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1st Quarter Financial Report
BANK OF CYPRUS PUBLIC COMPANY LTD
BOCY

Group Financial Results for the quarter ended 31 March 2016 (en)

Group Financial Results for the quarter ended 31 March 2016
(en)

Attachments:

1. **Announcement**
2. **Presentation**
3. **Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2016**
4. **Financial Information for the Period from 1 January 2016 to 31 March 2016**
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Regulated

Publication Date: 31/05/2016

Announcement

Group Financial Results for the quarter ended 31 March 2016

Nicosia, 31 May 2016

Key Highlights

- Problem loans (90+ DPD) down by €1 bn or 9% during 1Q2016
- ELA reduced year-to-date by €1 bn to €2,8 bn
- Capital stronger, with CET1 ratio up by 30 basis points to 14,3%
- Profit after tax of €50 mn

Statement by Bank of Cyprus Group CEO:

"We are satisfied with the overall progress we made during the first quarter of 2016.

We continue to drive loan restructuring momentum from the previous quarter by completing €1,5 bn of restructurings during the quarter. We made very good progress in reducing the stock of loans with arrears greater than 90 days by €1,0 bn or 9% during the quarter and we expect to drive further reduction during the coming quarters of 2016.

Our funding position continues to improve. We intend to fully repay ELA as soon as we can. It was pleasing that we were able to make meaningful progress towards this ambition in the year to date. ELA now stands at €2,8 bn, €1 bn lower since the beginning of the year.

The net interest margin remains healthy and the cost to income ratio for the quarter was a satisfactory 40%. Profit before provisions and impairments and profit after tax for the first quarter of 2016 were €145 mn and €50 mn, respectively.

We have bolstered the Group's capital ratio (CET1) by 30 basis points to 14,3% due to organic capital generation and decrease of risk weighted assets."

John Patrick Hourican

Group Profile

Founded in 1899, Bank of Cyprus Group is the leading banking and financial services group in Cyprus. The Group provides a wide range of financial products and services which include retail and commercial banking, finance, factoring, investment banking, brokerage, fund management, private banking, life and general insurance. The Group operates through a total of 136 branches, of which 130 operate in Cyprus, 1 in Romania, 4 in the United Kingdom and 1 in the Channel Islands. Bank of Cyprus also has representative offices in Russia, Ukraine and China. The Bank of Cyprus Group employs 4.550 staff worldwide. At 31 March 2016, the Group's Total Assets amounted to €22,7 bn and Total Equity was €3,1 bn.

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A. Analysis of Financial Results for the quarter ended 31 March 2016

A.1 Balance Sheet Analysis

A.1.1 Capital Base

Shareholders' equity totalled €3.101 mn at 31 March 2016. The **CET1 ratio**[1] totalled 14,3% at 31 March 2016, compared to 14,0% at 31 December 2015. Adjusting for Deferred Tax Assets[2], the **CET1 ratio on a fully-loaded basis** totalled 13,5% at 31 March 2016. During 1Q2016, the CET1 ratio was positively affected by the profits for the quarter and the reduction of Risk Weighted Assets (RWA) but was negatively affected by the phasing-in of transitional adjustments (mainly deferred tax).

Post 31 March 2016 the Bank has reached an agreement to sell Kermia Hotels Ltd[3]. The transaction is expected to result in an estimated net profit after tax of €1,8 mn, based on carrying values as at 31 March 2016, and a net capital benefit of c. €18 mn, as a result of the capital treatment of these assets. The CET1 ratio is expected to improve by 0,1 percentage points.

A.1.2 Customer Deposits and Loans

Group customer deposits totalled €14.128 mn at 31 March 2016, compared to €14.181 mn at 31 December 2015. In constant exchange rates, Group customer deposits increased by €152 mn, with customer deposits in Cyprus increasing by €98 mn. During the quarter, deposits remained broadly at the same levels due to seasonality factors and the impact from the foreign exchange fluctuations. Customer deposits in Cyprus stood at €12.691 mn at 31 March 2016, accounting for 90% of Group customer deposits. Post 31 March 2016, deposit inflows have picked up resulting in an improved liquidity position. The Bank's deposit market share[4] in Cyprus reached 28,2% at 31 March 2016, compared to a low of 24,6% at 30 November 2014.

Customer deposits are the primary source of funding, with their contribution towards the Group's overall funding gradually increasing. Customer deposits accounted for 62% of total assets at 31 March 2016, compared to 61% at 31 December 2015 and a low of 48% at 31 March 2014. The Loans to Deposits ratio (L/D) improved to 119% at 31 March 2016, compared to 121% at 31 December 2015 and a high of 151% at 31 March 2014.

Group gross loans[5] totalled €21.849 mn at 31 March 2016, compared to €22.592 mn at 31 December 2015. Gross loans in Cyprus totalled €19.984 mn at 31 March 2016, and accounted for 91% of Group gross loans. The Bank is the single largest credit provider in Cyprus with a 40,4% loan market share at 31 March 2016, compared to 37,9% at 31 December 2015. Loans in the UK amounted to €1.174 mn and accounted for 5% of total loans, compared to €1.207 mn at 31 December 2015.

A.1.3 Eurosystem Funding

At 31 March 2016, the Bank's Eurosystem funding totalled €3,8 bn, comprising ELA of €3,3 bn and European Central Bank (ECB) funding of €501 mn. Post 31 December 2015 ELA funding was reduced by €1 bn to a current level of €2,8 bn. In total, ELA has been reduced by €8,6 bn since its peak of €11,4 bn in April 2013.

[1] Transitional basis; Includes independently verified profits for the quarter ended 31 March 2016.
[2] The DTA adjustments relate to Deferred Tax Assets totalling €451 mn and recognised on tax losses totalling €3,6 bn and can be set off against future profits of the Bank until 2028 at a tax rate of 12,5%. Furthermore, there are tax losses of approximately €8,5 bn for which no deferred tax asset has been recognised. Recognition of deferred tax asset is supported by management's business forecasts and takes into account the recoverability of the deferred tax assets within their expiry period.
[3] See relevant announcement dated 5 April 2016:
http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20160405_Kermia_Announcement%20-Final.pdf
[4] Based on data from the Central Bank of Cyprus.
[5] Gross loans are reported before the fair value adjustment on initial recognition relating to loans acquired from Laiki Bank (difference between the outstanding contractual amount and the fair value of loans acquired) amounting to €1.130 mn at 31 March 2016 (compared to €1.207 mn at 31 December 2015).

A.1.4 Loan portfolio quality

Addressing the asset quality remains the Group's main priority. The adoption of the foreclosure legislation and insolvency framework for the effective management of problem loans, the intensive restructuring and workout activity by the Bank's Restructuring and Recoveries Division (RRD), the Bank's more effective interaction with borrowers and the improving fundamentals of the Cypriot economy, are playing a significant role in reducing the level of problem loans.

Loans in arrears for more than 90 days (90+ DPD)[6] were reduced by €1,04 bn during 1Q2016 (9% reduction qoq). The decrease was primarily due to increased restructuring activity, including debt for property swaps. 90+ DPD stood at €10.289 mn at 31 March 2016, accounting for 47% of gross loans (90+ DPD ratio), compared to 50% mn a quarter earlier. The provisioning coverage ratio of 90+ DPD[7] improved to 49% at 31 March 2016, compared to 48% at 31 December 2015. 90+ DPD are fully covered, when taking into account tangible collateral at fair value. The provisioning coverage ratio of 90+ DPD, calculated in line with local peers with reference to the contractual balances of the customers, totalled 61%[8] at 31 March 2016, compared to 58% at 31 December 2015.

	31.03.2016		31.12.2015	
	(€ mn)	% of gross loans	(€ mn)	% of gross loans
90+ DPD	**10.289**	**47,1%**	**11.329**	**50,1%**
Of which:				
impaired with no arrears	860	3,9%	875	3,9%
impaired with arrears less than 90 days	93	0,4%	103	0,5%

Non-performing exposures[9] (NPEs) as defined by the European Banking Authority (EBA) declined by €641 mn or 5% during 1Q2016 to €13.327 mn at 31 March 2016, accounting for 61% of gross loans. The provisioning coverage ratio of NPEs stood at 38% at 31 March 2016, compared to 39% at 31 December 2015. The provisioning coverage ratio of NPEs, calculated in line with local peers with reference to the contractual balances of the customer, stood at 49%[10] at 31 March 2016 (49% at 31 December 2015).

	31.03.2016		31.12.2015	
	(€ mn)	% of gross loans	(€ mn)	% of gross loans
Non-performing exposures (NPEs) as per EBA definition	**13.327**	**61,0%**	**13.968**	**61,8%**
Of which:				
NPEs with forbearance measures, no impairments and no arrears	2.181	10,0%	1.862	8,2%
NPEs with forbearance measures, no impairments and arrears <90 days	643	2,9%	551	2,4%

During 4Q2015, as part of the Group's efforts to provide solutions to distressed borrowers the **Real Estate Management Unit (REMU)** has been set up to take on board assets through debt for property swaps and to manage those assets (including selective investment and development) and to execute exit strategies in order to monetise those assets. As at 31 December 2015, the carrying value of properties held as inventories was €516 mn. During 1Q2016, REMU acquired €285 mn of assets via the execution of debt for property swaps. As at 31 March 2016, REMU had inventories with total carrying value of €746 mn. During the quarter, the Bank completed the disposal of assets acquired from distressed customers amounting to €48 mn.

[6] Loans in arrears for more than 90 days (90+ DPD) are defined as loans past-due for more than 90 days and those that are impaired (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).
[7] Provisioning coverage ratio for 90+ DPD is calculated as the sum of accumulated provisions for impairment of customer loans, fair value adjustment on initial recognition and provision for off-balance sheet exposures, over 90+ DPD.
[8] This ratio is calculated by adjusting both the provisions stock and the customer balances to include any unrecognised interest income due on contractual balances.
[9] In 2014 the European Banking Authority (EBA) published its reporting standards on forbearance and non-performing exposures (NPEs). According to the EBA standards, a loan is considered a non-performing exposure if: (i) the debtor is assessed as unlikely to pay its credit obligations in full without the realisation of the collateral, regardless of the existence of any past due amount or of the number of days past due, for example in case of a write off, a legal action against the borrower, or bankruptcy, or (ii) the exposures are impaired i.e. in cases where there is a specific provision, or (iii) there are material exposures which are more than 90 days past due, or (iv) there are performing forborne exposures under probation for which additional forbearance measures are extended, or (v) there are performing forborne exposures under probation that present more than 30 days past due within the probation period.
[10] See Note 8.

A.1.5 Non-core overseas exposures

As part of its **deleveraging strategy**, and through specific, deliberate and well-timed actions, the Bank has managed to reduce its risk profile, to enhance its liquidity position and to improve its capital position.

The remaining non-core overseas exposures at 31 March 2016 are as follows:

- Greece: The net exposure comprised (a) net on-balance sheet exposures (excluding foreclosed properties) totalling €16 mn (compared to €22 mn at 31 December 2015), (b) 640 foreclosed properties with a book value of €168 mn (compared to 641 foreclosed properties with a book value of €173 mn at 31 December 2015), (c) off-balance sheet exposures totalling €122 mn (compared to €131 mn at 31 December 2015) and (d) lending exposures to Greek entities in the normal course of business in Cyprus totalling €87 mn (compared to €81 mn at 31 December 2015) and lending exposures in Cyprus with collaterals in Greece totalling €71 mn (compared to €70 mn at 31 December 2015).
- Romania: The overall net exposure is €274 mn (compared to €312 mn at 31 December 2015).
- Serbia: The overall net exposure is €54 mn (compared to €54 mn at 31 December 2015).
- Russia: The remaining net exposure (on and off balance sheet) in Russia is €119 mn, (compared to €114 mn at 31 December 2015).

A.2 Income Statement Analysis

Net interest income (NII) and net interest margin (NIM) for 1Q2016 amounted to €185 mn and 3,63% respectively. NII was down by 7% compared to €198 mn for 4Q2015. The decrease reflects lower volume of loans, the increased activity in loan restructurings, the deleveraging actions and the full effect of repayment of a high yielding bond by the Republic of Cyprus, in December 2015. Adjusting for the interest income relating to the Republic of Cyprus bond, 1Q2016 NII was reduced by 3% qoq and 1Q2016 NIM increased by 8 basis points, compared to the 4Q2015 NIM[11].

Non-interest income for 1Q2016 was €59 mn (compared to €55 mn for 4Q2015), with the recurring income comprising net fee and commission income of €36 mn and net insurance income of €14 mn. The remaining component of non-interest income (comprising net foreign exchange gains/(losses), net gains/(losses) on other financial instruments, gains/(losses) from revaluation of investment properties and disposal of stock of properties and other income) for 1Q2016 was €9 mn, compared to a net profit of €1 mn for 4Q2015 and a net loss of €8 mn for 1Q2015.

Total Income[12] for 1Q2016 amounted to €244 mn, compared to €253 mn for 4Q2015 (4% reduction qoq) and €274 mn for 1Q2015 (11% reduction yoy). The reduction of total income primarily relates to the reduction in NII.

Total expenses for 1Q2016 amounted to €99 mn, of which €59 mn related to staff costs and €40 mn to other operating expenses. Other operating expenses remained relatively stable yoy, but decreased by 35% compared to 4Q2015, as expenses for 4Q2015 were elevated due to higher non-recurring advisory and professional expenses and increased provisions for litigation and legal settlements. The cost to income ratio for 1Q2016 improved to 40%, compared to 47% for 4Q2015.

Profit before provisions and impairments[13], restructuring costs and discontinued operations for 1Q2016 was €145 mn, compared to €134 mn for 4Q2015 and €172 mn for 1Q2015.

Provisions for impairment of customer loans (continuing operations) net of gains/(losses) on derecognition and changes in expected cash flows for 1Q2016 totalled €62 mn. Provisions for impairment of customer loans (continuing operations) net of gains/(losses) on derecognition and changes in expected cash flows for 1Q2016 were significantly lower qoq, as the provisions for 4Q2015 were significantly elevated reflecting the assumption changes in the Bank's provisioning methodology taking into account the regulatory dialogue with the ECB. The annualised provisioning charge for 1Q2016 was 1,1%[14] of gross loans, compared to 4,3% for FY2015. At 31 March 2016, accumulated provisions, including fair value adjustment on initial

[11] Excluding the interest income from the Republic of Cyprus bond, the NIM for 4Q2015 was 3,55%.
[12] Total income includes Net Interest Income and Non Interest Income.
[13] Comprising provisions for impairments of customer loans and impairments of other financial and non-financial assets, net of gains/(losses) on derecognition and changes in expected cash flows.
[14] That is Provisions for impairment of customer loans and gains/(losses) on derecognition of loans and changes in expected cash flows on acquired loans over average gross loans (as defined in Note 5).

recognition[15], totalled €5.076 mn[16] (compared to €5.445 mn at 31 December 2015) and accounted for 23,2% of gross loans (compared to 24,1% at 31 December 2015).

Impairments of other financial and non-financial assets for 1Q2016 totalled €8 mn, compared to €24 mn for 4Q2015. Impairments for 4Q2015 were higher due to further impairments of overseas non-core assets as part of the Bank's de-risking efforts and a change in measurement basis of real estate assets acquired from customers.

Profit after tax for continuing operations[17] for 1Q2016 totalled €67 mn, compared to a loss of €509 mn for 4Q2015.

Advisory and other restructuring costs[18] for 1Q2016 totalled €17 mn, of which €6 mn related to the voluntary exit plan (VEP) and €11 mn to other professional and restructuring costs. Adjusting for the one off cost of voluntary exit plan, restructuring costs were reduced by 29% qoq (€16 mn for 4Q2015).

Profit after tax attributable to the owners of the Bank for 1Q2015 totalled €50 mn, compared to a loss of €512 mn for 4Q2015.

B. Outlook

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

The key pillars of the Group's strategy are to:
- **Materially reduce** the level of delinquent loans
- **Normalise the funding structure and fully repay the ELA**
- Focus on the **core Cyprus market and on the UK operations**
- **Achieve a lean operating model**
- **Maintain an appropriate capital position** by internally generating capital
- **Deliver value** to shareholders and other stakeholders

With the Cypriot operations accounting for 91% and 90% of gross loans and customer deposits respectively, the **Group's financial performance is highly correlated to the economic and operating conditions in Cyprus**. According to the flash estimate[19] published on 13 May 2016, real GDP in Cyprus increased by 2,7% yoy in the first quarter of 2016 (when seasonally adjusted). The outlook for the Cypriot economy for 2016 remains positive as confidence strengthens and sentiment improves. Downside risks to growth projections relate to the high level of non-performing loans, more delays in the implementation of structural reforms and a worsening of the external environment.

Tackling the Group's loan portfolio quality is a top priority for management. The RRD is making strides in reducing the level of problem loans with the strong momentum in the loan restructuring activities continuing. Further reduction in 90+ DPD is expected during the coming quarters of 2016, reflecting the restructuring momentum and the improving economic and operating conditions in Cyprus.

In order to normalise its funding structure and to fully repay ELA, the Bank is **stepping up its marketing efforts to attract deposits**, leveraging on increasing customer confidence towards the Bank and improving macroeconomic conditions. The Bank's strong capital position and overall improvement in its financial position **enhance its funding options and facilitate access to the debt capital markets for wholesale funding,** subject to market conditions and investor appetite. In this context, the Bank 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.

[15] Including the fair value adjustment on initial recognition (difference between the outstanding contractual amount and the fair value of loans acquired from Laiki Bank) and provisions for off balance sheet exposures.
[16] The decrease in accumulated provisions of €369 mn primarily relates to increased restructuring activity for the quarter.
[17] Defined as Profit after tax excluding restructuring costs, discontinued operations and net profit on disposal of non-core assets.
[18] Advisory and other restructuring costs comprise mainly fees of external advisors in relation to: (i) disposal of operations (ii) customer loan restructuring activities which are not part of the effective interest rate and (iii) the listing on a European stock exchange.
[19] Based on the Statistical Service of the Republic of Cyprus.

The Bank managed to **solidify its leading position in the Cypriot banking system and to be a key player in the recovery of the Cypriot economy**. The Bank's strengthened capital position and its improving liquidity underline its efforts to **provide credit to promising sectors of the domestic economy that will support and diversify further economic activity**.

The Bank will continue to strive to **ensure that appropriate capital levels are maintained** taking into account its risk profile, its high level of problem loans, its declining overseas non-core exposures, the challenges faced and the economic and regulatory environment.

C. Key Performance Indicators – New Medium Term Targets

The below table shows the Group's performance vis-à-vis the set of Medium Term Targets, including targets relating to 90+ DPD ratio, ELA, Loans to Deposit ratio and Total Assets.

Group Key Performance Indicators		**Actual Dec-2015**	**Actual Mar-2016**	**Medium-Term Targets**
Asset Quality	90+ Days Past Due ratio	50%	47%	**<30%**
	90+ Days Past Due coverage	48%	49%	**>50%**
	Provisioning charge[20] (Cost of Risk)	4,3%	1,1%[21]	**<1,0%**
Funding	ELA % Assets; € bn	16% €3,8 bn	15% €3,3 bn	**Fully Repay**
	Net Loans % Deposits	121%	119%	**100%-120%**
Capital	CET 1 (transitional)[22]	14,0%	14,3%	**>15%**
Efficiency	Net Interest margin	3,8%	3,6%	**~3,00%**
	Fee and Commission income / total income	15%	15%	**>20%**
	Cost to Income ratio	40%	40%	**40%-45%**
Balance Sheet	Total assets	€23,3 bn	€22,7 bn	**>€25 bn**

[20] IFRS 9 impact, which is effective as from 1 January 2018, has not been taken into account for the purpose of the targets. Targets are set on the basis of the present regulatory environment.
[21] See Note 9.
[22] See Note 1.

D. Appendix

Consolidated Income Statement					
€ mn	**1Q2016**	**4Q2015**	**qoq +%**	**1Q2015**	**yoy ±%**
Net interest income	185	198	-7%	227	-19%
Net fee and commission income	36	38	-6%	43	-17%
Net foreign exchange gains/(losses) and net gains/(losses) on other financial instruments	6	13	-47%	(3)	-
Insurance income net of insurance claims	14	16	-16%	12	14%
Gains/(losses) from revaluation of investment properties and disposal of stock of properties	1	(17)	-107%	(8)	-
Other income	2	5	-62%	3	-
Total income	**244**	**253**	**-4%**	**274**	**-11%**
Staff costs	(59)	(57)	2%	(59)	-1%
Other operating expenses	(40)	(62)	-35%	(43)	-6%
Total expenses	**(99)**	**(119)**	**-17%**	**(102)**	**-3%**
Profit before provisions and impairments, gains/(losses) on derecognition and changes in expected cash flows, restructuring costs and discontinued operations	**145**	**134**	**9%**	**172**	**-15%**
Provisions for impairment of customer loans net of gains/(losses) on loan derecognition and changes in expected cash flows	**(62)**	**(630)**	**-90%**	**(110)**	**-44%**
Impairments of other financial and non-financial assets	(8)	(24)	-67%	(1)	-
Share of profit from associates and joint ventures	1	2	-65%	1	-57%
Profit/(loss) before tax, restructuring costs and discontinued operations	**76**	**(518)**	**-**	62	22%
Tax	(8)	8	-	(8)	2%
(Loss)/profit attributable to non-controlling interests	(1)	1	-	1	-
Profit/(loss) after tax and before restructuring costs, discontinued operations and net profit on disposal of non-core assets	**67**	**(509)**	**-**	**55**	**24%**
Advisory and other restructurings costs[23]	(17)	(16)	7%	(8)	112%
Loss from disposal groups held for sale/discontinued operations	-	(0)	-	(18)	-
Net gain on disposal of non-core assets	-	13	-	-	-
Profit/(loss) after tax	**50**	**(512)**	**-**	**29**	**76%**

Key Performance Ratios	**1Q2016**	**4Q2015**	**qoq ±%**	**1Q2015**
Net Interest Margin (annualised)	3,63%	3,69%	-6 bps*	3,94%
Cost to income ratio	40%	47%	-7 p.p.*	37%
Return on average assets (annualised)	0,9%	-8,6%	+9,5 p.p.*	0,4%
Return on average equity (annualised)	6,5%	-62,3%	+68,8 p.p.*	3,3%
Basic earnings/(losses) per share (€ cent)	0,56	(5,74)	6,3	0,32

* p.p. = percentage points, bps = basis points, 100 basis points = 1 percentage point

[23] See Note 18

Condensed Consolidated Balance Sheet			
€ mn	**31.03.2016**	**31.12.2015**	**±%**
Cash and balances with Central Banks	1.141	1.423	-20%
Placements with banks	1.273	1.314	-3%
Debt securities, treasury bills and equity investments	914	1.009	-9%
Net loans and advances to customers	16.821	17.192	-2%
Other assets	2.482	2.284	9%
Non-current assets and disposal groups classified as held for sale	39	49	-19%
Total assets	**22.670**	**23.271**	**-3%**
Amounts due to banks	313	242	29%
Funding from Central Banks	3.803	4.453	-15%
Repurchase agreements	339	368	-8%
Customer deposits	14.128	14.181	-0%
Debt securities in issue	1	1	-7%
Other liabilities	958	944	1%
Non-current liabilities and disposal groups classified as held for sale	4	4	-
Total liabilities	**19.546**	**20.193**	**-3%**
Share capital	892	892	0%
Capital reduction reserve and share premium	2.505	2.505	0%
Revaluation and other reserves	263	259	2%
Accumulated losses	(559)	(601)	-7%
Shareholders' equity	**3.101**	**3.055**	**2%**
Non-controlling interests	23	23	1%
Total equity	**3.124**	**3.078**	**2%**
Total liabilities and equity	**22.670**	**23.271**	**-3%**

Key Balance Sheet figures and ratios	**31.03.2016**	**31.12.2015**	**±%**
Gross loans (€ mn)	21.849	22.592	-3%
Customer deposits (€ mn)	14.128	14.181	-0%
Loans to deposits ratio (net)	119%	121%	-2 p.p.*
90+ DPD ratio	47%	50%	-3 p.p.*
90+ DPD provisioning coverage ratio[24]	49%	48%	+1 p.p.*

* p.p. = percentage points, 100 basis points = 1 percentage point

Capital	**31.03.2016**	**31.12.2015**	**±%**
Common Equity Tier 1 capital ratio (CET1) (transitional)[25]	14,3%	14,0%	+3 p.p. *
Total capital ratio	14,4%	14,1%	+0,3 p.p.*
Risk weighted assets (€ mn)	19.374	19.666	-1%

* p.p. = percentage points, 100 basis points = 1 percentage point

Notes to the Interim Condensed Consolidated Financial Statements of the Group for the quarter ended 31 March 2016:

The Interim Condensed Consolidated Financial Statements for the quarter ended 31March 2016 have been reviewed by the Group's external auditors.

The Interim Condensed Consolidated Financial Statements will be available at the Bank of Cyprus Public Company Ltd Registered Office (at 51 Stassinos Street, Ayia Paraskevi, Strovolos, P.O. Box 24884, 1398 Nicosia, Cyprus) and on the Group's website www.bankofcyprus.com (Investor Relations/Financial Results).

The announcement and the presentation of the Financial Results of the Group for the quarter ended 31 March 2016 have been posted on the Group's website www.bankofcyprus.com (Investor Relations/Financial Results).

[24] See Note 4.
[25] See Note 1.

Bank of Cyprus Group

Group Financial Results
for the first quarter ended 31 March 2016

31 May 2016

EUROMONEY AWARDS FOR EXCELLENCE 2015
Bank of Cyprus
The Best Bank in Cyprus 2015

*** The Group Financial Results have been reviewed by the Group's external auditors**

Bank of Cyprus

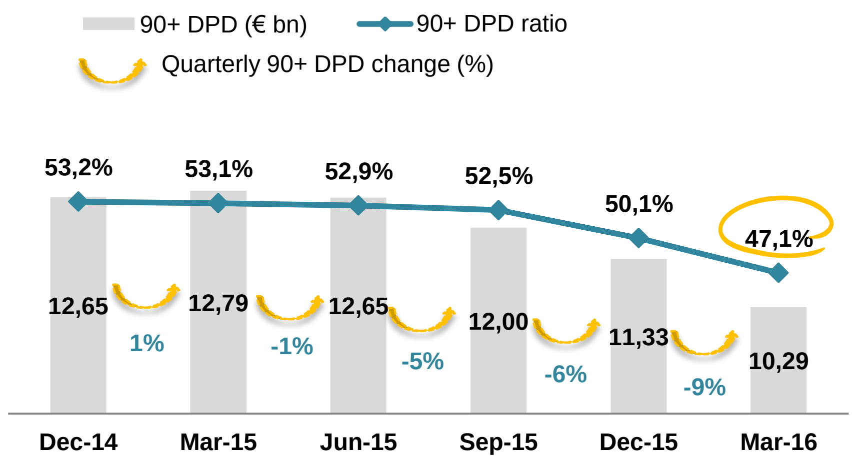
1Q2016 Financial Results – Highlights

Reduction in Problem Loans	• Problem loans (90+ DPD)[1] down by €1,0 bn (or 9%) qoq and by €2,5 bn (or 20%) yoy • 90+ DPD ratio down by 3 percentage points to 47% and provisioning coverage ratio improved to 49% • Loan restructurings of €1,5 bn during 1Q2016, up by 11% qoq and by 117% yoy
Normalising Funding Structure	• ELA reduced by €1 bn post 31 December 2015 to €2,8 bn • Customer deposits increased to 62% of total assets • Ratio of Loans to Deposits (L/D) improved to 119%
Strong Capital Position	• CET1 ratio strengthened by 30 basis points to 14,3% • RWA intensity of 85% results in a high leverage ratio[3] of 13,1%
Profitable Quarter	• Profit before provisions of €145 mn for 1Q2016 • Profit after tax of €50 mn for 1Q2016 • Net Interest Margin maintained at 3,63%; Cost to income ratio of 40%
Strong Franchise in a recovering economy	• Loans and deposit market shares of 40,4% and 28,2%, respectively • New lending of €223 mn in the first four months of 2016 • Cypriot GDP growing by an annual 2,7%[2] for 1Q2016

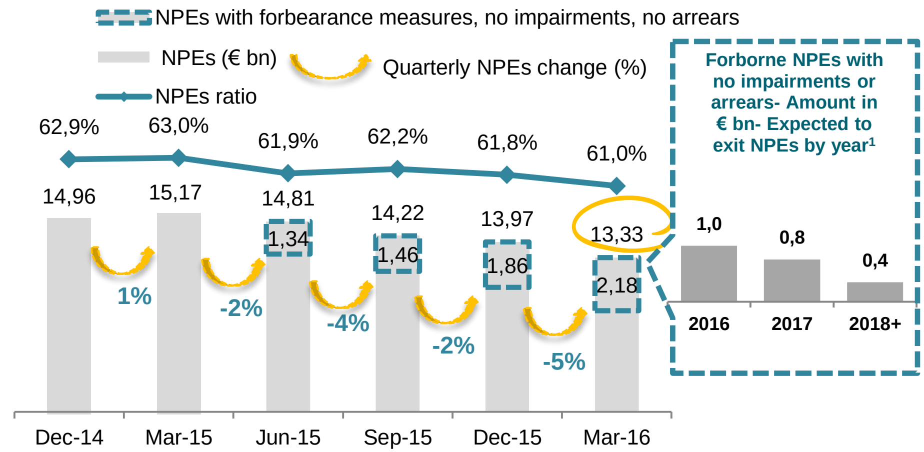
(1) Problem loans (90+ DPD) are loans in arrears for more than 90 days (90+ DPD) and are defined as loans past-due for more than 90 days and those that are impaired (impaired loans are those which are not considered fully collectable and for which a provision for impairment has been recognised on an individual basis or for which incurred losses exist at their initial recognition or customers in Debt Recovery).
(2) Based on flash estimates published on 13 May 2016 by the Statistical Service of the Republic of Cyprus
(3) Leverage ratio = Tangible Equity over Total Assets

Significant Reduction in Problem loans

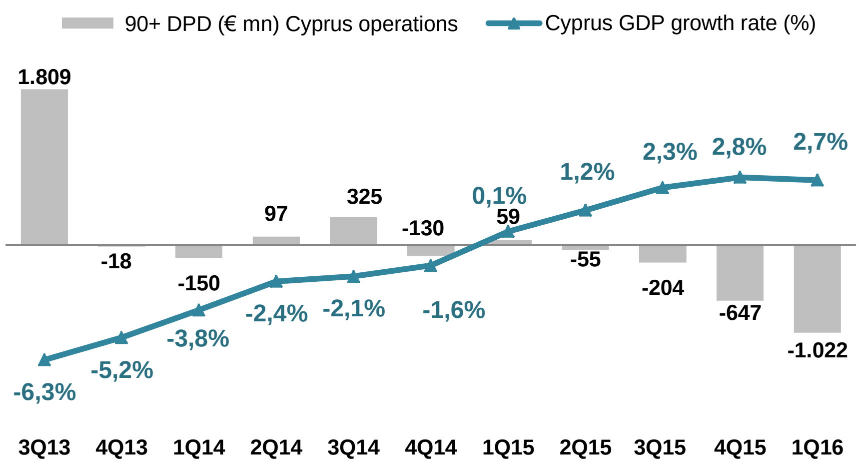
90+ DPD fell by €1,0 bn in 1Q2016



NPEs fell by €0,64 bn in 1Q2016



Economic improvement underpins asset quality



- **Non-performing loans (90+ DPD) reduced by €1,0 bn (or 9%) qoq** and by €2,5 bn (or 20%) yoy

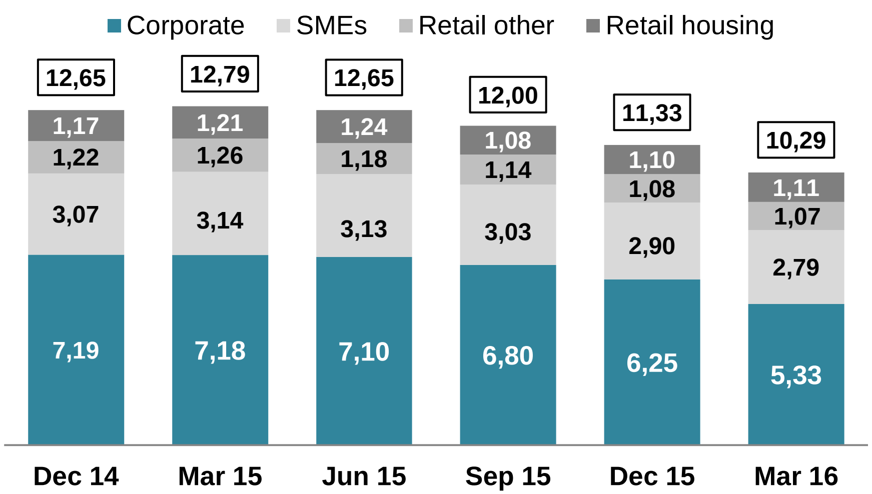
- Non Performing Exposures (NPEs), as per EBA definition, reduced by €0,64 bn during 1Q2016 and totalled €13,3 bn at 31 March 2016

- **NPEs with forbearance measures, no impairments and no arrears** totalled €2,2 bn at 31 March 2016; almost half is expected to exit the NPE classification during 2016, subject to no re-default

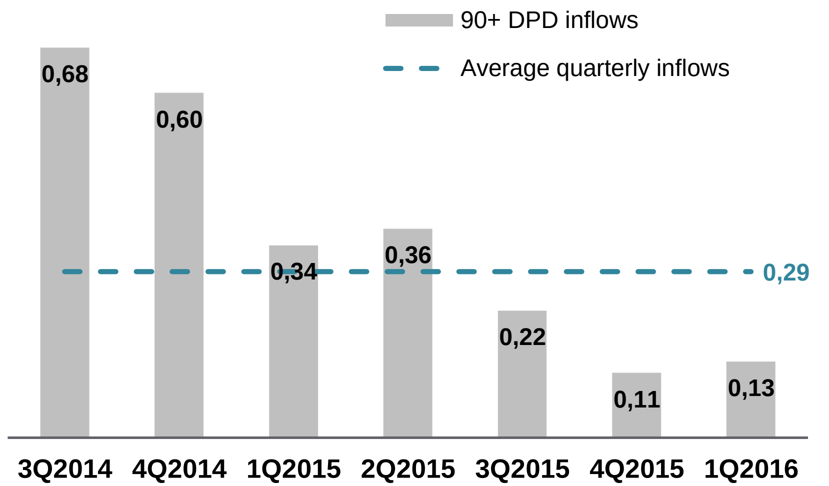
(1) Curing period of the NPEs with forbearance measures, but no impairments and no arrears, assuming no re-default.

90+ DPD Reduction mainly due to Corporate Loans

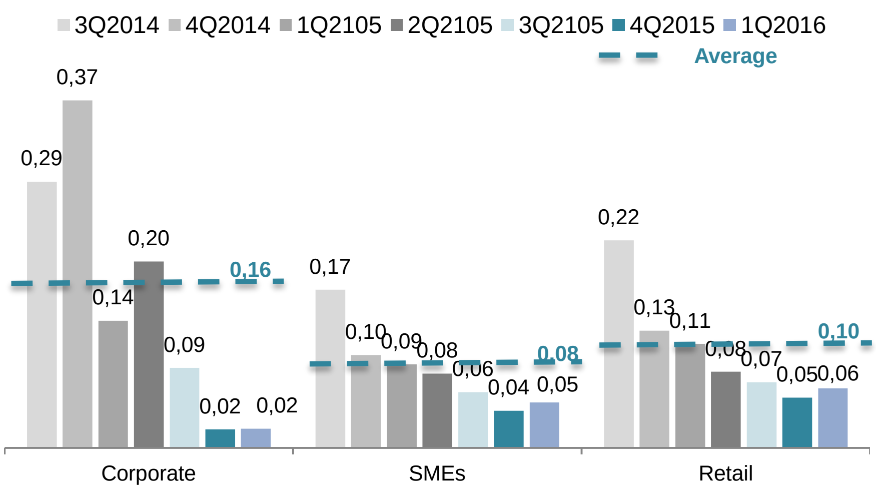
Group 90+ DPD by Customer type (€ bn)



90+ DPD inflows – Cyprus operations (€ bn)



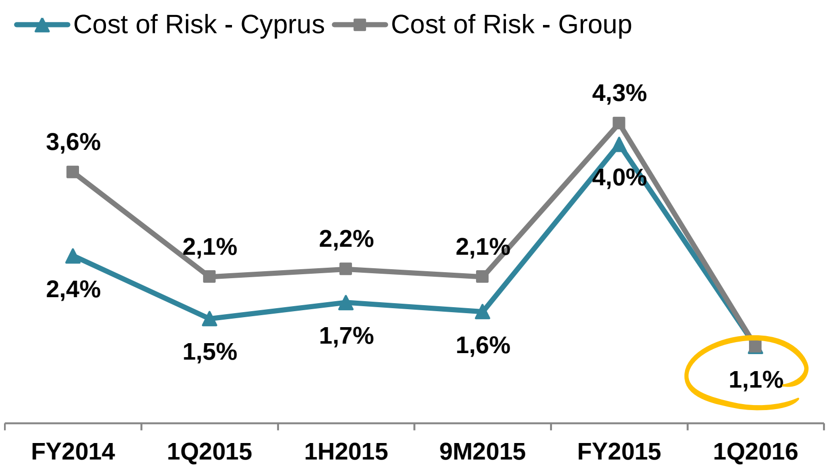
90+ DPD inflows by customer type - Cyprus operations (€ bn)



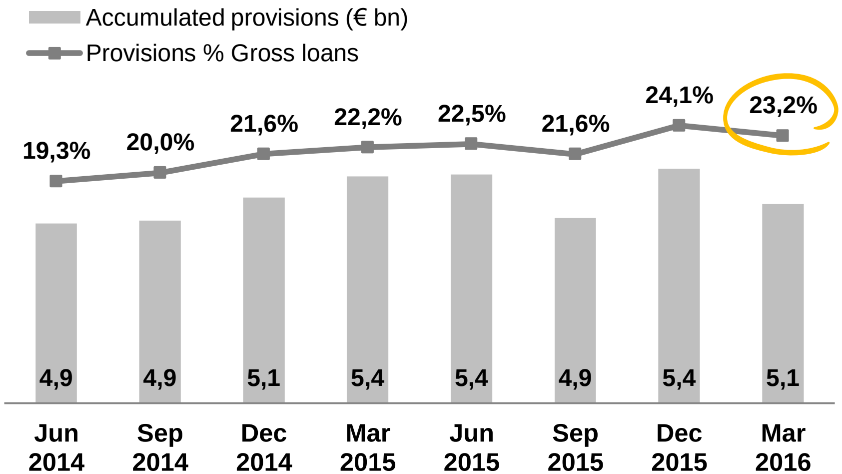
- **88% of the 90+ DPD reduction** for 1Q2016 relates to corporate loans
- **90+ DPD inflows reduced significantly to** €0,13 bn for 1Q2016

Improved Provisioning Coverage Levels

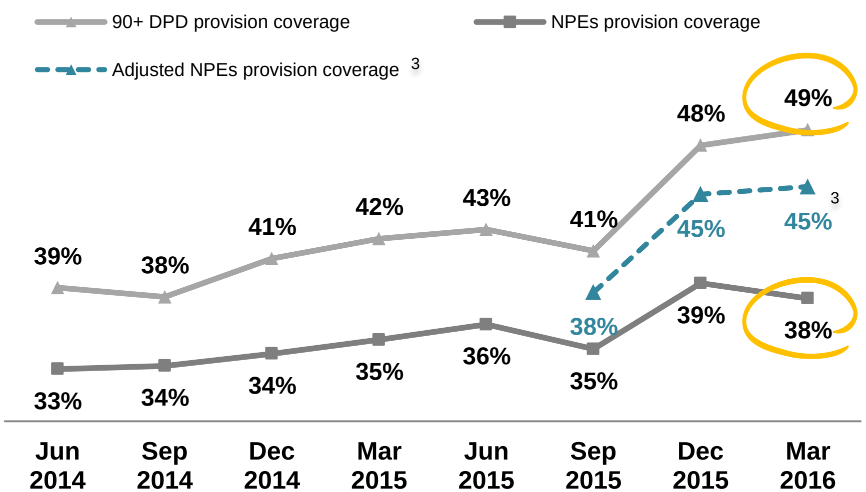
Cost of risk[1]



Accumulated provisions



Provisioning coverage ratios

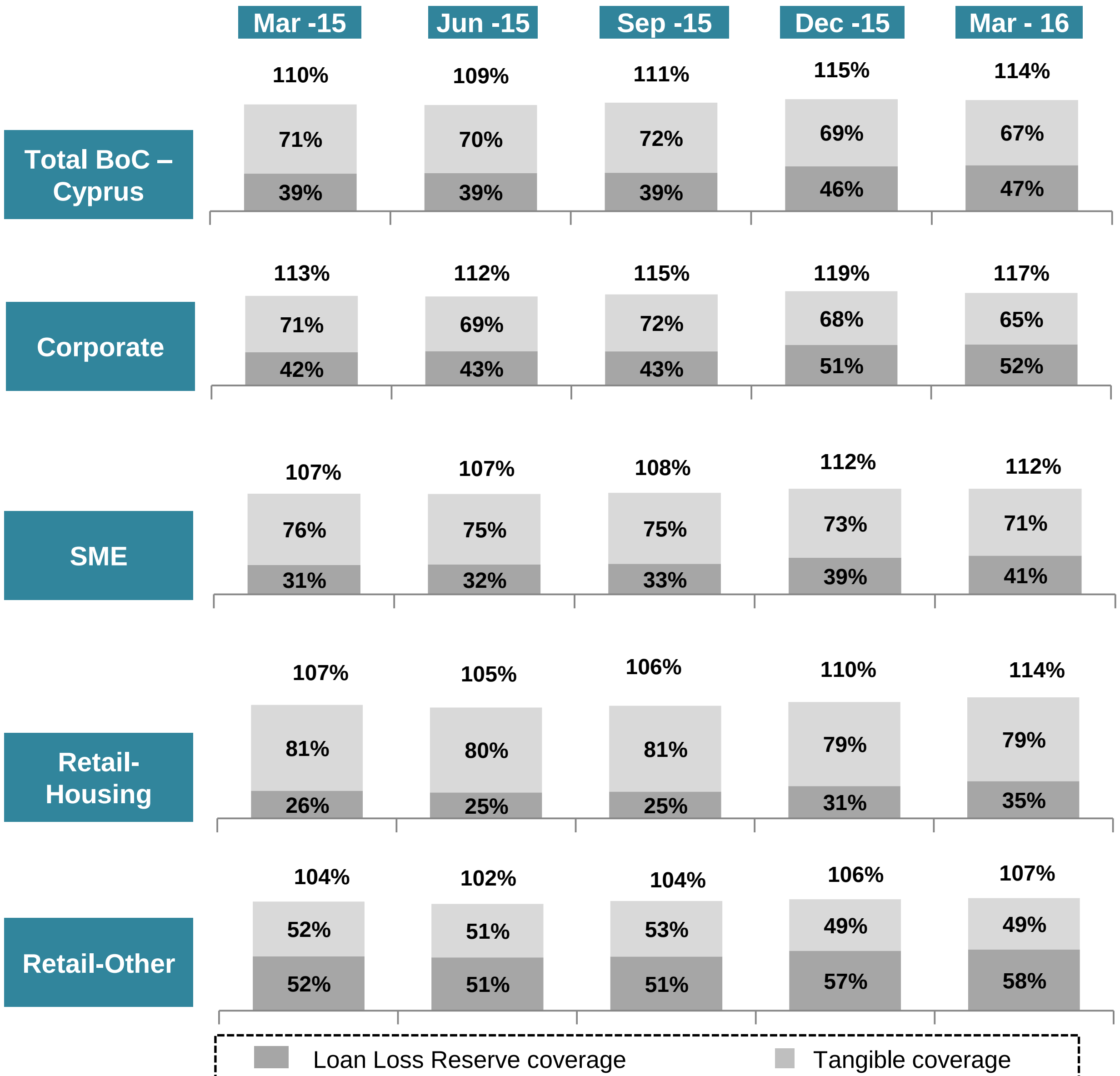


- Accumulated provisions of €5,1 bn, accounting for 23,2% of gross loans at 31 March 2016
- **90+ DPD provisioning coverage ratio improved to 49% at 31 March 2016;** The 90+ DPD provisioning coverage ratio calculated in line with local peers, with reference to the contractual balances of customers, totalled 61%[2]
- **NPEs provisioning coverage ratio at 38% at 31 March 2016**. Adjusting NPEs to remove those with forbearance measures, which have no impairments & no arrears, the provision coverage would be 45%

(1) That is Provisions for impairment of customer loans and gains/(losses) on derecognition of loans and changes in expected cash flows
(2) This ratio is calculated by adjusting both the provisions stock and the customer balances to include any unrecognised interest income due on contractual balances.
(3) Adjusted NPEs provision coverage excludes NPEs with forbearance measures, no impairments and no arrears.

