	(37.105)
Share of profit from associates and joint ventures	3.641	-	3.641
Profit/(loss) before tax	237.676	(96.712)	140.964
Income tax	(16.428)	(1.203)	(17.631)
Profit/(loss) after tax	221.248	(97.915)	123.333
Non-controlling interests – (profit)/loss	(173)	5.888	5.715
Profit/(loss) after tax attributable to the owners of the Company	221.075	(92.027)	129.048

8. Segmental analysis (continued)*Discontinued operations*

	Russia	Subsidiary acquired with the view to sale	Total discontinued operations
Nine months ended 30 September 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)
Losses on disposal of stock of property	(66)	-	(66)
Other income	1.222	18.833	20.055
	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)

8. Segmental analysis (continued)

Analysis of total revenue

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

Continuing operations

	Cyprus	Other countries	Total continuing operations
Nine months ended 30 September 2016	€000	€000	€000
Banking and financial services	677.587	63.630	741.217
Insurance services	32.283	390	32.673
Property and hotel business	3.960	(1)	3.959
Total revenue from third parties	713.830	64.019	777.849
Inter-segment revenue/(expense)	10.926	(10.926)	-
Total revenue	724.756	53.093	777.849

Nine months ended 30 September 2015			
Banking and financial services	762.467	29.978	792.445
Insurance services	30.261	965	31.226
Property and hotel business	2.330	(38)	2.292
Total revenue from third parties	795.058	30.905	825.963
Inter-segment revenue/(expense)	11.837	(10.816)	1.021
Total revenue	806.895	20.089	826.984

Discontinued operations

	Russia	Subsidiary acquired with the view to sale	Total discontinued operations
Nine months ended 30 September 2015	€000	€000	€000
Banking and financial services	28.015	-	28.015
Property and hotel business	-	18.833	18.833
Total revenue from third parties	28.015	18.833	46.848
Inter-segment expense	(1.021)	-	(1.021)
Total revenue	26.994	18.833	45.827

8. Segmental analysis (continued)

Analysis of assets

30 September 2016	Cyprus	Other countries	Total
	€000	€000	€000
Assets	20.996.485	2.555.394	23.551.879
Inter-segment assets			(1.169.781)
Total assets			22.382.098

31 December 2015			
Assets	21.666.656	2.746.202	24.412.858
Inter-segment assets			(1.142.357)
Total assets			23.270.501

Analysis of liabilities

30 September 2016	Cyprus	Other countries	Total
	€000	€000	€000
Liabilities	17.894.687	2.556.627	20.451.314
Inter-segment liabilities			(1.171.880)
Total liabilities			19.279.434

31 December 2015			
Liabilities	18.665.209	2.672.612	21.337.821
Inter-segment liabilities			(1.144.651)
Total liabilities			20.193.170

Segmental analysis of customer deposits and loans and advances to customers is presented in Notes 22 and 27, respectively.

Analysis by business line

In addition to monitoring operations by geographical location, management also monitors the operating results of each business line for the Cyprus segment of the Group, and such information is presented to the Group Executive Committee.

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/(expense) includes net foreign exchange gains, net gains/(losses) on financial instrument transactions, insurance income net of claims and commissions, gains/(losses) from revaluation and disposal of investment properties, (losses)/gains on disposal of stock of property and other income. Total other operating income, staff costs and other operating expenses incurred directly by the business lines are allocated to the business lines as incurred. Indirect other operating income and indirect other operating expenses are allocated to the head office function. 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, finance, risk management, compliance, legal, corporate affairs and human resources. Head office functions provide services to the operating segments. From 2016 onwards, following the establishment of REMU in December 2015 real estate management results are also presented as a separate business line, as REMU is considered a separate operating segment and reported as such to management. No comparative information has been disclosed for the results of this new business line as this was only set up in December 2015.

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8. Segmental analysis (continued)

Analysis by business line (continued)

	Corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	REMU	Insurance	Other	Total Cyprus
Nine months ended 30 September 2016	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Net interest income/(expense)	60.247	47.695	186.658	159.750	46.349	6.372	(8.813)	308	(7.820)	490.746
Net fee and commission income/(expense)	7.037	6.249	34.047	9.068	37.914	1.365	-	(3.079)	14.250	106.851
Total other operating income/(expense)	408	444	3.407	414	5.322	3.152	(1.938)	35.054	80.896	127.159
	67.692	54.388	224.112	169.232	89.585	10.889	(10.751)	32.283	87.326	724.756
Staff costs and other operating expenses	(8.133)	(8.709)	(87.471)	(25.256)	(19.076)	(3.427)	(6.604)	(10.378)	(97.820)	(266.874)
Restructuring costs – voluntary exit plan	(968)	(1.139)	(22.930)	(8.237)	(4.468)	(224)	(97)	(3.269)	(21.094)	(62.426)
Restructuring costs – other operating expenses	(17)	(6)	(74)	(7.282)	(64)	(7)	(2.809)	-	(23.761)	(34.020)
	58.574	44.534	113.637	128.457	65.977	7.231	(20.261)	18.636	(55.349)	361.436
Gain/(loss) on derecognition of loans and advances to customers and changes in expected cash flows	3.747	3.243	8.501	21.536	1.749	909	-	-	(1.736)	37.949
Reversal of provisions/(provisions) for impairment of loans and advances to customers and other customer credit losses	15.760	(16.942)	23.532	(284.547)	(1.571)	(554)	-	-	509	(263.813)
Impairment of other financial instruments	-	-	-	-	-	-	-	-	(12.800)	(12.800)
Impairment of non-financial instruments	-	-	-	-	-	-	(10.335)	-	(2.231)	(12.566)
Share of profit from associates and joint ventures	-	-	-	-	-	-	-	-	3.189	3.189
Profit/(loss) before tax	78.081	30.835	145.670	(134.554)	66.155	7.586	(30.596)	18.636	(68.418)	113.395
Income tax	(9.760)	(3.854)	(18.209)	16.819	(8.269)	(948)	3.824	(2.205)	6.782	(15.820)
Profit/(loss) after tax	68.321	26.981	127.461	(117.735)	57.886	6.638	(26.772)	16.431	(61.636)	97.575
Non-controlling interests - profit	-	-	-	-	-	-	-	-	(3.551)	(3.551)
Profit/(loss) after tax attributable to the owners of the Company	68.321	26.981	127.461	(117.735)	57.886	6.638	(26.772)	16.431	(65.187)	94.024

In addition loans and advances to customers and customer deposits of the above business lines are reported to the Group Executive Committee. Such an analysis is disclosed in Notes 17 and 22 respectively.

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8. 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
Nine months ended 30 September 2015	€000	€000	€000	€000	€000	€000	€000	€000	€000
Net interest income	51.726	51.702	187.196	221.105	45.612	4.900	504	40.037	602.782
Net fee and commission income/(expense)	5.726	6.686	40.971	10.884	36.257	1.209	(1.992)	10.403	110.144
Total other operating income	476	453	3.434	236	5.358	2.835	31.749	49.428	93.969
	57.928	58.841	231.601	232.225	87.227	8.944	30.261	99.868	806.895
Staff costs and other operating expenses	(7.847)	(9.162)	(89.204)	(24.006)	(16.101)	(3.764)	(11.479)	(108.723)	(270.286)
Restructuring costs	-	-	(385)	(16.564)	(3)	(168)	-	(5.375)	(22.495)
	50.081	49.679	142.012	191.655	71.123	5.012	18.782	(14.230)	514.114
Gain on derecognition of loans and advances to customers and changes in expected cash flows (Provisions)/reversal of provisions for impairment of loans and advances to customers and other customer credit losses	31.134	26.755	58.180	127.238	2.332	1.546	-	9.928	257.113
	(4.250)	6.797	(37.503)	(466.959)	(3.280)	(6.225)	-	171	(511.249)
Impairment of other financial instruments	-	-	-	-	-	-	-	(25.943)	(25.943)
Share of profit from associates and joint ventures	-	-	-	-	-	-	-	3.641	3.641
Profit/(loss) before tax	76.965	83.231	162.689	(148.066)	70.175	333	18.782	(26.433)	237.676
Income tax	(9.621)	(10.404)	(20.384)	16.438	(8.772)	(63)	(2.131)	18.509	(16.428)
Profit/(loss) after tax	67.344	72.827	142.305	(131.628)	61.403	270	16.651	(7.924)	221.248
Non-controlling interests - profit	-	-	-	-	-	-	-	(173)	(173)
Profit/(loss) after tax attributable to the owners of the Company	67.344	72.827	142.305	(131.628)	61.403	270	16.651	(8.097)	221.075

9. Net gains/(losses) on financial instrument transactions

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
	€000	€000	€000	€000
Trading portfolio:				
- equity securities	(419)	310	(103)	(366)
- debt securities	23	11	16	-
- derivative financial instruments	975	(13.324)	105	198
Other investments at fair value through profit or loss:				
- debt securities	(314)	379	(78)	(22)
- equity securities	(133)	157	(510)	275
Net gains/(losses) on disposal of available-for-sale investments:				
- equity securities	58.373	971	43	27
- debt securities	18	(12)	-	-
Net gains on disposal/repayment of loans and receivables:				
- debt securities	8.813	30.820	8.770	-
Realised gains on disposal of loans	106	35	796	35
Revaluation of financial instruments designated as fair value hedges:				
- hedging instruments	(2.655)	8.948	1.163	345
- hedged items	1.989	(10.046)	(1.864)	(898)
Loss on dissolution of subsidiaries	(1.049)	-	-	-
Gain/(loss) on disposal of joint ventures	-	10.005	-	(57)
	65.727	28.254	8.338	(463)

The gain on disposal of available-for-sale equity securities relates mainly to gain on sale of shares held in Visa Europe Ltd following the approved purchase of Visa Europe Limited by Visa Inc.

In the comparative period, the gain on disposal of joint ventures related mainly to the disposal of Marfin Diversified Strategy Fund Plc (MDSF) in April 2015 and represented the recycling of the related foreign currency reserves into the consolidated income statement. In addition, the gain on disposal of debt securities classified as loans and receivables related to the earlier than expected partial repayment of a Cyprus Government Bond.

10. Staff costs and other operating expenses

Staff costs

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
	€000	€000	€000	€000
Salaries	139.824	140.676	44.731	46.932
Employer's contributions to state social insurance and pension funds	19.863	19.826	5.878	7.236
Retirement benefit plan costs	11.445	16.097	3.657	4.414
	171.132	176.599	54.266	58.582
Restructuring costs – voluntary exit plan	62.426	-	13	-
	233.558	176.599	54.279	58.582

The number of persons employed by the Group as at 30 September 2016 was 4.229 (31 December 2015: 4.605, 30 September 2015: 4.610). In February and June 2016 the Group proceeded with voluntary exit plans for its employees in Cyprus, the cost of which is included in staff costs and amounted to €62.426 thousand. In total, 429 employees accepted the voluntary exit plan and during the nine months ended 30 September 2016, 419 employees left the Group under the plan.

