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3rd Quarter Financial Report
BANK OF CYPRUS PUBLIC COMPANY LTD
BOCY

Group Financial Results for the nine months ended 30 September 2015 (en)

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Attachments:

1. **Announcement**
2. **Presentation**
3. **Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2015**

Regulated

Publication Date: 23/11/2015

Bank of Cyprus Group

Announcement

Group Financial Results for the nine months ended 30 September 2015

Nicosia, 23 November 2015

Key Highlights

- **Loans in arrears for more than 90 days (90+ DPD) were reduced by €649 mn or 5% in 3Q2015, with about half of the reduction reflecting the disposal of the majority of the Russian operations**
- **Customer deposits in Cyprus increased by €527 mn or 5% in 3Q2015 and the loans to deposits ratio (L/D) improved to 132%**
- **ELA has been reduced by €1,6 bn post 30 June 2015 to a current level of €4,3 bn**
- **Common Equity Tier 1 capital (CET1) ratio (transitional) increased by 70 basis points in 3Q2015 to 15,6%**
- **On-going regulatory dialogue with the ECB regarding the Supervisory Review and Evaluation Process (SREP); taking into account its current capital position, the Group does not expect to be required to raise any capital**
- **Profit after tax from continuing operations and Profit after tax of €115 mn and €73 mn for 9M2015, respectively**

Statement by John Patrick Hourican, Bank of Cyprus Group CEO:

We have made further progress against our strategic objectives during the third quarter of 2015. We have bolstered the Group's CET1 ratio by 70 basis points to 15,6%, due to reduced risk weighted assets relating to the disposal of the majority of the Russian operations and due to organic capital generation. However, we are engaged in an on-going regulatory dialogue with ECB for SREP and we do not expect the Group to be required to raise any capital. We are making further inroads in normalising our funding structure, with our Cypriot deposit base increasing by €527 mn or 5% during the quarter and the loans to deposits ratio improving to 132%. Post 30 June 2015, we have repaid €1,6 bn of ELA, reducing it to a current level of €4,3 bn, which is a 62% reduction from the peak. Loan quality shows further signs of improvement, with loans in arrears more than 90 days decreasing by €649 mn or 5% during the quarter. The net interest margin remains healthy and the cost to income ratio for the nine months of 2015 was a satisfactory 38%. Finally, profit before provisions and impairments and profit after tax for the nine months of 2015 were €490 mn and €73 mn respectively.

During the quarter we sold the majority of our Russian operations, including the banking subsidiary Uniastrum. With this sale, we have completed the disposal of the overseas banking subsidiaries earmarked for sale. At the same time, we have eliminated future potential risks relating to the Russian operations, released risk weighted assets of €550 mn and strengthened our regulatory capital position by 30 basis points.

Our credit risk management efforts are intensifying. Loan restructuring activity remains high and we are close to finalising the restructuring of many of our large borrowers. The changes in the legislative framework, coupled with the improving economic fundamentals, are supporting our efforts to tackle delinquent loans and to address the asset quality problem.

The Cyprus economy continues to perform better than expected amidst a relatively unfavourable external environment. The fiscal performance is exceeding expectations and the government has recently tapped the international markets for the third time since the start of the bailout program. As the Troika-supported program is coming to an end in early 2016, we urge the authorities to maintain the reforms momentum to improve the country's competitiveness and attract much-needed foreign investment in the country. To further support the recovery of the domestic economy, the Bank is providing credit to creditworthy individuals and companies, creating the conditions to boost domestic economic activity. Through specific, deliberate and well-timed actions, we are delivering a stronger, more focused institution capable of supporting the recovery of the Cypriot economy. As the leading financial institution in Cyprus, the Bank's financial performance is highly correlated to the economic and operating conditions in Cyprus and will benefit significantly from the economic recovery.

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 135 branches, of which 129 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 4.610 staff worldwide. At 30 September 2015, the Group's Total Assets amounted to €24,2 bn and Total Equity was €3,5 bn.

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A. Summary of Financial Results for the nine months ended 30 September 2015

Balance Sheet Highlights

- The **CET1 ratio (transitional basis)** increased by 70 basis points to 15,6%[1] at 30 September 2015, due to the risk weighted assets reduction following the disposal of the majority of the Russian operations and due to organic capital generation. The **fully loaded CET1 ratio** totalled 15,1% at 30 September 2015.
- The Group is engaged on a regulatory dialogue with the ECB regarding SREP. The Group is contesting certain of the assumptions used by ECB for the calculation of the provisions for the credit risk inspection. If the impact of the provision-related adjustment calculated by the ECB and which, in the view of the Group, has not been recognised to date amounting to around €600 million was to be considered, there would be a decrease of 2,4% on CET1 ratio (pre-tax). Taking into account the Group's CET1 ratio of 15,6% as at 30 September 2015 and the expectations for the outcome of the SREP process, even after adjusting for potential additional capital requirements, the Group does not expect to be required to raise any capital.
- The Bank's **funding structure is improving**, with customer deposits in Cyprus increasing by €527 mn in 3Q2015. The L/D ratio improved to 132% and **customer deposits** increased to 56% of total assets, compared to 54% at 30 June 2015.
- During 3Q2015, **Emergency Liquidity Assistance (ELA)** was reduced by €1 bn to €4,9 bn at 30 September 2015. Post quarter-end, ELA was reduced further by €600 mn to a current level of €4,3 bn.
- The balance sheet was **deleveraged** by a further €1,2 bn during 3Q2015, primarily driven by the disposal of the majority of the Russian operations.
- **Loans in arrears for more than 90 days (90+ DPD)**[2] were reduced by €649 mn during 3Q2015 and totalled €11.998 mn at 30 September 2015, accounting for 52% of gross loans[3] (90+ DPD ratio). The 90+ DPD provisioning coverage ratio was 41%[4] at 30 September 2015, while taking into account the unrecognised interest income on contractual customer balances, the provisioning coverage rises to 52%[5].

Income Statement Highlights[6]

- **Net interest income (NII)** for 9M2015 totalled €644 mn and **net interest margin (NIM)** was 3,85%. NII for 3Q2015 was €205 mn, compared to €212 mn for 2Q2015, reflecting the full effect of the partial repayment of a bond by the Republic of Cyprus in early June 2015 and deleveraging actions. The NIM for 3Q2015 was 3,70%, compared to 3,79% for 2Q2015.
- **Total income** for 9M2015 was €786 mn. Total income for 3Q2015 was €251 mn, compared to €261 mn for 2Q2015.
- **Total expenses** for 9M2015 were €296 mn, and the cost to income ratio was 38%. Total expenses for 3Q2015 were €102 mn, compared to €92 mn for 2Q2015, with the increase primarily reflecting the one-off lower marketing, consultancy and professional expenses during 2Q2015.
- **Profit before provisions and impairments[7], restructuring costs and discontinued operations** for 9M2015 was €490 mn. Profit before provisions and impairments, restructuring costs and discontinued operations for 3Q2015 was €149 mn, compared to €169 mn for 2Q2015.

[1] Includes independently verified profits for the nine months ended 30 September 2015.
[2] Loans in arrears for more than 90 days (90+ DPD) are defined as loans with a specific provision and loans past-due for more than 90 days, but not impaired.
[3] 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 €1.266 mn at 30 September 2015 (compared to €1.351 mn at 30 June 2015) and include any loans of discontinued operations/disposal group held for sale.
[4] 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.
[5] This ratio is calculated by adjusting both the provisions stock and the customer balances to include any unrecognised interest income due on contractual balances.
[6] As from 4Q2014, the Group's operations in Russia are treated as disposal group held for sale and results have been presented accordingly as discontinued operations according to IFRS 5. In September 2015, the Bank completed the sale of the majority of its Russian operations. The part of the operations not disposed of has ceased to be classified as held for sale and its results are presented as part of the continuing operations. In addition, comparatives have been reclassified to reflect the change in presentation of impairment losses of other financial and non-financial instruments and results from revaluation and disposal of investment properties within the consolidated income statement. The presentation of "Gains on derecognition and changes in expected cash flows on acquired loans" has been changed in order to present this adjoining to the "Provisions for impairment of customer loans" in the consolidated income statement. The Company considers this presentation to be more relevant as it considers such gains and changes in expected cash flows (mainly arising from the fair value adjustment on initial recognition for acquired loans) to be credit risk related. This change in presentation did not have an impact on the profit for the period.
[7] Comprising provisions for impairments of customer loans and impairments of other financial and non-financial assets, net of gains on derecognition and changes in expected cash flows on acquired loans.

- **Provisions for impairment of customer loans (continuing operations) and gains on derecognition and changes in expected cash flows on acquired loans** for 9M2015 totalled €329 mn[8]. Provisions for impairment of customer loans (continuing operations) and gains on derecognition and changes in expected cash flows on acquired loans for 3Q2015 were €96 mn, compared to €123 mn for 2Q2015.
- **Profit after tax from continuing operations**[9] for 9M2015 totalled €115 mn. Profit after tax from continuing operations for 3Q2015 was €45 mn, compared to €15 mn for 2Q2015.
- **Loss from disposal groups held for sale/discontinued operations** for 9M2015 was €38 mn, reflecting losses from the Russian operations.
- **Net profit on disposal of non-core assets** for 9M2015 was €23 mn[10], including the loss from the disposal of the majority of the Russian operations and other non-core assets. The disposal of the majority of the Russian operations resulted in an accounting loss of €23 mn, comprising a loss of €28 mn, caused by the technical unwinding of a foreign currency translation reserve, and a profit of €5 mn against the net book value of the assets.
- **Profit after tax attributable to the owners of the Bank** for 9M2015 was €73 mn. Profit after tax attributable to the owners of the Bank for 3Q2015 was €13 mn, compared to €31 mn for 2Q2015.

B. Analysis of Financial Results for the nine months ended 30 September 2015

B.1 Balance Sheet Analysis

B.1.1 Capital Base

Group shareholders' equity totalled €3.538 mn at 30 September 2015. The **CET1 ratio (transitional basis)** totalled 15,6% at 30 September 2015, compared to 14,9% at 30 June 2015 and 14,0% at 31 December 2014. Adjusting for Deferred Tax Assets[11], the **CET1 ratio on a fully-loaded basis** totalled 15,1% at 30 September 2015. During the quarter, the CET1 ratio benefited from the reduction of risk weighted assets related to the disposal of the majority of the Russian operations, which reduced risk weighted assets by approximately €550 mn and improved the CET1 ratio by approximately 30 basis points.

The European Central Bank (ECB) has been conducting the Supervisory Review and Evaluation Process (SREP) and onsite inspections on the Group. The onsite inspection on credit quality involved the review and assessment of the Group's non-performing and restructured but performing exposures, with a reference date of 31 December 2014.

The onsite inspection and related draft recommendation letter state that, on the basis of a modified set of assumptions there is, in the ECB's view, a provision-related adjustment of around €300 million for the judgemental (i.e. specifically assessed) portfolio and around €700 million for the statistical (i.e. collectively assessed) portfolio, mostly relating to the recovery value of real estate collateral. The Group is contesting certain of the assumptions used and is engaged in a regulatory dialogue with the ECB. The Group has, in any case, already, in the normal application of its provisioning methodology, substantially recognised the provisions for the judgmental portfolio reviewed by the ECB and part (around €100 million) of the provisions for the reviewed statistical portfolio in its consolidated financial results for the nine months ended 30 September 2015. The Group considers that the ECB-calculated adjustments do not indicate that the Group is not in compliance with IFRS. In any case, the Group will continue monitoring and re-assessing its provisioning assumptions, estimates and methodology in the context of the prevailing market conditions and other relevant developments, always in the context and guidance provided by the IFRS.

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[8] Provisions for impairment of customer loans and gains on derecognition and changes in expected cash flows on acquired loans were €372 mn for 9M2015 and €109 mn for 3Q2015, when including provisions for impairments of discontinued operations.
[9] Defined as Profit after tax excluding restructuring costs, discontinued operations and net profit on disposal of non-core assets.
[10] Includes profit from the repayment of Cyprus Government Bond of €31 mn, loss from the disposal of the majority of the Russian operations of €23 mn and net profit of €15 mn from other disposals of non-core assets.
[11] The DTA adjustments relate to Deferred Tax Assets totalling €443 mn and recognised on tax losses totalling €3,5 bn and can be set off against future profits of the Bank for a period of 15 years at a tax rate of 12,5%. Furthermore, there are tax losses of approximately €8,1 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.

If the impact of the provision-related adjustment calculated by the ECB and which, in the view of the Group, has not been recognised to date amounting to around €600 million was to be considered, there would be a decrease of 2,4% on CET1 ratio (pre-tax).

The Group estimates that the ECB's current SREP dialogue and onsite inspection process and related considerations will be concluded by the end of 2015. The CET1 Pillar II add-on capital requirement at 30 September 2015 stands at 5,2% (resulting in a total minimum CET1 of 13,2%) and it may be further reduced by future losses of up to €658 million, up to a CET1 ratio of 8%. The revised Pillar II CET1 capital requirement was preliminarily determined by the ECB to be 3,75%, resulting in a total minimum CET1 of 11,75%. Taking into account the Group's CET1 ratio of 15,6% as at 30 September 2015 and the expectations for the outcome of the SREP process, even after adjusting for potential additional capital requirements as a result of the credit risk inspection, the Group expects to be compliant with both its Pillar I and revised Pillar II add-on capital requirements and therefore does not expect to be required to raise any capital.

B.1.2 Customer Deposits and Loans

Group customer deposits totalled €13.608 mn at 30 September 2015, compared to €13.629 mn at 30 June 2015 and €13.169 mn at 31 December 2014. Adjusting for the disposal of Uniastrum Bank, group customer deposits increased by €581 mn in 3Q2015.

Customer deposits in Cyprus increased by €527 mn in 3Q2015 and stood at €12.158 mn at 30 September 2015, accounting for 89% of Group customer deposits. The Bank's deposit market share[12] in Cyprus reached 26,5% at 30 September 2015, compared to a low of 24,6% at 30 November 2014. Positive customer flows[13] were recorded during, and post the end of, 3Q2015. Customer deposits remain the Group's primary source of funding, with their contribution towards the Group's overall funding gradually increasing. Customer deposits accounted for 56% of total assets at 30 September 2015, compared to 54% at 30 June 2015 and a low of 48% at 31 March 2014. The L/D ratio improved to 132% at 30 September 2015, compared to an adjusted 139%[14] at 30 June 2015 and a high of 151% at 31 March 2014.

Group gross loans[15] totalled €22.863 mn at 30 September 2015, compared to €23.926 mn at 30 June 2015 and €23.772 mn at 31 December 2014. Gross loans in Cyprus totalled €20.976 mn at 30 September 2015, and accounted for 92% of Group gross loans. The Bank is the single largest credit provider in Cyprus with a 39,3% loan market share at 30 September 2015, compared to 38,5% at 30 June 2015. Loans in the UK operations (€1.140 mn) accounted for 5% of total loans.

B.1.3 Eurosystem Funding

At 30 September 2015, the Bank's Eurosystem funding totalled €5,4 bn, comprising ELA of €4,9 bn and European Central Bank (ECB) funding of €500 mn. Customer inflows and proceeds from deleveraging[16] were used to reduce ELA by €2,5 bn during the first nine months of 2015. In October 2015, the restructuring of retained mortgage covered bonds resulted in a rating upgrade to Baa3 from B1. Following the upgrade to an investment grade rating, the covered bonds have become eligible collateral for the Eurosystem credit operations and, therefore, have been placed as collateral for accessing funding from the ECB. Through this transaction, the Bank has raised €550 mn of ECB funding for the repayment of ELA. Post 30 September 2015, ELA funding was reduced by €600 mn to a current level of €4,3 bn. In total, ELA has been reduced by €7,1 bn since its peak of €11,4 bn in April 2013.

[12] Based on data from the Central Bank of Cyprus.
[13] 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.
[14] Net loans to deposits ratio as at 30 June 2015 excludes loans and deposits of discontinued operations/disposal group held for sale.
[15] See Note 3.
[16] Includes the disposal of the investment in Marfin Diversified Strategy Fund Plc in April 2015, the early partial repayment of a bond held by the Bank by an amount of €750 mn in early June 2015 and the repayment of loans.

B.1.4 Loan portfolio quality

Addressing the Group's asset quality remains the Group's key priority. The adoption of the foreclosure law and insolvency framework, coupled with the improved fundamentals of the Cypriot economy, are significant steps in enabling the Bank to tackle its delinquent loans in Cyprus and to improve asset quality.

Loans in arrears for more than 90 days (90+ DPD)[17] were reduced by €649 mn during 3Q2015 (5% qoq reduction), €369 mn of which relates to the disposal of the majority of the Russian operations. 90+ DPD stood at €11.998 mn at 30 September 2015, accounting for 52% of gross loans (90+ DPD ratio), compared to €12.646 mn a quarter earlier. The provisioning coverage ratio of 90+ DPD[18] stood at 41% at 30 September 2015, compared to 43% at 30 June 2015 and 41% at 30 June 2015 after adjusting for the disposal of the Russian operations. 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 customer, totalled 52%[19] at 30 September 2015, at a similar level compared to 30 June 2015.

	30.09.2015		**30.06.2015**	
	(€ mn)	% of gross loans	(€ mn)	% of gross loans
90+ DPD	**11.998**	**52%**	**12.646**	**53%**
Of which:				
impaired with no arrears	848	4%	969	4%
impaired with arrears less than 90 days	126	1%	212	1%

Non-performing exposures[20] (NPEs) as defined by the European Banking Authority (EBA) declined by €584 mn (4% qoq reduction) to €14.225 mn at 30 September 2015 and accounted for 62% of gross loans. €412 mn of the reduction relates to the disposal of the majority of the Russian operations. The provisioning coverage ratio of NPEs (as defined by EBA) totalled 35% at 30 September 2015, compared to 36% at 30 June 2015 and 35% at 30 June 2015 after adjusting for the disposal of the Russian operations.

	30.09.2015		**30.06.2015**	
	(€ mn)	% of gross loans	(€ mn)	% of gross loans
Non-performing exposures (NPEs) as per EBA definition	**14.225**	**62%**	**14.809**	**62%**
Of which:				
NPEs with forbearance measures, no impairments and no arrears	1.462	6%	1.338	6%
NPEs with forbearance measures, no impairments and arrears <90 days	537	2%	527	2%

B.1.5 Update on non-core operations

As part of its **deleveraging strategy**, the Bank completed the disposal of overseas banking subsidiaries identified for sale. During 3Q2015 the Bank completed the disposal of the majority of its Russian operations, including its Russian banking subsidiary CB Uniastrum Bank LLC. With the disposal of this major overseas banking subsidiary, the Group has further de-risked its balance sheet and eliminated future potential risks relating to its Russian banking operations, including any liquidity risks.

The non-core overseas operations at 30 September 2015 are as follows:

- Greece: The net exposure comprised (a) net on-balance sheet exposures (excluding foreclosed properties) totalling €49 mn (compared to €56 mn at 30 June 2015), (b) 637 foreclosed properties with a book value of €192 mn (compared to 637 foreclosed properties with a book value of €199 mn at 30 June 2015), (c) off-balance sheet exposures totalling €132 mn (compared to €133 mn at 30 June

[17] See Note 2.
[18] See Note 4.
[19] See Note 5.
[20] 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.

2015) and (d) lending exposures to Greek entities in the normal course of business in Cyprus totalling €71 mn (compared to €74 mn at 30 June 2015) and lending exposures in Cyprus with collaterals in Greece totalling €68 mn (compared to €66 mn at 30 June 2015).
- Romania: The overall net exposure is €354 mn (compared to €368 mn at 30 June 2015).
- Russia: Following the disposal of the majority of the Russian operations, the remaining net exposure (on and off balance sheet) in Russia is €120 mn, comprising customer loans and the €42 mn deferred component of an asset swap arrangement as part of the Uniastrum Bank sales agreement (compared to €155 mn[21] as per the completion announcement on 25 September 2015), and is expected to be reduced over time.

B.2 Income Statement[22] Analysis

The Group's net interest income (NII) and net interest margin (NIM) for 9M2015 amounted to €644 mn and 3,85% respectively. Both NII and NIM continue to reflect the current market conditions in the Cypriot banking system and the composition of the Group's funding, with 22% of the Group's balance sheet funded by the Eurosystem (ECB funding and ELA) at 30 September 2015 (compared to 25% at 30 June 2015). NII for 3Q2015 was €205 mn, down 3% compared to €212 mn for 2Q2015. The decrease reflects the full effect of the partial repayment of a bond by the Republic of Cyprus in early June 2015 and deleveraging actions.

Non-interest income for 9M2015 was €142 mn, with recurring income comprising net fee and commission income of €115 mn and net insurance income of €32 mn. Non-interest income for 3Q2015 was €46 mn (compared to €49 mn for 2Q2015), with recurring income comprising net fee and commission income of €36 mn and net insurance income of €12 mn. The remaining component of non-interest income (comprising net foreign exchange gains/(losses), net gains/(losses) on other financial instruments, (losses)/gains from revaluation and disposal of investment properties, and other income) for 3Q2015 was a net loss of €2 mn, compared to a net profit of €4 mn for 2Q2015. The losses from revaluation and disposal of investment properties for 3Q2015 of €13 mn (compared to €16 mn for 2Q2015), mainly relate to the revaluation of investment properties held by the Group in Cyprus and in Greece. **Total income** for 9M2015 amounted to €786 mn, with 3Q2015 total income totalling to €251 mn (compared to €261 mn for 2Q2015).

Total expenses for 9M2015 were €296 mn, of which 60% related to staff costs (€177 mn) and 40% to other operating expenses (€119 mn). The cost to income ratio for 9M2015 was 38%. Total expenses for 3Q2015 were €102 mn, compared to €92 mn for 2Q2015, with the increase primarily reflecting the one-off lower marketing, consultancy and professional expenses during 2Q2015. The cost to income ratio for 3Q2015 was 41%, compared to 35% for 2Q2015.

Provisions for impairment of customer loans (continuing operations) and gains on derecognition and changes in expected cash flows on acquired loans for 9M2015 totalled €329 mn[23]. Provisions for impairment of customer loans (continuing operations) and gains on derecognition and changes in expected cash flows on acquired loans for 3Q2015 were €96 mn, compared to €123 mn for 2Q2015. The gains on derecognition and changes in expected cash flows relate to a part-reversal of the fair value adjustment on initial recognition relating to loans acquired from Laiki Bank. The reversal is the result of revised expectations of future cash flows compared to the cash flows expected at the time of acquisition. For credit risk monitoring purposes, the fair value adjustment is considered as part of provisions and the Group reviews both of them as a single item.

The annualised provisioning charge for 9M2015 accounted for 2,1%[24] of gross loans, compared to 2,2% for 1H2015. At 30 September 2015, accumulated provisions, including fair value adjustment on initial recognition[25], reached €4.933 mn (compared to €5.381 mn at 30 June 2015 and to €5.140 mn at 31 December 2014) and accounted for 21,6% of gross loans (compared to 22,5% at 30 June 2015 and to 21,6% at 31 December 2014). The reduction primarily relates to the disposal of the majority of the Russian operations in 3Q2015.

Impairments of other financial and non-financial assets for 9M2015 totalled €37 mn and primarily relate to further impairments of overseas non-core assets as part of the Bank's de-risking efforts.

[21] Comprising €135 mn on-balance sheet and €20 mn off-balance sheet exposures, based on the Group financial results for the six months ended 30 June 2015.
[22] See Note 6.
[23] See Note 8.
[24] The provisioning charge ratio is calculated as the provisions for impairment of customer loans, including provisions of discontinued operations (totalling €635 mn), net of gains on derecognition and changes in expected cash flows on acquired loans (totalling €263 mn) over average gross loans (as defined in Note 3).
[25] 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.

Profit after tax for continuing operations for 9M2015 totalled €115 mn. Profit after tax for continuing operations for 3Q2015 totalled €45 mn, compared to a profit of €15 mn for 2Q2015.

Restructuring costs for 9M2015 totalled €27 mn, of which €14 mn related to 2Q2015, mainly due to increased professional and consultancy fees relating to restructuring activity and disposal of non-core assets.

Loss from disposal groups held for sale/discontinued operations for 9M2015 was €38 mn and mainly related to the Russian operations. **Net loss on disposal of non-core assets** for 3Q2015 was €18 mn.

Profit after tax attributable to the owners of the Bank for 9M2015 was €73 mn. Profit after tax attributable to the owners of the Bank for 3Q2015 was €13 mn, compared to a profit of €31 mn for 2Q2015.

C. Outlook

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

The key pillars of the Bank's strategy are to:

- **Arrest and reverse the trend** in delinquent loans.
- **Further reduce ELA and normalise the funding structure** of the Group.
- Focus on **core Cyprus market** by providing credit to promising sectors and exit non-core markets.
- **Achieve a lean operating model**, by focusing on enhancing distribution channels in order to reduce operating costs.
- **Maintain the capital adequacy** of the Group by internally generating capital through profitability, deleveraging and disposing of non-core assets.
- **Deliver value** to shareholders and other stakeholders

With the Cypriot operations accounting for 92% and 89% of the Group's loans and customer deposits respectively, the **Bank's financial performance is highly correlated to the economic and operating conditions in Cyprus**. After three years of recession, the Cypriot economy grew by 0,6% year-on-year during the second quarter of 2015, driven by stronger private demand and supported by the depreciation of the euro and low energy prices. Furthermore, according to the flash estimate[26] published on 13 November 2015, the real GDP growth rate for the third quarter of 2015 is estimated at 2,2% yoy, on a seasonality adjusted basis. The European Commission in its autumn macroeconomic forecasts for Cyprus, revised its projection for real GDP growth for the full year 2015 to 1,2% from 0,5%. Accordingly, the growth is primarily being driven by domestic demand, while the labour market is also forecasted to improve. The improvement in the Cypriot economy was recognised by the international credit rating agency, Moody's Investors Service, which upgraded the sovereign rating assigned to Cyprus to B1 from B3 on 13 November 2015. Accordingly, the key drivers for the upgrade were the faster than expected economic recovery and the consistent outperformance on fiscal targets that have led to a quicker reversal in the public debt ratio.

Going forward, economic performance will be driven by the flexibility of the economy as shown by declining prices and wages, the resilience of specific sectors of the economy (such as tourism and international business services), the strengthening of confidence in the domestic economy and the stabilisation tendencies in the banking sector. The continuing progress of the Cypriot authorities in implementing the economic reform programme agreed with the Troika, including a good fiscal performance with positive effects on debt sustainability, the gradual normalisation of financial and credit conditions and a comfortable funding situation after the raising of €2 bn of funding from capital markets in 2015, is expected to lead to an exit from the adjustment programme agreed with Troika. On the upside, the renewed weakness in energy prices, effects of the past depreciation of the euro and further increase in tourism arrivals could support consumption and exports more than expected. On the downside, the sanctions against Russia and the recent turmoil in trading partners could negatively affect economic activity more than anticipated. Furthermore, a slow reduction of the problem loans could lead to a more prolonged period of tight credit conditions, which would dampen the recovery.

[26] Based on the Statistical Service of the Republic of Cyprus

Tackling the Bank's loan portfolio quality is of utmost importance and a top priority for the management. The **Restructuring and Recoveries Division (RRD)** is making progress in managing its delinquent portfolio. The foreclosure legislation enacted in the summer is a significant step towards tackling the high level of non-performing loans. Other important initiatives by the authorities that may help the reduction of NPLs include the new legislation to allow the sale and securitisation of bank loans. The sooner the Cypriot banks address the high level of problem loans, the faster they will be in a position to finance households and businesses in Cyprus, thus helping to ease domestic credit conditions, supporting the economic recovery.

In order to normalise its funding structure, the Bank is **stepping up its marketing efforts to attract deposits**. At the same time, the Bank's significantly strengthened capital position and overall improvement in its financial position **enhance its funding options and will facilitate access to the debt capital markets**. Depending on market conditions and investor appetite, the Bank will assess the possibility of raising wholesale funding, with the proceeds of such funding used to reduce ELA. The Bank recently completed the restructuring of the Covered Bond Programme documentation, which converted the covered bonds to conditional-pass-through covered bonds and increased over-collateralisation for the covered bonds on a committed basis, resulting to a rating upgrade to Baa3 from B1. Following the upgrade to an investment grade rating, the covered bonds have become eligible collateral for the Eurosystem credit operations and, therefore, have been placed as collateral for accessing funding from the ECB. Through this transaction, the Bank has raised €550 mn of ECB funding for the repayment of ELA. Prior to the rating upgrade, the covered bonds were used as collateral for ELA. Finally, in light of challenging market conditions, the Bank is currently maintaining a significant liquidity buffer. Once market conditions have normalised, the Bank is expected to use part of its liquidity buffer to further reduce ELA.

Despite the events of March 2013 and their impact on its franchise, the Bank remains the leading financial institution in Cyprus. The significant improvements in its financial and operational position achieved during the last two years allow the Bank 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 is focusing on diversifying its income streams by further developing its fee-generating activities, such as the international business services and wealth management. Furthermore, the Bank is the leading player in the insurance business in Cyprus, with such businesses providing a recurring income, further diversifying the Bank's income streams.

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 through the disposal of operations that are considered as non-core. With the disposal of the majority of its Russian operations, including its banking subsidiary CB Uniastrum Bank LLC, in September 2015, the Group **completed the disposal of overseas banking subsidiaries identified for sale**. Following the transaction, the remaining net exposure of the Group in Russia is expected to be reduced over time. Finally, the Bank is actively running down its loan and real estate portfolio in Romania and continues its efforts to dispose of its real estate assets in Greece and Cyprus.

The Bank's strengthened capital position is boosting the confidence of customers and other stakeholders towards the Bank, as evidenced by the customer inflows experienced in the last few quarters and the Bank's increasing deposit market share. Going forward, the Bank will continue to **ensure that appropriate capital levels are maintained** taking into account its risk profile, its high level of problem loans, its overseas non-core exposures, the challenges faced and the economic and regulatory environment. In addition, the Bank's capital adequacy will take into account the on-going regulatory dialogue with the ECB regarding the SREP. Furthermore, capital considerations, as well as risk mitigation, will be taken into account for any disposal of non-core assets.

D. Key Performance Indicators and Restructuring Plan progress report

Following consultation between the Bank and the Central Bank of Cyprus (CBC) in 2013, the following **Key Performance Indicators (KPIs)**, including medium-term targets, have been selected reflecting the priorities of the Group: Asset quality, Funding, Capital and Efficiency. These will be published on a quarterly basis in order for the public to assess the progress against the Restructuring Plan[27] and the financial performance of the Group.

The below table shows the said KPIs, the medium-term target per KPI (set at December 2017, which is the end of the Restructuring Plan period) and the latest statistics per KPI.

Group Key Performance Indicators as agreed with the CBC under the Bank's Restructuring Plan		**Actual Dec-2014**	**Actual Sep-2015**	**Medium-Term Target Dec-2017**
Asset Quality	90+ Days Past Due provision coverage	41%	41%	>50%
	Provisioning charge (Cost of Risk) (ytd)	3,6%	2,1%[28]	<1,5%
	90+ Days Past Due (€ mn)	12.653	11.998	<10.000
Funding	Loans to Deposits ratio (net)	141%	132%	<150%
Capital	Common Equity Tier 1 capital ratio (transitional)	14,0%	15,6%	>10%
	Leverage ratio (Assets/Equity)	7,7x	6,9x	<12x
Efficiency	Cost-to-Income ratio (ytd)	36%	38%	<45%
	Net Interest Margin (ytd)	3,94%	3,85%	>2,5%
	Number of Branches in Cyprus	130	129	125
	Group Employees in Cyprus	4.334	4.341	<4.100

D.1 Commentary about the evolution of Key Performance Indicators

Asset quality
The provisioning coverage of 90+ DPD totalled 41% at 30 September 2015, with the provisioning charge accounting for an annualised 2,1%[29] of gross loans for 9M2015, compared to 3,6% for FY2014.

Funding
The Loans to Deposits ratio (net) improved to 132% at 30 September 2015, compared to 141% at 31 December 2014.

Capital
The Common Equity Tier 1 capital ratio (on a transitional basis) totalled 15,6% at 30 September 2015, compared to 14,0% at 31 December 2014. The Leverage ratio has improved to 6,9x at 30 September 2015, compared to 7,7x at 31 December 2014.

Efficiency
The cost to income ratio for 9M2015 was 38%, compared to 36% for FY2014. The net interest margin for 9M2015 was 3,85%, compared to 3,94% for FY2014. The number of Group employees in Cyprus totalled 4.341 at 30 September 2015, compared to 4.334 employees at 31 December 2014.

[27] Exogenous factors such as the failure to implement the policy reforms requested by Troika that could affect and/or delay the disbursement of the financial assistance to Cyprus, a deeper and prolonged economic recession, further significant increase in unemployment, a sharper reduction in real estate prices, as well as factors that could dent the fragile confidence of customers and delay the return of confidence to the Cyprus banking system, could derail and affect the execution of the Restructuring Plan.
[28] See Note 24.
[29] See Note 24.

D.2 Commentary about the operational progress of the Restructuring Plan

Restructuring and Recoveries Division (RRD)
The RRD is responsible for managing €11,5 bn of large or delinquent loans in Cyprus with a dedicated workforce of close to 500 people. Over the couple of years, the Bank has been enhancing its actions through a clear strategy and restructuring processes, and via a number of focused campaigns to tackle specific portfolio segments. Customised approaches and targeted campaigns for each segment have been implemented along with customised products based on their needs. The adoption of the foreclosure legislation and the insolvency framework has removed the uncertainty of previous months and will increase willingness of clients to co-operate. RRD's actions have been intensifying the Bank's efforts to address 90+ DPD balances.

Further progress has been achieved on rescheduling activity in the Cyprus operations. During the quarter, about €885 mn of loans were rescheduled, of which about €453 mn were already classified as rescheduled as at 30 June 2015. In addition, about €512 mn of loans classified as rescheduled loans at 30 June 2015 were not classified as such at 30 September 2015. Hence, rescheduled loans totalled €8,2 bn[30] at 30 September 2015, compared to €8,4 bn at 30 June 2015. So far, rescheduling activity has been higher in corporate lending, where 42%[31] of total corporate loans at 30 September 2015 have been rescheduled. In SME and Retail-Housing lending, rescheduled loans account for 38% and 40% respectively of total loans per each customer sector.

Deleverage
In September 2015, the Bank completed the sale of the majority of its Russian operations, comprising (i) its holdings[32] of 80% in its Russian banking subsidiary, CB Uniastrum Bank LLC, and of 80% in its Russian leasing subsidiary, Leasing Company Uniastrum Leasing LLC, and (ii) certain other Russian loan exposures. The sale allows the Group to de-risk its balance sheet by approximately €600 mn and allows the release of risk weighted assets of approximately €550 mn. The sale improved the Group's regulatory capital position, with a positive impact of approximately 30 basis points on the CET1 capital ratio. As a result of the transaction, the remaining net exposure (on and off balance sheet) of the Group in Russia is €120 mn and is expected to be reduced over time.

Furthermore, the Bank is actively running down its loan and real estate portfolio in Romania and continues its efforts to dispose of its real estate assets in Greece and Cyprus.

[30] Rescheduled loans are reported after 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 €548 mn for rescheduled loans at 30 September 2015 (compared to €611 mn for rescheduled loans at 30 June 2015) and include loans of discontinued operations/disposal group held for sale.
[31] 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 €1.266 mn for gross loans and to €548 mn for rescheduled loans at 30 September 2015 (compared to €1.351 mn for gross loans and to €611 mn for rescheduled loans at 30 June 2015) and include loans of discontinued operations/disposal group held for sale.
[32] Through the intermediary subsidiary BOC Russia (Holdings) Limited, which owns 100% of the share capital of CB Uniastrum Bank LLC and 100% of the share capital of Leasing Company Uniastrum Leasing LLC.

E. Appendix

As from 4Q2014, the Group's operations in Russia are treated as a disposal group held for sale and results have been presented accordingly as discontinued operations according to IFRS 5. In September 2015, the Bank completed the sale of the majority of its Russian operations. The part of the operations not disposed of, has ceased to be classified as held for sale and its results are presented as part of the continuing operations. In addition, comparatives have been reclassified to reflect the change in presentation of impairment losses of other financial and non-financial instruments and results from revaluation and disposal of investment properties within the consolidated income statement. The presentation of "Gains on derecognition and changes in expected cash flows on acquired loans" has been changed in order to present this adjoining to the "Provisions for impairment of customer loans" in the consolidated income statement. The Company considers this presentation to be more relevant as it considers such gains and changes in expected cash flows (mainly arising from the fair value adjustment on initial recognition for acquired loans) to be credit risk related. This change in presentation did not have an impact on the profit for the period.

Consolidated Income Statement						
€ mn	**9M2015**	**9M2014** (represented)[33]	**yoy ±%**	**3Q2015**	**2Q2015** (represented)[34]	**qoq ±%**
Net interest income	644	743	-13%	205	212	-3%
Net fee and commission income	115	117	-1%	36	36	-
Net foreign exchange gains/(losses) and net gains/(losses) on other financial instruments	18	(4)	-	7	14	-50%
Insurance income net of insurance claims	32	35	-10%	12	9	35%
(Losses)/gains from revaluation and disposal of investment properties	(36)	(3)	-	(13)	(16)	-20%
Other income	13	8	67%	4	6	-43%
Total income	**786**	**896**	**-12%**	**251**	**261**	**-4%**
Staff costs	(177)	(176)	-	(59)	(59)	-1%
Other operating expenses	(119)	(136)	-12%	(43)	(33)	33%
Total expenses	**(296)**	**(312)**	**-5%**	**(102)**	**(92)**	**11%**
Profit before provisions and impairments, gains on derecognition and changes in expected cash flows on acquired loans, restructuring costs and discontinued operations	**490**	**584**	**-16%**	**149**	**169**	**-12%**
Gains on derecognition and changes in expected cash flows on acquired loans	263	18	-	33	187	-82%
Provisions for impairment of customer loans	(592)	(418)	42%	(129)	(310)	-59%
Provisions for impairment of customer loans net of gains on loan derecognition	**(329)**	**(400)**	**-18%**	**(96)**	**(123)**	**-23%**
Impairments of other financial and non-financial assets	(37)	(38)	-1%	(6)	(30)	-80%
Share of profit from associates and joint ventures	3	2	122%	1	1	-
Profit before tax, restructuring costs and discontinued operations	**127**	**148**	**-14%**	**48**	**17**	**181%**
Tax	(18)	(10)	76%	(8)	(3)	186%
Profit attributable to non-controlling interests	6	2	-	5	1	441%
Profit after tax and before restructuring costs, discontinued operations and net profit on disposal of non-core assets	**115**	**140**	**-18%**	**45**	**15**	**195%**
Restructuring costs	(27)	(32)	-16%	(5)	(14)	-60%
Loss from disposal groups held for sale/discontinued operations	(38)	(92)	-58%	(9)	(11)	-17%
Net profit/(loss) on disposal of non-core assets	23	60	-61%	(18)	41	-143%
Profit after tax	**73**	**76**	**-3%**	**13**	**31**	**-59%**

[33] See Note 4.2 to the Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2015, Comparative information.
[34] See Note 33.

Condensed Consolidated Balance Sheet			
€ mn	**30.09.2015**	**31.12.2014** (represented)[35]	**±%**
Cash and balances with Central Banks	986	1.139	-13%
Placements with banks	1.399	1.647	-15%
Debt securities, treasury bills and equity investments	1.428	2.541	-44%
Net loans and advances to customers	17.980	18.168	-1%
Other assets	2.381	2.378	-
Non-current assets and disposal groups classified as held for sale	23	916	-97%
Total assets	**24.197**	**26.789**	**-10%**
Amounts due to banks	323	162	99%
Funding from Central Banks	5.403	8.284	-35%
Repurchase agreements	368	580	-37%
Customer deposits	13.608	12.624	8%
Debt securities in issue	1	1	1%
Other liabilities	956	1.046	-9%
Non-current liabilities and disposal groups classified as held for sale	-	611	-
Total liabilities	**20.659**	**23.308**	**-11%**
Share capital	892	892	-
Capital reduction reserve and share premium	2.505	2.505	-
Revaluation and other reserves	208	147	41%
Accumulated losses	(87)	(79)	10%
Shareholders' equity	**3.518**	**3.465**	**2%**
Non-controlling interests	20	16	**26%**
Total equity	**3.538**	**3.481**	**2%**
Total liabilities and equity	**24.197**	**26.789**	**-10%**

[35] See Note 33.