90+ DPD Fully Covered by Provisions & Tangible collateral

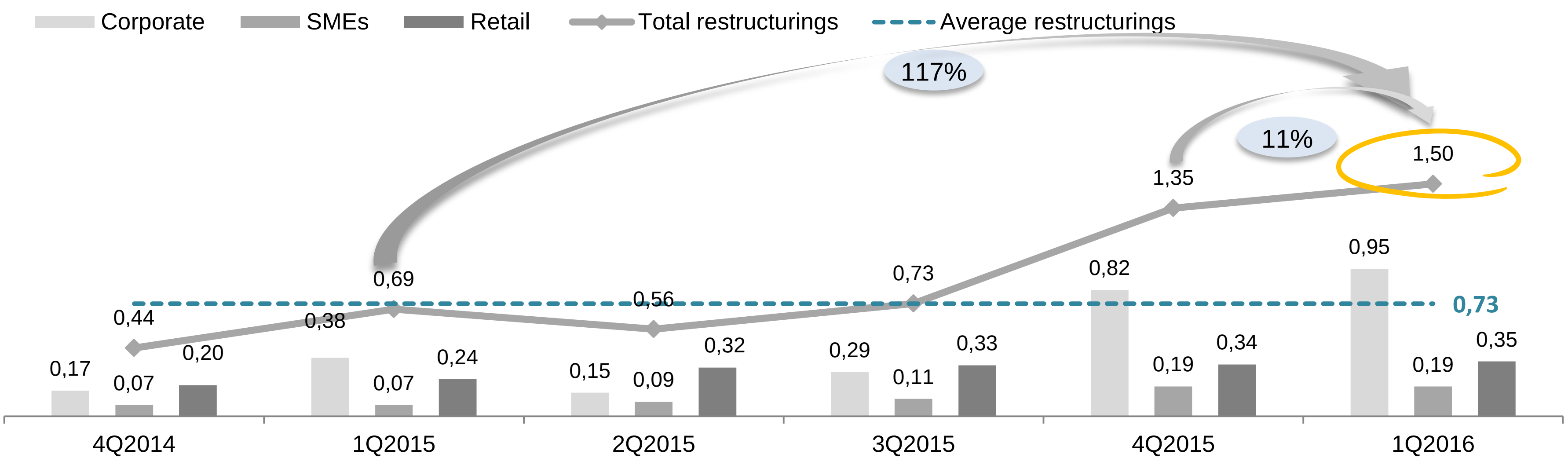
Analysis of 90+ DPD coverage for Cyprus operations



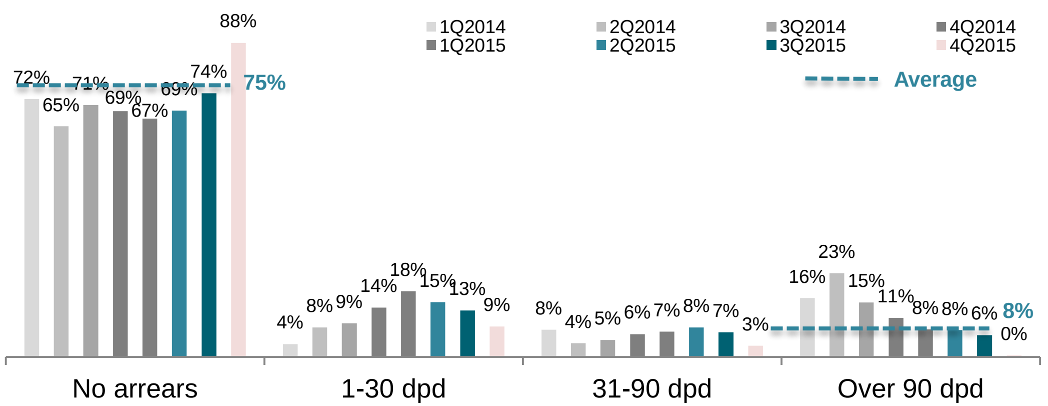
- For Cyprus operations, 90+ DPD provision coverage increased to 47% at 31 March 2016, compared to 46% at 31 December 2015
- Collateral coverage remains broadly unchanged and stands at 67% at 31 March 2016
- **As at 31 March 2016, overall coverage of 90+DPD stood at 114%,** compared to 115% at 31 December 2015 and to 110% a year earlier

Restructuring Momentum Remains Strong

Restructuring Activity by quarter (€ bn)



Restructured loans performance[1]



- **Total restructurings of €1,5 bn for 1Q2016;** Restructuring of corporate loans accounted for 64% of total 1Q2016 restructurings
- At 31 March 2016, 75% of loans restructured post 31 December 2013 for Cyprus operations have no arrears, while 8% of such restructured loans were in arrears more than 90 days

(1) The performance of loans restructured during 1Q2016 is not presented in this graph as it is too early to assess it.

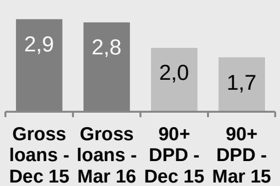
Sustainable Improvements Across the RRD book

Bespoke tactical plans are in place for each segment within RRD, delivering asset quality improvements across the book…

	Business unit summary	Key management actions	Progress

Major Corporate Management (€ bn)

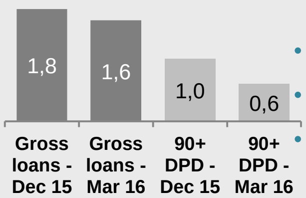
Business unit summary



- 23 connections
- >€100 mn debt
- Large diversified groups

Corporate Management (€ bn)

Business unit summary



- c200 connections
- €6-100 mn debt
- Mid market businesses

Key management actions (Major Corporate Management and Corporate Management)

- c. 94 experienced restructuring officers
- Portfolios assigned based on size/complexity
- Sustainable solutions using (amongst others):
  - Debt:Equity & Debt:Asset swaps
  - Retrenching, including 'equity like' PIK
- Support from internationally experienced restructuring specialists
- External lawyers (UK & CY) used extensively
- Comprehensive improvements to lending documents, security, step in rights, monitoring & covenants

Progress (Major Corporate Management)

Good progress

- Active negotiations ongoing with all major borrowers
- Good prospects to conclude and execute deals

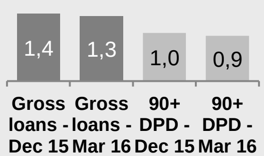
Progress (Corporate Management)

Good progress

- Active negotiations ongoing with all major borrower
- Good prospects to conclude and execute deals

SME (€ bn)

Business unit summary



- c.1900 connections
- <€6 mn debt
- Small OMBs

Key management actions

- 8 specialist geographically spread BU's
- New team added in 1Q2016 to drive pace
- Portfolio analysis with targeted campaigns
- Product range enhanced e.g. split & freeze
- Close monitoring & clearing of early arrears

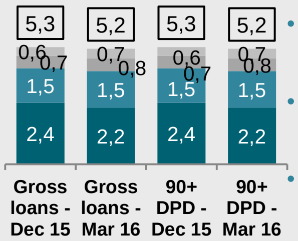
Progress

Rapidly improving progress

- New team and approach delivering results
- Underlying economic improvements helping

Recoveries (€ bn)

Business unit summary



- Retail €1,5 bn, 21k customers
- SME €1,5 bn, 4k customers
- Corporate €2,2 bn c.250 connections

Key management actions

- International specialists added 4Q2015
- Skills/experience transfer from other teams
- Increased focus on faster consensual deals
- Step up aggressive actions for non co-operative borrowers

Progress

Slower but improving progress

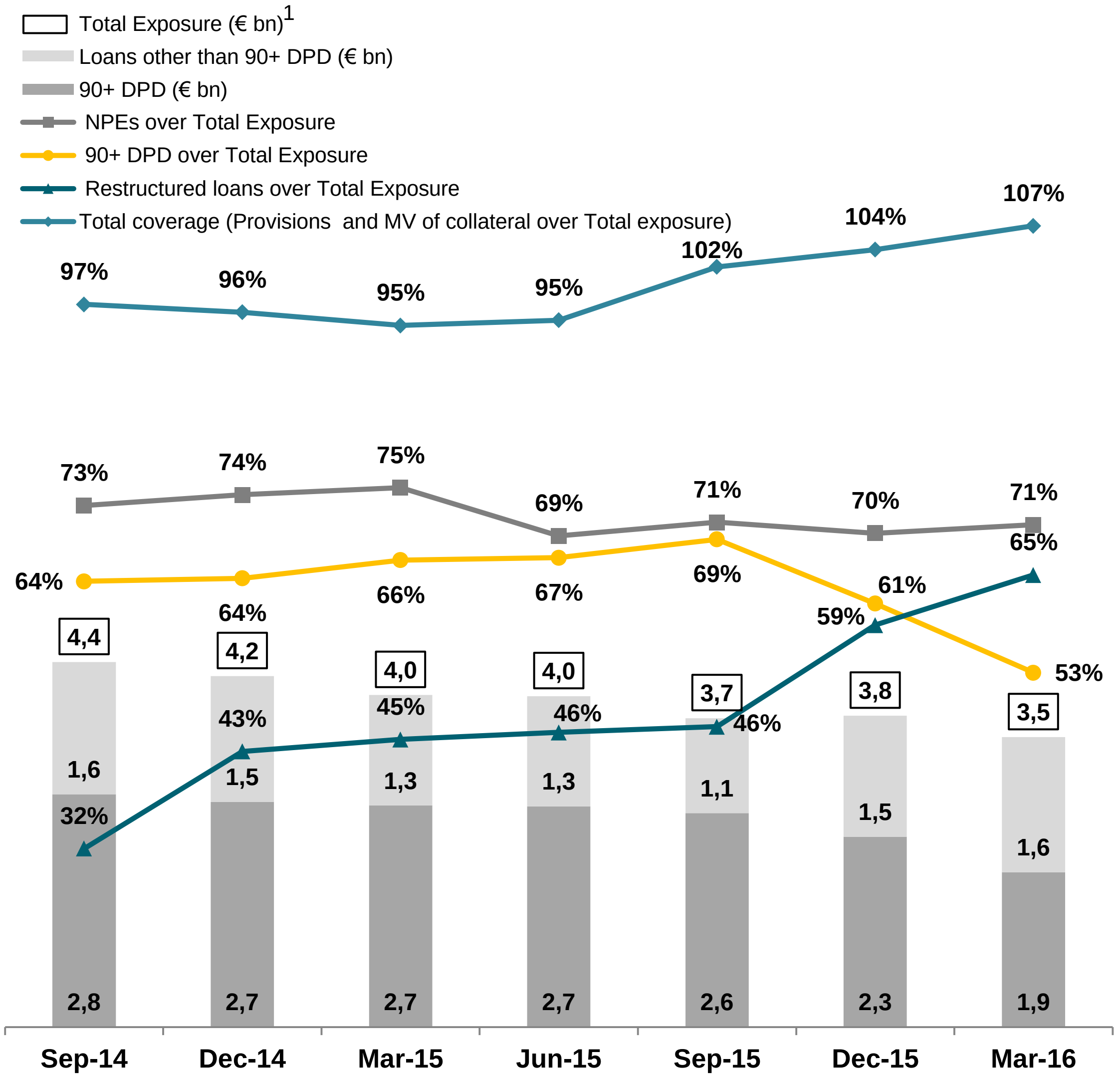
- Refreshed approach in corporate is starting to deliver results
- Foreclosure actions are important to building & maintaining pace

RRD-Recoveries corporate | RRD-Recoveries SMEs | RRD-Recoveries Retail Other | RRD-Recoveries Retail Housing

Bank of Cyprus

Progress on top 20 Group Exposures

Top 20 group exposures as at 30 September 2014 and their progress since then

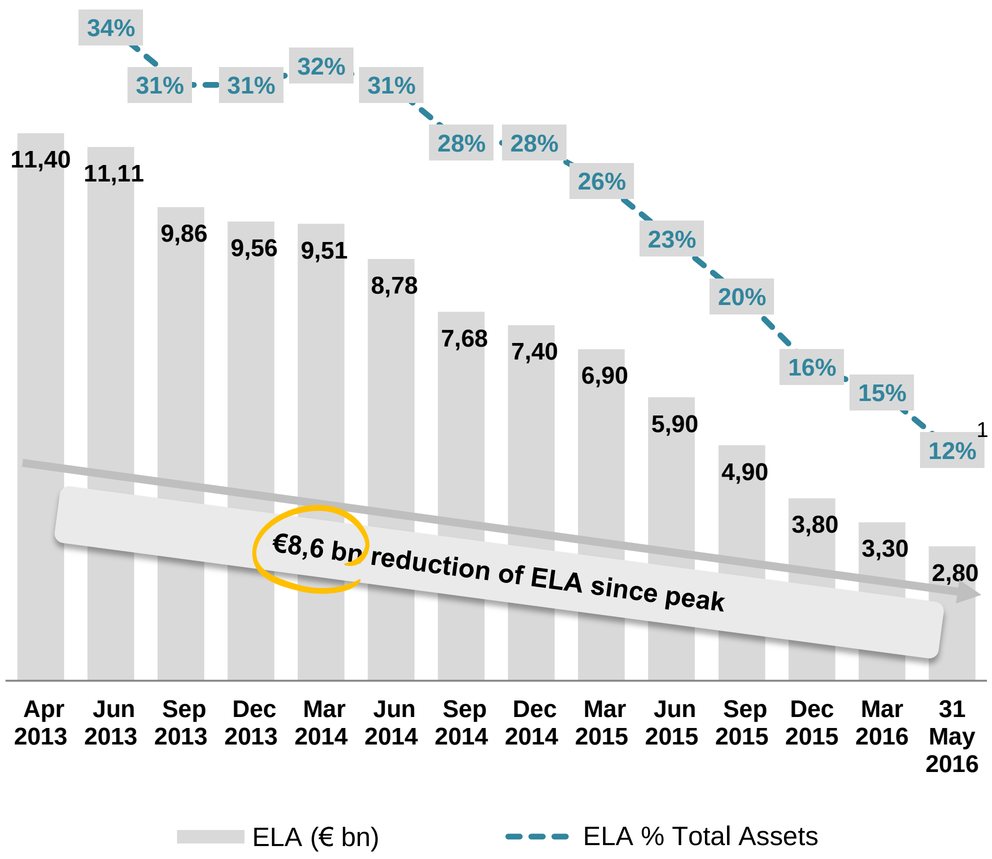


- **Top 20 group exposures** (as at 30 September 2014) totalled €3,5 bn as at 31 March 2016, compared to €4,4 bn at 30 September 2014
- Ratio of 90+ DPD to total exposure reduced by 8 percentage points to 53% during 1Q2016. Taking into account the provisions and tangible collateral, the top 20 exposures are fully covered
- Ratio of NPE to total exposures remained relatively stable at 71% due to the stickiness of the NPE definition
- **As at 31 March 2016, 65% of the top 20 group exposures were** restructured

(1) Total Exposures include on balance sheet and off balance sheet items.

€1,0 bn Reduction of ELA during 2016

Rapid reduction of ELA



Plans to fully eliminate ELA

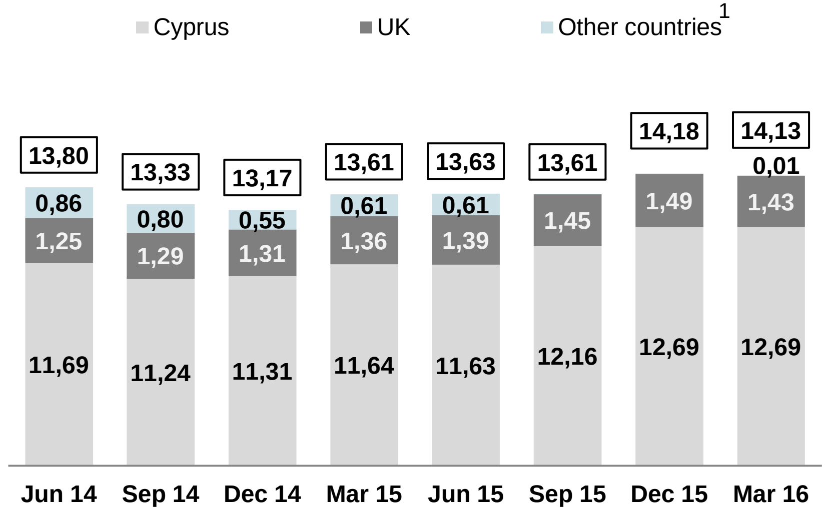
- Deposit Growth
- Wholesale and interbank market access
- Maturity of non-core bonds
- Retention of cash profits from operations
- Proceeds from deleveraging
- Covered bond eligible for ECB funding
- Use loans as collateral for ECB funding through the Additional Credit Claim framework

Full repayment of ELA during 2017

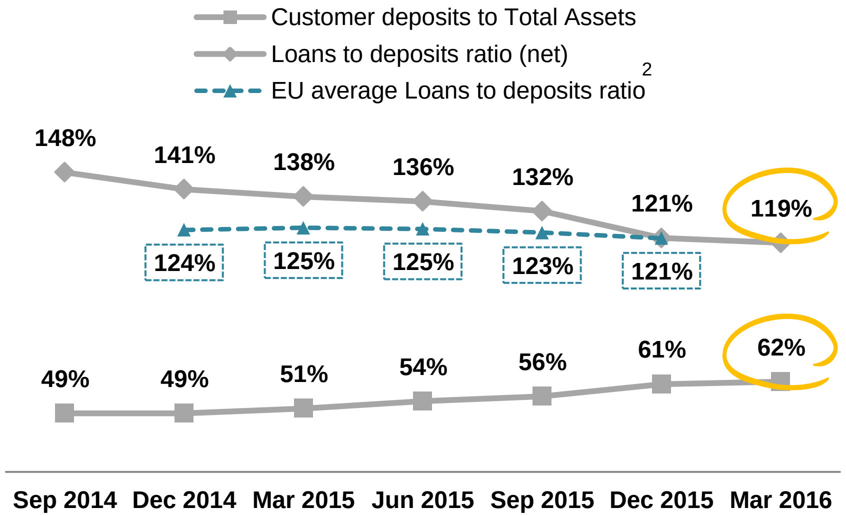
(1) Ratio of ELA Funding % Total Assets for 31 May 2016 is based on total assets at 31 March 2016

Improving Funding Structure

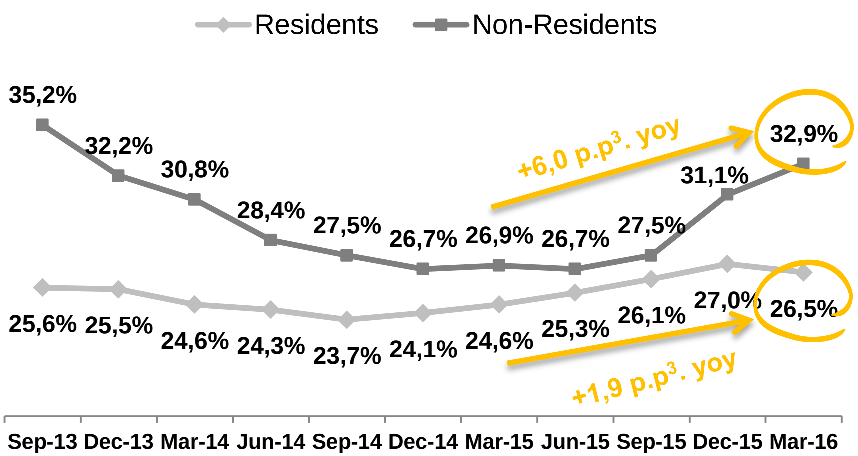
Growing customer deposit base (€ bn)



Improving funding structure



Strong market shares in Cyprus



- Group customer deposits totalled €14,13 bn at 31 March 2016. **In constant exchange rates, Group customer deposits increased by €152 mn**, with customer deposits in Cyprus increasing by €98 mn during 1Q2016

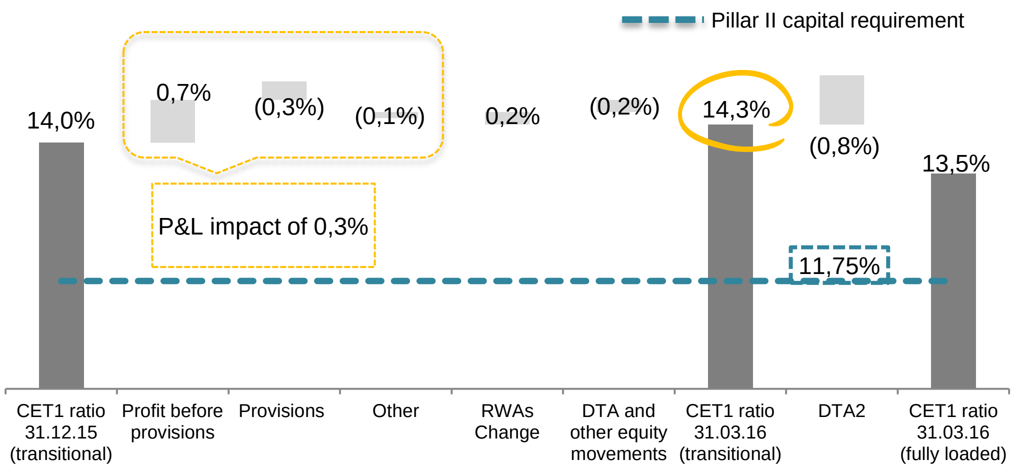
- **Ratio of Loans to deposits improved to 119%**

- Deposit market shares in Cyprus in March 2016 for Residents and non-Residents were 26,5% and 32,9% respectively

(1) Other countries comprise Russia, Romania and Greece.
(2) Based on EBA Risk Dashboard Report, Data as at 31 December 2015
(3) p.p = percentage points

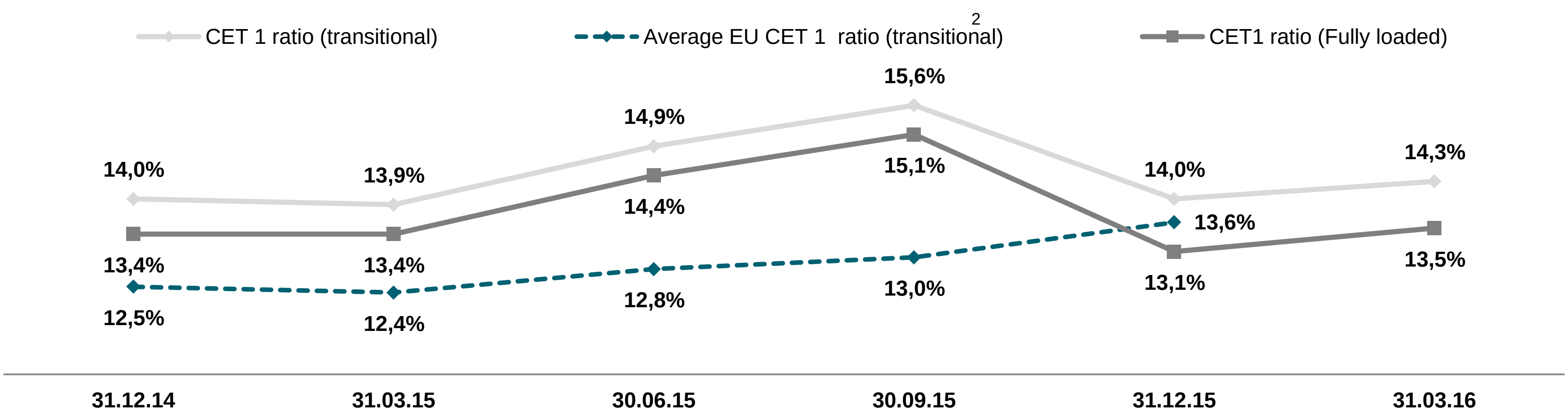
Strong and Improving CET1 ratio

Evolution for CET1[1] ratio during 1Q2016



- **CET1 ratio at 14,3%**
- Post 31 March 2016 the Bank sold Kermia Hotels Ltd[3]. **This is expected to have a 0,1 p.p. positive impact on the CET 1 ratio (Pro-forma CET 1 ratio at 14,4%)**

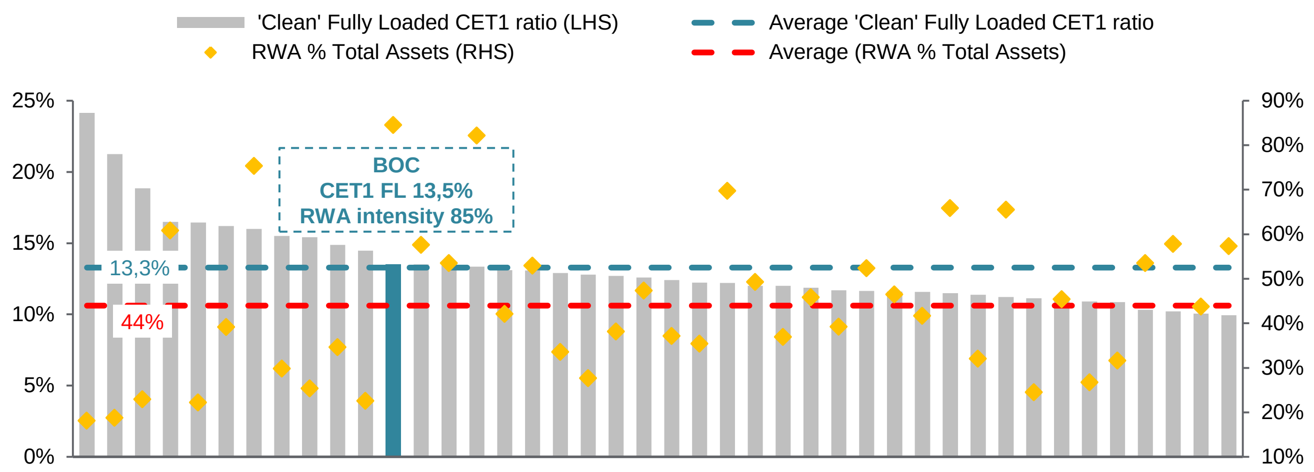
Capital Adequacy Ratios



(1) CET 1 ratio includes independently verified profits of 1Q2016
(2) Based on EBA Risk Dashboard Report, Data as at 31 December 2015
(3) Subject to regulatory approvals

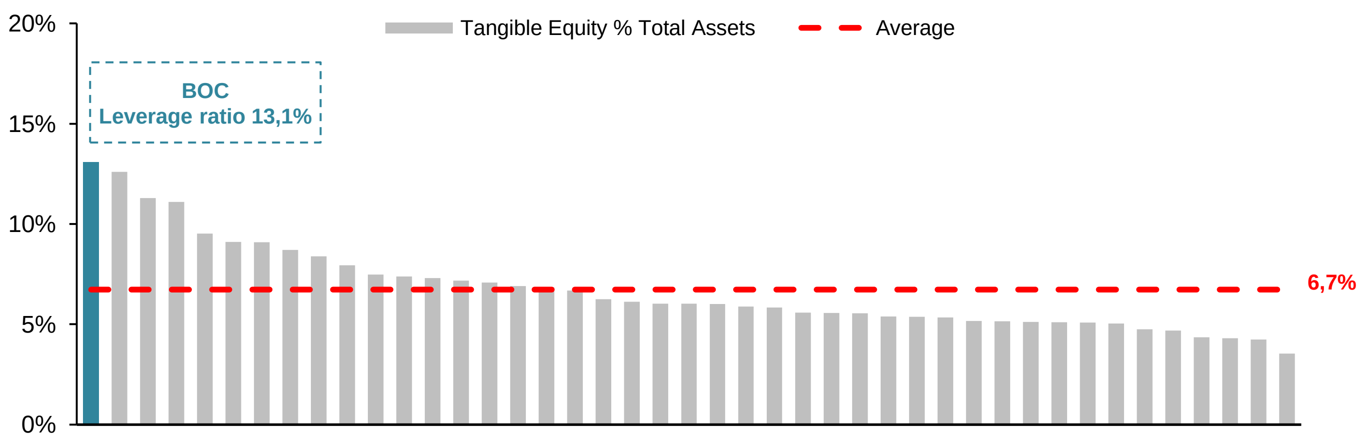
Capital Position Compares well with Peers

'Clean' Fully Loaded CET1 ratio[1] (December–2015[2])



- **"Clean" Fully loaded CET1 ratio at 13,5%, higher than average for EU peers**, reflecting a very low level of DTA
- **RWA intensity of 85%,** compared to an average of 44%

Leverage ratio[3] (December–2015[2])



- **Leverage ratio at 13,1%,** compared to an average of 6,7%

(1) As per SNL Financial Database, 'Clean' Fully Loaded CET1 ratio as at 31 December 2015, excludes Deferred Tax Credits, AFS and Danish Compromise Estimated Impact.
(2) Bank of Cyprus data is based on 1Q2016 financial results.
(3) Leverage ratio is defined as Tangible Equity over Total Assets.

Bank of Cyprus

Income Statement Review

€ mn	1Q2016	4Q2015	qoq %	1Q2015[2]	yoy %
Total income	**244**	**253**	**-4%**	**274**	**-11%**
Total expenses	**(99)**	**(119)**	**-17%**	**(102)**	**-3%**
Profit before provisions and impairments[1]	**145**	**134**	**9%**	**172**	**-15%**
Provisions for impairment of customer loans net of gains/(losses) on derecognition of loans and changes in expected cash flows	(62)	(630)	-90%	(110)	-44%
Impairments of other financial and non financial assets	(8)	(24)	-67%	(1)	-
Share of profit from associates	1	2	-65%	1	-57%
Profit/(loss) before tax, restructuring costs and discontinued operations	**76**	**(518)**	**-**	**62**	**22%**
Tax	(8)	8	-	(8)	2%
Profit attributable to non-controlling interests	(1)	1	-	1	-
Profit/(loss) after tax and before restructuring costs, discontinued operations and net profit on disposal of non-core asset	**67**	**(509)**	**-**	**55**	**24%**
Advisory and other restructuring costs[3]	(17)	(16)	7%	(8)	112%
Loss from disposal group held for sale/discontinued operations	-	(0)	-	(18)	-
Net gain/(loss) on disposal of non-core assets	-	13	-	-	-
Profit/(loss) after tax	**50**	**(512)**	**-**	**29**	**76%**
Net interest margin	**3,63%**	**3,69%**	**-6 bps**	**3,94%**	**-31 bps**
Return on average assets (annualised)	**0,9%**	**-8,6%**	**+9,5 p.p**	**0,4%**	**+0,5 p.p**
Return on tangible equity (annualised)	**6,7%**	**-69,5%**	**+ 76,2 p.p**	**3,4%**	**+3,3 p.p**
Cost-to-Income ratio	**40%**	**47%**	**-7 p.p**	**37%**	**+3 p.p**

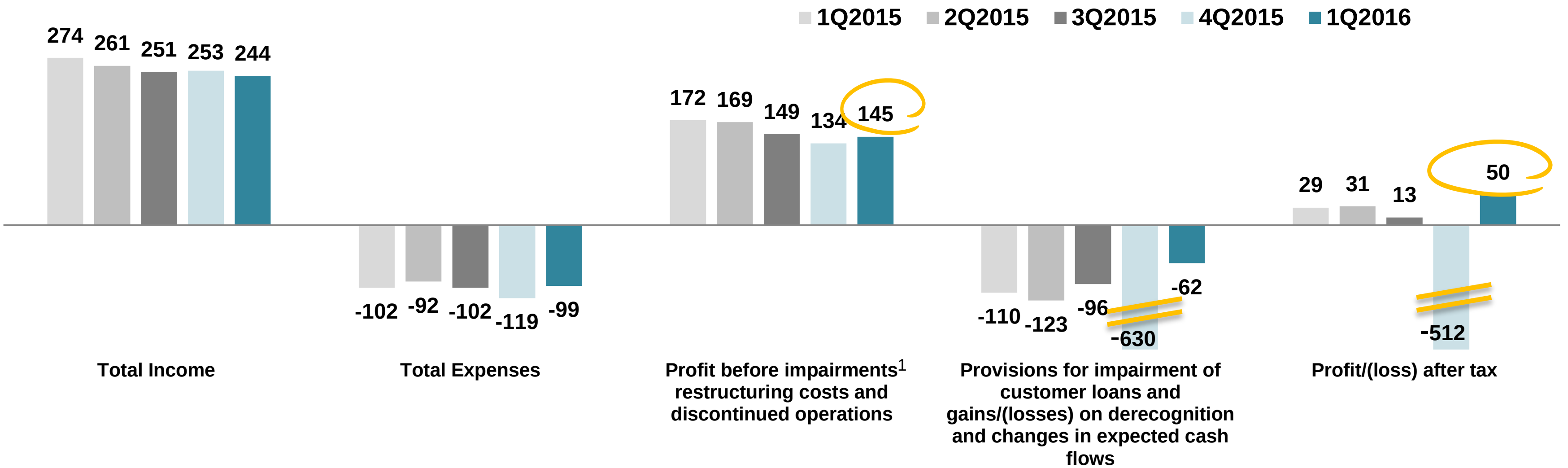
Key Highlights 1Q2016

- **A solid start to 2016** with a profit after tax of €50 mn
- **Total Income** down by 4%
- **Total Expenses** down by 17%
- **Profit before provisions** up by 9%
- **Cost to Income** ratio at 40%
- **NIM maintained** at 3,63%

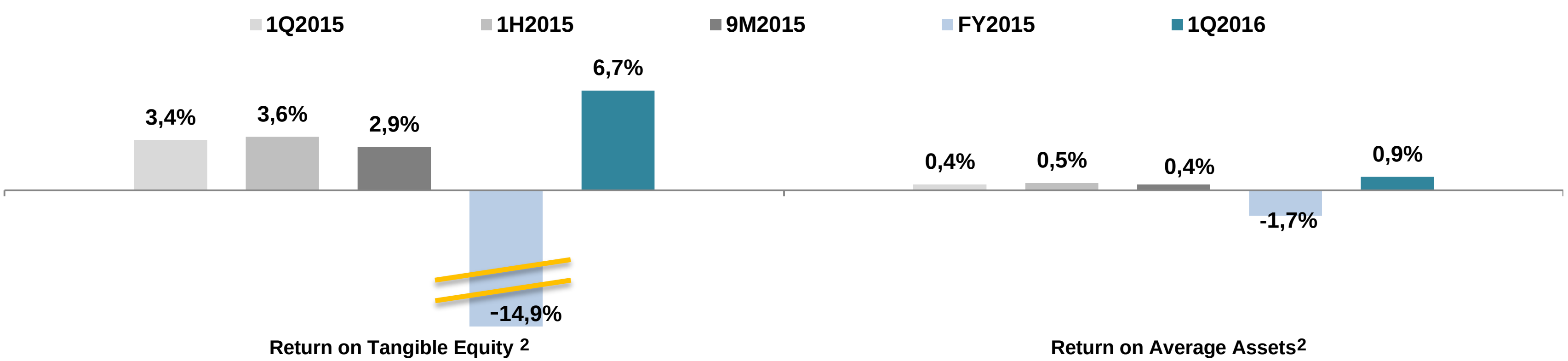
(1) Profit before provisions and impairments, gains/(losses) on derecognition and changes on expected cash flows , restructuring costs and discontinued operations.
(2) 1Q2016 is not comparable to 1Q2015 given the significant deleveraging completed since then, including, among others, the repayment by the Republic of Cyprus of the sovereign bond held by the Bank and the disposal of the majority of the Russian operations during 3Q2015.
(3) Restructuring costs comprise mainly costs of external advisors in relation to disposal of operations as well as fees for customer loan restructuring activities which are not part of the effective interest rate, listing related expenses and other expenses including property transfer fees relating to the restructuring process of the Group and costs incurred in closing down branches and operations.

A Solid Start to 2016

Group Income Statement Highlights (€ mn)



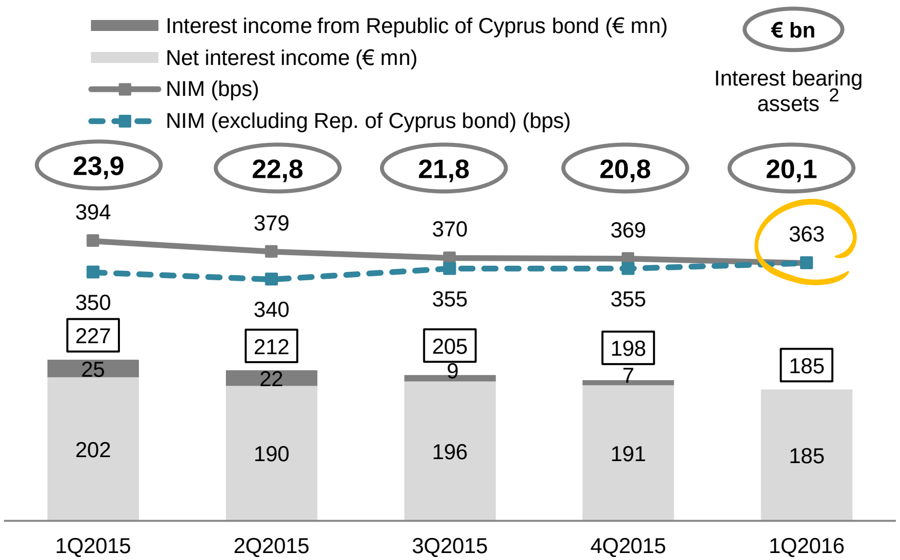
Return on Tangible Equity (RoTE) (%) & Return on Average Assets (RoAA)



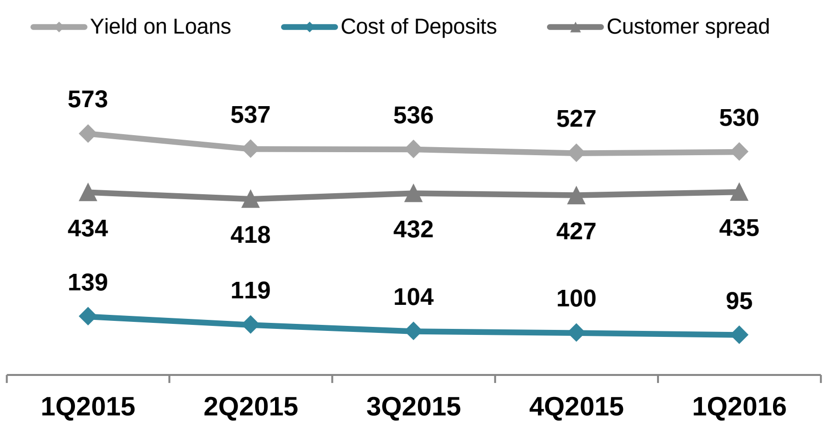
(1) Profit before provisions and impairments, gains/(losses) on derecognition and changes on expected cash flows, restructuring costs and discontinued operations.
(2) RoTE and RoAA are on an annualised basis.

Maintaining NIM and Customer Spread in a Competitive Market

Net Interest Income and Net Interest Margin



Yield on Loans and Cost of Deposits in Cyprus[1] (bps)

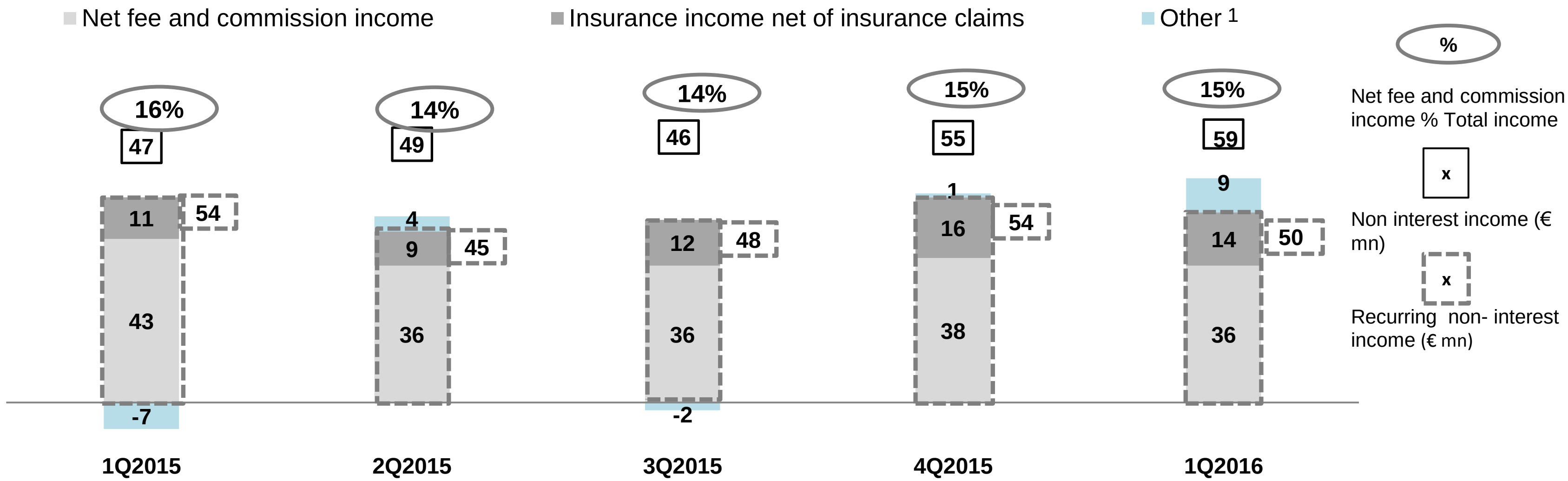


- **Net Interest Income (NII) at €185 mn**, compared to €198 mn for 4Q2015; The decrease is primarily due to lower loan volumes, the deleveraging actions and the full repayment of a high yielding bond by the Republic of Cyprus in December 2015
- Net Interest Margin (NIM) remains healthy at 3,63%; Adjusting for the interest income relating to the Republic of Cyprus bond, **NIM has been increasing**
- **Interest bearing assets** decreased by 4% to €20,1 bn,
- Customer spread in Cyprus maintained at 435 bps despite competitive pressures
- €223 mn new loans were granted during the first four months of 2016; New loan pipeline is promising

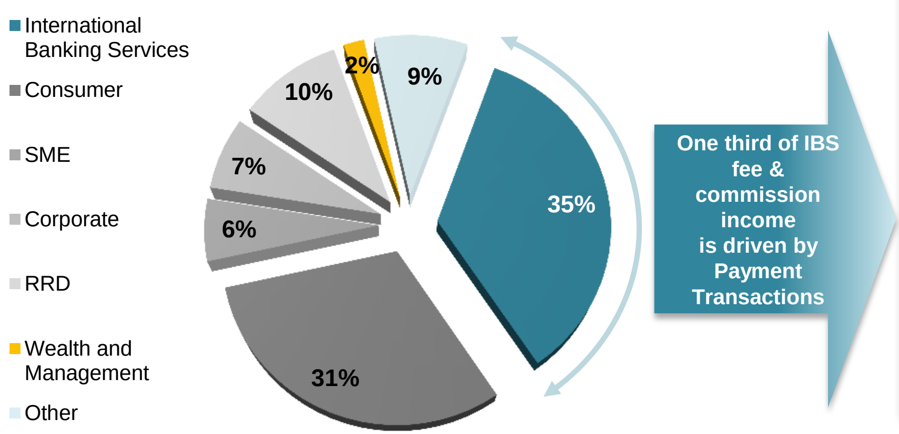
(1) Includes all currencies
(2) Interest bearing assets include placements with banks and central banks, reverse repurchase agreements and net loans and advances to customers and investments excluding equity and mutual funds.

Stable Non-interest Income

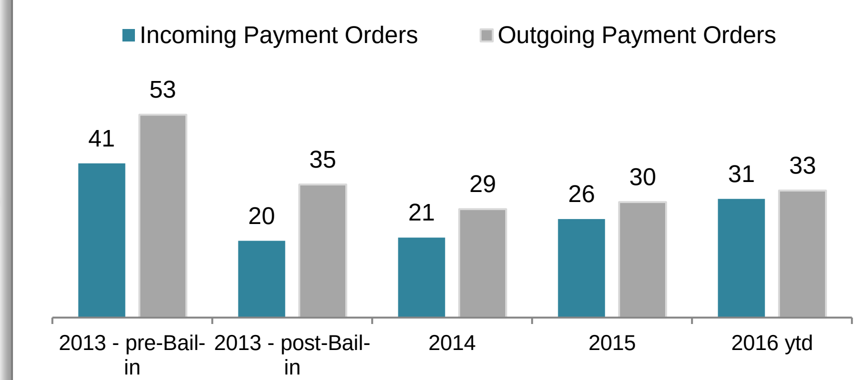
Analysis of Non Interest Income (€ mn) – Quarterly



Fee & commission income by business line



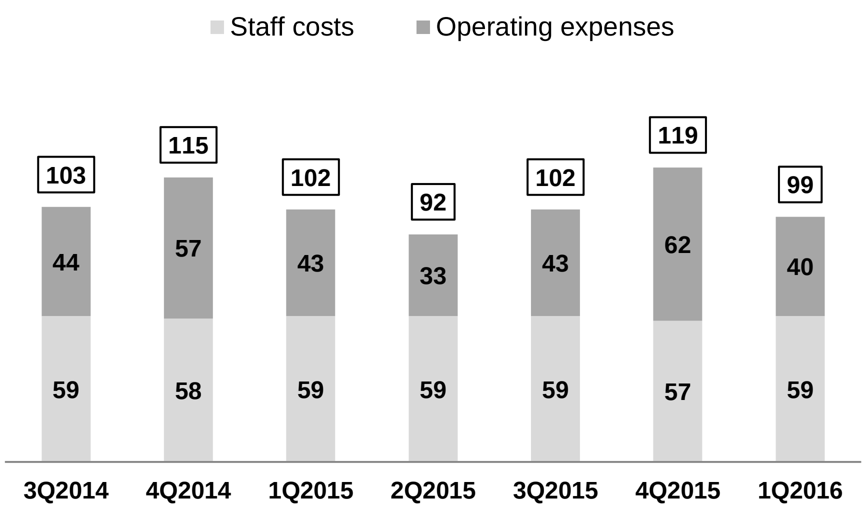
Payment Transactions are gradually increasing-
Average Number of Payment Transactions per month (thousands)



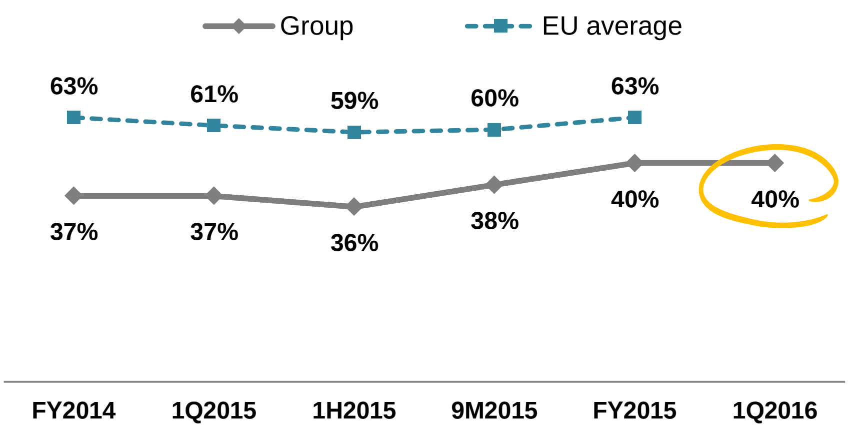
(1) Comprising (a) Net FX gains / (losses) & Net gains/(losses) on other financial instruments, (b) Losses from revaluation and disposal of investment properties and (c) other income.

Costs under control

Total expenses (€ mn)



Cost to Income Ratio



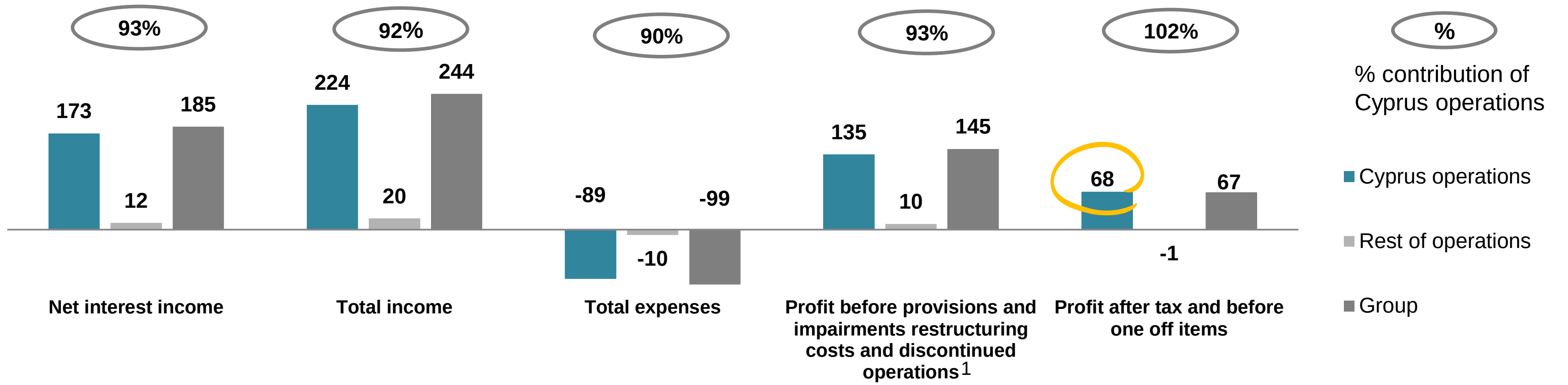
- **Total expenses** in line with previous quarters
- **Staff costs** in line with previous quarters
- **Operating expenses** for 4Q2015 were elevated due to higher non-recurring advisory and professional expenses and increased provisions for litigations and legal settlements.