Other operating expenses

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
	€000	€000	€000	€000
Repairs and maintenance of property and equipment	20.115	16.257	6.115	5.688
Other property-related costs	10.195	10.078	4.013	4.776
Operating lease rentals for property and equipment	7.558	7.770	2.721	2.551
Special levy on deposits of credit institutions in Cyprus	14.603	12.761	5.022	4.253
Consultancy and other professional services fees	7.456	11.966	3.130	4.438
Insurance	8.195	11.067	2.463	3.804
Advertising and marketing	11.948	8.585	3.844	5.591
Depreciation of property and equipment	8.638	9.259	2.850	3.100
Amortisation of intangible assets	5.320	5.259	1.814	1.833
Communication expenses	5.631	5.586	2.080	2.071
(Reversal of provision)/provision and settlements of litigations or claims (Note 23)	(90)	1.630	101	(374)
Printing and stationery	2.551	3.137	861	1.181
Local cash transfer expenses	2.030	1.992	624	669
Contribution to depositor protection scheme	161	274	137	29
Other operating expenses	23.585	14.153	7.524	4.216
	127.896	119.774	43.299	43.826
Advisory and other restructuring costs	35.851	26.811	10.892	5.358
	163.747	146.585	54.191	49.184

10. Staff costs and other operating expenses (continued)

Advisory and other restructuring costs comprise mainly fees of external advisors in relation to: (i) customer loan restructuring activities which are not part of the effective interest rate, (ii) the contemplated listing on the London stock exchange and (iii) disposal of operations and non-core assets.

11. Impairment of financial and non-financial instruments and gain on derecognition of loans and advances to customers and changes in expected cash flows

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
	€000	€000	€000	€000
Gain on derecognition of loans and advances to customers and changes in expected cash flows	(37.994)	(263.392)	(15.828)	(33.353)

<i>Provisions net of reversals of provisions for impairment of loans and advances to customers and other customer credit losses</i>				
Loans and advances to customers (Note 27)	302.576	628.801	122.818	161.692
Financial guarantees and commitments	2.300	(36.037)	2.133	(32.854)
	304.876	592.764	124.951	128.838

<i>Impairment/(reversal of impairment) of other financial instruments</i>				
Available-for-sale equity securities	498	1.616	(32)	388
Available-for-sale mutual funds	56	810	-	15
Loans and receivables debt securities	-	(167)	-	-
Loans and advances to banks	13.820	13.270	-	(200)
Other receivables	(2.999)	21.576	(374)	5.734
Deposits by banks	447	-	-	-
	11.822	37.105	(406)	5.937

<i>Impairment of non-financial instruments</i>				
Stock of property (Note 18)	22.012	-	12.650	-

12. Income tax

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
	€000	€000	€000	€000
Current tax:				
- Cyprus	2.824	1.867	761	512
- overseas	1.989	2.119	885	1.362
Cyprus special defence contribution	44	113	13	23
Deferred tax	6.414	12.687	844	5.226
Prior year tax adjustments	3.008	845	15	33
Other tax charges	3.560	-	1.626	-
	17.839	17.631	4.144	7.156

13. Earnings per share

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
Basic and diluted earnings per share attributable to the owners of the Company				
Profit for the period attributable to the owners of the Company (€ thousand)	61.627	73.209	5.255	12.989
Weighted average number of shares in issue during the period, excluding treasury shares (thousand)	8.920.437	8.909.583	8.922.945	8.909.583
Basic and diluted earnings per share (€ cent)	0,7	0,8	0,1	0,1

Basic and diluted earnings per share attributable to the owners of the Company – continuing operations				
Profit for the period attributable to the owners of the Company – continuing operations (€ thousand)	61.627	129.048	5.255	39.723
Weighted average number of shares in issue during the period, excluding treasury shares (thousand)	8.920.437	8.909.583	8.922.945	8.909.583
Basic and diluted earnings per share – continuing operations (€ cent)	0,7	1,4	0,1	0,4

13. Earnings per share (continued)

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	2016	2015
Basic and diluted losses per share attributable to the owners of the Company—discontinued operations				
Loss for the period attributable to the owners of the Company—discontinued operations (€ thousand)	-	(55.839)	-	(26.734)
Weighted average number of shares in issue during the period, excluding treasury shares (thousand)	8.920.437	8.909.583	8.922.945	8.909.583
Basic and diluted losses per share—discontinued operations (€ cent)	-	(0,6)	-	(0,3)

14. Investments

	30 September 2016	31 December 2015
	€000	€000
Investments		
Investments at fair value through profit or loss	46.013	50.785
Investments available-for-sale	113.947	100.535
Investments classified as loans and receivables	33.348	436.935
	193.308	588.255

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

	30 September 2016	31 December 2015
	€000	€000
Investments pledged as collateral		
Investments available-for-sale	352.889	421.032
Investments classified as loans and receivables	49.025	-
	401.914	421.032

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

Loans and receivables at 30 September 2016 include €49.129 thousand (31 December 2015: €146.444 thousand) of debt securities issued by the Cyprus government and listed on the Cyprus Stock Exchange which have been determined to be individually impaired, in prior years.

There were no reclassifications of investments between categories in the current period or in 2015.

14. Investments (continued)

Reclassification of investments

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

	Reclassification date	Carrying and fair value on reclassification date	30 September 2016		31 December 2015		Nine months ended 30 September 2016		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 in other comprehensive income had the debt securities not been reclassified	
		€000	€000	€000	€000	€000	€000	€000	
Reclassification of available-for-sale investments to:									
- loans and receivables	1 October 2008	49.800	49.129	49.852	48.021	50.232	-	723	4,6%-4,7%

14. Investments (continued)

Reclassification of investments (continued)

	Reclassification date	Carrying and fair value on reclassification date	30 September 2015		31 December 2014		Nine months ended 30 September 2015		Effective interest rate on reclassification date
			Carrying value	Fair value	Carrying value	Fair value	Additional loss 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	35.261	34.934	36.722	35.056	(122)	-	1,2%-4,4%
Reclassification of available-for-sale investments to:									
- loans and receivables	1 October 2008	129.497	129.214	140.954	130.500	130.520	-	11.740	4,6%-4,7%
- loans and receivables	30 June 2011	151.967	167.959	165.306	166.724	157.918	-	(2.653)	2,8%-6,3%
Reclassification of held-to-maturity investments to:									
- available-for-sale	1 November 2012	42.151	41.773	41.773	43.358	43.358	-	-	0,4%-3,1%

15. Derivative financial instruments

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

	30 September 2016			31 December 2015		
	Contract amount	Fair value		Contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	€000	€000	€000	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	21.206	129	157	90.870	1.113	2.103
Currency swaps	1.560.525	6.846	3.768	1.484.763	12.235	5.720
Interest rate swaps	262.982	793	2.077	34.511	141	2.305
Currency options	9.038	193	383	175	8	167
Equity options	-	-	-	1.515	477	441
Interest rate caps/floors	-	-	-	6.562	-	53
	1.853.751	7.961	6.385	1.618.396	13.974	10.789
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	392.400	-	44.045	425.900	45	39.570
Net investments – forward exchange rate contracts	167.951	4.004	30	151.246	4	4.040
	560.351	4.004	44.075	577.146	49	43.610
Total	2.414.102	11.965	50.460	2.195.542	14.023	54.399

Hedge accounting

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 30 September 2016, deposits and forward exchange rate contracts amounting to €162.092 thousand and €167.951 thousand respectively (31 December 2015: €178.101 thousand and €151.246 thousand respectively) have been designated as hedging instruments and have given rise to a gain of €44.352 thousand (corresponding period of 2015: loss of €9.227 thousand; year ended 31 December 2015: loss of €22.860 thousand) 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.

16. Fair value measurement

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

	30 September 2016		31 December 2015	
	Carrying value	Fair value	Carrying value	Fair value
	€000	€000	€000	€000
Financial assets				
Cash and balances with central banks	1.587.386	1.587.386	1.422.602	1.422.602
Loans and advances to banks	1.183.579	1.208.950	1.314.380	1.303.414
Investments at fair value through profit or loss	46.013	46.013	50.785	50.785
Investments available-for-sale	466.836	466.836	521.567	521.567
Investments classified as loans and receivables	82.373	83.513	436.935	445.521
Derivative financial assets	11.965	11.965	14.023	14.023
Loans and advances to customers	15.939.593	17.329.397	17.191.632	18.150.401
Life insurance business assets attributable to policyholders	476.602	476.602	462.613	462.613
Other assets	132.798	132.798	179.661	179.661
	19.927.145	21.343.460	21.594.198	22.550.587
Financial liabilities				
Obligations to central banks and deposits by banks	2.321.423	2.321.423	4.694.987	4.694.987
Repurchase agreements	329.325	369.968	368.151	406.014
Derivative financial liabilities	50.460	50.460	54.399	54.399
Customer deposits	15.642.924	15.628.250	14.180.681	14.185.996
Debt securities in issue	-	-	712	712
Other liabilities	151.666	151.666	141.357	141.357
	18.495.798	18.521.767	19.440.287	19.483.465

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.

16. Fair value measurement (continued)

The following is a description of the determination of fair value for financial instruments which are recorded at fair value on a recurring and on a non-recurring basis and for financial instruments 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 (CVA) and Debit Valuation adjustments (DVA)

The CVA and 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.

16. 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.

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 Group's assets and liabilities recorded at fair value, by level of the fair value hierarchy:

30 September 2016	Level 1	Level 2	Level 3	Total
	€000	€000	€000	€000
Financial assets				
<i>Trading derivatives</i>				
Forward exchange rate contracts	-	129	-	129
Currency swaps	-	6.846	-	6.846
Interest rate swaps	-	793	-	793
Currency options	-	193	-	193
	-	7.961	-	7.961
<i>Derivatives qualifying for hedge accounting</i>				
Net investments-forward exchange rate contracts	-	4.004	-	4.004
<i>Investments at fair value through profit or loss</i>				
Trading investments	11.916	-	672	12.588
Other investments at fair value through profit or loss	19.107	14.057	261	33.425
	31.023	14.057	933	46.013
<i>Investments available-for-sale</i>	456.090	41	10.705	466.836
	487.113	26.063	11.638	524.814

For available-for-sale equity securities categorised as Level 3, for an amount €8.730 thousand, a change in the conversion factor by 10% would result in a change in the value of the equity securities by €873 thousand.

16. Fair value measurement (continued)

Model inputs for valuation (continued)

30 September 2016	Level 1	Level 2	Level 3	Total
	€000	€000	€000	€000
Financial liabilities				
<i>Trading derivatives</i>				
Forward exchange rate contracts	-	157	-	157
Currency swaps	-	3.768	-	3.768
Interest rate swaps	-	2.077	-	2.077
Currency options	-	383	-	383
	-	6.385	-	6.385
<i>Derivatives qualifying for hedge accounting</i>				
Net investments-forward exchange rate contracts	-	30	-	30
Fair value hedges-interest rate swaps	-	44.045	-	44.045
	-	44.075	-	44.075
	-	50.460	-	50.460

31 December 2015				
Financial assets				
<i>Trading derivatives</i>				
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
<i>Derivatives qualifying for hedge accounting</i>				
Fair value hedges-interest rate swaps	-	45	-	45
Net investments-forward exchange rate contracts	-	4	-	4
	-	49	-	49
<i>Investments at fair value through profit or loss</i>				
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
<i>Investments available-for-sale</i>	466.995	41	54.531	521.567
	499.153	31.969	55.253	586.375

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.

16. Fair value measurement (continued)

Model inputs for valuation (continued)

31 December 2015	Level 1	Level 2	Level 3	Total
	€000	€000	€000	€000
Liabilities measured at fair value				
<i>Trading derivatives</i>				
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
<i>Derivatives qualifying for hedge accounting</i>				
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

During the nine months ended 30 September 2016 and during the year 2015 there were no significant transfers between Level 1 and Level 2.