Key Balance Sheet figures and ratios - pre classification of Russian operations as a disposal group held for sale			
	30.09.2015	**31.12.2014**	**±%**
Gross loans (€ mn)	22.863	23.772	-4%
Customer deposits (€ mn)	13.608	13.169	3%
Loans to deposits ratio (net)	132%	141%	-9 p.p.*
90+ DPD ratio	52%	53%	-1 p.p *
90+ DPD provisioning coverage ratio[36]	41%	41%	-

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

Capital	**30.09.2015**	**31.12.2014**	**±%**
Common Equity Tier 1 capital ratio (CET1) (transitional)	15,6%	14,0%	1,6 p.p.*
Total capital ratio	15,7%	14,2%	1,5 p.p.*
Risk weighted assets (€ mn)	20.717	22.715	-9%

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

Key performance ratios				
	3Q2015	**2Q2015**	**qoq ±%**	**1Q2015**
Net interest margin	3,70%	3,79%	-0,09 p.p.*	3,94%
Cost to income ratio	41%	35%	6 p.p.*	37%
Return on average assets	0,2%	0,5%	-0,3 p.p.*	0,4%
Return on average equity	1,5%	3,6%	-2,1 p.p.*	3,3%
Basic earnings/(losses) per share (€ cent)	0,15	0,36	-0,21	0,32

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

Notes to the Financial Results of the Group for the nine months ended 30 September 2015:

The Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2015 are 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).

The Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2015 have been reviewed by the Bank's external auditors.

The announcement and the presentation for the financial results for the nine months ended 30 September 2015 have been posted on the Group's website www.bankofcyprus.com (Investor Relations/Financial Results).

[36] See Note 4.

Bank of Cyprus Group

Group Financial Results

for the nine months ended 30 September 2015

- **Overview**
- **Income Statement Review**
- **Balance Sheet Review**
- **KPIs – Key Takeaways**
- **Additional Information**

EUROMONEY AWARDS FOR EXCELLENCE 2015

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23 November 2015

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9M2015 Group Financial Results – Key Highlights

90+ DPD were reduced by €649 mn or 5% in 3Q2015 to €12,0 bn, with about half of the reduction relating to the disposal of the Russian operations

Improving funding structure; Customer deposits in Cyprus increased by €527 mn or 5% in 3Q2015 and the loans to deposits ratio (L/D) improved to 132%

Emergency Liquidity Assistance (ELA) has been reduced by €1,6 bn post 30 June 2015 to a current level of €4,3 bn; €7,1 bn or 62% ELA reduction since peak

CET 1 ratio (transitional) improved by 70 bps to 15,6% due to the risk weighted assets reduction following the disposal of the majority of the Russian operations and due to organic capital generation

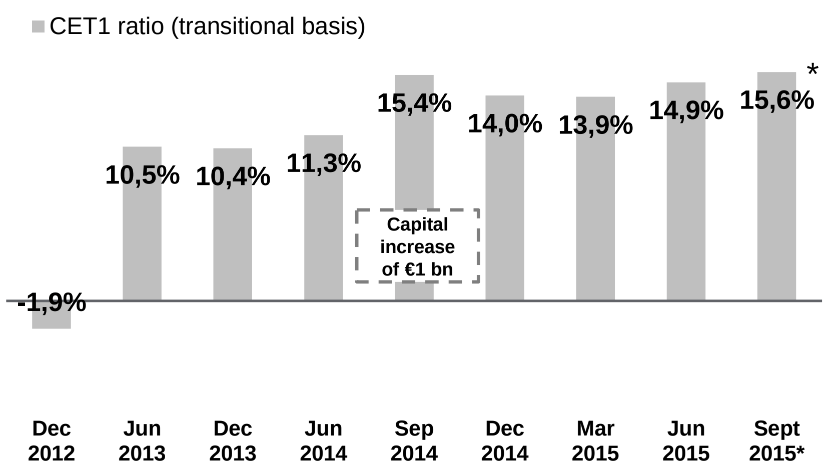
Ongoing regulatory dialogue with the ECB regarding the Supervisory Review and Evaluation Process (SREP); taking into account its current capital position, the Group does not expect to be required to raise any capital

Profit after tax from continuing operations and Profit after tax of €45 mn and €13 mn for 3Q2015, respectively; Profit after tax of €73 mn for 9M2015

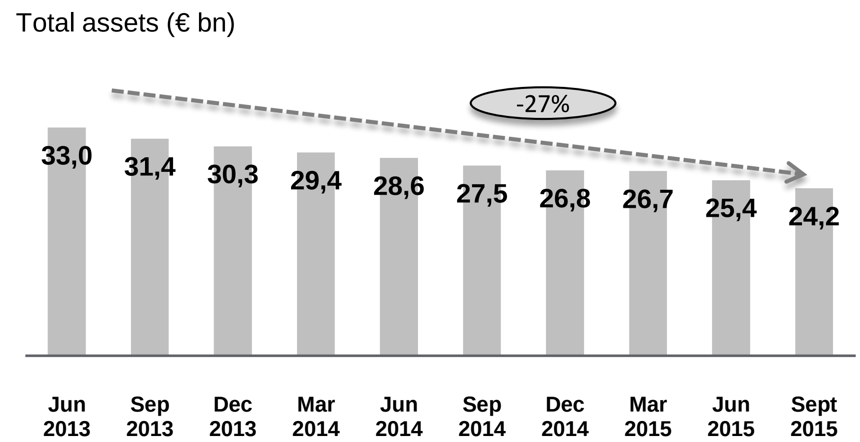
With the disposal of the majority of the Russian operations, the Bank is now focused on its core Cypriot operations

BOC – At a glance

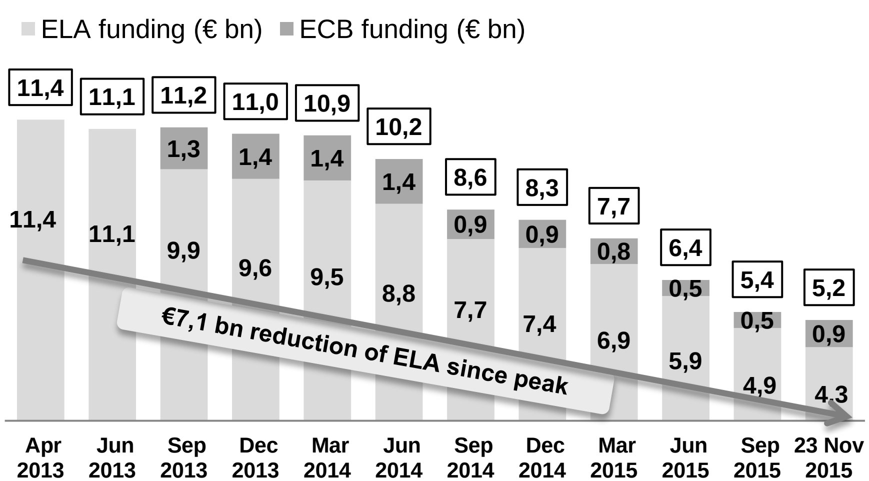
Strengthened capital position



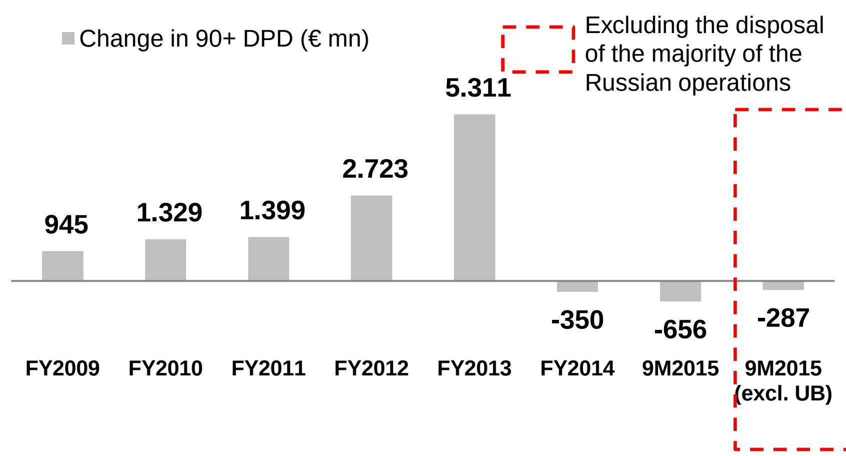
Significant Balance Sheet deleveraging



ELA funding reduced by €7,1 bn since peak



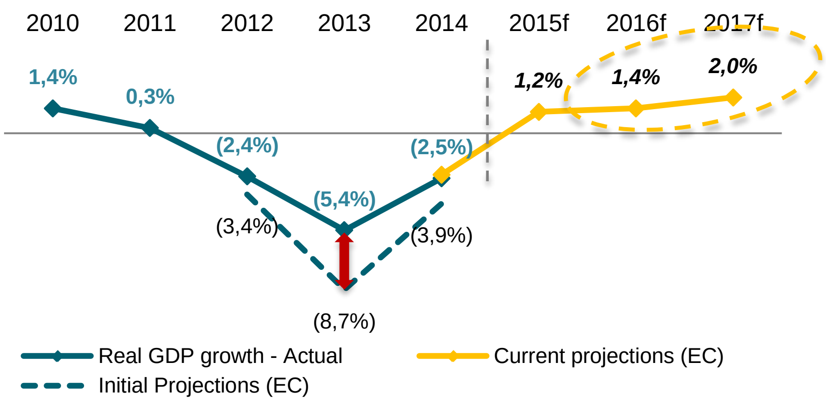
90+ DPD formation has reversed



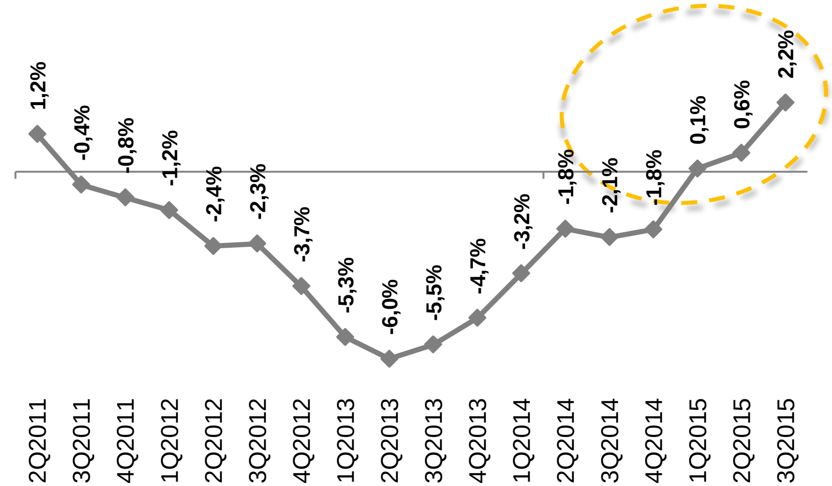
* CET 1 ratio includes independently verified profits for 9M2015

Cyprus - 2015 the year of normalisation and growth

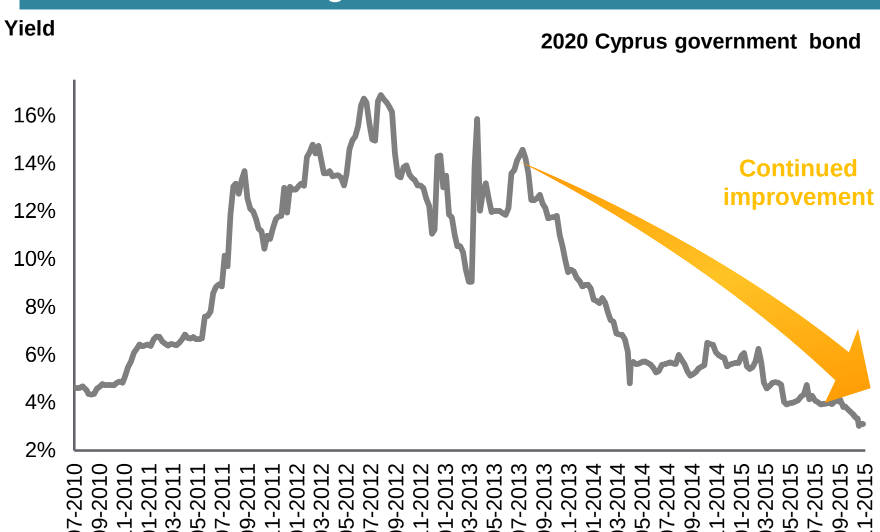
GDP growth expected to be positive from 2015 – faster recovery than other peripheral countries



GDP Growth* (yoy)



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



- According to the flash estimate published on 13 November 2015, real GDP in 3Q2015 increased by 2,2% yoy over the corresponding quarter of 2014, on a seasonally adjusted basis. This was the third consecutive quarterly increase after fourteen quarters of continuous decline.
- In October 2015 the Republic of Cyprus tapped the international debt markets for a second time in 2015 with the issuance of a 10 year bond and raised €1 bn (€2 bn in total in 2015) at a yield of 4,25%

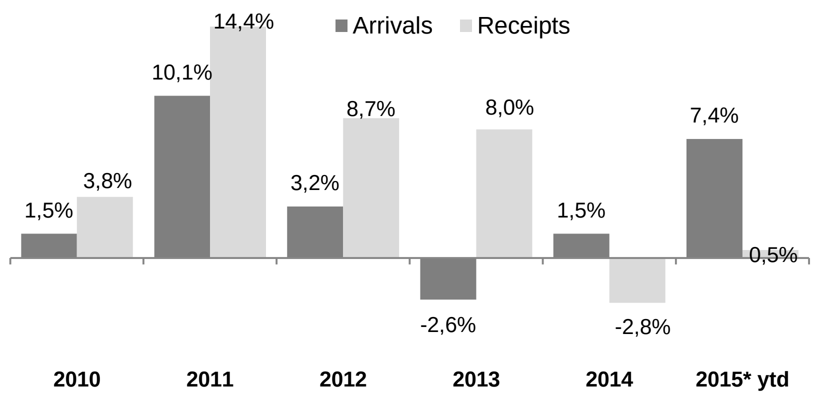
* Data used is based on flash estimates

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

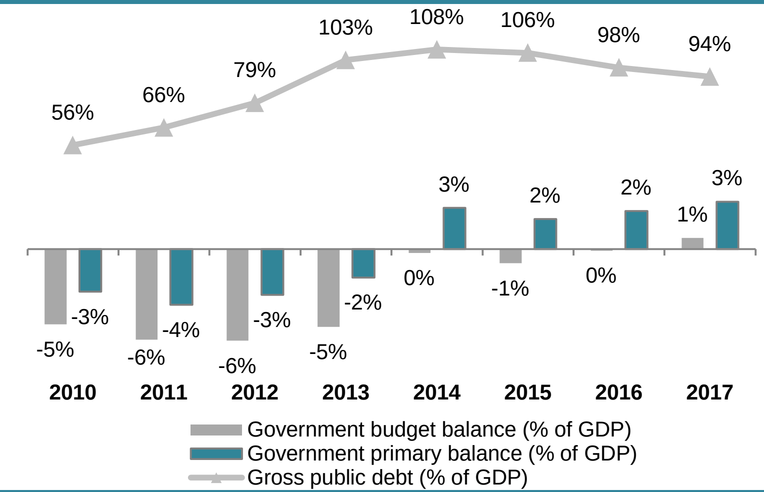
Bank of Cyprus

Cyprus - 2015 the year of normalisation and growth

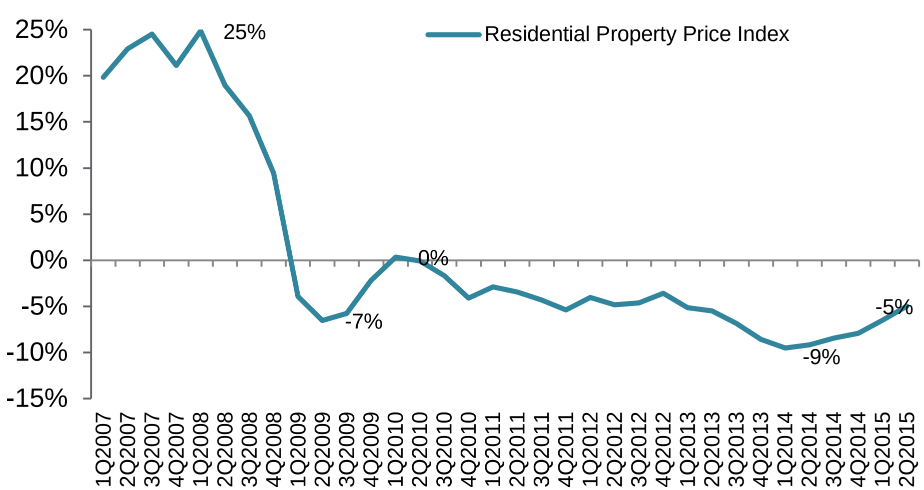
Tourist Arrivals and Receipts: yoy % changes



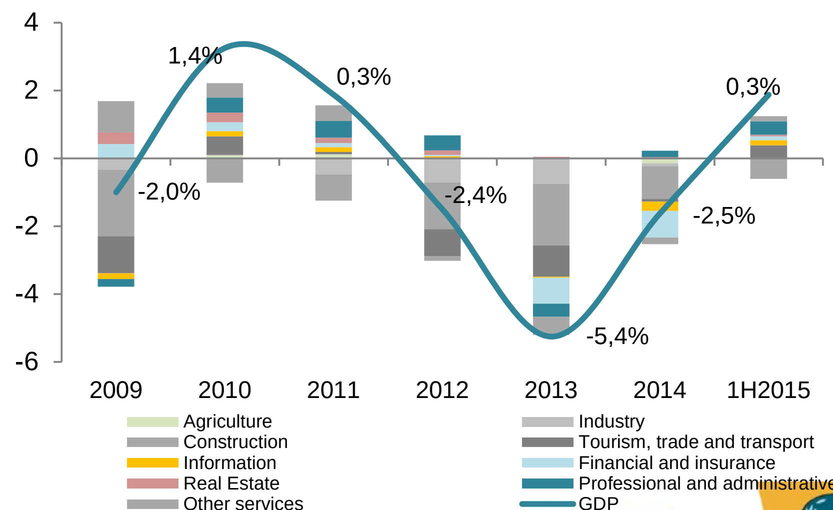
Government budget and primary balance and public debt as % of GDP



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



Contribution to GDP growth



* Data for Tourist arrivals as at 31 October 2015 and for receipts 30 September 2015

SOURCE: Central Bank of Cyprus, Statistical Service of Republic of Cyprus, European Commission, Bloomberg, IMF and company reports

Bank of Cyprus

Bank of Cyprus

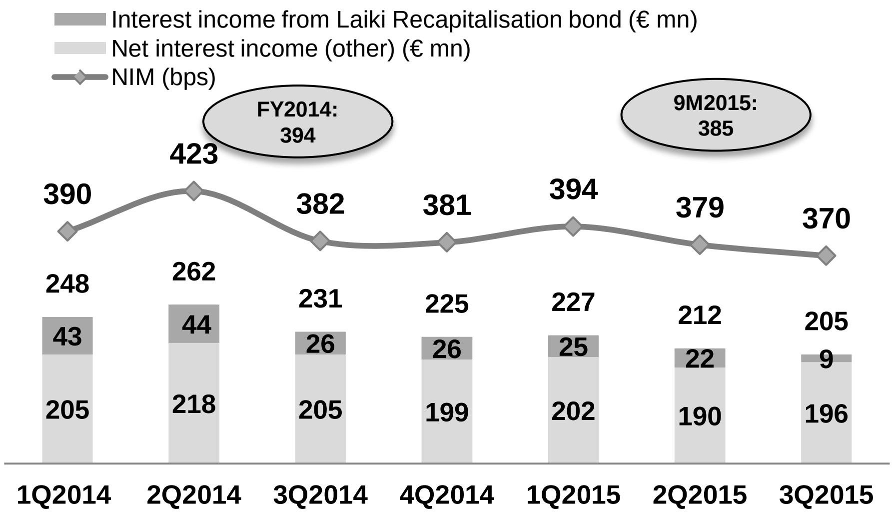
Income Statement Review

	9M2015	9M2014[3]	yoy %	3Q2015	2Q2015[4]	qoq %	1Q2015[4]
Net interest income	644	743	-13%	205	212	-3%	227
Fees and commission income	115	117	-1%	36	36	0%	43
Insurance income net of insurance claims	32	35	-10%	12	9	35%	11
Core income	*791*	*895*	*-12%*	*253*	*257*	*-1%*	*281*
Other income	(5)	1	-	(2)	4	-	(7)
Total income	**786**	**896**	**-12%**	**251**	**261**	**-4%**	**274**
Total expenses	**(296)**	**(312)**	**-5%**	**(102)**	**(92)**	**11%**	**(102)**
Profit before provisions and impairments[1]	**490**	**584**	**-16%**	**149**	**169**	**-12%**	**172**
Provisions for impairment of customer loans net of gains on loans derecognition and changes in expected cash flows on acquired loans	(329)	(400)	-18%	(96)	(123)	-23%	(110)
Impairments of other financial and non financial assets	(37)	(38)	-1%	(6)	(30)	-80%	(1)
Share of profit from associates	3	2	122%	1	1	-	1
Profit before tax, restructuring costs and discontinued operations	**127**	**148**	**-14%**	**48**	**17**	**181%**	**62**
Tax	(18)	(10)	76%	(8)	(3)	186%	(7)
Loss attributable to non-controlling interests	6	2	-	5	1	441%	0
Profit after tax from continuing operations[2]	**115**	**140**	**-18%**	**45**	**15**	**195%**	**55**
Restructuring costs	(27)	(32)	-16%	(5)	(14)	-60%	(8)
Loss from disposal group held for sale/discontinued operations	(38)	(92)	-58%	(9)	(11)	-17%	(18)
Net gain/(loss) on disposal of non-core assets	23	60	-61%	(18)	41	-143%	-
Profit after tax	**73**	**76**	**-3%**	**13**	**31**	**-59%**	**29**
Net interest margin	**3,85%**	**3,99%**		**3,70%**	**3,79%**		**3,94%**
Cost-to-Income ratio	**38%**	**35%**		**41%**	**35%**		**37%**

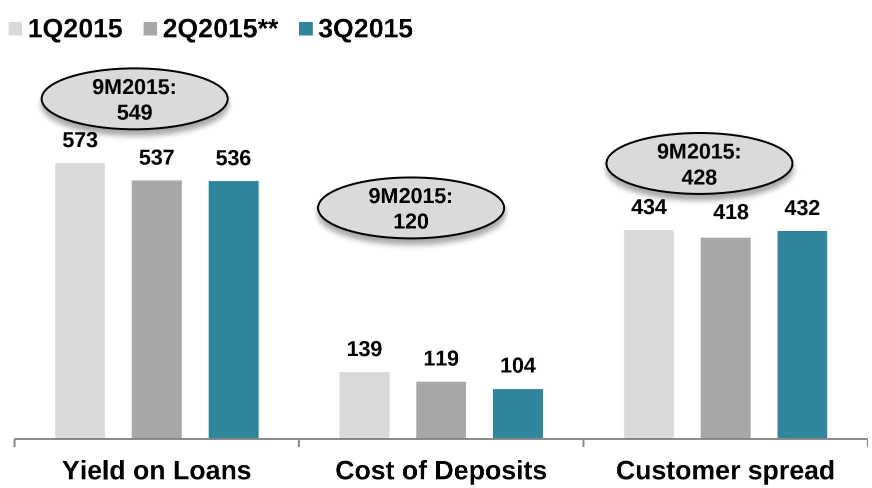
1. Profit before provisions and impairments, gains on derecognition and changes on expected cash flows on acquired loans, restructuring costs and discontinued operations. 2. Profit after tax and before restructuring costs, discontinued operations and net profit on disposal of non-core assets. 3. The 9M2015 is not comparable to the 9M2014 given the significant deleveraging completed since then, including, among others, the partial repayment of the sovereign bond held by the Bank, by the Republic of Cyprus on 1 July 2014, and the disposal of the majority of the Russian operations during 3Q2015. 4. Comparative information has been represented. See Note 4.2 of the Financial Report for the 9 months ended 30 September 2015, Comparative information.

Net Interest Income and Net Interest Margin

Net Interest Income and Net Interest Margin



Evolution of Yield of Loans, Cost of Deposits and Customer Spread in Cyprus operations* (bps)



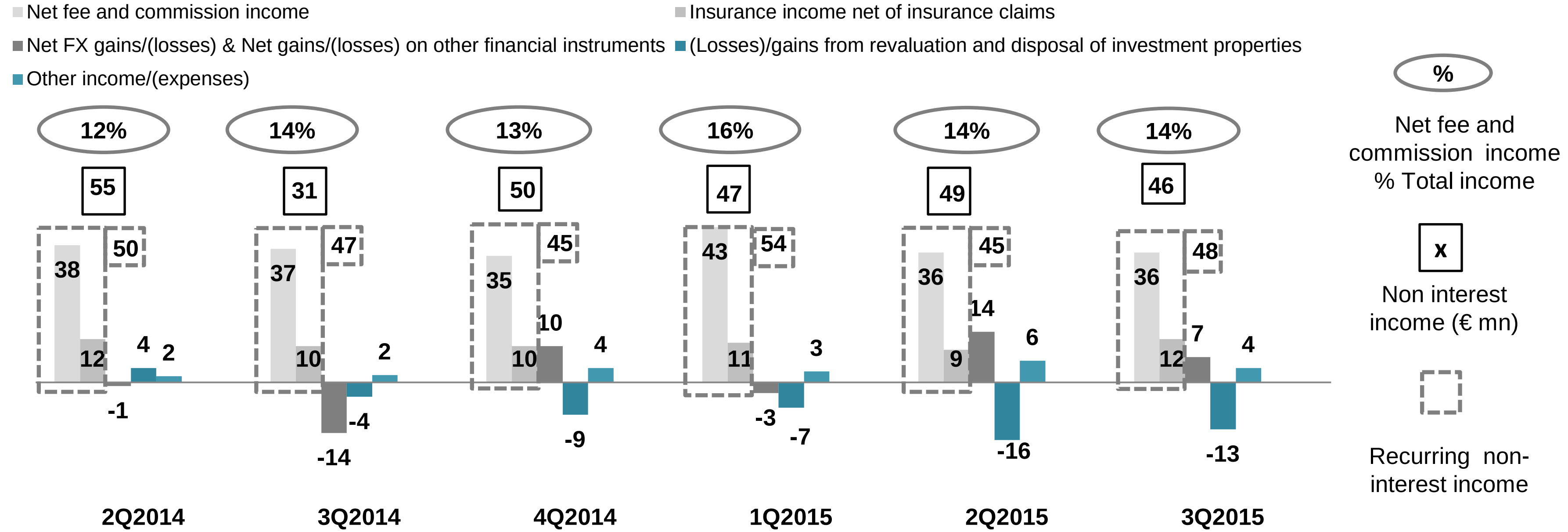
- 3Q2015 Group Net Interest Income (NII) at €205 mn compared to €212 mn for 2Q2015, reflecting the reduction in lending rates in March 2015, the gradual repricing of deposits and the partial repayment of a bond by the Republic of Cyprus in June 2015; Group Net Interest Margin (NIM) remains healthy at 3,70% for 3Q2015, compared to 3,79% for 2Q2015
- Customer spread in Cyprus increased to 432 bps in 3Q2015 compared to 418 bps in 2Q2015, as the repricing of deposits lagged the earlier repricing of loans

* Includes all currencies
** 2Q2015 and year to date 1H2015 that has been adjusted to exclude non recurring items

Bank of Cyprus

Analysis of Non-interest income

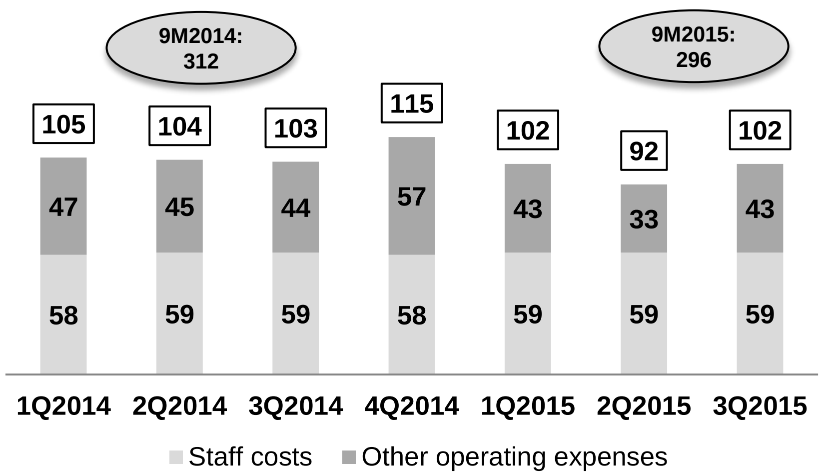
Analysis of Non Interest Income (€ mn)



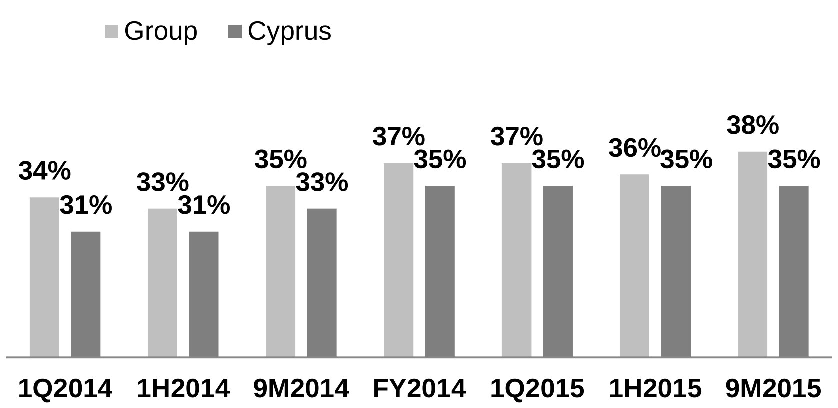
- Non-interest income stood at €46 mn for 3Q2015, compared to €49 mn for 2Q2015
- Net fee and commission income remained at the same level for 3Q2015 at €36 mn (about 14% of total income)
- Recurring income from insurance business (average of about €11 mn for the last six quarters) reflecting the Group's leading position in the insurance business in Cyprus; Insurance income was higher in 3Q2015, as 2Q2015 was negatively affected by a revaluation effect of investments
- Average recurring income from fee and commission income and insurance income of about €48 mn for the last six quarters

Total expenses

Total expenses (€ mn)



Group Cost to Income Ratio



- Total expenses for 3Q2015 increased to €102 mn from €92 mn for 2Q2015, but remained in line with previous quarters. 2Q2015 operating expenses were exceptionally lower if compared to previous quarters as a consequence of lower advertising, consultancy and professional expenses that incurred during the quarter. Staff costs for 3Q2015 at €59 mn in line with the previous quarters

- Total expenses for 9M2015 totalled €296 mn compared to €312 mn at 9M2014.

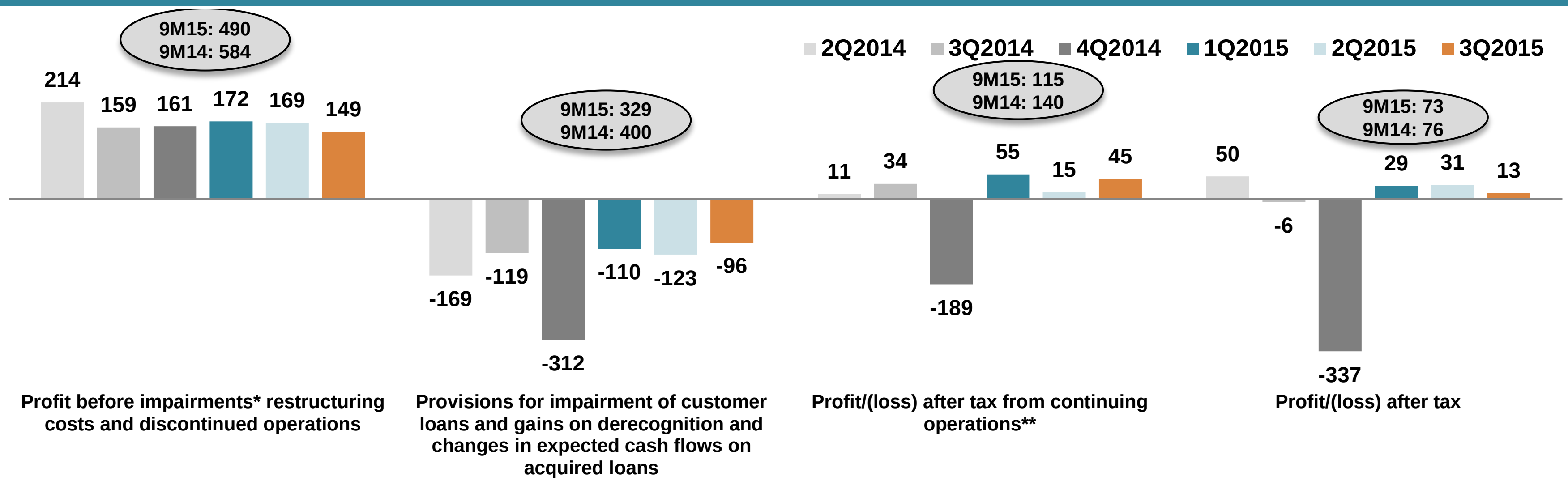
- The cost-to-income ratio for the Group stood at 38% for 9M2015, compared to 36% for 1H2015

- Actions to maintain a lean operating structure include:

  - ➢ Complete redesign and rationalisation of branches
  - ➢ Align the IT strategy with business needs
  - ➢ Digital Transformation
  - ➢ Improve organisational structure

Group Income Statement Highlights

Group Income Statement Highlights (€ mn)



- Profit before impairments*, restructuring costs and discontinued operations for 9M2015 of €490 mn. Profit before impairments*, restructuring costs and discontinued operations for 3Q2015 of €149 mn, compared to €169 mn for 2Q2015

- Provisions for impairment of customer loans and gains on derecognition and changes in expected cash flows on acquired loans for 9M2015 of €329 mn. Provisions for impairment of customer loans and gains on derecognition and changes in expected cash flows on acquired loans for 3Q2015 of €96 mn, compared to €123 mn for 2Q2015

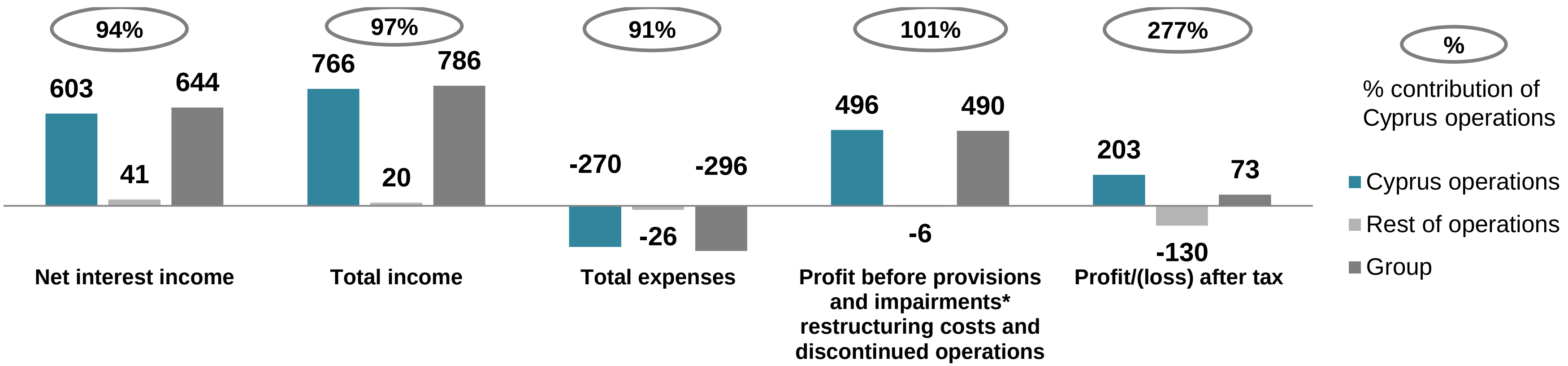
- Profit after tax from continuing operations** for 9M2015 of €115 mn. Profit after tax from continuing operations for 3Q2015 at €45 mn, compared to a profit for 2Q2015 at €15 mn

- Profit after tax for 9M2015 at €73 mn. Profit after tax for 3Q2015 of €13 mn, compared to a profit of €31 mn for 2Q2015

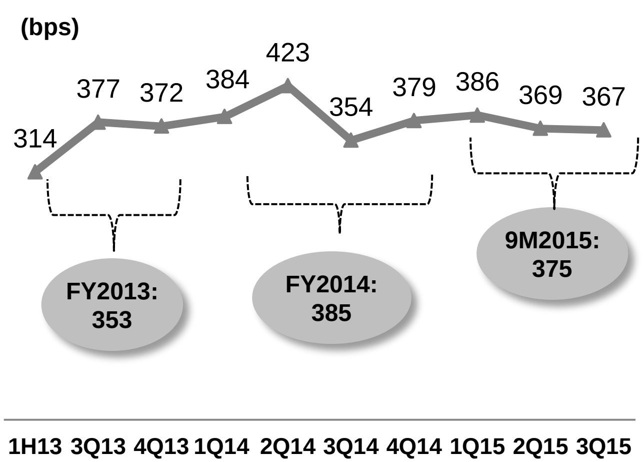
* Profit before provisions and impairments, gains on derecognition and changes on expected cash flows on acquired loans, restructuring costs and discontinued operations.
** Profit/(loss) after tax and before restructuring costs, discontinued operations and net profit on disposal of non-core assets

Income Statement Highlights – Group vs Cyprus

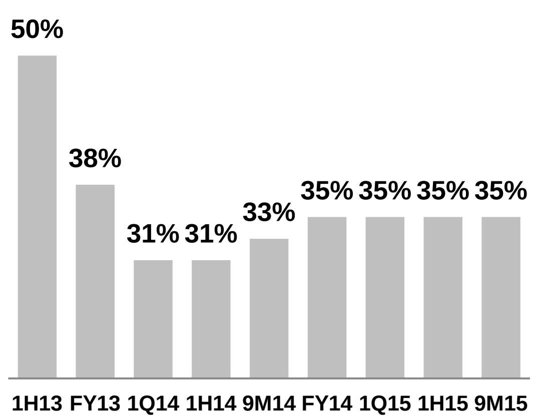
9M2015 Cyprus Vs Group performance (€ mn)



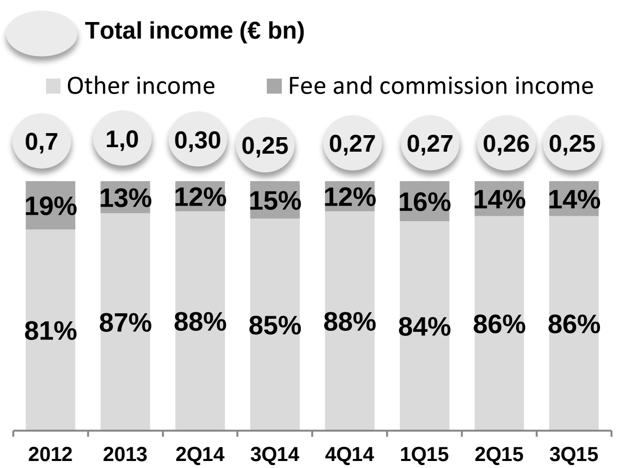
High NIM in Cyprus operations



Low Cost to Income ratio for Cyprus operations



Fee and commission income / total income for Cyprus operations



* Profit before provisions and impairments, gains on derecognition and changes on expected cash flows on acquired loans, restructuring costs and discontinued operations.