- **Cost to income ratio** stable at 40%
- **Actions for focused, targeted cost containment:**
  - ➢ Tangible savings through a targeted cost reduction program for operating expenses
  - ➢ Introduction of appropriate technology/ processes to enhance product distribution channels and reduce operating costs
  - ➢ Introduction of HR policies aimed at enhancing productivity, including a Voluntary Exit Plan (VEP).

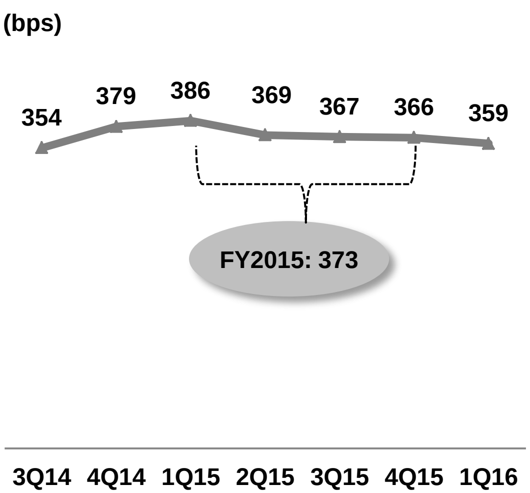
(1) Based on EBA Risk Dashboard Report, Data as at 31 December 2015

Core Profitability Residing in the Cyprus Operations

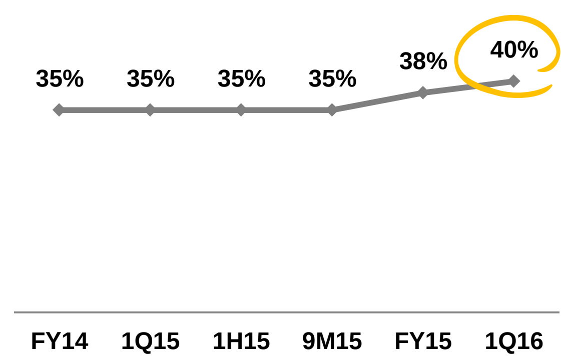
1Q2016 Cyprus Vs Group performance (€ mn)



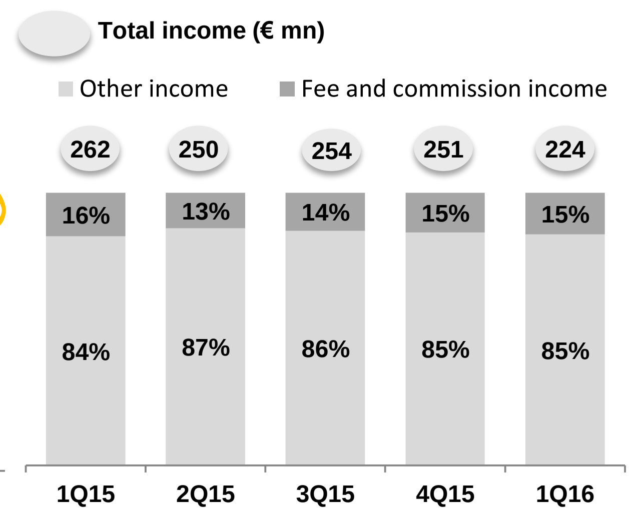
High NIM in Cyprus operations



Healthy Cost to Income ratio for Cyprus operations



Steady Fee and commission income for Cyprus operations



(1) Profit before provisions and impairments, gains/(losses) on loan derecognition and changes on expected cash flows, restructuring costs and discontinued operations.

Bank of Cyprus

Significant Progress made on Group KPIs

A clear plan of action to achieve *Medium Term Targets*

Category	Key performance indicators	Dec-2015	Mar-2016	Medium Term Targets
Asset quality	90+ DPD ratio	50%	47%	**<30%**
	90+ DPD coverage	48%	49%	**>50%**
	Provisioning charge [1]	4,3%	1,1%	**<1,0%**
Funding	ELA % Assets; € bn	16%; €3,8 bn	15%; €3,3 bn	**Fully repay**
	Net Loans % Deposits	121%	119%	**100%-120%**
Capital	CET1 (transitional)	14,0%	14,3%	**>15%**
Margins and efficiency	Net interest margin	3,8%	3,6%	**~3,00%**
	Fee and commission income/total income	15%	15%	**>20%**
	Cost to income ratio	40%	40%	**40%-45%**
Balance Sheet	Total assets € bn	€23,3 bn	€22,7 bn	**>€25 bn**

Key Pillars & Plan of action

1. Significantly reduce problem loans
- Intensify restructuring and workout activities of delinquent borrowers
- Increase pace of restructurings and focus on more complex and older cases on the back of the foreclosure law
- REMU to on-board, manage and dispose of properties acquired

2. Normalise funding structure; Eliminate ELA
- Deposit Growth; Wholesale and interbank market access
- Maturity of non-core bonds; Retention of cash profits from operations; Proceeds from deleveraging
- Covered bond eligible for ECB funding
- Use loans as collateral for ECB funding through the Additional Credit Claim framework

3. Focus on core markets
- Direct lending into promising sectors to fund the recovery of the Cypriot economy
- Diversify income stream by boosting fee income from international business, wealth, and insurance
- New loan origination, while maintaining lending yields
- Expand the UK franchise by leveraging the UK subsidiary

4. Achieve a lean operating model
- Tangible savings through a targeted reduction program for operating expenses
- Introduce appropriate technology/processes to enhance product distribution channels and reduce operating costs
- Introduce HR policies aimed at enhancing productivity

5. Deliver returns
- Deliver appropriate medium-term risk-adjusted returns

(1) IFRS9 impact, which is effective as from 1 January 2018, has not been taken into account for the purpose for the targets. Targets are set on the basis of the present regulatory environment.

Key Takeaways

- **Cypriot economy** recovering well; BOC **franchise** remains strong
- **ELA significantly down; Now at €2,8 bn;** Intention to fully repay as soon as possible
- **Improving funding structure;** Loans to Deposits ratio (L/D) at 119% and customer deposits accounting for 62% of total assets
- **CET1 ratio** strengthened by 30 basis points to 14,3%;
- **90+ DPD down by €1,0 bn or 9% during 1Q2016**; 90+ DPD provision coverage improved to 49%
- **Restructuring momentum** remains high with €1,5 bn of restructurings in 1Q2016
- **Foreclosure legislation and insolvency framework** can now be used as one of the tools for the effective management of problem loans
- **Stabilizing pre-provision profitability,** with profit before provisions of €145 mn for 1Q2016; Profit after tax of €50 mn for 1Q2016

Key Information and Contact Details

Credit Ratings:

Fitch Ratings:
Long-term Issuer Default Rating: upgraded to “B-" on 25 April 2016 (stable outlook)
Short-term Issuer Default Rating: upgraded to “B" on 25 April 2016
Viability Rating: upgraded to “b-” on 25 April 2016

Moody’s Investors Service:
Baseline Credit Assessment: Affirmed at caa3 on 28 May 2015 (stable outlook)
Short-term deposit rating: Affirmed at “Not Prime” on 28 May 2015
Long-term deposit rating: Affirmed at Caa3 on 28 May 2015 (stable outlook)
Counterparty Risk Assessment: Assigned at Caa2(cr) / Not-Prime (cr) on 28 May 2015

Listing:

ATHEX – BOC, CSE – BOCY, ISIN CY0104810110

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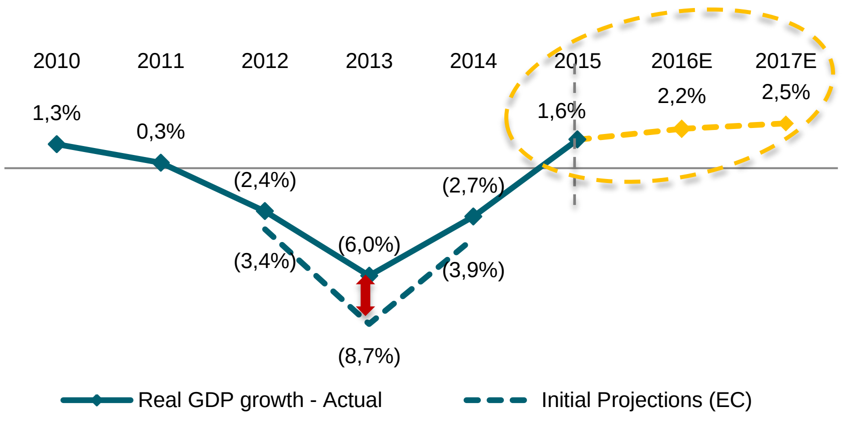
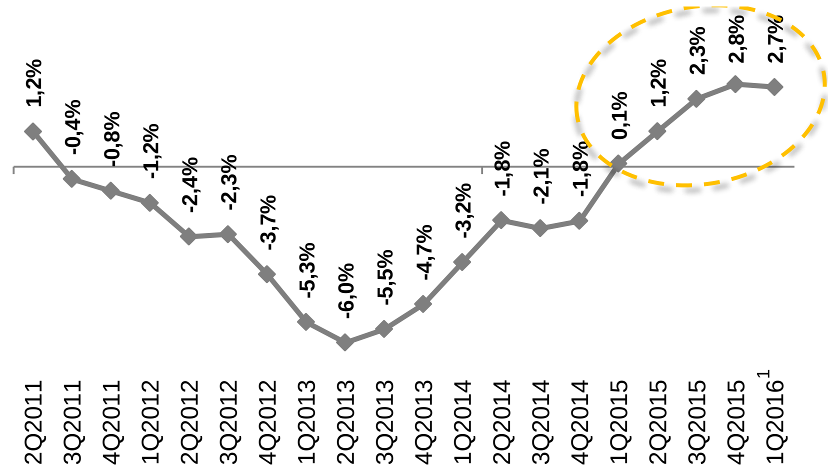
Appendix – Macroeconomic overview

Macroeconomic Overview: Cyprus economy surpassing expectations

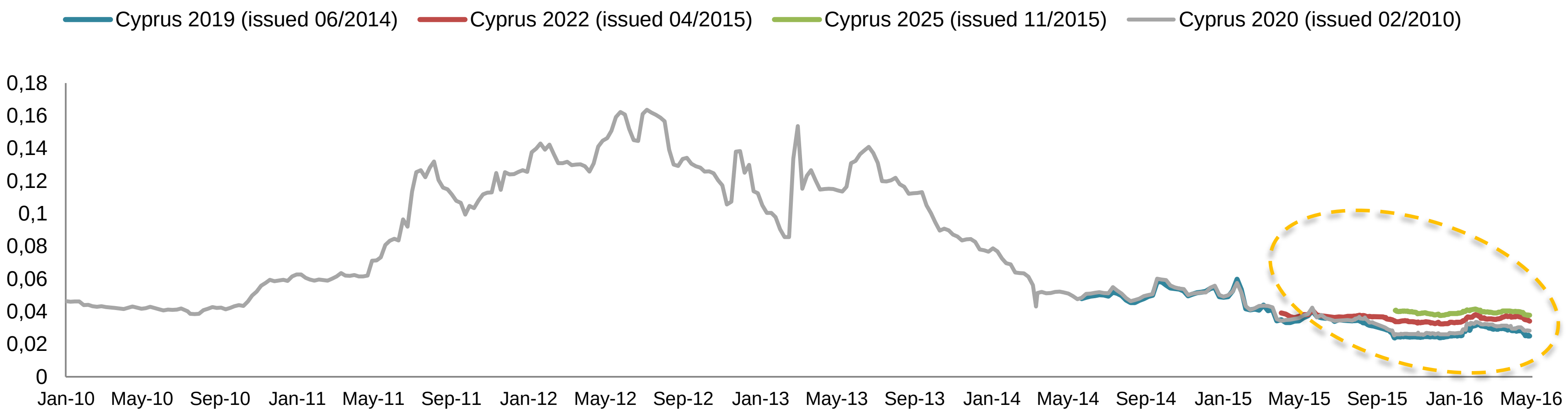
Economic growth gaining momentum



GDP Growth* (yoy)



Improved rating and credit outlook as demonstrated by benchmark sovereign bond issue

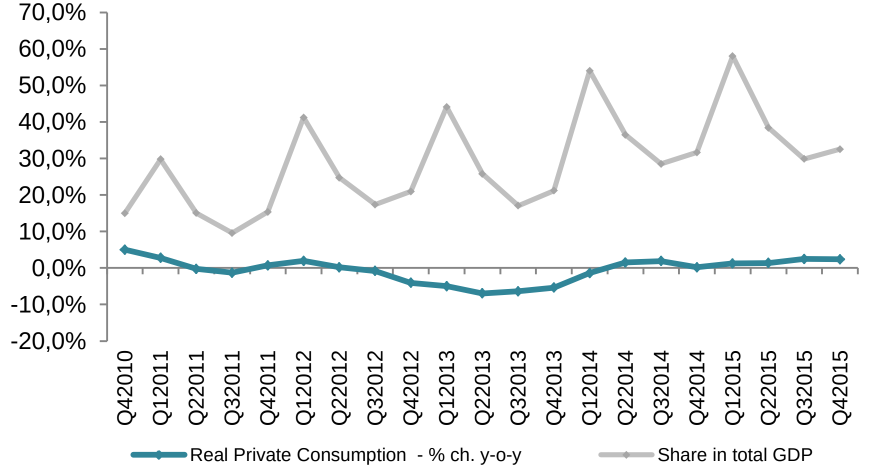


(1) Based on the Statistical Service of the Republic of Cyprus

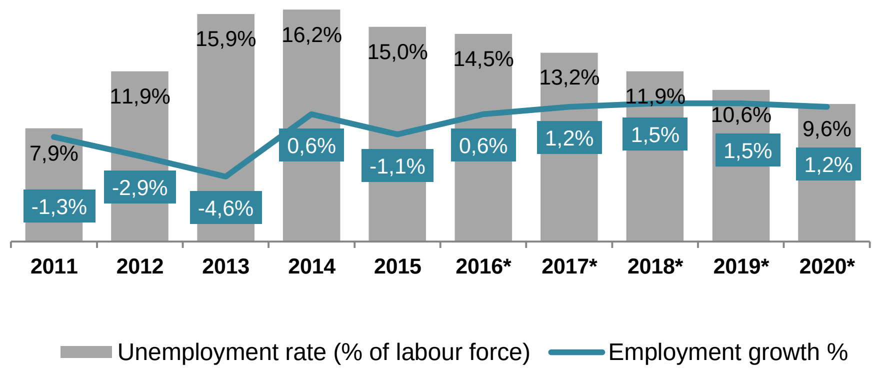
SOURCE: Statistical Service of Republic of Cyprus, Bloomberg, IMF and company reports

Macroeconomic Overview – Economic growth gaining momentum

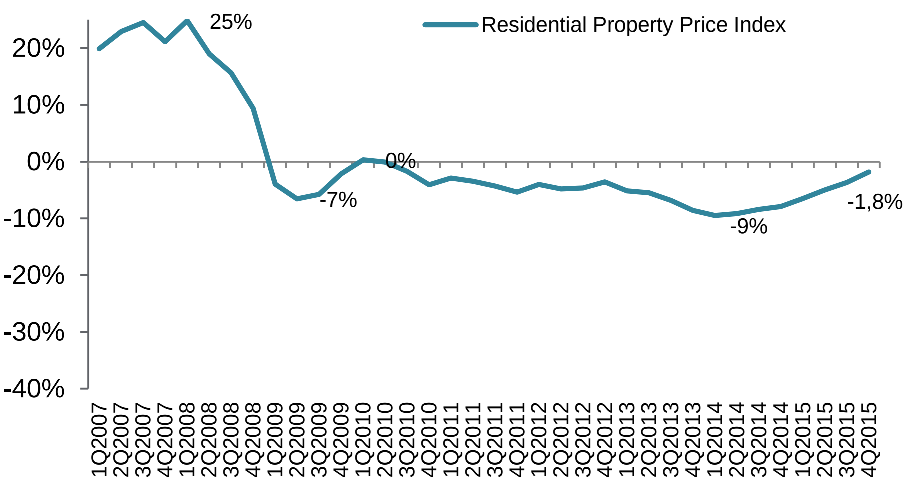
Indicators of private consumption (annual percentage change)



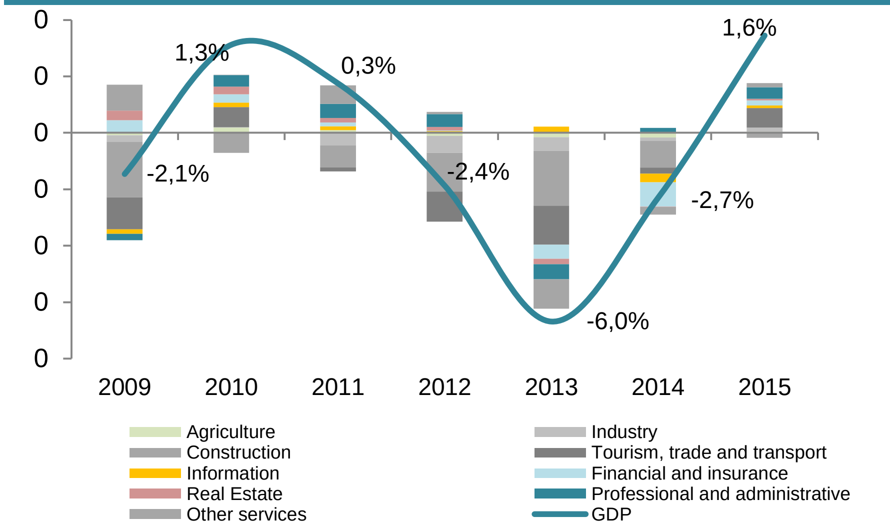
Unemployment will ease gradually



Evolution of Residential Property Price Index (RPPI) (yoy % change)



Contribution to GDP growth

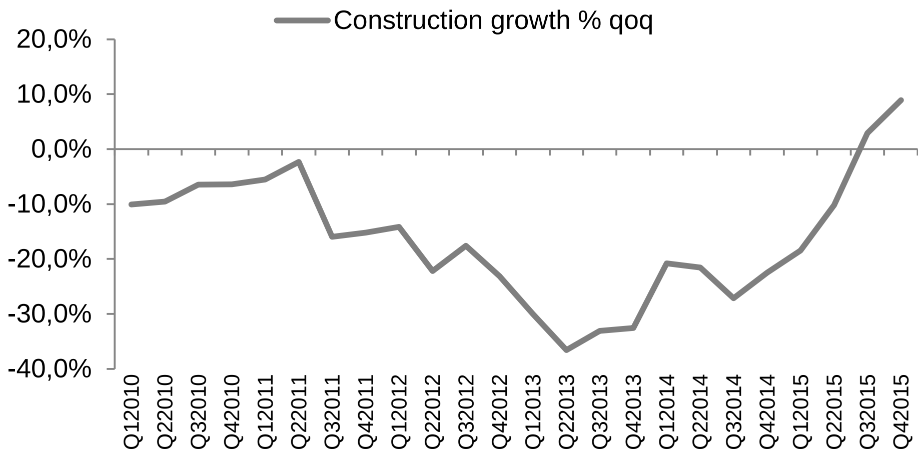


* Projections are per IMF 9th Review dated January 2016

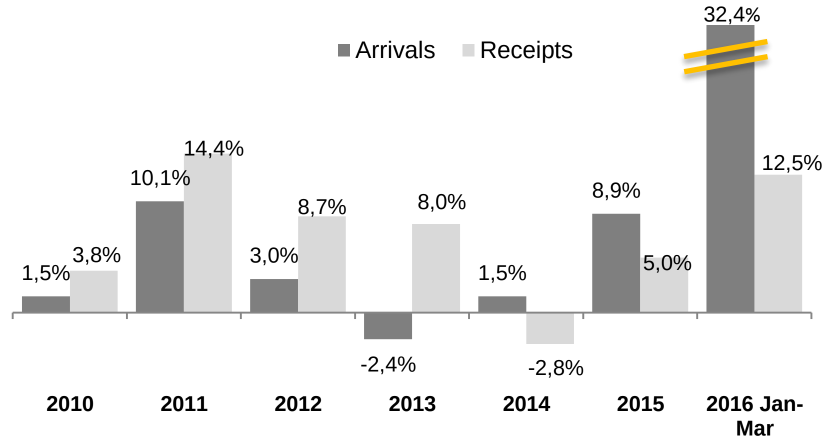
SOURCES: Central Bank of Cyprus, Statistical Service of Republic of Cyprus, European Commission, Bloomberg, IMF and company reports; Calculations by BOC Economic Research

Macroeconomic Overview – Key economic sectors performing well

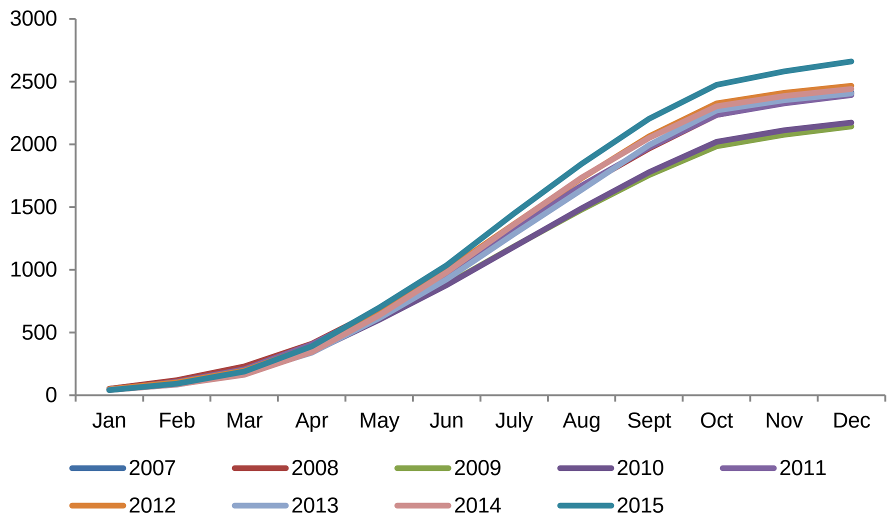
Construction growth % qoq



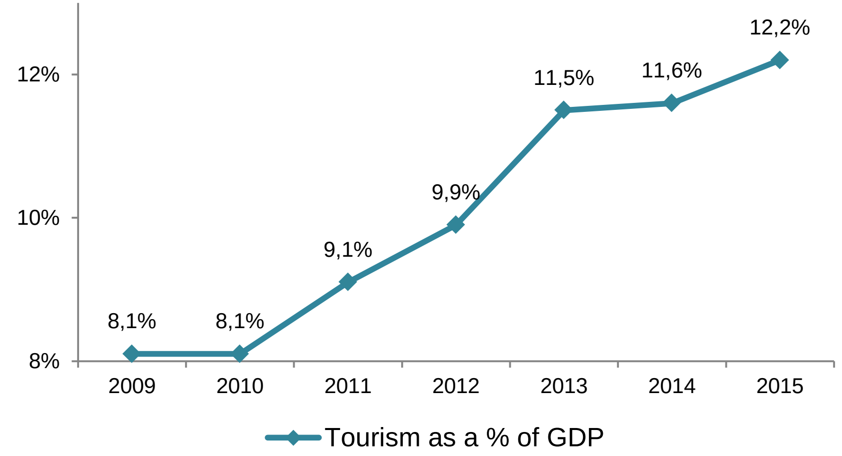
Tourist Arrivals and Receipts: yoy % changes



Accumulative tourist arrivals per year in 000's



Revenues from Tourism as % of GDP

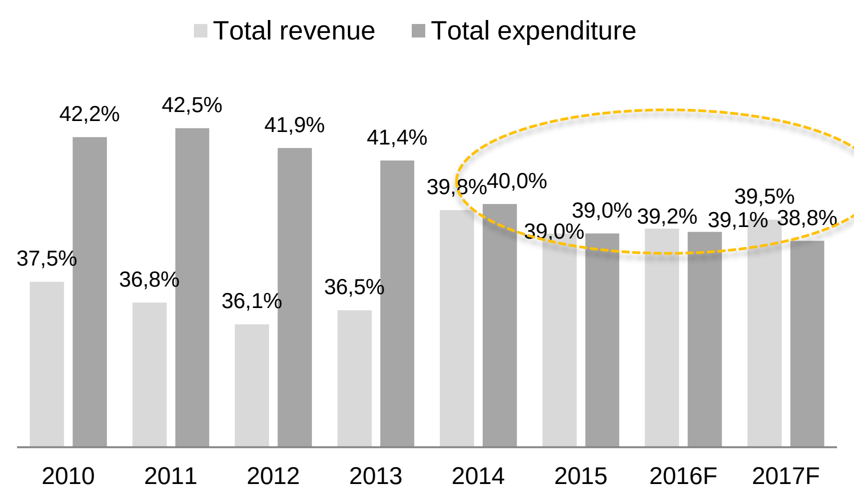


Bank of Cyprus

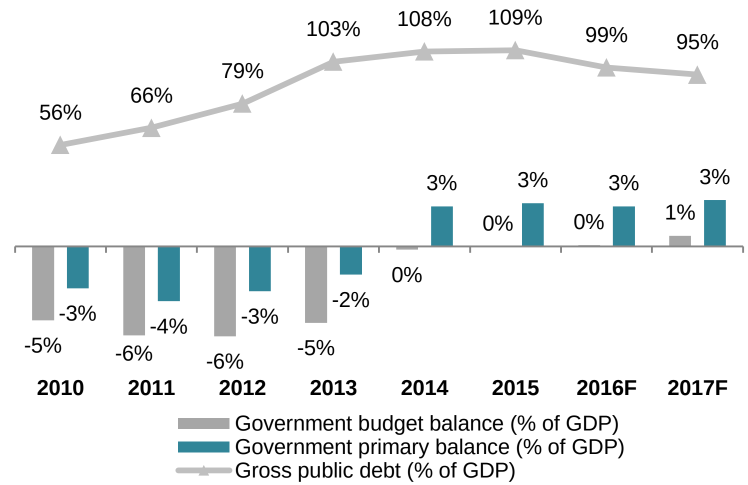
SOURCES: Statistical Service of Republic of Cyprus, European Commission, Bloomberg, IMF and company reports, Calculations by BOC Economic Research

Macroeconomic Overview – Improving fiscal conditions

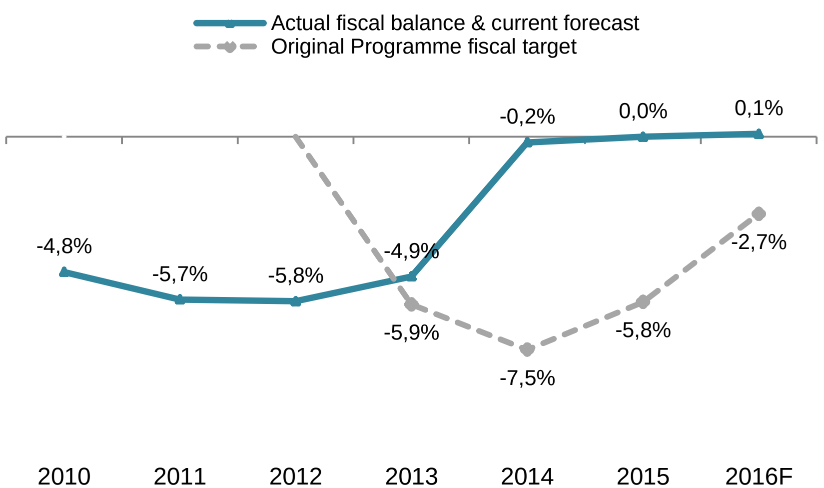
Total Government revenue vs expenditure (% of GDP)



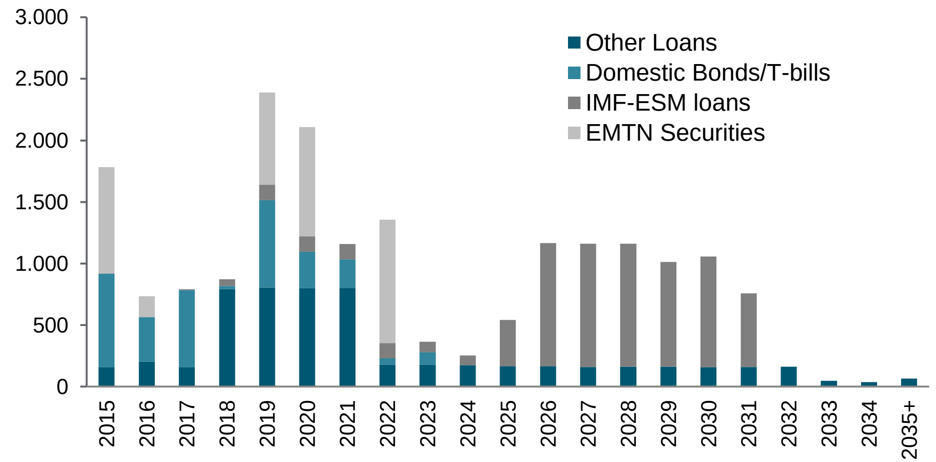
Prudent fiscal policy delivers strong results (% of GDP)



Government budget and primary balance and public debt as % of GDP



Maturity profile of Cyprus Government Debt (€ mn)



Bank of Cyprus

SOURCES: Statistical Service of Republic of Cyprus, European Commission, Bloomberg, IMF and company reports , Eurostat, Calculations by BOC Economic Research

Appendix – Additional financial information

Consolidated Balance Sheet

€ mn	% change	31.03.16	31.12.15
Cash and balances with Central Banks	-20%	1.141	1.423
Loans and advances to banks	-3%	1.273	1.314
Debt securities, treasury bills and equity investments	-9%	914	1.009
Net loans and advances to customers	-2%	16.821	17.192
Other assets	9%	2.482	2.284
Non current assets and disposal groups classified as held for sale	-19%	39	49
Total assets	**-3%**	**22.670**	**23.271**

€ mn	% change	31.03.16	31.12.15
Deposits by banks	29%	313	242
Funding from central banks	-15%	3.803	4.453
Repurchase agreements	-8%	339	368
Customer deposits	-0%	14.128	14.181
Debt securities in issue	-7%	1	1
Other liabilities	1%	958	944
Non current liabilities and disposal groups classified as held for sale	-	4	4
Total liabilities	**-3%**	**19.546**	**20.193**
Share capital	0%	892	892
Capital reduction reserve and share premium	0%	2.505	2.505
Revaluation and other reserves	2%	263	259
Accumulated losses	-7%	(559)	(601)
Shareholders' equity	**2%**	**3.101**	**3.055**
Non controlling interests	1%	23	23
Total equity	**2%**	**3.124**	**3.078**
Total liabilities and equity	**-3%**	**22.670**	**23.271**

Income Statement Review

€ mn	1Q2016	4Q2015	qoq %	1Q2015[3]	yoy %
Net interest income	185	198	-7%	227	-19%
Fees and commission income	36	38	-6%	43	-17%
Insurance income net of insurance claims	14	16	-16%	12	14%
Core income	*235*	*252*	*-7%*	*282*	*-17%*
Other income	9	1	-	(8)	-
Total income	**244**	**253**	**-4%**	**274**	**-11%**
Total expenses	**(99)**	**(119)**	**-17%**	**(102)**	**-3%**
Profit before provisions and impairments[1]	**145**	**134**	**9%**	**172**	**-15%**
Provisions for impairment of customer loans net of gains/(losses) on derecognition of loans and changes in expected cash flows	(62)	(630)	-90%	(110)	-44%
Impairments of other financial and non financial assets	(8)	(24)	-67%	(1)	-
Share of profit from associates	1	2	-65%	1	-57%
(Profit/(loss) before tax, restructuring costs and discontinued operations	**76**	**(518)**	**-**	**62**	**22%**
Tax	(8)	8	-	(8)	2%
(Loss)/profit attributable to non-controlling interests	(1)	1	-	1	-
(Profit/(loss) after tax from continuing operations[2]	**67**	**(509)**	**-**	**55**	**24%**
Advisory and other restructuring costs[4]	(17)	(16)	7%	(8)	112%
Loss from disposal group held for sale/discontinued operations	-	(0)	-	(18)	-
Net gain on disposal of non-core assets	-	13	-	-	-
(Profit/(loss) after tax	**50**	**(512)**	**-**	**29**	**76%**
Net interest margin	**3,63%**	**3,69%**	**-6 bps**	**3,94%**	**-31 bps**
Cost-to-Income ratio	**40%**	**47%**	**-7 p.p**	**37%**	**+3 p.p**

(1) Profit before provisions and impairments, gains/(losses) on derecognition and changes on expected cash flows, restructuring costs and discontinued operations.
(2) Profit/(loss) after tax and before restructuring costs, discontinued operations and net profit on disposal of non-core assets.
(3) 1Q2016 is not comparable to 1Q2015 given the significant deleveraging completed since then, including, among others, the repayment of the sovereign bond held by the Bank by the Republic of Cyprus and the disposal of the majority of the Russian operations during 3Q2015.
(4) Advisory and other restructuring costs comprise mainly fees of external advisors in relation to: (i) disposal of operations (ii) customer loan restructuring activities which are not part of the effective interest rate and (iii) the listing on a european stock exchange.

Analysis of Operating Expenses

€ mn	1Q2016	4Q2015	3Q2015	2Q2015	1Q2015
Operating lease rentals for property and equipment	2	2	3	3	2
Advertising, marketing and communication expenses	5	8	8	2	5
Property related costs	10	16	10	7	8
Insurance expenses	3	4	4	4	3
Depreciation and amortisation	4	5	5	5	5
Special tax levy on deposits of credit institutions in Cyprus & Contribution to depositor protection scheme	5	5	4	4	4
Provision and settlements of litigations or claims	(2)	6	-	2	-
Consultancy and other professional services fees	2	4	4	3	4
Other operating expenses	11	12	5	3	12
Total operating expenses	**40**	**62**	**43**	**33**	**43**

Income Statement bridge for 1Q2016

€ mn	Per presentation	Reclassification	Per financial statements
Net interest income	185		185
Net fee and commission income	36		36
Net foreign exchange gains/(losses) and net gains/(losses) on other financial instruments	6		6
Insurance income net of insurance claims	14		14
Gains from revaluations/disposals of investment properties	1	3	4
Losses on disposal of stock properties	-	(3)	(3)
Other income	2		2
Total income	**244**		**244**
Total expenses	**(99)**	(17)	**(116)**
Profit before provisions and impairments, gains/(losses) on derecognition of loans and changes in expected cash flows, restructuring costs and discontinued operations	**145**		**128**
Provisions for impairment of customer loans	(47)		(47)
Loss on derecognition of loans and changes in expected cash flows	(15)		(15)
Impairments of other financial and non-financial assets	(8)		(8)
Share of profit from associates	1		1
Profit before tax, restructuring costs and discontinued operations	**76**		**59**
Tax	(8)		(8)
Loss attributable to non-controlling interests	(1)		(1)
Profit after tax and before restructuring costs, discontinued operations and net profit from disposal of non-core assets	**67**		**50**
Advisory and other restructuring costs[1]	(17)	(17)	-
Profit after tax	**50**		**50**

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

Cyprus Income Statement

€ mn	1Q2016	4Q2015	3Q2015	2Q2015	1Q2015
Net interest income	173	186	192	200	211
Net fee & commission income	34	36	34	34	42
Insurance income net of insurance claims	13	16	11	8	12
Core income	*220*	*238*	*237*	*242*	*265*
Other income/(expenses)	4	13	16	8	(2)
Total income	**224**	**251**	**253**	**250**	**263**
Staff costs	(54)	(54)	(54)	(55)	(55)
Other operating expenses	(35)	(59)	(38)	(31)	(37)
Total expenses	**(89)**	**(113)**	**(92)**	**(86)**	**(92)**
Profit before provisions and impairments	**135**	**138**	**161**	**164**	**171**
Provisions[1]	(55)	(593)	(73)	(102)	(79)
Impairment of other financial assets and non financial assets	(5)	(14)	(6)	(19)	(1)
Share of profit from associates	1	3	0	1	2
Profit/(loss) before tax	**76**	**(466)**	**82**	**44**	**93**
Tax	(8)	10	(6)	(2)	(8)
Profit/(loss)attributable to non-controlling interests	(0)	1	0	(0)	0
Profit/(loss)after tax and before one off items	**68**	**(455)**	**76**	**42**	**85**

(1) Provisions for impairment of customer loans and gains/(losses) on derecognition of loans and changes in expected cash flows

Cyprus: Income Statement by business line for 1Q2016

€ mn	Consumer Banking	SME Banking	Corporate Banking	International Banking	Wealth & Brokerage & Asset Management	RRD	REMU	Insurance	Other	Total Cyprus
Net interest income	63	16	19	16	2	62	(2)	-	(3)	173
Net fee & commission income	11	2	2	12	1	3	-	(1)	4	34
Other income	-	-	1	2	1	-	(2)	14	1	17
Total income	**74**	**18**	**22**	**30**	**4**	**65**	**(4)**	**13**	**2**	**224**
Total expenses	**(29)**	**(3)**	**(3)**	**(7)**	**(2)**	**(9)**	**(2)**	**(4)**	**(30)**	**(89)**
Profit/(loss) before provisions and impairments	**45**	**15**	**19**	**23**	**2**	**56**	**(6)**	**9**	**(28)**	**135**
Provisions for impairment of customer loans net of gains/(losses) on derecognition of loans and changes in expected cash flows	11	(1)	10	(1)	1	(73)	-	-	(2)	(55)
Impairment of other financial and non financial assets	-	-	-	-	-	-	(4)	-	(1)	(5)
Share of profits from associates	-	-	-	-	-	-	-	-	1	1
Profit/(loss) before tax	**56**	**14**	**29**	**22**	**3**	**(17)**	**(10)**	**9**	**(30)**	**76**
Tax	(7)	(2)	(4)	(3)	(0)	2	1	(1)	6	(8)
Profit attributable to non controlling interest	-	-	-	-	-	-	-	-	(0)	(0)
Profit/(loss) after tax and before one off items	**49**	**12**	**25**	**19**	**3**	**(15)**	**(9)**	**8**	**(24)**	**68**

Summary Income Statement by Geography

€ mn	UK		OTHER[2]	
	1Q2016	1Q2015	1Q2016	1Q2015
Net interest income	8	8	5	13
Net fee & commission income	1	1	0	2
Insurance income net of insurance claims	0	0	0	0
Other income /(expenses)	-	-	7	(4)
Total income	**9**	**9**	**12**	**11**
Staff costs	(3)	(4)	(1)	(6)
Other operating expenses	(3)	(4)	(3)	(8)
Total expenses	**(6)**	**(8)**	**(4)**	**(14)**
Profit/(loss) before provisions and impairments	**3**	**1**	**8**	**(3)**
Provisions[1]	0	(1)	(8)	(49)
Impairment of other financial assets and non financial assets	-	-	(3)	-
Share of profit from associates	-	-	-	-
Profit/(loss) before tax	**3**	**0**	**(3)**	**(52)**
Tax	(0)	(0)	(0)	1
Profit attributable to non-controlling interests	-	-	-	4
Profit/(loss) after tax and before one off items	**3**	**0**	**(3)**	**(47)**

(1) Provisions for impairment of customer loans and gains/(losses) on derecognition of loans and changes in expected cash flows
(2) Other countries include Russia, Romania and Greece

Risk Weighted Assets – Regulatory Capital

Risk weighted assets by Geography (€ mn)

	31.03.15	30.06.15	30.09.15	31.12.15	31.03.16
Cyprus	20.473	19.607	19.473	18.438	18.276
Russia	813	708	46	21	25
United Kingdom	1.162	667	663	685	650
Romania	294	318	315	269	198
Greece	181	180	173	208	182
Other[1]	49	47	47	45	43
Total RWA	**22.972**	**21.527**	**20.717**	**19.666**	**19.374**
RWA intensity(%)	**86%**	**85%**	**86%**	**85%**	**85%**

Equity and Regulatory Capital (€ mn)

	31.03.15	30.06.15	30.09.15	31.12.15	31.03.16
Shareholders' equity	3.502	3.506	3.518	3.055	3.101
CET1 capital	3.201	3.205	3.231	2.748	2.769[2]
Tier I capital	3.201	3.205	3.231	2.748	2.769
Tier II capital	30	32	22	30	20
Total regulatory capital (Tier I + Tier II)	**3.231**	**3.237**	**3.253**	**2.778**	**2.789**

Risk weighted assets by type of risk (€ mn)

	31.03.15	30.06.15	30.09.15	31.12.15	31.03.16
Credit risk	20.881	19.426	18.830	17.618	17.326
Market risk	6	16	7	8	8
Operational risk	2.085	2.085	1.880	2.040	2.040
Total	**22.972**	**21.527**	**20.717**	**19.666**	**19.374**

Reconciliation of Group Equity to CET 1

€ mn	**31.03.16**
Group Equity per financial statements	3.124
Less: Intangibles and other deductions	(18)
Less: Deconsolidation of insurance and other entities	(229)
Less: Regulatory adjustments (Minority Interest, DTA and other items)	(56)
Less: Revaluation reserves and other unrealised items transferred to Tier II	(52)
CET 1 (transitional)	**2.769**
Less: Adjustments to fully loaded (mainly DTA)	**(150)**
CET 1 (fully loaded)	**2.619**
Risk Weighted Assets	**19.374**
CET 1 ratio (fully loaded)	**13,5%**
CET 1 ratio (transitional)[1]	**14,3%**

(1) Other countries primarily relates to exposures in Channel Islands
(2) CET 1 ratio iincludes independently verified profits of 1Q2016

Bank of Cyprus

BOC- Main performance indicators

31 March 2016	Ratios	Group 1Q2016
Performance	ROAA (annualised)	0,9%
	ROTE (annualised)	6,7%
	Net Interest Margin	3,63%
	Cost to income ratio	40%
	Loans to deposits	119%
Asset Quality	90+ DPD/ 90+ DPD ratio	€10.289 mn (47,1%)
	90+ DPD coverage	49%
	Cost of risk (annualised)	1,1%[1]
	Provisions / Gross Loans	23,2%
Capital	Transitional Common Equity Tier 1 capital	€2,769 mn
	CET1 ratio (transitional basis)	14,3%
	Total Shareholder's Equity / Total Assets	13,7%

	Shareholder's Equity (€ mn)	Intangible assets (€ mn)	# shares (mn)	Book Value per share	Tangible Book Value per share
30/09/2014	3.728	135	8.922	0,418	0,403
31/12/2014	3.465	127	8.922	0,388	0,374
31/03/2015	3.502	130	8.923	0,392	0,378
30/06/2015	3.506	128	8.923	0,393	0,379
30/09/2015	3.518	131	8.923	0,394	0,380
31/12/2015	3.055	134	8.923	0,342	0,327
31/03/2016	**3.101**	**141**	**8.923**	**0,348**	**0,332**

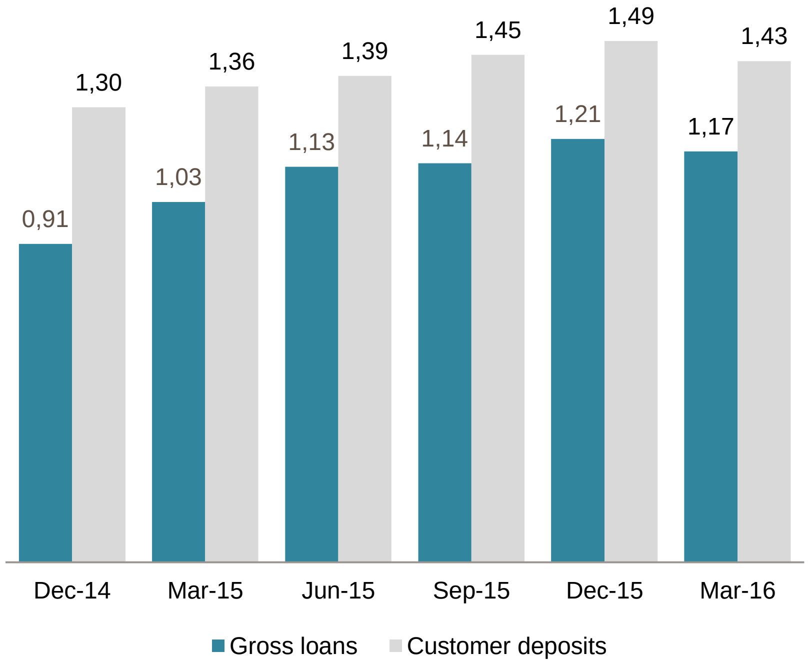
(1) That is Provisions for impairment of customer loans and gains/(losses) on derecognition of loans and changes in expected cash flows.

Bank of Cyprus

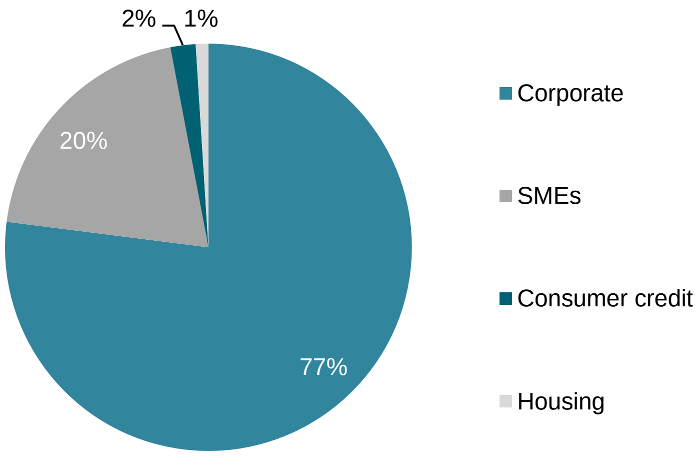
UK operations

- BoC UK has a branch in North London and business centres in Central London, South London and Birmingham.
- Focuses on meeting the needs of entrepreneurs and owner-managed businesses and is primarily funded by retail deposits.
- Intends to grow its lending business to take advantage of its capital and liquidity position in order to improve its profitability.
- A new CEO was appointed in December 2015 to lead the Bank into the next phase of its development. Previously with Westpac, Western Australia, (General Manager for Retail and Business) and with Bank of Ireland UK (Post office j.v.)