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

	2016	2015
	€000	€000
1 January	55.253	3.688
Additions	7.850	339
Disposals and write offs	(90.808)	(45)
Transfers from Levels 1 and 2	-	321
Net gains from fair value changes recognised in the consolidated statement of other comprehensive income	495	50.695
Realised gains recognised in the consolidated income statement	39.047	-
Foreign exchange adjustments	(199)	255
30 September/31 December	11.638	55.253

17. Loans and advances to customers

	30 September 2016	31 December 2015
	€000	€000
Gross loans and advances to customers	19.606.830	21.385.065
Provisions for impairment of loans and advances to customers (Note 27)	(3.667.237)	(4.193.433)
	15.939.593	17.191.632

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 27.

18. Stock of property

The carrying value of stock of property 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. During the nine months ended 30 September 2016 an impairment loss of €22.012 thousand was recognised in 'Impairment of non-financial instruments' in the consolidated income statement arising from measuring items at lower of cost and net realisable value. At 30 September 2016, stock of €623.464 thousand (31 December 2015: €496.594 thousand) is carried at net realisable value which is approximately the fair value less costs to sell.

The stock of property includes residential properties, offices and other commercial properties, manufacturing and industrial properties, hotels, land (fields and plots) and properties under construction. The stock of property pledged as collateral for central bank funding facilities under Eurosystem monetary policy operations and ELA amounts to €21.375 thousand (31 December 2015: €21.875 thousand).

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

	2016	2015
	€000	€000
Net book value at 1 January	515.858	12.662
Acquisition of subsidiary (Note 33.1.1)	48.632	-
Additions	845.256	32.216
Disposals	(83.649)	(4.298)
Transfer from investment properties	-	492.927
Transfer from own use properties	-	541
Transfer from disposal group held for sale	-	247
Impairment (Note 11)	(22.012)	(17.792)
Foreign exchange adjustments	543	(645)
Net book value 30 September/31 December	1.304.628	515.858

Analysis by type and country	Cyprus	Greece	Romania	Total
30 September 2016	€000	€000	€000	€000
Residential properties	85.510	37.069	10.921	133.500
Offices and other commercial properties	188.621	59.615	12.820	261.056
Manufacturing and industrial properties	62.296	55.981	521	118.798
Hotels	65.848	2.161	-	68.009
Land (fields and plots)	706.545	5.766	10.606	722.917
Properties under construction	348	-	-	348
Total	1.109.168	160.592	34.868	1.304.628

18. Stock of property (continued)

Analysis by type and country	Cyprus	Greece	Romania	Total
31 December 2015	€000	€000	€000	€000
Residential properties	17.664	39.222	13.030	69.916
Offices and other commercial properties	122.885	63.934	13.553	200.372
Manufacturing and industrial properties	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

19. Prepayments, accrued income and other assets

	30 September 2016	31 December 2015
	€000	€000
Receivables relating to disposal of operations	56.952	98.454
Reinsurers' share of insurance contract liabilities	50.070	56.763
Taxes refundable	33.906	38.204
Debtors	23.723	23.020
Prepaid expenses	1.048	1.411
Retirement benefit plan assets	816	1.203
Other assets	66.216	62.725
	232.731	281.780

As at 30 September 2016, the receivables relating to the disposal of operations relate to the disposal of the Ukrainian operations, whereas at 31 December 2015 they related to the disposal of the Ukrainian and Russian operations.

During the nine months ended 30 September 2016, a reversal of impairment of €2.999 thousand was recognised in relation to other assets (corresponding period of 2015: impairment of €21.576 thousand) (Note 11).

20. Non-current assets and disposal group held for sale

Non-current assets and disposal group held for sale

	30 September 2016	31 December 2015
	€000	€000
Disposal group held for sale	-	26.168
Investment properties held for sale	11.569	22.335
	11.569	48.503

Non-current liabilities and disposal group held for sale

Disposal group held for sale	-	3.677
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20. Non-current assets and disposal group held for sale (continued)

The following non-current assets and disposal group were classified as held for sale as at 30 September 2016 and 31 December 2015:

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 'Gains/(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.

Disposal group held for sale

As at 31 December 2015, the disposal group held for sale relates to the Kermia Hotel business of the Group. In June 2016, the Group completed the sale of Kermia Hotel Ltd and adjacent land for a consideration of €26.500 thousand (Note 33.2.1).

21. Funding from central banks

Funding from central banks comprises funding from the ECB under Eurosystem monetary policy operations and ELA from the CBC, as set out in the table below:

	30 September 2016	31 December 2015
	€000	€000
Emergency Liquidity Assistance (ELA)	1.300.045	3.802.058
Main Refinancing Operations (MRO)	650.000	150.000
Targeted Long Term Refinancing Operations (TLTRO)	-	500.792
	1.950.045	4.452.850

The funding under the main refinancing operations bears interest at the ruling rate of the Eurosystem. The Company repaid in full its outstanding MRO funding during the first quarter of 2016. In May 2016, the Company raised new funding from ECB's MRO using as collateral a pool of housing loans that satisfy the criteria of the Additional Credit Claims as set out in accordance with the Implementation of the Eurosystem Monetary Policy Framework Directives of 2015 and 2016.

In 2014 the Group participated in the TLTRO of the ECB. The interest rate on the TLTRO was 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 Company repaid the amount borrowed through the TLTRO of €500 million on 29 June 2016 and borrowed the same amount from the MRO. Since the end of June 2016 all the Company's funding from the ECB is through its MRO.

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 29.

22. Customer deposits

	30 September 2016	31 December 2015
	€000	€000
<i>By type of deposit</i>		
Demand	5.696.677	4.987.078
Savings	1.012.162	1.033.991
Time or notice	8.934.085	8.159.612
	15.642.924	14.180.681
<i>By geographical area</i>		
Cyprus	14.210.208	12.691.090
United Kingdom	1.430.965	1.486.551
Romania	1.751	3.040
	15.642.924	14.180.681

<i>By customer sector</i>	Cyprus	United Kingdom	Romania	Total
30 September 2016	€000	€000	€000	€000
Corporate	1.110.219	44.487	1.398	1.156.104
SMEs	515.575	204.254	192	720.021
Retail	7.449.112	1.138.960	161	8.588.233
Restructuring				
– Corporate	222.875	-	-	222.875
– SMEs	27.302	-	-	27.302
Recoveries				
– Corporate	8.725	-	-	8.725
International banking services	4.141.240	-	-	4.141.240
Wealth management	735.160	43.264	-	778.424
	14.210.208	1.430.965	1.751	15.642.924
31 December 2015				
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

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

23. Accruals, deferred income and other liabilities

Other liabilities at 30 September 2016 include retirement benefit plan liabilities of €26.449 thousand (31 December 2015: €12.588 thousand) and provisions for pending litigations and claims of €31.805 thousand (31 December 2015: €34.749 thousand) for which the movement is presented below.

Provisions for pending litigation and claims

The movement for the period/year in the provisions for pending litigation and claims is as follows:

	2016	2015
	€000	€000
1 January	34.749	27.329
Increase of provisions during the period/year-continuing operations (Note 10)	9.760	11.904
Utilisation of provisions	(7.858)	(225)
Release of provisions during the period/year-continuing operations (Note 10)	(4.724)	(4.300)
Foreign exchange adjustments	(122)	41
30 September/31 December	31.805	34.749

The increase of provisions during the period of €9.760 thousand includes an amount of €5.126 thousand which is classified in advisory and other restructuring costs in other operating expenses (Note 10).

The recognition of provisions for pending litigation and claims is determined in accordance with the accounting policies set out in Note 3.30.1 of the Annual Consolidated Financial Statements for the year ended 31 December 2015.

Pending litigation and claims

The Group in the ordinary course of business is subject to enquiries and examinations, requests for information, audits, investigations and legal and other proceedings by regulators, governmental and other public bodies, actual and threatened, relating to the suitability and adequacy of advice given to clients or the absence of advice, lending and pricing practices, selling and disclosure requirements, record keeping, filings and a variety of other matters. In addition, as a result of the deterioration of the Cypriot economy and banking sector in 2012 and the subsequent Restructuring of the Company in 2013 as a result of the Bail-in Decrees, the Company is subject to a large number of proceedings and investigations that either precede, or result from the events that occurred during the period of the Bail-in Decrees. Most ongoing investigations and proceedings of significance relate to matters arising during the period prior to the issue of the Bail-in Decrees.

Apart from what is described below, the Group considers that none of these matters is material, either individually or in aggregate. The Group has not disclosed an estimate of the potential financial effect on its contingent liabilities arising from these matters where it is not practicable to do so because it is too early or the outcome is too uncertain or, in cases where it is practicable, where disclosure could prejudice conduct of the matters. Provisions have been recognised for those cases where the Group is able to estimate probable losses. Where an individual provision is material, the fact that a provision has been made is stated. 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 30 September 2016 and hence it is not believed that such matters, when concluded, will have a material impact upon the financial position of the Group.

Investigations and litigation relating to securities issued by the Company

A number of institutional and retail customers have filed various separate actions against the Company alleging that the Company is guilty of mis-selling in relation to securities issued by the Company between 2007 and 2011. Remedies sought include the return of the money investors paid for these securities. Claims are currently pending before the courts in Cyprus and in Greece, as well as the decisions and fines imposed upon the Company in related matters by Cyprus Securities and Exchange Commission (CySEC) and/or Hellenic Capital Market Commission (HCMC).

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).

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

Pending litigation and claims (continued)

Investigations and litigation relating to securities issued by the Company (continued)

The Company is defending these claims, particularly with respect to institutional investors and retail purchasers who received investment advice from independent investment advisors. In the case of retail investors, if 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. To date, a small number of cases have been tried in Greece. The Company has appealed against any such cases which were not ruled in its favour. The resolution of the claims brought in the courts of Greece is expected to take a number of years. Provision has been made based on management's best estimate of probable outflows based on advice of counsel.

The Hellenic Capital Market Commission (HCMC) Investigation

The HCMC is currently in the process of investigating matters concerning the Group's investment in Greek government bonds from 2009 to 2011, including, inter-alia, related non-disclosure of material information in the Company's CCS and CECS and rights issue prospectus (tracking the investigation carried out by CySEC in 2013), Greek government bonds' reclassification, ELA disclosures and allegations by some Greek government bond investors regarding the Company's non-compliance with Markets in Financial Instruments Directive (MiFID) in respect of investors' direct investments in Greek government bonds.

A specific estimate of the outcome of the investigations or of the amount of possible fines cannot be given at this stage, though it is not expected that any resulting liability or damages will have a material impact on the financial position of the Group.

The Cyprus Securities and Exchange Commission (CySEC) Investigations

CySEC is currently in the process of investigating:

- Matters concerning possible price manipulation attributable to the Company for the period from 1 November 2009 to 30 June 2010 post the investment in Banca Transilvania.
- The adequacy of provisions for impairment of loans and advances in year 2013 in light of the results of the Asset Quality Review.

Additionally, in late 2014 CySEC completed an investigation into the value of goodwill in CB Uniastrum Bank LLC disclosed in the interim financial statements of the Group in 2012. In October 2016, CySEC issued a decision, concluding that the Company was in breach of certain laws regarding disclosure in accordance, inter alia, with the Market Manipulation (Market Abuse) Law of 2005 and has imposed an administrative fine upon the Company of €25 thousand. CySEC also imposed higher fines upon certain former members of the Board of Directors and former management of the Company. The Company intends to file a recourse before the Administrative Court against the decisions of CySEC and the fine imposed upon the Company.

In 2015, CySEC completed an investigation into the reclassification of Greek Government bonds in April 2010. This investigation is currently pending with the Attorney General and CySEC Board. The CySEC investigation on the adequacy of provisions for the impairment of loans and advances in year 2011 is at the final stages of completion.