Overview

Income Statement Review

Balance Sheet Review

KPIs – Key Takeaways

Additional Information

Bank of Cyprus

Balance Sheet* Deleverage

Shrinking to Strength strategy is successfully coming to an end

€ mn	Jun 2013	Dec 2013	Jun 2014	Sep 2014	Dec 2014	Mar 2015	Jun 2015	Sep 2015	Change Since Jun 2013
Cash & bank placements	3.012	2.530	1.973	2.417	2.908	2.748	2.558	2.385	-627
Investments	3.413	3.433	3.538	2.578	2.541	2.401	1.631	1.428	-1.985
Net Loans	23.769	21.764	20.063	19.794	18.632	18.731	18.545	17.930	-5.839
Other assets	2.762	2.622	2.984	2.694	2.708	2.792	2.648	2.454	-308
Total assets	***32.956***	***30.349***	***28.558***	***27.483***	***26.789***	***26.672***	***25.382***	***24.197***	***-8.759***
Customer deposits	16.970	14.971	13.803	13.330	13.169	13.611	13.629	13.608	-3.362
ECB funding	-	1.400	1.400	920	880	800	500	501	501
ELA	11.107	9.556	8.785	7.684	7.404	6.900	5.903	4.902	-6.205
Interbank funding	983	790	802	707	772	808	805	691	-292
Other liabilities	976	895	954	1.057	1.083	1.045	1.026	957	-19
Total equity	2.920	2.737	2.814	3.785	3.481	3.508	3.519	3.538	618
Total liab. &equity	***32.956***	***30.349***	***28.558***	***27.483***	***26.789***	***26.672***	***25.382***	***24.197***	***-8.759***
RWA	***23.510****	***23.530***	***22.485***	***22.863***	***22.715***	***22.972***	***21.527***	***20.717***	
RWA intensity	***71%***	***78%***	***79%***	***83%***	***85%***	***86%***	***85%***	***86%***	
Balance sheet deleverage qoq		***-2.607***	***-1.791***	***-1.075***	***-694***	***-117***	***-1.290***	***-1.185***	
CET1 ratio (transitional basis)	***n/a***	***10,4%***	***11,3%***	***15,4%***	***14,0%***	***13,9%***	***14,9%***	***15,6%***	
Leverage ratio (Assets/Equity)	***11,3x***	***11,1x***	***10,1x***	***7,3x***	***7,7x***	***7,6x***	***7,2x***	***6,9x***	

Net loans reduction driven by disposal of non-core assets and the ongoing deleveraging

Deposit base gradually stabilising

Overall €7,1 bn ELA reduction from peak

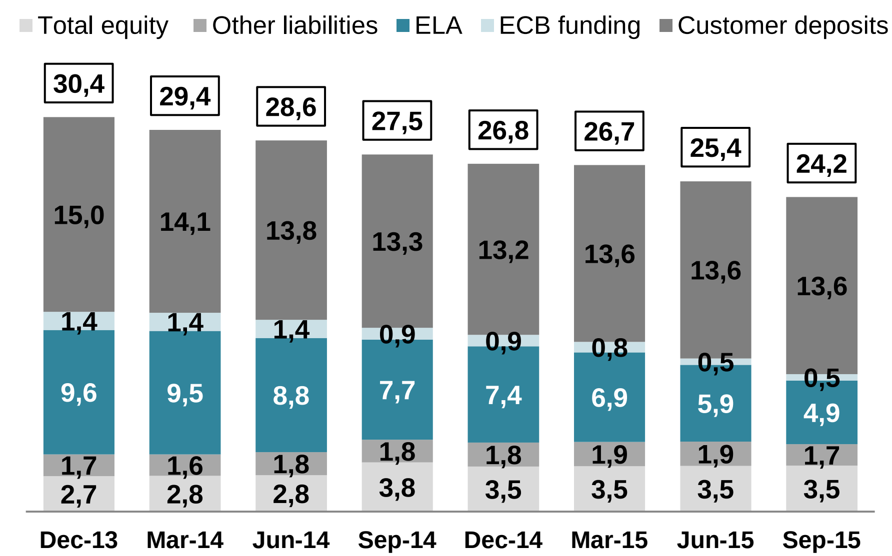
Steady reduction of total assets. Average quarterly reduction at €1bn or 4%

CET1 ratio & Leverage ratio strengthened by share capital increase, deleverage and RWA reduction

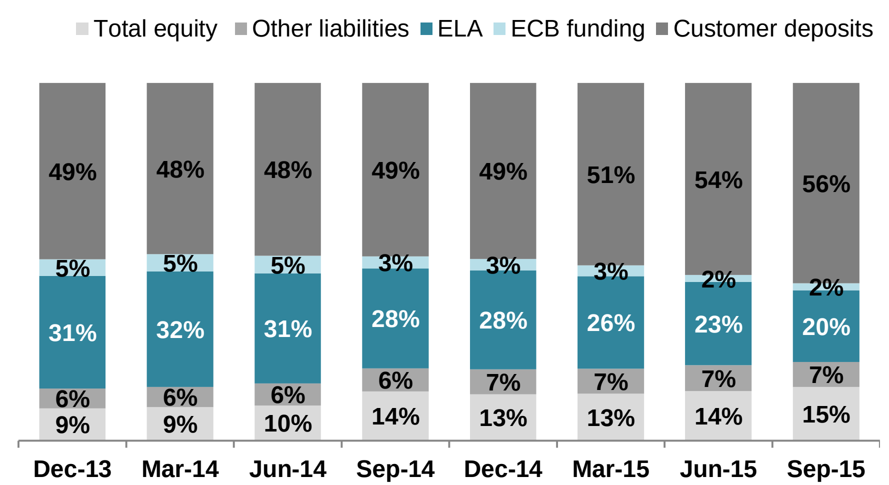
*** Consolidated Balance Sheet –comparatives ignoring classification as disposal group held for sale**
**** Pre CRD IV**

Funding Structure

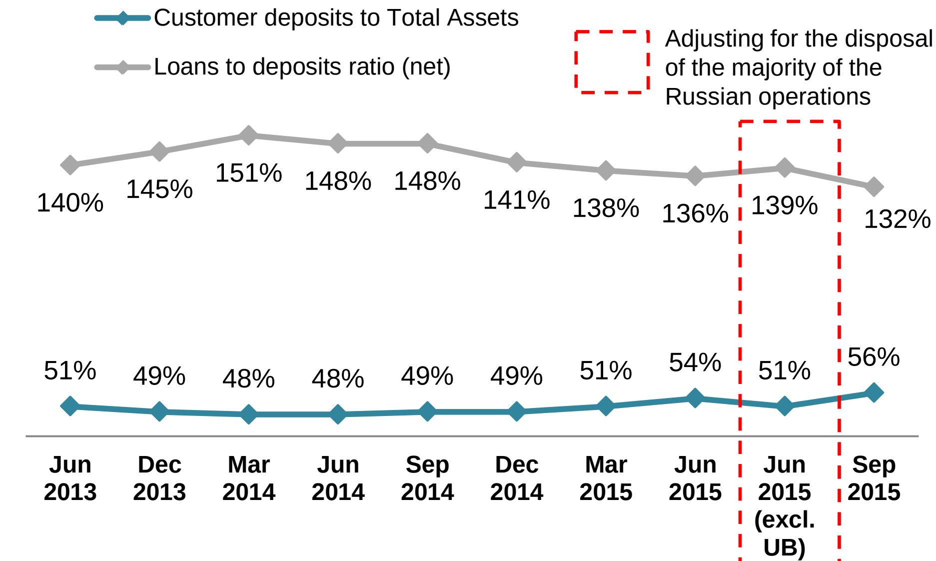
Analysis of Liabilities and Equity (€ bn)



Analysis of Liabilities and Equity (%)



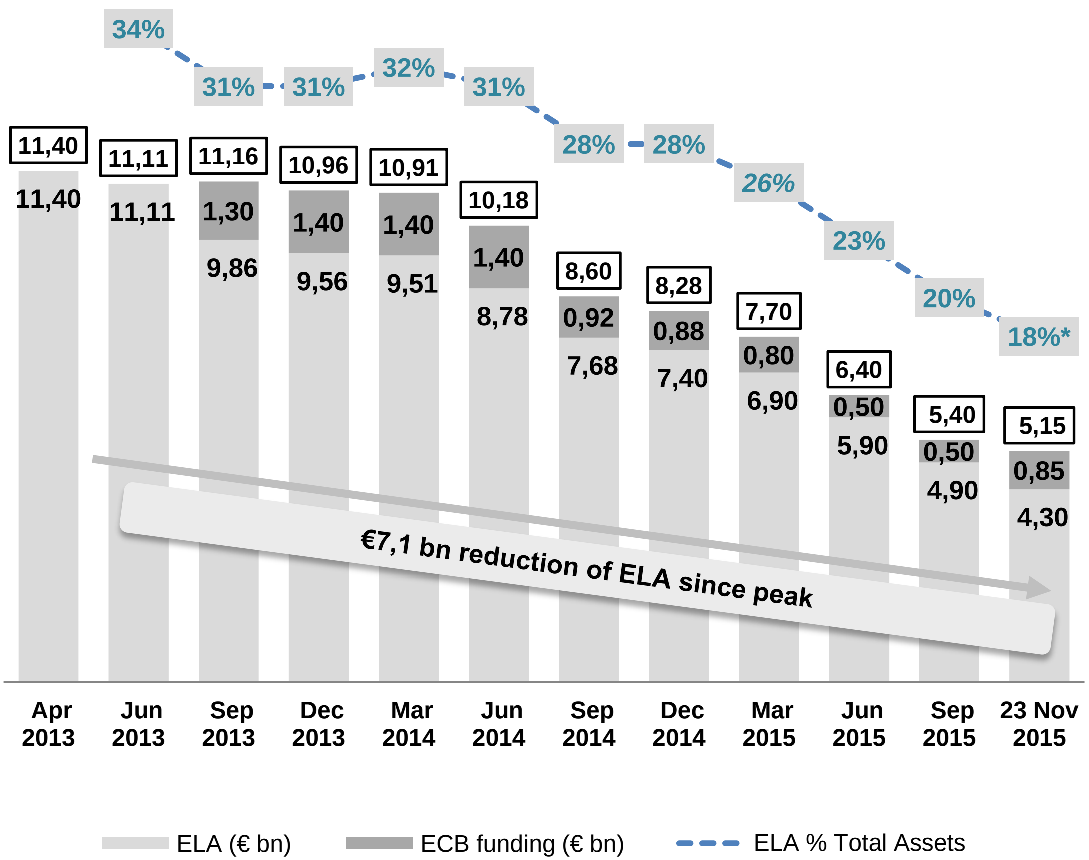
Loans to Deposits ratio



- Further progress in normalising the Bank's funding structure.
- At 30 September 2015, customer deposits and ELA accounted for 56% and 20% of assets, respectively.
- Consistent improvement in the loans to deposits ratio (L/D), with the L/D ratio improving by 4 p.p. in 3Q2015 to 132%, the lowest level post bail in; Adjusting for the disposal of the majority of the Russian operations, the improvement in the L/D ratio during 3Q2015 was 7 p.p.

Eurosystem Funding Reliance Reducing Fast

Continuous reduction of ELA with further potential going forward



Actions for further ELA reduction

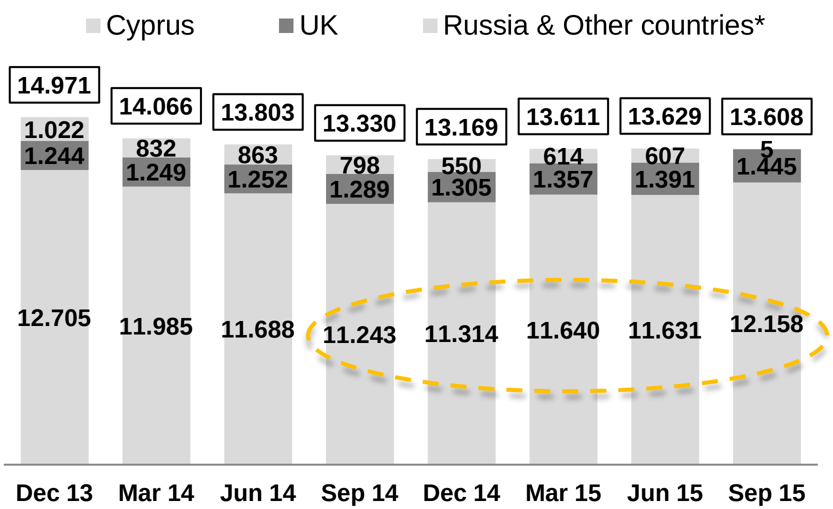
- Issue senior unsecured debt subject to market conditions
- Repos with Counterparties using CyGBs as collateral (currently pledged with the CBC)
- Interbank funding from local banks
- Proceeds from deleveraging
- Securitisation/new covered bond
- Working closely with the CBC so as to enable the use of a pool of retail loans within the ECB's Additional Credit Claims framework
- Continuous efforts to attract customer deposits

- In light of challenging market conditions the Bank is maintaining a significant liquidity buffer.

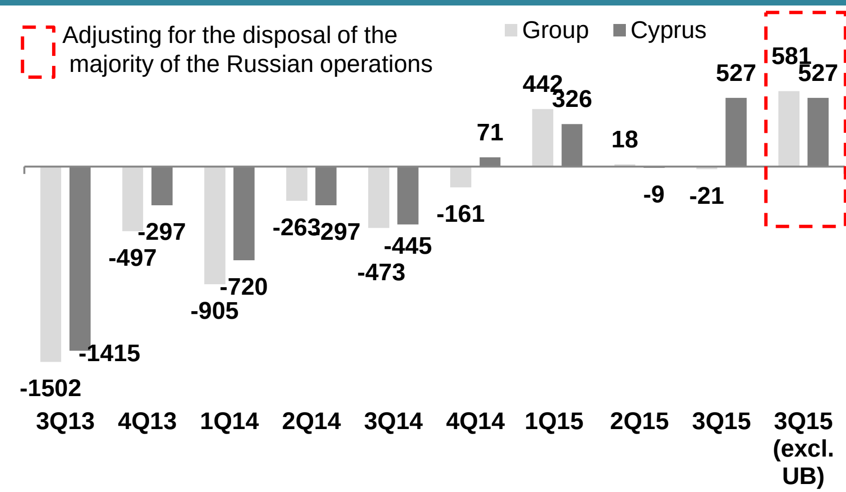
* Ratio of ELA Funding % Total Assets for 23 November 2015 is based on total assets as at 30 September 2015

Customer Deposits

Customer Deposits by Geography (€ mn)

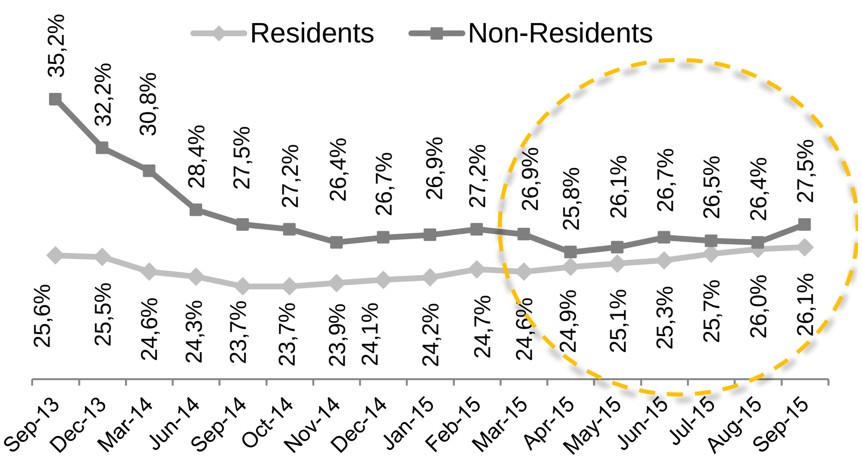


Evolution of Customer deposits** (€ mn)



- Group customer deposits totalled €13.608 mn at 30 September 2015. Customer deposits in Cyprus increased by €527 mn during 3Q2015 and stood at €12.158 at 30 September 2015, the highest level post December 2013
- Deposit market shares in Cyprus for Residents and non-Residents reached 26,1% and 27,5% respectively, in September 2015

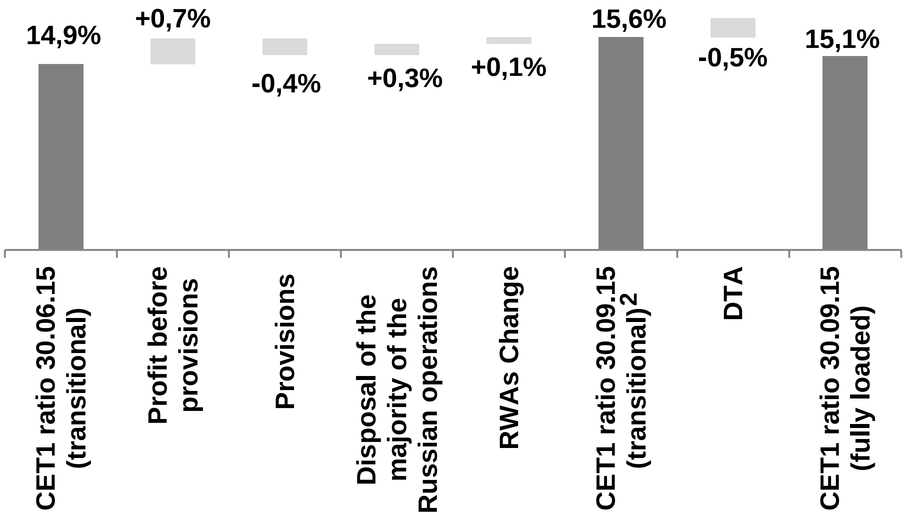
Deposit market shares in Cyprus



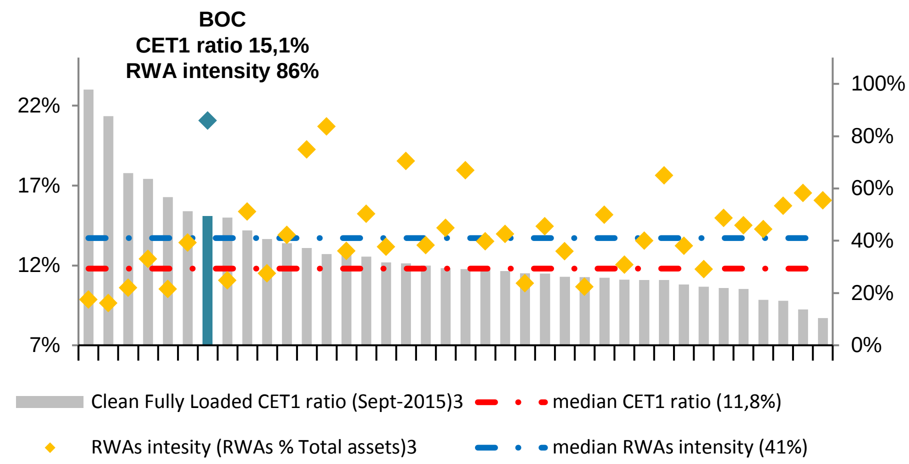
* Other countries comprise Ukraine (until March 2014), Romania and Greece.
** Including deposits of disposal groups held for sale/discontinued operations.

Capital Position

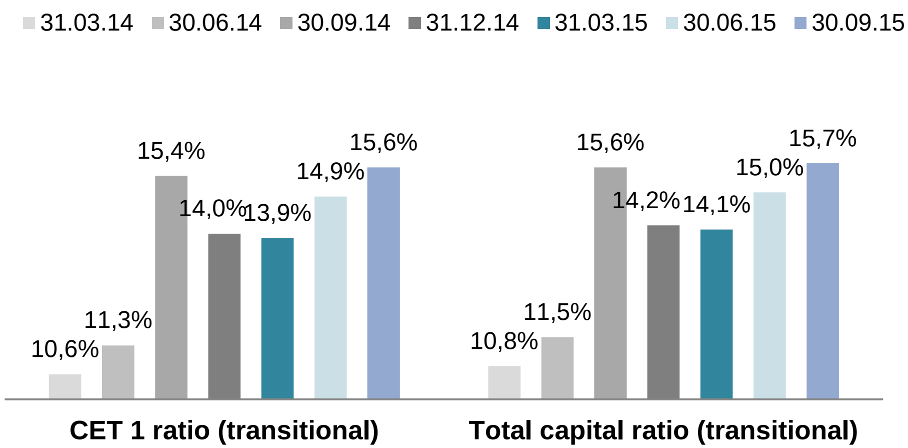
Evolution for CET1 ratio during 3Q2015[1]



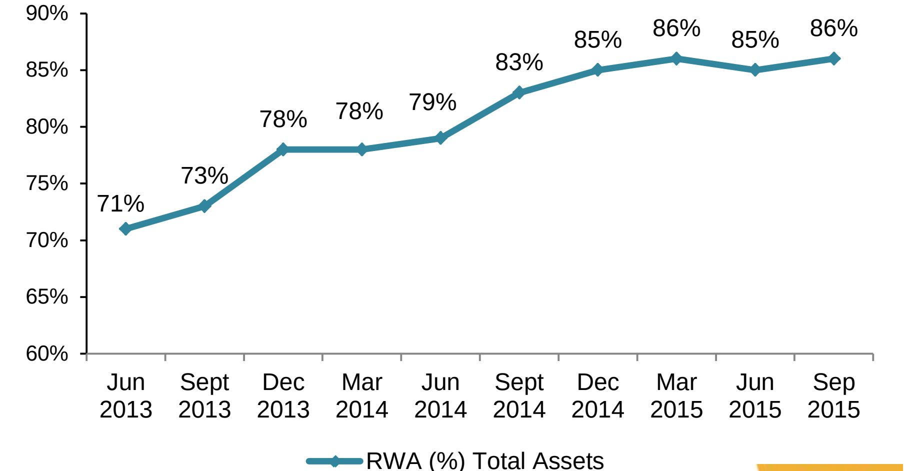
'Clean' Fully Loaded CET1 ratio[2] (September – 2015[3])



Capital Adequacy Ratios on an improving trend



RWA intensity one of the highest among EU banks



[1] Includes independently verified profits for 9M2015
[2] As per Citigroup Research, 'Clean' Fully Loaded CET1 ratio excludes Deferred Tax Credits, AFS and Danish Compromise Estimated Impact.
[3] Includes data for 3 EU banks as at 31 March 2015, 3 EU banks as at 30 June 2015 and 32 EU banks as at 30 September 2015

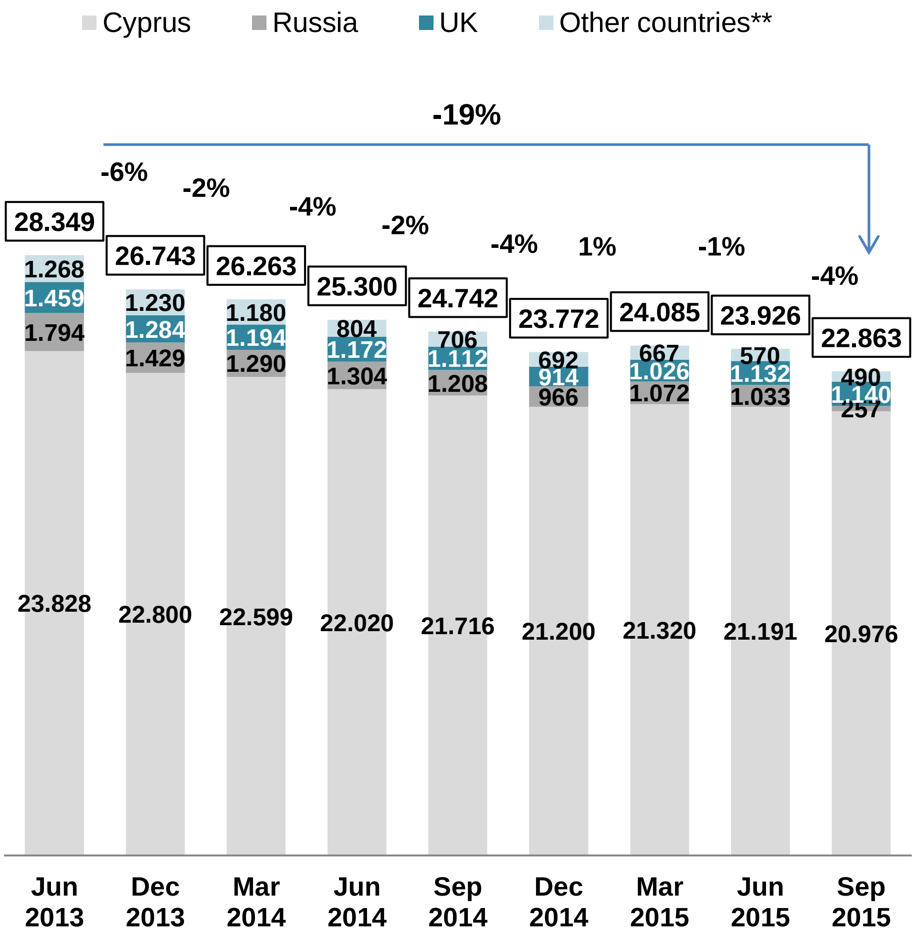
Capital Position

SREP Process and onsite inspection

- **Current SREP and onsite inspection process** and related considerations with the ECB expected to be concluded by end-2015.
- The onsite inspection and related draft recommendation letter state that, on the basis of a modified set of assumptions, there is, in the ECB's view, **a provision-related adjustment of around €300 mn for the judgemental (specifically assessed) portfolio and around €700 mn for the statistical (collectively assessed) portfolio**, mostly relating to the recovery value of real estate collateral. **The Group is contesting certain of the assumptions used by ECB for the calculation of the provisions for the credit risk inspection.** The Group has substantially recognised the provisions for the judgmental portfolio reviewed by the ECB and part (around €100 mn) of the provisions for the reviewed statistical portfolio in the 9M2015 results, as part of the normal application of its provisioning methodology. The Group considers that the ECB calculated adjustments do not indicate that the Group is not in compliance with IFRS
- If the impact of the provision-related adjustment calculated by the ECB and which, in the view of the Group, has not been recognised to date amounting to around €600 million was to be considered, **there would be a decrease of 2,4% on CET1 ratio (pre-tax)**
- The Group estimates that ECB's current SREP dialogue and onsite inspection process and related considerations will be concluded by the end of 2015. The CET1 Pillar II add-on capital requirement at 30 September 2015 stands at 5,2% (resulting in a total minimum CET1 of 13,2%) and it may be further reduced by future losses of up to €658 million, up to a CET1 ratio of 8%. The revised Pillar II CET1 capital requirement was preliminarily determined by the ECB to be 3,75%, resulting in a total minimum CET1 of 11,75%. Taking into account the Group's CET1 ratio of 15,6% as at 30 September 2015 and the expectations for the SREP process outcome, even after adjusting for potential additional capital requirements, as a result of the credit risk inspection, **the Group expects to be compliant with both its Pillar I and revised Pillar II add-on capital requirements and therefore does not expect to be required to raise any capital**

Gross Loans

Gross Loans* by Geography (€ mn)

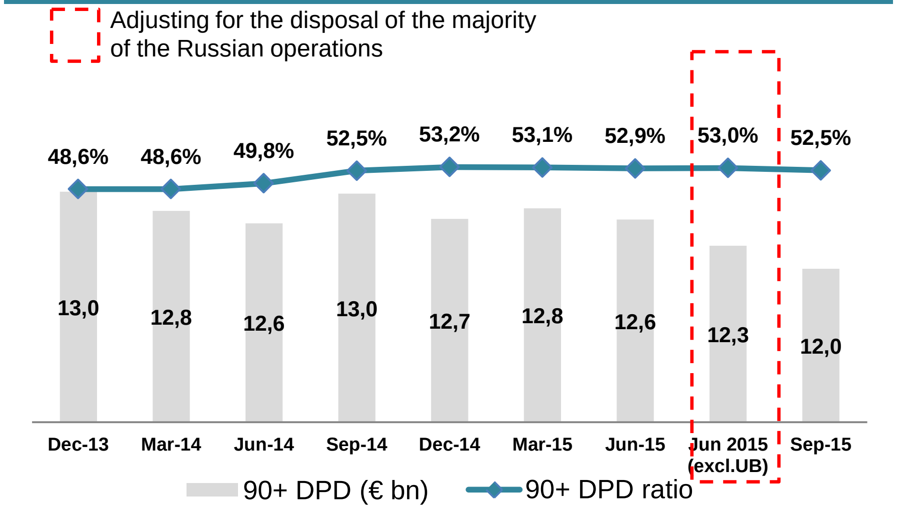


- Group gross loans totalled €22,9 bn at 30 September 2015, compared to €23,9 bn at 30 June 2015. Gross loans in Cyprus totalled €21,0 bn at 30 September 2015, and accounted for 92% of gross loans of the Group.
- Overall, a 19% reduction in Group gross loans since June 2013
- Domestic loan book reduced by 12% since June 2013, reflecting primarily customers' efforts to deleverage by using their deposits to pay down debt

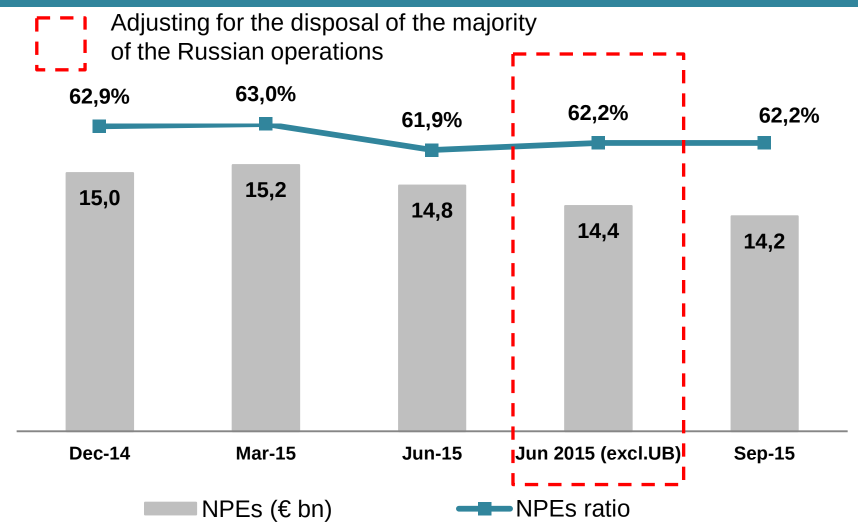
*** Gross loans are reported before fair value adjustment on initial recognition relating to loans acquired from Laiki Bank (difference between the outstanding contractual amount and the fair value of loans acquired) amounting to €1.266 mn (compared to €1.351 mn at 30 June 2015), including loans of discontinued operations/disposal group held for sale.**
**** Other countries: Romania, Ukraine (until March 2014) and Greece. Furthermore, certain loans and advances in Romania are included, that previously were reported under Cyprus.**

Credit Risk – Quality of Loan portfolio

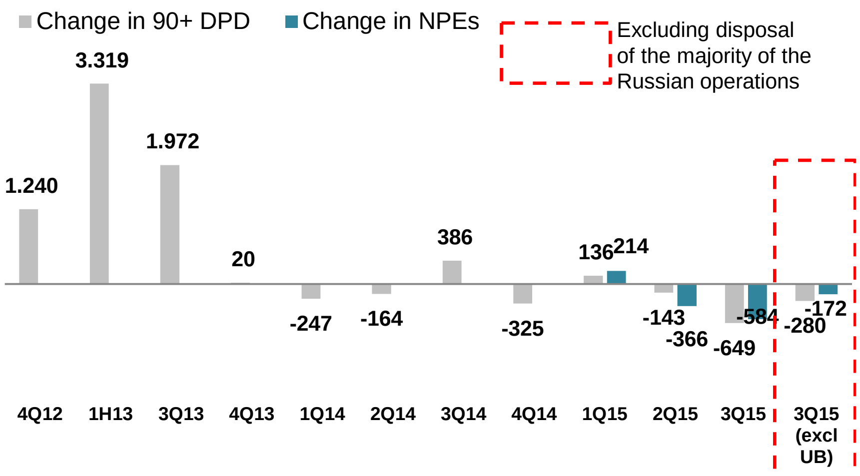
90+ DPD Loans



NPEs



Evolution of 90+ DPD and NPEs (€ mn)



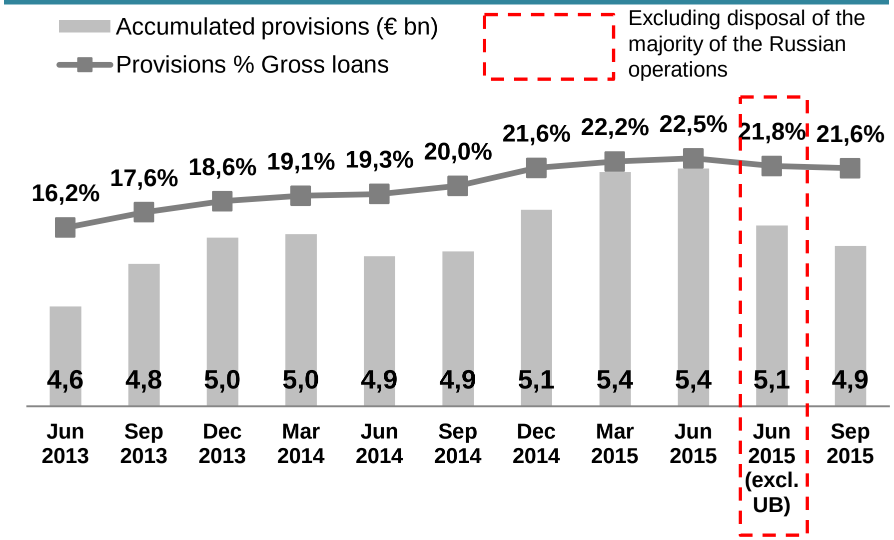
- 90+ DPD[1] decreased by €649 mn during 3Q2015 and totalled €12,0 bn at 30 September 2015. €369 mn of the reduction relates to the disposal of the Russian operations. 90+ DPD ratio stood at 52,5% at 30 September 2015
- Non Performing Exposures (NPEs), as per EBA definition, decreased by €584 mn during 3Q2015 and totalled €14,2 bn at 30 September 2015
- The level of NPEs exceeds the level of 90+ DPD, primarily due to the fact that cured performing exposures are required to remain in the NPEs category until specific probation timeframes have elapsed

Bank of Cyprus

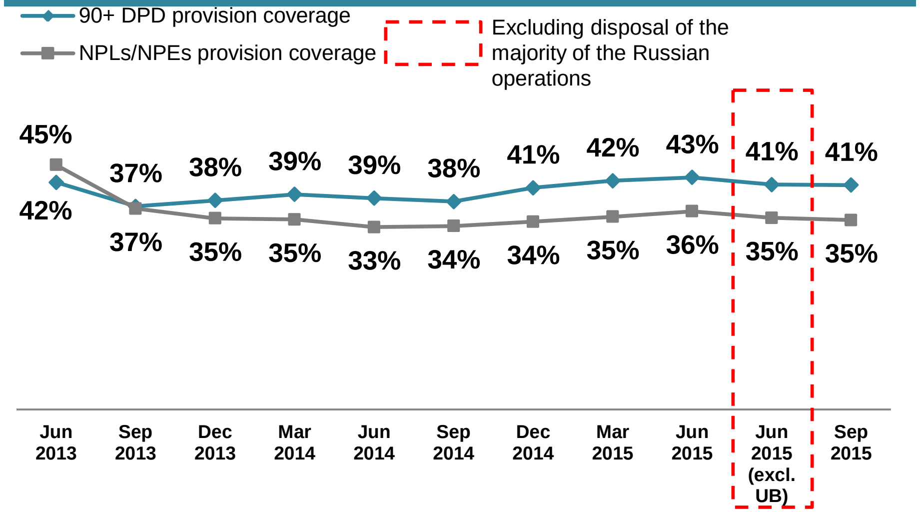
[1] Loans in arrears for more than 90 days (90+ DPD) are defined as loans with a specific provision and loans past-due for more than 90 days, but not impaired.

Credit Risk – Provisions

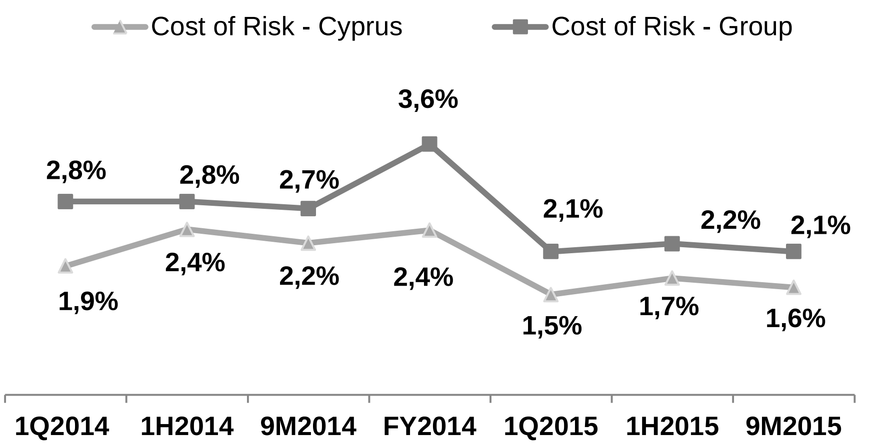
Accumulated provisions



Provision coverage ratios



Cost of risk[1]

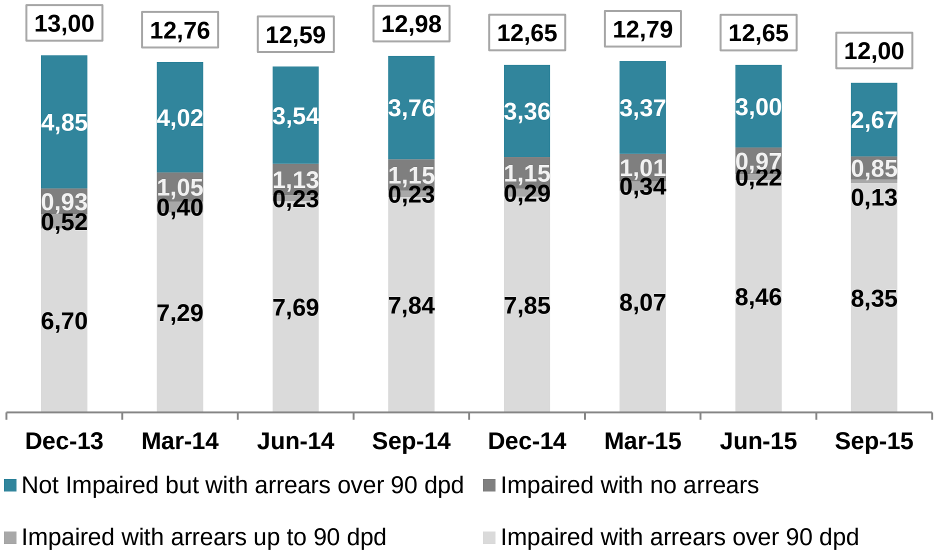


- Accumulated provisions totalled €4,9 bn and accounted for 21,6% of gross loans at 30 September 2015
- The provisioning coverage ratio of 90+ DPD has remained at the same level at 41%, as the previous quarter when adjusting June 2015 results to exclude the Russian operations. The provisioning coverage ratio of 90+ DPD taking into account unrecognised income on contractual customer balances, totalled 52% at 30 September 2015
- The provisioning coverage ratio of NPEs (as defined by EBA) totalled 35% at 30 September 2015
- Group annualised cost of risk for 9M2015 was 2,1%, compared to 2,2% for 1H2015 and 3,6% for FY2014; Annualised cost of risk for Cyprus for 9M2015 was 1,6%, compared to 1,7% for 1H2015

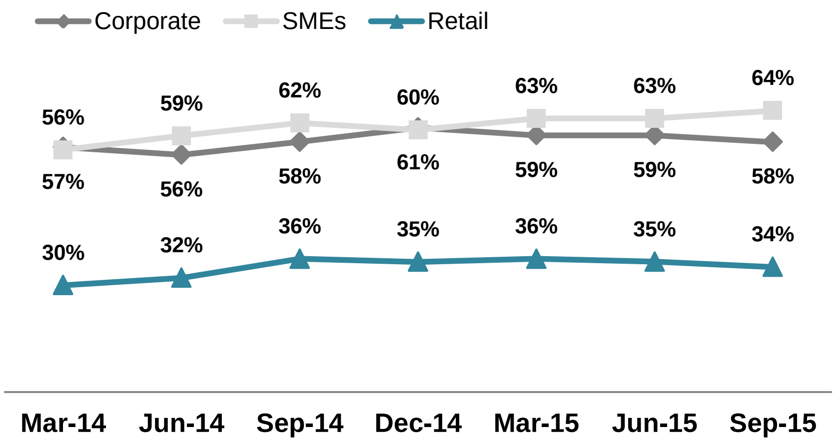
[1] Calculated as the provisions for impairment of customer loans, including provisions of discontinued operations, (in total €635 mn), net of gains on derecognition and changes in expected cash flows on acquired loans (totalling €263 mn) over average gross loans
[2] This ratio is calculated by adjusting both the provisions stock and the customer balances to include any unrecognized interest income due on contractual balances.