Gross loans and customer deposits (€ bn)

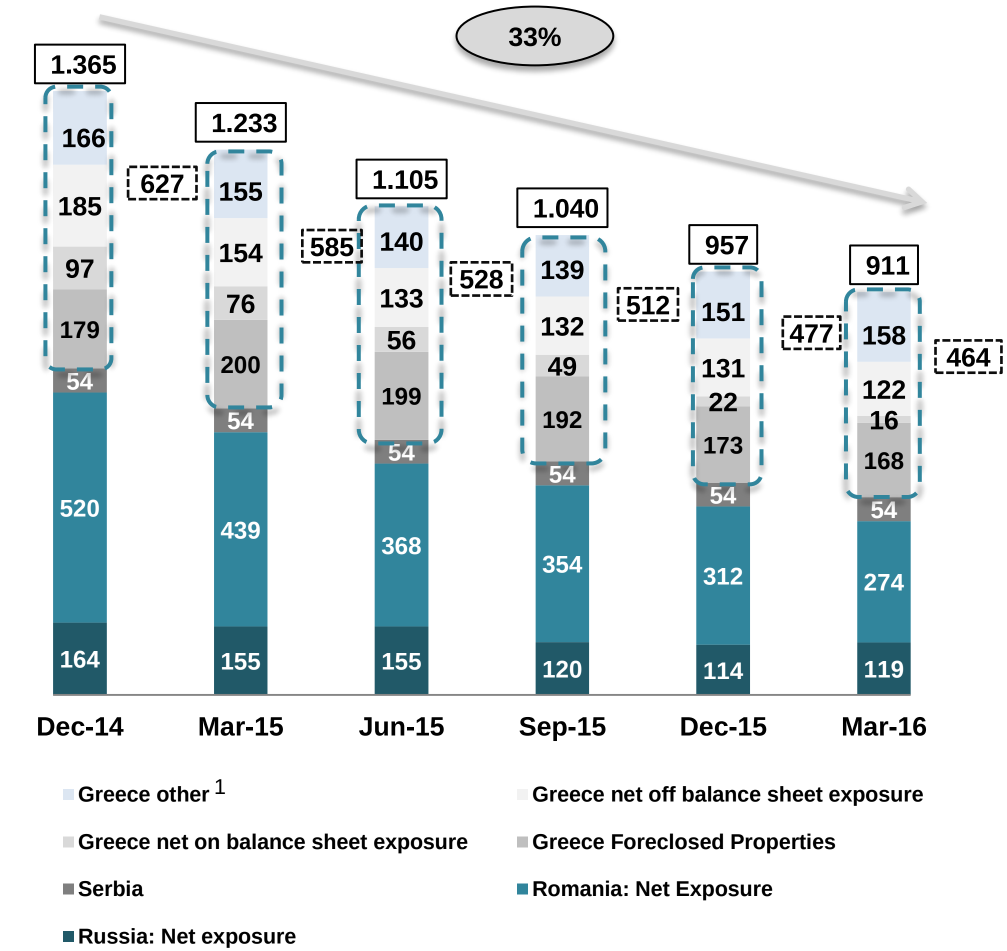


Loans by sector as at 31 March 2016



Reduction in Overseas Non-Core Exposures

Overseas non-core exposures (€ mn)



The non-core overseas exposures at 31 March 2016 were as follows:

Greece: The net exposure comprised:

- **(a)** Net on-balance sheet exposures (excluding foreclosed properties) totalling €16 mn;
- **(b)** 640 foreclosed properties with a book value of €168 mn;
- **(c)** off-balance sheet exposures totalling €122 mn; and
- **(d)** lending exposures to Greek entities in the normal course of business in Cyprus totalling €87 mn, and lending exposures in Cyprus with collaterals in Greece totalling €71 mn.

Romania: The overall net exposure is €274 mn

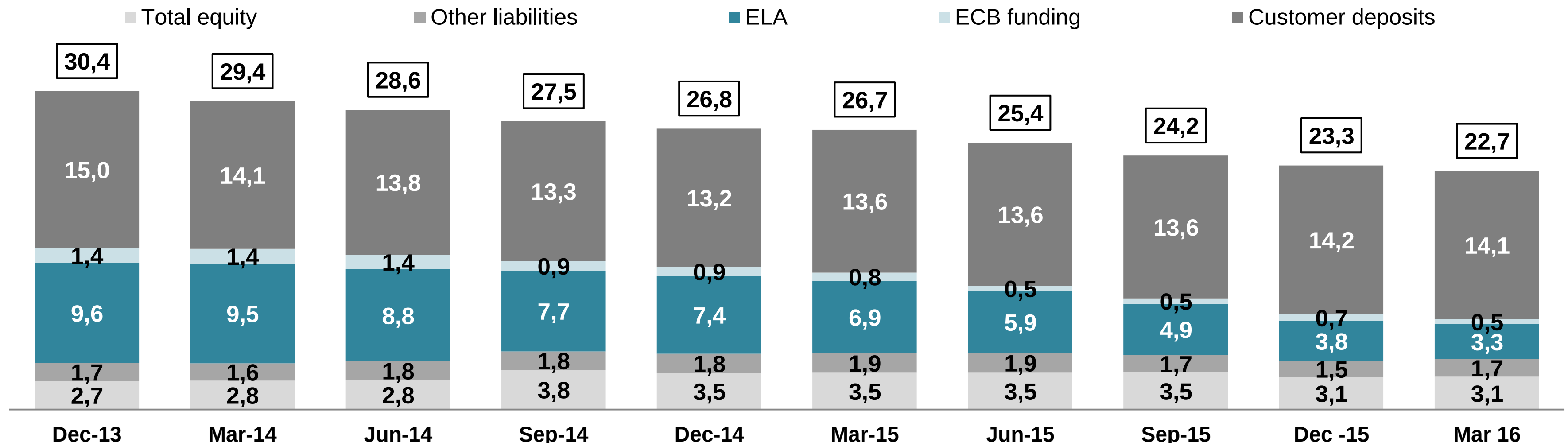
Serbia: The overall net exposure is €54 mn

Russia: Following the disposal of Uniastrum Bank and certain other Russian assets the remaining net exposure (on and off balance sheet) in Russia is €119 mn

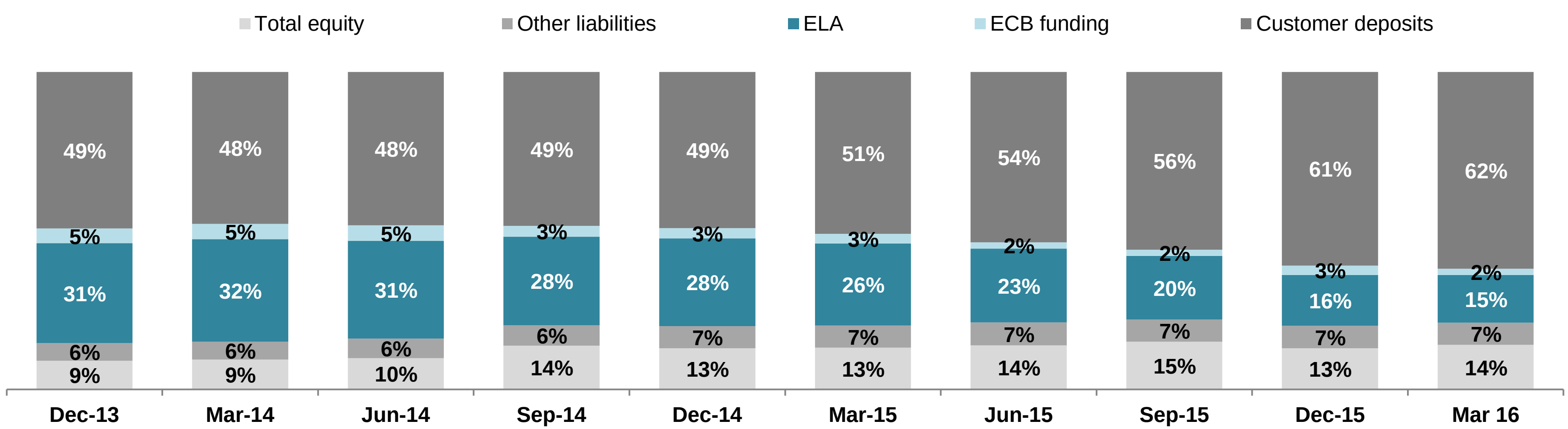
(1) Lending exposures to Greek entities in the normal course of business in Cyprus and lending exposures in Cyprus with collaterals in Greece

Funding Structure

Analysis of Liabilities and Equity (€ bn)

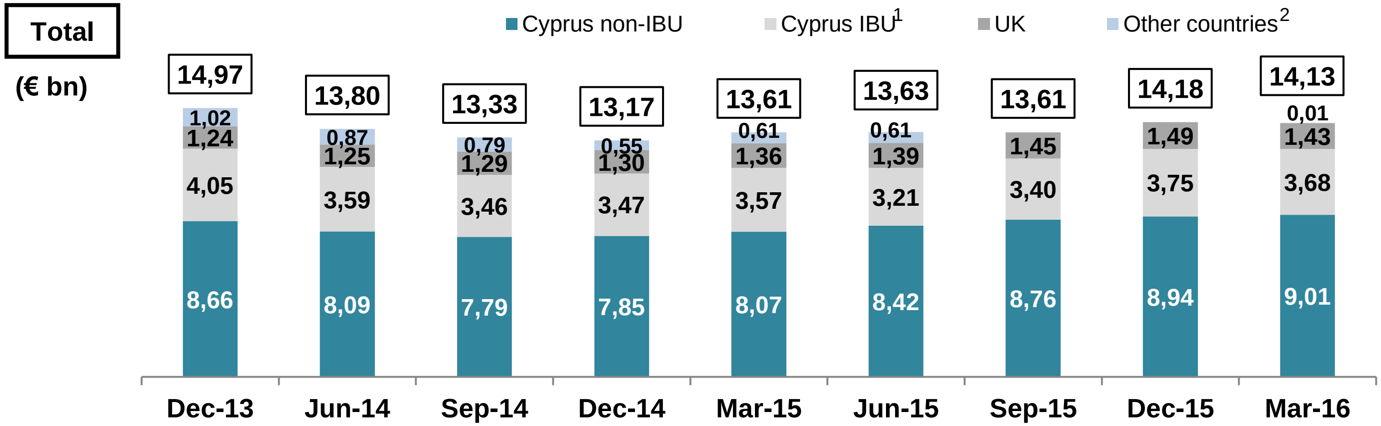


Analysis of Liabilities and Equity (%)

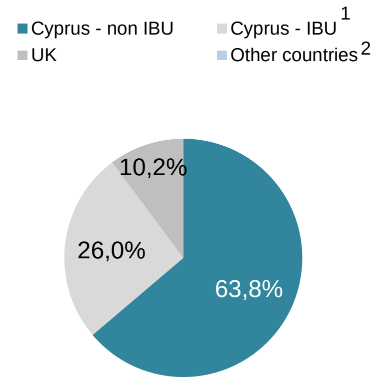


Analysis of Deposits by Geography and by Type

Deposits by geography

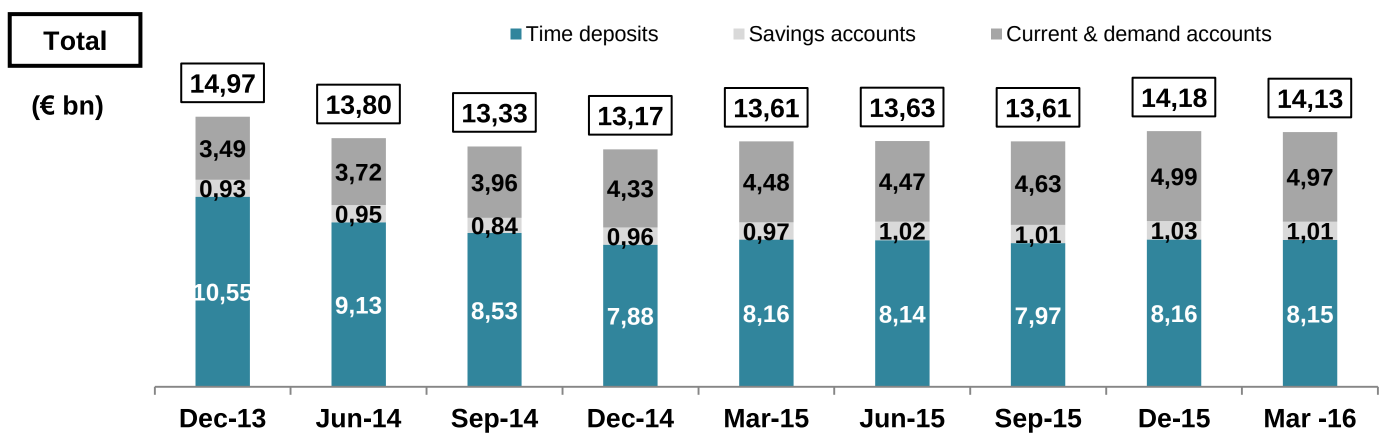


31 March 2016 (%)

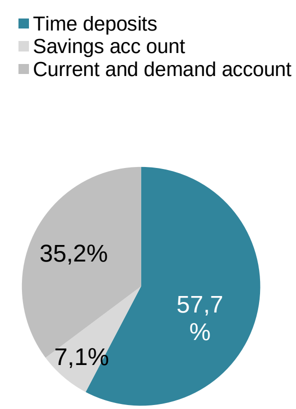


Total Cyprus 90%

Deposits by type of deposits



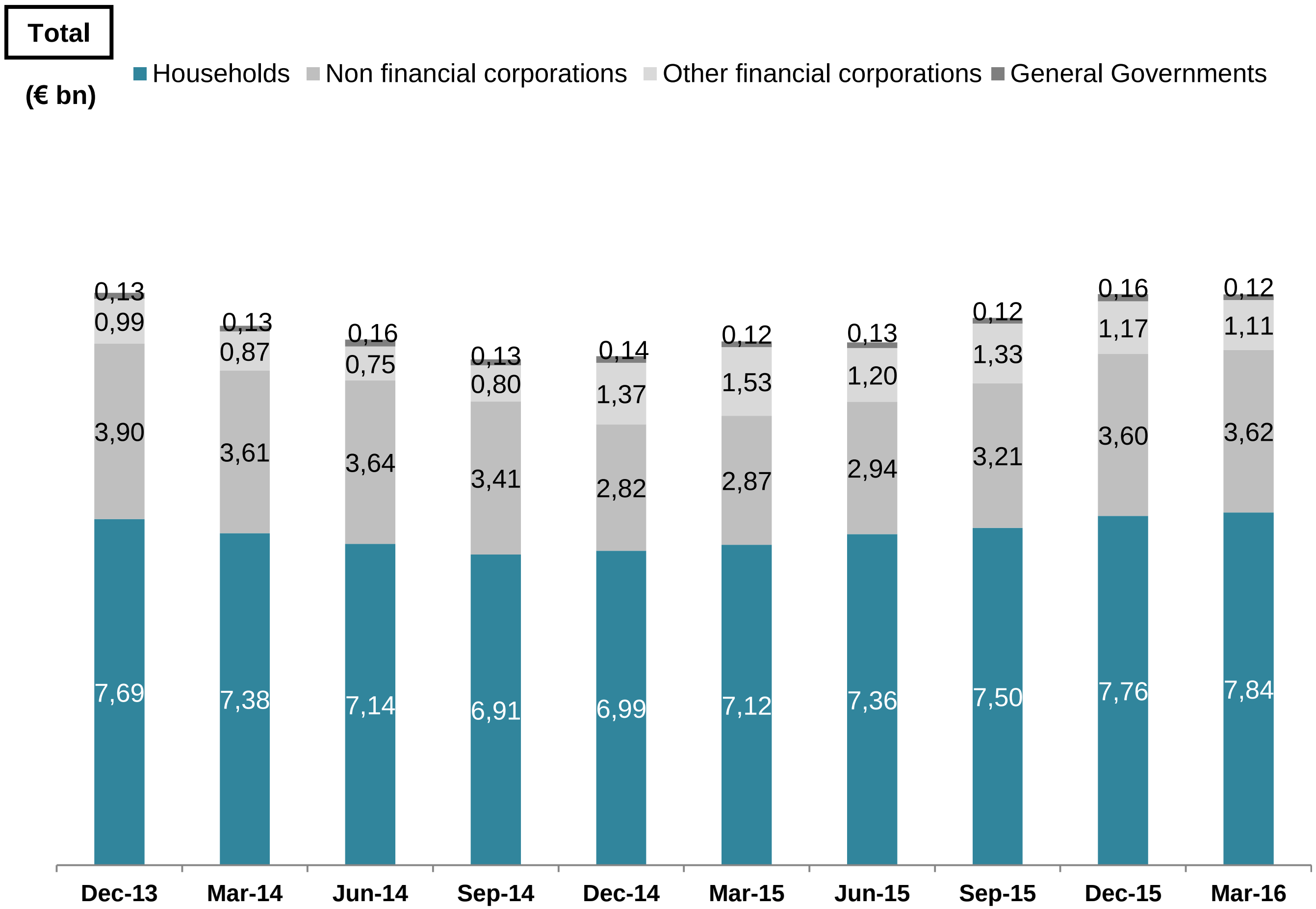
31 March 2016 (%)



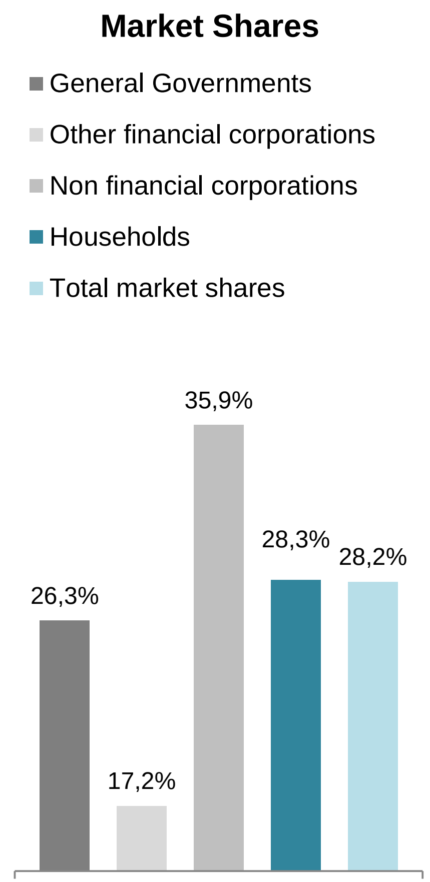
(1) IBU- Division servicing exclusively international activity companies registered in Cyprus and abroad and non-residents
(2) Other countries: Russia, Romania, Greece and Ukraine (until March 2014).

Analysis of Deposits by sector for Cyprus operations

Deposits by sector as per CBC classification for Cyprus operations

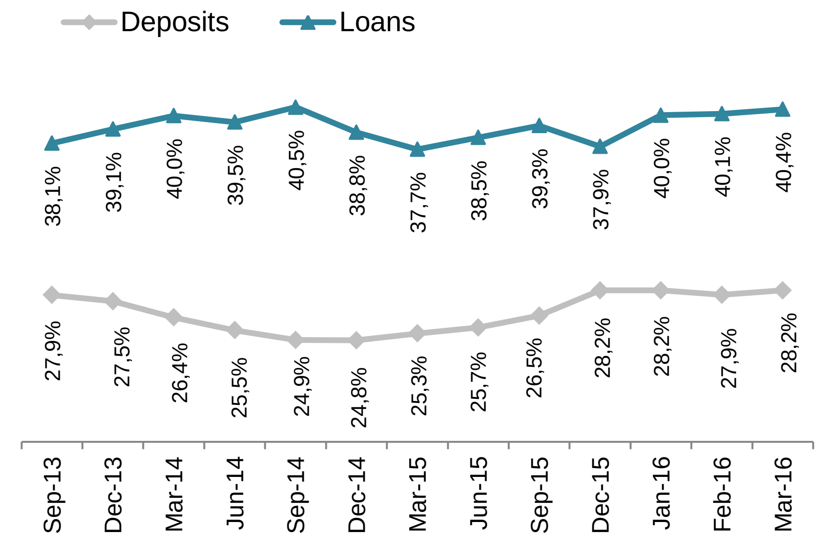


31 March 2016 (%)

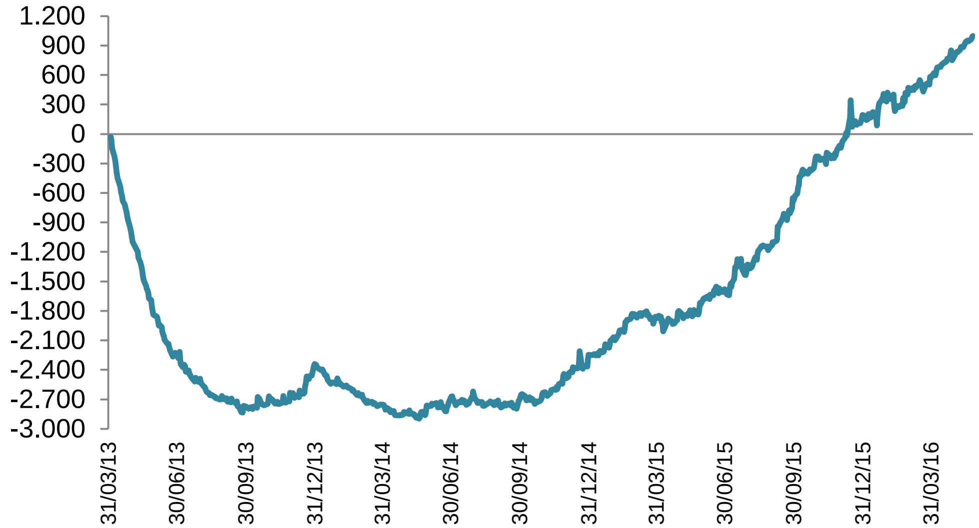


Market Shares and Customer flows in Cyprus

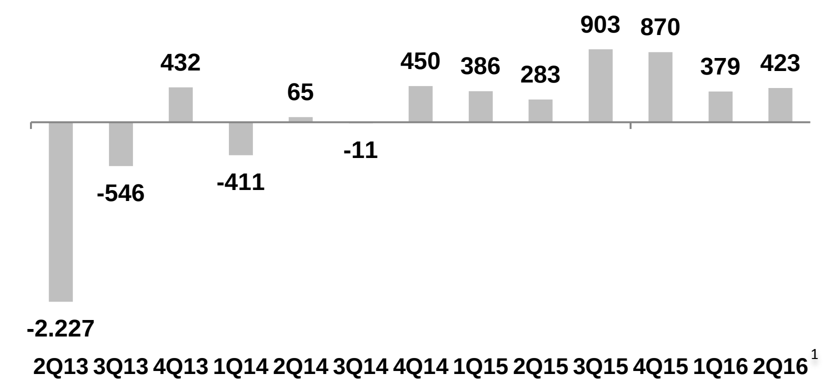
Market share evolution in Cyprus



Cumulative Customer flows[2] (€ mn)



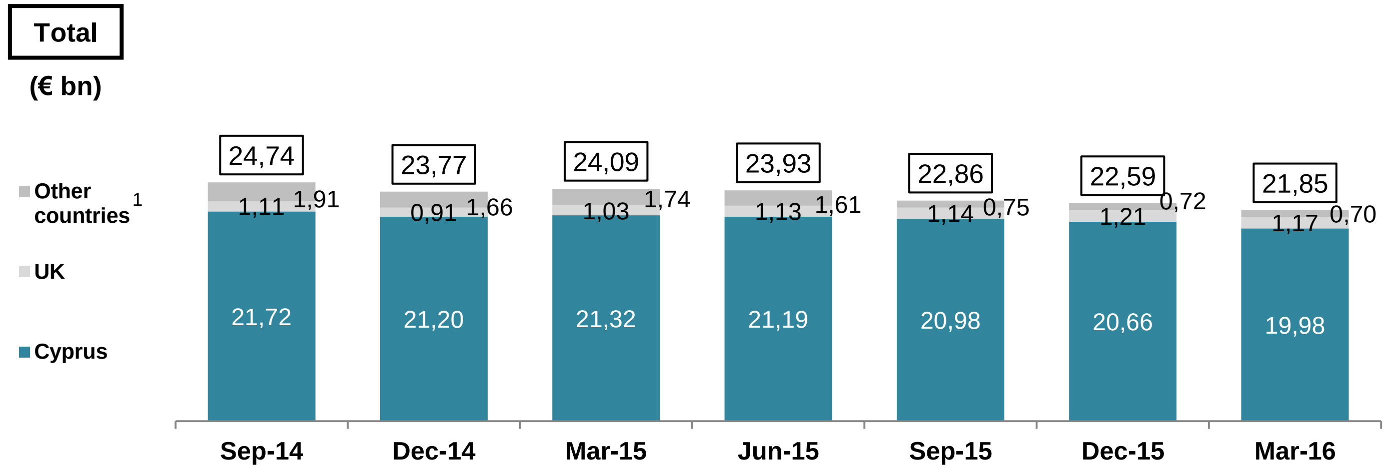
Total customer flows[2] per quarter (€ mn)



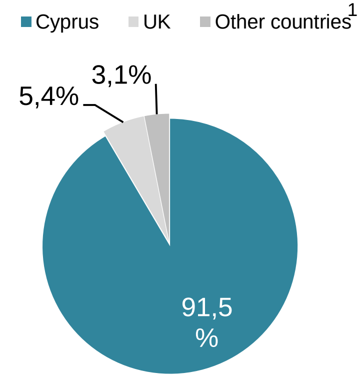
(1) Up to 26 May 2016
(2) Customer flows are defined as the difference between changes in the stock of customer deposits and changes in the stock of gross customer loans, taking into account, among others, provisions, write offs, accrued interest, fair value adjustments and foreign exchange fluctuations.

Gross loans by Geography and by Customer Type

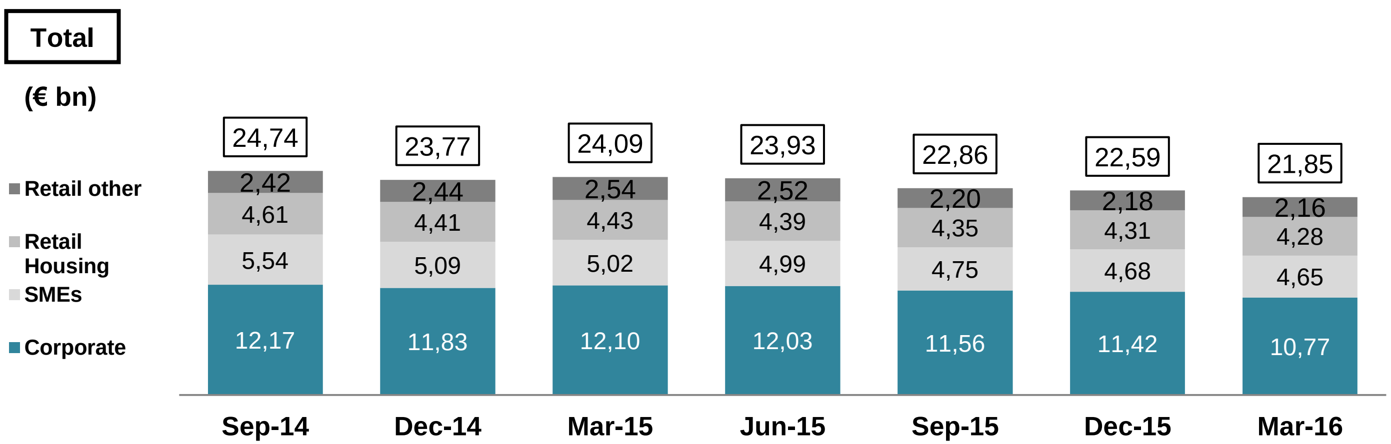
Gross loans by geography



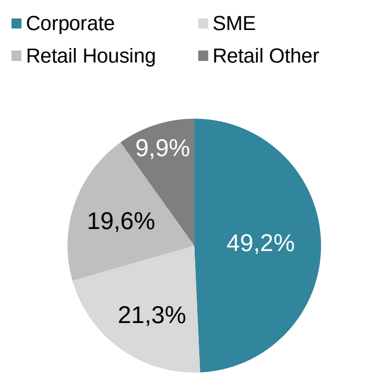
31 March 2016 (%)



Gross loans by customer type



31 March 2016 (%)

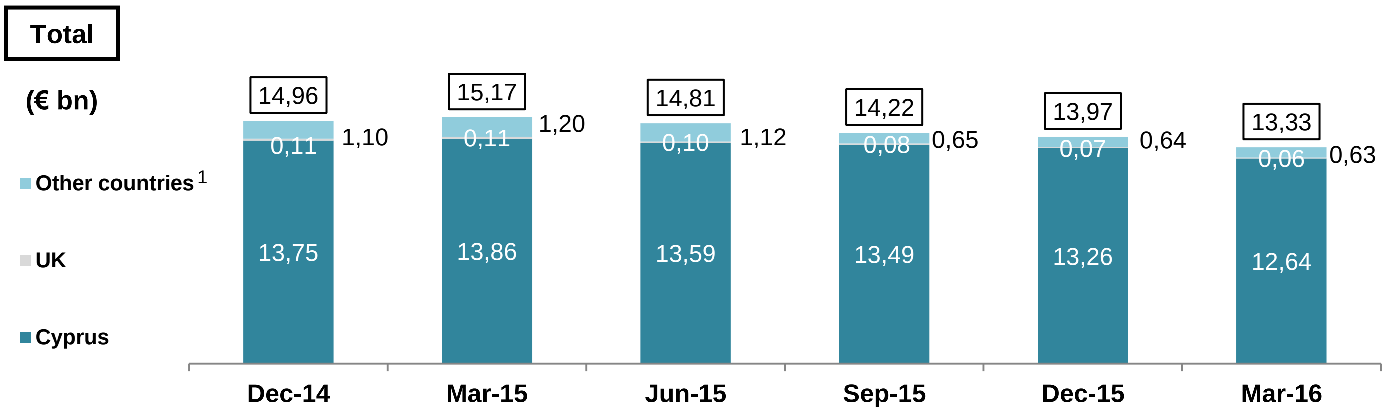


(1) Other countries: Russia, Greece and Romania

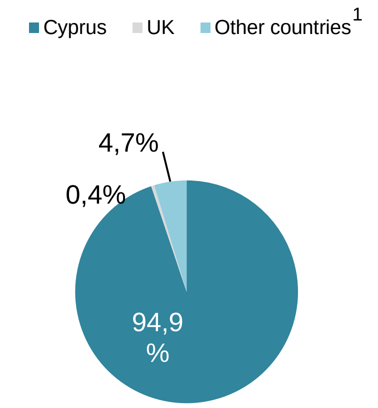
Bank of Cyprus

NPEs by Geography and by Customer Type

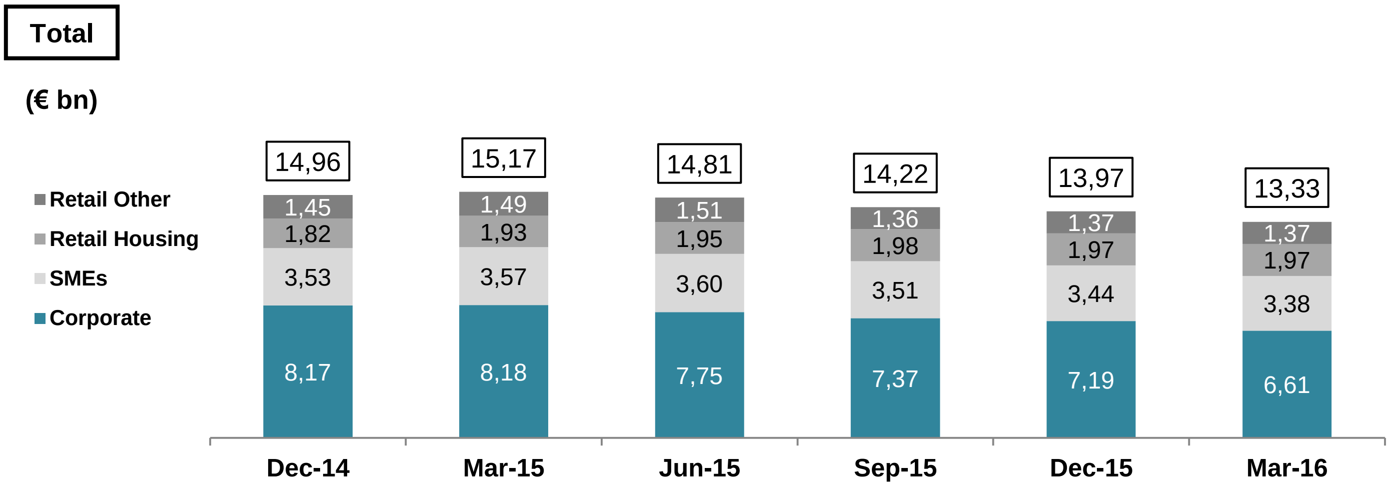
NPEs by geography



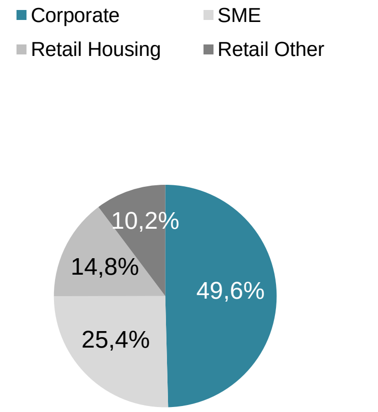
31 March 2016 (%)



NPEs by customer type



31 March 2016 (%)



(1) Other countries: Russia, Greece and Romania

Bank of Cyprus

Asset Quality- 90+ DPD analysis

(€ mn)	Mar-16	Dec-15	Sept-15	Jun-15	Mar-15
A. Gross Loans after Fair value on Initial recognition	**20.719**	**21.385**	**21.597**	**22.575**	**22.540**
Fair value on Initial recognition	1.130	1.207	1.266	1.351	1.545
B. Gross Loans	**21.849**	**22.592**	**22.863**	**23.926**	**24.085**
B1. Loans with no arrears	**10.551**	**10.443**	**9.925**	**10.178**	**10.038**
B2. Loans with arrears but not impaired	**2.901**	**3.049**	**3.611**	**4.105**	**4.627**
Up to 30 DPD	623	469	585	668	662
31-90 DPD	386	351	355	435	596
+ 91-180 DPD	133	144	200	227	344
+ 181-365 DPD	183	259	374	529	758
+ Over 1 year DPD	1.576	1.826	2.097	2.246	2.267
+ **B3. Impaired Loans**	**8.397**	**9.100**	**9.327**	**9.644**	**9.420**
With no arrears	860	876	848	969	1.006
Up to 30 DPD	36	78	66	91	68
31-90 DPD	57	24	60	121	275
91-180 DPD	49	65	152	167	181
181-365 DPD	157	310	464	489	445
Over 1 year DPD	7.238	7.747	7.737	7.807	7.445
= **(90+ DPD)[1]**	**10.289**	**11.329**	**11.998**	**12.646**	**12.789**
90+ DPD ratio (90 + DPD / Gross Loans)	**47,1%**	**50,1%**	**52,5%**	**52,9%**	**53,1%**
Accumulated provisions	**5.076**	**5.445**	**4.933**	**5.381**	**5.354**
Gross loans provision coverage	**23,2%**	**24,1%**	**21,6%**	**22,5%**	**22,2%**
90+ DPD provision coverage	**49,3%**	**48,1%**	**41,1%**	**42,5%**	**41,9%**

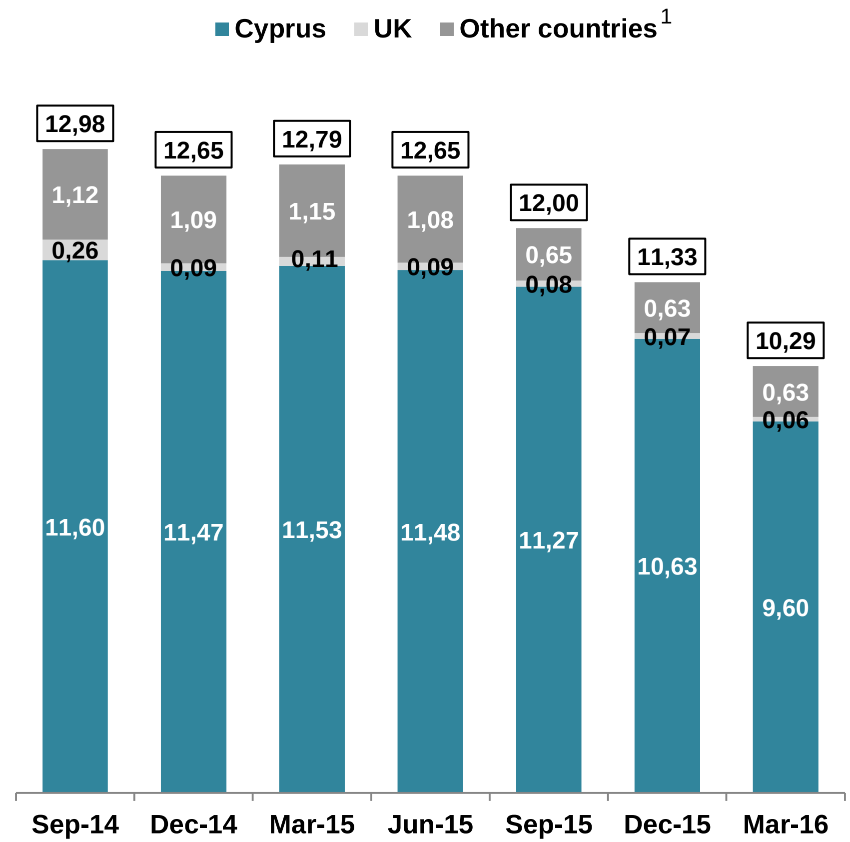
(1) Loans in arrears for more than 90 days (90+ DPD) are defined as loans past-due for more than 90 days and those that are impaired (impaired loans are those which are not considered fully collectable and for which a provision for impairment has been recognised on an individual basis or for which incurred losses exist at their initial recognition or customers in Debt Recovery).

Asset Quality – NPEs analysis

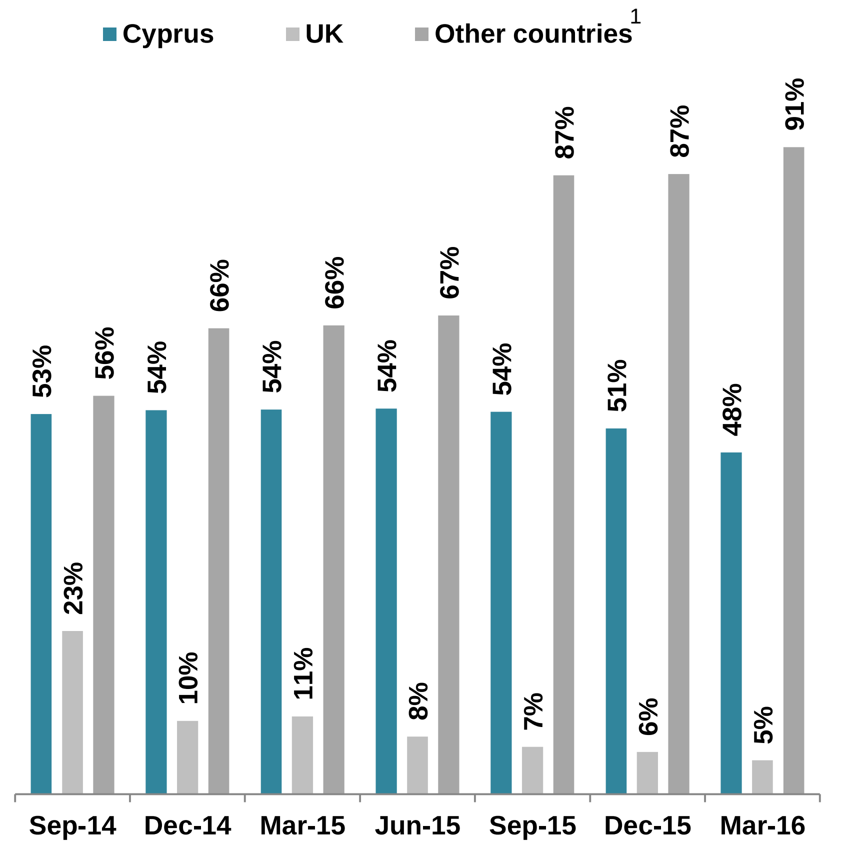
Cyprus Operations 31 March 2016	Gross Exposure	Indexed capped MV of collateral	Cumulative Provisions	Provision coverage	Total Coverage (capped MV) 31.03.16	Total Coverage (capped MV) 31.12.15
Recoveries	5.095	3.717	2.724	53%	121%	121%
NPEs with forbearance measures, no impairments, no arrears	2.181	2.622	77	4%	93%	95%
NPEs with forbearance measures, no impairments, < 90dpd	643	732	17	3%	89%	89%
Not specifically provided	2.089	2.117	367	18%	93%	94%
No arrears	177	231	6	3%	76%	77%
1-90 dpd	56	68	2	3%	80%	81%
Over 90 dpd	1.856	1.819	360	19%	95%	96%
Specifically provided	2.632	2.034	1.119	43%	113%	116%
No arrears	786	599	279	36%	106%	115%
1-90 dpd	55	62	13	24%	115%	120%
Over 90 dpd	1.791	1.373	826	46%	117%	116%
Total NPEs	**12.640**	**11.223**	**4.304**	**34%**	**108%**	**110%**

90+ DPD by Geography

90+ DPD by Geography (€ bn)



90+ DPD ratios by Geography

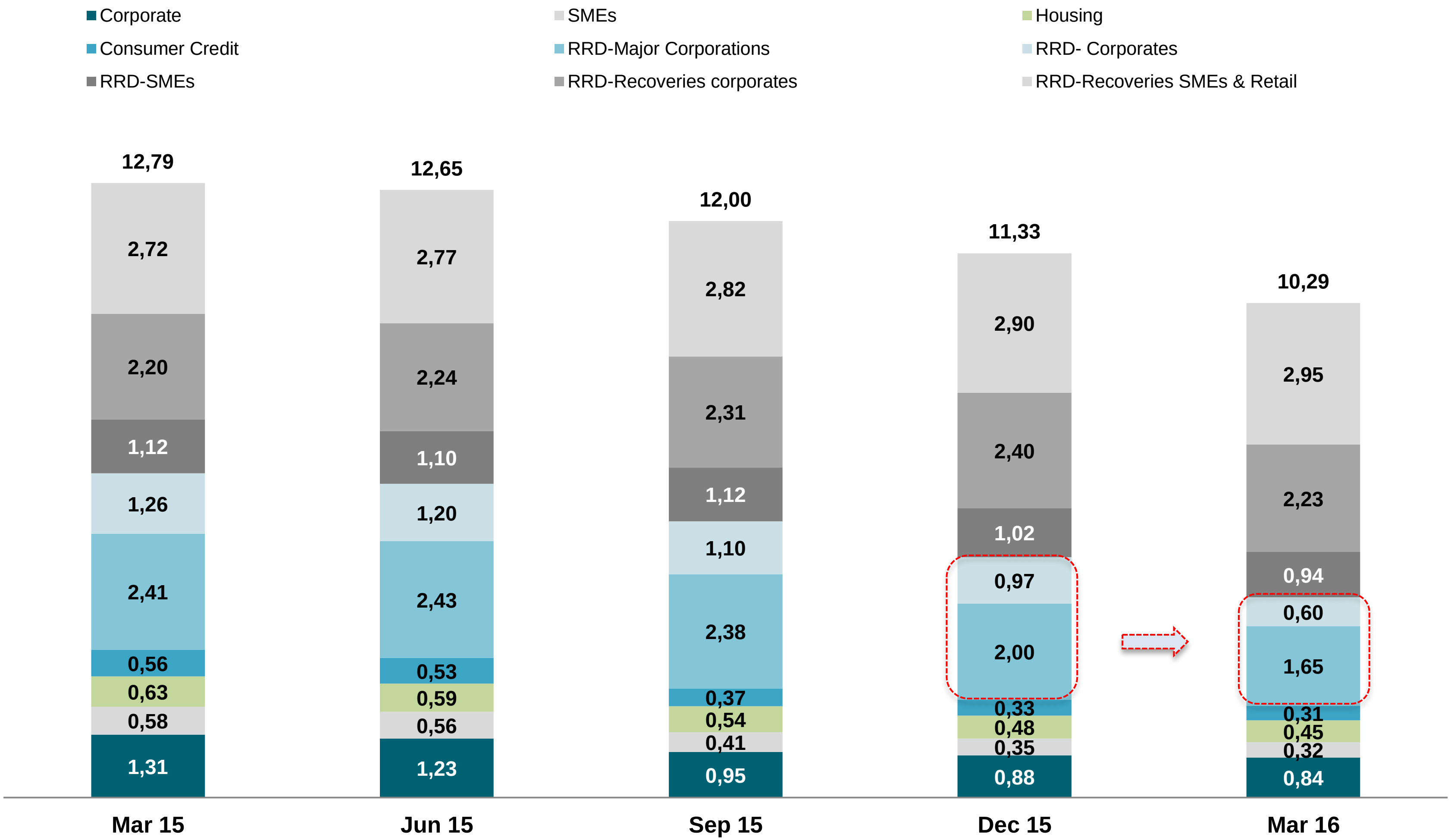


(1) Other countries: Russia, Romania and Greece

Bank of Cyprus

Analysis 90+ DPD ratios by Business Line[1]

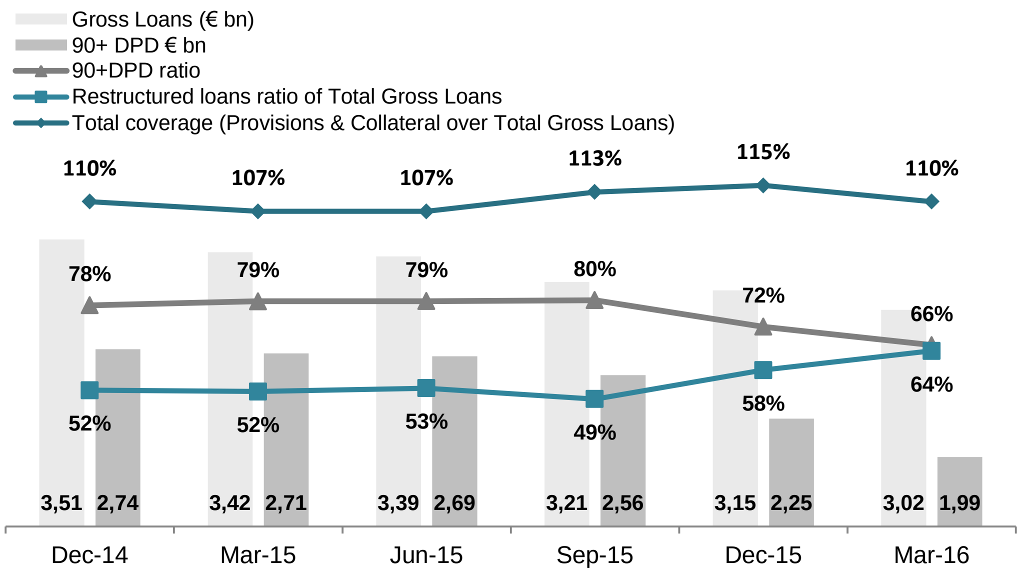
90+ DPD by business line (€ bn)



(1) As part of the restructuring of the Group, management is currently monitoring the loan portfolio of the Group using new business line definitions. An important component of the Group's new operational structure is the establishment of the RRD for the purposes of centralising and streamlining the management of its delinquent loans.

Improved Loan Quality for Top 20 Group Exposures – REMU related activity

Top 20 group exposures[1] as at end of each quarter



- **Top 20 group exposures[1] down by €0,3 bn (or 4%) qoq and by €0,7 bn (or 12%) yoy;**
- **90+ DPD ratio was reduced to 66%** at 31 March 2016,
- **Total Coverage of the top 20 group exposures** totalled 110% compared to 115% previous quarter

Real Estate Management Unit (REMU) as at 31 March 2016

REMU movement of 1Q2016	Cyprus	Greece	Other countries[1]	Total Group
Stock 1 January 2016	308	171	37	516
Additions	284	-	1	285
Disposals	(48)	-	-	(48)
Impairment loss	(4)	(3)	-	(7)
Total Stock 31 March 2016	**540**	**168**	**38**	**746**

- Upon set up properties totalling €516 mn were transferred to REMU
- During 1Q2016, REMU acquired €285 mn of assets via the execution of consensual debt to asset swaps. As at 31 March 2016, REMU has a total stock of properties of €746 mn

(1) Total Exposures include on balance sheet .