As the above investigations are in progress or decisions have been reserved, it is not practical at this stage for the Group to estimate reliably the possible consequences thereof, though it is not expected that any resulting liability or damages will have a material impact on the financial position of the Group.

Bail-in related litigation

Depositors

A number of the Company's depositors, who allege that they were adversely affected by the bail-in, 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 were in conflict with the Constitution of the Republic of Cyprus and the European Convention on Human Rights. They are seeking damages for their alleged losses resulting from the bail-in of their deposits. The Company is defending these actions.

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

Pending litigation and claims (continued)

Bail-in related litigation (continued)

Shareholders

Numerous claims were filed by shareholders in 2013 (some of whom are current shareholders of the Company) 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. These proceedings sought the cancellation and setting aside of the Bail-in Decrees as unconstitutional and/or unlawful and/or irregular. The Company appeared in these proceedings as an interested party to support the position that the cases should be adjudicated upon in the context of private law. The Supreme Court ruled in these cases in October 2014 that the proceedings fall within private and public law and thus fall within the jurisdiction of the District Courts.

As at 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. It is expected that actions for damages will be instituted by the shareholders in due course before the District Courts of Cyprus.

Claims based on set-off

Certain claims have been filed by customers against the Company alleging 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. The Company intends to contest such claims.

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. The Company, inter alia, maintains the position that it should not be a party to these proceedings.

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

In April 2014, following an investigation, which began in 2010, the Cypriot Commission for the Protection of Competition (the CPC) 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 and JCC Payment Systems Ltd (JCC), a card-processing business currently 75% owned by the Company.

There was also an allegation concerning the Company's arrangements with American Express, namely that such exclusive arrangements violated Cypriot and EU competition law. On both matters, the CPC has concluded that the Company (in common with other banks and JCC) has breached the relevant provisions of the applicable law for the protection of competition. For the time being, the proceedings before the CPC are not proceeding due to an Administrative Court decision holding that the composition of the CPC was contrary to law. This decision is subject to an appeal instituted before the Supreme Court by the Attorney General. The Company intends to file a recourse before the Administrative Court for the annulment of the CPC's decision in the event that such decision stands and if and when a fine is imposed in reliance thereof. At this stage it is not possible to predict the amount of the fine that may be imposed upon the Company, though it is not expected that any resulting liability or damages will have a material impact on the financial position of the Group.

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

Pending litigation and claims (continued)

CNP Arbitration

The French entity CNP Assurances S.A. had certain exclusive arrangements with Laiki Bank with respect to insurance products offered in, inter alia, Cyprus through the formation of a local company (CNP Cyprus Insurance Holdings Ltd (a company in which the Group now has a 49,9% shareholding, acquired as part of the acquisition of certain operations of Laiki Bank pursuant to Regulatory Administrative Act 104/2013)). CNP Assurances S.A. held 50,1% of the shares of CNP Cyprus Insurance Holdings Ltd 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 Assurances S.A. and Laiki Bank, a Shareholders' Agreement and a Distribution Agreement (to which Distribution Agreement CNP Cyprus Insurance Holdings Ltd was also a party).

Following the resolution of Laiki Bank, CNP Assurances S.A. and CNP Cyprus Insurance Holdings Ltd instituted arbitration proceedings in London under the rules of arbitration of the International Chamber of Commerce, alleging that the Company was a successor to Laiki Bank in respect of both the Shareholders' and Distribution Agreements and that the said Agreements were violated by the Company. The claims of CNP Assurances S.A. and CNP Cyprus Insurance Holdings Ltd amounted to approximately €240 million (including adjustments for taxes and pre-award interest as at March 2015). The Tribunal award was issued in September 2016, rejecting all claims made by the Claimants with costs in favour of the Company.

Provident fund cases

A number of claims which were pending before the Cypriot Labour Disputes Tribunal by certain of the Company's former employees with respect to their retirement benefits were withdrawn unreservedly and dismissed by the court in April 2016, following an out-of-court settlement to the satisfaction of the Company, utilising part of the provisions for pending litigation in place.

In December 2015, the Bank of Cyprus Employees Provident Fund (the 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. 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 on its financial position.

Employment litigation

Former senior officers of the Company have instituted a total of three claims for unfair dismissal and for Provident Fund entitlements against the Company and Trustees of the Provident Fund. As at the present date one case had been dismissed as filed out of time but the plaintiff has appealed against this ruling. The Group does not consider that these cases will have a material impact upon its financial position.

Greek case

In connection with a legal dispute (one case by the Company against Themis and one by Themis against the Company) relating to the Company's discontinued operations in Greece (Themis case), a provision was recognised in previous periods (30 September 2014: €38.950 thousand) following a court judgment 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 judgment by the Greek 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 December 2016. The Group does not consider that this case will have a material impact upon its financial position.

Swiss Francs loans litigation in Cyprus and UK

A number of actions have been instituted against the Company by borrowers who obtained loans in foreign currencies (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. The Group does not expect that these actions will have a material impact upon its financial position.

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

Pending litigation and claims (continued)

UK property lending claims

The Company is the defendant in certain proceedings alleging that the Company is legally responsible for allegedly, inter alia, advancing and misselling loans for the purchase by UK nationals of property in Cyprus. The proceedings in the United Kingdom are currently stayed in order for the parties to have time to negotiate possible settlements.

General criminal investigations and proceedings

As part of the investigations and inquiries following and relating to the financial crisis which culminated in March 2013, the Attorney General and the Cypriot police (the Police) are conducting various investigations into the Company's investment in Greek Government bonds, including their reclassification in the Company's financial statements. The Company is cooperating fully with the Attorney General and the Police and is providing all information requested of it. Based on the currently available information, the Group is of the view that any further investigations or claims resulting from these investigations will not have a material impact on its financial position.

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 case is fixed for hearing on 21-23 November 2016 and 1-2 December 2016. The maximum penalty on the Company, if found guilty, will be the imposition of a fine that is not expected to have a material impact on the financial position of the Group.

The Attorney General has filed a separate 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 alleged offence refers to the non-disclosure of the purchase of the Greek Government Bonds during a specified period. The Company denies all allegations. The next stage is that the case is fixed for plea on 22 November 2016. The maximum penalty on the Company, if found guilty, will be the imposition of a fine that is not expected to have a material impact on the financial position of the Group.

Other contingent liabilities

The Group, as part of its disposal process of certain of its operations, has provided various representations, warranties and indemnities to the buyers. These relate to, among other things, the ownership of the loans, the validity of the liens, tax exposures and other matters agreed with the buyers. As a result, the Group may be obliged to compensate the buyers in the event of a valid claim by the buyers with respect to the above representations, warranties and indemnities.

A provision has been made, based on management's best estimate of probable outflows, where it was assessed that such an outflow is probable.

24. Share capital

	30 September 2016		31 December 2015	
	Shares (thousand)	€000	Shares (thousand)	€000
<i>Authorised</i>				
Ordinary shares of €0,10 each	47.677.593	4.767.759	47.677.593	4.767.759
<i>Issued</i>				
1 January	8.922.945	892.294	8.922.378	892.238
Issue of shares	-	-	567	56
30 September 2016/31 December 2015	8.922.945	892.294	8.922.945	892.294

24. Share capital (continued)

Issued share capital

There were no changes to the issued share capital during the period ended 30 September 2016.

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.

The share premium was created in 2014 and 2015 by the issuance of 4.167.234 thousand shares of a nominal value of €0,10 each of a subscription price of €0,24 each, and was reduced by the relevant transaction costs of €30.794 thousand.

Capital reduction reserve

The capital reduction 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.

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.

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. During the nine months ended 30 September 2016 all treasury shares were disposed, therefore there were no treasury shares as at 30 September 2016 (31 December 2015: 5.136 thousand of a nominal value of €0,10 each. The total cost of acquisition of treasury shares at 31 December 2015 was €41.301 thousand).

In addition, the life insurance subsidiary of the Group held, as at 30 September 2016, a total of 2.889 thousand (31 December 2015: 2.889 thousand) shares of the Company, as part of its financial assets which are invested for the benefit of insurance policyholders. The cost of acquisition of these shares was €25.333 thousand (31 December 2015: €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 authorised Long Term Incentive Plan involved 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 was 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 Interim Condensed Consolidated Financial Statements.

25. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 September 2016	30 September 2015
	€000	€000
Cash and non-obligatory balances with central banks	1.454.029	870.059
Treasury bills repayable within three months	-	21.846
Loans and advances to banks with original maturity less than three months	1.010.528	1.147.468
	2.464.557	2.039.373

Analysis of cash and balances with central banks and loans and advances to banks

	30 September 2016	31 December 2015
	€000	€000
Cash and non-obligatory balances with central banks	1.454.029	1.299.795
Obligatory balances with central banks	133.357	122.807
Total cash and balances with central banks	1.587.386	1.422.602
Loans and advances to banks with original maturity less than three months	1.010.528	1.085.098
Other restricted loans and advances to banks	82.825	82.123
Other loans and advances to banks	90.226	147.159
Total loans and advances to banks	1.183.579	1.314.380

Other restricted loans and advances to banks relate to collateral under derivative transactions of €82.825 thousand (31 December 2015: €82.123 thousand) which is not immediately available for use by the Group, but is released once the transactions are terminated.

BANK OF CYPRUS GROUP
Notes to the Interim Condensed Consolidated Financial Statements

26. Analysis of assets and liabilities by expected maturity

	30 September 2016			31 December 2015		
	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	1.455.382	132.004	1.587.386	1.300.846	121.756	1.422.602
Loans and advances to banks	1.027.676	155.903	1.183.579	1.212.418	101.962	1.314.380
Derivative financial assets	11.591	374	11.965	13.939	84	14.023
Investments	127.787	467.435	595.222	348.596	660.691	1.009.287
Loans and advances to customers	5.494.918	10.444.675	15.939.593	5.147.878	12.043.754	17.191.632
Life insurance business assets attributable to policyholders	12.388	478.115	490.503	17.243	458.160	475.403
Prepayments, accrued income and other assets	105.070	127.661	232.731	87.690	194.090	281.780
Property, equipment and intangible assets	-	424.424	424.424	485	397.636	398.121
Investment properties	-	37.519	37.519	-	34.628	34.628
Investments in associates and joint ventures	-	112.582	112.582	-	107.753	107.753
Deferred tax assets	4.800	445.597	450.397	8.828	447.703	456.531
Stock of property	352.242	952.386	1.304.628	90.115	425.743	515.858
Non-current assets and disposal group held for sale	11.569	-	11.569	48.503	-	48.503
	8.603.423	13.778.675	22.382.098	8.276.541	14.993.960	23.270.501
Liabilities						
Deposits by banks	289.257	82.121	371.378	206.997	35.140	242.137
Funding from central banks	1.300.045	650.000	1.950.045	2.744.764	1.708.086	4.452.850
Repurchase agreements	45.022	284.303	329.325	111.605	256.546	368.151
Derivative financial liabilities	5.444	45.016	50.460	16.032	38.367	54.399
Customer deposits	5.145.415	10.497.509	15.642.924	4.981.609	9.199.072	14.180.681
Insurance liabilities	81.211	493.375	574.586	80.118	486.807	566.925
Accruals, deferred income and other liabilities	240.728	74.848	315.576	219.346	63.485	282.831
Debt securities in issue	-	-	-	712	-	712
Deferred tax liabilities	428	44.712	45.140	415	40.392	40.807
Non-current liabilities and disposal group held for sale	-	-	-	3.677	-	3.677
	7.107.550	12.171.884	19.279.434	8.365.275	11.827.895	20.193.170

The main assumptions used in determining the expected maturity of assets and liabilities are set out below.