Credit Risk – 90+ DPD loans by number of days past due and by customer type

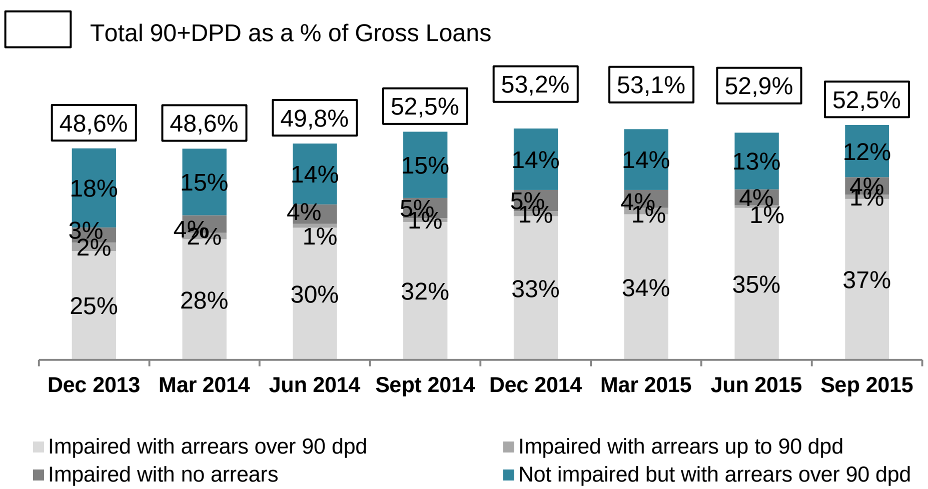
90+ DPD loans by number of days past due (€ bn)



Group 90+ DPD ratios by customer type (%)



90+ DPD by number of days past due as a % of gross loans



- Approximately €0,9 bn of loans classified as impaired have presented no arrears during the last few quarters. The Bank is monitoring the performance of these customers.
- 90+ DPD ratio of Corporate, SMEs and Retail has been relatively stable at 58%, 64% and 34% respectively at 30 September 2015 compared to 30 June 2015

Credit Risk by customer type – 90+ DPD fully covered by provisions & tangible collateral

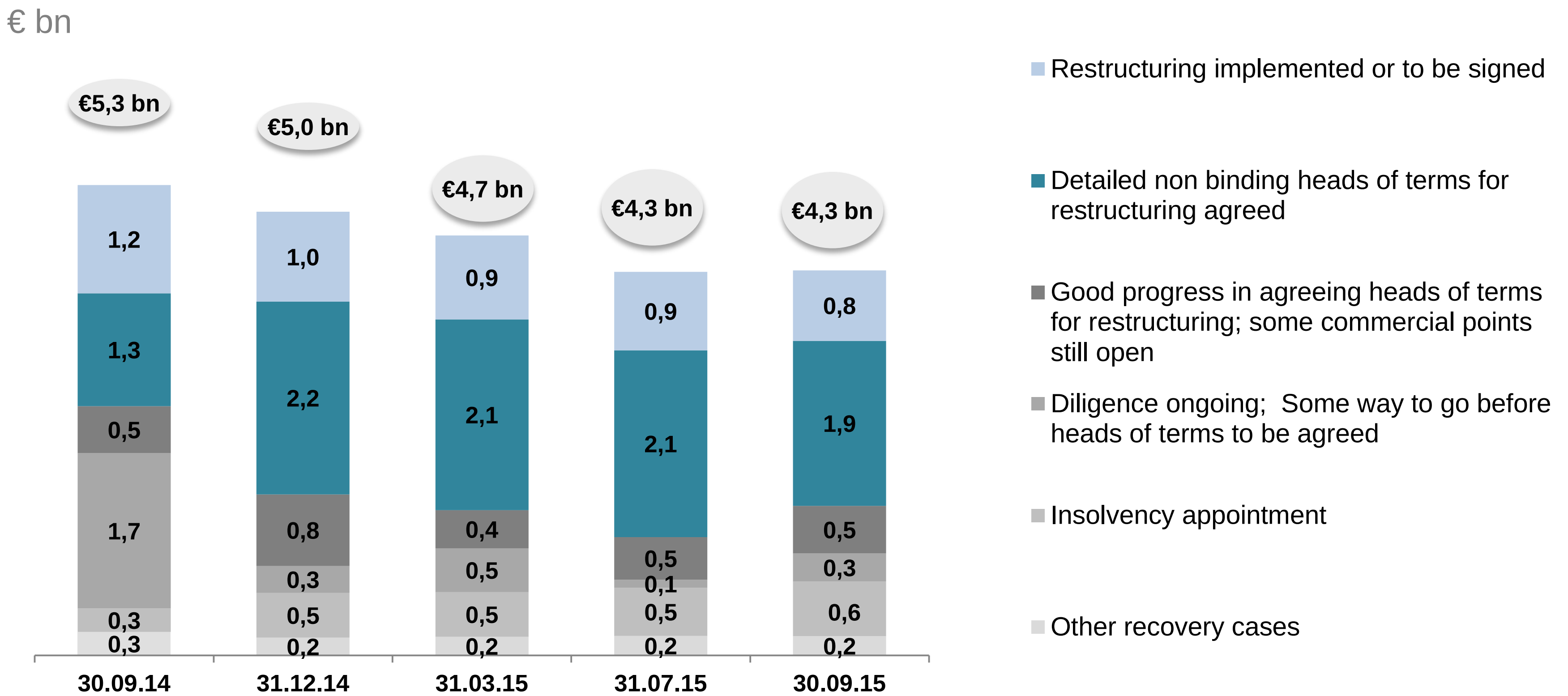
30 September 2015	Corporate	SMEs	Retail - Housing	Retail - Other	Cyprus
	48%	21%	21%	10%	100%
Gross loans (€ bn)	10,0	4,5	4,3	2,2	21,0
90+ DPD loans by segment	61%	66%	26%	50%	54%
Loan Loss Reserve (LLR) coverage	43%	33%	25%	51%	39%
Tangible coverage	72%	75%	81%	53%	72%
Total coverage	115%	108%	106%	104%	111%

Significant provision and collateral coverage, with additional comfort from personal guarantees

xx % of total gross loans (Cyprus only)

Restructuring and Recoveries Division

Good progress has been made with Restructuring efforts on top 30 exposures[1] assumed by RRD



- Currently, about €0,8 bn of restructured loans that are managed and monitored by RRD will be transferred to business lines upon satisfactory performance

[1] Funded and unfunded exposures. Top 30 exposures assumed by RRD on 30 November 2013 and their progress over time

Overseas non-core operations

The non-core overseas operations as at 30 September 2015 were as follows:

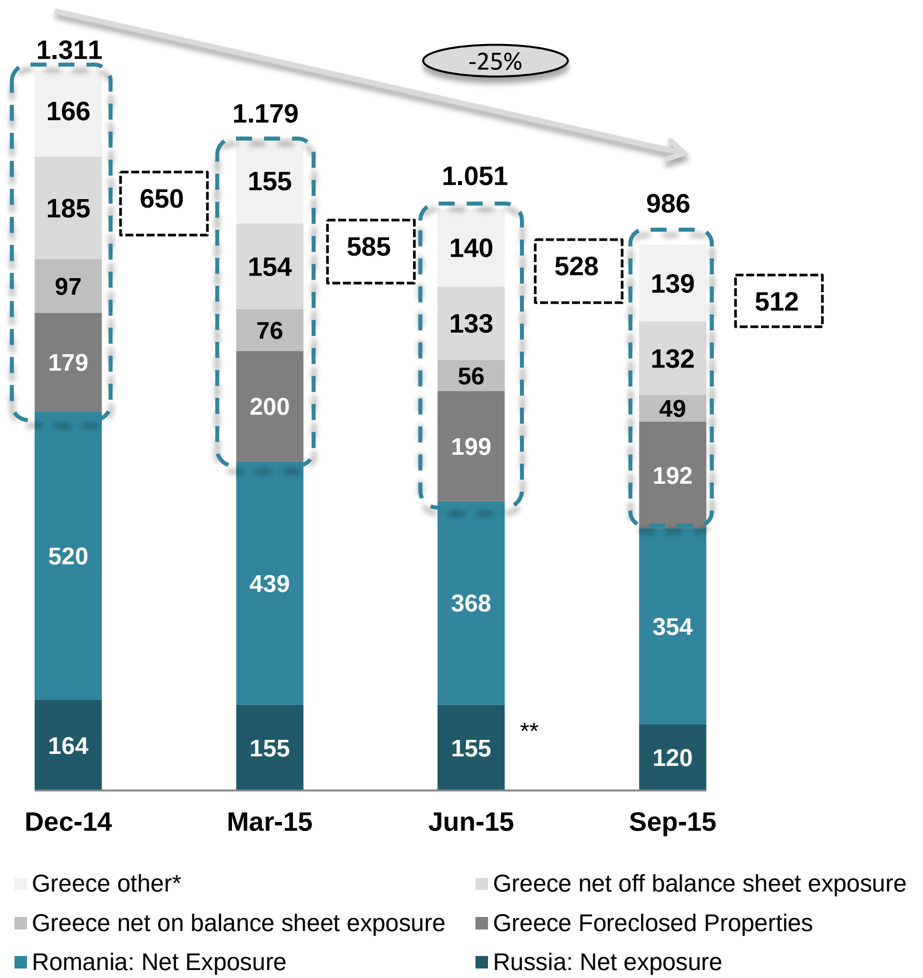
Greece: The net exposure comprised:

- **(a)** Net on-balance sheet exposures (excluding foreclosed properties) totalling €49 mn;
- **(b)** 637 foreclosed properties with a book value of €192 mn;
- **(c)** off-balance sheet exposures totalling €132 mn; and
- **(d)** lending exposures to Greek entities in the normal course of business in Cyprus totalling €71 mn, and lending exposures in Cyprus with collaterals in Greece totalling €68 mn.

Romania: The overall net exposure is €354 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 €120 mn

Overseas non-core operations (€ mn)



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

** As per the completion of the announcement dated 28 September 2015. Comprising €135 mn on-balance sheet and €20 mn off-balance sheet exposures, based on the Group financial results for the six months ended 30 June 2015.

Significant progress made on Group KPIs, with a clear plan of action to achieve medium-term targets

Category	Key performance indicators	Group Dec-2014	Group Sep-2015	Cyprus Sep-2015	Medium-term target (2017) *
Asset quality	90+ DPD coverage	41%	41%	39%	**40%-50%**
	Provisioning charge	3,6%	2,1%**	1,6%	**<1,0%**
Funding	Eurosystem funding % total balance sheet	31%	22%	n.a	**<25%**
Capital	Basel 3 transitional CET1	14,0%	15,6%	n.a	**>12%**
Margins and efficiency	Net interest margin	3,9%	3,9%	3,7%	**~3,25%**
	Fee and commission income/ total income	13%	15%	14%	**Increase**
	Cost to income ratio	36%	38%	35%	**40%-45%**

Key Pillars & Plan of action

1. Reverse trend on overdue loans
- Continue restructuring, capitalising on the foreclosure law
- Seek FDI to enhance business viability
- Re-cycle restructured loans into the lending business for continued support and service

2. Normalise funding; Eliminate ELA
- Boost deposits by leveraging on stronger capital position
- Access Debt Capital Markets on the back of improved ratings, stronger financial soundness and better prospects
- Proceeds from disposal of non- core operations

3. Focus on core markets in Cyprus
- Direct lending into promising sectors with a view to funding the recovery of the Cypriot economy
- Further diversify income stream by boosting fee income from new sources in international business and wealth

4. Achieve a lean operating model
- Set-out a digital vision and introduce appropriate technology to enhance product distribution channels
- Introduce technology and processes to reduce operating costs
- Introduce HR policies aimed at enhancing productivity

5. Deliver returns
- Strengthen governance and risk management to deliver appropriate medium-term risk-adjusted returns

*** Medium term target refers to the targets set as per the latest NDR presentation (available on the Group's website).**
**** Calculated as the provisions for impairment of customer loans, including provisions of discontinued operations, (in total €635 mn), net of gains on derecognition and changes in expected cash flows on acquired loans (totalling €263 mn) over average gross loans**

Key Takeaways

- **Leading financial institution** in an economy that is on the road to economic recovery
- **CET1 ratio at 15,6% (transitional basis);** capital position shields the Group from further shocks and helps in regaining trust of counterparties; at the same time, we are confident about the outcome of the SREP discussion
- During 3Q2015 the Bank disposed **of the majority of the Russian operations;** With the disposal the Bank completes the disposal of the Group’s overseas banking subsidiaries identified for sale.
- **Improving funding structure with an increasing deposit base in Cyprus**; L/D ratio at 132% and customer deposits at 56% of total assets
- **ELA reduced by €7,1 bn to €4,3 bn** through deleveraging actions, capital proceeds and customer inflows.
- **90+ DPD** reduced to €12 bn; a reduction of €649 mn during 3Q2015, out of which €369 mn due to the disposal of the majority of the Russian operations; provision coverage stood at 41% while taking into account the unrecognised interest income calculated with reference to the contractual balances of the customer, the provisioning coverage rises to 52%.
- The adoption of the **foreclosure legislation and insolvency framework** coupled with the improved fundamentals of the Cypriot economy is a significant step in enabling the Bank to tackle its delinquent loans and to improve its asset quality.
- **Recurring profitability** stabilising, Profit after tax from continuing operations and Profit after tax of €115 mn and €73 mn for 9M2015, respectively

Key Information and Contact Details

Credit Ratings:

Fitch Ratings:
Long-term Issuer Default Rating: upgraded to "CCC" on 28 April 2015
Short-term Issuer Default Rating: affirmed at "C" on 28 April 2015
Viability Rating: upgraded to "ccc" on 28 April 2015

Moody's Investors Service:
Baseline Credit Assessment: Affirmed at caa3 on 28 May 2015 (stable outlook)
Short-term deposit ratings: Affirmed at "Not Prime" on 17 November 2014
Long-term deposit ratings: 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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Consolidated Balance Sheet

€ mn	% change	30.09.15	31.12.14
Cash and balances with Central Banks	-13%	986	1.139
Placements with banks	-15%	1.399	1.647
Debt securities, treasury bills and equity investments	-44%	1.428	2.541
Net loans and advances to customers	-1%	17.980	18.168
Other assets	-	2.381	2.378
Non current assets and disposal groups classified as held for sale	-97%	23	916
Total assets	**-10%**	**24.197**	**26.789**

Note:

As from 4Q2014, the Group's operations in Russia are treated as disposal group held for sale and results have been presented accordingly as discontinued operations according to IFRS 5. In September 2015, the Bank completed the sale of the majority of its Russian operations. The part of the operations not disposed of, has ceased to be classified as held for sale and its results are presented as part of the continuing operations.

€ mn	% change	30.09.15	31.12.14
Amounts due to banks	+99%	323	162
Funding from Central Banks	-35%	5.403	8.284
Repurchase agreements	-37%	368	580
Customer deposits	+8%	13.608	12.624
Debt securities in issue	+1%	1	1
Other liabilities	-9%	956	1.046
Non current liabilities and disposal groups classified as held for sale	-	-	611
Total liabilities	**-11%**	**20.659**	**23.308**
Share capital	0%	892	892
Capital reduction reserve and share premium	0%	2.505	2.505
Revaluation and other reserves	+41%	208	147
Accumulated losses	+10%	(87)	(79)
Shareholders' equity	**+2%**	**3.518**	**3.465**
Non controlling interests	+26%	20	16
Total equity	**+2%**	**3.538**	**3.481**
Total liabilities and equity	**-10%**	**24.197**	**26.789**

Consolidated Income Statement

€ mn	3Q2015	2Q2015*	1Q2015*	4Q2014*	3Q2014*
Net interest income	205	212	227	225	231
Net fee and commission income	36	36	43	35	37
Insurance income net of insurance claims	12	9	11	10	10
Core income	*253*	*257*	*281*	*270*	*278*
Other income	(2)	4	(7)	6	(16)
Total income	**251**	**261**	**274**	**276**	**262**
Staff costs	(59)	(59)	(59)	(59)	(59)
Other operating expenses	(43)	(33)	(43)	(56)	(44)
Total expenses	**(102)**	**(92)**	**(102)**	**(115)**	**(103)**
Profit before provisions and impairments, gains on derecognition and changes in expected cash flows on acquired loans, restructuring costs and discontinued operations	**149**	**169**	**172**	**161**	**159**
Provisions for impairment of customer loans net of gains on derecognition and changes in expected cash flows on acquired loans	(96)	(123)	(110)	(312)	(119)
Impairments of other financial and non-financial assets	(6)	(30)	(1)	(57)	1
Share of profit/(loss) from associates and joint ventures	1	1	1	3	(3)
Profit/(loss) before tax, restructuring costs and discontinued operations	**48**	**17**	**62**	**(205)**	**38**
Tax	(8)	(3)	(7)	(1)	(6)
Profit attributable to non - controlling interests	5	1	0	17	2
Profit/(loss) after tax and before restructuring costs, discontinued operations and net profit on disposal of non-core assets	**45**	**15**	**55**	**(189)**	**34**
Restructuring costs	(5)	(14)	(8)	(4)	(11)
Loss from disposal group held for sale / discontinued operations	(9)	(11)	(18)	(131)	(28)
Net (loss)/gain on disposal of non-core assets	(18)	41	-	(13)	-
Profit/(loss) after tax	**13**	**31**	**29**	**(337)**	**(5)**

•Comparative information has been represented. See Note 4.2 of the Financial Report for the 9 months ended 30 September 2015, Comparative information.

Income Statement bridge for 9M2015

€ mn	Per presentation	Reclassification	Per financial statements
Net interest income	644		644
Net fee and commission income	115		115
Net foreign exchange gains/(losses) and net gains/(losses) on other financial instruments	18	41	59
Insurance income net of insurance claims	32		32
Losses from revaluation and disposal of investment properties	(36)		(36)
Other income	13		13
Total income	**786**		**827**
Total expenses	**(296)**	(27)	**(323)**
Profit before provisions and impairments, gains on derecognition and changes in expected cash flows on acquired loans, restructuring costs and discontinued operations	**490**		**504**
Provisions for impairment of customer loans	(592)		(592)
Gains on derecognition and changes in expected cash flows on acquired loans	263		263
Impairments of other financial and non-financial assets	(37)		(37)
Share of profit from associates	3		3
Profit before tax, restructuring costs and discontinued operations	**127**		**141**
Tax	(18)		(18)
Loss attributable to non-controlling interests	6		6
Profit after tax and before restructuring costs, discontinued operations and net profit from disposal of non-core assets	**115**		**129**
Restructuring costs	(27)	27	-
Net gains on disposal of non-core assets	23	(23)	-
Loss from disposal group held for sale / discontinued operations, net of minority interest	(38)	(18)	(56)
Profit after tax	**73**		**73**

Cyprus Income Statement

(€ mn)	9M2015	9M2014	3Q2015	2Q2015	1Q2015	4Q2014	3Q2014
Net interest income	603	704	192	200	211	216	216
Net fee & commission income	110	111	34	34	42	34	35
Insurance income net of insurance claims	31	33	11	8	12	10	9
Core income	*744*	*848*	*237*	*242*	*265*	*260*	*260*
Other income /(expenses)	22	(10)	16	8	(2)	7	(14)
Total income	**766**	**858**	**253**	**250**	**263**	**267**	**246**
Staff costs	(164)	(165)	(54)	(55)	(55)	(56)	(55)
Other operating expenses	(106)	(114)	(38)	(31)	(37)	(54)	(38)
Total expenses	**(270)**	**(279)**	**(92)**	**(86)**	**(92)**	**(110)**	**(93)**
Profit before provisions and impairments	**496**	**579**	**161**	**164**	**171**	**157**	**153**
Provisions[1]	(254)	(373)	(73)	(102)	(79)	(177)	(95)
Impairment of other financial assets and non financial assets	(26)	(33)	(6)	(19)	(1)	(48)	1
Share of profit/(loss) from associates	3	2	0	1	2	3	(2)
Profit/(loss) before tax	**219**	**175**	**82**	**44**	**93**	**(65)**	**57**
Tax	(16)	(4)	(6)	(2)	(8)	0	(2)
Profit/(loss)attributable to non-controlling interests	0	(0)	0	(0)	0	1	(0)
Profit/(loss) after tax and before one off items	**203**	**171**	**76**	**42**	**85**	**(64)**	**55**

1. Provisions for impairment of customer loans and gains on derecognition and changes in expected cash flows on acquired loans

Cyprus: Income Statement by business line

(€ mn)	Consumer Banking	SME Banking	Corporate Banking	International Banking	Wealth & Brokerage & Asset Management	RRD	Other	Total Cyprus
Net interest income	187	52	52	46	5	221	40	603
Net fee & commission income	41	7	6	36	1	11	8	110
Other income /(expenses)	4	0	0	5	3	0	41	53
Total income	**232**	**59**	**58**	**87**	**9**	**232**	**89**	**766**
Total expenses	**(90)**	**(9)**	**(8)**	**(16)**	**(4)**	**(24)**	**(119)**	**(270)**
Profit/(loss) before provisions and impairments	**142**	**50**	**50**	**71**	**5**	**208**	**(30)**	**496**
Provisions for impairment of customer loans net of gains on derecognition and changes in expected cash flows on acquired loans	20	34	27	(1)	(4)	(340)	10	(254)
Impairment of other financial assets	-	-	-	-	-	-	(26)	(26)
Share of profits from associates	-	-	-	-	-	-	3	3
Profit/(loss) before tax	**162**	**84**	**77**	**70**	**1**	**(132)**	**(43)**	**219**
Tax	(19)	(11)	(10)	(9)	(1)	17	17	(16)
Profit/(loss) after tax and before one off items	**143**	**73**	**67**	**61**	**0**	**(115)**	**(26)**	**203**
Cost-to-Income ratio	**39%**	**16%**	**14%**	**18%**	**42%**	**10%**	**-**	**34%**

Summary Income Statement by Geography

(€ mn)	UK		OTHER	
	9M2015	9M2014	9M2015	9M2014
Net interest income	23	26	35	65
Net fee & commission income	4	3	9	17
Insurance income net of insurance claims	-	-	1	2
Other income /(expenses)	0	1	(6)	13
Total income	**27**	**30**	**39**	**97**
Staff costs	(11)	(9)	(24)	(29)
Other operating expenses	(12)	(9)	(30)	(45)
Total expenses	**(23)**	**(18)**	**(54)**	**(74)**
Profit/(loss) before provisions and impairments	**4**	**12**	**(15)**	**18**
Provisions[1]	7	(28)	(125)	(131)
Impairment of other financial assets and non financial assets	-	-	(11)	(5)
Share of profit from associates	-	-	-	-
Profit/(loss) before tax	**11**	**(16)**	**(151)**	**(113)**
Tax	(1)	(1)	0	(10)
Profit attributable to non-controlling interests	-	-	15	16
Profit/(loss) after tax and before one off items	**10**	**(17)**	**(136)**	**(107)**

1. Provisions for impairment of customer loans and gains on derecognition and changes in expected cash flows on acquired loans

Bank of Cyprus

Risk Weighted Assets by Geography – Regulatory Capital

Risk weighted assets by Geography (€ mn)

	30.09.14	31.12.14	31.03.15	30.06.15	30.09.15
Cyprus	20.296	20.452	20.473	19.607	19.551
Russia	1.203	706	813	708	30
United Kingdom	633	986	1.162	667	663
Romania	316	308	294	318	253
Greece	367	217	181	180	173
Other[1]	48	46	49	47	47
Total RWA	**22.863**	**22.715**	**22.972**	**21.527**	**20.717**
RWA intensity(%)	**83%**	**85%**	**86%**	**85%**	**86%**

Risk weighted assets by type of risk (€ mn)

	30.09.14	31.12.14	31.03.15	30.06.15	30.09.15
Credit risk	20.834	20.625	20.881	19.426	18.793
Market risk	5	5	6	16	44
Operational risk	2.023	2.085	2.085	2.085	1.880
Total	**22.863**	**22.715**	**22.972**	**21.527**	**20.717**

Equity and Regulatory Capital (€ mn)

	30.09.14	31.12.14	31.03.15	30.06.15	30.09.15
Shareholders' equity	3.728	3.465	3.502	3.506	3.518
CET1 capital	3.512	3.191	3.201	3.205	3.231[2]
Tier I capital	3.512	3.191	3.201	3.205	3.231
Tier II capital	39	42	30	32	22
Total regulatory capital (Tier I + Tier II)	**3.551**	**3.233**	**3.231**	**3.237**	**3.253**

[1] Other countries include Ukraine, Channel Islands and Netherlands
[2] Includes independently verified profits for 9M2015

Reconciliation of Group Equity to CET 1

(€ mn)	30.09.15
Group Equity per financial statements	3.538
Less : Intangibles and other deductions	(16)
Less: Deconsolidation of insurance and other entities	(229)
Less: Regulatory adjustments (Minority Interest, DTA and other items)	(24)
Less: Revaluation reserves and other unrealised items transferred to Tier II	(38)
CET 1 (transitional)[1]	**3.231**
Less : Adjustments to fully loaded (mainly DTA)	**(108)**
CET 1 (fully loaded)	**3.123**
Risk Weighted Assets	**20.717**
CET 1 ratio (fully loaded)	**15,1%**
CET 1 ratio (transitional)[1]	**15,6%**

[1] **CET 1 ratio includes independently verified profits of 9M2015**

BOC- Main performance indicators

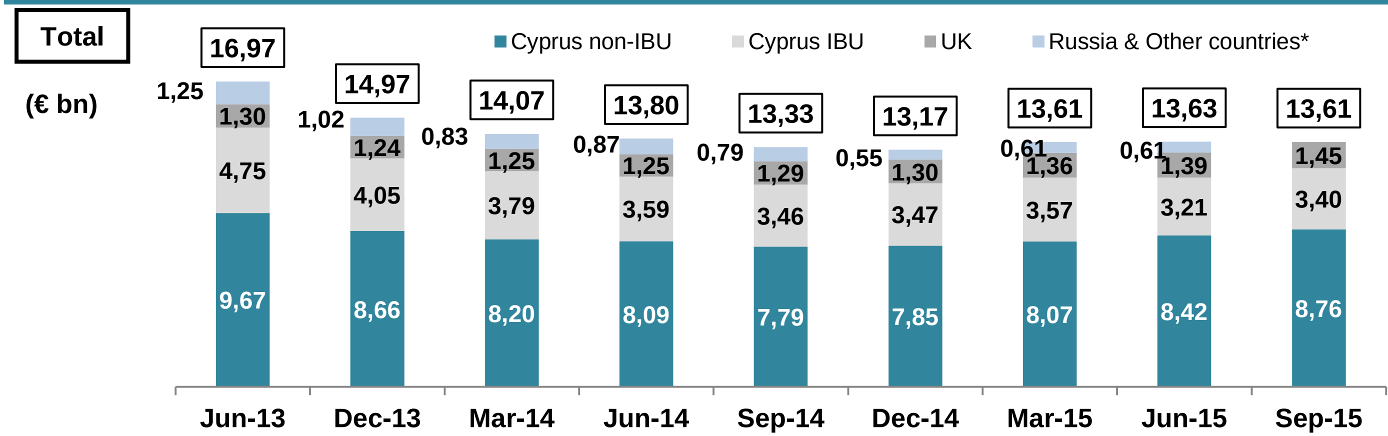
30 September 2015	Ratios	Group 9M2015
Performance	ROAA**	0,4%
	ROE **	2,8%
	Net Interest Margin	3,85%
	Cost to income ratio	38%
	Loans to deposits	132%
Asset Quality	90+ DPD (€ mn)/ 90+ DPD ratio	11.998 (52,5%)
	90+ DPD coverage	41%
	Cost of risk**	2,1%*
	Provisions / Gross Loans	21,6%
Capital	Transitional Common Equity Tier 1 capital (€ mn)	3,231
	CET1 ratio (transitional basis) (%)	15,6%
	Total Equity / Total Assets	14,5%

	Shareholder's Equity (€ mn)	Intangible assets (€ mn)	# shares (mn)	Book Value per share	Tangible Book Value per share
31/12/2013	2.663	131	4.684	0,57	0,54
31/03/2014	2.689	130	4.700	0,57	0,54
30/06/2014	2.748	135	4.756	0,58	0,55
30/09/2014	3.728	135	8.922	0,42	0,40
31/12/2014	3.465	127	8.922	0,39	0,37
31/03/2015	3.502	130	8.923	0,39	0,38
30/06/2015	3.506	128	8.923	0,39	0,38
30/09/2015	3.518	131	8.923	0,39	0,38

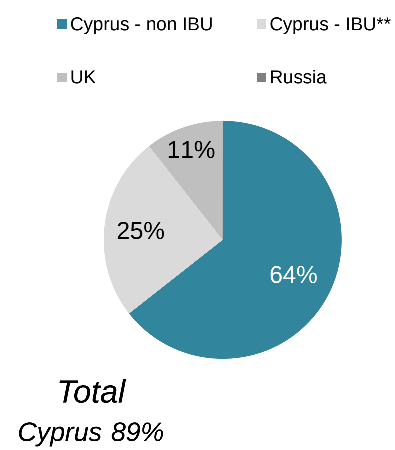
*** Calculated as the provisions for impairment of customer loans, including provisions of discontinued operations, (in total €635 mn) net of gains on derecognition and changes in expected cash flows on acquired loans (totalling €263 mn) over average gross loans**
**** Annualised figures**

Analysis of Deposits by Geography and by Type

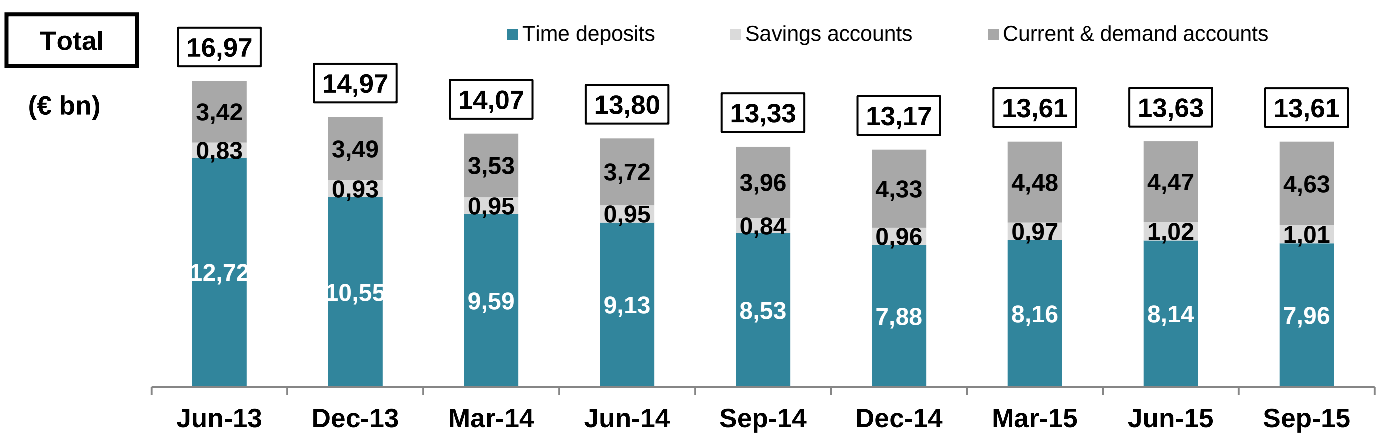
Deposits by geography



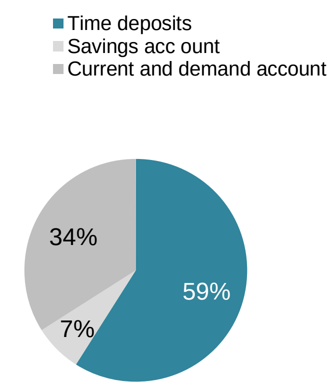
30 September 2015 (%)



Deposits by type of deposits



30 September 2015 (%)



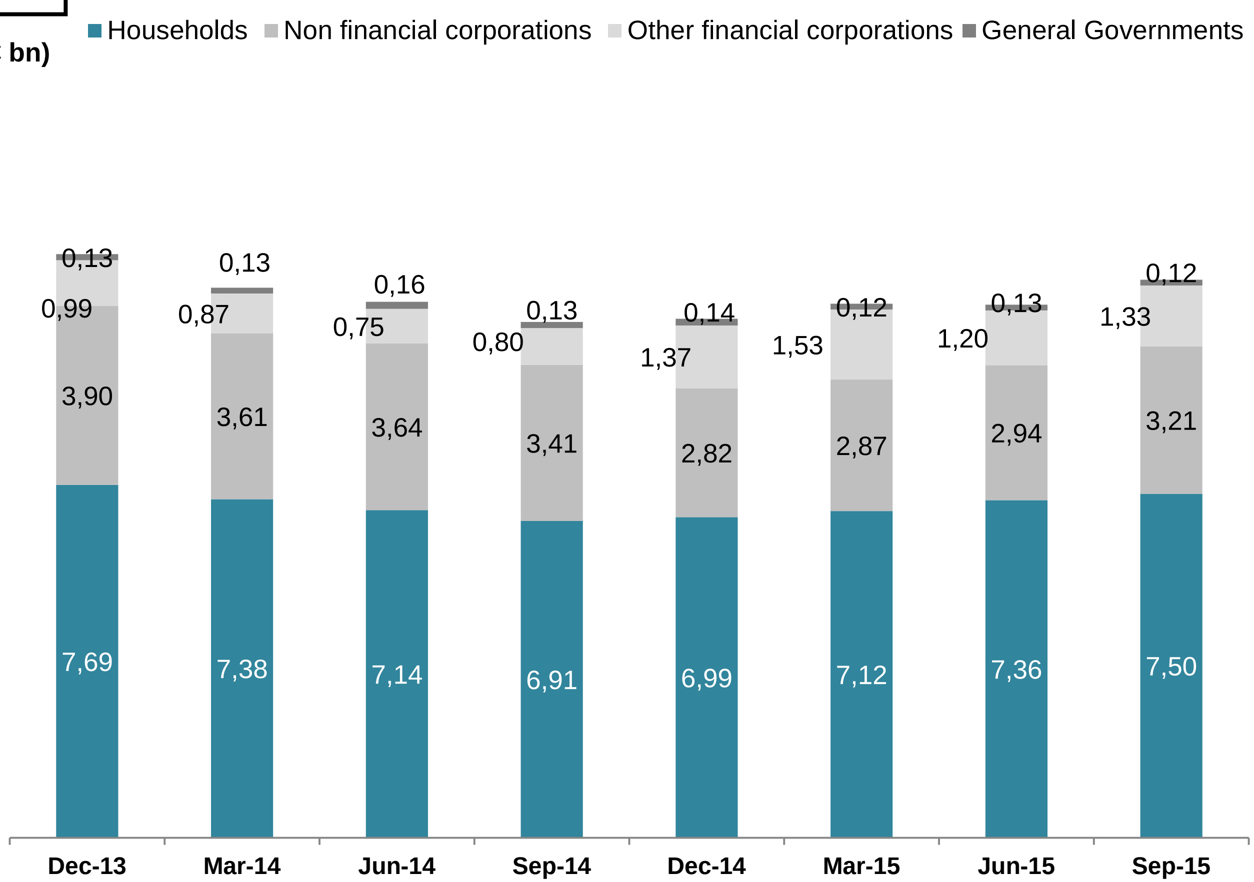
*** Other countries: Romania and Ukraine (until March 2014)**
**** IBU- Division servicing exclusively international activity companies registered in Cyprus and abroad and non-residents**

Analysis of Deposits by sector for Cyprus operations

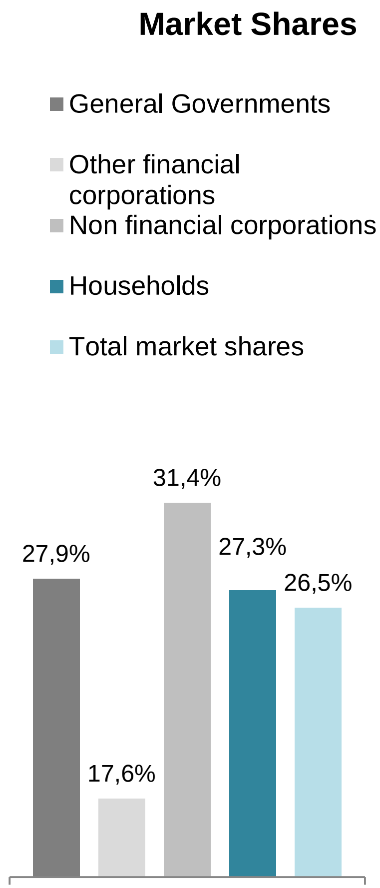
Deposits by sector as per CBC classification for Cyprus operations

Total

(€ bn)



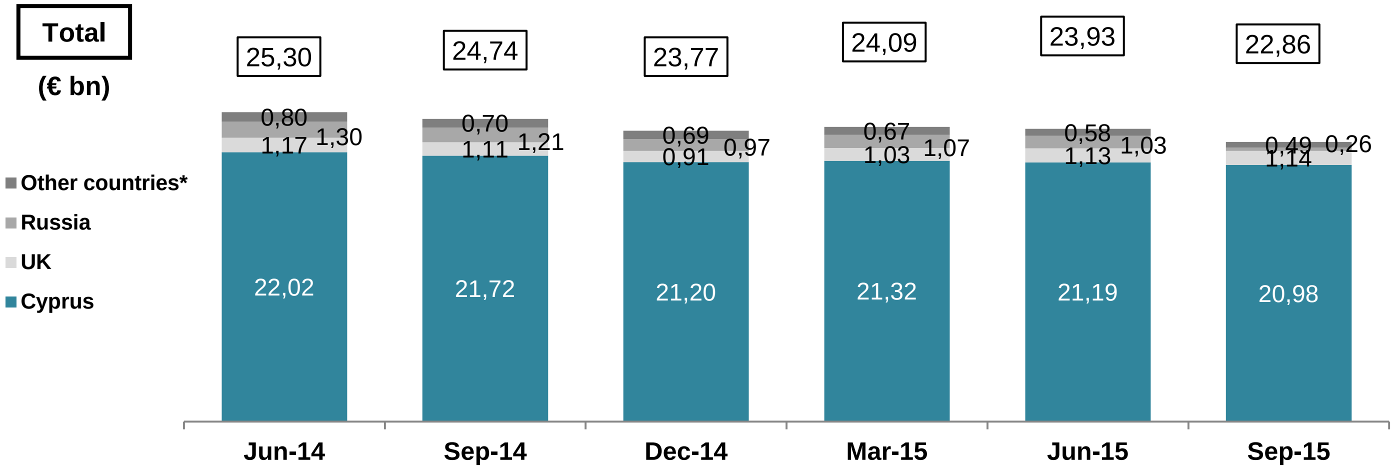
30 September 2015 (%)



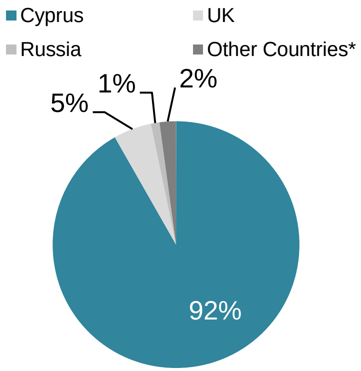
Bank of Cyprus

Gross loans by Geography and by Customer Type

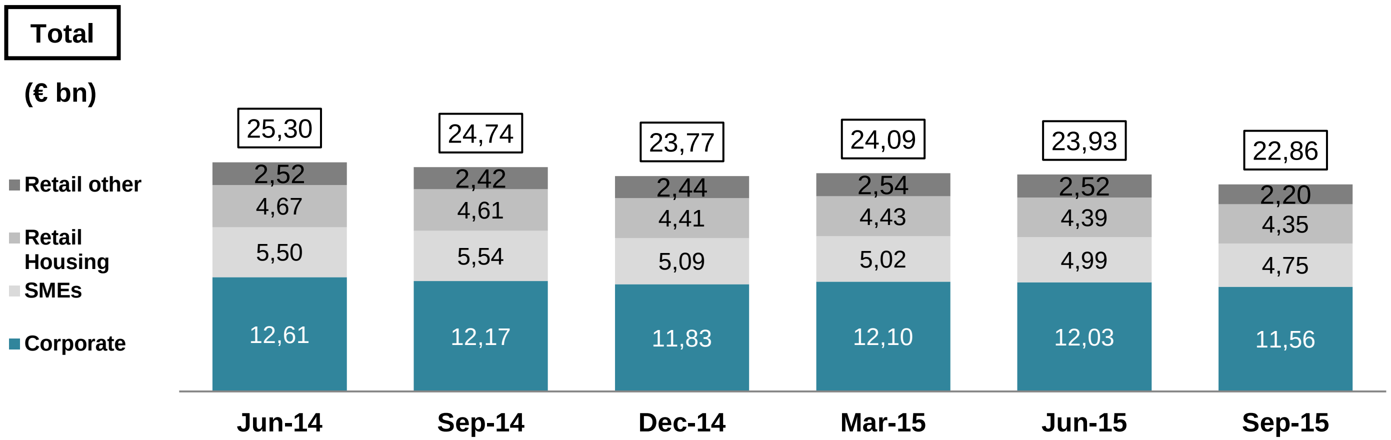
Gross loans by geography



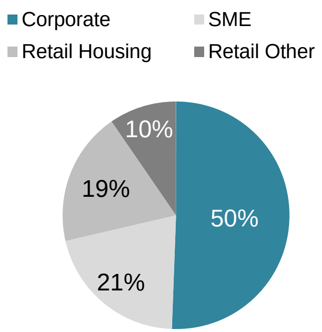
30 September 2015 (%)