RRD - Important Actions Throughout the Organisation

A results focused culture continues to be driven top down throughout the organisation via a number of important actions…

Star chamber sessions	• Department 'stretch' targets, focused on materially outperforming budget for all key asset quality metrics, are set at the outset of each quarter • Stretch targets are supported by specifically identified and measurable actions • Star chamber sessions are held by the CEO, GCRO and D-RRD with all departments fortnightly • Performance continuously assessed with immediate corrective actions taken
RRD asset quality benefits tracking	• Quarterly asset quality 'stretch' targets embedded in a benefits tracker update daily – deal by deal granularity • Provides continuous visibility on expected quarterly results, with 'gap' analysis identifying urgent action areas
RRD weekly pipeline calls	• Weekly pipeline calls are held by D-RRD with all team leaders across SME, Recoveries Retail/SME and Recoveries Corporate • Provides visibility on weekly applications, approvals and deal executions over the entire 'small ticket' book and the strategically important large ticket Corporate Recoveries book • Weekly 'promises' are closely monitored driving 'results focused' behavior across the book
Daily monitoring of early arrears	• Risk lead a continuous review of early arrears and re-defaults across the book allowing issues to be identified early • Corrective actions immediately taken where relevant

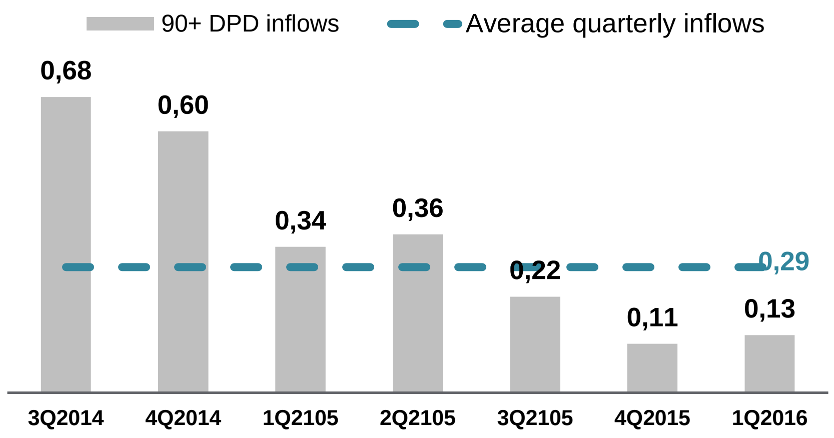
90+ DPD Fully Covered by Provisions & Tangible collateral

31 March 2016 Cyprus operations	Gross Loans € mn	90+ DPD € mn	Accumulated provisions € mn	Provision coverage %	FV of collateral € mn[1]	Tangible collateral %	Total Coverage %	Provision coverage % 31 Dec 15	Tangible collateral % 31 Dec 15	Total Coverage % 31 Dec 15
Corporate	2.685	315	150	47%	186	59%	106%	53%	57%	110%
SMEs	1.499	257	72	28%	195	76%	104%	26%	81%	107%
Consumer	1.383	304	160	53%	144	47%	100%	52%	47%	99%
Housing	3.605	452	119	27%	381	84%	111%	26%	84%	110%
RRD Corporations	1.621	604	255	42%	441	73%	115%	38%	76%	114%
RRD Major Corporations	2.726	1.618	780	48%	1.079	67%	115%	44%	74%	118%
RRD- SMEs	1.349	940	231	24%	749	80%	104%	22%	80%	102%
RRD Recoveries Corporate	2.177	2.177	1.272	58%	1.365	63%	121%	61%	62%	123%
RRD Recoveries SMEs	1.529	1.528	806	53%	1.007	66%	119%	52%	67%	119%
RRD Recoveries Retail	1.410	1.409	723	51%	869	62%	113%	48%	62%	110%
Total Cyprus	19.984	9.604	4.568	47%	6.416	67%	114%	46%	69%	115%

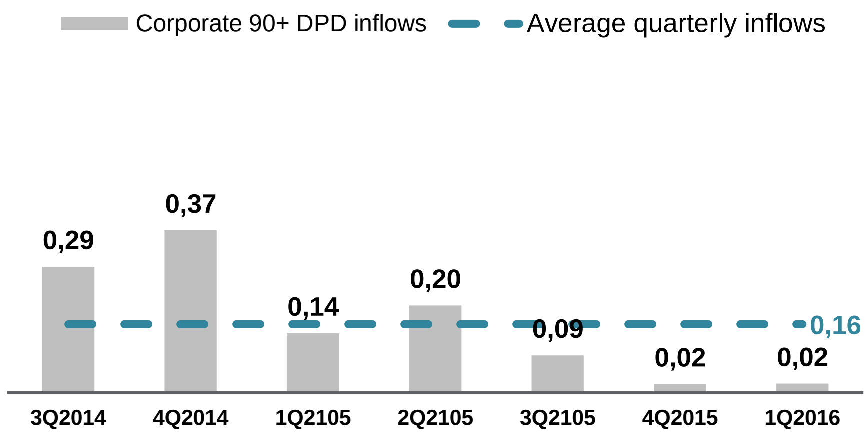
(1) The fair value of the collateral is capped to the gross carrying value of the loans and advances to customers.

90+ DPD Inflows in the Cyprus Operations have been Significantly Reduced

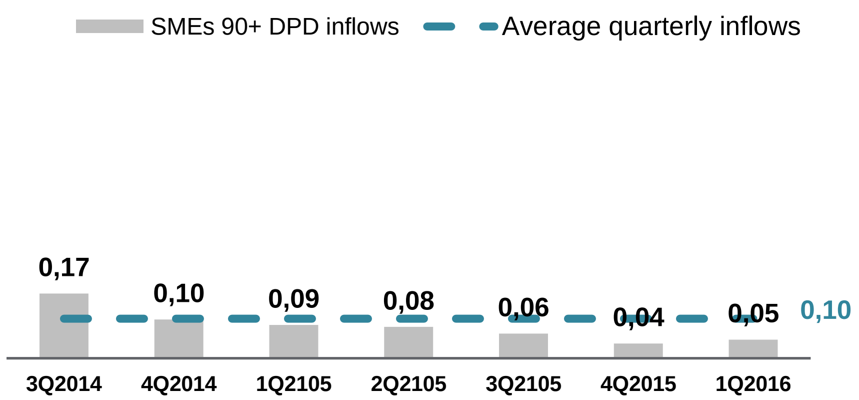
90+ DPD inflows – Cyprus operations (€ bn)



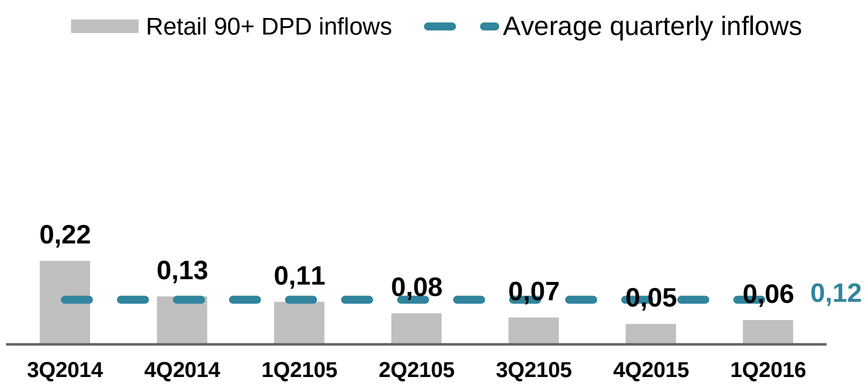
90+ DPD inflows – Corporate Loans (€ bn)



90+ DPD inflows – SMEs Loans (€ bn)



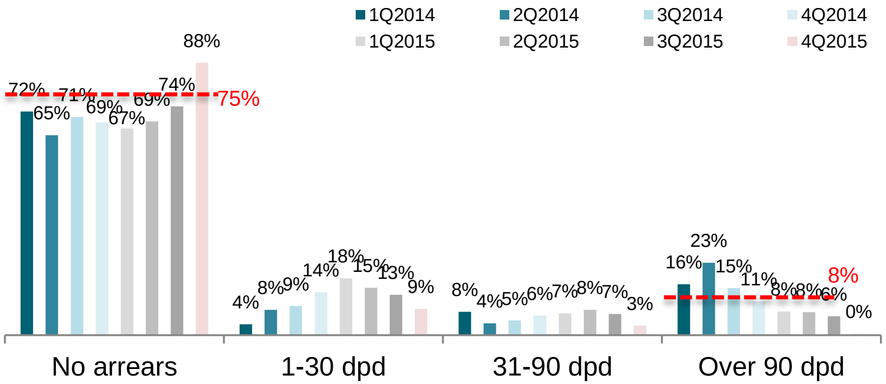
90+ DPD inflows – Retail (€ bn)



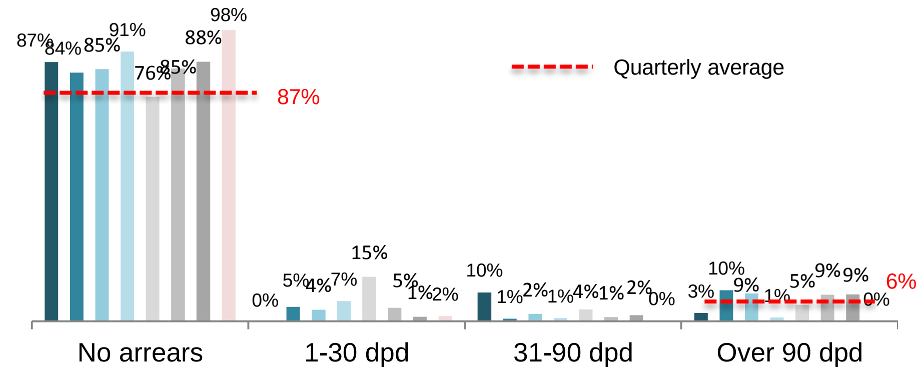
Bank of Cyprus

Performance of Restructured Loans

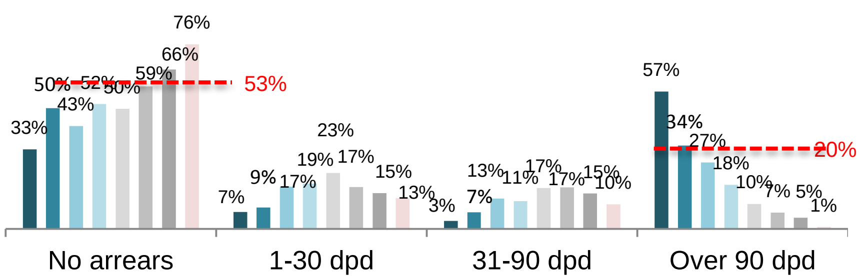
Total Bank – Cyprus



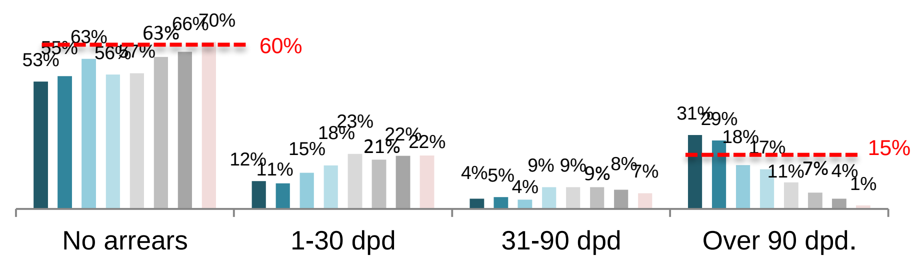
Corporate



SMEs



Retail

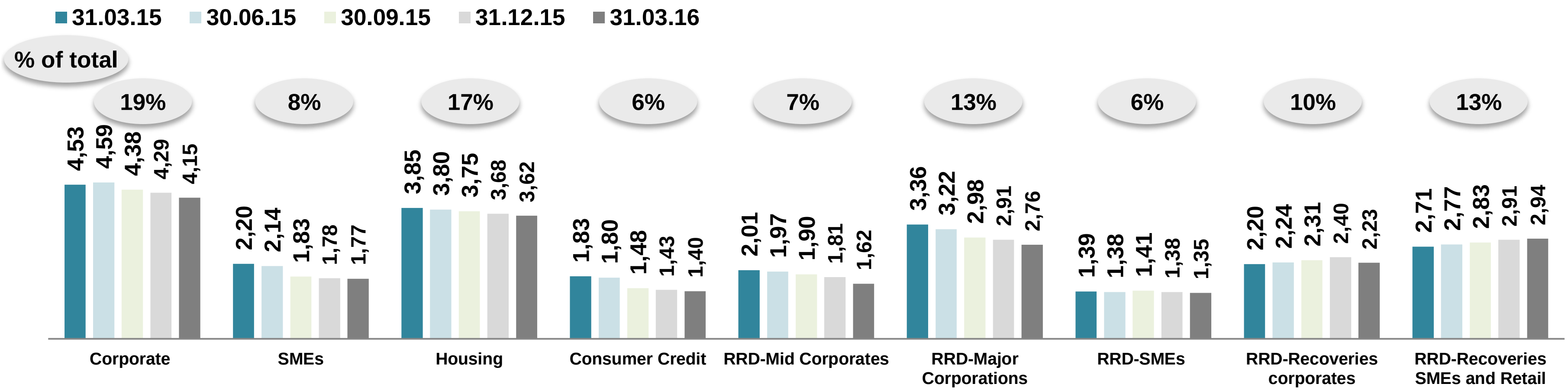


- An analysis performed as at 31 March 2016 indicates that on average 75% of the loans restructured post 31 December 2013 for Cyprus operations, have no arrears (restructurings performed in 1Q2016 were excluded); The average percentage of restructured loans with arrears more than 90 days stands at 8%
- Corporate restructured loans exhibit the best performance with an average percentage of restructured loans with no arrears of 98%

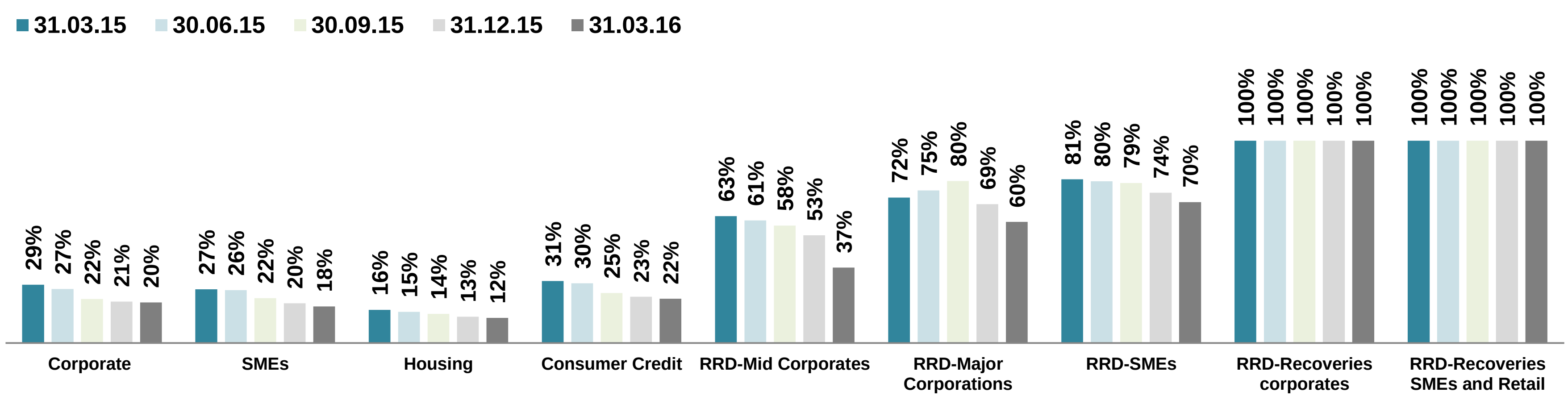
(1) The performance of loans restructured during 1Q2016 is not presented in this graph as it is too early to assess it.

Analysis of Loans and 90+ DPD ratios by Business Line[1]

Gross loans by business line (€ bn)



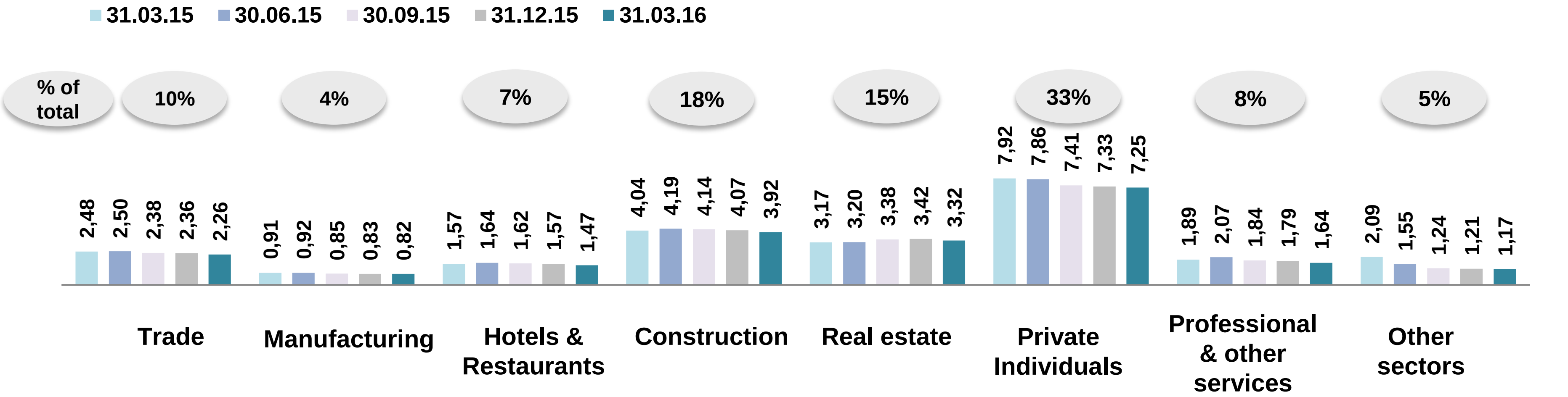
90+ DPD ratios by business line



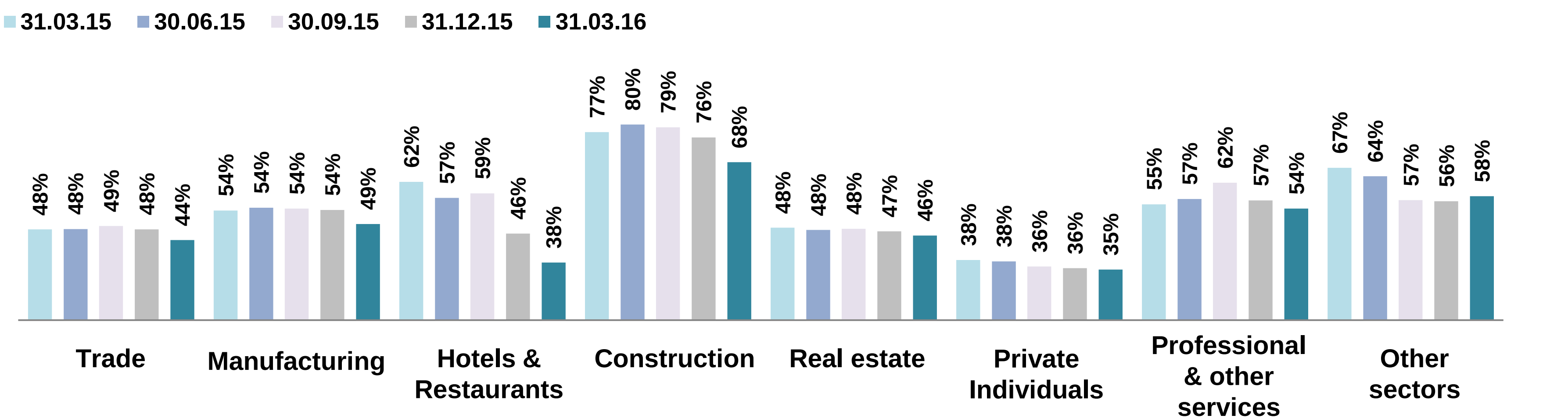
(1) As part of the restructuring of the Group, management is currently monitoring the loan portfolio of the Group using new business line definitions. An important component of the Group's new operational structure is the establishment of the RRD for the purposes of centralising and streamlining the management of its delinquent loans.

Analysis of Loans and 90+ DPD ratios by Economic Activity

Gross loans by economic activity (€ bn)

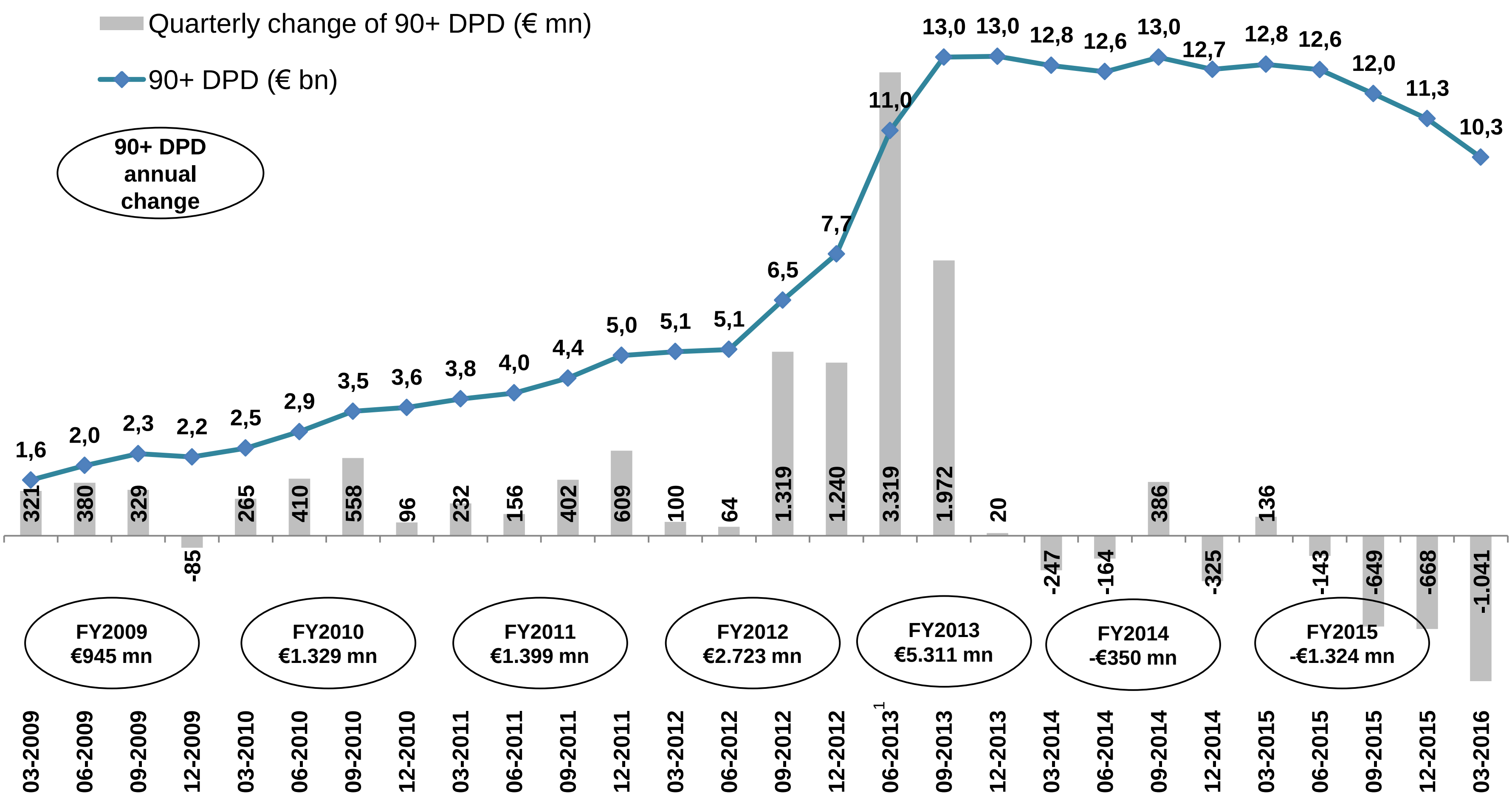


90+ DPD ratios by economic activity



90+ DPD and Quarterly Change of 90+ DPD

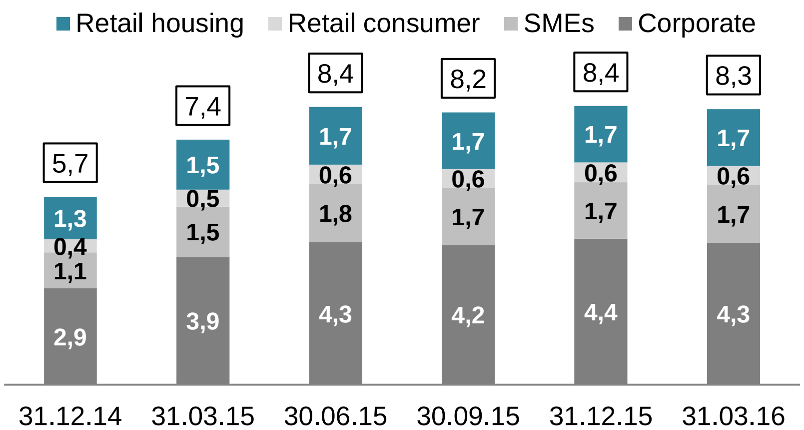
90+ DPD (€ bn) and Quarterly change of 90+ DPD (€ mn)



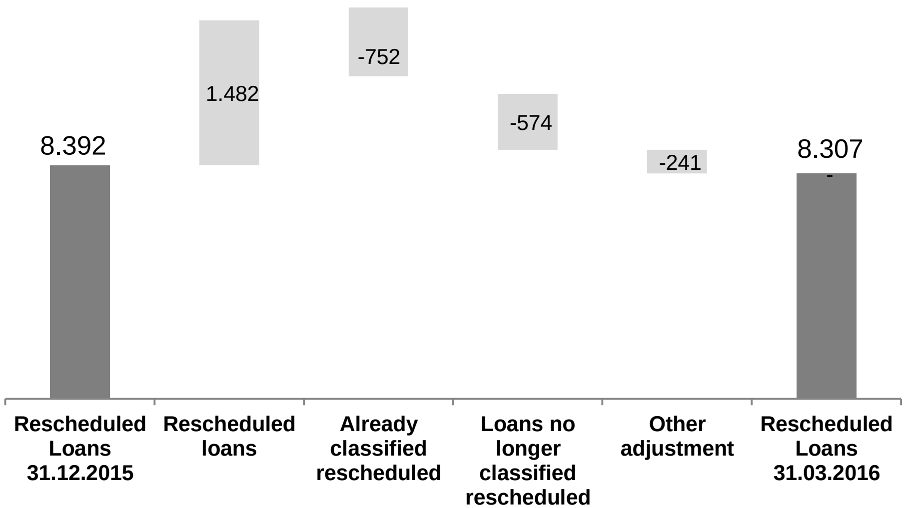
(1) Information for 1Q2013 and 2Q2013 is not available as it has not been possible to publish the financial results for the three months ended 31 March 2013.

Rescheduled Loans for the Cyprus Operations

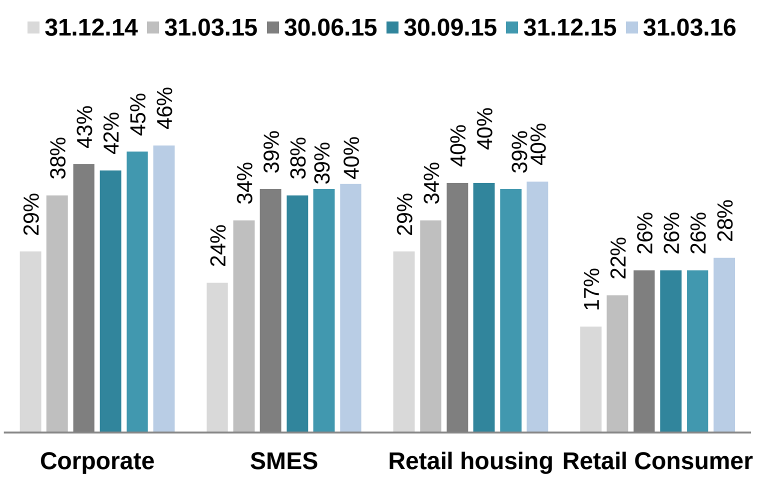
Rescheduled Loans by customer type (€ bn)



Rescheduled Loans (€ bn)

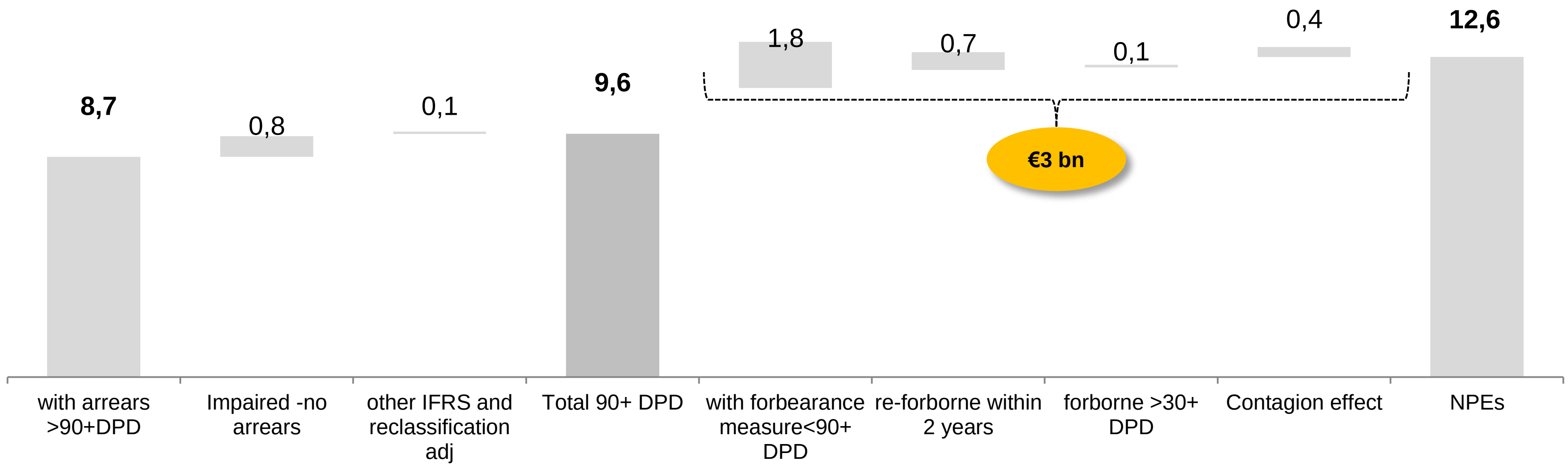


Rescheduled loans % gross loans[1] by customer type



(1.) Before fair value adjustment on initial recognition relating to loans acquired from Laiki Bank (difference between the outstanding contractual amount and the fair value of loans acquired) amounting to €1,130 mn for gross loans and to €534 mn for rescheduled loans (compared to €1,207 mn and €542 mn respectively at 31 December 2015), including loans of discontinued operations/disposal group held for sale.

Reconciliation of 90+ DPD to NPES Cyprus Operations (€ bn) (Mar-16)



Non-Performing Exposures (NPEs) –as per the EBA definition: In 2014 the European Banking Authority (EBA) published its reporting standards on forbearance and non-performing exposures (NPEs). According to the EBA standards, a loan is considered a non-performing exposure if:

- (i) the debtor is assessed as unlikely to pay its credit obligations in full without the realisation of the collateral, regardless of the existence of any past due amount or of the number of days past due, for example in case of a write off, a legal action against the borrower, or bankruptcy
- (ii) the exposures are impaired i.e. in cases where there is a specific provision, or
- (iii) there are material exposures which are more than 90 days past due, or
- (iv) there are performing forborne exposures under probation for which additional forbearance measures are extended, or
- (v) there are performing forborne exposures under probation that present more than 30 days past due within the probation period.

-90+DPD: Loans in arrears for more than 90 days (90+ DPD) are defined as loans past-due for more than 90 days and those that are impaired (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).

Disclaimer

Certain statements, beliefs and opinions in this presentation are forward-looking. Such statements can be generally identified by the use of terms such as “believes”, “expects”, “may”, “will”, “should”, “would”, “could”, “plans”, “anticipates” and comparable terms and the negatives of such terms. By their nature, forward-looking statements involve risks and uncertainties and assumptions about the Group that could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements. These risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein. We have based these forward-looking statements on our current expectations and projections about future events. Any statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Readers are cautioned not to place undue reliance on forward-looking statements, which are based on facts known to and/ or assumptions made by the Group only as of the date of this presentation. We assume no obligation to update such forward-looking statements or to update the reasons that actual results could differ materially from those anticipated in such forward-looking statements. This presentation does not constitute an offer to sell, or a solicitation of an offer to buy, any security in any jurisdiction in the United States, to United States Domiciles or otherwise. Some of the information in the presentation is derived from publicly available information from sources such as the Central Bank of Cyprus, the Statistical Services of the Cyprus Ministry of Finance, the IMF, Bloomberg and Company Reports and the Bank makes no representation or warranty as to the accuracy of that information. The delivery of this presentation shall under no circumstances imply that there has been no change in the affairs of the Group or that the information set forth herein is complete or correct as of any date. This presentation shall not be used in connection with any investment decision regarding any of our securities, which should only be made based on expressly authorised materials from us identified as such, nor in connection with any decision whether or how to vote on any matter submitted to our stockholders. The securities issued by Bank of Cyprus Public Company Ltd have not been, and will not be, registered under the US Securities Act of 1933 (“the Securities Act”), or under the applicable securities laws of Canada, Australia or Japan.

Bank of Cyprus

Interim Condensed Consolidated Financial Statements
for the three months ended

31 March 2016

BANK OF CYPRUS GROUP

Interim Condensed Consolidated Financial Statements

for the three months ended 31 March 2016

Contents

		Three months ended 31 March	
		2016	2015 (represented)
	Notes	**€000**	€000
Continuing operations			
Turnover		**319.340**	377.435
Interest income		**240.013**	305.085
Interest expense		**(55.220)**	(78.290)
Net interest income		**184.793**	226.795
Fee and commission income		**37.798**	44.959
Fee and commission expense		**(1.832)**	(1.660)
Net foreign exchange gains/(losses)		**7.429**	(2.248)
Net losses on financial instrument transactions	*8*	**(655)**	(1.248)
Insurance income net of claims and commissions		**13.593**	11.887
Gains/(losses) from revaluation and disposal of investment properties		**3.692**	(7.589)
(Losses)/gains on disposal of stock of property		**(2.422)**	208
Other income		**1.846**	2.684
		244.242	273.788
Staff costs	*9*	**(64.083)**	(59.115)
Other operating expenses	*9*	**(51.950)**	(51.148)
		128.209	163.525
(Loss)/gain on derecognition of loans and advances to customers and changes in expected cash flows	*10*	**(15.441)**	43.006
Provisions for impairment of loans and advances to customers and other customer credit losses	*10*	**(46.892)**	(153.445)
Impairment of other financial instruments	*10*	**(976)**	(813)
Impairment of non-financial instruments	*10*	**(7.003)**	-
Profit before share of profit from associates and joint ventures		**57.897**	52.273
Share of profit from associates and joint ventures		**801**	1.840
Profit before tax from continuing operations		**58.698**	54.113
Income tax	*11*	**(8.136)**	(7.974)
Profit after tax from continuing operations		**50.562**	46.139
Discontinued operations			
Loss after tax from discontinued operations	*7*	**-**	(22.493)
Profit for the period		**50.562**	23.646

Attributable to:			
Owners of the Company – continuing operations	*7*	**50.225**	46.443
Owners of the Company – discontinued operations	*7*	**-**	(17.919)
Total profit attributable to the owners of the Company		**50.225**	28.524
Non-controlling interests – continuing operations	*7*	**337**	(304)
Non-controlling interests – discontinued operations	*7*	**-**	(4.574)
Total profit/(loss) attributable to non-controlling interests		**337**	(4.878)
Profit for the period		**50.562**	23.646

Basic and diluted earnings per share (cent) attributable to the owners of the Company - continuing operations	*12*	**0,6**	0,5
Basic and diluted earnings per share (cent) attributable to the owners of the Company	*12*	**0,6**	0,3

	Three months ended 31 March	
	2016	2015
	€000	€000
Profit for the period	**50.562**	23.646
Other comprehensive income (OCI)		
OCI to be reclassified in the consolidated income statement in subsequent periods		
Foreign currency translation reserve		
Loss on translation of net investment in foreign branches and subsidiaries	**(18.996)**	(13.463)
Profit on hedging of net investments in foreign branches and subsidiaries	**19.326**	13.030
Transfer to the consolidated income statement on dissolution of foreign operations	**678**	-
	1.008	(433)
Available-for-sale investments		
Net (losses)/gains from fair value changes before tax	**(1.198)**	3.046
Share of net losses from fair value changes of associates	**(174)**	-
Transfer to the consolidated income statement on impairment	**502**	322
Transfer to the consolidated income statement on sale	**-**	(435)
	(870)	2.933
	138	2.500
OCI not to be reclassified in the consolidated income statement in subsequent periods		
Actuarial loss for the defined benefit plans		
Remeasurement losses on defined benefit plans	**(3.701)**	-
Other comprehensive (loss)/income after tax	**(3.563)**	2.500
Total comprehensive income for the period	**46.999**	26.146

Attributable to:		
Owners of the Company	**46.667**	35.718
Non-controlling interests	**332**	(9.572)
Total comprehensive income for the period	**46.999**	26.146

		31 March 2016	31 December 2015
Assets	*Notes*	**€000**	€000
Cash and balances with central banks	*24*	**1.141.275**	1.422.602
Loans and advances to banks	*24*	**1.272.704**	1.314.380
Derivative financial assets	*14*	**3.498**	14.023
Investments	*13*	**520.218**	588.255
Investments pledged as collateral	*13*	**393.442**	421.032
Loans and advances to customers	*16*	**16.820.668**	17.191.632
Life insurance business assets attributable to policyholders		**475.885**	475.403
Prepayments, accrued income and other assets	*19*	**258.218**	281.780
Stock of property	*17*	**745.610**	515.858
Investment properties		**35.391**	34.628
Property and equipment		**263.556**	264.333
Intangible assets		**140.645**	133.788
Investments in associates and joint ventures	*33*	**108.367**	107.753
Deferred tax assets		**450.602**	456.531
Non-current assets and disposal group held for sale	*18*	**39.461**	48.503
Total assets		**22.669.540**	23.270.501
Liabilities			
Deposits by banks		**313.117**	242.137
Funding from central banks	*20*	**3.802.700**	4.452.850
Repurchase agreements		**339.091**	368.151
Derivative financial liabilities	*14*	**76.804**	54.399
Customer deposits	*21*	**14.127.589**	14.180.681
Insurance liabilities		**558.296**	566.925
Accruals, deferred income and other liabilities	*22*	**281.639**	282.831
Debt securities in issue		**661**	712
Deferred tax liabilities		**41.636**	40.807
Non-current liabilities and disposal group held for sale	*18*	**3.677**	3.677
Total liabilities		**19.545.210**	20.193.170
Equity			
Share capital	*23*	**892.294**	892.294
Share premium	*23*	**552.618**	552.618
Capital reduction reserve	*23*	**1.952.486**	1.952.486
Revaluation and other reserves		**263.052**	258.709
Accumulated losses		**(558.828)**	(601.152)
Equity attributable to the owners of the Company		**3.101.622**	3.054.955
Non-controlling interests		**22.708**	22.376
Total equity		**3.124.330**	3.077.331
Total liabilities and equity		**22.669.540**	23.270.501

Prof. Dr. J. Ackermann	Chairman	**Mr. J. P. Hourican**	Chief Executive Officer
Mr. I. Zographakis	Director	**Mrs. E. Livadiotou**	Finance Director

	Attributable to the owners of the Company												Non-controlling interests	Total equity
	Share capital (Note 23)	Share premium (Note 23)	Capital reduction reserve (Note 23)	Accumulated losses	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Other reserves	Life insurance in-force business reserve	Foreign currency translation reserve	Treasury shares (Note 23)	Reserve of disposal group and assets held for sale (Note 18)	**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**	**(601.152)**	**99.218**	**47.125**	**6.059**	**99.050**	**30.939**	**(41.301)**	**17.619**	**3.054.955**	**22.376**	**3.077.331**
Profit for the period	-	-	-	50.225	-	-	-	-	-	-	-	**50.225**	337	**50.562**
Other comprehensive (loss)/income after tax for the period	-	-	-	(3.701)	-	(865)	-	-	1.008	-	-	**(3.558)**	(5)	**(3.563)**
Total comprehensive income/(loss) for the period	-	-	-	46.524	-	(865)	-	-	1.008	-	-	**46.667**	332	**46.999**
Increase in value of in-force life insurance business	-	-	-	(4.802)	-	-	-	4.802	-	-	-	**-**	-	**-**
Tax on increase in value of in-force life insurance business	-	-	-	602	-	-	-	(602)	-	-	-	**-**	-	**-**
31 March 2016	**892.294**	**552.618**	**1.952.486**	**(558.828)**	**99.218**	**46.260**	**6.059**	**103.250**	**31.947**	**(41.301)**	**17.619**	**3.101.622**	**22.708**	**3.124.330**

	Attributable to the owners of the Company													Non-controlling interests	Total equity
	Share capital (Note 23)	Share premium (Note 23)	Capital reduction reserve (Note 23)	Shares subject to interim orders (Note 23)	Accumulated losses	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Other reserves	Life insurance in-force business reserve	Foreign currency translation reserve	Treasury shares (Note 23)	Reserve of disposal group and assets held for sale (Note 18)	**Total**		
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	**€000**
1 January 2015	**892.238**	**552.539**	**1.952.486**	**441**	**(79.021)**	**98.211**	**2.226**	**6.059**	**97.698**	**22.929**	**(88.051)**	**7.737**	**3.465.492**	**15.555**	**3.481.047**
Profit/(loss) for the period	-	-	-	-	28.524	-	-	-	-	-	-	-	**28.524**	(4.878)	**23.646**
Other comprehensive income/(loss) after tax for the period	-	-	-	-	-	-	2.846	-	-	(2.690)	-	7.038	**7.194**	(4.694)	**2.500**
Total comprehensive income/(loss) for the period	-	-	-	-	28.524	-	2.846	-	-	(2.690)	-	7.038	**35.718**	(9.572)	**26.146**
Issue of shares	56	79	-	-	-	-	-	-	-	-	-	-	**135**	-	**135**
Transfer of realised profits on sale of property	-	-	-	-	73	-	-	-	-	-	-	(73)	**-**	-	**-**
Acquisition of non-controlling interest	-	-	-	-	(68)	-	-	-	-	-	-	-	**(68)**	68	**-**
Increase in value of in-force life insurance business	-	-	-	-	(2.724)	-	-	-	2.724	-	-	-	**-**	-	**-**
Tax on increase in value of in-force life insurance business	-	-	-	-	324	-	-	-	(324)	-	-	-	**-**	-	**-**
Disposals of treasury shares	-	-	-	-	(1.910)	-	-	-	-	-	2.375	-	**465**	-	**465**
31 March 2015	**892.294**	**552.618**	**1.952.486**	**441**	**(54.802)**	**98.211**	**5.072**	**6.059**	**100.098**	**20.239**	**(85.676)**	**14.702**	**3.501.742**	**6.051**	**3.507.793**

		Three months ended 31 March	
		2016	2015 (represented)
	Note	**€000**	€000
Net cash flows from operating activities			
Profit before tax from continuing operations	*7*	**58.698**	54.113
Loss before tax from discontinued operations	*7*	**-**	(22.515)
Profit for the period before tax		**58.698**	31.598
Share of profit from associates and joint ventures		**(801)**	(1.840)
Loss on derecognition, changes in expected cash flows and provisions for impairment of loans and advances to customer and other credit losses		**62.333**	128.263
Depreciation of property and equipment and amortisation of intangible assets		**4.382**	4.765
Increase in value of in-force life insurance policies		**(4.802)**	(2.724)
Impairment of assets held for sale	*7*	**-**	1.320
Impairment of other financial instruments		**976**	813
Amortisation of discounts/premiums of debt securities and interest on debt securities		**(7.141)**	(36.009)
Interest on funding from central banks		**11.779**	23.797
Impairment of non-financial instruments	*10*	**7.003**	-
Loss on dissolution of subsidiaries		**678**	-
(Income)/losses from investments and disposals of investment properties, equipment and intangible assets		**(5.934)**	8.918
		127.171	158.901
Net decrease/(increase) in loans and advances to customers and other accounts		**111.475**	(264.259)
Net increase in customer deposits and other accounts		**4.420**	447.953
		243.066	342.595
Tax (paid)/received		**(795)**	724
Net cash flow from operating activities		**242.271**	343.319
Cash flows from investing activities			
Purchases of debt securities, treasury bills and equity securities		**(10.435)**	-
Proceeds on disposal/redemption of investments		**95.004**	63.004
Interest received from debt securities and treasury bills		**3.600**	6.290
Dividend income from equity securities		**27**	128
Purchases of property and equipment		**(2.903)**	(2.402)
Proceeds on disposal of property and equipment		**116**	249
Purchases of intangible assets		**(3.932)**	(1.935)
Proceeds on disposal of intangible assets		**78**	-
Proceeds on disposal of investment property		**12.228**	7.388
Net cash flow from investing activities		**93.783**	72.722
Cash flows from financing activities			
Proceeds from the issue of shares		**-**	135
Net repayment of funding from central banks		**(650.150)**	(580.312)
Interest on subordinated loan stock		**-**	(11)
Proceeds from disposal of treasury shares		**-**	465
Interest on funding from central banks		**(11.779)**	(23.797)
Net cash flow used in financing activities		**(661.929)**	(603.520)
Net decrease in cash and cash equivalents for the period		**(325.875)**	(187.479)
Cash and cash equivalents			
1 January		**2.406.344**	2.238.601
Foreign exchange adjustments		**3.816**	4.555
Net decrease in cash and cash equivalents for the period		**(325.875)**	(187.479)
31 March	*24*	**2.084.285**	2.055.677

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 31 May 2016.

2. Operating environment in 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). 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.

The unemployment rate, seasonally adjusted, dropped to 12,4% in the first quarter of 2016 according to data from the Eurostat website. Additionally consumer prices continued to decline in the early part of 2016.