The ELA funding which forms part of the funding from central banks has been included in the less than one year time band, since it is expected to be repaid within the year. The MRO funding which forms 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 both ELA and MRO has a contractual maturity of less than one year.

26. Analysis of assets and liabilities by expected maturity (continued)

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 27, 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.

27. 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 Group's significant judgements, estimates and assumptions regarding the determination of the level of provisions for impairment are described in Note 7 'Significant judgements, estimates and assumptions' of the Interim Condensed Consolidated Financial Statement for the nine months ended 30 September 2016.

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.

27. Risk management – Credit risk (continued)

Maximum exposure to credit risk and collateral and other credit enhancements

The table below presents the maximum exposure to credit risk before taking into account the tangible and measurable collateral and other credit enhancements held.

	30 September 2016	31 December 2015
	€000	€000
Balances with central banks	1.456.172	1.268.585
Loans and advances to banks	1.183.579	1.314.380
Trading investments - debt securities	487	317
Debt securities at fair value through profit or loss	13.557	17.430
Debt securities classified as available-for-sale and loans and receivables	532.337	898.869
Derivative financial instruments (Note 15)	11.965	14.023
Loans and advances to customers (Note 17)	15.939.593	17.191.632
Debtors (Note 19)	23.723	23.020
Reinsurers' share of insurance contract liabilities (Note 19)	50.070	56.763
Other assets and receivables relating to disposal of operations	109.075	156.641
On-balance sheet total	19.320.558	20.941.660
<i>Contingent liabilities</i>		
Acceptances and endorsements	7.472	8.385
Guarantees	806.078	793.111
<i>Commitments</i>		
Documentary credits	24.611	18.441
Undrawn formal stand-by facilities, credit lines and other commitments to lend	1.992.726	2.088.619
Off-balance sheet total	2.830.887	2.908.556
Total credit risk exposure	22.151.445	23.850.216

27. Risk management – Credit risk (continued)

Maximum exposure to credit risk and collateral and other credit enhancements (continued)

The Group's maximum exposure to credit risk is analysed by geographic area as follows:

	30 September 2016	31 December 2015
On-balance sheet	€000	€000
Cyprus	17.435.548	18.851.208
Greece	55.141	57.032
Russia	43.872	93.432
United Kingdom	1.607.997	1.673.293
Romania	178.000	266.695
	19.320.558	20.941.660

Off-balance sheet		
Cyprus	2.697.904	2.736.014
Greece	115.305	131.172
Russia	-	20.000
United Kingdom	17.253	21.063
Romania	425	307
	2.830.887	2.908.556

Total on and off-balance sheet		
Cyprus	20.133.452	21.587.222
Greece	170.446	188.204
Russia	43.872	113.432
United Kingdom	1.625.250	1.694.356
Romania	178.425	267.002
	22.151.445	23.850.216

27. 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.

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 Directives and CRR. 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 and originated credit impaired loans. In accordance with the provisions of IFRS 3 and IAS 39 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.

27. 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
30 September 2016	€000	€000	€000	€000	€000	€000	€000	€000
By economic activity								
Trade	2.103.311	-	13.955	12.223	58.022	2.187.511	(98.086)	2.089.425
Manufacturing	675.217	-	6.171	7.645	16.407	705.440	(28.991)	676.449
Hotels and catering	1.322.524	-	94.409	5.600	-	1.422.533	(61.928)	1.360.605
Construction	3.120.004	-	17.091	75.307	11.309	3.223.711	(230.243)	2.993.468
Real estate	2.080.775	19.344	989.626	207.486	6.532	3.303.763	(129.101)	3.174.662
Private individuals	7.072.328	216	31.764	3.225	-	7.107.533	(236.273)	6.871.260
Professional and other services	1.297.846	-	67.975	12.874	99.856	1.478.551	(75.763)	1.402.788
Other sectors	1.100.874	24.843	11.474	29.281	-	1.166.472	(128.299)	1.038.173
	18.772.879	44.403	1.232.465	353.641	192.126	20.595.514	(988.684)	19.606.830
By customer sector								
Corporate	7.848.668	44.187	953.031	340.082	175.258	9.361.226	(510.435)	8.850.791
SMEs	4.195.305	-	248.412	13.279	10.336	4.467.332	(224.286)	4.243.046
Retail								
- housing	4.227.114	-	14.050	101	-	4.241.265	(103.165)	4.138.100
- consumer, credit cards and other	2.083.372	216	16.972	179	6.532	2.107.271	(141.139)	1.966.132
International banking services	356.058	-	-	-	-	356.058	(4.207)	351.851
Wealth management	62.362	-	-	-	-	62.362	(5.452)	56.910
	18.772.879	44.403	1.232.465	353.641	192.126	20.595.514	(988.684)	19.606.830

27. 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
30 September 2016	€000	€000	€000	€000	€000	€000	€000	€000
By business line								
Corporate	2.493.134	44.187	953.031	239.040	161.562	3.890.954	(65.007)	3.825.947
SMEs	1.438.331	-	248.412	13.080	10.336	1.710.159	(38.075)	1.672.084
Retail								
- housing	3.565.293	-	14.050	101	-	3.579.444	(42.811)	3.536.633
- consumer, credit cards and other	1.341.433	216	16.972	179	-	1.358.800	(29.180)	1.329.620
Restructuring								
- major corporate	2.302.437	-	-	33.944	-	2.336.381	(163.941)	2.172.440
- corporate	1.098.015	-	-	-	-	1.098.015	(30.078)	1.067.937
- SMEs	1.260.684	-	-	-	-	1.260.684	(54.921)	1.205.763
Recoveries								
- corporate	1.955.082	-	-	67.098	13.696	2.035.876	(251.409)	1.784.467
- SMEs	1.496.290	-	-	199	-	1.496.489	(131.290)	1.365.199
- retail housing	661.821	-	-	-	-	661.821	(60.354)	601.467
- retail other	741.939	-	-	-	6.532	748.471	(111.959)	636.512
International banking services	356.058	-	-	-	-	356.058	(4.207)	351.851
Wealth management	62.362	-	-	-	-	62.362	(5.452)	56.910
	18.772.879	44.403	1.232.465	353.641	192.126	20.595.514	(988.684)	19.606.830

Restructuring major corporate business line includes customers with exposures over €100.000 thousand, whereas restructuring corporate business line includes customers with exposures between €6.000 thousand and €100.000 thousand.

27. 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
31 December 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

27. 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
31 December 2015 (represented)	€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								
- major corporate	2.877.985	-	-	35.736	-	2.913.721	(175.920)	2.737.801
- corporate	1.814.518	-	-	-	-	1.814.518	(75.945)	1.738.573
- 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

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 €79.674 thousand (31 December 2015: €81.078 thousand) and lending exposures in Cyprus with collaterals in Greece with a carrying value of €144.575 thousand (31 December 2015: €69.983 thousand).

27. 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
30 September 2016	€000	€000	€000	€000	€000	€000	€000	€000
Euro	17.652.641	44.403	26.126	352.220	16.075	18.091.465	(929.454)	17.162.011
US Dollar	202.403	-	475	20	75.662	278.560	(10.409)	268.151
British Pound	67.709	-	1.186.076	85	-	1.253.870	(7.651)	1.246.219
Russian Rouble	2	-	-	-	100.389	100.391	(2)	100.389
Romanian Lei	1	-	-	1.316	-	1.317	-	1.317
Swiss Franc	751.731	-	7.524	-	-	759.255	(32.719)	726.536
Other currencies	98.392	-	12.264	-	-	110.656	(8.449)	102.207
	18.772.879	44.403	1.232.465	353.641	192.126	20.595.514	(988.684)	19.606.830
31 December 2015								
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

27. Risk management – Credit risk (continued)

Credit quality of loans and advances to customers

The following table presents the credit quality of the Group's loans and advances to customers:

	30 September 2016			31 December 2015		
	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	10.896.147	(168.573)	10.727.574	10.442.903	(173.260)	10.269.643
Past due but not impaired	2.488.188	(46.701)	2.441.487	3.048.929	(60.803)	2.988.126
Impaired	7.211.179	(773.410)	6.437.769	9.100.643	(973.347)	8.127.296
	20.595.514	(988.684)	19.606.830	22.592.475	(1.207.410)	21.385.065

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 the nine months ended 30 September 2016 the total non-contractual write-offs recorded by the Group amounted to €425.043 thousand (year 2015: €172.670 thousand). The remaining gross loan balance of these customers as at 30 September 2016 was €264.052 thousand, of which €11.076 thousand were past due for more than 90 days but not impaired and €103.083 thousand were impaired.

Loans and advances to customers that are past due but not impaired

	30 September 2016	31 December 2015
Past due analysis:	€000	€000
- up to 30 days	587.149	468.791
- 31 to 90 days	344.092	351.450
- 91 to 180 days	145.994	144.362
- 181 to 365 days	144.279	258.920
- over one year	1.266.674	1.825.406
	2.488.188	3.048.929

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 30 September 2016 is €1.993.242 thousand (31 December 2015: €2.466.960 thousand). The fair value of the collateral is capped to the gross carrying value of the loans and advances to customers.

27. Risk management – Credit risk (continued)

Credit quality of loans and advances to customers (continued)

Impaired loans and advances to customers

	30 September 2016		31 December 2015	
	Gross loans and advances	Fair value of collateral	Gross loans and advances	Fair value of collateral
	€000	€000	€000	€000
Cyprus	6.648.897	4.122.263	8.414.868	5.596.169
Greece	44.187	17.930	68.309	17.945
Russia	190.377	86.456	247.319	94.417
United Kingdom	35.005	15.699	56.584	10.821
Romania	292.713	67.368	313.563	170.080
	7.211.179	4.309.716	9.100.643	5.889.432

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.

	30 September 2016	31 December 2015
	€000	€000
Impaired:		
- no arrears	514.188	875.488
- up to 30 days	22.286	78.176
- 31 to 90 days	52.006	24.353
- 91 to 180 days	14.519	65.382
- 181 to 365 days	106.016	310.167
- over one year	6.502.164	7.747.077
	7.211.179	9.100.643

Interest income on impaired loans

Interest income from loans and advances to customers includes interest on the recoverable amount of impaired loans and advances to customers amounting to €157.713 thousand (corresponding period of 2015: €179.657 thousand).

27. 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:

30 September 2016	Cyprus	Greece	Russia	Other countries	Total
	€000	€000	€000	€000	€000
1 January	3.731.750	33.833	195.017	232.833	4.193.433
Dissolution of subsidiaries	-	-	-	(6.154)	(6.154)
Acquisition of subsidiary	(8.577)	-	-	-	(8.577)
Foreign exchange and other adjustments	96.666	-	2.850	(3.627)	95.889
Applied in writing off impaired loans and advances	(718.967)	-	(62.228)	(18.186)	(799.381)
Interest accrued on impaired loans and advances	(110.353)	(518)	(468)	(529)	(111.868)
Collection of loans and advances previously written off	1.285	-	-	34	1.319
Charge for the period (Note 11)	266.130	2.617	16.014	17.815	302.576
30 September	3.257.934	35.932	151.185	222.186	3.667.237
Individual impairment	2.848.643	31.556	150.246	217.839	3.248.284
Collective impairment	409.291	4.376	939	4.347	418.953

30 September 2015					
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	66.423	-	4.729	2.028	73.180
Transfer between geographical areas	(83.378)	6.329	-	77.049	-
Applied in writing off impaired loans and advances	(87.527)	(16.700)	(60.723)	(59.583)	(224.533)
Interest accrued on impaired loans and advances	(158.407)	(1.100)	-	(40)	(159.547)
Collection of loans and advances previously written off	2.561	-	-	3.916	6.477
Charge for the period – continuing operations (Note 11)	550.786	13.230	33.400	31.385	628.801
Charge for the period – discontinued operations (Note 8)	-	-	42.665	-	42.665
30 September	3.157.803	11.034	197.953	250.089	3.616.879
Individual impairment	2.555.450	11.034	197.732	242.941	3.007.157
Collective impairment	602.353	-	221	7.148	609.722

27. Risk management – Credit risk (continued)**Provision for impairment of loans and advances to customers, including loans and advances to customers held for sale (continued)**

There are no loans and advances to customers held for sale as at 30 September 2016 and 30 September 2015. 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 23).