Gross loans by customer type



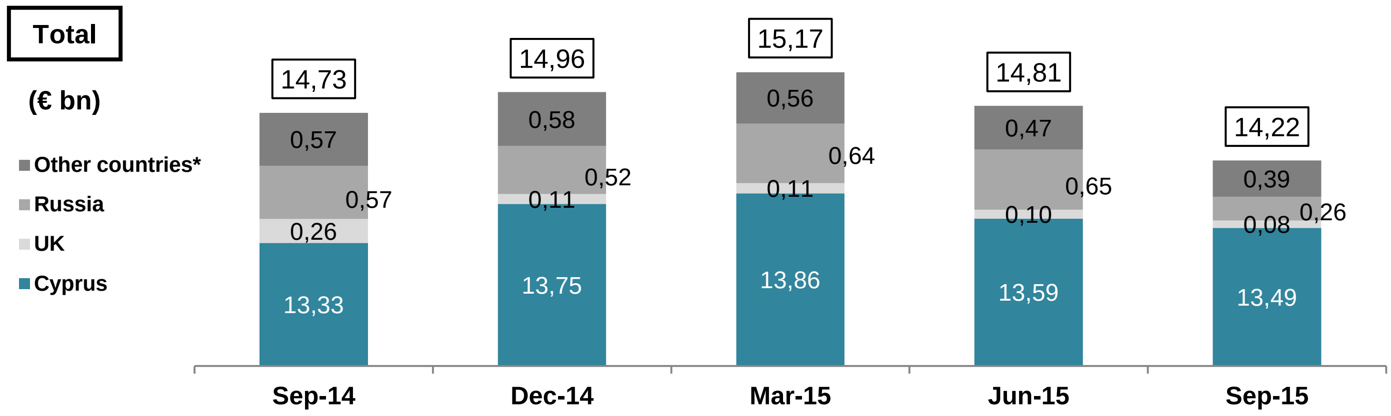
30 September 2015 (%)



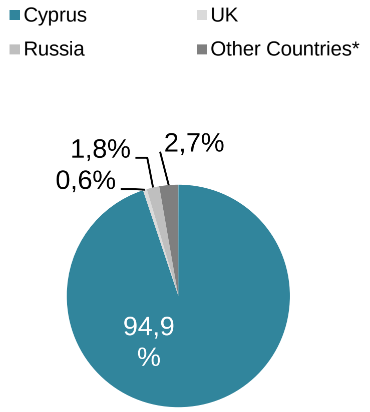
*Other countries: Greece, Romania and Ukraine (until March 2014)

NPEs by Geography and by Customer Type

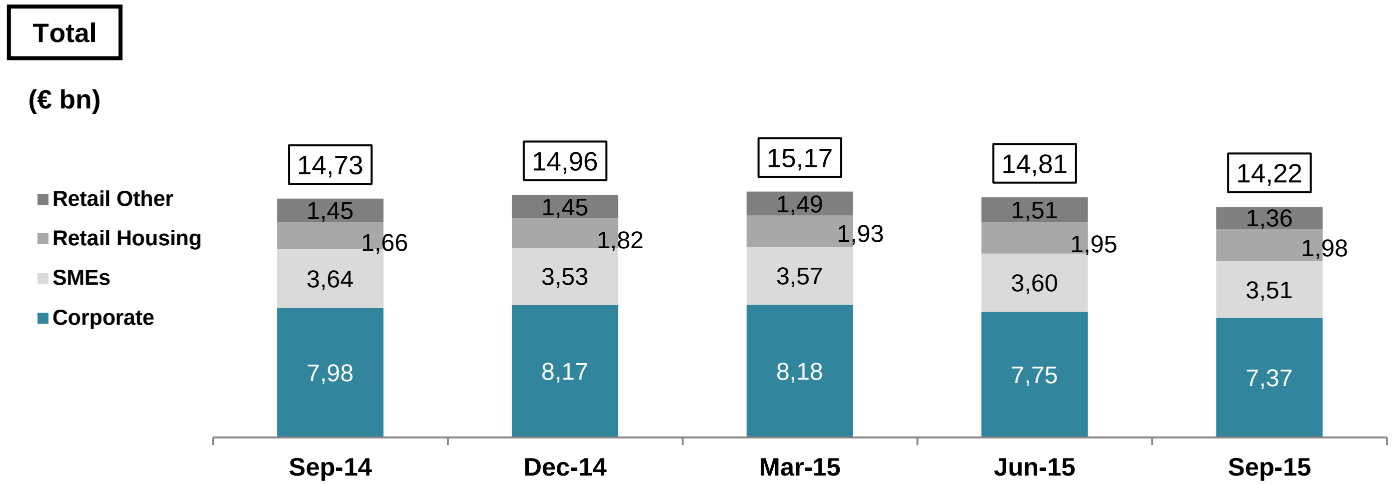
NPEs by geography



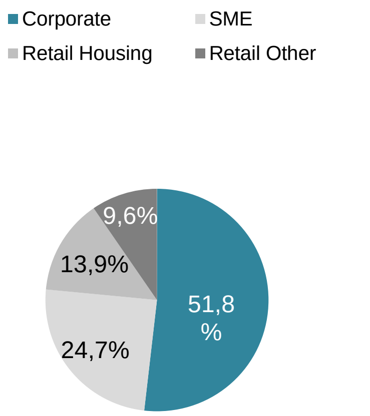
30 September 2015 (%)



NPEs by customer type



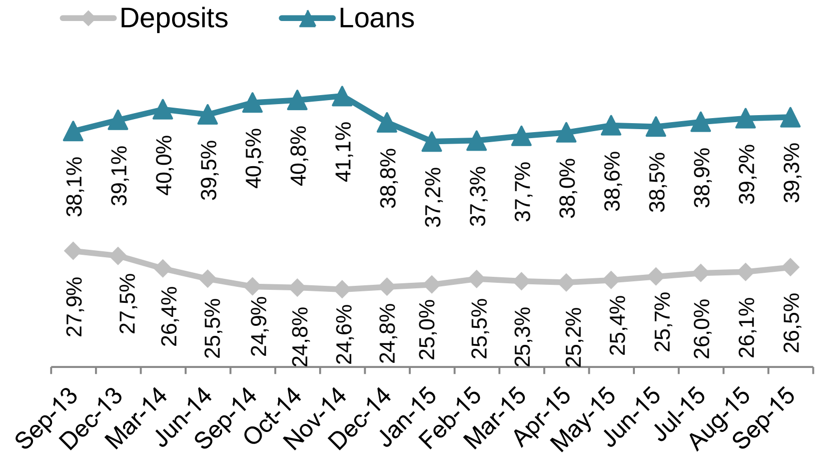
30 September 2015 (%)



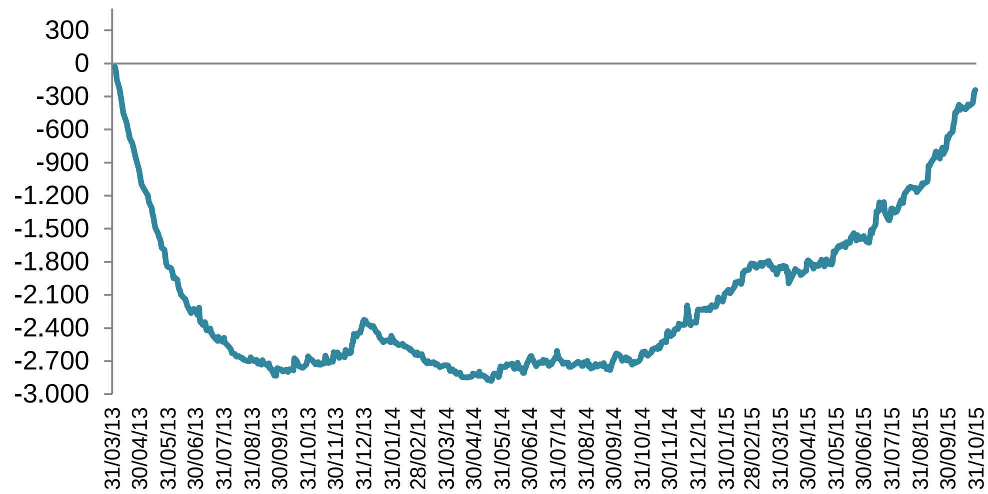
*Other countries: Greece and Romania

Market Shares and Customer flows in Cyprus

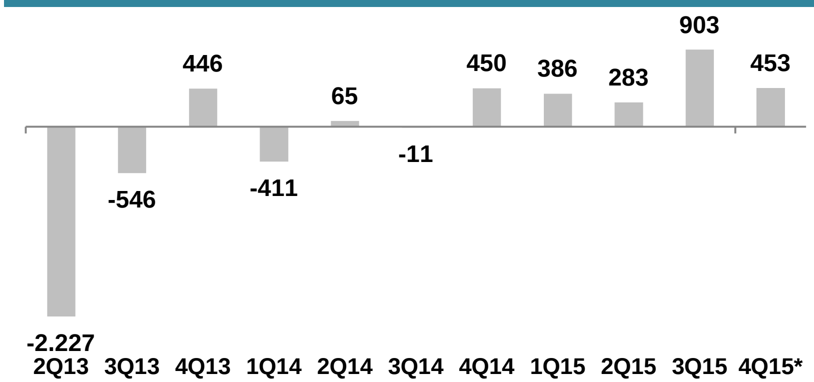
Market share evolution in Cyprus



Cumulative Customer flows (€ mn)



Total customer flows per quarter (€ mn)



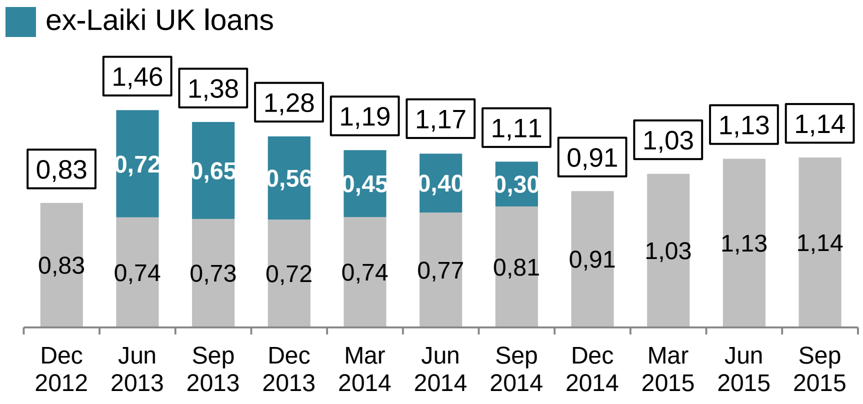
- Around 2% increase in the Bank's market share in deposits since low of 24,6% in November 2014.
- The Bank's market share in loans has been hovering around 39%
- Positive net customer flows** per quarter since 4Q2014 despite full abolition of capital controls in April 2015 and the recent adverse economic developments in Greece, underlying the decoupling of the Cypriot banking system and economy.
- Net customer flows** of €2,5 bn post 3Q2014 indicate a return of confidence by customers towards the Bank

* Up to 23 November 2015

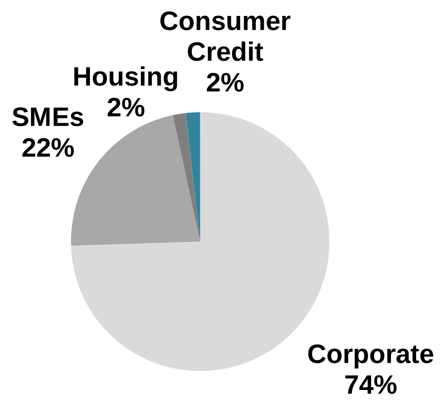
** Customer flows are defined as the difference between changes in the stock of customer deposits and changes in the stock of gross customer loans, taking into account, among others, provisions, write offs, accrued interest, fair value adjustments and foreign exchange fluctuations.

UK Operations

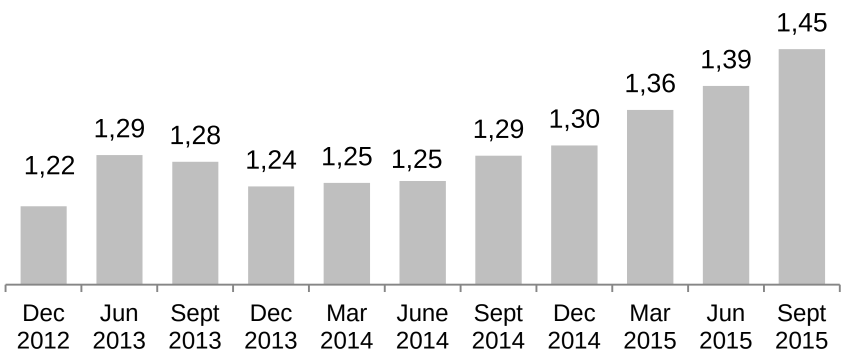
UK Loans (€ bn)



Loans by sector



UK Deposits (€ bn)



Asset Quality

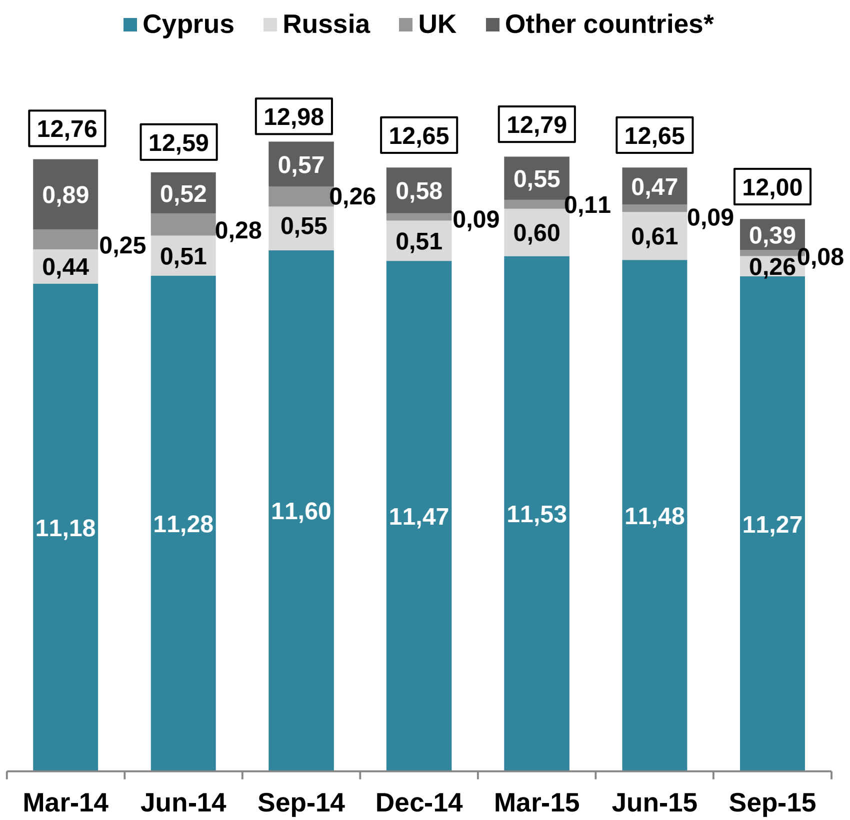
(€ mn)	Sept-15	Jun-15	Mar-15	Dec-14	Sep-14
A. Gross Loans after Fair value on Initial recognition	**21.597**	**22.575**	**22.540**	**22.206**	**23.136**
Fair value on Initial recognition	1.266	1.351	1.545	1.566	1.606
B. Gross Loans	**22.863**	**23.926**	**24.085**	**23.772**	**24.742**
B1. Loans with no arrears	**9.925**	**10.178**	**10.038**	**10.065**	**10.298**
B2. Loans with arrears but not impaired	**3.611**	**4.105**	**4.627**	**4.413**	**5.222**
Up to 30 DPD	585	668	662	562	750
31-90 DPD	355	435	596	492	716
+ 91-180 DPD	200	227	344	440	718
+ 181-365 DPD	374	529	758	926	1.058
+ Over 1 year DPD	2.097	2.246	2.267	1.993	1.980
+ **B3. Impaired Loans**	**9.327**	**9.644**	**9.420**	**9.294**	**9.221**
With no arrears	848	969	1.006	1.153	1.145
Up to 30 DPD	66	91	68	149	66
31-90 DPD	60	121	275	142	168
91-180 DPD	152	167	181	143	233
181-365 DPD	464	489	445	685	828
Over 1 year DPD	7.737	7.807	7.445	7.022	6.781
= **(90+ DPD)***	**11.998**	**12.646**	**12.789**	**12.653**	**12.977**
90+ DPD ratio (90 + DPD / Gross Loans)	**52,5%**	**52,9%**	**53,1%**	**53,2%**	**52,5%**
Accumulated provisions	**4.933**	**5.381**	**5.354**	**5.140**	**4.948**
Gross loans provision coverage	**21,6%**	**22,5%**	**22,2%**	**21,6%**	**20,0%**
90+ DPD provision coverage	**41,1%**	**42,5%**	**41,9%**	**40,6%**	**38,1%**

Bank of Cyprus

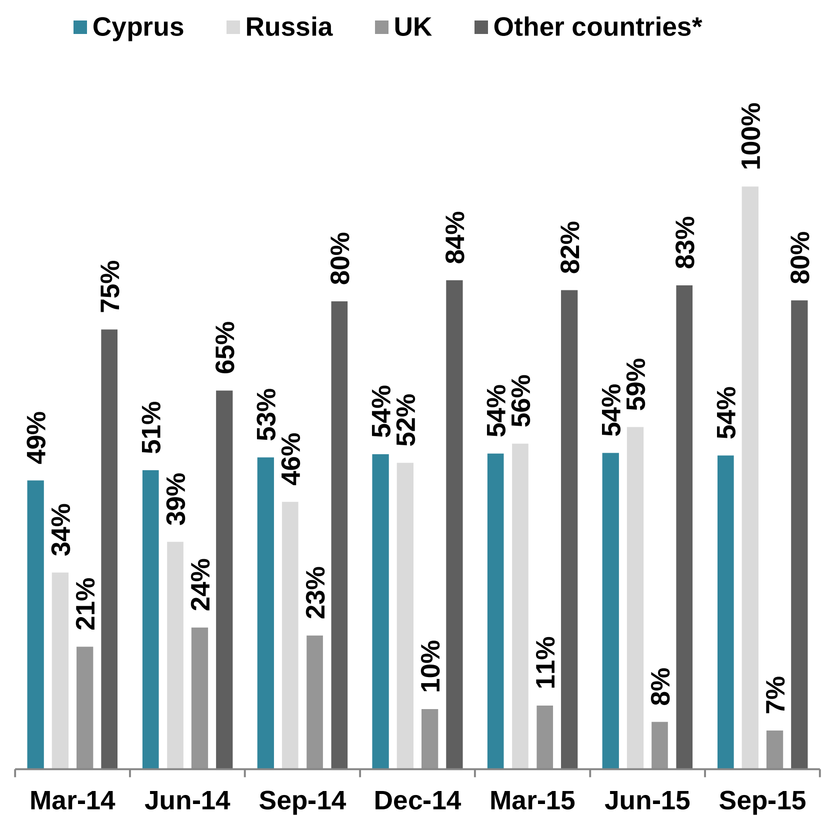
*** Loans in arrears for more than 90 days (90+ DPD) are defined as loans with a specific provision and loans past-due for more than 90 days, but not impaired.**

90+ DPD by Geography

90+ DPD by Geography (€ bn)



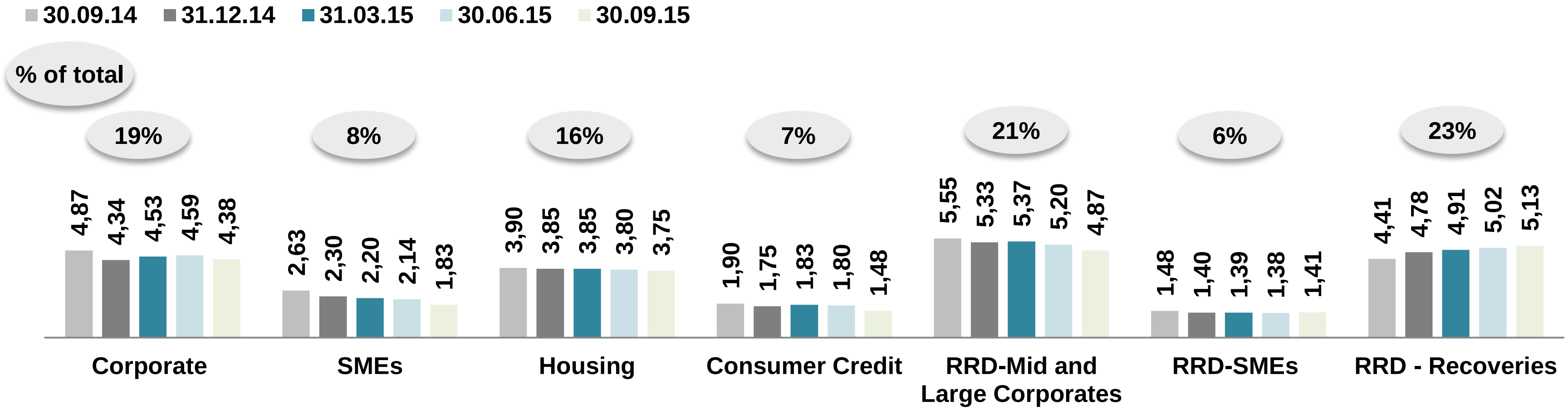
90+ DPD ratios by Geography



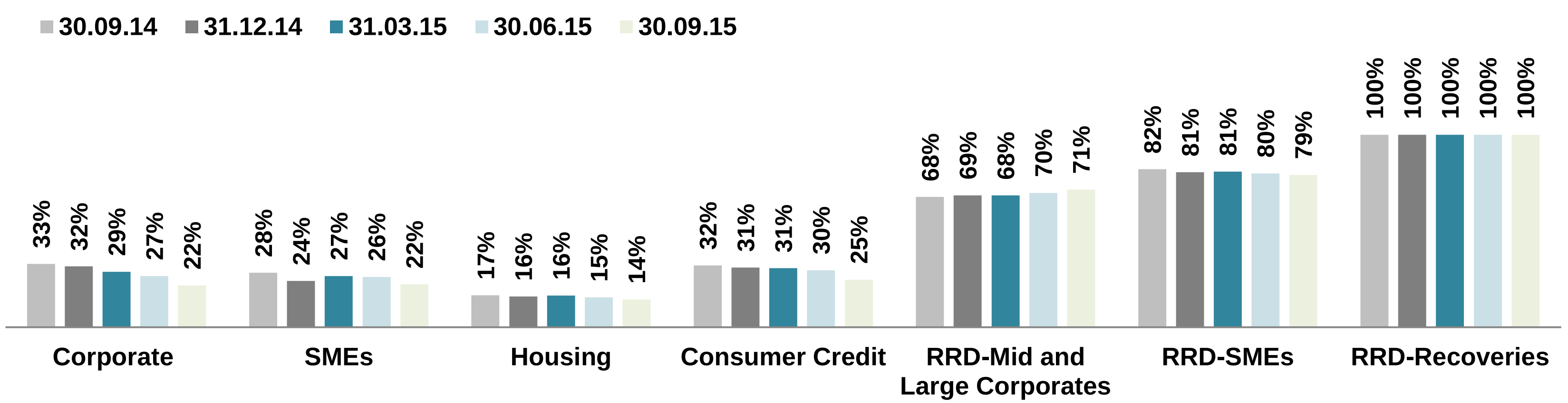
* Other countries: Romania, Ukraine (until March 2014) and Greece

Analysis of Loans and 90+ DPD ratios by Business Line*

Gross loans by business line (€ bn)



90+ DPD ratios by business line

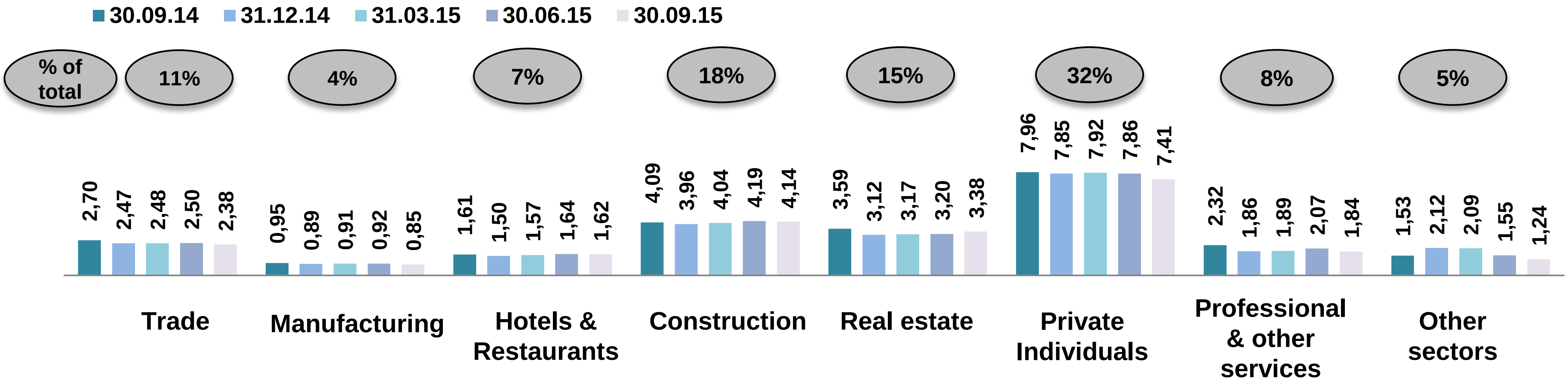


*As part of the restructuring of the Group, management is currently monitoring the loan portfolio of the Group using new business line definitions. An important component of the Group's new operational structure is the establishment of the RRD for the purposes of centralising and streamlining the management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

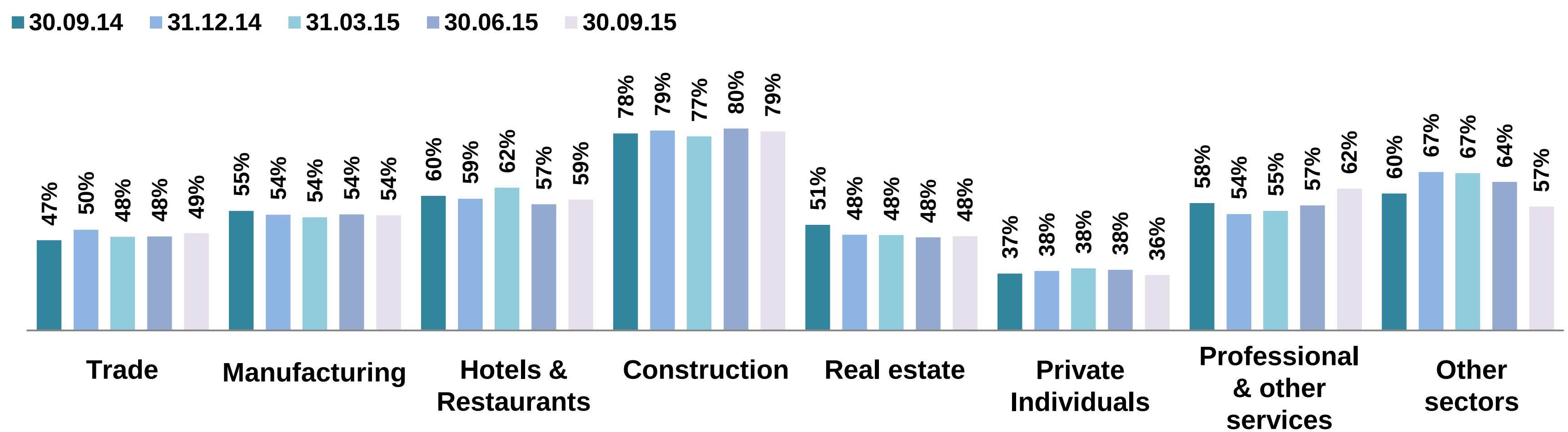
Bank of Cyprus

Analysis of Loans and 90+ DPD ratios by Economic Activity

Gross loans by economic activity (€ bn)



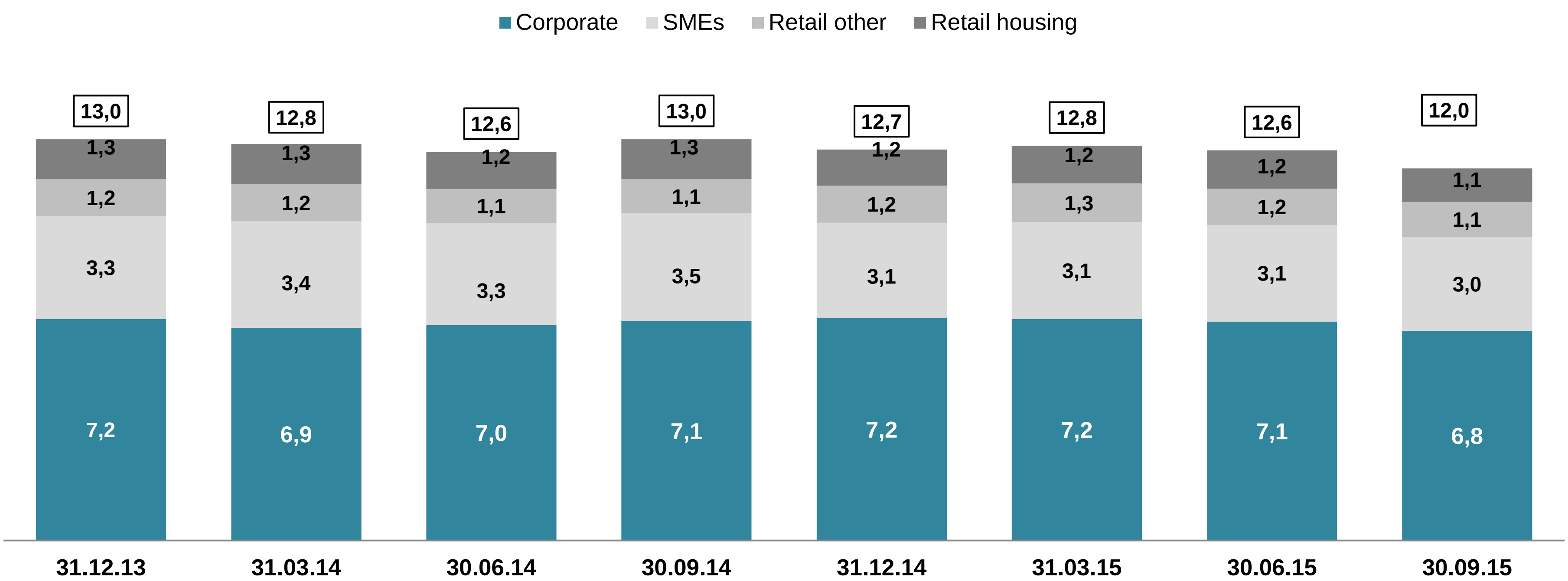
90+ DPD ratios by economic activity



Bank of Cyprus

Credit Risk – 90+ DPD by customer type

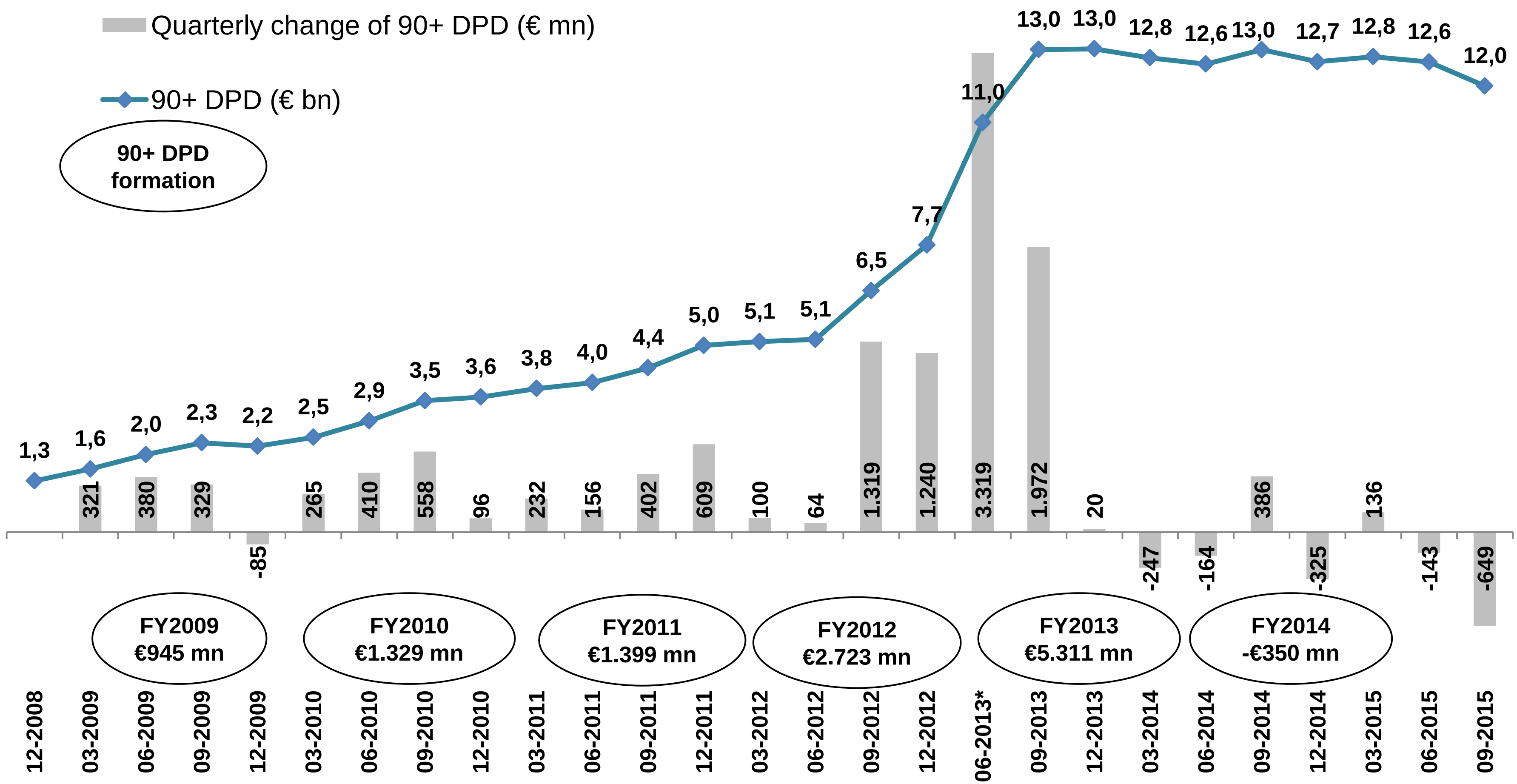
Group 90+ DPD loans by customer type (€ bn)



- Group 90+ DPD have reduced to €12,0 bn
- Adoption of foreclosure legislation and insolvency framework are significant steps in enabling the Bank to tackle its delinquent loans in Cyprus and to improve asset quality.

90+ DPD and Quarterly Change of 90+ DPD

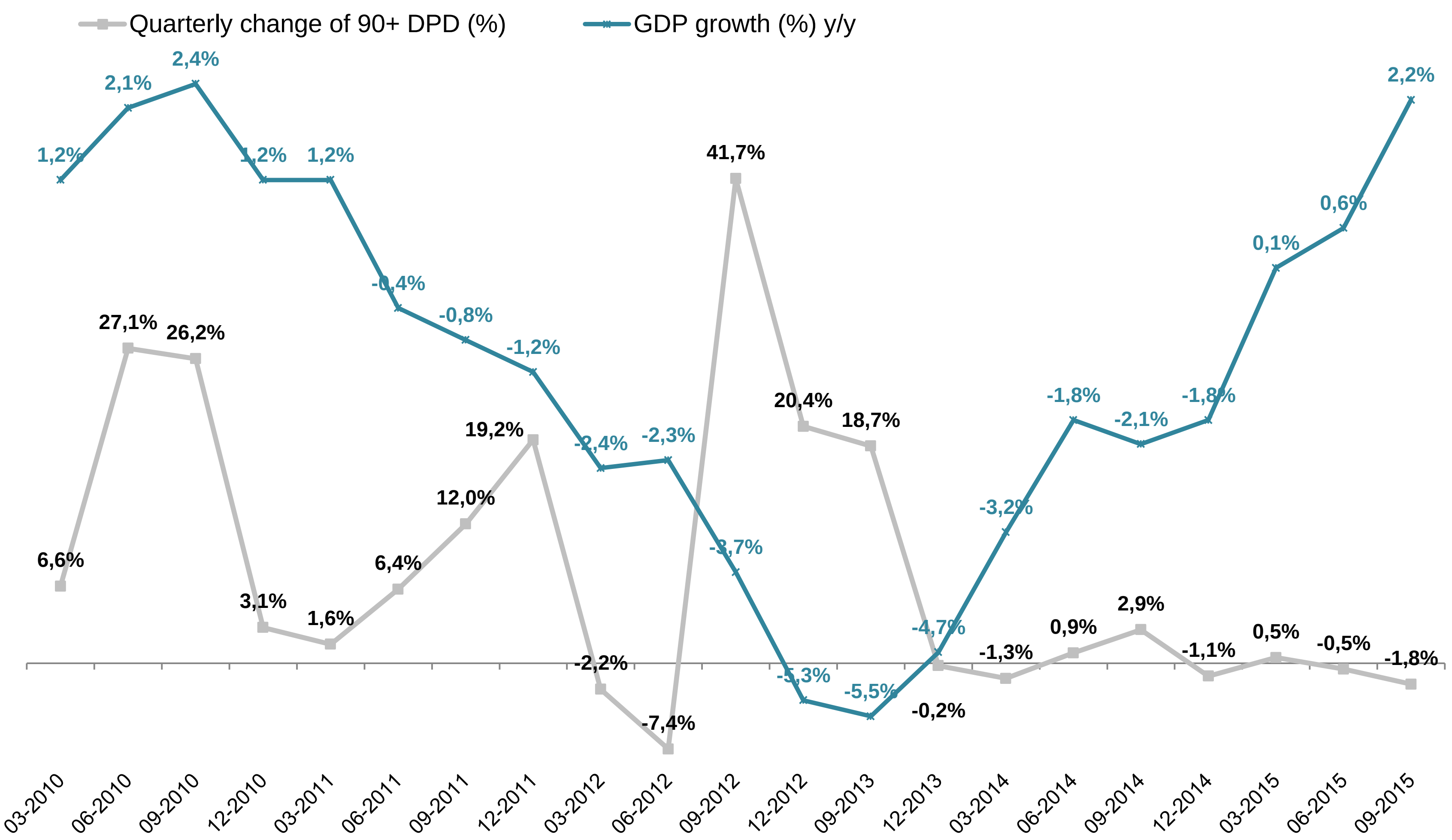
90+ DPD (€ bn) and Quarterly change of 90+ DPD (€ mn)



* 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.