Prospects for the medium term remain positive. Real Gross Domestic Product (GDP) increased by 2,7% in the first quarter of 2016 when seasonally adjusted and the unemployment rate continued to drop. Official forecasts by the IMF and the European Commission anticipate growth of 1,6% in 2016 and about 2% in the years that will follow through to the end of the decade. More recent forecasts by the Ministry of Finance of the Republic of Cyprus anticipate growth of 2,2% in 2016 and 2,5% in 2017.

Downside risks to the growth projections are associated with high levels of non-performing loans, prolonged uncertainties in property markets, loss of momentum in structural reforms with associated risks for public finances, the credibility of the government and market borrowing costs. Downside risks may also be associated with a deterioration of the external environment for Cyprus. This would involve a 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 UK with a weakening of the pound as a result of uncertainty regarding the Brexit referendum. Political uncertainty in Europe triggered by a British exit or by the refugee crisis 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 ratings have improved the rating of the Company (Fitch Ratings upgrade of Long-term Issuer Default Rating from 'CCC' to '-B' in April 2016 with stable outlook). Additionally, Fitch Ratings upgraded the rating of the Republic of Cyprus by two notches to B+ with a positive outlook in October 2015, S&P's by one notch to BB- with a positive outlook in September 2015 and Moody's Investors Service by two notches to B1 with a stable outlook in November 2015. In February 2016 and March 2016 Moody's Investors Service and S&P's respectively affirmed their long and short-term ratings on the Republic of Cyprus with a positive outlook.

3. Unaudited financial statements

The Interim Condensed Consolidated Financial Statements for the three months ended 31 March 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'.

4. 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.

4.1 Statement of compliance

The Interim Condensed Consolidated Financial Statements for the three months ended 31 March 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.

4.2 Comparative information

Comparatives have been reclassified to reflect the change in presentation of 'Gains/(losses) from revaluation and disposal of investment properties', '(Losses)/gains on disposal of stock of properties' and the change in presentation of '(Loss)/gain on derecognition of loans and advances to customers and changes in expected cash flows' within the consolidated income statement.

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

These changes in presentation did not have an impact on the results of the period.

5. Accounting policies

New and amended standards and interpretations

The accounting policies adopted for the preparation of the Interim Condensed Consolidated Financial Statements for the three months ended 31 March 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 the 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
- IAS 1: Disclosure Initiative (Amendment)
- Annual Improvements 2012-2014 Cycle issued by the International Accounting Standards Board (IASB) which is a collection of amendments to International Financial Reporting Standards (IFRS). These improvements are effective from 1 January 2016 and 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

6. 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.

6. Significant judgements, estimates and assumptions (continued)

6.1 Going concern

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

The conditions that existed during the three months ended 31 March 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 macroeconomic environment in Cyprus and the following considerations.

6.1.1 Regulatory capital ratios

The Common Equity Tier 1 (CET1) ratio of the Group at 31 March 2016 stands at 14,3% (transitional).

The minimum CET1 ratio under the Capital Requirements Regulation (CRR) and the Capital Requirements Directive IV (CRD IV) was set by the Central Bank of Cyprus (CBC) at 8% on a transitional basis (Pillar I capital requirement). The Group is also subject to additional capital requirements for risks which are not covered by the Pillar I capital requirements (Pillar II add-ons). The Pillar II CET1 capital requirement was determined by the European Central Bank (ECB) to be at 3,75%, resulting in a total minimum CET1 of 11,75%. The Group's capital position at 31 March 2016 exceeds its Pillar I and its Pillar II add-on capital requirements, providing a loss–absorbing buffer to the Group. However, the Group's Pillar II add-on capital requirements are a point-in-time assessment and therefore are subject to change over time.

6.1.2 Supervisory Review and Evaluation Process (SREP)

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

6.1.3 Asset quality

The Group's loans that are impaired or past due for more than 90 days (90+ DPD) have decreased by 9% during the first quarter of 2016 and totalled €10.289 million at 31 March 2016, representing 47% of gross loans (Note 26). The provisioning coverage ratio improved to 49% (compared to 48% at 31 December 2015), while taking into account tangible collateral at fair value 90+ DPD loans are fully covered. The Group's non-performing exposures (NPEs) as defined by the EBA totalled €13.327 million at 31 March 2016 and accounted for 61% of gross loans. The provisioning coverage ratio of NPEs totalled 38% at 31 March 2016.

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

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

6.1.4 Liquidity

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

The Company is currently not in compliance with its regulatory liquidity requirements with respect to its operations in Cyprus. Additional information on liquidity and details on certain regulatory liquidity ratios are disclosed in Note 28.

6. Significant judgements, estimates and assumptions (continued)

6.1 Going concern (continued)

6.1.4 Liquidity (continued)

Group's funding position continues to improve with customer deposits increasing to 62% of total assets (compared to 61% at 31 December 2015 and a low of 48% at 31 March 2014).

The level of ELA funding at 31 March 2016 amounted to €3,3 billion (Note 20), down from €3,8 billion at 31 December 2015. As at 31 May 2016, the level of ELA funding has been further reduced by €500 million to €2,8 billion. 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.

The Group also intends to resume issuing debt instruments in the capital markets as part of its funding strategy going forward, subject to market conditions and investor appetite.

Group customer deposits totalled €14.128 million at 31 March 2016 compared to €14.181 million at 31 December 2015. Customer deposits in Cyprus reached €12.691 at 31 March 2016 and 31 December 2015. The Group also notes that given the significant reduction in ELA funding since the high of €11,4 billion in April 2013 and the fact that there was no significant release of assets pledged as collateral by the CBC, it is expected that the Company would be able to draw additional funding from the CBC, should the need arise.

Cyprus exited its economic adjustment programme in March 2016. The credit ratings of the Republic of Cyprus by the main credit rating agencies continue to be below investment grade, albeit on a rising trend. As a result, the ECB is no longer able to include Cypriot Government Bonds in its asset purchase programme, or as eligible collateral for Eurosystem monetary operations, as was the case when the waiver for collateral eligibility due to the country being under an economic adjustment programme existed. This resulted in the repayment of ECB funding 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). Any Cyprus Government bonds that remain unencumbered can be considered as ELA eligible collateral. This disruption may also lead to higher borrowing costs for the Group. In addition, any weakening of the commitment to fiscal discipline and reform in the future might add to market pressures.

The Council of Ministers and the Committee on Financial and Budgetary Affairs of the House of Representatives have approved in January 2016 the issuance of €2,9 billion of guarantees for bonds/loans issued by credit institutions under the 'Granting of Government Guarantees for Loans and/or issuance of Bonds by Credit Institutions Law of 2012'. It is expected that the Group will be able to make use of the above guarantees if the need arises, subject to the approval of the Ministry of Finance.

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

6.1.5 Pending litigation and claims

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

Despite the novelty of the said claims and the uncertainties inherent in a unique situation, on the information available at present and on the basis of the law as it currently stands, the management considers that the said claims seem unlikely to have a material adverse impact on the financial position and capital adequacy of the Group (Note 22).

6. Significant judgements, estimates and assumptions (continued)

6.1 Going concern (continued)

6.1.6 Going concern assessment

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

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

- The Group's CET1 ratio at 31 March 2016 stands at 14,3% (transitional), higher than the minimum required ratio of 11,75% relating to the Pillar II capital requirement.
- The liquidity position of the Group and the continuing positive customer flows in Cyprus until the date of issue of these consolidated financial statements.
- The sharp decrease of its reliance on ELA funding, which on 31 May 2016 stands at €2,8 billion, compared to €3,8 billion at 31 December 2015 and its peak level of €11,4 billion in April 2013. The intention of the Group is to resume issuing debt instruments in the capital markets as part of its funding strategy going forward, provided market conditions permit it.
- The improved ratings of both the Company (Fitch upgrade of Long-term Issuer Default Rating from 'CCC' to 'B-' in April 2016 with stable outlook) and the Republic of Cyprus (Fitch upgrade by two notches to B+ with a positive outlook in October 2015, S&P's by one notch to BB- with a positive outlook in September 2015 and Moody's Investors Service by two notches to B1 with a stable outlook in November 2015). In February 2016 and March 2016 Moody's Investors Service and S&P's respectively affirmed their long and short-term ratings on the Republic of Cyprus with a positive outlook.

6.2 Provision for impairment of loans and advances to customers

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

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

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. The Group may change certain estimates from period to period, however it is impracticable to estimate the effect of such individual estimates due to interdependencies between estimates and as the profile of the population of loans changes from period to period.

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

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

6. Significant judgements, estimates and assumptions (continued)

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

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

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

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

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

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

Further details on impairment allowances and related credit information are set out in Note 26.

6.3 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.

6. Significant judgements, estimates and assumptions (continued)

6.3 Tax (continued)

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.

6.4 Classification of property

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

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

6.5 Stock of property – estimation of net realisable value

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

More details on the stock of property are presented in Note 17.

6.6 Provisions

The accounting policy for provisions is described in Note 3.30 in the annual Consolidated Financial Statements for the year ended 31 December 2015. Judgement is involved in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. Provisions for pending litigations, claims or regulatory matters require a higher degree of judgement than other types of provisions.

For a detailed description of the nature of uncertainties and assumptions and the effect on the amount and timing of pending litigation and claims refer to Note 22.

6.7 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.

7. Segmental analysis

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

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

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.

7. Segmental analysis (continued)

In September 2015 the Group completed the disposal of 65% of the shares of 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.

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

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

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

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

Continuing operations

	Cyprus	Other countries	**Total continuing operations**
Three months ended 31 March 2016	€000	€000	**€000**
Net interest income	172.526	12.267	**184.793**
Net fee and commission income	34.229	1.737	**35.966**
Net foreign exchange gains	593	6.836	**7.429**
Net losses on financial instrument transactions	(115)	(540)	**(655)**
Insurance income net of claims and commissions	13.319	274	**13.593**
Gains/(losses) from revaluation and disposal of investment properties	4.033	(341)	**3.692**
Losses on disposal of stock of property	(2.422)	-	**(2.422)**
Other income	1.342	504	**1.846**
	223.505	20.737	**244.242**
Staff costs	(54.399)	(3.881)	**(58.280)**
Other operating expenses	(34.286)	(6.044)	**(40.330)**
Restructuring costs (Note 9)	(16.987)	(436)	**(17.423)**
	117.833	**10.376**	**128.209**
(Loss)/gain on derecognition of loans and advances to customers and changes in expected cash flows	(15.463)	22	**(15.441)**
Provisions for impairment of loans and advances to customers and other customer credit losses	(39.252)	(7.640)	**(46.892)**
(Impairment)/reversal of impairment of other financial instruments	(1.024)	48	**(976)**
Impairment of non-financial instruments	(3.667)	(3.336)	**(7.003)**
Share of profit from associates and joint ventures	801	-	**801**
Profit/(loss) before tax	**59.228**	**(530)**	**58.698**
Income tax	(7.526)	(610)	**(8.136)**
Profit/(loss) after tax	**51.702**	**(1.140)**	**50.562**
Non-controlling interests - profit	(337)	-	**(337)**
Profit/(loss) after tax attributable to the owners of the Company	**51.365**	**(1.140)**	**50.225**

7. Segmental analysis (continued)

Continuing operations

	Cyprus	Other countries	**Total continuing operations**
Three months ended 31 March 2015 (represented)	€000	€000	**€000**
Net interest income	211.377	15.418	**226.795**
Net fee and commission income	42.059	1.240	**43.299**
Net foreign exchange losses	(2.022)	(226)	**(2.248)**
Net (losses)/gains on financial instrument transactions	(2.672)	1.424	**(1.248)**
Insurance income net of claims and commissions	11.660	227	**11.887**
Losses from revaluation and disposal of investment properties	(289)	(7.300)	**(7.589)**
Gains on disposal of stock of property	208	-	**208**
Other income	1.909	775	**2.684**
	262.230	11.558	**273.788**
Staff costs	(54.902)	(4.213)	**(59.115)**
Other operating expenses	(36.632)	(6.296)	**(42.928)**
Restructuring costs (Note 9)	(6.395)	(1.825)	**(8.220)**
	164.301	**(776)**	**163.525**
Gain on derecognition of loans and advances to customers and changes in expected cash flows	43.006	-	**43.006**
Provisions for impairment of loans and advances to customers and other customer credit losses	(121.880)	(31.565)	**(153.445)**
Impairment of other financial instruments	(813)	-	**(813)**
Share of profit from associates and joint ventures	1.840	-	**1.840**
Profit/(loss) before tax	**86.454**	**(32.341)**	**54.113**
Income tax	(8.455)	481	**(7.974)**
Profit/(loss) after tax	**77.999**	**(31.860)**	**46.139**
Non-controlling interests – (profit)/loss	(166)	470	**304**
Profit/(loss) after tax attributable to the owners of the Company	**77.833**	**(31.390)**	**46.443**

7. Segmental analysis (continued)

Discontinued operations

	Russia	Subsidiary acquired with the view to sale	**Total discontinued operations**
Three months ended 31 March 2015 (represented)	€000	€000	**€000**
Net interest income	4.347	-	**4.347**
Net fee and commission income	2.034	-	**2.034**
Net foreign exchange gains	2.109	-	**2.109**
Losses from revaluation and disposal of investment properties	(52)	-	**(52)**
Losses on disposal of stock of property	(17)	-	**(17)**
Other income	308	1.201	**1.509**
	8.729	1.201	**9.930**
Staff costs	(5.686)	(1.128)	**(6.814)**
Other operating expenses	(4.913)	(1.574)	**(6.487)**
	(1.870)	**(1.501)**	**(3.371)**
Provisions for impairment of loans and advances to customers and other customer credit losses	(17.824)	-	**(17.824)**
Impairment upon measurement of disposal group at fair value less costs to sell	(1.320)	-	**(1.320)**
Loss before tax	**(21.014)**	**(1.501)**	**(22.515)**
Income tax	22	-	**22**
Loss after tax	**(20.992)**	**(1.501)**	**(22.493)**
Non-controlling interests - loss	4.199	375	**4.574**
Loss after tax attributable to the owners of the Company	**(16.793)**	**(1.126)**	**(17.919)**

7. Segmental analysis (continued)

Analysis of total revenue

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

Continuing operations

	Cyprus	Other countries	**Total continuing operations**
Three months ended 31 March 2016	€000	€000	**€000**
Banking and financial services	207.296	24.120	**231.416**
Insurance services	12.673	304	**12.977**
Property and hotel business	(148)	(3)	**(151)**
Total revenue from third parties	219.821	24.421	**244.242**
Inter-segment revenue/(expense)	3.684	(3.684)	**-**
Total revenue	**223.505**	**20.737**	**244.242**

Continuing operations

	Cyprus	Other countries	**Total continuing operations**
Three months ended 31 March 2015 (represented)	€000	€000	**€000**
Banking and financial services	246.262	13.436	**259.698**
Insurance services	11.885	254	**12.139**
Property and hotel business	(126)	-	**(126)**
Total revenue from third parties	258.021	13.690	**271.711**
Inter-segment revenue/(expense)	4.209	(2.132)	**2.077**
Total revenue	**262.230**	**11.558**	**273.788**

7. Segmental analysis (continued)

Analysis of total revenue (continued)

Discontinued operations

	Russia	Subsidiary acquired with the view to sale	**Total discontinued operations**
Three months ended 31 March 2015 (represented)	€000	€000	**€000**
Banking and financial services	10.806	-	**10.806**
Property and hotel business	-	1.201	**1.201**
Total revenue from third parties	10.806	1.201	**12.007**
Inter-segment expenses	(2.077)	-	**(2.077)**
Total revenue	**8.729**	**1.201**	**9.930**

Analysis of assets

	Cyprus	Other countries	**Total**
31 March 2016	€000	€000	**€000**
Assets	21.157.981	2.660.561	**23.818.542**
Inter-segment assets			**(1.149.002)**
Total assets			**22.669.540**

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

	Cyprus	Other countries	**Total**
31 March 2016	€000	€000	**€000**
Liabilities	18.103.926	2.593.372	**20.697.298**
Inter-segment liabilities			**(1.152.088)**
Total liabilities			**19.545.210**

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

7. Segmental analysis (continued)

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 disclosures are 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/(expenses) includes net foreign exchange gains/(losses), net 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. 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 (Note 17) real estate management results are 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.

7. **Segmental analysis** (continued)

Analysis by business line (continued)

	Corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	Real Estate Management	Insurance	Other	**Total Cyprus**
Three months ended 31 March 2016	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Net interest income/(expenses)	19.196	15.930	62.889	61.565	16.054	1.693	(1.748)	98	(3.151)	**172.526**
Net fee and commission income/(expense)	2.427	2.095	10.502	3.447	12.102	530	-	(967)	4.093	**34.229**
Total other operating income/(expense)	74	134	963	114	1.682	957	(2.153)	13.542	1.437	**16.750**
	21.697	18.159	74.354	65.126	29.838	3.180	(3.901)	12.673	2.379	**223.505**
Staff costs and other operating expenses	(2.535)	(2.956)	(29.695)	(8.689)	(6.608)	(1.269)	(2.291)	(3.628)	(31.014)	**(88.685)**
Restructuring costs	(64)	(2)	(2.041)	(3.050)	(528)	-	(633)	(422)	(10.247)	**(16.987)**
	19.098	15.201	42.618	53.387	22.702	1.911	(6.825)	8.623	(38.882)	**117.833**
Gain/(loss) on derecognition of loans and advances to customers and changes in expected cash flows	2.619	1.654	2.771	(22.018)	294	875	-	-	(1.658)	**(15.463)**
Reversal of provisions/(provisions) for impairment of loans and advances to customers and other customer credit losses	6.955	(3.108)	8.726	(51.252)	(1.327)	218	-	-	536	**(39.252)**
Impairment of other financial instruments	-	-	-	-	-		-	-	(1.024)	**(1.024)**
Impairment of non-financial instruments	-	-	-	-	-	-	(3.593)	-	(74)	**(3.667)**
Share of profit from associates and joint ventures	-	-	-	-	-	-	-	-	801	**801**
Profit/(loss) before tax	28.672	13.747	54.115	(19.883)	21.669	3.004	(10.418)	8.623	(40.301)	**59.228**
Income tax	(3.584)	(1.718)	(6.764)	2.485	(2.709)	(375)	1.302	(1.248)	5.085	**(7.526)**
Profit/(loss) after tax	25.088	12.029	47.351	(17.398)	18.960	2.629	(9.116)	7.375	(35.216)	**51.702**
Non-controlling interests - profit	-	-	-	-	-	-	-	-	(337)	**(337)**
Profit/(loss) after tax attributable to the owners of the Company	**25.088**	**12.029**	**47.351**	**(17.398)**	**18.960**	**2.629**	**(9.116)**	**7.375**	**(35.553)**	**51.365**

In addition, loans and advances to customers, deposits and stock of property of the above business lines are reported to the Group Executive Committee. Such an analysis is disclosed in Notes 26, 21 and 17 respectively.

7. 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**
Three months ended 31 March 2015 (represented)	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Net interest income	17.302	18.039	54.095	82.085	14.681	1.623	215	23.337	**211.377**
Net fee and commission income/(expense)	1.676	1.853	15.593	2.803	17.127	271	(162)	2.898	**42.059**
Total other operating income/(expense)	202	156	1.126	(22)	1.665	908	11.832	(7.073)	**8.794**
	19.180	20.048	70.814	84.866	33.473	2.802	11.885	19.162	**262.230**
Staff costs and other operating expenses	(2.508)	(3.051)	(29.036)	(7.862)	(6.915)	(1.291)	(3.672)	(37.199)	**(91.534)**
Restructuring costs	-	-	-	-	-	-	-	(6.395)	**(6.395)**
	16.672	16.997	41.778	77.004	26.558	1.511	8.213	(24.432)	**164.301**
Gain on derecognition of loans and advances to customers and changes in expected cash flows	10.073	4.900	14.971	7.424	675	215	-	4.748	**43.006**
(Provisions)/reversal of provisions for impairment of loans and advances to customers and other customer credit losses	(2.070)	(4.737)	(27.268)	(78.363)	(8.749)	(1.037)	-	344	**(121.880)**
Impairment of other financial instruments	-	-	-	-	-	-	-	(813)	**(813)**
Share of profit from associates and joint ventures	-	-	-	-	-	-	-	1.840	**1.840**
Profit/(loss) before tax	24.675	17.160	29.481	6.065	18.484	689	8.213	(18.313)	**86.454**
Income tax	(3.084)	(2.145)	(3.685)	(758)	(2.311)	(86)	(995)	4.609	**(8.455)**
Profit/(loss) after tax	21.591	15.015	25.796	5.307	16.173	603	7.218	(13.704)	**77.999**
Non-controlling interests - profit	-	-	-	-	-	-	-	(166)	**(166)**
Profit/(loss) after tax attributable to the owners of the Company	**21.591**	**15.015**	**25.796**	**5.307**	**16.173**	**603**	**7.218**	**(13.870)**	**77.833**

8. Net losses on financial instrument transactions

	Three months ended 31 March	
	2016	2015 (represented)
	€000	€000
Trading portfolio:		
- equity securities	**(369)**	827
- debt securities	**1**	8
- derivative financial instruments	**293**	(1.547)
Other investments at fair value through profit or loss:		
- debt securities	**(113)**	51
- equity securities	**390**	(50)
Net gains/(losses) on disposal of available-for-sale investments:		
- equity securities	**12**	-
- debt securities	**18**	(11)
Realised losses on disposal of loans	**(537)**	(99)
Revaluation of financial instruments designated as fair value hedges:		
- hedging instruments	**(3.162)**	1.710
- hedged items	**3.490**	(2.137)
Loss on dissolution of subsidiaries (Note 31)	**(678)**	-
	(655)	(1.248)

9. Staff costs and other operating expenses

Staff costs

	Three months ended 31 March	
	2016	2015 (represented)
	€000	€000
Salaries	**47.274**	46.719
Employer's contributions to state social insurance and pension funds	**7.104**	6.478
Retirement benefit plan costs	**3.902**	5.918
	58.280	59.115
Restructuring costs – voluntary exit plan	**5.803**	-
	64.083	59.115

The number of persons employed by the Group as at 31 March 2016 was 4.550 (31 December 2015: 4.605, 31 March 2015: 6.715). During the three months ended 31 March 2016, 73 employees left the Group under the voluntary exit plan. A new scheme is in progress in the second quarter of 2016, in the aim of further reducing staff costs.

9. Staff costs and other operating expenses (continued)

Other operating expenses

	Three months ended 31 March	
	2016	2015 (represented)
	€000	€000
Repairs and maintenance of property and equipment	**7.192**	6.078
Other property-related costs	**2.750**	2.325
Operating lease rentals for property and equipment	**2.402**	2.445
Special tax levy on deposits of credit institutions in Cyprus	**4.781**	4.254
Consultancy and other professional services fees	**1.841**	4.462
Insurance	**3.454**	3.423
Advertising and marketing	**3.398**	3.308
Depreciation of property and equipment	**2.645**	3.031
Amortisation of intangible assets	**1.737**	1.691
Communication	**1.846**	1.610
(Reversal of provisions)/provisions and settlements of litigations or claims (Note 22)	**(1.722)**	94
Printing and stationery	**838**	1.020
Local cash transfer expenses	**817**	667
Contribution to depositor protection scheme	**25**	104
Direct operating expenses relating to stock of property	**49**	-
Other operating expenses	**8.277**	8.416
	40.330	42.928
Advisory and other restructuring costs	**11.620**	8.220
	51.950	51.148

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

10. Impairment of financial and non-financial instruments and loss/(gain) on derecognition of loans and advances to customers and changes in expected cash flows

	Three months ended 31 March	
	2016	2015 (represented)
	€000	€000
Loss/(gain) on derecognition of loans and advances to customers and changes in expected cash flows	**15.441**	(43.006)

Net provisions for impairment of loans and advances to customers and other customer credit losses		
Loans and advances to customers (Note 26)	**44.043**	175.402
Financial guarantees and commitments	**2.849**	(21.957)
	46.892	153.445

Impairment /(reversal of impairment) of other financial instruments		
Available-for-sale equity securities	**509**	347
Available-for-sale mutual funds	**55**	498
Loans and receivables debt securities	**-**	(169)
Other receivables	**(35)**	137
Deposits by banks	**447**	-
	976	813

Impairment of non-financial instruments		
Stock of property (Note 17)	**7.003**	-

11. Income tax

	Three months ended 31 March	
	2016	2015 (represented)
	€000	€000
Current tax:		
- Cyprus	**761**	635
- overseas	**638**	721
Cyprus special defence contribution	**(21)**	15
Deferred tax	**6.512**	5.958
Prior year tax adjustments	**246**	645
	8.136	7.974

12. Earnings per share

	Three months ended 31 March	
	2016	2015 (represented)
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)	**50.225**	28.524
Weighted average number of shares in issue during the period, excluding treasury shares (thousand)	**8.917.809**	8.904.458
Basic and diluted earnings per share (€ cent)	**0,6**	0,3

Basic and diluted earnings per share attributable to the owners of the Company – continuing operations		
Profit after tax attributable to the owners of the Company – continuing operations (€ thousand)	**50.225**	46.443
Weighted average number of shares in issue during the period, excluding treasury shares (thousand)	**8.917.809**	8.904.458
Basic and diluted earnings per share – continuing operations (€ cent)	**0,6**	0,5

Basic and diluted losses per share attributable to the owners of the Company – discontinued operations		
Loss after tax attributable to the owners of the Company – discontinued operations (€ thousand)	**-**	(17.919)
Weighted average number of shares in issue during the period, excluding treasury shares (thousand)	**8.917.809**	8.904.458
Basic and diluted losses per share – discontinued operations (€ cent)	**-**	(0,2)

13. Investments

	31 March 2016	31 December 2015
	€000	€000
Investments		
Investments at fair value through profit or loss	**50.125**	50.785
Investments available-for-sale	**98.814**	100.535
Investments classified as loans and receivables	**371.279**	436.935
	520.218	588.255

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

	31 March 2016	31 December 2015
	€000	€000
Investments pledged as collateral		
Investments available-for-sale	**393.442**	421.032

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

Loans and receivables at 31 March 2016 include €8.299 thousand (31 December 2015: €21.451 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.

13. **Investments** (continued)

Reclassification of investments

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

			31 March 2016		31 December 2015		Three months ended 31 March 2016		
	Reclassification date	Carrying and fair value on reclassification date	Carrying value	Fair value	Carrying value	Fair value	Additional profit in the income statement had the debt securities not been reclassified	Additional gain/(loss) in other comprehensive income had the debt securities not been reclassified	Effective interest rate on reclassification date
		€000	€000	€000	€000	€000	€000	€000	
Reclassification of available-for-sale investments to:									
- loans and receivables	1 October 2008	129.497	122.425	125.894	119.683	126.913	-	3.469	4,6%-4,7%
- loans and receivables	30 June 2011	59.130	70.173	65.722	69.813	66.447	-	(4.451)	2,8%-6,3%
Reclassification of held-to-maturity investments to:									
- available-for-sale	1 November 2012	42.151	41.555	41.555	41.763	41.763	-	-	0,4%-3,1%

13. Investments (continued)

Reclassification of investments (continued)

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

			31 March 2015		31 December 2014		Three months ended 31 March 2015		
	Reclassification date	Carrying and fair value 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	Effective interest rate on reclassification date
		€000	€000	€000	€000	€000	€000	€000	
Reclassification of trading investments to:									
- loans and receivables	1 April 2010	34.810	36.051	34.661	36.722	35.056	(395)	-	1,2%-4,4%
Reclassification of available-for-sale investments to:									
- loans and receivables	1 October 2008	129.497	132.119	137.327	130.500	130.520	-	5.208	4,6%-4,7%
- loans and receivables	30 June 2011	155.090	175.211	163.748	174.701	165.884	-	(11.463)	2,8%-6,3%
Reclassification of held-to-maturity investments to:									
- available-for-sale	1 November 2012	62.378	63.604	63.604	63.609	63.609	-	-	0,4%-3,1%

14. Derivative financial instruments

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

	31 March 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	**59.415**	**1.082**	**474**	90.870	1.113	2.103
Currency swaps	**1.206.707**	**418**	**29.612**	1.484.763	12.235	5.720
Interest rate swaps	**234.762**	**218**	**2.371**	34.511	141	2.305
Currency options	**12.950**	**40**	**274**	175	8	167
Equity options	**1.324**	**372**	**371**	1.515	477	441
Interest rate caps/floors	**5.996**	**-**	**19**	6.562	-	53
	1.521.154	**2.130**	**33.121**	1.618.396	13.974	10.789
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	**370.900**	**-**	**43.602**	425.900	45	39.570
Net investments – forward exchange rate contracts	**164.563**	**1.368**	**81**	151.246	4	4.040
	535.463	**1.368**	**43.683**	577.146	49	43.610
Total	**2.056.617**	**3.498**	**76.804**	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 31 March 2016, deposits and forward exchange rate contracts amounting to €173.145 thousand and €164.563 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 profit of €19.326 thousand during the period (corresponding period of 2015: gain of €13.030 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.

15. Fair value measurement

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

	31 March 2016		31 December 2015	
	Carrying value	**Fair value**	Carrying value	Fair value
	€000	**€000**	€000	€000
Financial assets				
Cash and balances with central banks	**1.141.275**	**1.141.275**	1.422.602	1.422.602
Loans and advances to banks	**1.272.704**	**1.245.654**	1.314.380	1.303.414
Investments at fair value through profit or loss	**50.125**	**50.125**	50.785	50.785
Investments available-for-sale	**492.256**	**492.256**	521.567	521.567
Investments classified as loans and receivables	**371.279**	**372.827**	436.935	445.521
Derivative financial assets	**3.498**	**3.498**	14.023	14.023
Loans and advances to customers	**16.820.668**	**18.089.032**	17.191.632	18.150.401
Life insurance business assets attributable to policyholders	**462.875**	**462.875**	462.613	462.613
Other assets	**169.008**	**169.008**	179.661	179.661
	20.783.688	**22.026.550**	21.594.198	22.550.587
Financial liabilities				
Obligations to central banks and deposits by banks	**4.115.817**	**4.115.817**	4.694.987	4.694.987
Repurchase agreements	**339.091**	**378.590**	368.151	406.014
Derivative financial liabilities	**76.804**	**76.804**	54.399	54.399
Customer deposits	**14.127.589**	**14.124.562**	14.180.681	14.185.996
Debt securities in issue	**661**	**661**	712	712
Other liabilities	**111.454**	**111.454**	141.357	141.357
	18.771.416	**18.807.888**	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.

15. Fair value measurement (continued)

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

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

Credit Valuation adjustments (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.

15. 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:

	Level 1	Level 2	Level 3	**Total**
31 March 2016	€000	€000	€000	**€000**
Financial assets				
Trading derivatives				
Forward exchange rate contracts	-	1.082	-	**1.082**
Currency swaps	-	418	-	**418**
Interest rate swaps	-	218	-	**218**
Currency options	-	40	-	**40**
Equity options	-	372	-	**372**
	-	2.130	-	**2.130**
Derivatives qualifying for hedge accounting				
Net investments-forward exchange rate contracts	-	1.368	-	**1.368**
Investments at fair value through profit or loss				
Trading investments	11.685	-	817	**12.502**
Other investments at fair value through profit or loss	19.623	17.707	293	**37.623**
	31.308	17.707	1.110	**50.125**
Investments available-for-sale	438.388	41	53.827	**492.256**
	469.696	21.246	54.937	**545.879**

15. Fair value measurement (continued)

Model inputs for valuation (continued)

	Level 1	Level 2	Level 3	**Total**
31 March 2016	€000	€000	€000	**€000**
Financial liabilities				
Trading derivatives				
Forward exchange rate contracts	-	474	-	**474**
Currency swaps	-	29.612	-	**29.612**
Interest rate swaps	-	2.371	-	**2.371**
Currency options	-	274	-	**274**
Equity options	-	371	-	**371**
Interest rate caps/floors	-	19	-	**19**
	-	33.121	-	**33.121**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	43.602	-	**43.602**
Net investments-forward exchange rate contracts	-	81	-	**81**
	-	43.683	-	**43.683**
	-	76.804	-	**76.804**

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.

	Level 1	Level 2	Level 3	**Total**
31 December 2015	€000	€000	€000	**€000**
Financial assets				
Trading derivatives				
Forward exchange rate contracts	-	1.113	-	**1.113**
Currency swaps	-	12.235	-	**12.235**
Interest rate swaps	-	141	-	**141**
Currency options	-	8	-	**8**
Equity options	-	477	-	**477**
	-	13.974	-	**13.974**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	45	-	**45**
Net investments-forward exchange rate contracts	-	4	-	**4**
	-	49	-	**49**
Investments at fair value through profit or loss				
Trading investments	12.865	-	489	**13.354**
Other investments at fair value through profit or loss	19.293	17.905	233	**37.431**
	32.158	17.905	722	**50.785**
Investments available-for-sale	466.995	41	54.531	**521.567**
	499.153	31.969	55.253	**586.375**

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

Model inputs for valuation (continued)

	Level 1	Level 2	Level 3	**Total**
31 December 2015	€000	€000	€000	**€000**
Financial liabilities				
Trading derivatives				
Forward exchange rate contracts	-	2.103	-	**2.103**
Currency swaps	-	5.720	-	**5.720**
Interest rate swaps	-	2.305	-	**2.305**
Currency options	-	167	-	**167**
Equity options	-	441	-	**441**
Interest rate caps/floors	-	53	-	**53**
	-	10.789	-	**10.789**
Derivatives qualifying for hedge accounting				
Fair value hedges-interest rate swaps	-	39.570	-	**39.570**
Net investments-forward exchange rate contracts	-	4.040	-	**4.040**
	-	43.610	-	**43.610**
	-	54.399	-	**54.399**

During the three months ended 31 March 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:

Financial instruments

	31 March 2016	31 December 2015
	€000	€000
1 January	**55.253**	3.688
Additions	**-**	339
Disposals and write offs	**(493)**	(45)
Transfers from Levels 1 and 2	**-**	321
Net gains from fair value changes recognised in the consolidated statement of other comprehensive income	**177**	50.695
Foreign exchange adjustments	**-**	255
	54.937	55.253

16. Loans and advances to customers

	31 March 2016	31 December 2015
	€000	€000
Gross loans and advances to customers	**20.719.288**	21.385.065
Provisions for impairment of loans and advances to customers (Note 26)	**(3.898.620)**	(4.193.433)
	16.820.668	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 26.

17. Stock of property

The carrying value of stock is determined as the lower of cost and net realisable value. Impairment is recognised if the net realisable value is below the cost of the stock of property. During the three months ended 31 March 2016 an impairment loss of €7.003 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 31 March 2016, stock of €560.773 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, offices and other commercial properties, manufacturing and industrial, hotels, land (fields and plots) and under construction properties. The stock of property pledged as collateral for central bank funding facilities under Eurosystem monetary policy operations and ELA amounts to €21.348 thousand (31 December 2015: €21.875 thousand).

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

	31 March 2016	31 December 2015
	€000	€000
Net book value at 1 January	**515.858**	12.662
Additions	**284.840**	32.216
Disposals	**(48.472)**	(4.298)
Transfer from investment properties (Note 7)	**-**	492.927
Transfer from own use properties	**-**	541
Transfer from disposal group held for sale	**-**	247
Impairment (Note 10)	**(7.003)**	(17.792)
Foreign exchange adjustments	**387**	(645)
Net book value	**745.610**	515.858

17. Stock of property (continued)

Analysis by type and country	Cyprus	Greece	Romania	Total
31 March 2016	**€000**	**€000**	**€000**	**€000**
Residential	42.549	38.831	13.171	**94.551**
Offices and other commercial properties	150.371	62.655	13.359	**226.385**
Manufacturing and industrial	24.224	58.093	519	**82.836**
Hotels	73.190	2.177	-	**75.367**
Land (fields and plots)	249.330	6.220	10.556	**266.106**
Properties under construction	365	-	-	**365**
Total	**540.029**	**167.976**	**37.605**	**745.610**

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

18. Non-current assets and disposal group classified as held for sale

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

	31 March 2016	31 December 2015
	€000	€000
Disposal group classified as held for sale	**26.174**	26.168
Investment properties classified as held for sale	**13.287**	22.335
	39.461	48.503

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

	31 March 2016	31 December 2015
	€000	€000
Disposal group held for sale	**3.677**	3.677

18. Non-current assets and disposal group classified as held for sale (continued)

The following non-current assets and disposal group were classified as held for sale as at 31 March 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 classified as held for sale

As at 31 March 2016 and 31 December 2015, the disposal group classified as held for sale relates to the Kermia Hotel business of the Group. The Group has agreed to sell the disposal group and the sale is expected to be completed following relevant regulatory approvals.

The major classes of assets and liabilities of the disposal group classified as held for sale at 31 March 2016 and 31 December 2015 are set out below:

Kermia Hotel business	**31 March 2016**	31 December 2015
Assets	**€000**	€000
Property and equipment	**25.406**	25.400
Prepayments, accrued income and other assets	**768**	768
	26.174	26.168
Liabilities		
Deferred tax liability	**3.677**	3.677
	22.497	22.491

The results of the Kermia Hotel business are part of the continuing operations of the Group and are within the Cyprus operating segment (Note 7).

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

	31 March 2016	31 December 2015
	€000	€000
Property revaluation reserve	**17.619**	17.619

19. Prepayments, accrued income and other assets

	31 March 2016	31 December 2015
	€000	€000
Receivable relating to disposals of operations	**97.772**	98.454
Reinsurers' share of insurance contract liabilities	**49.281**	56.763
Taxes refundable	**37.919**	38.204
Debtors	**21.340**	23.020
Prepaid expenses	**1.914**	1.411
Retirement benefit plan assets	**943**	1.203
Other assets	**49.049**	62.725
	258.218	281.780

As at 31 March 2016 and 31 December 2015, the receivables relating to the disposal of operations relate to the disposal of the Ukrainian and Russian operations.

20. 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:

	31 March 2016	31 December 2015
	€000	€000
Emergency Liquidity Assistance (ELA)	**3.301.719**	3.802.058
Main Refinancing Operations (MRO)	**-**	150.000
Targeted Long Term Refinancing Operations (TLTRO)	**500.981**	500.792
	3.802.700	4.452.850

The funding under the main refinancing operations bears interest at the ruling rate of the Eurosystem and it was fully repaid during the first quarter of 2016.

In 2014 the Group participated in the TLTRO of the ECB. The interest rate on the TLTRO is fixed over its life at 15 bps (being a fixed spread of 10 bps over the MRO level prevailing at the time of allotment). The TLTRO matures in 2018 but may be repaid earlier under certain conditions or at the discretion of the Group.

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 28.

21. Customer deposits

	31 March 2016	31 December 2015
	€000	€000
By type of deposit		
Demand	**4.969.866**	4.987.078
Savings	**1.012.544**	1.033.991
Time or notice	**8.145.179**	8.159.612
	14.127.589	14.180.681
By geographical area		
Cyprus	**12.690.749**	12.691.090
United Kingdom	**1.431.907**	1.486.551
Romania	**4.933**	3.040
	14.127.589	14.180.681

By customer sector	Cyprus	United Kingdom	Romania	**Total**
31 March 2016	€000	€000	€000	**€000**
Corporate	899.549	35.857	4.246	**939.652**
SMEs	440.743	222.917	443	**664.103**
Retail	7.047.238	1.101.450	244	**8.148.932**
Restructuring				
– Corporate	193.929	-	-	**193.929**
– SMEs	34.173	-	-	**34.173**
Recoveries				
– Corporate	8.011	-	-	**8.011**
International banking services	3.674.612	-	-	**3.674.612**
Wealth management	392.494	71.683	-	**464.177**
	12.690.749	**1.431.907**	**4.933**	**14.127.589**
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.

22. Accruals, deferred income and other liabilities

Other liabilities at 31 March 2016 include retirement benefit plan liabilities of €14.723 thousand (31 December 2015: €12.588 thousand).

Pending litigation and claims

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

	2016	2015
	€000	€000
1 January	**34.749**	27.329
Increase of provisions in the period/year – continuing operations (Note 9)	**3.002**	11.904
Utilisation of provisions	**(7.813)**	(225)
Release of provisions in the period/year – continuing operations (Note 9)	**(4.724)**	(4.300)
Foreign exchange adjustments	**(58)**	41
31 March/31 December	**25.156**	34.749

The recognition of provisions for 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.

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

Apart from what is described below, the Group considers that no other matters are material, either individually or in aggregate. Where an individual provision is material, the fact that a provision has been made is stated and quantified. Any provision recognised does not constitute an admission of wrongdoing or legal liability.

While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of legal proceedings and regulatory matters as at 31 March 2016 and hence it is not believed that such litigation, when concluded, will have a material impact upon the financial position of the Group. It is not practicable to provide an aggregate estimate of potential liability for the Company's legal procedures and regulatory matters as a class of contingent liabilities.

Investigations and litigation on securities issued by the Company

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

The bonds and capital securities in respect of which claims have been brought are the following: 2007 Capital Securities, 2008 Convertible Bonds, 2009 Convertible Capital Securities (CCS) and Convertible Enhanced Capital Securities (CECS).

The Company observes that such claims vary considerably between them. In many cases, the Company believes that it has a number of viable legal defences, which it will advance in the course of the proceedings, particularly with respect to institutional investors and those purchasers who had received investment advice from independent investment advisors before proceeding with the purchase. In the case of retail investors, particularly where it can be documented that the relevant Company officers 'persuaded' them to proceed with the purchase and/or purported to offer 'investment advice', the Company may face significant difficulties.

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

Pending litigation and claims (continued)

Investigations and litigation on securities issued by the Company (continued)
In any event, the resolution of the claims brought in the courts of Cyprus and Greece could take a number of years. Provision has been made based on management's best estimate of probable outflows.

In addition, the CBC has conducted an investigation into the Company's issue of capital securities and concluded that the Company breached certain regulatory requirements concerning the issue of 2009 Convertible Capital Securities, but not in relation to the CECS. The CBC imposed upon the Company a fine of €4 thousand in 2013. The Company has filed a recourse before the Supreme Court against the CBC's ruling and the fine. This recourse is still pending before the Administrative Court.

The Hellenic Capital Market Commission (HCMC) Investigation
In 2014, the Company was under investigation in Greece by the HCMC in relation to the issue of 2009 CCS and CECS; and more specifically, whether the Company had violated certain provisions of Greek law by providing investment advice without having entered into the required client agreements or having conducted the required fitness test pursuant to the Greek law which transposes the EU Directive on Markets in Financial Instruments and the implementing regulation.

The HCMC investigation was concluded at the end of 2014. According to its decision issued in February 2015, the Company provided accurate and sufficient information to potential investors through the prospectuses for the CCS and CECS regarding the characteristics and particularities of such securities and the risk factors for an investment thereof. However, the HCMC also held that the Company provided investment advice to potential investors when promoting such securities and omitted to comply with its obligation to perform a suitability assessment for such investors, according to the provisions of the law and related regulations. For this violation, a fine of €10 thousand was imposed upon the Company. In April 2015, the Company filed a petition before the competent Administrative Court challenging HCMC's decision. While the decision of the HCMC in this matter will not be binding on the Greek or Cypriot courts, it may be put before the court by the complainants in any proceedings against the Company. Overall, though much litigation may be expected, it is not believed that such litigation, when concluded, will have a material impact upon the financial position of the Group.

In addition to the above, the HCMC is currently in the process of investigating matters concerning the Group's investment in Greek government bonds, ELA disclosures and allegations of some Greek government bond investors regarding the Company's non-compliance with Markets in Financial Instruments Directive (MiFID).

A specific estimate of the outcome of the investigations on the amount of possible fines cannot be given at this stage.

The Cyprus Securities and Exchange Commission (CySEC) Investigations
On 2 August 2013, CySEC published its conclusions regarding an investigation for the failure by the Company in June 2012 to disclose material information to investors concerning the amount of a capital shortfall to meet the requirements of the EBA. CySEC came to the conclusion that the Company was in breach of the 'Insider Dealing and Market Manipulation (Market Abuse) Law of 2005' and on 27 November 2013 imposed an administrative fine on the Company of €70 thousand. On 27 November 2013, CySEC also imposed administrative fines on certain of the then members of the Board of Directors. The recourses that the Company has filed before the Supreme Court challenging CySEC's decision and fine are currently pending.

CySEC has also concluded during 2013 and 2014 an investigation in respect of the Group's exposure to Greek Government bonds, related non-disclosure of material information and other corporate governance deficiencies. In this respect, CySEC has issued two decisions, coming to the conclusion that the Company was in breach of certain laws regarding disclosure of information and has imposed administrative fines upon the Company of a total sum of €1.110 thousand. It has also imposed fines upon certain of the then members of the Board of Directors and management of the Company.

The Company has filed recourses before the Supreme Court regarding the decisions of CySEC and the fines imposed upon it. CySEC has meanwhile filed legal actions against the Company for the non-payment of these fines and the fine of €70 thousand referred to above.

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

Pending litigation and claims (continued)

The Cyprus Securities and Exchange Commission (CySEC) Investigations (continued)
CySEC has also conducted an investigation in relation to the level of goodwill of CB Uniastrum Bank LLC in the interim financial statements of the Group in 2012. The Company and certain of its former officers and members of the Board have submitted written addresses in respect of this investigation in late 2014. The matter is now before the CySEC Committee and the Attorney General.

Additionally, CySEC has terminated an investigation process on the non-disclosure of the Company's request to the Ministry of Finance for granting additional government guarantees of up to €3 billion, for bonds that the company could issue to enhance its liquidity position.

In addition to the above, CySEC is currently in the process of investigating:
- Matters concerning possible price manipulation for the period from 1 November 2009 to 30 June 2010 post the investment in Banca Transylvania.
- The adequacy of provisions for impairment of loans and advances in year 2013 in light of the results of the Asset Quality Review.

CySEC is additionally conducting an investigation into the adequacy of provisions for impairment of loans and advances in year 2011 and has requested written addresses from the Company and certain of its former officers and members of the Board on this matter, which will be submitted to CySEC within the set deadline. The matter is now before the CySEC Committee and the Attorney General.

CySEC has also completed an investigation on the reclassification of Greek Government bonds on 1 April 2010, which is now pending with the Attorney General and CySEC.

A decision of CySEC will not be binding on the courts. If a person wishes to claim damages or any other remedy against the Company, fresh proceedings must be brought against the Company before the competent Courts of the Republic of Cyprus.

The above investigations are in progress and therefore it is not practical at this stage for the Group to estimate reliably the possible consequences thereof, though it is not thought that any resulting liability or damages will have a material impact upon the Group.

Bail-in related litigation
Depositors
A number of the affected depositors filed claims against the Company and other parties (such as the CBC and the Ministry of Finance of Cyprus) on the grounds that, inter alia, the 'Resolution Law of 2013' and the Bail-in Decrees are in conflict with the Constitution of the Republic of Cyprus and the European Convention on Human Rights. Actions on the part of the affected depositors have been filed before the District Courts and their objective is to obtain damages for the loss allegedly sustained by them as a result of the bail-in of their deposits effected by the relevant Decrees. In a number of those actions, interim orders were issued prohibiting the Company from treating the deposits of the applicants in question as converted into shares of the Company. The Company took active steps and obtained the discharge and cancellation of the interim orders. In parallel, the Company is defending the actions of depositors vigorously.