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 for which, based on specific facts and circumstances, a different period has been used and for customers in Debt Recovery where an average 6 year period has been used. In accordance with the Loan Impairment and Provisioning Procedures Directives of 2014 and 2015 of the CBC, the cumulative average future change in property values during the year has been capped to zero. The average liquidity haircut and selling expenses used in the provisions calculation is 10% of the current market value of the property for those collaterals for which their value is capped to zero and 10% of the projected market value of the property for those collaterals for which their value is expected to drop.

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.

27. 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 with reference date 30 September 2016. The impact on the provisions for impairment of loans and advances is presented below:

	Increase/(decrease) on provisions for impairment of loans and advances
<i>Change in provisions assumptions:</i>	€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	27.557
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	(25.170)
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	108.175
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	217.377
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	(106.829)
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	(211.926)
Extend 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	70.061
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	(67.161)

27. Risk management – Credit risk (continued)

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.

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.

27. 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 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.

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

30 September 2016	Cyprus	Greece	Russia	United Kingdom	Romania	Total
	€000	€000	€000	€000	€000	€000
1 January	8.391.624	24.865	138.376	116.232	119.185	8.790.282
New loans and advances rescheduled in the period	847.572	-	-	50.106	18.216	915.894
Assets no longer classified as rescheduled (including repayments)	(1.116.866)	(46)	(73.479)	(44.860)	(1.409)	(1.236.660)
Applied in writing off rescheduled loans and advances	(557.524)	-	-	(273)	(188)	(557.985)
Interest accrued on rescheduled loans and advances	257.443	24	879	509	981	259.836
Foreign exchange adjustments	723	-	13.658	(14.184)	1.596	1.793
30 September	7.822.972	24.843	79.434	107.530	138.381	8.173.160
31 December 2015						
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

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.

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit quality

30 September 2016	Cyprus	Greece	Russia	United Kingdom	Romania	Total
	€000	€000	€000	€000	€000	€000
Neither past due nor impaired	4.201.642	-	-	88.523	57.143	4.347.308
Past due but not impaired	1.338.359	-	763	16.307	1.193	1.356.622
Impaired	2.282.971	24.843	78.671	2.700	80.045	2.469.230
	7.822.972	24.843	79.434	107.530	138.381	8.173.160
31 December 2015						
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

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Fair value of collateral

30 September 2016	Cyprus	Russia	United Kingdom	Romania	Total
	€000	€000	€000	€000	€000
Neither past due nor impaired	3.939.511	-	78.385	55.585	4.073.481
Past due but not impaired	1.132.586	763	5.948	1.193	1.140.490
Impaired	1.910.007	48.233	2.582	23.077	1.983.899
	6.982.104	48.996	86.915	79.855	7.197.870
31 December 2015					
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

The fair value of collateral presented above has been computed based on the extent that the collateral mitigates credit risk.

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration

30 September 2016	Cyprus	Greece	Russia	United Kingdom	Romania	Total
	€000	€000	€000	€000	€000	€000
By economic activity						
Trade	687.798	-	32.926	263	2.749	723.736
Manufacturing	215.966	-	15.154	-	1.263	232.383
Hotels and catering	641.591	-	-	10.354	5.586	657.531
Construction	1.715.863	-	8.558	10.641	24.826	1.759.888
Real estate	1.117.031	-	-	63.375	103.335	1.283.741
Private individuals	2.636.370	-	-	1.164	59	2.637.593
Professional and other services	462.285	-	22.796	11.661	-	496.742
Other sectors	346.068	24.843	-	10.072	563	381.546
	7.822.972	24.843	79.434	107.530	138.381	8.173.160
By customer sector						
Corporate	3.688.889	24.843	74.349	90.803	136.892	4.015.776
SMEs	1.714.074	-	5.085	15.633	1.430	1.736.222
Retail						
- housing	1.762.968	-	-	-	-	1.762.968
- consumer, credit cards and other	575.808	-	-	1.094	59	576.961
International banking services	73.372	-	-	-	-	73.372
Wealth management	7.861	-	-	-	-	7.861
	7.822.972	24.843	79.434	107.530	138.381	8.173.160

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

30 September 2016	Cyprus	Greece	Russia	United Kingdom	Romania	Total
	€000	€000	€000	€000	€000	€000
By business line						
Corporate	680.604	24.843	74.349	90.803	136.710	1.007.309
SMEs	504.087	-	5.085	15.633	1.430	526.235
Retail						
- housing	1.608.603	-	-	-	-	1.608.603
- consumer, credit cards and other	464.934	-	-	1.094	59	466.087
Restructuring						
- major corporate	1.550.820	-	-	-	182	1.551.002
- corporate	892.412	-	-	-	-	892.412
- SMEs	814.471	-	-	-	-	814.471
Recoveries						
- corporate	565.053	-	-	-	-	565.053
- SMEs	395.516	-	-	-	-	395.516
- retail housing	154.365	-	-	-	-	154.365
- retail other	110.874	-	-	-	-	110.874
International banking services	73.372	-	-	-	-	73.372
Wealth management	7.861	-	-	-	-	7.861
	7.822.972	24.843	79.434	107.530	138.381	8.173.160

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

31 December 2015	Cyprus	Greece	Russia	United Kingdom	Romania	Total
	€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

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

31 December 2015 (represented)	Cyprus	Greece	Russia	United Kingdom	Romania	Total
	€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						
- major corporate	1.768.782	-	-	-	626	1.769.408
- corporate	1.272.086	-	-	-	-	1.272.086
- 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

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Provisions for impairment

30 September 2016	Cyprus	Greece	Russia	United Kingdom	Romania	Total
	€000	€000	€000	€000	€000	€000
Individual impairment	952.015	24.843	60.041	1.852	56.235	1.094.986
Collective impairment	202.206	-	378	303	1.613	204.500
	1.154.221	24.843	60.419	2.155	57.848	1.299.486
31 December 2015						
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

28. 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 mainly as a result of timing differences on the repricing of assets, liabilities and off-balance sheet items.

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.

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.

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 issuer 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 Group considers that the profile of its market risk has remained similar to the one prevailing at 31 December 2015 as presented in Note 45 of the Annual Consolidated Financial Statements for the year 2015.

29. 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 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. Bank of Cyprus UK Ltd ALCO is responsible for monitoring the liquidity position of the unit and ensuring compliance with the approved policies. 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.

29. Risk management – Liquidity risk and funding (continued)**Management and structure (continued)**

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 is responsible for managing its liquidity and 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.

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 of the Group, at least monthly. It also provides the results of various stress tests to ALCO at least quarterly.

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 policy: sets the responsibilities for managing liquidity risk as well as the framework and limits.
- (iii) 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.
- (iv) 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.
- (v) 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.
- (vi) 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 and Recovery Indicators and to enable the Group to be adequately prepared to respond to stressed conditions.

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/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 Group.

Since May 2016, Market Risk also prepares stress testing for bank-specific, market wide and combined scenarios. The requirement is to have sufficient liquidity buffer to enable the Company to survive a two-week stress period, and adequate capacity to raise funding under a three month period, under all 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, available ECB credit line and market value net of haircut of liquid eligible unencumbered/available bonds.

The designing of the stress tests followed best practice guidance 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.

29. 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 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 in order to calculate the survival days. The fixed deposit renewal rates and deposits by tenor are also presented to the ALCO.

Market Risk reports the Liquidity Coverage Ratio (LCR) and Additional Liquidity Monitoring Metrics (ALMM) to the CBC/ECB monthly.

Group Treasury prepares a liquidity report which is submitted to the ALCO and the Executive Committee on a monthly basis. The report indicates the liquidity position of the Company, data on monthly customer flows, as well as other important developments related to liquidity. Moreover, Group Treasury prepares a cash flows projection report covering a one month and two month periods, which is sent to ECB/SSM/CBC.

Quarterly

The results of the stress testing scenarios prepared daily are reported to ALCO and Board Risk Committee quarterly. Moreover, Market Risk reports the Net Stable Funding Ratio (NSFR), 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 Group prepares on an annual basis its report on Internal Liquidity Adequacy Assessment Process (ILAAP). The report for the year 2015 was approved by the Board and was submitted to the CBC and the ECB within the deadline which was 30 April 2016.

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 extended 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 eligible 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:

	30 September 2016	31 December 2015
	%	%
End of reporting period/year	15,79	18,25
Average monthly ratio	16,24	18,31
Highest monthly ratio	17,22	21,62
Lowest monthly ratio	14,48	15,64

29. 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 and is dependent on continuing regulatory forbearance.

As at 30 September 2016 and 31 December 2015 the other banking units of the Group were in compliance with their liquidity regulatory ratios.

The ratio of loans and advances to customer deposits is presented below:

	30 September 2016	31 December 2015
	%	%
End of reporting period/year	101,60	120,92
Average quarterly ratio	112,79	133,57
Highest quarterly ratio	120,92	141,48
Lowest quarterly ratio	101,60	120,92

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.

Reliance on ELA funding was reduced from its peak of €11,4 billion in April 2013. As at 30 September 2016, the funding from ELA amounted to €1,3 billion (31 December 2015: €3,8 billion) (Note 21).

The liquidity received from central banks is subject to the relevant regulations and requires qualifying assets as collateral.

The funding provided to the Group through ELA is short term, usually 2-4 weeks. The funding via Eurosystem monetary policy operations ranges from short term to long term. Currently, the Group borrows short-term, through one-week liquidity operations (MRO).

In May 2016, the Company raised new funding from ECB's MRO using as collateral a pool of housing loans that satisfy the criteria of the Additional Credit Claims as set out in accordance with the Implementation of the Eurosystem Monetary Policy Framework Directives of 2015 and 2016.

Additionally, in May 2016 the Company has also concluded a repurchase transaction which is its first wholesale funding transaction since 2013. This was partially repaid in August 2016 and fully terminated by the Company in October 2016.

In 2014, the Group participated in the TLTRO of the ECB for an amount of €500 million. On 29 June 2016 the Company repaid the amount borrowed through the TLTRO amounting to €500 million and borrowed the same amount from the MRO.

Funding to subsidiaries

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 Group in excess of maximum limits set by the local regulator.

Any new funding to subsidiaries requires approval from the ECB and the CBC.

29. Risk management – Liquidity risk and funding (continued)**Funding to subsidiaries (continued)**

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 Group's encumbered assets as at 30 September 2016 and 31 December 2015 are summarised below:

	30 September 2016	31 December 2015
	€000	€000
Cash and other liquid assets	176.724	154.896
Investments	477.220	892.728
Loans and advances	9.322.569	12.882.139
Property	92.698	93.500
	10.069.211	14.023.263

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.

Investments are mainly used as collateral for repurchase transactions with commercial banks as well as supplementary assets for the covered bond.

Loans and advances indicated as encumbered as at 30 September 2016 and 31 December 2015 are mainly used as collateral for funding from the CBC, the covered bond and the ECB.