90+ DPD in Cyprus and GDP growth

Correlation between quarterly change of 90+ DPD (%) and GDP growth (%)

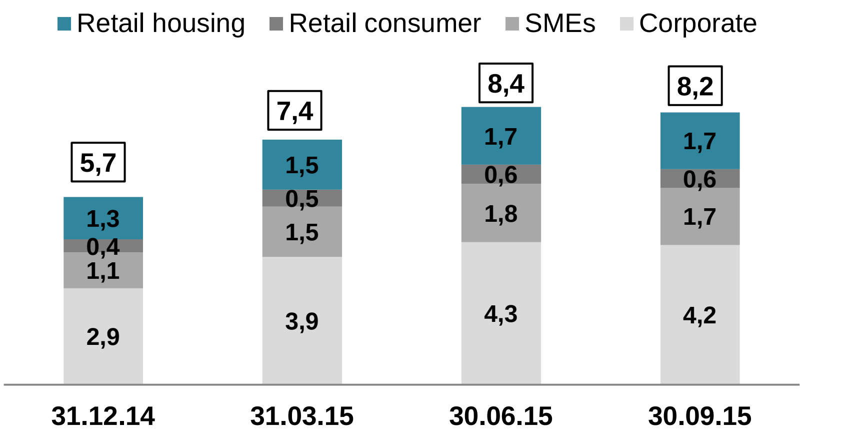


*** Information for 1Q2013 and 2Q2013 is not available as it has not been possible to publish the financial results for the three months ended 31 March 2013**

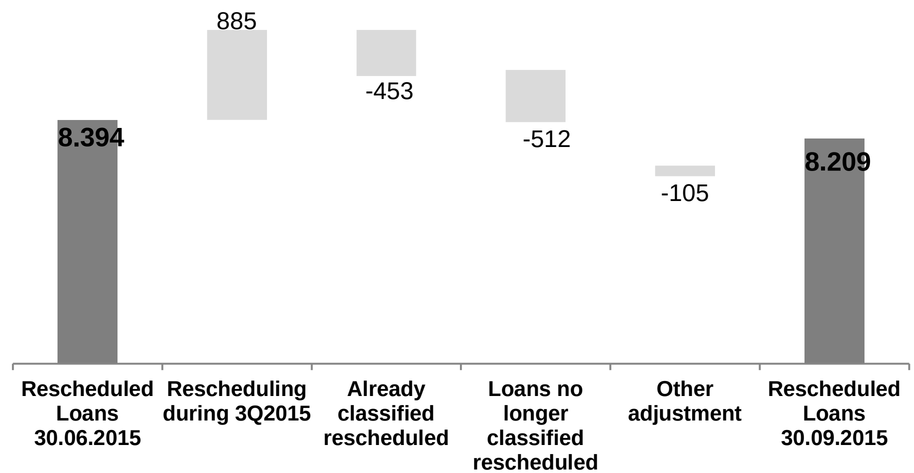
Bank of Cyprus

Rescheduled Loans for the Cyprus operations

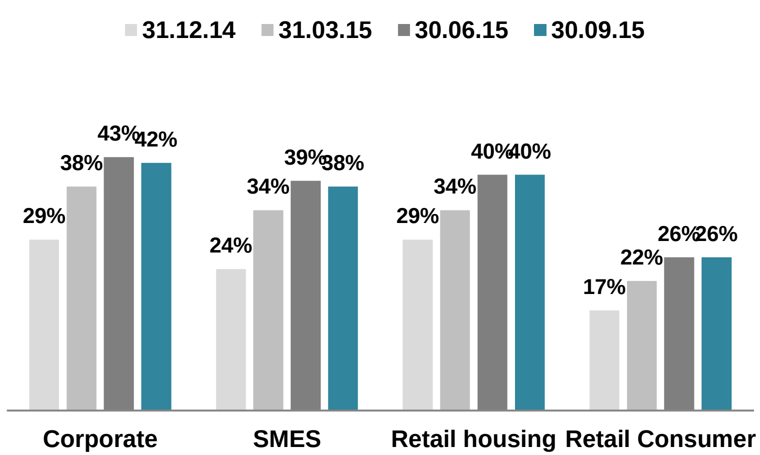
Rescheduled Loans by customer type (€ bn)



Rescheduled Loans (€ bn)



Rescheduled loans % gross loans[1] by customer type

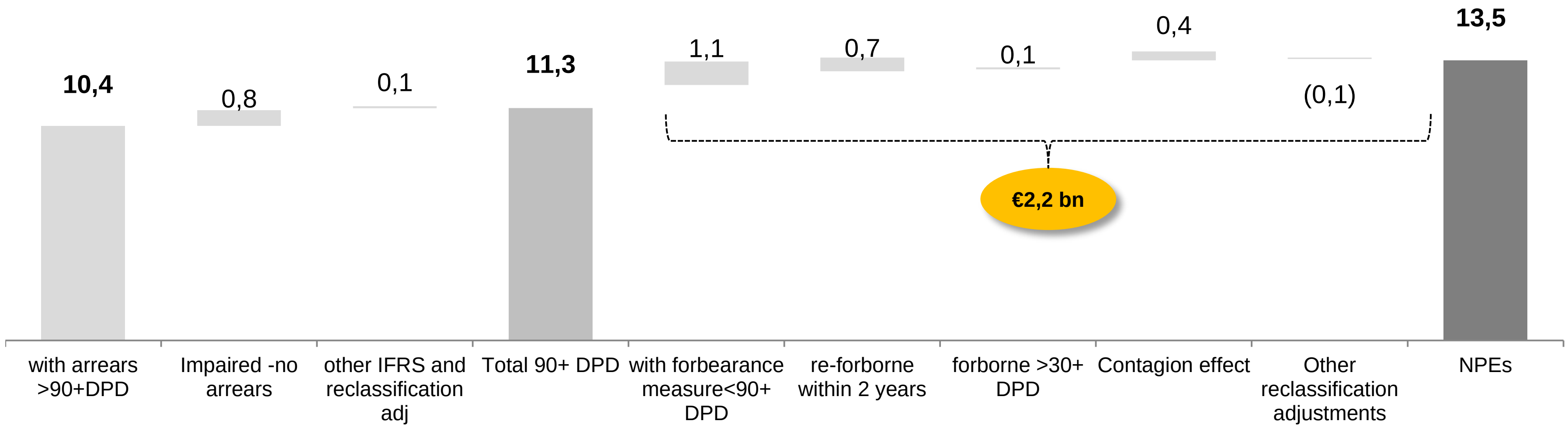


- Taking into account only the loans restructured post 31 March 2014, for the Cyprus operations the percentage of rescheduled loans with no arrears increases to 67%
- Higher rescheduling activity observed in corporate (42% at 30 September 2015 compared to 43% at 30 June 2015) followed by Retail housing rescheduling activity of 40% and SMEs rescheduling of 38%

[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 €1,266 mn for gross loans and to €548 mn for rescheduled loans (compared to €1,351 mn and €611 mn respectively at 30 June 2015), including loans of discontinued operations/disposal group held for sale.

Credit Risk - Analysis of problem loans

Analysis of problem loans - Cyprus operations (€ bn) (Sept-15)



- The Bank is taking targeted action to address the €2,2 bn of NPE exposures that do not present arrears over 90 days

- The Bank's main focus for addressing the problem loans is the active management of the €10,4 bn of loans with arrears over 90+DPD

Bank of Cyprus

* Loans in arrears for more than 90 days (90+ DPD) are defined as loans with a specific provision and loans past-due for more than 90 days, but not impaired.

Credit Risk - Collateral values

Valuation of collateral – A Conservative approach for prudent calculation of provisions

The valuation is a combination of:

- New valuations, from independent valuers for (i) New loans and a 2nd valuation for amounts > €3mn, (ii) performing accounts with exposures over €3 mn every 3 years (iii) Accounts restructured with LTV > 50%, 1 year for commercial, 3 years for residential properties
- Continuous effort to revalue our mortgaged properties following the collateral cleansing project. As at 30/09/2015, 35% of valuations are current compared to 30% in December 2014

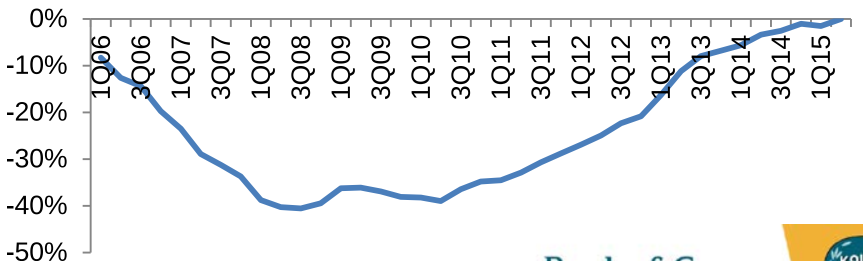
Key highlights of provisioning methodology

Assumptions and Key drivers:

- Older valuations are adjusted/indexed to market values based on RICS's property price index to reflect current market conditions
- The timing of recovery from mortgages has been estimated to be 3 years with the exception for specific cases where a different period has been used based on specific facts and circumstances.
- Back-testing of provisioning methodology: 5.000 properties were used in our sample which were re-valued in 2015 (actual valuation). Comparison of the actual valuation versus theoretical index value (based on RICS). Average difference of 2,1% (slightly higher drop assumed in RICS)

Type of Collateral					
as at 30/09/2015	**Retail**	**Business**	**Corporate**	**RRD**	**Total**
Cash	3%	4%	3%	1%	3%
Bank Guarantees	2%	1%	4%	1%	2%
Mortgages	87%	93%	85%	94%	89%
Contract of sales	6%	1%	1%	0%	3%
Fixed / Floating charge	0%	0%	0%	1%	0%
Shares / Debentures	0%	0%	3%	1%	1%
Vehicles	1%	0%	0%	0%	1%
Other	1%	1%	4%	0%	2%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

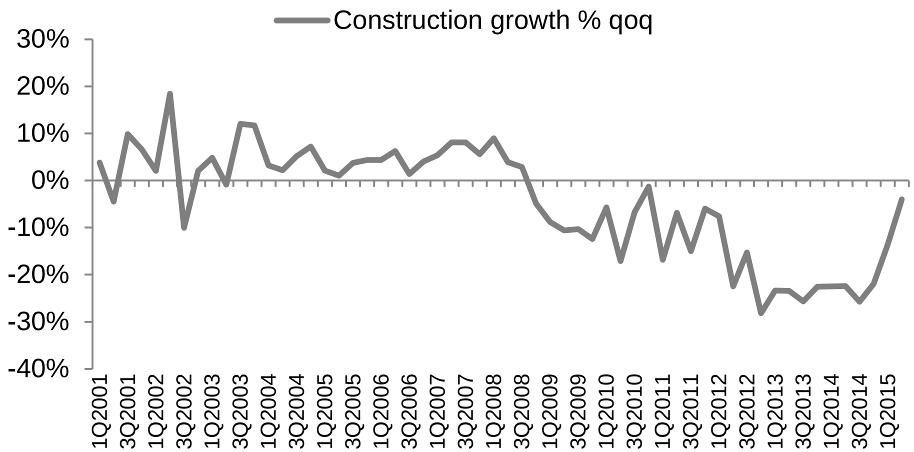
Adjustment needed for old valuations to bring them to current market values based on RICS property price index



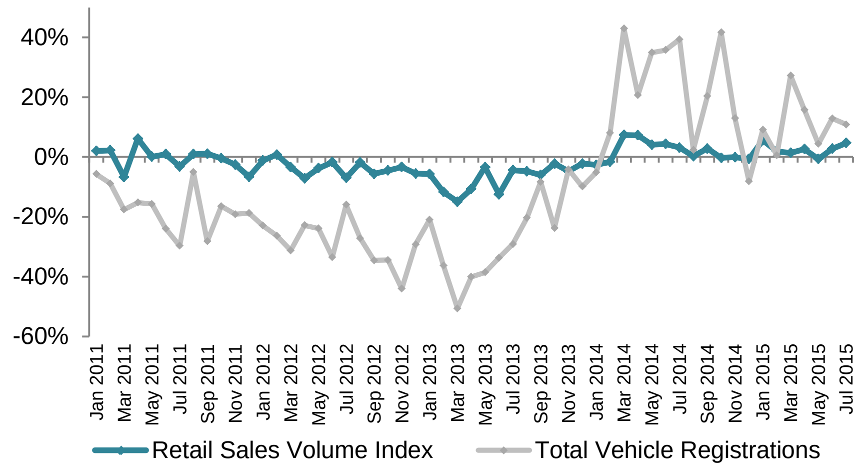
Bank of Cyprus

Macroeconomic overview

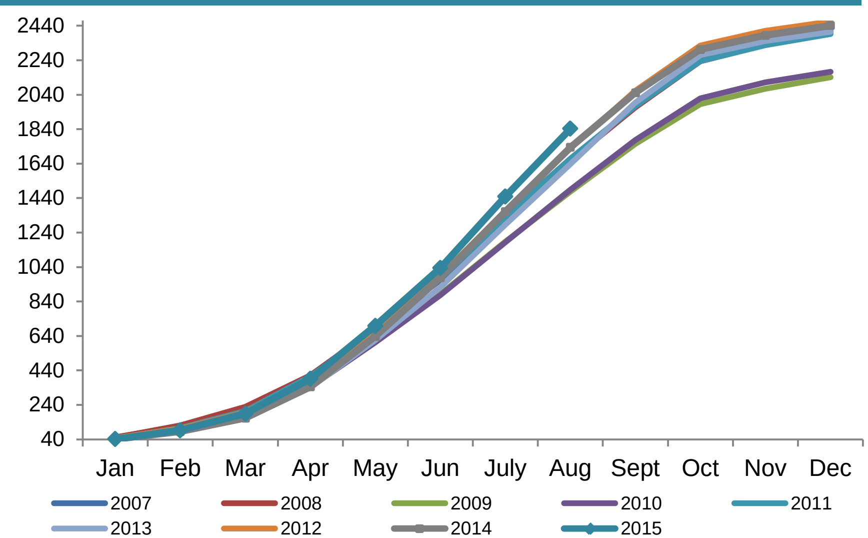
Construction growth % qoq



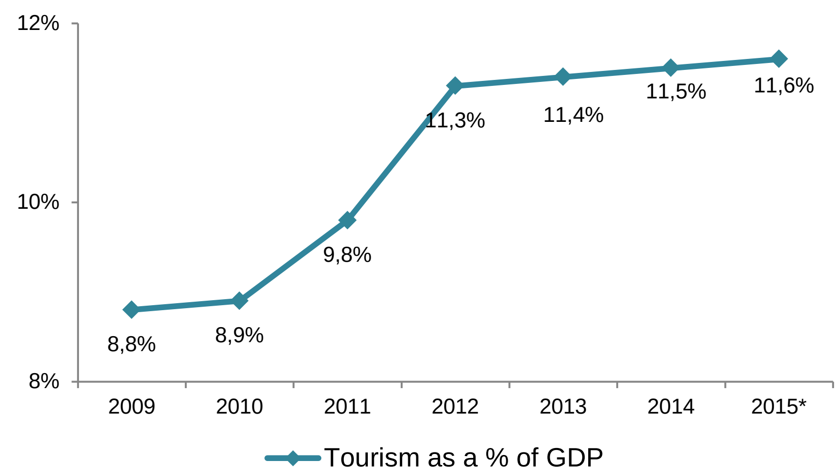
Indicators of private consumption (annual percentage change)



Accumulative tourist arrivals per year in 000's



Revenues from Tourism as % of GDP



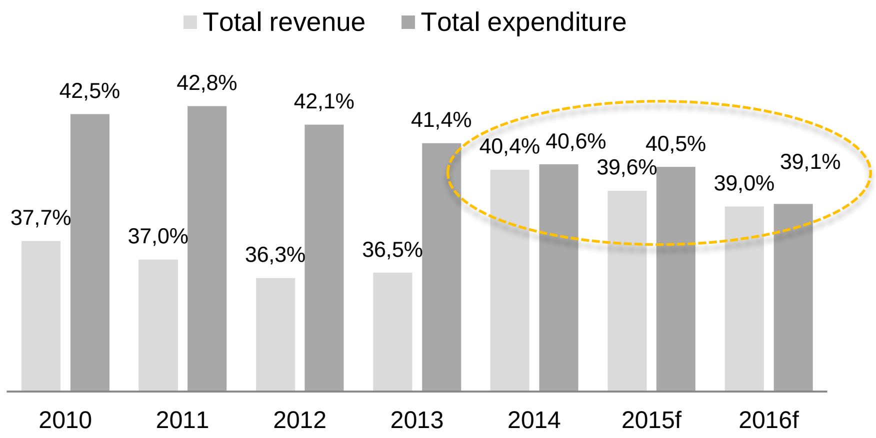
* 2015 tourist revenue projections based on BOC estimates

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

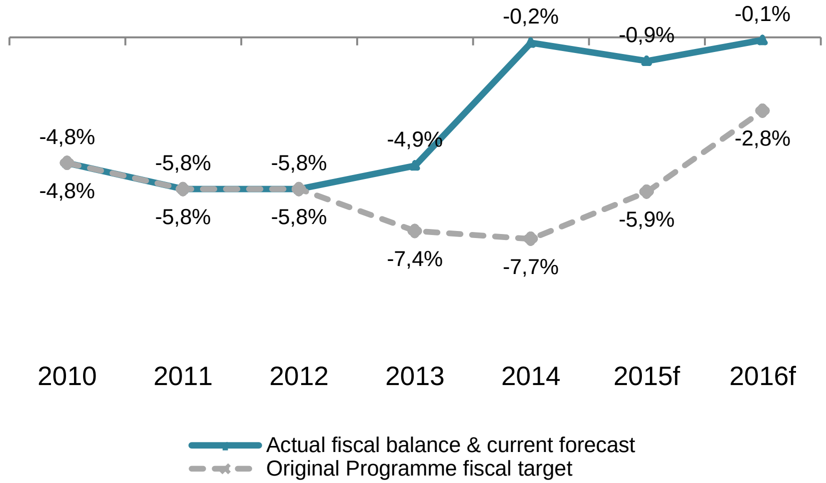
Bank of Cyprus

Macroeconomic overview

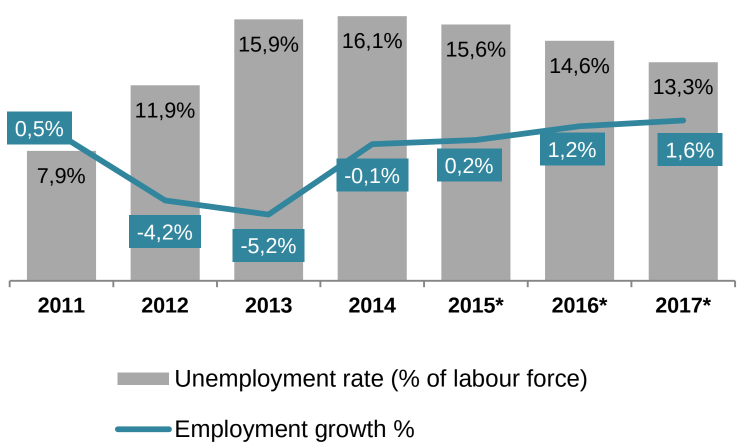
Total Government revenue vs expenditure (% of GDP)



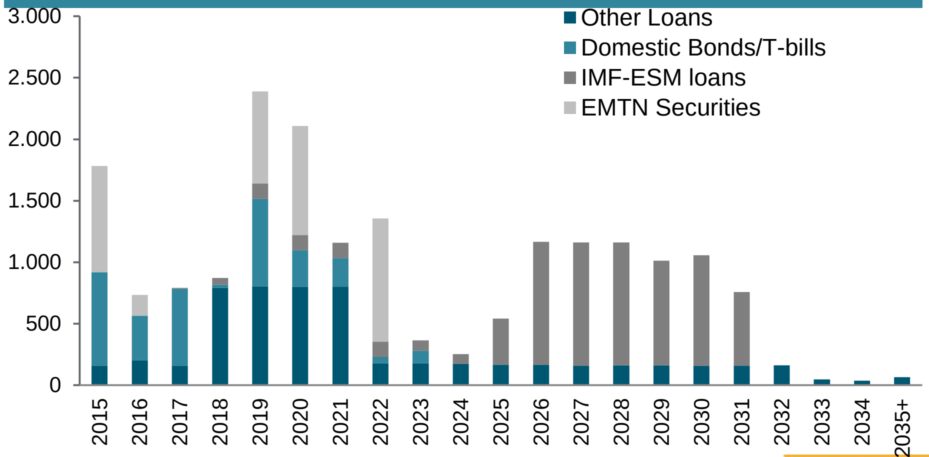
Prudent fiscal policy delivers strong results (% of GDP)



Unemployment will ease gradually



Maturity profile of Cyprus Government Debt (€ mn)



* Figures for 2015, 2016 and 2017 are based on European Commission report

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

Bank of Cyprus

Non-Performing Loans definition

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 with a specific provision and loans past-due for more than 90 days, but not impaired.

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. 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 Group

Interim Condensed Consolidated Financial Statements
for the nine months ended

30 September 2015

BANK OF CYPRUS GROUP
Interim Condensed Consolidated Financial Statements

for the nine months ended 30 September 2015

	Notes	Nine months ended 30 September 2015 €000	Nine months ended 30 September 2014 (represented) €000	Three months ended 30 September 2015 €000	Three months ended 30 September 2014 (represented) €000
Continuing operations					
Turnover		**1.108.090**	1.256.770	**342.654**	374.751
Interest income		**863.416**	1.032.638	**272.302**	320.519
Interest expense		**(219.068)**	(289.415)	**(66.539)**	(89.023)
Net interest income		**644.348**	743.223	**205.763**	231.496
Fee and commission income		**121.783**	122.164	**38.525**	39.656
Fee and commission expense		**(6.746)**	(5.377)	**(2.605)**	(2.150)
Net foreign exchange gains/(losses)		**30.963**	(20.239)	**7.671**	(16.012)
Net gains/(losses) on financial instrument transactions	*8*	**28.254**	185.370	**(463)**	2.051
Insurance income net of claims and commissions		**31.818**	35.442	**11.549**	10.394
Losses from revaluation and disposal of investment properties	*15*	**(36.128)**	(2.999)	**(12.744)**	(4.210)
Other income		**12.692**	7.672	**3.603**	1.809
		826.984	1.065.256	**251.299**	263.034
Staff costs	*9*	**(176.599)**	(176.402)	**(58.582)**	(59.083)
Other operating expenses	*9*	**(146.585)**	(162.911)	**(49.184)**	(50.840)
		503.800	725.943	**143.533**	153.111
Gains on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans	*10*	**263.392**	17.600	**33.353**	6.352
Provisions for impairment of loans and advances to customers and other customer credit losses	*10*	**(592.764)**	(417.618)	**(128.838)**	(127.862)
(Impairment)/reversal of impairment of other financial instruments	*10*	**(37.105)**	(33.205)	**(5.937)**	795
Impairment of non-financial instruments		**-**	(4.351)	**-**	(4.351)
Profit before share of profit from associates and joint ventures		**137.323**	288.369	**42.111**	28.045
Share of profit/(loss) from associates and joint ventures		**3.641**	1.637	**203**	(2.474)
Profit before tax from continuing operations		**140.964**	290.006	**42.314**	25.571
Tax	*11*	**(17.631)**	(10.033)	**(7.156)**	(5.527)
Profit after tax from continuing operations		**123.333**	279.973	**35.158**	20.044
Discontinued operations					
Loss after tax from discontinued operations	*7*	**(65.107)**	(220.230)	**(28.841)**	(33.859)
Profit / (loss) for the period		**58.226**	59.743	**6.317**	(13.815)
Attributable to:					
Owners of the Company – continuing operations	*7*	**129.048**	281.838	**39.724**	21.799
Owners of the Company – discontinued operations	*7*	**(55.839)**	(206.188)	**(26.735)**	(27.573)
Total profit / (loss) attributable to the owners of the Company		**73.209**	75.650	**12.989**	(5.774)
Non-controlling interests – continuing operations	*7*	**(5.715)**	(1.865)	**(4.566)**	(1.755)
Non-controlling interests – discontinued operations	*7*	**(9.268)**	(14.042)	**(2.106)**	(6.286)
Total loss attributable to non-controlling interests		**(14.983)**	(15.907)	**(6.672)**	(8.041)
Profit / (loss) for the period		**58.226**	59.743	**6.317**	(13.815)
Basic and diluted earnings per share (€ cent) attributable to the owners of the Company – continuing operations	*12*	**1,45**	5,73	**0,45**	0,41
Basic and diluted earnings / (losses) per share (€ cent) attributable to the owners of the Company	*12*	**0,82**	1,54	**0,15**	(0,11)

	Nine months ended 30 September		Three months ended 30 September	
	2015	2014	**2015**	2014
	€000	€000	**€000**	€000
Profit / (loss) for the period	**58.226**	59.743	**6.317**	(13.815)
Other comprehensive income (OCI)				
OCI to be reclassified in the consolidated income statement in subsequent periods				
Foreign currency translation differences				
Profit/(loss) on translation of net investment in overseas subsidiaries and branches	**6.894**	(3.013)	**19.536**	10.978
(Loss)/profit on hedging of net investments	**(9.227)**	1.774	**(16.998)**	3.256
Transfer to the consolidated income statement on disposal of foreign operations	**21.020**	55.800	**31.082**	-
	18.687	54.561	**33.620**	14.234
Available-for-sale investments				
(Losses)/gains on revaluation before tax	**(2.445)**	10.046	**(795)**	1.256
Transfer to the consolidated income statement on impairment	**2.656**	1.699	**404**	205
Transfer to the consolidated income statement on sale	**(3.814)**	(49.570)	**(1.147)**	(1.226)
Tax	**-**	4	**-**	-
	(3.603)	(37.821)	**(1.538)**	235
	15.084	16.740	**32.082**	14.469
OCI not to be reclassified in the consolidated income statement in subsequent periods				
Property revaluation				
Tax	**(255)**	327	**(433)**	6
Other comprehensive income after tax	**14.829**	17.067	**31.649**	14.475
Total comprehensive income for the period	**73.055**	76.810	**37.966**	660

Attributable to:				
Owners of the Company	**84.729**	94.138	**37.314**	9.379
Non-controlling interests	**(11.674)**	(17.328)	**652**	(8.719)
Total comprehensive income for the period	**73.055**	76.810	**37.966**	660

		30 September 2015	31 December 2014 (represented)
	Notes	**€000**	€000
Assets			
Cash and balances with central banks	*25*	**986.263**	1.139.465
Placements with banks	*25*	**1.398.647**	1.646.886
Derivative financial assets	*14*	**50.620**	62.598
Investments	*13*	**1.001.682**	1.871.136
Investments pledged as collateral	*13*	**426.028**	669.786
Loans and advances to customers	*16*	**17.979.722**	18.168.323
Life insurance business assets attributable to policyholders		**468.757**	472.992
Other assets	*18*	**341.815**	336.262
Property and equipment		**293.778**	316.101
Investment properties	*15*	**539.020**	488.598
Intangible assets		**130.970**	127.402
Investments in associates and joint ventures	*34*	**112.859**	116.776
Deferred tax assets		**443.492**	456.871
Non-current assets and disposal groups classified as held for sale	*17*	**23.027**	916.206
Total assets		**24.196.680**	26.789.402
Liabilities			
Amounts due to banks	*19*	**322.752**	161.896
Funding from central banks	*20*	**5.402.601**	8.283.773
Repurchase agreements		**367.690**	579.682
Derivative financial liabilities	*14*	**54.205**	71.967
Customer deposits	*21*	**13.608.325**	12.623.558
Insurance liabilities		**565.038**	576.701
Other liabilities	*23*	**289.526**	350.431
Debt securities in issue	*22*	**1.199**	1.185
Deferred tax liabilities		**47.270**	47.963
Non-current liabilities and disposal groups classified as held for sale	*17*	**-**	611.199
Total liabilities		**20.658.606**	23.308.355
Equity			
Share capital	*24*	**892.294**	892.238
Share premium	*24*	**552.618**	552.539
Capital reduction reserve	*24*	**1.952.486**	1.952.486
Shares subject to interim orders	*24*	**-**	441
Revaluation and other reserves		**208.226**	146.809
Accumulated losses		**(87.163)**	(79.021)
Equity attributable to owners of the Company		**3.518.461**	3.465.492
Non-controlling interests		**19.613**	15.555
Total equity		**3.538.074**	3.481.047
Total liabilities and equity		**24.196.680**	26.789.402

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

	Attributable to the owners of the Company													**Non-controlling interests**	**Total equity**
	Share capital (Note 24)	Share premium (Note 24)	Capital reduction reserve (Note 24)	Shares subject to interim orders (Note 24)	Accumulated losses	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Other reserves	Life insurance in-force business reserve	Foreign currency translation reserve	Treasury shares (Note 24)	Reserve of disposal groups and assets held for sale (Note 17)	**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**
Reclassification from disposal groups	-	-	-	-	-	17.619	-	-	-	-	-	(17.619)	**-**	-	**-**
1 January 2015 (represented)	**892.238**	**552.539**	**1.952.486**	**441**	**(79.021)**	**115.830**	**2.226**	**6.059**	**97.698**	**22.929**	**(88.051)**	**(9.882)**	**3.465.492**	**15.555**	**3.481.047**
Profit/(loss) for the period	-	-	-	-	73.209	-	-	-	-	-	-	-	**73.209**	(14.983)	**58.226**
Other comprehensive (loss)/income for the period	-	-	-	-	-	(255)	(2.510)	-	-	(14.374)	-	28.659	**11.520**	3.309	**14.829**
Total comprehensive income/(loss) for the period	-	-	-	-	73.209	(255)	(2.510)	-	-	(14.374)	-	28.659	**84.729**	(11.674)	**73.055**
Issue of share capital	56	79	-	-	-	-	-	-	-	-	-	-	**135**	-	**135**
Transfer of realised profits on sale of property	-	-	-	-	(1.565)	1.641	-	-	-	-	-	(76)	**-**	-	**-**
Acquisition of non-controlling interests	-	-	-	-	(68)	-	-	-	-	-	-	-	**(68)**	68	**-**
Disposal of subsidiaries	-	-	-	-	6.805	-	-	-	-	-	-	(6.805)	**-**	(18.112)	**(18.112)**
Increase in shareholding of subsidiaries (Note 32)	-	-	-	-	(37.094)	-	-	-	-	11.693	-	-	**(25.401)**	25.401	**-**
Debt capitalisation for subsidiary non-controlling interests	-	-	-	-	(9.293)	-	-	-	-	-	-	-	**(9.293)**	9.293	**-**
Increase in value of in-force life insurance business	-	-	-	-	(1.323)	-	-	-	1.323	-	-	-	**-**	-	**-**
Tax on increase in value of in-force life insurance business	-	-	-	-	121	-	-	-	(121)	-	-	-	**-**	-	**-**
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	**-**	(918)	**(918)**
Disposals of treasury shares	-	-	-	(441)	(38.934)	-	-	-	-	-	42.242	-	**2.867**	-	**2.867**
Reclassification from assets held-for-sale	-	-	-	-	-	272	-	-	-	11.624	-	(11.896)	**-**	-	**-**
30 September 2015	**892.294**	**552.618**	**1.952.486**	**-**	**(87.163)**	**117.488**	**(284)**	**6.059**	**98.900**	**31.872**	**(45.809)**	**-**	**3.518.461**	**19.613**	**3.538.074**

	Attributable to the owners of the Company													
	Share capital (Note 24)	Share premium (Note 24)	Capital reduction reserve (Note 24)	Shares subject to interim orders (Note 24)	Retained earnings/ (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 24)	**Total**	**Non-controlling interests**	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	**€000**
1 January 2014	**4.683.985**	**-**	**-**	**58.922**	**(2.151.835)**	**115.958**	**42.450**	**6.059**	**92.297**	**(96.462)**	**(88.051)**	**2.663.323**	**74.353**	**2.737.676**
Profit/(loss) for the period	-	-	-	-	75.650	-	-	-	-	-	-	**75.650**	(15.907)	**59.743**
Other comprehensive income/(loss) for the period	-	-	-	-	-	238	(37.787)	-	-	56.037	-	**18.488**	(1.421)	**17.067**
Total comprehensive income/(loss) for the period	-	-	-	-	75.650	238	(37.787)	-	-	56.037	-	**94.138**	(17.328)	**76.810**
Bail-in of deposits and structured products	150	-	-	-	-	-	-	-	-	-	-	**150**	-	**150**
Issue of share capital	416.667	583.333	-	-	-	-	-	-	-	-	-	**1.000.000**	-	**1.000.000**
Share issue costs	-	(29.960)	-	-	-	-	-	-	-	-	-	**(29.960)**	-	**(29.960)**
Reduction in the nominal value of share capital and reduction of share premium	(4.280.140)	-	1.952.486	-	2.327.654	-	-	-	-	-	-	**-**	-	**-**
Shares subject to interim orders	58.625	-	-	(58.625)	-	-	-	-	-	-	-	**-**	-	**-**
Acquisitions	12.951	-	-	-	(12.951)	-	-	-	-	-	-	**-**	-	**-**
Transfer of realised profits on sale of property	-	-	-	-	(92)	92	-	-	-	-	-	**-**	-	**-**
Disposal of subsidiary	-	-	-	-	-	-	-	-	-	-	-	**-**	(51)	**(51)**
Increase in value of in-force life insurance business	-	-	-	-	(5.286)	-	-	-	5.286	-	-	**-**	-	**-**
Tax on increase in value of in-force life insurance business	-	-	-	-	586	-	-	-	(586)	-	-	**-**	-	**-**
30 September 2014	**892.238**	**553.373**	**1.952.486**	**297**	**233.726**	**116.288**	**4.663**	**6.059**	**96.997**	**(40.425)**	**(88.051)**	**3.727.651**	**56.974**	**3.784.625**

		Nine months ended 30 September	
		2015	2014 (represented)
	Notes	**€000**	€000
Net cash flows from operating activities			
Profit before tax from continuing operations	*7*	**140.964**	290.006
Loss before tax from discontinued operations	*7*	**(65.062)**	(215.929)
Profit for the period before tax		**75.902**	74.077
Share of profit from associates and joint ventures		**(3.641)**	(1.637)
Gain on disposal of joint ventures	*8*	**(10.005)**	-
Provisions for impairment of loans and advances to customers and other customer credit losses and changes in expected cash flows on acquired loans		**372.037**	513.217
Loss on disposal of discontinued operations	*7*	**17.392**	114.228
Depreciation of property and equipment and amortisation of intangible assets		**15.411**	20.331
Increase in value of in-force life insurance policies		**(1.323)**	(5.286)
Impairment upon remeasurement of disposal group at fair value less costs to sell	*7*	**3.288**	4.351
Impairment of other financial instruments	*10*	**37.105**	33.205
Amortisation of discounts/premiums and catch-up adjustment of debt securities		**(20.114)**	(115.269)
Losses/(income) from investments and disposals of property, equipment and intangible assets less interest on subordinated loan stock and funding from central banks		**69.439**	(187.260)
		555.491	449.957
Net decrease in loans and advances to customers and other accounts		**249.939**	1.612.779
Net increase/(decrease) in customer deposits and other accounts		**835.105**	(1.444.400)
		1.640.535	618.336
Tax paid		**(1.310)**	(10.625)
Net cash flow from operating activities		**1.639.225**	607.711
Cash flows from investing activities			
Purchase of bonds, treasury bills and shares		**(28.473)**	-
Proceeds on disposal/redemption of investments		**991.684**	1.066.700
Interest received from debt securities and treasury bills		**30.536**	152.850
Dividend income from equity securities		**629**	245
Proceeds on disposal of subsidiaries and operations		**3.396**	98.860
Proceeds on disposal of joint ventures		**89.011**	-
Purchases of property and equipment		**(6.676)**	(7.967)
Proceeds on disposal of property and equipment		**305**	609
Purchases of intangible assets		**(10.669)**	(8.410)
Proceeds on disposal of intangible assets		**-**	1.162
Proceeds on disposal of investment property		**18.098**	18.589
Proceeds on disposal of assets held for sale		**-**	1.720
Net cash flow from investing activities		**1.087.841**	1.324.358
Cash flows from financing activities			
Proceeds from the issue of shares		**135**	894.000
Share issue costs paid		**-**	(624)
Net repayment of funding from central banks		**(2.881.172)**	(2.352.597)
Proceeds from the issue of debt securities in issue		**-**	3.133
Redemption of debt securities in issue		**(1.733)**	-
Interest on subordinated loan stock		**(25)**	(63)
Proceeds from disposal of treasury shares		**2.867**	-
Interest on funding from central banks		**(63.821)**	(113.378)
Dividend paid by subsidiaries to non-controlling interests		**(918)**	-
Net cash flow used in financing activities		**(2.944.667)**	(1.569.529)
Net (decrease) / increase in cash and cash equivalents for the period		**(217.601)**	362.540
Cash and cash equivalents			
1 January		**2.238.601**	1.463.243
Foreign exchange adjustments		**18.373**	10.568
Net (decrease)/increase in cash and cash equivalents for the period		**(217.601)**	362.540
30 September	*25*	**2.039.373**	1.836.351

Non-cash transactions			
Share capital – bail-in of deposits and structured products		**-**	58.775
Share capital – additional shares issued to Laiki Bank for 2013 acquisition		**-**	12.951
Reduction in the nominal value of share capital		**-**	(4.280.140)
Share issue costs to be paid		**-**	(29.336)
Deferred proceeds from the disposal of the overseas operations		**41.849**	100.000
		41.849	(4.137.750)

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, insurance and other financial services.

The Company is a limited liability company incorporated in Cyprus 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 23 November 2015.

2. Operating environment in Cyprus

Economic performance has been driven mainly by tourism and business services on the supply side and by gradually recovering private consumption on the expenditure side. This was supported by the depreciation of the euro and the drop in oil prices. Economic activity has continued on a positive trend since early 2015. Real GDP grew by 2,2% year-on-year in the third quarter on a seasonally adjusted basis after growing by 0,6% in the second quarter and by 0,1% in the first quarter. In total for the first three quarters the economy grew by 1% year-on-year seasonally adjusted.

In the labour market, unemployment peaked in 2014 at 16,1% and is expected to drop to 15,6% in 2016 according to the European Commission. Consumer inflation dropped by 1,4% in 2014 and continued to drop in 2015, down by 2,2% year-on-year to October (Cyprus Statistical Service). In the real economy output growth in the secondary sectors except from construction activity turned positive. Additionally, the services sector recorded positive growth in most cases (Cyprus Statistical Service).

As per the Troika statement on 16 November 2015 following their review of Cyprus' economic reform programme, fiscal targets continued to be met with substantial margins in the third quarter of 2015, and the authorities continued to make progress on their structural reform agenda. There is evidence that the pace of debt restructuring is picking up. However, non-performing loans remain high and the pace of lending is subdued. Thus increasing the pace of reform under the programme will be essential to entrench the progress achieved. The reduction of the high levels of non-performing loans remains a top priority and it is a pre-requisite for a sustainable stabilisation of the banking system and the resumption of lending.

The Troika also noted the recent adoption of a law to facilitate the sale of loans as a key programme commitment. The Troika believes that in order to decisively reduce non-performing loans, the authorities will need to take all necessary actions to effectively implement all relevant legislation including the insolvency and foreclosure frameworks.

In relation to public finances, the primary balance turned positive in 2014 and the total state budget was near balanced when the cost of recapitalisation of the credit cooperative sector is excluded. The budget deficit is expected to marginally deteriorate in 2015 due to the cost of liquidating the state-owned airline and additional capitalisation of the credit cooperative sector. However, the budget is expected to turn positive from 2016 onwards according to the European Commission. The Troika also believes that continued sound public finances are needed to ensure debt sustainability and the reduction of public debt to acceptable levels. This requires a continuation of the structural reforms including the privatisation process and the reform of public sector.

The conclusion of the review is subject to the approval processes of both the European Union and the IMF, expected to be initiated in January 2016.

Domestic risks relate mostly to the high level of non-performing loans and worsening external conditions, particularly the recession in Russia and the Greek crisis.

Since the beginning of April 2015, there are no longer any restrictive measures or capital controls in Cyprus.

2. Operating environment in Cyprus (continued)

In recognition of the progress achieved on the fiscal front and the economic recovery, as well as the enactment of the foreclosure and insolvency framework, the international credit rating agencies have upgraded the credit ratings for the Cypriot sovereign, paving the way for the sovereign to access the international capital markets. In May 2015 and in October 2015, the Cyprus Government issued a €1 billion bond maturing in year 2022, with a coupon rate of 3,875% per annum and a €1 billion bond maturing in year 2025 within a coupon rate of 4,25% per annum.

2.1 The insolvency and foreclosure framework

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

The implementation of the foreclosure law aims to achieve the following:
- Improve the Group's negotiating power against the defaulted customers in order to be more cooperative and reach a viable solution.
- Decrease the recovery period in case of re-possession of an asset from defaulted customers, which will be tested in reality as cases go through the legal system.
- Provide the potential to improve the Group's liquidity risk management as proceeds from an earlier repayment period and/or better repayment of loans should facilitate the Group's management of its assets and liabilities.