Shareholders
There are also numerous claims filed by shareholders against the Government and the CBC before the Supreme Court in relation to the dilution of their shareholding as a result of the recapitalisation pursuant to the Resolution Law and the Bail-in Decrees issued thereunder. The objective of these proceedings before the Supreme Court was to obtain the annulment (i.e. cancellation and setting aside) of the Decrees as unconstitutional and/or unlawful and/or irregular. The Company appeared in these proceedings as an interested party and has supported the position that, as with depositors, the cases should be adjudicated upon in the context of private law. As of the present date, both the Resolution Law and the Bail-in Decrees have not been annulled by a court of law and thus remain legally valid and in effect. On 9 October 2014, the Supreme Court ruled that the proceedings fall within private and public law (before the District Courts), thus accepting the position of the Company and accordingly, all recourses instituted before the Supreme Court (in its revisional jurisdiction) were dismissed. It is expected that actions for damages will be instituted in due course before the District Courts.

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

Pending litigation and claims (continued)

Bail-in related litigation (continued)

Claims based on set-off

Certain claims have been filed by customers against the Company. These claims allege that the implementation of the bail-in under the Bail-in Decrees was not carried out correctly in relation to them and, in particular, that their rights of set-off were not properly respected.

Laiki Bank depositors and shareholders

The Company has been joined as a defendant with regards to certain claims which have been brought against Laiki Bank by its depositors, shareholders and holders of debt securities. These claims have been brought on grounds similar to the claims brought by the Company's bailed-in depositors and shareholders as described above.

Implementation of Decrees

Occasionally, other claims are brought against the Company in respect of the implementation of the Decrees issued following the adoption of the Resolution Law (as regards the way and methodology whereby such Decrees have been implemented).

Legal position of the Group

All above claims are being vigorously disputed by the Group, in close consultation with the appropriate state and governmental authorities. The position of the Group is that the Resolution Law and the Decrees take precedence over all other laws. As matters now stand, both the Resolution Law and the Decrees issued thereunder are constitutional and lawful, in that they were properly enacted and have not so far been annulled by any court.

Commission for the Protection of Competition Investigation

Following an investigation, which began in 2010, the Cypriot Commission for the Protection of Competition (the CPC) in April 2014 issued a statement of objections, alleging violations of Cypriot and EU competition law relating to the activities and/or omissions in respect of card payment transactions by, among others, the Company. The CPC has alleged that the market conduct of JCC Payment Systems Ltd (JCC), a card-processing business owned and controlled by its shareholder banks, which includes the Company (which owns 75% of the shares of JCC) together with the conduct of other banks, violates competition law in various respects.

There was also an allegation concerning the Company's arrangements with American Express, namely that such exclusive arrangements violated competition law. The Company vigorously defended the relevant proceedings but the CPC has concluded that the Company (in common with other banks and institutions, namely JCC) has breached in respect of both matters the relevant provisions of the applicable law for the protection of competition. The CPC has invited further representations regarding the size of the administrative penalty to be imposed upon the Company. The Company put before the CPC certain views and proposals, in an effort to mitigate the fine (though the CPC has the power to impose a fine as a percentage of the Company's turnover). For the time being, the proceedings before the CPC are not progressing owing to another Court decision holding that the composition of the CPC is contrary to law. In any event, the Company intends to file a recourse before the Administrative Court for the annulment of the CPC's decision upon the notification of the fine. At this stage it is not possible to predict the amount of the fine that may be imposed upon the Company, though the Company does not believe that such fine will have a material impact on the financial position of the Group.

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).

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

Pending litigation and claims (continued)

CNP Arbitration (continued)
Following the resolution of Laiki Bank, CNP Assurances S.A. and CNP Cyprus Insurance Holdings Ltd have instituted arbitration proceedings in London under the rules of arbitration of the International Chamber of Commerce, alleging that the Company is a successor to Laiki Bank in respect of both the Shareholders' and Distribution Agreements and that the said Agreements have been violated by the Company. The claims of CNP Assurances S.A. and CNP Cyprus Insurance Holdings Ltd amount to approximately €240 million (including adjustments for taxes and pre-award interest as at March 2015). The Company considers that it has viable defences in respect of both proceedings which it intends to contest vigorously. One of the defences raised by the Company is that of frustration, namely that as a result of the very significant changes of March 2013, the Agreements as concluded between CNP Assurances S.A. and Laiki Bank could not possibly operate in the context of the new situation resulting from the events of March 2013. The hearing of the Arbitration is planned to take place in June 2016.

Other litigation
The Group is involved in a number of other litigation proceedings involving cases against the Group arising in the course of its normal operating activities, mainly in Cyprus and Greece.

Provident fund cases
Twenty three claims were pending before the Labour Disputes Tribunal by former employees with respect to their retirement benefits. These employees retired and/or departed in 1999 and claimed that the Company and/or the Company's provident fund did not calculate their benefits correctly. The cases were withdrawn unreservedly and dismissed by the court in April 2016.

In December 2015, the Bank of Cyprus Employees Provident Fund filed an action against the Company claiming €70 million allegedly owed as part of the Company's contribution by virtue of an agreement with the union dated 31 December 2011. The case is still at a very early stage. Based on facts currently known, it is not practicable at this time for the Company to predict the resolution of this matter, including the timing or any possible impact on the Company, however at this stage the Group does not expect a material impact.

Employment litigation
Former senior officers of the Company have instituted claims for unfair dismissal and for provident fund entitlements against the Company and Trustees of the Company's provident fund. The Company does not consider that these cases will have a material impact upon its financial position. Already one such case has been dismissed as filed out of time but the plaintiff has appealed against this ruling.

Greek case
For a legal dispute (one case by the Company against Themis and one by Themis against the Company) relating to the discontinued operations in Greece (Themis case), a provision was recognised in previous periods (30 September 2014: €38.950 thousand) following a court judgement of the Athens Court of Appeal (dismissing the Company's case and upholding the Themis case). This provision was reversed as at 31 December 2014 following the dismissal of the said judgement by the Supreme Court in March 2015. The Supreme Court further ruled that these claims (the Company's claim against Themis for approximately €25 million which had been transferred to Piraeus Bank SA in March 2013, as well as Themis' claim against the Company for a similar amount) be reconsidered by the Supreme Court on the merits at the instigation of the affected party. Both cases are fixed to be heard in December 2016. The Company has indemnified Piraeus Bank SA (the acquirer of its Greek operations in March 2013) through a letter of guarantee, for any claim brought against it in connection with this case, however the Group does not consider that this will have a material impact upon its financial position.

Swiss Francs loans litigation in Cyprus and UK
Some actions have been instituted against the Company by borrowers who obtained loans in foreign currency (mainly Swiss Francs). The central allegation in these cases is that the Company misled these borrowers and/or misrepresented matters, in violation of applicable Law. The Company intends to contest such proceedings vigorously.

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

Pending litigation and claims (continued)

Other litigation (continued)
UK cases
The Company is the defendant in certain proceedings alleging that the Company is legally responsible in respect of various alleged irregularities involving, inter alia, the advance and mis-selling of loans for the purchase by UK nationals of property in Cyprus. The Company's defence will vary depending on whether the purchasers can be categorised as consumers or investors. However, all the proceedings in the UK are currently stayed in order for the parties to have time to negotiate possible settlements.

Ukrainian case
In October 2015, a Ukrainian undertaking initiated legal proceedings against the Company and others before the High Court in London asking, inter alia, for a declaration that the Company has no title to or rights under a facility agreement entered into originally by Laiki Bank and later transferred to the Alfa group in the context of the sale by the Group of its Ukrainian operations. Also, local/ancillary proceedings before the District Court of Nicosia in aid of the London proceedings were instituted in November 2015. The Company vigorously contests the proceedings in both jurisdictions. The standstill agreement signed in December 2015 has been extended until June 2016. In any event, whatever their outcome, such proceedings are not expected to have a material impact on the financial position of the Group.

Private criminal prosecutions
Four private criminal prosecutions filed by certain customers against the Company and certain of its directors and officers advancing their own grievances and complaints are currently outstanding. These are proceedings instituted by individuals and not by the State. The Company has asked the Attorney General to discontinue the proceedings (nolle prosequi). Already, a number of the initially filed prosecutions have been discontinued by the Attorney General.

On the basis of legal advice, the Company considers these private criminal prosecutions to have been instituted for their 'nuisance value'. In any event, the said private criminal prosecutions are not expected to have a material bearing on the financial position of the Group.

General criminal investigations
As part of the investigations and inquiries following and relating to the financial crisis which culminated in March 2013, the Attorney General and the Police are conducting various investigations (confidentially). The Company is fully cooperating with the authorities of the Republic of Cyprus and is providing all information requested of it. Based on the currently available information, the Company is of the view that any further investigations or claims resulting from these investigations will not have a material impact on the financial position of the Group.

The Attorney General has filed a criminal case against the Company and five former members of the Board of Directors for alleged breach of Article 302 (conspiracy to defraud) of Cyprus' criminal code and Article 19 of the Manipulation of Insider Information and Market Manipulation (Market Abuse) Law. The alleged offence refers to the non-publication in a timely manner of the increased capital shortfall of the Company in 2012. The Company denies all allegations. The hearing has commenced and the maximum penalty on the Company, if found guilty, will be the imposition of a fine that is not expected to be significant.

The Attorney General has filed another criminal case against the Company and six former members of the Board of Directors for alleged breach of Article 19 of the Manipulation of Insider Information and Market Manipulation (Market Abuse) Law, with respect to the Greek Government Bonds. The alleged offence refers to the non-publication of the purchase and sale of the Greek Government Bonds during a specified period. The Company denies all allegations. The case is fixed for plea in June 2016 and the maximum penalty on the Company, if found guilty, will be the imposition of a fine that is not expected to be significant.

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

Other contingent liabilities

The Group, as part of its disposal process of certain of its operations, has provided various representations and warranties to the buyers. These relate to, among other things, the ownership of the loans, the validity of the liens and other matters agreed with the buyers. In the event of a breach of its representations and warranties, the Group may be obliged to repurchase the loans with identified defects and/or to indemnify the buyers.

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

23. Share capital

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

Issued share capital

There were no changes to the issued share capital during the period ended 31 March 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 transactions 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. The number of these shares at 31 March 2016 was 5.136 thousand of a nominal value of €0,10 each (31 December 2015: 5.136 thousand of a nominal value of €0,10 each). The total cost of acquisition of treasury shares was €41.301 thousand (31 December 2015: €41.301 thousand).

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

23. Share capital (continued)

Treasury shares of the Company (continued)

In addition, the life insurance subsidiary of the Group held, as at 31 March 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 are obtained for the Long Term Incentive Plan.

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

24. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 March 2016	31 March 2015
	€000	€000
Cash and non-obligatory balances with central banks	**1.015.450**	536.248
Treasury bills repayable within three months	**8.299**	69.927
Loans and advances to banks with original maturity less than three months	**1.060.536**	1.320.166
Cash and balances with central banks and loans and advances to banks with original maturity less than three months classified as held for sale	**-**	129.336
	2.084.285	2.055.677

24. Cash and cash equivalents (continued)

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

	31 March 2016	31 December 2015
	€000	€000
Cash and non-obligatory balances with central banks	**1.015.450**	1.299.795
Obligatory balances with central banks	**125.825**	122.807
Total cash and balances with central banks	**1.141.275**	1.422.602

Loans and advances to banks with original maturity less than three months	**1.060.536**	1.085.098
Other restricted loans and advances to banks	**92.029**	82.123
Other loans and advances to banks	**120.139**	147.159
Total loans and advances to banks	**1.272.704**	1.314.380

Other restricted loans and advances to banks relate to collateral under derivative transactions of €92.029 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.

25. Analysis of assets and liabilities by expected maturity

	31 March 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	**1.016.616**	**124.659**	**1.141.275**	1.300.846	121.756	1.422.602
Loans and advances to banks	**1.133.017**	**139.687**	**1.272.704**	1.212.418	101.962	1.314.380
Derivative financial assets	**3.382**	**116**	**3.498**	13.939	84	14.023
Investments	**247.971**	**665.689**	**913.660**	348.596	660.691	1.009.287
Loans and advances to customers	**5.278.031**	**11.542.637**	**16.820.668**	5.147.878	12.043.754	17.191.632
Life insurance business assets attributable to policyholders	**15.706**	**460.179**	**475.885**	17.243	458.160	475.403
Prepayments, accrued income and other assets	**106.469**	**151.749**	**258.218**	87.690	194.090	281.780
Property, equipment and intangible assets	**329**	**403.872**	**404.201**	485	397.636	398.121
Investment properties	**-**	**35.391**	**35.391**	-	34.628	34.628
Investments in associates and joint ventures	**-**	**108.367**	**108.367**	-	107.753	107.753
Deferred tax assets	**10.554**	**440.048**	**450.602**	8.828	447.703	456.531
Stock of property	**90.638**	**654.972**	**745.610**	90.115	425.743	515.858
Non-current assets and disposal group held for sale	**39.461**	**-**	**39.461**	48.503	-	48.503
	7.942.174	**14.727.366**	**22.669.540**	8.276.541	14.993.960	23.270.501
Liabilities						
Deposits by banks	**266.507**	**46.610**	**313.117**	206.997	35.140	242.137
Funding from central banks	**2.301.638**	**1.501.062**	**3.802.700**	2.744.764	1.708.086	4.452.850
Repurchase agreements	**81.944**	**257.147**	**339.091**	111.605	256.546	368.151
Derivative financial liabilities	**32.868**	**43.936**	**76.804**	16.032	38.367	54.399
Customer deposits	**4.981.140**	**9.146.449**	**14.127.589**	4.981.609	9.199.072	14.180.681
Insurance liabilities	**71.004**	**487.292**	**558.296**	80.118	486.807	566.925
Accruals, deferred income and other liabilities	**223.638**	**58.001**	**281.639**	219.346	63.485	282.831
Debt securities in issue	**661**	**-**	**661**	712	-	712
Deferred tax liabilities	**-**	**41.636**	**41.636**	415	40.392	40.807
Non-current liabilities and disposal group held for sale	**3.677**	**-**	**3.677**	3.677	-	3.677
	7.963.077	**11.582.133**	**19.545.210**	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.

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 ELA has a contractual maturity of less than one year whereas funding under TLTRO has a contractual maturity of more than one year.

The investments are classified in the relevant time band based on expectations as to their realisation. In most cases this is the maturity date, unless there is an indication that the maturity will be prolonged or there is an intention to sell, roll or replace the security with a similar one. The latter would be the case where there is secured borrowing, requiring the pledging of bonds and these bonds mature before the maturity of the secured borrowing. The maturity of bonds is then extended to cover the period of the secured borrowing.

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

Performing loans and advances to customers in Cyprus are classified based on the contractual repayment schedule. Overdraft accounts are classified in the over one year time band. The impaired loans as defined in Note 26, 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.

26. 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 policy regarding the definition of impaired loans and advances and the determination of the Level of provisions for impairment is described in Note 5 'Summary of accounting policies' of the Interim Condensed Consolidated Financial Statements for the three months ended 31 March 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.

Following the March 2013 events relating to the Group's recapitalisation and restructuring, the Group has applied stricter lending criteria and has significantly reduced the approval limits of the various credit authorities. Since then, lending criteria and approval limits are revised in a dynamic way to accommodate new market conditions and satisfy Group's Risk Appetite Statement.

26. 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.

	31 March 2016	31 December 2015
	€000	€000
Balances with central banks	**1.013.762**	1.268.585
Loans and advances to banks	**1.272.704**	1.314.380
Trading investments - debt securities	**316**	317
Debt securities at fair value through profit or loss	**17.232**	17.430
Debt securities classified as available-for-sale and loans and receivables	**804.103**	898.869
Derivative financial instruments (Note 14)	**3.498**	14.023
Loans and advances to customers (Note 16)	**16.820.668**	17.191.632
Debtors (Note 19)	**21.340**	23.020
Reinsurers' share of insurance contract liabilities (Note 19)	**49.281**	56.763
Other assets	**147.668**	156.641
On-balance sheet total	**20.150.572**	20.941.660
Contingent liabilities		
Acceptances and endorsements	**8.615**	8.385
Guarantees	**787.566**	793.111
Commitments		
Documentary credits	**16.684**	18.441
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**2.013.396**	2.088.619
Off-balance sheet total	**2.826.261**	2.908.556
Total credit risk exposure	**22.976.833**	23.850.216

26. 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:

	31 March 2016	31 December 2015
On-balance sheet	**€000**	€000
Cyprus	**18.161.408**	18.851.208
Greece	**56.979**	57.032
Russia	**98.033**	93.432
United Kingdom	**1.605.965**	1.673.293
Romania	**228.187**	266.695
	20.150.572	20.941.660

Off-balance sheet		
Cyprus	**2.662.144**	2.736.014
Greece	**121.875**	131.172
Russia	**20.000**	20.000
United Kingdom	**21.935**	21.063
Romania	**307**	307
	2.826.261	2.908.556

Total on and off-balance sheet		
Cyprus	**20.823.552**	21.587.222
Greece	**178.854**	188.204
Russia	**118.033**	113.432
United Kingdom	**1.627.900**	1.694.356
Romania	**228.494**	267.002
	22.976.833	23.850.216

26. 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. According to these restrictions, banks are prohibited from lending more than 25% of the capital base to a single customer group. The Group's risk appetite statement imposes stricter concentration limits and the Group is taking actions to run down those exposures which are in excess of these internal limits over time.

In addition to the above, the Group's overseas subsidiaries must comply with guidelines for large exposures as set by the regulatory authorities of the countries in which they operate.

Fair value adjustment on initial recognition
The fair value adjustment on initial recognition relates to the loans and advances to customers acquired as part of the acquisition of certain operations of Laiki Bank in 2013. In accordance with the provisions of IFRS 3, this adjustment has decreased the gross balance of loans and advances to customers. However, for IFRS 7 disclosure purposes as well as for credit risk monitoring, the aforementioned adjustment is not presented within the gross balances of loans and advances.

26. 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**
31 March 2016	€000	€000	€000	€000	€000	**€000**	**€000**	**€000**
By economic activity								
Trade	2.173.077	-	15.457	12.383	59.203	**2.260.120**	**(113.316)**	**2.146.804**
Manufacturing	789.074	-	8.727	7.693	15.768	**821.262**	**(30.342)**	**790.920**
Hotels and catering	1.362.970	-	101.777	6.296	-	**1.471.043**	**(68.155)**	**1.402.888**
Construction	3.809.388	-	20.186	79.860	10.456	**3.919.890**	**(310.324)**	**3.609.566**
Real estate	2.067.680	19.702	918.537	241.822	68.361	**3.316.102**	**(138.542)**	**3.177.560**
Private individuals	7.206.424	216	35.585	3.383	-	**7.245.608**	**(253.661)**	**6.991.947**
Professional and other services	1.466.298	-	62.020	15.182	97.563	**1.641.063**	**(89.051)**	**1.552.012**
Other sectors	1.109.080	24.967	11.540	28.575	-	**1.174.162**	**(126.571)**	**1.047.591**
	19.983.991	**44.885**	**1.173.829**	**395.194**	**251.351**	**21.849.250**	**(1.129.962)**	**20.719.288**
By customer sector								
Corporate	8.637.060	44.669	898.828	378.392	235.220	**10.194.169**	**(601.374)**	**9.592.795**
SMEs	4.377.129	-	242.221	16.364	9.746	**4.645.460**	**(257.655)**	**4.387.805**
Retail								
- housing	4.258.973	-	15.511	102	-	**4.274.586**	**(106.745)**	**4.167.841**
- consumer, credit cards and other	2.138.728	216	17.269	336	6.385	**2.162.934**	**(151.025)**	**2.011.909**
International banking services	507.667	-	-	-	-	**507.667**	**(7.412)**	**500.255**
Wealth management	64.434	-	-	-	-	**64.434**	**(5.751)**	**58.683**
	19.983.991	**44.885**	**1.173.829**	**395.194**	**251.351**	**21.849.250**	**(1.129.962)**	**20.719.288**

26. 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 March 2016	€000	€000	€000	€000	€000	**€000**	**€000**	**€000**
By business line								
Corporate	2.113.284	44.669	898.828	299.319	221.546	**3.577.646**	**(53.448)**	**3.524.198**
SMEs	1.498.758	-	242.221	16.364	9.746	**1.767.089**	**(43.178)**	**1.723.911**
Retail								
- housing	3.605.092	-	15.511	102	-	**3.620.705**	**(44.627)**	**3.576.078**
- consumer, credit cards and other	1.383.035	216	17.269	336	-	**1.400.856**	**(34.039)**	**1.366.817**
Restructuring								
- major corporate	2.725.966	-	-	35.114	-	**2.761.080**	**(191.325)**	**2.569.755**
- corporate	1.621.141	-	-	-	-	**1.621.141**	**(51.057)**	**1.570.084**
- SMEs	1.349.471	-	-	-	-	**1.349.471**	**(66.269)**	**1.283.202**
Recoveries								
- corporate	2.176.669	-	-	43.959	13.674	**2.234.302**	**(305.544)**	**1.928.758**
- SMEs	1.528.900	-	-	-	-	**1.528.900**	**(148.208)**	**1.380.692**
- retail housing	653.881	-	-	-	-	**653.881**	**(62.118)**	**591.763**
- retail other	755.693	-	-	-	6.385	**762.078**	**(116.986)**	**645.092**
International banking services	507.667	-	-	-	-	**507.667**	**(7.412)**	**500.255**
Wealth management	64.434	-	-	-	-	**64.434**	**(5.751)**	**58.683**
	19.983.991	**44.885**	**1.173.829**	**395.194**	**251.351**	**21.849.250**	**(1.129.962)**	**20.719.288**

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

26. 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**

26. 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 €87.308 thousand (31 December 2015: €81.078 thousand) and lending exposures in Cyprus with collaterals in Greece with a carrying value of €70.564 thousand (31 December 2015: €69.983 thousand).

26. 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**
31 March 2016	€000	€000	€000	€000	€000	**€000**	**€000**	**€000**
Euro	18.705.329	44.885	26.902	393.957	16.053	**19.187.126**	**(1.066.450)**	**18.120.676**
US Dollar	236.648	-	482	20	135.556	**372.706**	**(11.058)**	**361.648**
British Pound	53.607	-	1.128.064	89	-	**1.181.760**	**(8.769)**	**1.172.991**
Russian Rouble	136	-	-	-	99.742	**99.878**	**(2)**	**99.876**
Romanian Lei	1	-	-	1.128	-	**1.129**	**-**	**1.129**
Swiss Franc	920.874	-	7.507	-	-	**928.381**	**(40.985)**	**887.396**
Other currencies	67.396	-	10.874	-	-	**78.270**	**(2.698)**	**75.572**
	19.983.991	**44.885**	**1.173.829**	**395.194**	**251.351**	**21.849.250**	**(1.129.962)**	**20.719.288**
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**

26. 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:

	31 March 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	**10.551.345**	**(168.264)**	**10.383.081**	10.442.903	(173.260)	10.269.643
Past due but not impaired	**2.901.294**	**(56.452)**	**2.844.842**	3.048.929	(60.803)	2.988.126
Impaired	**8.396.611**	**(905.246)**	**7.491.365**	9.100.643	(973.347)	8.127.296
	21.849.250	**(1.129.962)**	**20.719.288**	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 three months ended 31 March 2016 the total non-contractual write-offs recorded by the Group amounted to €293.410 thousand (year ended 31 December 2015: €172.670 thousand). The remaining gross loan balance of these customers as at 31 March 2016 was €282.460 thousand, of which €2.843 thousand were past due for more than 90 days but not impaired and €163.352 thousand were impaired.

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

	31 March 2016	31 December 2015
Past due analysis:	**€000**	€000
- up to 30 days	**623.365**	468.791
- 31 to 90 days	**385.936**	351.450
- 91 to 180 days	**133.103**	144.362
- 181 to 365 days	**183.492**	258.920
- over one year	**1.575.398**	1.825.406
	2.901.294	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 31 March 2016 is €2.337.612 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.

26. Risk management – Credit risk (continued)

Credit quality of loans and advances to customers (continued)

Impaired loans and advances to customers

	31 March 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	**7.726.024**	**5.007.604**	8.414.868	5.596.169
Greece	**44.669**	**17.747**	68.309	17.945
Russia	**249.682**	**97.155**	247.319	94.417
United Kingdom	**43.650**	**17.130**	56.584	10.821
Romania	**332.586**	**150.625**	313.563	170.080
	8.396.611	**5.290.261**	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.

	31 March 2016	31 December 2015
Impaired:	**€000**	€000
- no arrears	**859.974**	875.488
- up to 30 days	**35.562**	78.176
- 31 to 90 days	**57.186**	24.353
- 91 to 180 days	**48.630**	65.382
- 181 to 365 days	**157.381**	310.167
- over one year	**7.237.878**	7.747.077
	8.396.611	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 €54.270 thousand (corresponding period of 2015: €62.888 thousand).

26. 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 to customers, including the loans and advances to customers held for sale, is as follows:

	Cyprus	Greece	Russia	Other countries	**Total**
31 March 2016	€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)**
Foreign exchange and other adjustments	19.564	-	394	(2.265)	**17.693**
Applied in writing off impaired loans and advances	(300.537)	-	-	(1.812)	**(302.349)**
Interest accrued on impaired loans and advances	(47.063)	(233)	(183)	(723)	**(48.202)**
Collection of loans and advances previously written off	156	-	-	-	**156**
Charge/(reversal) for the year – continuing operations (Note 10)	41.597	1.862	(361)	945	**44.043**
31 March	**3.445.467**	**35.462**	**194.867**	**222.824**	**3.898.620**
Individual impairment	**2.997.496**	**31.263**	**194.651**	**217.980**	**3.441.390**
Collective impairment	**447.971**	**4.199**	**216**	**4.844**	**457.230**

	Cyprus	Greece	Russia	Other countries	**Total**
31 March 2015	€000	€000	€000	€000	**€000**
1 January	2.867.345	9.275	415.894	195.334	**3.487.848**
Foreign exchange and other adjustments	63.789	59	55.544	2.343	**121.735**
Transfer between geographical areas	(83.378)	6.330	-	77.048	**-**
Applied in writing off impaired loans and advances	(1.499)	-	-	-	**(1.499)**
Interest accrued on impaired loans and advances/settlements	(56.014)	-	(190)	(282)	**(56.486)**
Collection of loans and advances previously written off	270	-	-	(104)	**166**
Charge for the year – continuing operations (Note 10)	143.837	4.851	7.456	19.258	**175.402**
Charge for the year – discontinued operations (Note 7)	-	-	17.824	-	**17.824**
31 March	**2.934.350**	**20.515**	**496.528**	**293.597**	**3.744.990**
Individual impairment	**2.265.552**	**20.515**	**336.917**	**283.147**	**2.906.131**
Collective impairment	**668.798**	**-**	**159.611**	**10.450**	**838.859**

26. 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 classified as held for sale as at 31 March 2016. The balance of provisions for impairment of loans and advances to customers at 31 March 2015 includes €251.668 thousand for loans and advances to customers classified as held for sale. The above table does not include the provisions for impairment on financial guarantees and commitments which are part of 'Accruals, deferred income and other liabilities' (Note 22).

The impairment loss is measured as the difference between the carrying amount of a loan and the present value of the estimated future cash flows, including the cash flows which may arise from guarantees and tangible collateral.

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

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

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

26. 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 31 March 2016. The impact on the provisions for impairment of loans and advances to customers is presented below:

	Increase/(decrease) on provisions for impairment of loans and advances
Change in provisions assumptions:	**€000**
Increase the timing of recovery from collaterals by 1 year (to an average of 4 years) for the customers that were assessed on a collective basis, excluding any customers in Debt Recovery	63.291
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	(10.816)
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	129.061
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	261.059
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	(123.979)
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	(247.075)
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	136.951
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	(71.729)

26. 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.

26. 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.

26. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

	Cyprus	Greece	Russia	United Kingdom	Romania	**Total**
31 March 2016	€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	513.449	-	-	11.299	21.786	**546.534**
Assets no longer classified as rescheduled (including repayments)	(458.750)	-	(5.189)	(22.136)	(1.598)	**(487.673)**
Applied in writing off rescheduled loans and advances	(227.789)	-	-	-	(38)	**(227.827)**
Interest accrued on rescheduled loans and advances	93.567	102	147	170	119	**94.105**
Foreign exchange adjustments	(5.243)	-	6.999	(6.282)	1.127	**(3.399)**
31 March	**8.306.858**	**24.967**	**140.333**	**99.283**	**140.581**	**8.712.022**
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.

26. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit quality

	Cyprus	Greece	Russia	United Kingdom	Romania	**Total**
31 March 2016	€000	€000	€000	€000	€000	**€000**
Neither past due nor impaired	3.938.017	-	-	78.834	58.270	**4.075.121**
Past due but not impaired	1.510.645	-	731	18.481	1.670	**1.531.527**
Impaired	2.858.196	24.967	139.602	1.968	80.641	**3.105.374**
	8.306.858	**24.967**	**140.333**	**99.283**	**140.581**	**8.712.022**
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**

26. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Fair value of collateral

	Cyprus	Russia	United Kingdom	Romania	**Total**
31 March 2016	€000	€000	€000	€000	**€000**
Neither past due nor impaired	3.481.869	-	68.210	58.215	**3.608.294**
Past due but not impaired	1.387.023	731	8.091	1.349	**1.397.194**
Impaired	2.465.488	51.378	1.542	29.518	**2.547.926**
	7.334.380	**52.109**	**77.843**	**89.082**	**7.553.414**
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.

26. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration

	Cyprus	Greece	Russia	United Kingdom	Romania	**Total**
31 March 2016	€000	€000	€000	€000	€000	**€000**
By economic activity						
Trade	688.524	-	32.539	63	2.941	**724.067**
Manufacturing	283.014	-	14.768	-	1.259	**299.041**
Hotels and catering	687.483	-	-	6.543	6.282	**700.308**
Construction	2.116.436	-	7.952	10.851	23.899	**2.159.138**
Real estate	1.066.455	-	-	1.159	105.030	**1.172.644**
Private individuals	2.561.356	-	-	816	209	**2.562.381**
Professional and other services	571.079	-	85.074	15.347	280	**671.780**
Other sectors	332.511	24.967	-	64.504	681	**422.663**
	8.306.858	**24.967**	**140.333**	**99.283**	**140.581**	**8.712.022**
By customer sector						
Corporate	4.197.075	24.967	135.640	86.186	138.845	**4.582.713**
SMEs	1.744.118	-	4.693	12.542	1.527	**1.762.880**
Retail						
- housing	1.712.652	-	-	-	-	**1.712.652**
- consumer, credit cards and other	572.372	-	-	555	209	**573.136**
International banking services	68.141	-	-	-	-	**68.141**
Wealth management	12.500	-	-	-	-	**12.500**
	8.306.858	**24.967**	**140.333**	**99.283**	**140.581**	**8.712.022**

26. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

	Cyprus	Greece	Russia	United Kingdom	Romania	**Total**
31 March 2016	€000	€000	€000	€000	€000	**€000**
By business line						
Corporate	480.613	24.967	135.640	86.186	138.632	**866.038**
SMEs	546.883	-	4.693	12.542	1.527	**565.645**
Retail						
- housing	1.570.018	-	-	-	-	**1.570.018**
- consumer, credit cards and other	464.243	-	-	555	209	**465.007**
Restructuring						
- major corporate	1.895.709	-	-	-	213	**1.895.922**
- corporate	1.218.367	-	-	-	-	**1.218.367**
- SMEs	819.529	-	-	-	-	**819.529**
Recoveries						
- corporate	602.386	-	-	-	-	**602.386**
- SMEs	377.706	-	-	-	-	**377.706**
- retail housing	142.634	-	-	-	-	**142.634**
- retail other	108.129	-	-	-	-	**108.129**
International banking services	68.141	-	-	-	-	**68.141**
Wealth management	12.500	-	-	-	-	**12.500**
	8.306.858	**24.967**	**140.333**	**99.283**	**140.581**	**8.712.022**

26. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

	Cyprus	Greece	Russia	United Kingdom	Romania	**Total**
31 December 2015	€000	€000	€000	€000	€000	**€000**
By economic activity						
Trade	707.105	-	31.580	-	2.936	**741.621**
Manufacturing	282.449	-	14.207	136	1.258	**298.050**
Hotels and catering	743.585	-	-	7.072	6.196	**756.853**
Construction	2.155.778	-	8.081	14.862	2.444	**2.181.165**
Real estate	1.069.156	-	-	59.190	82.739	**1.211.085**
Private individuals	2.526.554	-	-	4.393	153	**2.531.100**
Professional and other services	584.836	-	84.508	19.517	22.697	**711.558**
Other sectors	322.161	24.865	-	11.062	762	**358.850**
	8.391.624	**24.865**	**138.376**	**116.232**	**119.185**	**8.790.282**
By customer sector						
Corporate	4.368.307	24.865	133.932	99.603	116.385	**4.743.092**
SMEs	1.720.453	-	4.444	12.519	2.647	**1.740.063**
Retail						
- housing	1.685.668	-	-	-	-	**1.685.668**
- consumer, credit cards and other	568.986	-	-	4.110	153	**573.249**
International banking services	42.481	-	-	-	-	**42.481**
Wealth management	5.729	-	-	-	-	**5.729**
	8.391.624	**24.865**	**138.376**	**116.232**	**119.185**	**8.790.282**

26. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

	Cyprus	Greece	Russia	United Kingdom	Romania	**Total**
31 December 2015 (represented)	€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**

26. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Provisions for impairment

	Cyprus	Greece	Russia	United Kingdom	Romania	**Total**
31 March 2016	€000	€000	€000	€000	€000	**€000**
Individual impairment	1.010.143	24.118	113.511	1.250	54.914	**1.203.936**
Collective impairment	211.342	-	53	277	1.761	**213.433**
	1.221.485	**24.118**	**113.564**	**1.527**	**56.675**	**1.417.369**
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**

27. Risk management – Market risk

Market risk is the risk of loss from adverse changes in market prices – namely from changes in interest rates, exchange rates and security prices. The Market Risk department is responsible for monitoring the risk resulting from such changes with the objective to minimise the impact on earnings and capital. The department also monitors liquidity risk and credit risk with counterparties and countries. It is also responsible for monitoring compliance with the various market risk policies and procedures.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It arises as a result of timing differences on the repricing of assets, liabilities and off-balance sheet items.

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 issuers changes and/or as the interest rate changes for fixed rate securities. The Group invests a significant part of its liquid assets in debt securities issued mostly by governments and banks.

The 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.

28. Risk management – Liquidity risk and funding

Liquidity risk is the risk that the Group is unable to fully or promptly meet current and future payment obligations as and when they fall due. This risk includes the possibility that the Group may have to raise funding at high cost or sell assets at a discount to fully and promptly satisfy its obligations.

It reflects the potential mismatch between incoming and outgoing payments, taking into account unexpected delays in repayment or unexpectedly high payment outflows. Liquidity risk involves both the risk of unexpected increases in the cost of funding of the portfolio of assets and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

In order to limit this risk, management aims to achieve diversified funding sources in addition to the Group's core deposit base, and has adopted a policy of managing assets with liquidity in mind and monitoring cash flows and liquidity on a daily basis. The Group has developed internal control processes and contingency plans for managing liquidity risk. These incorporate an assessment of expected cash flows and the availability of collateral which could be used to secure additional funding if required.

Management and structure

The Board sets the Group's Liquidity Risk Appetite being the level of risk at which the Group should operate.

The Board of Directors, through its Risk Committee, approves the Liquidity Policy Statement and reviews almost at every meeting, the liquidity position of the Group. Information on inflows/outflows is also provided.

The ALCO of each unit is responsible for monitoring the liquidity position of the unit and ensuring compliance with the approved policies. The ALCO is responsible for setting the policies for the effective management and monitoring of liquidity across the Group. It also monitors the liquidity position of its major banking units at least monthly. Given the current liquidity position of the Company, the ALCO considers the monitoring of liquid assets and the cash inflows/outflows of the Company in Cyprus, to be of utmost importance.

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

Management and structure (continued)

Local Treasury departments at each banking unit are responsible for managing liquidity in their respective unit. Group Treasury is responsible for liquidity management at Group level and for overseeing the operations of each country banking unit, to ensure compliance with internal and regulatory liquidity policies and provide direction as to the actions to be taken regarding liquidity needs. Every unit targets to finance its own needs in the medium term. Group Treasury assesses on a continuous basis, and informs ALCO at regular time intervals, the adequacy of the liquid assets and takes the necessary actions to enhance the Group's liquidity position.

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.

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 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/SSM, indicating the cash inflows and outflows observed in customer balances and other balances, as well as the opening and closing balances of cash. Also, Group Treasury monitors daily and intraday the inflows and outflows in the main currencies used by the Group.

Weekly
Market Risk prepares a weekly report of Euro and foreign currency liquidity mismatch which is submitted to the CBC.

Monthly
Market Risk prepares reports indicating compliance with internal and regulatory liquidity ratios, for all banking units and for the Group and submits them to the ALCO, the Executive Committee and the Board Risk Committee. It also calculates the expected flows under a stress scenario and compares them with the projected available liquidity buffer. The fixed deposit renewal rates and deposits by tenor are also presented to the ALCO.

Market Risk reports the Liquidity Coverage Ratio (LCR) to the CBC/ECB monthly.

Group Treasury prepares and submits a liquidity report to the ALCO and the Executive Committee on a monthly basis that indicates the liquidity position of the Group, as well as summary information on inflows and outflows. Moreover, in this report, Group Treasury indicates projections of expected inflows and outflows covering a two month period.

Quarterly
Market risk performs stress testing for bank-specific, market wide and combined scenarios and reports results to ALCO. The requirement is to have a sufficient buffer to enable the Company to survive the first two weeks and then adequate capacity to draw liquidity for the 3 month period of the stress test, for all three scenarios.

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

Monitoring process (continued)

Quarterly (continued)
The liquidity buffer is made up of: bank notes, CBC balances (excluding the Minimum Reserve Requirements (MRR), nostro current accounts, money market placements up to the stress horizon and market value net of haircut of eligible unencumbered/available bonds.

The designing of the stress tests followed best practice guidance, and was based on the liquidity risk drivers which are recognised internationally by both the Prudential Regulation Authority (PRA) and EBA SREP. The stress tests assumptions are included in the Group Liquidity Policy which is reviewed on an annual basis and approved by the Board. However, whenever it is considered appropriate to amend the assumptions during the year, approval is requested by ALCO and the Board Risk Committee. The main items shocked in the different scenarios are: deposit outflows, wholesale funding, loan repayments, off-balance sheet commitments, marketable securities and cash collateral for derivatives.

Moreover, Market Risk reports the Net Stable Funding Ratio (NSFR) and Leverage Ratio to the CBC/ECB quarterly and various other liquidity reports, included in the short-term exercise of the SSM per their SREP guidelines.

Annually
The 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 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:

	31 March 2016	31 December 2015
	%	%
End of reporting period	**16,37**	18,25
Average ratio	**16,88**	18,31
Highest ratio	**17,22**	21,62
Lowest ratio	**16,37**	15,64

The minimum liquidity ratios for the operations in Cyprus are set at the levels required by the CBC: 20% for Euro and 70% for foreign currencies. It is noted that in the calculation of the above ratios, as well as for CBC regulatory reports, ELA is treated as a long term liability. The Company is currently not in compliance with its regulatory liquidity requirements with respect to its operations in Cyprus.

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

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

Liquidity ratios (continued)

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

	31 March 2016	31 December 2015
	%	%
End of reporting period	**118,73**	120,92
Average quarterly ratio	**119,82**	133,57
Highest quarterly ratio	**120,92**	141,48
Lowest quarterly ratio	**118,73**	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.

The Group has limited access to interbank and wholesale markets which, combined with a reduction in deposits in Cyprus in 2013, the deposit bail-in and the acquisition of certain operations of Laiki Bank in March 2013, had resulted in reliance on ELA. Since then, reliance on ELA funding was reduced significantly. As at 31 March 2016, the funding from ELA amounted to €3.301.719 thousand (31 December 2015: €3.802.058 thousand) (Note 20).

The liquidity received from central banks is subject to the relevant regulations and requires qualifying assets as collateral. In 2014 the Group participated in the TLTRO of the ECB (Note 20).

The funding provided to the Group through ELA is short term (usually 2-3 weeks), covering the period until the next scheduled meeting of the ECB Governing Council. The funding via Eurosystem monetary ruling operations ranges from short term to long term.

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 Group subsidiaries Bank of Cyprus UK Ltd and Bank of Cyprus (Channel Islands) Ltd, cannot place funds with the Group in excess of maximum limits set by the local regulator.

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

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 31 March 2016 and 31 December 2015 are summarised below:

	31 March 2016	31 December 2015
	€000	€000
Cash and other liquid assets	**172.888**	154.896
Investments	**495.045**	892.728
Loans and advances	**12.653.179**	12.882.139
Property	**92.820**	93.500
	13.413.932	14.023.263

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

Collateral requirements (continued)

Cash is mainly used to cover collateral required for (i) derivatives and repurchase transactions, (ii) trade finance transactions and guarantees issued and (iii) covered bond.

Investments are mainly used as collateral for repurchase transactions with commercial banks as well as supplementary assets for the covered bond, while loans are mainly used as collateral for funding from the CBC and for the covered bond. As from 1 April 2016, Cyprus government bonds ceased from being acceptable as ECB eligible collateral. Therefore they were removed from the collateral pool and currently the majority is unencumbered.

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.

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

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 a covered bond of €1.000 million. The terms of the €1.000 million covered bond secured by residential mortgage loans originated in Cyprus were amended in 2014 and the maturity date was revised to 12 June 2017. The covered bond bears interest at the three months Euribor plus 3,25% per annum. All the bonds issued are held by the Company.

On 29 September 2015 the terms of the Covered Bond Programme and outstanding €1.000 million covered bond were amended to a Conditional Pass–Through structure. As part of the restructuring, €350.000 thousand of the retained covered bond was repurchased and cancelled. The outstanding principal of the retained covered bond following the above transactions remained at €650.000 thousand with a new maturity date of 12 December 2018. The credit rating of the covered bond was upgraded to an investment grade rating and the covered bond has become eligible collateral for the Eurosystem credit operations. As from 2 October 2015 the covered bond has been placed as collateral for accessing funding from the ECB. Through this transaction, the Company has raised €550.000 thousand of ECB funding for the repayment of ELA. Prior to the rating upgrade, the covered bond was used as collateral for ELA.

The assets used as collateral for the covered bond are already included in the table above.

Recent developments

Cyprus exited its economic adjustment programme in March 2016. The credit ratings of the Republic of Cyprus by the main credit rating agencies continue to be below investment grade, albeit on a rising trend. As a result, the ECB is no longer able to include Cypriot Government Bonds in its asset purchase programme, or as eligible collateral for Eurosystem monetary operations, as was the case when the waiver for collateral eligibility due to the country being under an economic adjustment programme existed. This resulted in the repayment of ECB funding 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). Any Cyprus Government bonds that remain unencumbered can be considered as ELA eligible collateral. This disruption may also lead to higher borrowing costs for the Group. In addition, any weakening of the commitment to fiscal discipline and reform in the future might add to market pressures.

29. 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).

30. Related party transactions

	31 March 2016	31 December 2015
	€000	€000
Loans and advances:		
- members of the Board of Directors and other key management personnel	**3.317**	3.354
- connected persons	**921**	886
	4.238	4.240
Deposits:		
- members of the Board of Directors and other key management personnel	**3.298**	3.366
- connected persons	**3.123**	3.147
	6.421	6.513

The above table does not include period/year-end balances i.e. 31 March 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 related parties for the three months ended 31 March 2016 amounted to €30 thousand and €20 thousand respectively (corresponding period of 2015: €36 thousand and €86 thousand respectively).

30. Related party transactions (continued)

In addition to loans and advances, there were contingent liabilities and commitments in respect of members of the Board of Directors and their connected persons, mainly in the form of documentary credits, guarantees and commitments to lend amounting to €114 thousand (31 December 2015: €135 thousand). There were also contingent liabilities and commitments to other key management personnel and their connected persons amounting to €821 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 31 March 2016 amounted to €1.063 thousand (31 December 2015: €1.094 thousand).

At 31 March 2016 the Group has an investment in Invesco Euro short Term Bond Fund, in which Mr Wilbur L. Ross is an executive Director. The fair value of the investment at 31 March 2016 amounts to €4.004 thousand.

There were no transactions during the three months ended 31 March 2015 neither with connected persons of the current members of the Board of Directors nor with any members who resigned during the period.

Connected persons include spouses, minor children and companies in which directors/other key management personnel hold, directly or indirectly, at least 20% of the voting shares in a general meeting, or act as executive director or exercise control of the entities in any way.

All transactions with members of the Board of Directors and their connected persons are made on normal business terms as for comparable transactions with customers of a similar credit standing. A number of loans and advances have been extended to other key management personnel and their connected persons on the same terms as those applicable to the rest of the Group's employees.

Fees and emoluments of members of the Board of Directors and other key management personnel

	Three months ended 31 March	
	2016	2015
Director emoluments	**€000**	€000
Executives		
Salaries and other short term benefits	**472**	244
Employer's contributions	**23**	15
Retirement benefit plan costs	**42**	32
	537	291
Non-executives		
Fees	**203**	65
Total directors' emoluments	**740**	356
Other key management personnel emoluments		
Salaries and other short term benefits	**717**	978
Termination benefits	**197**	-
Employer's contributions	**41**	38
Retirement benefit plan costs	**44**	49
Total other key management personnel emoluments	**999**	1.065
Total	**1.739**	1.421

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 committees of the Board of Directors.

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

30. Related party transactions (continued)

Fees and emoluments of members of the Board of Directors and other key management personnel (continued)

The other key management personnel emoluments include the remuneration of the members of the Executive Committee since the date of their appointment to the Committee and other Directors who report directly to the Chief Executive Officer.

31. Group companies

The main subsidiary companies and branches included in the consolidated financial statements of the Group, their country of incorporation, their activities, and the percentage held by the Company (directly or indirectly) as at 31 March 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
Kermia Hotels Ltd	Cyprus	Hotel business	100
Cytrustees Investment Public Company Ltd	Cyprus	Closed-end investment company	53
Finerose Properties Ltd	Cyprus	Financing services	100
LCP Holdings and Investments Public Ltd (formerly Laiki Capital Public Co Ltd)	Cyprus	Holding company	67
JCC Payment Systems Ltd	Cyprus	Card processing transaction services	75
CLR Investment Fund Public Ltd	Cyprus	Investment company	20
Auction Yard Ltd	Cyprus	Auction company	100
BOC Secretarial Company Ltd	Cyprus	Secretarial services	100
Bank of Cyprus Public Company Ltd (branch of the Company)	Greece	Administration of guarantees and holding of real estate properties	N/A
Kyprou Zois (branch of EuroLife Ltd)	Greece	Life insurance	N/A
Kyprou Asfalistiki (branch of General Insurance of Cyprus Ltd)	Greece	General insurance	N/A
Bank of Cyprus UK Ltd	United Kingdom	Commercial bank	100
BOC Financial Services Ltd	United Kingdom	Financial advisory services	100
Bank of Cyprus (Channel Islands) Ltd	Channel Islands	Commercial bank	100
Bank of Cyprus Romania (branch of the Company)	Romania	Commercial bank	N/A
Cyprus Leasing Romania IFN SA	Romania	Leasing	100
MC Investment Assets Management LLC	Russia	Problem asset management company	100
Kyprou Finance (NL) B.V.	Netherlands	Financing services	100

31. Group companies (continued)

In addition to the above companies, at 31 March 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, Lameland Properties Ltd, Ramendi Properties Ltd, Ligisimo Properties Ltd, Moonland Properties Ltd, Polkima Properties Ltd, Nalmosa Properties Ltd, Smooland Properties Ltd, Emovera Properties Ltd, Estaga Properties Ltd, Skellom Properties Ltd, Blodar Properties Ltd, Spaceglowing Properties Ltd, Threefield Properties Ltd, Lepidoland Properties Ltd, Stamoland Properties Ltd, Ecunaland Properties Ltd, Tebane Properties Ltd, Cranmer Properties Ltd, Calomland Properties Ltd, Vieman Ltd, Les Coraux Estates Ltd, Natakon Company Ltd, Oceania Ltd, Dominion Industries Ltd, Ledra Estates 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, Odaina Properties Ltd, Vameron Properties Ltd, Thryan Properties Ltd, Icecastle 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, Soluto Properties Ltd, Solomaco Properties Ltd, Linaland Properties Ltd, Andaz Properties Ltd, Unital Properties Ltd, Neraland Properties Ltd, Gilfront 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, Irisa 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 and Fireford 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 31 March 2016 the Company had 100% shareholding in Iperi Properties Ltd and Obafemi Holdings Ltd whose main activities are the holding of shares and other investments and they are registered in Cyprus.