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 August 2016, the Company cancelled two own-issued bonds guaranteed by the Republic of Cyprus of €500 million each. The bonds bore an annual fixed interest rate at 5%. The bonds were guaranteed by the Republic of Cyprus and were 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 was presented in debt securities in issue in the consolidated balance sheet as all the bonds were held by the Company. The bonds were listed on the Cyprus Stock Exchange and were pledged as collateral for obtaining funding from central banks. One of the bonds has been released in June 2016 from the ELA pool of collateralised assets. After taking into consideration the significant reduction of ELA funding, the Board of Directors of the Company at its meeting held on 16 August 2016, decided to proceed with the cancellation of the two bonds. Given the decision for the cancellation, the CBC released the second bond on 19 August 2016. The two bonds were cancelled on 25 August 2016, following the approval/consent from the competent authorities.

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 bonds of €1.000 million. The covered bonds issued had a maturity of three years with a potential extension of their repayment by one year, bore interest at the three month Euribor plus 1,25% on a quarterly basis and were traded on the Luxemburg Bourse.

The terms of the €1.000 million covered bond secured by residential mortgage loans originated in Cyprus were amended in June 2014 and the maturity date changed to 12 June 2017 with a potential extension of one year and the interest rate to three month Euribor plus 3,25% on a quarterly basis. All the bonds issued are held by the Company.

29. Risk management – Liquidity risk and funding (continued)

Collateral requirements (continued)

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, the outstanding principal of the retained covered bond was reduced to €650 million 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 million of ECB funding. 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.

Cyprus 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. 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 resulted in the repayment of ECB funding at the end of March 2016 for an amount of €100 million which was collateralised by Cyprus Government bonds and materially reduced the available ECB buffer (this buffer represents the amount that could be drawn from the ECB based on the collateral pledged). However, any Cyprus Government bonds that remain unencumbered can be considered as ELA eligible collateral.

In August 2016 the CBC has released loans and advances with contractual value of €2 billion held as collateral for ELA and in October 2016 it has released additional loans and advances with contractual value of €2,5 billion.

30. 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 complies with the minimum capital requirements (Pillar I and Pillar II).

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.

Additional information on regulatory capital is disclosed in the Additional Risk and Capital Management Disclosures (unaudited) which are available on the Group's Website www.bankofcyprus.com (Investor Relations).

31. Related party transactions

	30 September 2016	31 December 2015
	€000	€000
Loans and advances:		
- members of the Board of Directors and other key management personnel	2.866	3.354
- connected persons	429	886
	3.295	4.240
Deposits:		
- members of the Board of Directors and other key management personnel	2.730	3.366
- connected persons	3.108	3.147
	5.838	6.513

The above table does not include period/year-end balances i.e. 30 September 2016 and 31 December 2015 respectively, for members of the Board of Directors and their connected persons who resigned during the period/year.

Interest income and expense from members of the Board of Directors and connected persons and other key management personnel and connected persons from loans and advances and deposits for the nine months ended 30 September 2016 amounted to €75 thousand and €54 thousand respectively (corresponding period of 2015: €106 thousand and €164 thousand respectively). The interest income and expense are disclosed from the date of their appointment.

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 €47 thousand (31 December 2015: €135 thousand). There were also contingent liabilities and commitments to other key management personnel and their connected persons amounting to €382 thousand (31 December 2015: €856 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 30 September 2016 amounted to €663 thousand (31 December 2015: €1.094 thousand).

At 30 September 2016 the Group has an investment in Invesco Euro Short Term Bond Fund, in which Mr Wilbur L. Ross Jr. is an executive Director. The fair value of the investment at 30 September 2016 amounts to €4.050 thousand.

At 30 September 2016 the Group has a deposit of €534 thousand with Piraeus Bank SA, in which Mr. Arne Berggren is a non-executive Director.

There were no transactions during the nine months ended 30 September 2015 with the current members of the Board of Directors, or with any members who resigned during the period, or with their connected persons.

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.

31. Related party transactions (continued)**Fees and emoluments of members of the Board of Directors and other key management personnel**

	Nine months ended 30 September	
	2016	2015
	€000	€000
Director emoluments		
<i>Executives</i>		
Salaries and other short term benefits	1.397	732
Employer's contributions	68	44
Retirement benefit plan costs	124	95
	1.589	871
<i>Non-executives</i>		
Fees	635	194
Total directors' emoluments	2.224	1.065
Other key management personnel emoluments		
Salaries and other short term benefits	2.368	2.570
Termination benefits	397	-
Employer's contributions	147	116
Retirement benefit plan costs	119	136
Total other key management personnel emoluments	3.031	2.822
Total	5.255	3.887

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.

The termination benefits relate to compensation paid to members of the Executive Committee who left the Group under the voluntary exit plan.

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 members of the management team who report directly to the Chief Executive Officer or to the Deputy CEO.

32. 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 30 September 2016 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
Cytrustees Investment Public Company Ltd	Cyprus	Closed-end investment company	54
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
BOC Secretarial Company Ltd	Cyprus	Secretarial services	100
S.Z. Eliades Leisure Ltd	Cyprus	Land development and operation of a golf resort	70
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 Asfaltiki (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
Fortuna Astrum Ltd	Serbia	Problem asset management company	100

32. Group companies (continued)

In addition to the above companies, at 30 September 2016 the Company had 100% shareholding in the companies listed below whose activity is the ownership and management of immovable property:

Cyprus: Timeland Properties Ltd, Cobhan Properties Ltd, Bramwell Properties Ltd, Birkdale Properties Ltd, Newington Properties Ltd, Innerwick Properties Ltd, Ramendi Properties Ltd, Ligosimo 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, Threelfield Properties Ltd, Lepidoland Properties Ltd, Ecunaland Properties Ltd, Tebane Properties Ltd, Cranmer Properties Ltd, Vieman Ltd, Les Coraux Estates Ltd, Natakou Company Ltd, Oceania Ltd, Dominion Industries Ltd, Ledra Estate Ltd, Eurolife Properties Ltd, Laiki Lefkothea Center Ltd, Labancor Ltd, Steparco Ltd, Joberco Ltd, Zecomex Ltd, Domita Estates Ltd, Memdes Estates Ltd, Pamaco Platres Complex Ltd, Vameron Properties Ltd, Thryan Properties Ltd, Otoba Properties Ltd, Edoric Properties Ltd, Canosa Properties Ltd, Silen Properties Ltd, Kernland Properties Ltd, Unduma Properties Ltd, Danoma Properties Ltd, Kimrar Properties Ltd, Jobelis 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, Solutio Properties Ltd, Solomaco Properties Ltd, Linaland Properties Ltd, Andaz Properties Ltd, Unital Properties Ltd, Neraland Properties Ltd, Canemia 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, Browneye Properties Ltd, Syniga Properties Ltd, Colar Properties Ltd, Irida Properties Ltd, Valiro Properties Ltd, Avolo Properties Ltd, Bracando Properties Ltd, Provezaco Properties Ltd, Hillbay Properties Ltd, Jungax Properties Ltd, Ofraco Properties Ltd, Forenaco Properties Ltd, Vidalaco Properties Ltd, Jemina Properties Ltd, Hovita Properties Ltd, Flitous Properties Ltd, Badrul Properties Ltd, Belaland Properties Ltd, Glodas Properties Ltd, Belzeco Properties Ltd, Bothwick Properties Ltd, Fireford Properties Ltd, Citlali Properties Ltd, Endar Properties Ltd, Astromeria Properties Ltd, Orzo Properties Ltd, Basiga Properties Ltd, Regetona Properties Ltd, Arcandello Properties Ltd, Sylvesta Properties Ltd, Camela Properties Ltd, Nerofarm Properties Ltd, Subworld Properties Ltd, Jongeling Properties Ltd, Introsolve Properties Ltd, Alomco Properties Ltd, Cereas Properties Ltd, Fareland Properties Ltd, Landeed Properties Ltd, Sindelaco Properties Ltd, Barosca Properties Ltd, Fogland Properties Ltd, Tebasco Properties Ltd, Dolapo Properties Ltd, Homirova Properties Ltd, Nabela Properties Ltd, Valecross Properties Ltd, Altco Properties Ltd, Forsban Properties Ltd, Marisaco Properties Ltd, Olivero Properties Ltd, Cavadino Properties Ltd, Jaselo Properties Ltd, Elosa Properties Ltd, Garveno Properties Ltd, Flona Properties Ltd, Toreva Properties Ltd, Resoma Properties Ltd, Singleserve Properties Ltd, Consento Properties Ltd, Mostero Properties Ltd, Helal Properties Ltd, Yossi Properties Ltd, Gozala Properties Ltd, Molla Properties Ltd, Lezanco Properties Ltd, Pendalo Properties Ltd, Frontyard Properties Ltd, Bascot Properties Ltd, Bonsova Properties Ltd, Givolo Properties Ltd, Nasebia Properties Ltd, Vanemar Properties Ltd, Garmoz Properties Ltd, Orasmo Properties Ltd, Palmco Properties Ltd, Crolandia Properties Ltd, Benely Properties Ltd, Arcozil Properties Ltd, Denmor Properties Ltd, Coramono Properties Ltd, Galozy Properties Ltd, Primantela Properties Ltd, Varony Properties Ltd and Thermano 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, Frozenport Properties SRL, Imoreth Properties SRL, Inroda Properties SRL, Melgred Properties SRL, Tantora Properties SRL, Zunimar Properties SRL, Allioma Properties SRL and Nikaba Properties SRL.

Further, at 30 September 2016 the Company had 100% shareholding in Iperi Properties Ltd, Obafemi Holdings Ltd, Stamoland Properties Ltd and Gosman Properties Ltd whose main activities are the holding of shares and other investments and they are registered in Cyprus.

At 30 September 2016 the Company had 100% shareholding in the companies listed below which are reserved to accept property:

Cyprus: Belvesi Properties Ltd, Ingane Properties Ltd, Indene Properties Ltd, Warmbaths Properties Ltd, Tavoni Properties Ltd, Tezia Properties Ltd, Carnota Properties Ltd, Demoro Properties Ltd, Venicous Properties Ltd, Primaco Properties Ltd, Amary Properties Ltd, Hamura Properties Ltd, Gileco Properties Ltd, Meriaco Properties Ltd, Caruzoco Properties Ltd, Consoly Properties Ltd, Venetolio Properties Ltd, Flymoon Properties Ltd, Senadaco Properties Ltd, Lasmane Properties Ltd, Lorman Properties Ltd, Desogus Properties Ltd, Intelamon Properties Ltd, Weiner Properties Ltd, Holstone Properties Ltd, Balasec Properties Ltd, Eracor Properties Ltd, Nouralia Properties Ltd, Mazima Properties Ltd, Alomnina Properties Ltd, Diafor Properties Ltd, Prosilia Properties Ltd and Rulemon Properties Ltd.

32. Group companies (continued)

Romania: Mirodi Properties SRL, Nallora 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, Hydrobius Ltd and Landanafield Properties Ltd.

The Group also holds 100% of the following companies which are inactive:

Cyprus: Laiki Bank (Nominees) Ltd, Fairford Properties Ltd, Thames Properties Ltd, Paneuropean Ltd, Philiki Ltd, Cyprialife Ltd, Imperial Life Assurance Ltd, Philiki Management Services Ltd, Nelcon Transport Co. Ltd, Ilera Properties Ltd, Weinco Properties Ltd, Calomland Properties Ltd, Lameland Properties Ltd, Fantasio Properties Ltd, Lancast Properties Ltd, Kandoramo Properties Ltd, Cronaland Properties Ltd, Thelemic Properties Ltd, Maledico Properties Ltd, Dentorio Properties Ltd, Alepar Properties Ltd, Valioco Properties Ltd, Bascone Properties Ltd, Balisimo Properties Ltd, Artozaco Properties Ltd, Elizano Properties Ltd, Nelipo Properties Ltd, Allodica Properties Ltd, Resocot Properties Ltd, Jomento Properties Ltd, Soblano Properties Ltd, Talamon Properties Ltd, Unoplan Properties Ltd and BOC Asset Management Ltd.