The main objectives of the insolvency framework are to modernise and increase the efficiency of liquidation and bankruptcy proceedings for individuals and companies and create appropriate incentives for debt repayment, thus contributing to the reduction of non-performing loans, while at the same time provide certain protections and benefits to debtors including the following:
- Protecting the primary residence of debtors based upon strict eligibility criteria.
- Providing for the economic rehabilitation of bankrupt individuals where possible.
- Providing incentives for the preservation and rehabilitation of companies.
- Introducing a new mechanism for the relief of individual debtors with no income or assets and low total debt.

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

3. Unaudited financial statements

The Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2015 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 nine months ended 30 September 2015 have been prepared in accordance with the International Accounting Standard applicable to interim financial reporting as adopted by the European Union ('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 2014.

4. Basis of preparation (continued)

4.2 Comparative information

The comparative consolidated income statement has been represented to reflect the presentation of the Russian operations disposed of during the third quarter of 2015 as discontinued operations (Note 7). In addition, comparatives have been reclassified to reflect the change in presentation of impairment losses of other financial and non-financial instruments and results from revaluation and disposal of investment properties within the consolidated income statement. The presentation of "Gain on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans" (Note 10) has been changed in order to present this adjoining to the "Provisions for impairment of loans and advances to customers and other customer credit losses" in the consolidated income statement. The Group considers this presentation to be more relevant as it considers such gains and changes in expected cash flows (mainly arising from the fair value adjustment on initial recognition for acquired loans) to be credit risk related. This change in presentation did not have an impact on the profit for the period.

The consolidated balance sheet has been represented to reflect the reclassification of the Kermia Hotel business out of the held for sale category (Note 17) as it no longer qualifies for classification as held for sale. There was no impact on equity from the cessation of the classification of the disposal group as held for sale.

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 nine months ended 30 September 2015 are consistent with those followed for the preparation of the annual Consolidated Financial Statements for the year ended 31 December 2014. 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:

- IFRIC 21 Levies
- Annual Improvements 2011 – 2013 Cycle issued by the IASB which is a collection of amendments to IFRS. These improvements are effective from 1 July 2014 and include:
  - IFRS 3 Business Combinations - Amendments
  - IFRS 13 Fair Value Measurement - Amendments
  - IAS 40 Investment Properties - Amendments

6. Significant judgements, estimates and assumptions

The preparation of the consolidated financial statements requires the Company's 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 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 2014.

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

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 nine months ended 30 September 2015 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 described in Note 2 and the following considerations.

6. Significant judgements, estimates and assumptions (continued)

6.1 Going concern (continued)

6.1.1 Regulatory capital ratios and supervisory review process

The Common Equity Tier 1 (CET1) ratio of the Group at 30 September 2015 stands at 15,6% (transitional). The capital position of the Group was strengthened significantly by the €1 billion capital increase completed in September 2014 (Note 24).

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 CET1 Pillar II add-on capital requirement at 30 September 2015 stands at 5,2% (resulting in a total minimum CET1 of 13,2%) and it may be further reduced by future losses of up to €658 million, up to a CET1 ratio of 8%. The Group's capital position at 30 September 2015 exceeds its Pillar I and its Pillar II add-on capital requirements, providing a loss–absorbing buffer to the Group. However, the Group's Pillar II add-on capital requirements are a point in time assessment and therefore are subject to change over time.

The European Central Bank (ECB), as part of its supervisory role under Council Regulation (EU) No 1024/2013, 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 SREP is for the ECB to form an up-to-date supervisory view of the Group’s risks and viability and to form the basis for supervisory measures and dialogue with the Group. An onsite inspection on credit quality was performed by the ECB with a reference date of 31 December 2014, and its scope included the review and assessment of the Group’s non-performing and restructured but performing exposures.

The onsite inspection and related draft recommendation letter state that, on the basis of a modified set of assumptions there is, in the ECB’s view, a provision-related adjustment of around €300 million for the judgemental (i.e. specifically assessed) portfolio and around €700 million for the statistical (i.e. collectively assessed) portfolio, mostly relating to the recovery value of real estate collateral. The Group is contesting certain of the assumptions used and is engaged in a supervisory dialogue with the ECB. The Group has in any case already, in the normal application of its provisioning methodology, substantially recognised the provisions for the judgmental portfolio reviewed by the ECB and part (around €100 million) of the provisions for the reviewed statistical portfolio in its consolidated financial results for the nine months ended 30 September 2015. The Group considers that the ECB calculated adjustments do not indicate that the Group is not in compliance with IFRS. In any case, the Group will continue monitoring and re-assessing its provisioning assumptions, estimates and methodology in the context of the prevailing market conditions and other relevant developments, always in the context and guidance provided by the IFRS.

If the impact of the provision-related adjustment calculated by the ECB and which, in the view of the Group, has not been recognised to date amounting to around €600 million was to be considered, there would be a decrease of 2,4% on CET1 ratio (pre-tax).

The Group estimates that the ECB’s current SREP dialogue and onsite inspection process and related considerations will be concluded by the end of 2015. As part of this process, the Group will, in due course, be submitting a multi-year capital plan to the ECB for its review to demonstrate that the level of capital held by the Group is sufficient.

The revised Pillar II CET1 capital requirement was preliminarily determined by the ECB to be 3,75%, resulting in a total minimum CET1 of 11,75%. Taking into account the Group’s CET1 ratio of 15,6% as at 30 September 2015 and the expectations for the outcome of the SREP process, even after adjusting for potential additional capital requirements as a result of the credit risk inspection, the Group expects to be compliant with both its Pillar I and revised Pillar II add-on capital requirements and therefore does not expect to be required to raise any capital.

6. Significant judgements, estimates and assumptions (continued)

6.1 Going concern (continued)

6.1.2 Asset quality

The challenging macroeconomic environment in Cyprus is affecting the Group's asset quality. The Group's loans that are impaired or past due for more than 90 days (90+ DPD) at 30 September 2015 amounted to €11.998 million, noting a decrease of €655 million compared to 31 December 2014 of €12.653 million. The level of loans 90+ DPD at 30 September 2015 was €649 million lower compared to 30 June 2015, partly due to the disposal of the Group's Russian operations and partly due to a decrease in Cyprus. The 90+ DPD loans represent 52% of gross loans (Note 27) and the provision coverage ratio stands at 41% (including provisions for off balance sheet exposures). Taking into account tangible collateral at fair value, 90+ DPD loans are fully covered. The Group's non-performing exposures (NPEs) as defined by the European Banking Authority amounted to €14.225 million at 30 September 2015 and accounted for 62% of gross loans. The provision coverage ratio of NPEs at 30 September 2015 stands at 35%.

The Group's strategy is to address these challenges through the set up of independent, centralised and specialised restructuring and recovery units to manage large or distressed exposures. Through these units, the Group aims to proactively and efficiently manage problem loans in order to contain the provisions for impairment expected to arise from the ongoing economic slowdown.

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

6.1.3 Liquidity

The Group currently has limited access to interbank and wholesale markets which, combined with a reduction in deposits in Cyprus in 2013, the deposit bail-in and the acquisition of certain operations of Laiki Bank in March 2013 has resulted in increased reliance on central bank funding.

The level of central bank funding as at 30 September 2015 amounted to €5,4 billion, comprising €501 million of ECB funding and €4,9 billion of Emergency Liquidity Assistance (ELA) funding (Notes 20 and 28). As at 23 November 2015, the level of ELA funding has been further reduced by €600 million to €4,3 billion. The Group intends to continue with further ELA repayments, the pace of which will be dependent on the prevailing market conditions.
Following the recent restructuring of the Company's Covered Bond Programme and the notes issued by the Company which resulted in their rating being upgraded to Baa3 by Moody's Investors Service, the covered bonds became eligible for Eurosystem credit operations. This eligibility provided access to ECB funding which was used for further ELA repayments. The Group also intends to resume issuing debt instruments in the capital markets as part of its funding strategy going forward, when market conditions allow it.

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

Group customer deposits totalled €13.608 million at 30 September 2015 compared to €13.629 million at 30 June 2015 and €13.169 million at 31 December 2014. Despite the full abolition of capital controls in April 2015, customer deposits in Cyprus increased by €844 million during the first nine months of 2015, reaching €12.158 million at 30 September 2015 compared with €11.314 million at 31 December 2014.

Details on regulatory liquidity ratios are disclosed in Note 28.

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

6. Significant judgements, estimates and assumptions (continued)

6.1 Going concern (continued)

6.1.3 Liquidity (continued)

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

6.1.4 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, based 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 23.1).

6.1.5 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 30 September 2015 stands at 15,6%, improved by 1,6% since the 31 December 2014 level of 14,0%.
- The Group is compliant with its Pillar I and Pillar II add-on capital requirements and expects to continue to be compliant with its Pillar I and revised Pillar II add-on capital requirements after the completion of the current SREP process.
- The liquidity position of the Group and the positive customer flows in Cyprus which continued during the third quarter of 2015.
- The sharp decrease of its reliance on ELA funding, which on 23 November 2015 stands at €4,3 billion, compared to €4,9 billion at 30 September 2015, €7,4 billion at 31 December 2014 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 allow it.
- The Group's core operations in Cyprus are profitable (Note 7).
- The Group has completed the sale of the majority of its Russian operations, thus further deleveraging its consolidated balance sheet and achieving a positive impact on its CET1 ratio.
- The improved ratings of both the Group (Fitch upgrade of Long-term Issuer Default Rating from 'CC' to 'CCC' in April 2015) and the Republic of Cyprus (Fitch upgrade by two notches to B+ with a positive outlook in October 2015, S&P's by one notch to BB- with a positive outlook in September 2015 and Moody's Investors Service by two notches to B1 with a stable outlook in November 2015).

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.

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

6. Significant judgements, estimates and assumptions (continued)

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

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 mortgages 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. In accordance with the Loan Impairment and Provisioning Directives of 2014 and 2015 of the CBC, the cumulative average future change in property values during this period has been capped at zero.

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

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

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

Impairment assessment also includes off-balance sheet credit exposures represented by guarantees given and by irrevocable commitments to disburse funds. Off-balance sheet credit exposures of the individually assessed assets require assumptions on the probability, timing and amount of cash outflows; otherwise the provision is calculated on a collective basis, taking into account the probability of loss for the portfolio in which the customer is included for on-balance sheet exposures impairment assessment.

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 period could be different from the assumptions made, resulting in a material adjustment to the carrying amount of loans and advances.

Further disclosures on impairment allowances and related credit information are set out in Note 27.

6. Significant judgements, estimates and assumptions (continued)

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.

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

Further information on the movement during the period is disclosed in Note 11.

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

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

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

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

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

Further details on the movement of investment properties during the period are disclosed in Note 15.

6.5 Disposal groups held for sale and discontinued operations

In December 2014 the Group determined that its Russian operations met the criteria for classification as held for sale, for the following reasons: (a) the operations were available for immediate sale in their current condition, and (b) the actions to dispose the operations had been initiated and were expected to be completed within one year from the date of classification. In September 2015, the Group completed the sale of the majority of its Russian operations (Note 33.2). As a result of the disposal, the results of the Russian operations disposed of are presented as discontinued.

6. Significant judgements, estimates and assumptions (continued)

6.5 Disposal groups held for sale and discontinued operations (continued)

The results of the Russian operations not disposed of did not meet the criteria for classification as held for sale, at 30 September 2015 and are therefore presented within continuing operations.

More details on discontinued operations and assets held for sale are presented in Notes 7 and 17.

6.6 Provisions

The accounting policy for provisions is described in Note 3.31 in the annual Consolidated Financial Statements for the year ended 31 December 2014. 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 23.1.

7. Segmental analysis

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

At 31 December 2014 the Group classified its Russian operations as a disposal group held for sale. The disposal of the majority of the Russian operations was completed in September 2015 (Note 33.2) and results of the Russian operations which have been disposed of are presented as discontinued.

The results of the remaining Russian operations, being the management of a loan portfolio are presented within continuing operations.

The remaining Group's activities in Greece, the United Kingdom, Romania and Russia are separate operating segments for which information is provided to management but, due to their size, have been aggregated 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 and hotel business. In the other countries, the Group provides banking services, financial and insurance services, as well as the management of investment property.

Group 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.

7. Segmental analysis (continued)

Continuing operations

	Cyprus	Other countries	**Total continuing operations**
Nine months ended 30 September 2015	€000	€000	**€000**
Net interest income	602.782	41.566	**644.348**
Net fee and commission income	110.144	4.893	**115.037**
Net foreign exchange gains/(losses)	32.719	(1.756)	**30.963**
Net gains/(losses) on financial instrument transactions	29.403	(1.149)	**28.254**
Insurance income net of claims and commissions	31.104	714	**31.818**
Losses from revaluation and disposal of investment properties	(15.865)	(20.263)	**(36.128)**
Other income/(expenses)	16.608	(3.916)	**12.692**
	806.895	20.089	**826.984**
Staff costs	(163.907)	(12.692)	**(176.599)**
Other operating expenses	(106.379)	(13.395)	**(119.774)**
Restructuring costs (Note 9)	(22.495)	(4.316)	**(26.811)**
	514.114	**(10.314)**	**503.800**
Gains on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans	257.113	6.279	**263.392**
Provisions for impairment of loans and advances to customers and other customer credit losses	(511.249)	(81.515)	**(592.764)**
Impairment of other financial instruments	(25.943)	(11.162)	**(37.105)**
Share of profit from associates and joint ventures	3.641	-	**3.641**
Profit/(loss) before tax	**237.676**	**(96.712)**	**140.964**
Tax	(16.428)	(1.203)	**(17.631)**
Profit/(loss) after tax	**221.248**	**(97.915)**	**123.333**
Non-controlling interests – (profit)/loss	(173)	5.888	**5.715**
Profit/(loss) after tax attributable to the owners of the Company	**221.075**	**(92.027)**	**129.048**

7. **Segmental analysis** (continued)

Discontinued operations

	Russia	Subsidiary acquired with a view to resale	**Total discontinued operations**
Nine months ended 30 September 2015	€000	€000	**€000**
Net interest income	16.353	-	**16.353**
Net fee and commission income	8.108	-	**8.108**
Net foreign exchange gains	1.537	-	**1.537**
Losses from revaluation and disposal of investment properties	(160)	-	**(160)**
Other income	1.156	18.833	**19.989**
	26.994	18.833	**45.827**
Staff costs	(17.010)	(5.433)	**(22.443)**
Other operating expenses	(17.147)	(7.954)	**(25.101)**
	(7.163)	**5.446**	**(1.717)**
Provisions for impairment of loans and advances to customers and other customer credit losses	(42.665)	-	**(42.665)**
Impairment upon remeasurement of disposal group at fair value less costs to sell	(3.288)	-	**(3.288)**
(Loss)/profit on disposal of discontinued operations	(23.032)	5.640	**(17.392)**
(Loss)/profit before tax	**(76.148)**	**11.086**	**(65.062)**
Tax	(45)	-	**(45)**
(Loss)/profit after tax	**(76.193)**	**11.086**	**(65.107)**
Non-controlling interests – loss/(profit)	10.630	(1.362)	**9.268**
(Loss)/profit after tax attributable to the owners of the Company	**(65.563)**	**9.724**	**(55.839)**

As part of its management of large exposures, the Group acquired a 75% shareholding in Aphrodite Holdings Ltd and in Aphrodite Hills (Lakkos tou Frangou) Ltd, collectively referred to as 'Aphrodite group', in November 2014. The management had assessed the acquisition of the Aphrodite group and concluded that it met the criteria for a subsidiary acquired exclusively with a view to resale, and has therefore presented the operations of the Aphrodite group as discontinued. In September 2015 the Company completed the disposal of 65% of the shares of Aphrodite group (Note 17).

7. Segmental analysis (continued)

Continuing operations

	Cyprus	Other countries	**Total continuing operations**
Nine months ended 30 September 2014 (represented)	€000	€000	**€000**
Net interest income	703.784	39.439	**743.223**
Net fee and commission income	111.065	5.722	**116.787**
Net foreign exchange losses	(19.314)	(925)	**(20.239)**
Net gains/(losses) on financial instrument transactions	195.074	(9.704)	**185.370**
Insurance income net of claims and commissions	33.197	2.245	**35.442**
(Losses)/gains from revaluation and disposal of investment properties	(15.134)	12.135	**(2.999)**
Other income/(expenses)	14.409	(6.737)	**7.672**
	1.023.081	42.175	**1.065.256**
Staff costs	(165.439)	(10.963)	**(176.402)**
Other operating expenses	(113.748)	(21.713)	**(135.461)**
Restructuring costs (Note 9)	(25.050)	(2.400)	**(27.450)**
	718.844	**7.099**	**725.943**
Gains on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans	9.622	7.978	**17.600**
Provisions for impairment of loans and advances to customers and other customer credit losses	(341.848)	(75.770)	**(417.618)**
Impairment of other financial instruments	(33.205)	-	**(33.205)**
Impairment of non-financial instruments	-	(4.351)	**(4.351)**
Share of profit from associates and joint ventures	1.637	-	**1.637**
Profit/(loss) before tax	**355.050**	**(65.044)**	**290.006**
Tax	(3.630)	(6.403)	**(10.033)**
Profit/(loss) after tax	**351.420**	**(71.447)**	**279.973**
Non-controlling interests – (profit)/loss	(433)	2.298	**1.865**
Profit/(loss) after tax attributable to the owners of the Company	**350.987**	**(69.149)**	**281.838**

7. Segmental analysis (continued)

Discontinued operations

	Russia	Ukraine	**Total discontinued operations**
Nine months ended 30 September 2014 (represented)	€000	€000	**€000**
Net interest income	47.171	4.064	**51.235**
Net fee and commission income	13.961	270	**14.231**
Net foreign exchange gains	3.033	617	**3.650**
Net losses on financial instrument transactions	(31)	-	**(31)**
(Losses)/gains from revaluation and disposal of investment properties	(56)	560	**504**
Other income	841	492	**1.333**
	64.919	6.003	**70.922**
Staff costs	(26.232)	(1.233)	**(27.465)**
Other operating expenses	(29.076)	(2.883)	**(31.959)**
	9.611	**1.887**	**11.498**
Provisions for impairment of loans and advances to customers and other customer credit losses	(74.671)	(38.528)	**(113.199)**
Loss on disposal of Ukrainian operations	-	(114.228)	**(114.228)**
Loss before tax	**(65.060)**	**(150.869)**	**(215.929)**
Tax	(4.955)	654	**(4.301)**
Loss after tax	**(70.015)**	**(150.215)**	**(220.230)**
Non-controlling interests – loss	14.003	39	**14.042**
Loss after tax attributable to the owners of the Company	**(56.012)**	**(150.176)**	**(206.188)**

7. Segmental analysis (continued)

Analysis of total revenue

Total revenue includes net interest income, net fee and commission income, net foreign exchange gains, net gains on financial instrument transactions, insurance income net of claims and commissions and other income.

Continuing operations

	Cyprus	Other countries	**Total continuing operations**
Nine months ended 30 September 2015	€000	€000	**€000**
Banking and financial services	763.488	29.978	**793.466**
Insurance services	30.261	965	**31.226**
Property and hotel business	2.330	(38)	**2.292**
Total revenue from third parties	796.079	30.905	**826.984**
Inter-segment revenue/(expense)	10.816	(10.816)	**-**
Total revenue	**806.895**	**20.089**	**826.984**

Discontinued operations

	Russia	Subsidiary acquired with a view to resale	**Total discontinued operations**
Nine months ended 30 September 2015	€000	€000	**€000**
Banking and financial services	26.994	-	**26.994**
Property and hotel business	-	18.833	**18.833**
Total revenue	26.994	18.833	**45.827**

Continuing operations

	Cyprus	Other countries	**Total continuing operations**
Nine months ended 30 September 2014 (represented)	€000	€000	**€000**
Banking and financial services	982.080	44.766	**1.026.846**
Insurance services	34.377	2.303	**36.680**
Property and hotel business	1.809	(79)	**1.730**
Total revenue from third parties	1.018.266	46.990	**1.065.256**
Inter-segment revenue/(expense)	4.815	(4.815)	**-**
Total revenue	**1.023.081**	**42.175**	**1.065.256**

Discontinued operations

	Russia	Ukraine	**Total discontinued operations**
Nine months ended 30 September 2014 (represented)	€000	€000	**€000**
Total banking and financial services revenue from third parties	64.919	6.003	**70.922**

7. Segmental analysis (continued)

Analysis of assets

	Operating segments		Russia-discontinued operations	Total
	Cyprus	Other countries		
30 September 2015	€000	€000	€000	**€000**
Assets	22.955.204	2.393.604	-	25.348.808
Inter-segment assets				(1.152.128)
Total assets				**24.196.680**
31 December 2014				
Assets	25.164.546	2.112.860	715.428	27.992.834
Inter-segment assets				(1.203.432)
Total assets				**26.789.402**

Analysis of liabilities

	Operating segments		Russia-discontinued operations	Total
	Cyprus	Other countries		
30 September 2015	€000	€000	€000	**€000**
Liabilities	19.123.968	2.689.062	-	21.813.030
Inter-segment liabilities				(1.154.424)
Total liabilities				**20.658.606**
31 December 2014				
Liabilities	21.247.697	2.408.893	857.381	24.513.971
Inter-segment liabilities				(1.205.616)
Total liabilities				**23.308.355**

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

Income and expenses directly associated with each business line are included in determining the line's performance. Transfer pricing methodologies are applied between the business lines to present their results on an arm's length basis. 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.

7. **Segmental analysis** (continued)

By business line (continued)

	Corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	Insurance	Other	**Total Cyprus**
Nine months ended 30 September 2015	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Net interest income	51.726	51.702	187.196	221.105	45.612	4.900	504	40.037	**602.782**
Net fee and commission income/(expense)	5.726	6.686	40.971	10.884	36.257	1.209	(1.992)	10.403	**110.144**
Total other operating income	476	453	3.434	236	5.358	2.835	31.749	49.428	**93.969**
	57.928	58.841	231.601	232.225	87.227	8.944	30.261	99.868	**806.895**
Staff costs and other operating expenses	(7.847)	(9.162)	(89.204)	(24.006)	(16.101)	(3.764)	(11.479)	(108.723)	**(270.286)**
Restructuring costs	-	-	-	-	-	-	-	(22.495)	**(22.495)**
	50.081	49.679	142.397	208.219	71.126	5.180	18.782	(31.350)	**514.114**
Gains on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans	31.134	26.755	58.180	127.238	2.332	1.546	-	9.928	**257.113**
(Provisions for impairment)/reversal of provisions of loans and advances and other customer credit losses	(4.250)	6.797	(37.503)	(466.959)	(3.280)	(6.225)	-	171	**(511.249)**
Impairment of other financial instruments	-	-	-	-	-	-	-	(25.943)	**(25.943)**
Share of profit from associates and joint ventures	-	-	-	-	-		-	3.641	**3.641**
Profit / (loss) before tax	76.965	83.231	163.074	(131.502)	70.178	501	18.782	(43.553)	**237.676**
Tax	(9.621)	(10.404)	(20.384)	16.438	(8.772)	(63)	(2.131)	18.509	**(16.428)**
Profit / (loss) after tax	67.344	72.827	142.690	(115.064)	61.406	438	16.651	(25.044)	**221.248**
Non-controlling interests - profit	-	-	-	-	-	-	-	(173)	**(173)**
Profit / (loss) after tax attributable to the owners of the Company	**67.344**	**72.827**	**142.690**	**(115.064)**	**61.406**	**438**	**16.651**	**(25.217)**	**221.075**

Analysis of loans and advances to customers in Cyprus in the above business lines is disclosed in Note 27.

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

	Nine months ended 30 September		Three months ended 30 September	
	2015	2014 (represented)	**2015**	2014 (represented)
	€000	€000	**€000**	€000
Trading portfolio:				
- equity securities	**310**	1.412	**(366)**	282
- debt securities	**11**	72	**-**	3
- derivative financial instruments	**(13.324)**	5.394	**198**	4.251
Other investments at fair value through profit or loss:				
- debt securities	**379**	1.988	**(22)**	159
- equity securities	**157**	-	**275**	-
Net gains/(losses) on disposal of available-for-sale investments:				
- equity securities	**971**	48.948	**27**	(26)
- debt securities	**(12)**	2.860	**-**	234
Net gains on disposal/repayment of loans and receivables:				
- debt securities	**30.820**	99.929	**-**	87
Realised gains/(losses) on disposal of loans and deposits	**35**	25.432	**35**	(1.907)
Revaluation of financial instruments designated as fair value hedges:				
- hedging instruments	**8.948**	(11.937)	**345**	(2.542)
- hedged items	**(10.046)**	11.272	**(898)**	1.455
Gain/(loss) on disposal of joint ventures	**10.005**	-	**(57)**	-
Other gains on financial instruments	**-**	-	**-**	55
	28.254	185.370	**(463)**	2.051

The gain on disposal of debt securities classified as loans and receivables relates to the gain from the earlier than expected partial repayment of a Cyprus Government Bond.

The gain on disposal of joint ventures relates mainly to the disposal of Marfin Diversified Strategy Fund Plc (MDSF) in April 2015, and represents the recycling of the related foreign currency reserves into the consolidated income statement. Further details are disclosed in Note 17.

9. Staff costs and other operating expenses

Staff costs

	Nine months ended 30 September		Three months ended 30 September	
	2015	2014 (represented)	**2015**	2014 (represented)
	€000	€000	**€000**	€000
Salaries	**140.676**	140.402	**46.932**	47.099
Employer's contributions to state social insurance and pension funds	**19.826**	19.134	**7.236**	6.264
Retirement benefit plan costs	**16.097**	16.807	**4.414**	5.661
	176.599	176.343	**58.582**	59.024
Restructuring costs-Voluntary Retirement Schemes	**-**	59	**-**	59
	176.599	176.402	**58.582**	59.083

The number of persons employed by the Group as at 30 September 2015 was 4.610 (31 December 2014: 6.726, 30 September 2014: 6.729).

Other operating expenses

	Nine months ended 30 September		Three months ended 30 September	
	2015	2014 (represented)	**2015**	2014 (represented)
	€000	€000	**€000**	€000
Operating lease rentals for property and equipment	**7.770**	9.187	**2.551**	3.266
Advertising and marketing	**8.585**	8.841	**5.591**	2.975
Repairs and maintenance of property and equipment	**16.257**	15.203	**5.687**	6.495
Other property–related costs	**10.078**	9.295	**4.776**	3.932
Insurance expenses	**11.067**	10.696	**3.804**	3.934
Communication expenses	**5.586**	6.927	**2.071**	2.029
Printing and stationery	**3.137**	3.413	**1.181**	961
Depreciation of property and equipment	**9.259**	10.218	**3.100**	3.265
Amortisation of intangible assets	**5.259**	4.045	**1.833**	682
Contributions to depositor protection schemes	**274**	36	**29**	(4)
Special levy on deposits of credit institutions in Cyprus	**12.761**	14.415	**4.253**	4.805
Provisions and settlements of litigations or claims	**1.630**	12.650	**(374)**	950
Consultancy and other professional services fees	**11.966**	9.971	**4.438**	5.148
Local cash transfer expenses	**1.992**	1.539	**669**	452
Other operating expenses	**14.153**	19.084	**4.217**	5.328
	119.774	135.520	**43.826**	44.218
Advisory and other restructuring costs	**26.811**	27.391	**5.358**	6.622
	146.585	162.911	**49.184**	50.840

9. Staff costs and other operating expenses (continued)

Other operating expenses (continued)

Restructuring costs comprise mainly costs of external advisors and other expenses including property transfer fees relating to the restructuring process of the Group and costs incurred in closing down branches and operations.

10. Impairment of loans and advances to customers and other credit risk related (gains) / charges

	Nine months ended 30 September		Three months ended 30 September	
	2015	2014 (represented)	**2015**	2014 (represented)
	€000	€000	**€000**	€000
Gains on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans	**(263.392)**	(17.600)	**(33.353)**	(6.352)

Net provisions for impairment of loans and advances to customers and other customer credit losses				
Loans and advances to customers (Note 27)	**628.801**	417.618	**161.692**	127.862
Financial guarantees and commitments	**(36.037)**	-	**(32.854)**	-
	592.764	417.618	**128.838**	127.862

Net impairment of other financial instruments				
Available-for-sale debt securities	**-**	66	**-**	-
Available-for-sale equity securities	**2.426**	1.699	**403**	205
Loans and receivables debt securities	**(167)**	-	**-**	-
Placements with banks	**13.270**	16.440	**(200)**	(1.000)
Other receivables (Note 18)	**21.576**	15.000	**5.734**	-
	37.105	33.205	**5.937**	(795)

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

11. Tax

	Nine months ended 30 September		Three months ended 30 September	
	2015	2014 (represented)	**2015**	2014 (represented)
	€000	€000	**€000**	€000
Current tax:				
- Cyprus	**1.867**	2.468	**512**	957
- overseas	**2.119**	5.237	**1.362**	2.844
Cyprus defence contribution	**113**	101	**23**	24
Deferred tax	**12.687**	2.328	**5.226**	1.785
Prior year tax adjustments	**845**	(101)	**33**	(83)
	17.631	10.033	**7.156**	5.527

12. Earnings per share

	Nine months ended 30 September		Three months ended 30 September	
	2015	2014 (represented)	**2015**	2014 (represented)
Basic and diluted earnings/(losses) per share attributable to the owners of the Company				
Profit/(loss) for the period attributable to the owners of the Company (€ thousand)	**73.209**	75.650	**12.989**	(5.774)
Weighted average number of shares in issue during the period, excluding treasury shares (thousand)	**8.909.583**	4.918.027	**8.909.583**	5.284.327
Basic and diluted earnings/(losses) per share (€ cent)	**0,82**	1,54	**0,15**	(0,11)

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)	**129.048**	281.838	**39.724**	21.799
Weighted average number of shares in issue during the period, excluding treasury shares (thousand)	**8.909.583**	4.918.027	**8.909.583**	5.284.327
Basic and diluted earnings per share – continuing operations (€ cent)	**1,45**	5,73	**0,45**	0,41

Basic and diluted losses per share attributable to the owners of the Company – discontinued operations				
Loss after tax attributable to the owners of the Company – discontinued operations (€ thousand)	**(55.839)**	(206.188)	**(26.735)**	(27.573)
Weighted average number of shares in issue during the period, excluding treasury shares (thousand)	**8.909.583**	4.918.027	**8.909.583**	5.284.327
Basic and diluted losses per share – discontinued operations (€ cent)	**(0,63)**	(4,19)	**(0,30)**	(0,52)

13. Investments

	30 September 2015	31 December 2014
Investments	**€000**	€000
Investments at fair value through profit or loss	**34.740**	34.347
Investments available-for-sale	**50.352**	53.480
Investments classified as loans and receivables	**916.590**	1.783.309
	1.001.682	1.871.136

13. Investments (continued)

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

	30 September 2015	31 December 2014
Investments pledged as collateral	**€000**	€000
Investments available-for-sale	**426.028**	669.786

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

Loans and receivables at 30 September 2015 include €166.595 thousand (31 December 2014: €169.365 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.

13. Investments (continued)

Reclassification of investments

The tables below present the debt securities reclassified by the Group, by date of reclassification.

	Reclassification date	Carrying and fair value on reclassification date	30 September 2015		31 December 2014		Nine months ended 30 September 2015		Effective interest rate on reclassification date
			Carrying value	Fair value	Carrying value	Fair value	Additional loss in the income statement had the debt securities not been reclassified	Additional income/(loss) in other comprehensive income had the debt securities not been reclassified	
		€000	€000	€000	€000	€000	€000	€000	
Reclassification of trading investments to:									
- loans and receivables	1 April 2010	34.810	35.261	34.934	36.722	35.056	(122)	-	1,2%-4,4%
Reclassification of available-for-sale investments to:									
- loans and receivables	1 October 2008	129.497	129.214	140.954	130.500	130.520	-	11.740	4,6%-4,7%
- loans and receivables	30 June 2011	151.967	167.959	165.306	166.724	157.918	-	(2.653)	2,8%-6,3%
Reclassification of held-to-maturity investments to:									
- available-for-sale	1 November 2012	42.151	41.773	41.773	43.358	43.358	-	-	0,4%-3,1%

13. Investments (continued)

Reclassification of investments (continued)

	Reclassification date	Carrying and fair value on reclassification date	30 September 2014		31 December 2013		Nine months ended 30 September 2014		Effective interest rate on reclassification date
			Carrying value	Fair value	Carrying value	Fair value	Additional profit in the income statement had the debt securities not been reclassified	Additional income/(loss) in other comprehensive income had the debt securities not been reclassified	
		€000	€000	€000	€000	€000	€000	€000	
Reclassification of trading investments to:									
- loans and receivables	1 April 2010	34.810	36.802	35.110	38.059	32.204	2.906	-	1,2%-4,4%
Reclassification of available-for-sale investments to:									
- loans and receivables	1 October 2008	163.407	164.412	165.747	164.875	145.171	-	1.335	4,6%-4,7%
- loans and receivables	30 June 2011	164.035	178.228	170.253	176.586	149.088	-	(7.975)	2,8%-6,3%
Reclassification of held-to-maturity investments to:									
- available-for-sale	1 November 2012	87.725	89.195	89.195	90.114	90.114	-	-	0,4%-3,1%

14. Derivative financial instruments

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

	30 September 2015			31 December 2014		
	Contract amount	Fair value		Contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	€000	€000	€000	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	**483.597**	**23.392**	**350**	108.599	18.927	433
Currency swaps	**1.058.567**	**19.049**	**4.081**	1.268.923	22.623	7.196
Interest rate swaps	**48.103**	**283**	**2.414**	205.661	11.930	3.773
Currency options	**77**	**5**	**72**	995	76	919
Equity options	**3.183**	**597**	**331**	3.113	580	346
Interest rate caps/floors	**6.658**	**-**	**78**	5.194	-	153
GDP warrant securities	**-**	**-**	**-**	1.208	13	-
	1.600.185	**43.326**	**7.326**	1.593.693	54.149	12.820
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	**503.736**	**859**	**46.879**	674.883	-	59.147
Net investments – forward exchange rate contracts	**155.675**	**6.435**	**-**	60.616	8.449	-
	659.411	**7.294**	**46.879**	735.499	8.449	59.147
Total	**2.259.596**	**50.620**	**54.205**	2.329.192	62.598	71.967

Hedge accounting

Hedges of net investments

The Group's consolidated balance sheet is affected by foreign exchange differences between the Euro and all non-Euro functional currencies of overseas subsidiaries and branches and other foreign operations. The Group hedges its structural currency risk when it considers that the cost of such hedging is within an acceptable range (in relation to the underlying risk). This hedging is effected by financing with borrowings in the same currency as the functional currency of the overseas subsidiaries and branches, as well as overseas associates and joint ventures and forward exchange rate contracts. As at 30 September 2015, deposits and forward exchange rate contracts amounting to €179.626 thousand and €155.675 thousand respectively (31 December 2014: €249.967 thousand and €60.616 thousand respectively) have been designated as hedging instruments and have given rise to a loss of €9.227 thousand (31 December 2014: gain of €2.580 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 and other foreign operations.

15. Fair value measurement

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

	30 September 2015		31 December 2014	
	Carrying value	**Fair value**	Carrying value	Fair value
	€000	**€000**	€000	€000
Financial assets				
Cash and balances with central banks	**986.263**	**986.263**	1.139.465	1.139.465
Placements with banks	**1.398.647**	**1.407.370**	1.646.886	1.620.413
Investments at fair value through profit or loss	**34.740**	**34.740**	34.347	34.347
Investments available-for-sale	**476.380**	**476.380**	723.266	723.266
Investments classified as loans and receivables	**916.590**	**956.467**	1.783.309	1.861.909
Derivative financial assets	**50.620**	**50.620**	62.598	62.598
Loans and advances to customers	**17.979.722**	**19.121.559**	18.168.323	18.365.310
Life insurance business assets attributable to policyholders	**456.194**	**456.194**	459.912	459.912
Financial assets included in disposal groups held for sale	**-**	**-**	673.104	624.961
Other assets – financial assets	**211.033**	**211.033**	151.155	151.155
	22.510.189	**23.700.626**	24.842.365	25.043.336
Financial liabilities				
Obligations to central banks and amounts due to banks	**5.725.353**	**5.725.353**	8.445.669	8.445.669
Repurchase agreements	**367.690**	**374.222**	579.682	592.113
Derivative financial liabilities	**54.205**	**54.205**	71.967	71.967
Customer deposits	**13.608.325**	**13.613.638**	12.623.558	12.609.522
Debt securities in issue	**1.199**	**1.199**	1.185	1.185
Financial liabilities included in disposal groups held for sale	**-**	**-**	579.930	578.666
Other liabilities – financial liabilities	**107.900**	**107.900**	128.785	128.785
	19.864.672	**19.876.517**	22.430.776	22.427.907

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.

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

15. Fair value measurement (continued)

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

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

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

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

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

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

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

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 value of a deposit repayable on demand is approximated by its carrying value.

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 takes into account the time value of money only.

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

15. Fair value measurement (continued)

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

Analysis of financial instruments recorded at fair value by level of the fair value hierarchy

	Level 1	Level 2	Level 3	**Total**
30 September 2015	€000	€000	€000	**€000**
Financial assets				
Trading derivatives				
Forward exchange rate contracts	-	23.392	-	**23.392**
Currency swaps	-	19.049	-	**19.049**
Interest rate swaps	-	283	-	**283**
Currency options	-	5	-	**5**
Equity options	-	597	-	**597**
	-	43.326	-	**43.326**
Derivatives designated as fair value hedges				
Interest rate swaps	-	859	-	**859**
Derivatives designated as net investment hedges				
Forward exchange rate contracts	-	6.435	-	**6.435**
Investments at fair value through profit or loss				
Trading investments	12.998	-	339	**13.337**
Other investments at fair value through profit or loss	3.505	17.739	159	**21.403**
	16.503	17.739	498	**34.740**
Investments available-for-sale	474.891	40	1.449	**476.380**
	491.394	68.399	1.947	**561.740**

15. Fair value measurement (continued)

Analysis of financial instruments recorded at fair value by level of the fair value hierarchy (continued)

	Level 1	Level 2	Level 3	**Total**
30 September 2015	€000	€000	€000	**€000**
Financial liabilities				
Trading derivatives				
Forward exchange rate contracts	-	350	-	**350**
Currency swaps	-	4.081	-	**4.081**
Interest rate swaps	-	2.414	-	**2.414**
Currency options	-	72	-	**72**
Equity options	-	331	-	**331**
Interest rate caps/floors	-	78	-	**78**
	-	7.326	-	**7.326**
Derivatives designated as fair value hedges				
Interest rate swaps	-	46.879	-	**46.879**
	-	54.205	-	**54.205**

31 December 2014				
Financial assets				
Trading derivatives				
Forward exchange rate contracts	-	18.927	-	**18.927**
Currency swaps	-	22.623	-	**22.623**
Interest rate swaps	-	11.930	-	**11.930**
Currency options	-	76	-	**76**
Equity options	-	580	-	**580**
GDP warrant securities	-	13	-	**13**
	-	54.149	-	**54.149**
Derivatives designated as net investment hedges				
Forward exchange rate contracts	-	8.449	-	**8.449**
Investments at fair value through profit or loss				
Trading investments	16.205	-	-	**16.205**
Other investments at fair value through profit or loss	431	17.711	-	**18.142**
	16.636	17.711	-	**34.347**
Investments available-for-sale	719.373	205	3.688	**723.266**
	736.009	80.514	3.688	**820.211**

15. Fair value measurement (continued)

Analysis of financial instruments recorded at fair value by level of the fair value hierarchy (continued)

	Level 1	Level 2	Level 3	**Total**
31 December 2014	€000	€000	€000	**€000**
Financial liabilities				
Trading derivatives				
Forward exchange rate contracts	-	433	-	**433**
Currency swaps	-	7.196	-	**7.196**
Interest rate swaps	-	3.773	-	**3.773**
Currency options	-	919	-	**919**
Equity options	-	346	-	**346**
Interest rate caps/floors	-	153	-	**153**
	-	12.820	-	**12.820**
Derivatives designated as fair value hedges				
Interest rate swaps	-	59.147	-	**59.147**
	-	71.967	-	**71.967**

During the nine months ended 30 September 2015 and during the year 2014 there were no material transfers between Level 1 and Level 2.