At 31 March 2016 the Company had 100% shareholding in the companies listed below which are reserved to accept property:

Cyprus: Citlali Properties Ltd, Endar Properties Ltd, Belvesi Properties Ltd, Ingane Properties Ltd, Indene Properties Ltd, Warmbaths Properties Ltd, Tavoni Properties Ltd, Tezia Properties Ltd, Astromeria Properties Ltd, Orzo Properties Ltd, Carnota Properties Ltd, Demoro Properties Ltd, Venicous Properties Ltd, Primaco Properties Ltd, Amary Properties Ltd, Basiga Properties Ltd, Regetona Properties Ltd, Arcandello Properties Ltd, Mostero Properties Ltd, Sylvesta Properties Ltd, Camela Properties Ltd, Hamura Properties Ltd, Alomco Properties Ltd, Cereas Properties Ltd, Fareland Properties Ltd and Landeed Properties Ltd.

Romania: Mirodi Properties SRL, Nallora Properties SRL and Selilar Properties SRL.

31. Group companies (continued)

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, Landanafield Properties Ltd and Ilera Properties Ltd.

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

Cyprus: Laiki Bank (Nominees) Ltd, Laiki EDAK Ltd Fairford Properties Ltd, Thames Properties Ltd, Gosman Properties Ltd, Senadaco Properties Ltd, Nerofarm Properties Ltd, Helal Properties Ltd, Subworld Properties Ltd, Lasmane Properties Ltd, Lorman Properties Ltd, Yossi Properties Ltd, Gozala Properties Ltd, Molla Properties Ltd, Jongeling Properties Ltd, Introserve Properties Ltd, Sindelaco Properties Ltd, Barosca Properties Ltd, Fogland Properties Ltd, Lezanco Properties Ltd, Tebasco Properties Ltd, Desogus Properties Ltd, Dolapo Properties Ltd, Homirova Properties Ltd, Nabela Properties Ltd, Paneuropean Ltd, Philiki Ltd, Cyprialife Ltd, Imperial Life Assurance Ltd, Philiki Management Services Ltd and Nelcon Transport Co. Ltd.

Greece: Kyprou Commercial SA and Kyprou Properties SA.

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

Change in the control holding of MC Investment Assets Management LLC

In the context of the disposal of the majority of the Russian operations in September 2015, the Group increased its controlling interest in MC Investment Assets Management LLC to 100% from 80%. This transaction has been reflected as an equity transaction from non-controlling interests to the owners of the Company.

Control over CLR Investment Fund Public Ltd (CLR) without substantial shareholding

The Group considers that it exercises control over CLR through control of the members of the Board of Directors and is exposed to variable returns through its holding.

Dissolution and disposal of subsidiaries

As at 31 March 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, Turnmill Properties Ltd, Limestone Holdings Ltd, Bank of Cyprus Mutual Funds Ltd, Diners Club (Cyprus) Ltd, Leasing Finance LLC, Corner LLC, Omiks Finance LLC and Unknownplan Properties SRL.

Tefkros Investments (CI) Ltd was dissolved on 4 March 2016. Mainport Properties Ltd and Besadoco Properties Ltd were both disposed during the quarter ended 31 March 2016 as part of the Company's disposal process of properties repossessed.

32. Acquisitions and disposals

There were no acquisition or disposals of businesses during the three months ended 31 March 2016, other than the companies disclosed in Note 31 above. Subsidiaries dissolved in the period are also disclosed in Note 31.

32.1 Disposals during 2015

32.1.1 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 in March 2015.

33. Investments in associates and joint ventures

Carrying value of the investments in associates and joint ventures

	31 March 2016	31 December 2015
	€000	€000
CNP Cyprus Insurance Holdings Ltd	**106.288**	105.540
Interfund Investments Plc	**2.079**	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	**-**	-
	108.367	107.753

Investments 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%), D.J. Karapatakis & Sons Ltd (shareholding of 7,5%) and Rodhagate Entertainment Ltd (shareholding of 7,5%). The carrying value of Rosequeens Properties Limited, Rosequeens Properties SRL and Aris Capital Management LLC is restricted to zero.

M.S. (Skyra) Vassas Ltd

In the context of the loan restructuring activities of the Group, a 15% interest in the share capital of M.S. Skyra Vassas Ltd was acquired. 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. The investment is considered to be fully impaired and its value is restricted to zero.

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

In the context of the loan restructuring activities of the Group, a 7,5% in D.J. Karapatakis and Sons Ltd and in Rodhagate Entertainment Ltd, operating in the leisure, tourism, film and entertainment industries in Cyprus, was acquired. The Group considers that it exercises significant influence over the two companies. The investments are considered to be fully impaired and their 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.

34. Capital commitments

Capital commitments for the acquisition of property, equipment and intangible assets as at 31 March 2016 amount to €14.797 thousand (31 December 2015: €17.099).

35. Events after the reporting date

35.1 Disposal of Kermia Hotels Ltd

The Group has agreed to dispose of Kermia Hotels Ltd, for a sale consideration of €26.5 million and expected profit after tax of €1.8 million. The sale is expected to be completed following relevant regulatory approvals.

35.2 Repayment of ELA

In the period since 31 March 2016, the Company repaid €500 million of ELA funding.

35.3 Pursue of Premium Listing on the London Stock Exchange

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

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

Building a better
working world

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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 31 March 2016 and for the three-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 85, which comprise the interim consolidated balance sheet as at 31 March 2016, the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. These statements show a consolidated balance sheet with total equity of €3.124 million and with total assets of €22.670 million as at 31 March 2016 and a consolidated net profit for the three-month period then ended of €50.562 thousand. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance 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'. 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 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 6 to the interim condensed consolidated financial statements, which discusses the significant judgments, estimates and assumptions used in the preparation of the interim condensed consolidated financial statements and the related uncertainties. Our conclusion 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
31 May 2016

Financial Information for the Period from 1 January 2016 to 31 March 2016

as stipulated by Decision 4/507/28.04.2009 of
the Board of Directors of the Greek Capital Markets Commission

The financial information presented below is aiming to provide a general awareness about the financial position and results of the Bank of Cyprus Group (the 'Group') and the holding company Bank of Cyprus Public Company Ltd (the 'Company'). We recommend to the reader, before any investment decision or transaction is performed with the Group, to visit the Group's website where the financial statements prepared in accordance with International Financial Reporting Standards are available, together with the independent auditors' report, and the detailed explanatory statement of results. These documents are also available at the Registered Office of the Company (51 Stassinou Street, Ayia Paraskevi, Strovolos, P.O. Box 24884, CY-1398 Nicosia, Cyprus, Telephone: +357 22 122128, Fax: +357 22 378422).

Website: www.bankofcyprus.com - Investor Relations/Financial Information.

Members of the Board of Directors: Josef Ackermann (Chairman), Wilbur L. Ross Jr. (Vice Chairman), Maksim Goldman (Vice Chairman), Arne Berggren, Marios Kalochoritis, Christodoulos Patsalides, Michalis Spanos, Ioannis Zographakis and John Patrick Hourican.

Date of approval of the Interim Condensed Consolidated Financial Statements for the period ended 31 March 2016 by the Board of Directors: 31 May 2016.

Independent auditors: Ernst & Young Cyprus Ltd.

Type of auditor's report: Unqualified opinion, emphasis of matter.

BANK OF CYPRUS GROUP

Extracts from the Interim Consolidated Income Statement and Statement of Comprehensive Income

	Three months ended 31 March	
	2016	2015 (represented)
	€000	€000
Continuing operations		
Net interest income	**184.793**	226.795
Net fee and commission income	**35.966**	43.299
Net foreign exchange gains/(losses)	**7.429**	(2.248)
Net losses on financial instrument transactions	**(655)**	(1.248)
Insurance income net of claims and commissions	**13.593**	11.887
Gains/(losses) from revaluation and disposal of investment properties	**3.692**	(7.589)
(Losses)/gains on disposal of stock of property	**(2.422)**	208
Other income	**1.846**	2.684
	244.242	273.788
Staff costs	**(64.083)**	(59.115)
Other operating expenses	**(51.950)**	(51.148)
	128.209	163.525
(Loss)/gain on derecognition of loans and advances to customers and changes in expected cash flows	**(15.441)**	43.006
Provisions for impairment of loans and advances to customers and other customer credit losses	**(46.892)**	(153.445)
Impairment of other financial instruments	**(976)**	(813)
Impairment of non-financial instruments	**(7.003)**	-
Profit before share of profit from associates and joint ventures	**57.897**	52.273
Share of profit from associates and joint ventures	**801**	1.840
Profit before tax from continuing operations	**58.698**	54.113
Income tax	**(8.136)**	(7.974)
Profit after tax from continuing operations	**50.562**	46.139
Discontinued operations		
Loss after tax from discontinued operations	**-**	(22.493)
Profit for the period	**50.562**	23.646

Attributable to:		
Owners of the Company - continuing operations	**50.225**	46.443
Owners of the Company - discontinued operations	**-**	(17.919)
Total profit attributable to the owners of the Company	**50.225**	28.524
Non-controlling interests - continuing operations	**337**	(304)
Non-controlling interests - discontinued operations	**-**	(4.574)
Total profit/(loss) attributable to non-controlling interests	**337**	(4.878)
Profit for the period	**50.562**	23.646

Basic and diluted earnings per share (€) attributable to the owners of the Company - continuing operations	**0,0056**	0,0052
Basic and diluted earnings per share (€) attributable to the owners of the Company	**0,0056**	0,0032

Profit for the period	**50.562**	23.646
Other comprehensive (loss)/income after tax	**(3.563)**	2.500
Total comprehensive income for the period	**46.999**	26.146

Attributable to:		
Owners of the Company	**46.667**	35.718
Non-controlling interests	**332**	(9.572)
Total comprehensive income for the period	**46.999**	26.146

		31 March 2016	31 December 2015
Assets	*Notes*	**€000**	€000
Cash and balances with central banks		**1.141.275**	1.422.602
Loans and advances to banks		**1.272.704**	1.314.380
Derivative financial assets		**3.498**	14.023
Investments	3	**520.218**	588.255
Investments pledged as collateral	3	**393.442**	421.032
Loans and advances to customers		**16.820.668**	17.191.632
Life insurance business assets attributable to policyholders		**475.885**	475.403
Prepayments, accrued income and other assets		**258.218**	281.780
Stock of property		**745.610**	515.858
Investment properties		**35.391**	34.628
Property and equipment		**263.556**	264.333
Intangible assets		**140.645**	133.788
Investments in associates and joint ventures		**108.367**	107.753
Deferred tax assets		**450.602**	456.531
Non-current assets and disposal group held for sale		**39.461**	48.503
Total assets		**22.669.540**	23.270.501
Liabilities			
Deposits by banks		**313.117**	242.137
Funding from central banks		**3.802.700**	4.452.850
Repurchase agreements		**339.091**	368.151
Derivative financial liabilities		**76.804**	54.399
Customer deposits		**14.127.589**	14.180.681
Insurance liabilities		**558.296**	566.925
Accruals, deferred income and other liabilities	4	**281.639**	282.831
Debt securities in issue		**661**	712
Deferred tax liabilities		**41.636**	40.807
Non-current liabilities and disposal group held for sale		**3.677**	3.677
Total liabilities		**19.545.210**	20.193.170
Equity			
Share capital		**892.294**	892.294
Share premium		**552.618**	552.618
Capital reduction reserve		**1.952.486**	1.952.486
Revaluation and other reserves		**263.052**	258.709
Accumulated losses		**(558.828)**	(601.152)
Equity attributable to the owners of the Company		**3.101.622**	3.054.955
Non-controlling interests		**22.708**	22.376
Total equity		**3.124.330**	3.077.331
Total liabilities and equity		**22.669.540**	23.270.501

	Three months ended 31 March	
	2016	2015
	€000	€000
Total equity at 1 January	**3.077.331**	3.481.047
Profit for the period	**50.562**	23.646
Other comprehensive (loss)/income after tax for the period	**(3.563)**	2.500
Issue of shares	**-**	135
Disposals of treasury shares	**-**	465
Total equity at 31 March	**3.124.330**	3.507.793

	Three months ended 31 March	
	2016	2015
	€000	€000
Profit for the period	**50.562**	23.646
Foreign currency translation reserve	**1.008**	(433)
Available-for-sale investments	**(870)**	2.933
Actuarial loss for the defined benefit plans	**(3.701)**	-
Total comprehensive income for the period	**46.999**	26.146

	Three months ended 31 March	
	2016	2015
	€000	€000
Net cash flow from operating activities	**242.271**	343.319
Net cash flow from investing activities	**93.783**	72.722
Net cash flow used in financing activities	**(661.929)**	(603.520)
Net decrease in cash and cash equivalents for the period	**(325.875)**	(187.479)
Foreign exchange adjustments	**3.816**	4.555
Total cash outflow for the period	**(322.059)**	(182.924)
Cash and cash equivalents at 1 January	**2.406.344**	2.238.601
Cash and cash equivalents at 31 March	**2.084.285**	2.055.677

	Three months ended 31 March	
	2016	2015 (represented)
	€000	€000
Net interest income	**178.293**	218.954
Net fee and commission income	**31.506**	39.650
Net foreign exchange gains/(losses)	**19.487**	(13.161)
Net losses on financial instrument transactions and disposal of subsidiaries	**(317)**	(2.111)
Gains/(losses) from revaluation and disposal of investment properties	**4.134**	(7.682)
Losses on disposal of stock of property	**(20)**	-
Other income	**1.283**	1.425
	234.366	237.075
Staff costs	**(56.180)**	(51.390)
Other operating expenses	**(44.621)**	(44.212)
	133.565	141.473
(Loss)/gain on derecognition of loans and advances to customers and changes in expected cash flows	**(15.441)**	43.006
Provisions for impairment of loans and advances to customers and other customer credit losses	**(47.222)**	(146.694)
Impairment of other financial instruments	**(5.119)**	(813)
Impairment of non-financial instruments	**(4.086)**	-
Profit before tax	**61.697**	36.972
Income tax	**(5.900)**	(7.180)
Profit for the period	**55.797**	29.792

Basic and diluted earnings per share (€)	**0,0063**	0,0033

Profit for the period	**55.797**	29.792
Other comprehensive (loss)/income after tax	**(4.944)**	14.734
Total comprehensive income for the period	**50.853**	44.526

		31 March 2016	31 December 2015
Assets	*Notes*	**€000**	€000
Cash and balances with central banks		**842.923**	1.111.354
Loans and advances to banks		**1.105.838**	1.112.337
Derivative financial assets		**3.494**	14.022
Investments	3	**446.978**	512.631
Investments pledged as collateral	3	**393.442**	421.032
Loans and advances to customers		**15.646.213**	16.005.878
Balances with Group companies		**910.812**	735.579
Prepayments, accrued income and other assets		**152.107**	167.486
Stock of property		**331.034**	276.095
Investment properties		**11.688**	11.688
Property and equipment		**198.782**	198.227
Intangible assets		**15.615**	14.773
Investments in associates and joint ventures		**97.293**	97.293
Investments in Group companies		**207.781**	207.781
Deferred tax assets		**450.579**	456.479
Non-current assets held for sale		**1.072**	9.767
Total assets		**20.815.651**	21.352.422
Liabilities			
Deposits by banks		**308.549**	237.860
Funding from central banks		**3.802.700**	4.452.850
Repurchase agreements		**339.091**	368.151
Derivative financial liabilities		**77.218**	54.408
Customer deposits		**12.695.682**	12.694.130
Balances with Group companies		**562.267**	568.486
Accruals, deferred income and other liabilities	4	**235.889**	233.084
Debt securities in issue		**661**	712
Deferred tax liabilities		**19.868**	19.868
Total liabilities		**18.041.925**	18.629.549
Equity			
Share capital		**892.294**	892.294
Share premium		**551.368**	551.368
Capital reduction reserve		**1.952.486**	1.952.486
Revaluation and other reserves		**74.940**	76.462
Accumulated losses		**(697.362)**	(749.737)
Total equity		**2.773.726**	2.722.873
Total liabilities and equity		**20.815.651**	21.352.422

Extracts from the Interim Statement of Changes in Equity

	Three months ended 31 March	
	2016	2015
	€000	€000
Total equity at 1 January	**2.722.873**	3.128.679
Profit for the period	**55.797**	29.792
Other comprehensive (loss)/income after tax for the period	**(4.944)**	14.734
Issue of shares	**-**	135
Total equity at 31 March	**2.773.726**	3.173.340

	Three months ended 31 March	
	2016	2015
	€000	€000
Profit for the period	**55.797**	29.792
Foreign currency translation reserve	**(917)**	12.698
Available-for-sale investments	**(605)**	2.036
Actuarial loss on defined benefit plans	**(3.422)**	-
Total comprehensive income for the period	**50.853**	44.526

	Three months ended 31 March	
	2016	2015
	€000	€000
Net cash flow from operating activities	**291.849**	390.011
Net cash flow from investing activities	**98.239**	57.948
Net cash flow used in financing activities	**(661.929)**	(603.974)
Net decrease in cash and cash equivalents for the period	**(271.841)**	(156.015)
Foreign exchange adjustments	**(2.662)**	41
Total cash outflow for the period	**(274.503)**	(155.974)
Cash and cash equivalents at 1 January	**1.902.429**	1.486.608
Cash and cash equivalents at 31 March	**1.627.926**	1.330.634

1. The Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2016 have been prepared in accordance with the International Accounting Standard applicable to interim financial reporting as adopted by the European Union ('IAS 34').

2. The accounting policies adopted for the preparation of the Interim Condensed Consolidated Financial Statements for the three months ended 31 March 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 the 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
- IAS 1: Disclosure Initiative (Amendment)
- Annual Improvements 2012-2014 Cycle issued by the International Accounting Standards Board (IASB) which is a collection of amendments to International Financial Reporting Standards (IFRS). These improvements are effective from 1 January 2016 and 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

3. Investments of the Group and the Company are analysed as follows:

	31 March 2016	31 December 2015
Group	**€000**	€000
Investments		
Investments at fair value through profit or loss	**50.125**	50.785
Investments available-for-sale	**98.814**	100.535
Investments classified as loans and receivables	**371.279**	436.935
	520.218	588.255
Investments pledged as collateral		
Investments available-for-sale	**393.442**	421.032
	913.660	1.009.287

	31 March 2016	31 December 2015
Company	**€000**	€000
Investments		
Investments at fair value through profit or loss	**19.206**	19.727
Investments available-for-sale	**56.493**	55.969
Investments classified as loans and receivables	**371.279**	436.935
	446.978	512.631
Investments pledged as collateral		
Investments available-for-sale	**393.442**	421.032
	840.420	933.663

4. Accruals, deferred income and other liabilities at 31 March 2016 include provisions for pending litigation and claims of €25.156 thousand for the Group and €24.238 thousand for the Company and other provisions of €18.387 thousand for the Group and €18.948 thousand for the Company. The Group's provision for pending litigation and claims at 31 March 2016 is set out in Note 22 of the Interim Condensed Consolidated Financial Statements. There are no other significant pending litigation, claims or assessments against the Group, the outcome of which would have a material effect on the Group's financial position or operations.

5. The number of persons employed by the Group as at 31 March 2016 was 4.550 (31 March 2015: 6.715) and by the Company was 4.001 (31 March 2015: 4.030).

6. Shares of the Company held by entities controlled by the Group (including shares that are held by life insurance subsidiary which holds the shares as part of financial assets that are invested for the benefit of insurance policyholders) at 31 March 2016 were 8.025 thousand and their cost of acquisition was €66.634 thousand.

7. The Group subsidiaries, branches, associates and joint ventures as at 31 March 2016 and the method of consolidation used are set out in Notes 31 and 33 of the Interim Condensed Consolidated Financial Statements.

8. Related party transactions:

(a) Loans and other advances to members of the Board of Directors and key management personnel: €3.317 thousand for the Group and the Company.

(b) Loans and other advances to other connected persons: €921 thousand for the Group and €911.733 thousand for the Company.

(c) Contingent liabilities and commitments (mainly documentary credits, guarantees and commitments to lend): €935 thousand for the Group and the Company.

(d) Deposits by members of the Board of Directors and key management personnel: €3.298 thousand for the Group and the Company.

(e) Deposits by other connected persons: €3.123 thousand for the Group and €565.390 thousand for the Company.

(f) Interest income: €30 thousand for the Group and €5.702 thousand for the Company.

(g) Interest expense: €20 thousand for the Group and €1.327 thousand for the Company.

(h) Remuneration and other transactions of members of the Board of Directors, key management personnel and connected persons: €1.739 thousand for the Group and €1.458 thousand for the Company.

9. Other information

The total capital expenditure of the Group for the period ended 31 March 2016 amounted to €6.835 thousand.

10. Events after the reporting date

10.1 Disposal of Kermia Hotels Ltd

The Group has agreed to dispose of Kermia Hotels Ltd, for a sale consideration of €26.5 million and expected profit after tax of €1.8 million. The sale is expected to be completed following relevant regulatory approvals.

10.2 Repayment of ELA

In the period since 31 March 2016, the Company repaid €500 million of ELA funding.

10. Events after the reporting date (continued)

10.3 Pursue of Premium Listing on the London Stock Exchange

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

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

Additional Risk and Capital Management Disclosures

31 March 2016

1. Credit risk

The Central Bank of Cyprus (CBC) issued to credit institutions the Loan Impairment and Provisioning Procedures Directives of 2014 and 2015 (Directive), which provides guidance to banks for loan impairment policy and procedures for provisions. The purpose of this Directive is to ensure that credit institutions have in place adequate provisioning policies and procedures for the identification of credit losses and prudent application of IFRSs in the preparation of their financial statements.

The Directive requires certain disclosures in relation to the loan portfolio quality, provisioning policy and levels of provision. The disclosures required by the Directive, in addition to those presented in Notes 3 and 44 of the Consolidated Financial Statements for the year ended 31 December 2015 and on Note 26 of the Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2016 are set out in the following tables. The tables disclose non-performing exposures (NPEs) based on the definitions of the European Banking Authority (EBA) standards.

According to the EBA standards, NPEs are defined as those exposures that satisfy one of the following conditions:

(i) The debtor is assessed as unlikely to pay its credit obligations in full without the realisation of the collateral, regardless of the existence of any past due amount or of the number of days past due.
(ii) Defaulted or impaired exposures as per the approach provided in Regulation (EU) No 575/2013 Article 178.
(iii) Material exposures (as defined below) which are more than 90 days past due.
(iv) Performing forborne exposures under probation for which additional forbearance measures are extended.
(v) Performing forborne exposures under probation that present more than 30 days past due within the probation period.

Exposures include all on and off balance sheet exposures, except those held for trading, and are categorised as such for their entire amount without taking into account the existence of collateral.

The following materiality criteria are applied:

- When the problematic exposures of a customer that fulfil the NPE criteria set out above are greater than 20% of the gross carrying amount of all on balance sheet exposures of that customer, then the total customer exposure is classified as non-performing; otherwise only the problematic part of the exposure is classified as non-performing.

- Material arrears/excesses are defined as follows:
  - Retail exposures:
    - Loans: Arrears amount greater than €500 or number of instalments in arrears is greater than one.
    - Overdrafts: Excess amount is greater than €500 or greater than 10% of the approved limit.
  - Exposures other than retail: Total customer arrears/excesses are greater than €1.000 or greater than 10% of the total customer funded balances.

NPEs may cease to be considered as non-performing only when all of the following conditions are met:

(i) The extension of forbearance measures does not lead to the recognition of impairment or default.
(ii) One year has passed since the forbearance measures were extended.
(iii) Following the forbearance measures and according to the post-forbearance conditions, there is no past due amount or concerns regarding the full repayment of the exposure.

1. **Credit risk** (continued)

The tables below present the analysis of loans and advances to customers in accordance with the EBA standards.

	Gross loans and advances to customers				Provision for impairment and fair value adjustment on initial recognition			
31 March 2016	**Group gross customer loans and advances[1]**	**Of which NPEs**	**Of which exposures with forbearance measures: Total exposures with forbearance measures**	**Of which exposures with forbearance measures: Of which on NPEs**	**Total provision for impairment and fair value adjustment on initial recognition**	**Of which NPEs**	**Of which exposures with forbearance measures: Total exposures with forbearance measures**	**Of which exposures with forbearance measures: Of which on NPEs**
	€000	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
General governments	**112.935**	4.867	5.017	4.693	**2.448**	1.622	1.616	1.563
Other financial corporations	**426.387**	272.094	151.474	129.739	**154.684**	151.082	76.073	75.847
Non-financial corporations	**13.144.053**	8.843.535	6.249.884	5.043.461	**3.605.653**	3.521.130	1.541.777	1.509.853
Of which: Small and Medium sized Enterprises[2]	**7.401.057**	5.106.589	2.585.321	2.156.166	**2.230.626**	2.186.014	692.439	680.899
Of which: Commercial real estate[2]	**10.468.279**	7.453.308	5.559.059	4.545.993	**2.759.231**	2.691.450	1.335.578	1.308.902
Non-financial corporations by sector								
Construction	**3.875.613**	3.245.920			**1.300.305**			
Wholesale and retail trade	**2.191.545**	1.195.900			**503.371**			
Accommodation and food service activities	**1.390.357**	880.507			**264.631**			
Real estate activities	**2.930.931**	1.753.836			**739.238**			
Manufacturing	**803.366**	498.758			**205.735**			
Other sectors	**1.952.241**	1.268.614			**592.373**			
Households	**8.165.875**	4.206.280	2.866.757	2.139.271	**1.265.797**	1.181.436	321.529	305.612
Of which: Residential mortgage loans[2]	**5.503.488**	2.862.392	2.200.128	1.624.440	**607.244**	549.381	175.653	165.814
Of which: Credit for consumption[2]	**1.106.763**	640.175	317.840	268.861	**308.444**	293.465	69.628	66.509
Total on-balance sheet	**21.849.250**	**13.326.776**	**9.273.132**	**7.317.164**	**5.028.582**	**4.855.270**	**1.940.995**	**1.892.875**

[1] Excluding loans and advances to central banks and credit institutions.
[2] The analysis shown in lines ‘non financial corporations’ and ‘households’ is non-additive across categories as certain customers could be in both categories.

1. **Credit risk** (continued)

31 December 2015	Gross loans and advances to customers				Provision for impairment and fair value adjustment on initial recognition			
	Group gross customer loans and advances[1]	Of which NPEs	Of which exposures with forbearance measures: Total exposures with forbearance measures	Of which exposures with forbearance measures: Of which on NPEs	Total provision for impairment and fair value adjustment on initial recognition	Of which NPEs	Of which exposures with forbearance measures: Total exposures with forbearance measures	Of which exposures with forbearance measures: Of which on NPEs
	€000	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
General governments	**115.358**	4.858	5.241	4.448	**345**	345	1.771	1.518
Other financial corporations	**450.287**	269.232	164.356	141.861	**175.712**	158.570	86.439	85.905
Non-financial corporations	**13.687.340**	9.447.487	6.250.424	5.101.675	**3.938.616**	3.852.385	1.651.274	1.618.835
Of which: Small and Medium sized Enterprises[2]	**7.595.447**	5.361.281	2.724.405	2.254.873	**2.412.273**	2.364.850	752.559	736.962
Of which: Commercial real estate[2]	**10.998.641**	8.009.181	5.684.179	4.661.835	**2.996.289**	2.931.498	1.418.013	1.390.942
Non-financial corporations by sector								
Construction	**4.023.260**	3.440.287			**1.391.760**			
Wholesale and retail trade	**2.286.348**	1.308.725			**552.581**			
Accommodation and food service activities	**1.484.868**	975.111			**329.840**			
Real estate activities	**3.034.255**	1.789.356			**705.072**			
Manufacturing	**809.277**	510.071			**219.188**			
Other sectors	**2.049.332**	1.423.937			**740.175**			
Households	**8.339.490**	4.246.315	2.912.440	2.133.845	**1.286.170**	1.193.223	327.292	310.740
Of which: Residential mortgage loans[2]	**5.565.680**	2.879.120	2.168.251	1.622.346	**614.752**	553.454	181.776	172.587
Of which: Credit for consumption[2]	**1.109.776**	637.137	306.799	255.511	**315.413**	298.330	70.554	66.974
Total on-balance sheet	**22.592.475**	**13.967.892**	**9.332.461**	**7.381.829**	**5.400.843**	**5.204.523**	**2.066.776**	**2.016.998**

[1] Excluding loans and advances to central banks and credit institutions.
[2] The analysis shown in lines 'non financial corporations' and 'households' is non-additive across categories as certain customers could be in both categories.

2. Liquidity risk and funding

2.1 Liquidity regulation

In addition to regulatory liquidity ratios disclosed in Note 28 of the Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2016, the Group has to comply with the CRR Liquidity Coverage Ratio (LCR). It also monitors its position against the Basel Quantitative Impact Study (QIS) Net Stable Funding Ratio (NSFR). The LCR is designed to promote short-term resilience of a Group's liquidity risk profile by ensuring that it has sufficient high quality liquid resources to survive an acute stress scenario lasting for 30 days. The NSFR has been developed to promote a sustainable maturity structure of assets and liabilities.

The CRR requires phased-in compliance with the LCR standard as from 1 October 2015 with an initial minimum ratio of 60%, increasing to 70% in 2016, 80% in 2017 and 100% by January 2018. In October 2014, the European Commission published a final Delegated Act for the LCR. During 2015, the monthly LCR was calculated as per the CRR and also quarterly as per the Delegated Act (as part of the SREP Short Term Exercise). Starting from January 2016, the LCR is also calculated monthly based on the final published Delegated Regulation (EU) 2015/61. When the Delegated Regulation is enacted in September 2016, the LCR will only be calculated under this Regulation (LCR as per Regulation (EU) 680/2014 will be abandoned).

In October 2014, the Basel Committee on Banking Supervision published a final standard for the NSFR with the minimum requirement to be introduced in January 2018 at 100%. The methodology for calculating the NSFR is based on an interpretation of the Basel standards published in October 2014 and includes a number of assumptions which are subject to change prior to adoption by the European Commission through the CRR.

Based on Regulation (EU) 680/2014 and Basel QIS standards respectively, as at 31 March 2016 the Group had an estimated LCR of 64% (31 December 2015: 76%) and an estimated Basel QIS NSFR of 84% (31 December 2015: 83%). According to the LCR Delegated Regulation (EU) 2015/61, as at 31 March 2016 the LCR ratio was 0%. Under the Delegated Regulation, the ELA funding is deducted from High Quality Liquid Assets, thus resulting in a zero LCR ratio. It should be noted, however, that the Company considers that it has sufficient available liquidity to meet its day-to-day needs and the zero ratio is due to the above adjustment.

2.2 Liquidity reserves

Composition of the liquidity reserves	**31 March 2016**		31 December 2015	
	Liquidity reserves	**Liquidity reserves of which CRR (Delegated Regulation (EU) 2015/61) LCR eligible Level 1**	Liquidity reserves	Liquidity reserves of which Basel 3 LCR eligible Level 1
	€000	**€000**	€000	€000
Cash and balances with central banks	**1.140.151**	**730.564**	1.421.733	1.002.649
Nostro and overnight loans and advances to banks	**495.009**	**-**	537.722	-
Other loans and advances to banks	**444.045**	**-**	477.604	-
Liquid investments	**238.308**	**211.483**	19.594	2.421
Available ECB Buffer	**29.345**	**-**	178.792	178.792
Other investments	**7.747**	**-**	8.637	-
Total	**2.354.605**	**942.047**	2.644.082	1.183.862

2. Liquidity risk and funding (continued)

2.2 Liquidity reserves (continued)

Liquidity reserves include available cash and cash equivalents, unencumbered highly liquid securities and other unencumbered securities that can be sold in the market or used for secured funding purposes. The minimum reserve amount is included in the balances with central banks under 'Liquidity Reserves' but excluded from the LCR Liquidity Reserves. Moreover, in the LCR Liquidity Reserves, only the part of the overseas units liquids required to maintain a ratio of 100% is included (since any excess is not transferable to be used by other units).

Investments are shown at market value net of haircut in order to reflect the actual liquidity value that can be obtained.

The Liquidity Reserves are managed by Group Treasury. Liquid asset investments are acquired within limits and parameters specified in the Liquid Assets Investment Policy approved by the Board.

Cyprus exited its economic adjustment programme in March 2016. The credit ratings of the Republic of Cyprus by the main credit rating agencies continue to be below investment grade, albeit on a rising trend. As a result, the ECB is no longer able to include Cypriot Government Bonds in its asset purchase programme, or as eligible collateral for Eurosystem monetary operations, as was the case when the waiver for collateral eligibility due to the country being under an economic adjustment programme existed. This resulted in the repayment of ECB funding 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). Any Cyprus Government bonds that remain unencumbered can be considered as ELA eligible collateral. This disruption may also lead to higher borrowing costs for the Group. In addition, any weakening of the commitment to fiscal discipline and reform in the future might add to market pressures.

The Council of Ministers and the Committee on Financial and Budgetary Affairs of the House of Representatives have approved in January 2016 the issuance of €2,9 billion of guarantees for bonds/loans issued by credit institutions under the 'Granting of Government Guarantees for Loans and/or issuance of Bonds by Credit Institutions Law of 2012'. It is expected that the Group will be able to make use of the above guarantees if the need arises, subject to the approval of the Ministry of Finance.

3. Other risks

Political risk

External factors which are beyond the control of the Group, such as political developments and government actions in Cyprus, Russia, the EU and other countries may adversely affect the operations of the Group, its strategy and prospects, either directly or indirectly through their possible impact on the domestic economy.

Important political risk factors include a possible government intervention in the economy that may affect the Group's activities, and social, economic and political developments in overseas countries where the Group operates or maintains exposure, developments in the Eurozone that may lead to a Euro exit of a Eurozone member state, the possible exit of Britain from the EU after the referendum of June 2016, developments in other non-EU countries with which Cyprus maintains significant economic links, the unresolved Cyprus problem, and political and social unrest or escalation of military conflict in neighbouring countries and/or other overseas areas.

Russia is an important economic partner of Cyprus both in terms of tourism and international business flows. Any developments that impact negatively on these linkages will have a negative impact on the economy and will thus affect the Group's operations. The standoff between Russia and the West over Ukraine continues and the United States and the European Union maintain sanctions against Russia. Russia continues its military operations over Syria and relations with Turkey remain complicated. As a result of sanctions and most importantly the steep decline in oil and commodity prices, Russia entered a steep recession in 2015 which continues into 2016.

The Russian economy contracted by 3,7% in 2015 and is expected to contract further by 1,8% in 2016 according to the IMF (World Economic Outlook Data Base, April 2016). Adjusting to lower oil prices requires an ambitious fiscal consolidation programme over the medium term. Monetary policy has been on hold but normalisation can resume once underlying inflation is firmly on a declining path. The anti-crisis measures helped stabilise the Russian banking system and the recapitalisation programme is largely complete.

3. Other risks (continued)

Political risk (continued)

In relation to Greece, the economy contracted by 0,2% in 2015 and is expected to contract further in 2016 by 0,6% according to the IMF (World Economic Outlook Data Base, April 2016), before growing by 2,7% in 2017. Greece signed a third Memorandum of Understanding (MoU) with the European Commission in August 2015 for further stability support accompanied by a third economic adjustment programme. The IMF was not part of the agreement initially. The Greek authorities also signed a Financial Assistance Facility Agreement with the European Stability Mechanism (ESM) to specify the financial terms of the loan. The disbursement of funds is linked to progress in delivery of policy conditions, in accordance with the MoU. The Greek government has a slight majority in parliament but has so far been successful in passing important reforms.

Greece and its creditors managed to reach an agreement at the Eurogroup meeting on 25 May 2016. Greece will get €10,3 billion over the next few months of which €7,5 billion in June 2016 allowing it to make due debt repayments in June and July and thus avoid default; creditors promised debt relief but not immediately; Greece will introduce additional spending cuts and reforms within its programme; the IMF suggested it will be back in the programme by the end of the year. In the remaining time until the end of the programme in mid-2018 Greece will have to introduce more austerity and more economic reforms. Political instability will remain on the horizon as also will, social unrest. Opportunities to derail the 25 May 2016 agreement will present themselves.

Unemployment is about 25% in Greece and youth unemployment is in excess of 50%. With a shrinking labour force, low fertility rates and inefficient tax collection, the country will face considerable stresses meeting programme obligations and hence, discontent and social unrest may grow. At the same time, the refugee crisis is straining Greece’s relationship with its European partners and some are calling for the suspension of Greece from Schengen. Social unrest may remain a threat throughout 2016 and with it, political instability will ensue. Early elections cannot be ruled out. In this context, the enforceability of the bailout programme and Greece’s membership in the Eurozone may again come to be questioned.

The UK’s referendum on EU membership and an exit from the EU may impact Cyprus. The UK accounts roughly for 40% of the tourist flow to Cyprus and remains an important trade partner generally. Exit of the UK from the EU might affect both the tourist and trade flows. Outside of the particular linkage between Cyprus and the UK, there might be serious and lasting repercussions on the cohesion of the European Union in the event of UK’s exit. The European Union is already stressed by economic crisis and by the refugee crisis that are creating insular reactions by member states. Even if the UK votes against exit, the negotiation between the UK and the EU on membership, constitute a precedent that may create other problems as other members choose to demand changes along the same lines in the future, in pursuing their own national priorities. These developments may be leading to a more fragmented Europe which may stop and sometimes reverse the process of integration. This may lead to slower growth, reduce intra-EU trade and aggravate the risk of recession.

Global economy risks remain elevated as highlighted by exceedingly easy monetary policies by most central banks, extremely low interest rates, which turned negative in many European countries and Japan, including in some cases, acceleration in credit expansion where credit outstanding is already elevated as in China. Monetary policies have started to diverge between the Federal Reserve on the one hand, set on normalising interest rates, and most of the rest of the world on the other. These divergences are starting to put pressure on exchange rates at a time when the global financial system is particularly sensitive to a dollar appreciation. Changes in monetary policies therefore or loss of confidence in the ability of central banks to manage economic pressures, might lead to financial distress in the emerging world with broader consequences for economic activity in advanced countries.

4. Capital management

The primary objective of the Group’s capital management is to ensure compliance with the relevant regulatory capital requirements and to maintain strong credit ratings and healthy capital adequacy ratios in order to support its business and maximise shareholder value.

4. Capital management (continued)

The Capital Requirements Regulation (CRR) and amended Capital Requirements Directive IV (CRD IV) became effective, comprising the European regulatory package designed to transpose the new capital, liquidity and leverage standards of Basel III into the European Union's legal framework on 1 January 2014. CRR establishes the prudential requirements for capital, liquidity and leverage that entities need to abide by. It is immediately binding on all EU member states. CRD IV governs access to deposit-taking activities and internal governance arrangements including remuneration, board composition and transparency. Unlike the CRR, CRD IV needs to be transposed into national laws, and allows national regulators to impose additional capital buffer requirements. CRR introduced significant changes in the prudential regulatory regime applicable to banks including amended minimum capital adequacy ratios, changes to the definition of capital and the calculation of risk weighted assets and the introduction of new measures relating to leverage, liquidity and funding. CRR permits a transitional period for certain of the enhanced capital requirements and certain other measures, such as the leverage ratio, which will be largely fully effective by 2019 and some other transitional provisions provide for phase in until 2024.

The CBC has determined the extent of phasing-in of the transitional provisions relating to Common Equity Tier 1 deductions and in 2014 set the minimum Common Equity Tier 1 capital ratio at 8% on a transitional basis (Pillar I capital requirements). The Group is also subject to additional capital requirements for risks which are not covered by the above-mentioned capital requirements (Pillar II add-ons). However, the Group's Pillar II add-on capital requirement is a point-in-time assessment and therefore is subject to change over time.

Following the completion of the SREP for year 2015, the ECB notified the Group of the revised minimum required CET1 ratio. The revised Pillar II CET1 capital requirement was determined by the ECB to be at 3,75%, resulting in a total minimum CET1 of 11,75%. The Group's capital position as at 31 March 2016 exceeds its Pillar I and Pillar II add-on capital requirements, providing a loss-absorbing buffer to the Group.

Based on the provisions of the Macroprudential Oversight of Institutions Law of 2015 which came into force on 1 January 2016, the CBC is the designated Authority responsible for setting the macroprudential buffers that derive from the CRD IV.

In accordance with the provisions of this law, the CBC sets, on a quarterly basis, the Countercyclical Capital buffer (CCyB) level in accordance with the methodology described in this law. The CCyB is effective as from 1 January 2016 and is determined by the CBC ahead of the beginning of each quarter. The CBC has set the level of the CCyB at 0% for the first two quarters of 2016.

In accordance with the provisions of this law, the CBC is also the responsible authority for the designation of banks that are Other Systemically Important Institutions (O-SIIs) and for the setting of the O-SII buffer requirement for these systemically important banks. The Group has been designated as an O-SII and the CBC set the O-SII buffer for the Group at 2%. This buffer will be phased-in gradually, starting from 1 January 2019 at 0,5% and increasing by 0,5% every year thereafter, until being fully implemented (2,0%) on 1 January 2022.

The capital conservation buffer is 2,5% over the minimum CET1 ratio. The revised Pillar II CET1 minimum capital requirement of the Group was determined by the ECB to be at 11,75% which includes the capital conservation buffer.

The Group's overseas banking subsidiaries comply with the regulatory capital requirements of the local regulators in the countries in which they operate. The insurance subsidiaries of the Group comply with the requirements of the Superintendent of Insurance including the minimum solvency ratio. The regulated investment firms of the Group comply with the regulatory capital requirements of the CySEC laws and regulations.

4. Capital management (continued)

4.1 Capital position

The capital position of the Group under CRD IV/CRR basis (after applying the transitional arrangements set by the CBC) is presented below.

	31 March 2016	31 December 2015
Regulatory capital	**€000**	€000
Transitional Common Equity Tier 1 (CET1)[3]	**2.768.669**	2.747.772
Transitional Additional Tier 1 capital (AT1)	**-**	-
Tier 2 capital (T2)	**20.628**	30.290
Transitional total regulatory capital	**2.789.297**	2.778.062
Risk weighted assets – credit risk[4]	**17.326.330**	17.618.578
Risk weighted assets – market risk	**7.417**	7.811
Risk weighted assets – operational risk	**2.039.888**	2.039.888
Total risk weighted assets	**19.373.635**	19.666.277
	%	%
Transitional Common Equity Tier 1 ratio	**14,3**	14,0
Transitional total capital ratio	**14,4**	14,1

During the three months period ended 31 March 2016, the CET1 was positively affected by the profit for the quarter however it was negatively affected by the phasing in of transitional adjustments for mainly deferred tax asset. The reduction of risk-weighted assets is primarily due to the Group's ongoing efforts for risk-weighted assets optimisation. As a result of the above the CET1 ratio increased by 30 bps during the quarter.

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

5. Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Assessment Process (ILAAP), Pillar II and Supervisory Review and Evaluation Process (SREP)

Following the March 2013 events, the Group has resumed the preparation and submission to the ECB of both the ICAAP and ILAAP reports as from year 2014. Both reports were approved by the Board of Directors and have been submitted to the ECB.

The Group also undertakes a quarterly review of its ICAAP results. The first such review took place as at 30 September 2015. During the quarterly review, the Group's risk profile and risk management policies and processes are reviewed and any changes since the full ICAAP exercise are taken into consideration. The quarterly review identifies whether the Group is exposed to new risks and assesses the adequacy of capital resources in order to cover its risks, as these have evolved (compared to the full ICAAP exercise). Given completion of the full ICAAP report in April 2016, the first quarterly review for 2016 will be for the period up to the end of June 2016.

[3] CET1 includes regulatory deductions, primarily comprising deferred tax assets and intangible assets amounting to €51.949 thousand and €35.193 thousand as at 31 March 2016 and 31 December 2015 respectively.

[4] Includes CVA.

5. Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Assessment Process (ILAAP), Pillar II and Supervisory Review and Evaluation Process (SREP) (continued)

A quarterly review is also performed for the ILAAP through quarterly stress tests submitted to ALCO and Board Risk Committee, as from 2016. The first such review took place as at 31 March 2015. During the quarterly review, the liquidity risk drivers are assessed and, if needed, the stress test assumptions are amended accordingly. The quarterly review identifies whether the Group has an adequate liquidity buffer to cover the stress outflows.

The ECB, as part of its supervisory role, has been conducting the Supervisory Review and Evaluation Process (SREP) and onsite inspections on the Group. SREP is a holistic assessment of, amongst other things, the Group's business model, internal governance and institution-wide control arrangements, risks to capital and adequacy of capital to cover these risks and risks to liquidity and adequacy of liquidity resources to cover these risks. The objective of the SREP is for the ECB to form an up-to-date supervisory view of the Group's risks and viability and to form the basis for supervisory measures and dialogue with the Group. Additional capital and other requirements could be imposed on the Group as a result of these supervisory processes, including a revision of the level of Pillar II add-ons as the Pillar II add-on capital requirements are a point-in-time assessment and therefore subject to change over time.

Following the completion of the SREP in 2015, the ECB notified the Group of the revised minimum required CET1 ratio of 11,75%. The Group's capital position as at 31 March 2016 exceeds its Pillar I and Pillar II add-on capital requirements, providing a loss-absorbing buffer to the Group.

Under article 100 of the Directive 2013/36/EU of the European Parliament, competent authorities shall carry out supervisory stress tests at least annually on institutions they supervise. This supervisory task has also been conferred on the ECB, which shall carry out where appropriate in coordination with EBA, stress tests. In execution of its mandate, the ECB, in close cooperation with the national competent authorities, is running a stress-testing exercise in 2016, the results of which will be factored into its overall assessment within the SREP. The scope of this SSM SREP stress test will complement this year's EU-wide exercise conducted by the EBA. It will therefore address banking groups other than those SSM significant institutions taking part in the EBA exercise.

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