Greece: Kyprou Commercial SA and Kyprou Properties SA.

All Group companies are accounted for as subsidiaries using the full consolidation method.

Termination of the leasing activities of Cyprus Leasing Romania IFN SA

On 26 September 2016 the shareholders of Cyprus Leasing Romania IFN SA decided to:

- deregister the company from the Registry of non-banking financial institutions held by the National Bank of Romania,
- terminate the leasing and crediting activity of the company, and
- change the name of the company to Cyprus Leasing SA.

As a consequence of the above, the main activity of the company will be the collection of the existing portfolio of receivables, including third party collections.

The matter is pending approval by the National Bank of Romania.

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 30 September 2016, 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, Salecom Ltd, Longtail Properties Ltd, Diners Club (Cyprus) Ltd, Leasing Finance LLC, Corner LLC, Omiks Finance LLC and Unknownplan Properties SRL.

Tefkros Investments (CI) Ltd, Bank of Cyprus Mutual Funds Ltd, Laiki EDAK Ltd, Limestone Holdings Ltd and Turnmill Properties Ltd were dissolved during the nine months ended 30 September 2016. Mainport Properties Ltd, Besadoco Properties Ltd, Odaina Properties Ltd, Icecastle Properties Ltd and Gilfront Properties Ltd were disposed of during the nine months ended 30 September 2016 as part of the Company's disposal process of properties repossessed.

As part of the Group's strategy of focusing on its core businesses and markets, the Group decided the closure of the operations of Bank of Cyprus (Channel Islands) Ltd and to relocate its business to other group locations.

33. Acquisitions and disposals

33.1 Acquisition during 2016

33.1.1 Acquisition of S.Z. Eliades Leisure Ltd

In the context of its loan restructuring activities the Group acquired on 15 June 2016 a 70% interest in the share capital of S.Z. Eliades Leisure Ltd in exchange for the settlement of borrowings due from it of a total gross amount of €52.335 thousand. S.Z. Eliades Leisure Ltd operates in land development and the operation of a golf resort in Cyprus. The fair value of the consideration for the acquisition of the 70% share in S.Z. Eliades Leisure Ltd amounts to €43.758 thousand. The acquisition did not include any cash consideration. The Group considers that it controls S.Z. Eliades Leisure Ltd.

The non-controlling interest is measured at the proportionate share of the identifiable net assets acquired.

The fair value of assets and liabilities of S.Z. Eliades Leisure Ltd at the date of acquisition are presented below:

Assets	€000
Property and equipment	20.308
Stock of property	48.632
Prepayments, accrued income and other assets	580
	69.520
Liabilities	
Deferred tax liability	3.807
Accruals, deferred income and other liabilities	3.202
	7.009
Net identifiable assets acquired	62.511
Less non-controlling interest	(18.753)
Net assets acquired	43.758

No cash and cash equivalents were acquired.

33.2 Disposal during 2016

33.2.1 Disposal of Kermia Hotels Ltd and adjacent land

In June 2016, the Group completed the sale of 100% of its subsidiary Kermia Hotels Ltd and adjacent land which was classified as a disposal group held for sale as at 31 December 2015.

The carrying value of assets and liabilities disposed of as at the date of their disposal are presented below:

Assets	€000
Property and equipment	27.130
Prepayments, accrued income and other assets	678
Cash and cash equivalent	1.132
	28.940
Liabilities	
Deferred tax liability	3.677
Accruals, deferred income and other liabilities	1.308
	4.985
Total net assets sold	23.955

The cash consideration received amounts to €26.500 thousand and the disposal resulted in a gain of €2.545 thousand.

33. Acquisitions and disposals (continued)

33.3 Disposals during 2015

33.3.1 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 30 September 2016 in Russia is €45.358 thousand, comprising primarily of customer loans.

The results of the Group's Russian operations from 1 January 2015 until the date of their disposal are presented in Note 8 of these consolidated financial statements and are classified as discontinued operations.

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)

33. Acquisitions and disposals (continued)

33.3 Disposals during 2015 (continued)

33.3.1 Disposal of the majority of the Group's Russian operations (continued)

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

	Nine months ended 30 September	
	2016	2015
	€000	€000
Operating	-	(34.108)
Investing	-	(15.927)
Financing	-	(1.733)
Net cash outflow for the period	-	(51.768)

33.3.2 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 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.

33.3.3 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.

34. Investments in associates and joint ventures

Carrying value of the investments in associates and joint ventures

	30 September 2016	31 December 2015
	€000	€000
CNP Cyprus Insurance Holdings Ltd	110.495	105.540
Interfund Investments Plc	2.087	2.201
Aris Capital Management LLC	-	-
Rosequeens Properties Limited	-	-
Rosequeens Properties SRL	-	-
Tsiros (Agios Tychon) Ltd	-	12
M.S. (Skyra) Vassas Ltd	-	-
D.J. Karapatakis & Sons Ltd	-	-
Rodhagate Entertainment Ltd	-	-
Fairways Automotive Holdings Ltd	-	-
	112.582	107.753

34. Investments in associates and joint ventures (continued)

Investment in associates

The Group's investments in associates comprise of CNP Cyprus Insurance Holdings Ltd (shareholding of 49,90%), Aris Capital Management LLC (shareholding of 30,00%), Interfund Investments Plc (shareholding of 23,12%), Rosequeens Properties Limited (effective shareholding of 33,33%), Rosequeens Properties SRL (effective shareholding of 33,33%), M.S (Skyra) Vassas Ltd (shareholding of 15,00%), D.J. Karapatakis & Sons Ltd (shareholding of 7,50%), Rodhagate Entertainment Ltd (shareholding of 7,50%) and Fairways Automotive Holdings Ltd (shareholding of 45,00%). The carrying value of Rosequeens Properties Limited, Rosequeens Properties SRL and Aris Capital Management LLC is restricted to zero.

M.S. (Skyra) Vassas Ltd

During the period, in the context of its loan restructuring activities, the Group acquired a 15,00% interest in the share capital of M.S. (Skyra) Vassas Ltd. M.S. (Skyra) Vassas Ltd is the parent company of a group of companies (Skyra Vassas group) with operations in the production, processing and distribution of aggregates (crushed stone and sand) and provision of other construction materials, and services based on core products such as ready-mix concrete, asphalt and packing of aggregates. The Group considers that it exercises significant influence over the Skyra Vassas group as the Group has the power to have representation to the Board of Directors and to vote for matters relating to the relevant activities of the business. The investment is considered to be fully impaired and its value is restricted to zero.

D.J. Karapatakis & Sons Ltd and Rodhagate Entertainment Ltd

During the period, in the context of its loan restructuring activities, the Group acquired a 7,50% interest in the share capital of D.J. Karapatakis & Sons Limited and Rodhagate Entertainment Ltd, operating in the leisure, tourism, film and entertainment industries in Cyprus. The Group considers that it exercises significant influence over the two companies as the Group has the power to have representation to the Board of Directors and to vote for matters relating to the relevant activities of the business. The investments are considered to be fully impaired and their value is restricted to zero.

Fairways Automotive Holdings Ltd

During the period, in the context of its loan restructuring activities, the Group acquired a 45,00% interest in the share capital of Fairways Automotive Holdings Ltd. Fairways Automotive Holdings Ltd is the parent company of Fairways Ltd operating in the import and trading of motor vehicles and spare parts. The Group considers that it exercises significant influence over the company. The investment is considered to be fully impaired and its value is restricted to zero.

Investment in 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. The carrying value of Tsiros (Agios Tychon) Ltd is restricted to zero.

35. Capital commitments

Capital commitments for the acquisition of property, equipment and intangible assets as at 30 September 2016 amount to €12.440 thousand (31 December 2015: €17.099 thousand).

36. Events after the reporting date

36.1 Apply for a listing on the London Stock Exchange and the Cyprus Stock Exchange using a Holding Company structure

The Company today announced that it is applying for a standard listing on the London Stock Exchange (LSE). The Company intends to maintain a listing on the Cyprus Stock Exchange and will no longer be listed on the Athens Exchange.

The London listing is in line with the Company's long-term strategic commitment to list on a major European stock exchange. The Company continues to work towards a premium listing on the LSE, and intends to apply for a step up to the premium segment of the LSE at a future date, with the intention of becoming eligible for inclusion in the FTSE UK Index series. Work is ongoing and the standard listing is an intermediate step on this long-term path.

36. Events after the reporting date (continued)

36.1 Apply for a listing on the London Stock Exchange and the Cyprus Stock Exchange using a Holding Company structure (continued)

In order to be considered eligible for future inclusion in the FTSE UK index series following a step up to a premium listing, the Company has decided to incorporate a new holding company in Ireland, which is a FTSE eligible jurisdiction. The newly set up company, Bank of Cyprus Holdings plc (BOC Holdings), was incorporated in Ireland earlier this year for this purpose.

It is intended that BOC Holdings will own all of the existing shares of the Company, and existing shareholders of the Company will receive shares in BOC Holdings in proportion to their current ownership.

The Group's headquarters, management and operations will all remain in Cyprus and the new holding company will be, and the Company will remain, tax residents in Cyprus. The Group will continue to be regulated by the ECB and the CBC.

The change in the Group's structure will be implemented by means of a Cypriot law scheme of arrangement (Scheme) and is therefore subject, amongst other things, to the approval/sanctioning of the Scheme by (i) the shareholders at an extraordinary general meeting, (ii) the Company's regulators (including the ECB and the CBC) and (iii) the Courts of Cyprus following a hearing upon the fairness of the Scheme terms. It is intended that a circular setting out full details of the Scheme will be made available to the Company's shareholders in the coming days and a prospectus in relation to the shares in the new holding company is intended to be published thereafter.

36.2 Other events after the reporting date

The material events which occurred after the reporting date are disclosed in Note 29 of these Interim Condensed Consolidated Financial Statements.

Report of the statutory auditor to the Board of Directors of Bank of Cyprus Public Company Ltd on the review of the interim condensed consolidated financial statements as of 30 September 2016 and for the nine-month period then ended

Introduction

We have reviewed the interim condensed consolidated financial statements of Bank of Cyprus Public Company Ltd (the 'Company') and its subsidiaries (together with the Company the 'Group') on pages 1 to 88, which comprise the interim consolidated balance sheet as at 30 September 2016, the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine-month period then ended, the interim consolidated statements of income and comprehensive income for the three-month period then ended and explanatory notes. These statements show a consolidated balance sheet with total equity of €3.103 million and with total assets of €22.382 million as at 30 September 2016 and a consolidated net profit for the nine-month period then ended of €65.178 thousand. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the International Financial Reporting Standards applicable to interim financial reporting, IAS 34 Interim Financial Reporting ("IAS 34") as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" applicable to review engagements. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and, consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting'.

Emphasis of matter

We draw your attention to note 5 “Going concern” to the interim condensed consolidated financial statements which discusses management’s assessment as to the ability of the Group to continue as a going concern and the fact that the Group is currently in breach of the regulatory liquidity ratios in Cyprus, which indicates the existence of a material uncertainty of the Group’s ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Savvas Pentaris
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors
Nicosia
14 November 2016