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

	30 September 2015	31 December 2014
	€000	€000
1 January	**3.688**	4.308
Disposals	**(45)**	(855)
Unrealised (losses)/gains recognised in the consolidated statement of comprehensive income	**(1.884)**	416
Impairment charge – continuing operations	**-**	(181)
Transfers from level 1 and 2	**171**	-
Foreign exchange adjustments	**17**	-
30 September 2015/31 December 2014	**1.947**	3.688

15. Fair value measurement (continued)

Non-financial instruments (investment properties) recorded at fair value

	30 September 2015	31 December 2014
	€000	€000
1 January	**488.598**	495.658
Additions	**96.803**	117.257
Disposals	**(13.923)**	(19.531)
Disposal of Ukrainian operations	**-**	(34.395)
Transfer from own use properties to investment properties	**19.143**	19.847
Transfer to non-current assets and disposal groups held for sale	**(17.352)**	(46.841)
Transfer from investment properties to inventories	**-**	(893)
Transfer to equipment	**-**	(277)
Revaluation losses – continuing operations	**(35.045)**	(11.771)
Revaluation gains – discontinued operations	**-**	949
Foreign exchange adjustments	**796**	(31.405)
30 September 2015/31 December 2014	**539.020**	488.598

16. Loans and advances to customers

	30 September 2015	31 December 2014
	€000	€000
Gross loans and advances to customers	**21.596.601**	21.240.277
Provisions for impairment of loans and advances to customers (Note 27)	**(3.616.879)**	(3.071.954)
	17.979.722	18.168.323

Additional analysis and information regarding the credit risk and the provisions for impairment of loans and advances to customers are set out in Note 27.

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

	30 September 2015	31 December 2014 (represented)
	€000	€000
Disposal groups classified as held for sale	**-**	715.428
Subsidiary acquired with a view to resale	**-**	115.965
Non-current assets classified as held for sale:		
- investment properties	**23.027**	11.130
- investment in joint venture	**-**	73.683
	23.027	916.206

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

	30 September 2015	31 December 2014 (represented)
	€000	€000
Disposal groups classified as held for sale	**-**	586.001
Subsidiary acquired with a view to resale	**-**	25.198
	-	611.199

The following non-current assets and disposal groups were classified as held for sale as at 30 September 2015 and 31 December 2014:

Investment properties
The investment properties classified as held for sale are properties which management is committed to sell and has proceeded with an active programme to complete this plan. The disposals are expected to take place within 12 months from the date of classification. Investment properties classified as held for sale are measured at fair value. The results of the fair value change are presented on 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 and Romanian investment properties.

Investment in joint venture
The Group's investment in joint venture comprised MDSF acquired by the Group as part of the acquisition of certain operations of Laiki Bank. The Group held approximately 90% of the units of the fund.

As at 31 December 2014 the investment was classified as held for sale and upon measurement at fair value less costs to sell, an impairment loss of €29.757 thousand was recognised. On 30 April 2015, the Group completed the sale of its investment in MDSF. The sale consideration was approximately €84.000 thousand and the gain on disposal was approximately €10.000 thousand (Note 8).

Subsidiaries acquired with a view to resale
The subsidiaries acquired with a view to resale related to the Aphrodite group (Note 7), which the Group acquired in November 2014, as part of its strategy in managing large borrower exposures and which the Group was in the process of disposing and had therefore classified as a subsidiary acquired with a view to resale upon initial recognition. Upon initial recognition, the Aphrodite group was measured at fair value less costs to sell.

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

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

Subsidiaries acquired with a view to resale (continued)
The holding in Aphrodite group disposed of, comprised a 75% holding in Aphrodite Hills Resort Ltd and Aphrodite Hills (Lakkos tou Frangou) Ltd and 100% their subsidiaries listed below.

Malta: Aphrodite Holdings Ltd and Thalassa Holdings Ltd.

Cyprus: Aphrodite Hotels Ltd, Aphrodite Hills Property Management Ltd, The Aphrodite Tennis and Spa Ltd and Aphrodite Hills Services Ltd.

Disposal groups classified as held for sale
The disposal group classified as held for sale as at 31 December 2014 related to the Russian operations of the Group for which a plan to dispose was initiated in 2014 and management had assessed that a disposal within 12 months from classification was highly probable. In September 2015, the Company completed the sale of the majority of its Russian operations (Note 33.2). The part of the operations not disposed of has ceased to be classified as held for sale and its results are presented as part of the continuing operations. The remaining operations in Russia relate to the management of a loan portfolio.

The major classes of assets and liabilities of the disposal groups classified as held for sale at 30 September 2015 and 31 December 2014 are set out below:

	Russian operations	
	30 September 2015	31 December 2014
Assets	**€000**	€000
Cash and balances with central banks	-	85.952
Placements with banks	-	35.994
Investments	-	348
Loans and advances to customers	-	549.830
Investment properties	-	33.436
Other assets	-	9.868
	-	715.428
Liabilities		
Amounts due to banks	-	29.650
Customer deposits	-	545.620
Derivative financial liabilities	-	589
Debt securities in issue	-	1.770
Subordinated loan stock	-	2.301
Other liabilities	-	6.071
	-	586.001
	-	129.427

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

Disposal groups classified as held for sale (continued)
Following the classification of the Russian operations as a disposal group held for sale and measurement of the disposal group at fair value less costs to sell, an impairment loss of €84.098 thousand was recognised during 2014, to reduce the carrying amount of the scoped-in non-current assets (namely the property and equipment, intangible and other non-financial assets) of the disposal group to fair value less costs to sell, based on management's expectations. During the nine months ended 30 September 2015 additional impairment of €3.288 thousand was recognised. As a result, the carrying value of the scoped-in non-current assets had been reduced to zero prior to disposal.

The results of the Russian operations and the results of the Aphrodite group which are presented as discontinued operations are disclosed in Note 7.

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

	30 September 2015	31 December 2014 (represented)
	€000	€000
Revaluation reserve of available-for-sale investments	**-**	973
Property revaluation reserve	**-**	7.153
Foreign currency translation reserve	**-**	(18.008)
Reserve of disposal groups classified as held for sale	**-**	(9.882)

In addition, during the nine months ended 30 September 2015, the subsidiary of the Group, Kermia Hotels Ltd, which was classified as held for sale in the financial statements for the year ended 31 December 2014, ceased meeting the IFRS 5 classification criteria and as a result classification of items out of the held for sale category has been applied retrospectively. There was no profit/loss impact from the classification out of the held for sale category.

18. Other assets

	30 September 2015	31 December 2014 (represented)
	€000	€000
Debtors	**22.878**	21.279
Stock of property held for sale	**22.426**	13.430
Taxes refundable	**37.914**	48.607
Retirement benefit plan assets	**407**	42
Reinsurers' share of insurance contract liabilities	**61.686**	66.177
Prepaid expenses	**1.395**	1.279
Receivable relating to disposals of operations	**113.784**	101.550
Other assets	**81.325**	83.898
	341.815	336.262

As at 30 September 2015 the receivable relating to disposals of operations relates to the disposal of the Ukrainian and the Russian operations, whereas the balance at 31 December 2014 relates to the Ukrainian operations.

During the nine months ended 30 September 2015, an impairment loss of €21.576 thousand was recognised in relation to the above other assets (Note 10).

19. Amounts due to banks

Amounts due to banks represent interbank takings and bear interest based on the interbank rate of the relevant term and currency.

20. Funding from central banks

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

	30 September 2015	31 December 2014
	€000	€000
Emergency Liquidity Assistance (ELA)	**4.902.001**	7.403.741
Monetary policy operations	**-**	380.001
Targeted Long Term Refinancing Operations (TLTRO)	**500.600**	500.031
	5.402.601	8.283.773

The funding under monetary policy operations bears interest at the ruling main refinancing operations (MRO) rate of the Eurosystem and it was fully repaid during the second quarter of 2015.

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

The Company's ELA funding bears interest at the 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

	30 September 2015	31 December 2014
	€000	€000
By type of deposit		
Demand	**4.631.572**	4.237.590
Savings	**1.012.997**	955.556
Time or notice	**7.963.756**	7.430.412
	13.608.325	12.623.558
By geographical area		
Cyprus	**12.158.055**	11.314.137
United Kingdom	**1.444.850**	1.304.844
Romania	**5.420**	4.577
	13.608.325	12.623.558

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

The Russian operations disposed of during September 2015 were classified as a disposal group held for sale as at 31 December 2014, hence the respective Russian deposits were included in the liabilities of the disposal group held for sale in Note 17.

22. Debt securities in issue

	Contractual interest rate	**30 September 2015**	31 December 2014
		€000	€000
Medium term senior debt			
€2 million 2010/2016	DJ EUROSTOXX 50 index	**531**	531
USD 2 million 2010/2016	S&P 500 index	**176**	162
		707	693
Other debt securities in issue			
Interest-free loan from the European Development Bank	-	**492**	492
		1.199	1.185

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

Medium term senior debt

The Company maintains a Euro Medium Term Note (EMTN) Programme under which debt securities with an aggregate nominal amount up to €4.000 million (31 December 2014: €4.000 million) may be issued.

Covered Bonds

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

Under the Programme, the Company issued in December 2011 covered bonds of €1.000 million. The covered bonds issued had a maturity of 3 years with a potential extension of their repayment by one year, bore interest at the three month Euribor plus 1,25% annually and were traded on the Luxemburg Bourse. The terms of the €1.000 million covered bond secured by residential mortgage loans originated in Cyprus were amended and its revised maturity date is 12 June 2017. The covered bonds bear annual interest rate at the three month Euribor plus 3,25% on a quarterly basis.

On 29 September 2015 the terms of the Covered Bond Programme and outstanding €1 billion Covered Bond were amended to a Conditional Pass–Through structure. As part of the restructuring, €350.000 thousand of the retained covered bond was repurchased and cancelled. The outstanding principal of the retained covered bond following the above actions stood at €650.000 thousand. The credit rating of the covered bonds was upgraded to an investment grade rating and as a result these have become eligible collateral for the Eurosystem credit operations.

Loans and advances pledged as collateral for covered bonds are disclosed in Note 28.

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

Bonds guaranteed by the Republic of Cyprus

The Company maintains the rights and obligations as issuer of two bonds guaranteed by the Republic of Cyprus of €500 million each. In November 2014, the maturity of the bonds was extended for a period of 3 years. The bonds bear 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.

23. Other liabilities

Other liabilities at 30 September 2015 include retirement benefit plan liabilities of €15.584 thousand (31 December 2014: €16.201 thousand) and provisions for financial guarantees and commitments of €49.714 thousand (31 December 2014: €85.751 thousand).

23.1 Pending litigation and claims

Other liabilities at 30 September 2015 include provisions for pending litigation or claims of €28.864 thousand (31 December 2014: €27.329 thousand).

The recognition of provisions for litigation and claims is determined in accordance with the accounting policies set out in Note 3.31.1 of the annual Consolidated Financial Statements for the year ended 31 December 2014.

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

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

While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of legal proceedings and regulatory matters as at 30 September 2015 and hence it is not believed that such litigation, when concluded, will have a material impact upon the financial position of the Group. It is not practicable to provide an aggregate estimate of potential liability for the Company's legal procedures and regulatory matters as a class of contingent liabilities.

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 between themselves considerably. In the case of many of them, the Company believes that it has a number of viable legal defences, which it will advance in the course of proceedings, particularly with respect to institutional investors and those purchasers who had received investment advice from independent investment advisers 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 more significant difficulties. In any event, the resolution of the claims brought in the courts of Cyprus and Greece could take a number of years.

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. The Company has filed a recourse before the Supreme Court against the CBC's ruling and the fine.

23. Other liabilities (continued)

23.1 Pending litigation and claims (continued)

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

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

In addition to the above, the HCMC is currently in the process of investigating matters concerning the Group's investment in Greek government bonds.

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

CySEC has also concluded (in two stages) during 2013 and 2014 its 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 the fines imposed.

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. In October 2014, the Company and certain of its former officers and members of the Board were invited to submit written addresses in respect of this investigation which have since been submitted. The matter is now before the CySEC. There is information obtained from CySEC that it has referred the matter to the Attorney-General for consideration of any criminal issues or matters arising therefrom, and will take no action itself in respect of the matter (at least in the foreseeable future).

23. **Other liabilities** (continued)

23.1 **Pending litigation and claims** (continued)

The Cyprus Securities and Exchange Commission Investigations (CySEC) (continued)

In addition to the above, CySEC is currently in the process of investigating:

- Matters concerning the Bank's investment in Banca Transylvania.
- The non-disclosure of certain terms and conditions of the Group's ELA funding.
- The non-disclosure of the Company's request to the Ministry of Finance for granting additional government guarantees of up to €3 billion, for bonds that the Company could issue to enhance its liquidity position.
- The adequacy of provisions for impairment of loans and advances in years 2011 and 2012.
- The reclassification of Greek Government bonds on 1 April 2010 and;
- The adequacy of provisions for impairment of loans and advances in year 2013 in light of the results of the AQR.

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

The above investigations are in progress and therefore it is not practical at this stage for the Company to estimate reliably any possible liability that might arise.

Bail-in related litigation

Depositors

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

Shareholders

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

Claims based on set-off

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

Laiki Bank depositors and shareholders

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

23. **Other liabilities** (continued)

23.1 **Pending litigation and claims** (continued)

Bail-in related litigation (continued)

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 will make the appropriate representations (but will also consider taking other steps in consultation with the Commission to remove those features of its operation which are regarded as anti-competitive) so that the administrative penalty to be imposed will not be significant (though the CPC has the power to impose a fine as a percentage of the Company's turnover). In any event, the Company will file a recourse before the Supreme Court challenging the CPC's decision. Such recourse will be filed upon the notification of the fine. The Company assesses that the outcome will not have a material impact on the financial position of the Group.

CNP Arbitration

CNP Cyprus Insurance Holdings Ltd (a company in which the Group has a 49,9% shareholding, acquired as part of the Laiki Bank acquisition) had certain exclusive arrangements with Laiki Bank with respect to insurance products offered in Cyprus through the formation of a local company (CNP Cyprus). CNP France held 50,1% of the shares of CNP Cyprus and Laiki Bank held 49,9% of the shares. In the context of the total arrangement between the parties, two agreements were in place between CNP and Laiki Bank, a Shareholding Agreement and a Distribution Agreement. As regards the Shareholding Agreement, the Company (pursuant to the Resolution Law and the Decrees made thereunder) has succeeded to the shareholding of Laiki Bank, thus becoming a 49,9% shareholder of CNP Cyprus.

Following the resolution of Laiki Bank, CNP has instituted arbitration proceedings in London under the auspices of the International Chamber of Commerce, alleging that the Company is a successor to Laiki Bank in respect of both the Shareholding and Distribution Agreements and that the said Agreements (particularly the Distribution Agreement) have been violated. The claims of CNP amount to approximately €240 million (including interest and grossed-up for tax). The Company considers that it has viable defences in respect of both proceedings which it intends to contest vigorously. One of the defences raised by the Company is that of frustration, namely that as a result of the very significant changes of March 2013, the Agreements as concluded between CNP and Laiki Bank cannot possibly operate in the context of the new realities. The hearing of the Arbitration is planned to take place in May 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.

23. Other liabilities (continued)

23.1 Pending litigation and claims (continued)

Other litigation (continued)
Provident fund cases
Twenty three claims are pending before the Labour Disputes Tribunal by former employees with respect to their retirement benefits; judgement has been reserved. These employees retired and/or departed in 1999 and claim that the Company and/or the Company's provident fund did not calculate their benefits correctly. In the event that the claims succeed, the total amount will be approximately €24 million. Provision has been made based on management's best estimate of probable outflows.

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 any results in the context of these cases will have a material impact upon the financial position of the Company.

Greek case against the Company
For one of these cases relating to the discontinued operations in Greece, a provision was formed in previous periods (30 June 2014: €38.000 thousand) following a court judgement. This provision was reversed as at 31 December 2014 following the dismissal of the said judgement by the Supreme Court in March 2015. The case may be sent for retrial. 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.

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

UK cases against the Company
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 real 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. The Company does not expect that the results of these proceedings will have any material adverse impact on the Company.

Ukrainian case against the Company
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 Cyprus Popular Bank Public Co Ltd and later transferred to the Alfa group in the context of the sale by the Group of its Ukrainian operations. Also, local/ancillary proceedings before the District Court of Nicosia in aid of the London proceedings were instituted in November 2015. The Company vigorously contests the proceedings in both jurisdictions. In any event, whatever their outcome, such proceedings are not expected to have a material impact on the financial position of the Company.

Private criminal prosecutions
Six private criminal prosecutions have been instituted by certain customers against the Company and certain of its directors and officers advancing their own grievances and complaints. These are proceedings instituted by individuals and not the State. Two of these concern allegations of failure to restructure loan obligations of clients, another two concern alleged misrepresentations in the financial statements, one concerns alleged conspiracy with respect to a claim under a guarantee and one refers to the registration of mortgages under false pretences. The Company expects that these prosecutions will be dismissed. The Company has asked the Attorney-General to discontinue the proceedings (nolle prosequi) but such request has been rejected. The Company has renewed its request for a nolle prosequi in respect of such cases. The two private criminal prosecutions concerning alleged misrepresentations in the financial statements were withdrawn in September 2015.

23. Other liabilities (continued)

23.1 Pending litigation and claims (continued)

Other litigation (continued)
Private criminal prosecutions (continued)
Another private criminal prosecution has been instituted in October 2015 by a customer against the Company and certain of its directors and officers. This concerns allegations regarding interest rates charged on a credit facility. The Company has asked the Attorney-General to discontinue the proceedings (nolle prosequi).
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 Company.

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

The Attorney-General has filed another criminal case against the Company and six former members of the Board of Directors for alleged breach of Article 19 of the Manipulation of Insider Information and Market Manipulation (Market Abuse) Law, with respect to the Greek Government Bonds. The case is scheduled for first appearance in December 2015 and the alleged offence refers to the non-publication of the purchase and sale of the Greek Government Bonds during a specified period. The Company denies all allegations. The hearing of the case has not yet 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.

23.2 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.

24. Share capital

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

24. Share capital (continued)

Issued share capital

2015

During the nine months ended 30 September 2015 the issued share capital was increased by 567 thousand shares of a nominal value of €0,10 each as a result of the Retail Offer, the third and the last phase of the Capital Raising. Phase 3 was completed on 9 January 2015 and the new ordinary shares were issued on 14 January 2015.

2014

During 2014 the Company reduced the nominal value of its authorised capital from €1,00 each to €0,10 each share.

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

All issued ordinary shares carry the same rights.

Shares subject to interim orders

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

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

The shares which as per the bail-in Decrees corresponded to the deposits which were subject to these interim orders were included in equity in the consolidated balance sheet as 'Shares subject to interim orders', with an equivalent debit balance included in 'Other liabilities' within total liabilities. As at 30 September 2015 there were no shares subject to interim orders (31 December 2014: €441 thousand).

Share premium

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

During the nine months ended 30 September 2015, as a result of the issuance of 567 thousand shares of a nominal value of €0,10 each at a subscription price of €0,24 each, the Company's share premium increased by €79 thousand.

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

Capital reduction reserve

The capital reduction reserve was created following the reduction of the nominal value of ordinary shares from €1 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.

24. Share capital (continued)

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 30 September 2015 was 5.627 thousand of a nominal value of €0,10 each (31 December 2014: 20.751 thousand of a nominal value of €0,10 each). The total cost of acquisition of treasury shares was €45.809 thousand (31 December 2014: €88.051 thousand).

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

In addition, the life insurance subsidiary of the Group held, as at 30 September 2015, a total of 2.889 thousand (31 December 2014: 3.043 thousand) shares of the Company, as part of their financial assets which are invested for the benefit of insurance policyholders. The cost of acquisition of these shares was €21.463 thousand (31 December 2014: €21.463 thousand).

25. Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Cash Flows comprise:

	30 September 2015	30 September 2014
	€000	€000
Cash and non-obligatory balances with central banks	**870.059**	432.262
Treasury bills repayable within three months	**21.846**	179.305
Placements with banks with maturity of less than three months	**1.147.468**	1.224.784
	2.039.373	1.836.351

Analysis of cash and balances with central banks and placements with banks

	30 September 2015	31 December 2014
	€000	€000
Cash and non-obligatory balances with central banks	**870.059**	655.263
Obligatory balances with central banks	**116.204**	484.202
Total cash and balances with central banks	**986.263**	1.139.465

Placements with banks with original maturity less than three months	**1.147.468**	1.304.358
Other restricted placements with banks	**64.079**	70.771
Other placements with banks	**187.100**	271.757
Total placements with banks	**1.398.647**	1.646.886

Other restricted placements with banks relate to collateral under derivative transactions of €64.079 thousand (31 December 2014: €70.771 thousand) which is not immediately available for use by the Group, but is released once the transactions are terminated.

26. Analysis of assets and liabilities by expected maturity

	30 September 2015			31 December 2014		
	Less than one year	**Over one year**	**Total**	Less than one year	Over one year	Total
Assets	**€000**	**€000**	**€000**	€000	€000	€000
Cash and balances with central banks	**871.375**	**114.888**	**986.263**	660.104	479.361	1.139.465
Placements with banks	**1.218.596**	**180.051**	**1.398.647**	1.522.315	124.571	1.646.886
Derivative financial assets	**49.519**	**1.101**	**50.620**	61.896	702	62.598
Investments	**655.323**	**772.387**	**1.427.710**	571.863	1.969.059	2.540.922
Loans and advances to customers	**4.762.303**	**13.217.419**	**17.979.722**	4.487.855	13.680.468	18.168.323
Life insurance business assets attributable to policyholders	**20.446**	**448.311**	**468.757**	20.906	452.086	472.992
Other assets	**155.587**	**186.228**	**341.815**	236.469	99.793	336.262
Property, equipment and intangible assets	**147**	**424.601**	**424.748**	8.086	435.417	443.503
Investment properties	**-**	**539.020**	**539.020**	-	488.598	488.598
Investments in associates and joint ventures	**-**	**112.859**	**112.859**	-	116.776	116.776
Deferred tax assets	**19.406**	**424.086**	**443.492**	9.905	446.966	456.871
Non-current assets and disposal groups held for sale	**23.027**	**-**	**23.027**	916.206	-	916.206
	7.775.729	**16.420.951**	**24.196.680**	8.495.605	18.293.797	26.789.402
Liabilities						
Amounts due to banks	**264.492**	**58.260**	**322.752**	113.651	48.245	161.896
Funding from central banks	**1.222.407**	**4.180.194**	**5.402.601**	1.554.000	6.729.773	8.283.773
Repurchase agreements	**66.621**	**301.069**	**367.690**	230.305	349.377	579.682
Derivative financial liabilities	**9.787**	**44.418**	**54.205**	13.371	58.596	71.967
Customer deposits	**4.864.556**	**8.743.769**	**13.608.325**	4.416.865	8.206.693	12.623.558
Insurance liabilities	**87.825**	**477.213**	**565.038**	93.837	482.864	576.701
Other liabilities	**267.243**	**22.283**	**289.526**	317.664	32.767	350.431
Debt securities in issue	**492**	**707**	**1.199**	492	693	1.185
Deferred tax liabilities	**-**	**47.270**	**47.270**	565	47.398	47.963
Non-current liabilities and disposal groups held for sale	**-**	**-**	**-**	611.199	-	611.199
	6.783.423	**13.875.183**	**20.658.606**	7.351.949	15.956.406	23.308.355

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

In accordance with the Group's approved restructuring plan, most 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 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 the Group has 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.

26. 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, 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 other assets and liabilities is the same as their contractual maturity.

27. Risk management – Credit risk

In the ordinary course of its business the Group is exposed to credit risk which is monitored through various control mechanisms across all Group entities in order to prevent undue risk concentrations and to price credit facilities and products on a risk-adjusted basis.

Credit risk is the risk that arises from the possible failure of one or more customers to discharge their obligations towards the Group.

The Credit Risk department sets the Group's credit disbursement policies and monitors compliance with credit risk policy applicable to each business line and 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.

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 portfolio is regularly reviewed by a specialist unit of Group Internal Audit.

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 3 'Summary of accounting policies' of the annual Consolidated Financial Statements for the year ended 31 December 2014.

The Market Risk department assesses the credit risk relating to investments in liquid assets (mainly placements with 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.

27. Risk management – Credit risk (continued)

Maximum exposure to credit risk and collateral and other credit enhancements

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

	30 September 2015	31 December 2014
	€000	€000
Balances with central banks	**851.157**	954.412
Placements with banks	**1.398.647**	1.646.886
Trading investments - debt securities	**1**	1
Debt securities at fair value through profit or loss	**17.264**	17.151
Debt securities classified as available-for-sale and loans and receivables	**1.381.578**	2.491.167
Derivative financial instruments (Note 14)	**50.620**	62.598
Loans and advances to customers (Note 16)	**17.979.722**	18.168.323
Assets held for sale (Note 17)	**-**	625.207
Debtors (Note 18)	**22.878**	21.279
Reinsurers' share of insurance contract liabilities (Note 18)	**61.686**	66.177
Other assets	**188.155**	129.876
On-balance sheet total	**21.951.708**	24.183.077
Contingent liabilities		
Acceptances and endorsements	**7.351**	9.227
Guarantees	**784.651**	972.673
Guarantees related to the disposal group held for sale	**-**	8.547
Commitments		
Documentary credits	**14.493**	16.217
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**2.132.467**	2.273.433
Undrawn formal stand-by facilities other credit lines and commitments to lend for disposal group held for sale	**-**	71.379
Off-balance sheet total	**2.938.962**	3.351.476
Total credit risk exposure	**24.890.670**	27.534.553

27. Risk management – Credit risk (continued)

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

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

	30 September 2015	31 December 2014
On-balance sheet	**€000**	€000
Cyprus	**19.821.662**	21.443.313
Greece	**82.684**	110.459
Russia	**99.958**	625.207
United Kingdom	**1.630.661**	1.525.666
Romania	**316.743**	478.432
	21.951.708	24.183.077

Off-balance sheet		
Cyprus	**2.764.559**	3.067.737
Greece	**132.300**	185.271
Russia	**20.000**	79.926
United Kingdom	**21.791**	18.225
Romania	**312**	317
	2.938.962	3.351.476

Total on and off balance sheet		
Cyprus	**22.586.221**	24.511.050
Greece	**214.984**	295.730
Russia	**119.958**	705.133
United Kingdom	**1.652.452**	1.543.891
Romania	**317.055**	478.749
	24.890.670	27.534.553

27. Risk management – Credit risk (continued)

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

The Group offers guarantee facilities to its customers under which the Group may be required to make payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs.

Letters of credit and guarantee (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Group to risks similar to those of loans and advances and are therefore monitored by the same policies and control processes.

Loans and advances to customers
The Credit Risk department determines the amount and type of collateral and other credit enhancements required for the granting of new loans to customers.

The main types of collateral obtained by the Group are real estate mortgages on properties, 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, 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 Directive of the CBC. According to these restrictions, banks are prohibited from lending more than 25% of the shareholders' equity 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 Laiki Bank acquisition 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.

27. Risk management – Credit risk (continued)

Credit risk concentration of loans and advances to customers (continued)

Geographical and industry concentrations of Group loans and advances to customers are presented below:

	Cyprus	Greece	United Kingdom	Romania	Russia	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
30 September 2015	€000	€000	€000	€000	€000	**€000**	**€000**	**€000**
By economic activity								
Trade	2.285.438	-	24.073	12.439	62.488	**2.384.438**	**(125.975)**	**2.258.463**
Manufacturing	815.493	-	9.866	7.777	16.488	**849.624**	**(33.975)**	**815.649**
Hotels and catering	1.512.985	-	97.558	6.189	-	**1.616.732**	**(81.583)**	**1.535.149**
Construction	4.043.335	-	27.882	58.860	11.299	**4.141.376**	**(356.515)**	**3.784.861**
Real estate	2.147.480	45.103	864.944	258.698	67.722	**3.383.947**	**(141.628)**	**3.242.319**
Private individuals	7.361.202	219	44.492	5.836	-	**7.411.749**	**(278.933)**	**7.132.816**
Professional and other services	1.639.276	-	59.463	38.361	99.319	**1.836.419**	**(105.590)**	**1.730.829**
Other sectors	1.171.241	26.081	12.125	28.824	-	**1.238.271**	**(141.756)**	**1.096.515**
	20.976.450	**71.403**	**1.140.403**	**416.984**	**257.316**	**22.862.556**	**(1.265.955)**	**21.596.601**
By customer sector								
Corporate	9.391.033	71.184	849.724	395.863	246.919	**10.954.723**	**(701.500)**	**10.253.223**
Small and medium-sized enterprises (SMEs)	4.471.280	-	251.500	18.230	10.397	**4.751.407**	**(275.638)**	**4.475.769**
Retail								
- housing	4.327.269	-	18.408	1.365	-	**4.347.042**	**(111.132)**	**4.235.910**
- consumer, credit cards and other	2.177.017	219	20.771	1.526	-	**2.199.533**	**(162.184)**	**2.037.349**
International banking services	542.582	-	-	-	-	**542.582**	**(8.512)**	**534.070**
Wealth management	67.269	-	-	-	-	**67.269**	**(6.989)**	**60.280**
	20.976.450	**71.403**	**1.140.403**	**416.984**	**257.316**	**22.862.556**	**(1.265.955)**	**21.596.601**

27. Risk management – Credit risk (continued)

Credit risk concentration of loans and advances to customers (continued)

	Cyprus	Greece	United Kingdom	Romania	Russia	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
30 September 2015	€000	€000	€000	€000	€000	**€000**	**€000**	**€000**
By business line								
Corporate	2.292.354	71.184	849.724	312.956	246.919	**3.773.137**	**(92.322)**	**3.680.815**
Small and medium-sized enterprises (SMEs)	1.547.460	-	251.500	18.230	10.397	**1.827.587**	**(51.924)**	**1.775.663**
Retail								
- housing	3.729.544	-	18.408	1.365	-	**3.749.317**	**(47.701)**	**3.701.616**
- consumer, credit cards and other	1.460.579	219	20.771	1.526	-	**1.483.095**	**(44.672)**	**1.438.423**
Restructuring								
- corporate	4.837.066	-	-	35.755	-	**4.872.821**	**(277.194)**	**4.595.627**
- SMEs	1.412.478	-	-	-	-	**1.412.478**	**(75.656)**	**1.336.822**
Recoveries								
- corporate	2.261.613	-	-	47.152	-	**2.308.765**	**(331.984)**	**1.976.781**
- SMEs	1.511.342	-	-	-	-	**1.511.342**	**(148.058)**	**1.363.284**
- retail housing	597.725	-	-	-	-	**597.725**	**(63.431)**	**534.294**
- retail other	716.438	-	-	-	-	**716.438**	**(117.512)**	**598.926**
International banking services	542.582	-	-	-	-	**542.582**	**(8.512)**	**534.070**
Wealth management	67.269	-	-	-	-	**67.269**	**(6.989)**	**60.280**
	20.976.450	**71.403**	**1.140.403**	**416.984**	**257.316**	**22.862.556**	**(1.265.955)**	**21.596.601**

27. Risk management – Credit risk (continued)

Credit risk concentration of loans and advances to customers (continued)

	Cyprus	Greece	United Kingdom	Romania	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
31 December 2014	€000	€000	€000	€000	**€000**	**€000**	**€000**
By economic activity							
Trade	2.280.096	-	22.058	12.904	**2.315.058**	**(169.687)**	**2.145.371**
Manufacturing	819.309	-	10.079	7.620	**837.008**	**(46.564)**	**790.444**
Hotels and catering	1.411.823	-	87.487	6.379	**1.505.689**	**(94.943)**	**1.410.746**
Construction	3.839.921	-	46.487	47.164	**3.933.572**	**(407.901)**	**3.525.671**
Real estate	2.030.507	44.274	645.641	279.266	**2.999.688**	**(170.448)**	**2.829.240**
Private individuals	7.447.640	234	37.733	8.767	**7.494.374**	**(336.364)**	**7.158.010**
Professional and other services	1.503.453	-	51.446	39.342	**1.594.241**	**(122.444)**	**1.471.797**
Other sectors	1.867.190	129.632	13.183	116.753	**2.126.758**	**(217.760)**	**1.908.998**
	21.199.939	**174.140**	**914.114**	**518.195**	**22.806.388**	**(1.566.111)**	**21.240.277**
By customer sector							
Corporate	9.435.472	173.906	488.868	486.900	**10.585.146**	**(868.788)**	**9.716.358**
Small and medium-sized enterprises (SMEs)	4.504.394	-	392.422	27.992	**4.924.808**	**(339.515)**	**4.585.293**
Retail							
- housing	4.358.366	-	24.327	1.577	**4.384.270**	**(125.294)**	**4.258.976**
- consumer, credit cards and other	2.228.198	234	8.497	1.726	**2.238.655**	**(210.372)**	**2.028.283**
International banking services	603.557	-	-	-	**603.557**	**(12.472)**	**591.085**
Wealth management	69.952	-	-	-	**69.952**	**(9.670)**	**60.282**
	21.199.939	**174.140**	**914.114**	**518.195**	**22.806.388**	**(1.566.111)**	**21.240.277**

27. Risk management – Credit risk (continued)

Credit risk concentration of loans and advances to customers (continued)

	Cyprus	Greece	United Kingdom	Romania	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
31 December 2014	€000	€000	€000	€000	**€000**	**€000**	**€000**
By business line							
Corporate	2.028.081	173.906	488.868	400.806	**3.091.661**	**(168.703)**	**2.922.958**
Small and medium-sized enterprises (SMEs)	1.715.930	-	392.422	27.992	**2.136.344**	**(77.973)**	**2.058.371**
Retail							
- housing	3.795.958	-	24.327	1.577	**3.821.862**	**(56.086)**	**3.765.776**
- consumer, credit cards and other	1.538.872	234	8.497	1.726	**1.549.329**	**(83.560)**	**1.465.769**
Restructuring							
- corporate	5.317.892	-	-	35.609	**5.353.501**	**(348.013)**	**5.005.488**
- SMEs	1.401.022	-	-	-	**1.401.022**	**(110.044)**	**1.290.978**
Recoveries							
- corporate	2.089.499	-	-	50.485	**2.139.984**	**(352.072)**	**1.787.912**
- SMEs	1.387.442	-	-	-	**1.387.442**	**(151.498)**	**1.235.944**
- retail housing	562.408	-	-	-	**562.408**	**(69.208)**	**493.200**
- retail other	689.326	-	-	-	**689.326**	**(126.812)**	**562.514**
International banking services	603.557	-	-	-	**603.557**	**(12.472)**	**591.085**
Wealth management	69.952	-	-	-	**69.952**	**(9.670)**	**60.282**
	21.199.939	**174.140**	**914.114**	**518.195**	**22.806.388**	**(1.566.111)**	**21.240.277**

The customer loans and advances 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 €71.175 thousand (31 December 2014: €94.703 thousand) and lending exposures in Cyprus with collaterals in Greece with a carrying value of €67.550 thousand (31 December 2014: €71.473 thousand).

27. Risk management – Credit risk (continued)

Credit risk concentration of loans and advances to customers classified as held for sale

The geographical and industry concentrations of loans and advances to customers which are classified as held for sale are presented below:

	Russia	
	30 September 2015	31 December 2014
By economic activity	**€000**	€000
Trade	-	160.632
Manufacturing	-	59.466
Construction	-	43.932
Real estate	-	131.943
Private individuals	-	294.733
Professional and other sectors	-	275.018
	-	965.724

By customer sector		
Corporate	-	507.838
Small and medium-sized enterprises (SMEs)	-	163.152
Retail		
- housing	-	25.999
- consumer, credit cards and other	-	204.867
International banking services	-	63.868
	-	965.724

By business line		
Corporate	-	507.838
Small and medium-sized enterprises (SMEs)	-	163.152
Retail		
- housing	-	25.999
- consumer, credit cards and other	-	204.867
International banking services	-	63.868
	-	965.724

27. Risk management – Credit risk (continued)

Currency concentration of loans and advances to customers

	Cyprus	Greece	United Kingdom	Romania	Russia	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
30 September 2015	€000	€000	€000	€000	€000	**€000**	**€000**	**€000**
Euro	19.508.583	71.403	28.523	415.848	16.121	**20.040.478**	**(1.183.129)**	**18.857.349**
US Dollar	273.039	-	817	21	135.623	**409.500**	**(11.589)**	**397.911**
British Pound	58.700	-	1.084.558	93	-	**1.143.351**	**(12.102)**	**1.131.249**
Russian Rouble	136	-	-	-	105.572	**105.708**	**(2)**	**105.706**
Romanian Lei	2	-	-	1.022	-	**1.024**	**-**	**1.024**
Swiss Franc	1.064.422	-	13.481	-	-	**1.077.903**	**(54.714)**	**1.023.189**
Other currencies	71.568	-	13.024	-	-	**84.592**	**(4.419)**	**80.173**
	20.976.450	**71.403**	**1.140.403**	**416.984**	**257.316**	**22.862.556**	**(1.265.955)**	**21.596.601**
31 December 2014								
Euro	19.692.806	172.587	41.166	516.875	-	**20.423.434**	**(1.453.728)**	**18.969.706**
US Dollar	279.609	-	866	21	-	**280.496**	**(12.212)**	**268.284**
British Pound	56.206	-	854.962	95	-	**911.263**	**(16.359)**	**894.904**
Russian Rouble	555	-	-	-	-	**555**	**(2)**	**553**
Romanian Lei	1	-	-	1.204	-	**1.205**	**-**	**1.205**
Swiss Franc	1.078.751	1.553	12.326	-	-	**1.092.630**	**(77.424)**	**1.015.206**
Other currencies	92.011	-	4.794	-	-	**96.805**	**(6.386)**	**90.419**
	21.199.939	**174.140**	**914.114**	**518.195**	**-**	**22.806.388**	**(1.566.111)**	**21.240.277**

27. Risk management – Credit risk (continued)

Currency concentration of loans and advances to customers classified as held for sale

	Russia	
	30 September 2015	31 December 2014
	€000	€000
Euro	**-**	98.575
US Dollar	**-**	193.991
Russian Rouble	**-**	673.158
	-	965.724

Credit quality of loans and advances to customers

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

	30 September 2015			31 December 2014		
	Gross loans before fair value adjustment on initial recognition	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**	Gross loans before fair value adjustment on initial recognition	Fair value adjustment on initial recognition	Gross loans after fair value adjustment on initial recognition
	€000	**€000**	**€000**	€000	€000	€000
Neither past due nor impaired	**9.925.140**	**(154.192)**	**9.770.948**	9.629.157	(181.393)	9.447.764
Past due but not impaired	**3.610.480**	**(84.092)**	**3.526.388**	4.281.050	(106.020)	4.175.030
Impaired	**9.326.936**	**(1.027.671)**	**8.299.265**	8.896.181	(1.278.698)	7.617.483
	22.862.556	**(1.265.955)**	**21.596.601**	22.806.388	(1.566.111)	21.240.277

Past due loans are those with delayed payments or in excess of authorised credit limits. Impaired loans for the purposes of the above table are those for which a provision for impairment has been recognised on an individual basis or for which incurred losses exist at their initial recognition.

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

	30 September 2015	31 December 2014
	€000	€000
Past due analysis:		
- up to 30 days	**584.914**	550.070
- 31 to 90 days	**354.898**	480.961
- 91 to 180 days	**199.664**	432.947
- 181 to 365 days	**373.596**	908.614
- over one year	**2.097.408**	1.908.458
	3.610.480	4.281.050

27. Risk management – Credit risk (continued)

Credit quality of loans and advances to customers (continued)

Loans and advances to customers that are past due but not impaired (continued)
The fair value of the collateral that the Group holds (to the extent that they mitigate credit risk) in respect of loans and advances to customers that are past due but not impaired as at 30 September 2015 is €3.036.473 thousand (31 December 2014: €3.459.628 thousand).

Impaired loans and advances to customers

	30 September 2015		31 December 2014	
	Gross loans and advances	**Fair value of collateral**	Gross loans and advances	Fair value of collateral
By geographic area:	**€000**	**€000**	€000	€000
Cyprus	**8.619.904**	**5.986.874**	8.265.182	6.045.030
Greece	**71.373**	**17.875**	173.906	19.950
Russia	**255.664**	**102.714**	-	-
United Kingdom	**60.700**	**19.365**	81.840	50.198
Romania	**319.295**	**175.913**	375.253	219.462
	9.326.936	**6.302.741**	8.896.181	6.334.640

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

	30 September 2015	31 December 2014
Past due analysis:	**€000**	€000
- no arrears	**847.960**	1.045.979
- up to 30 days	**65.833**	83.946
- 31 to 90 days	**60.020**	133.984
- 91 to 180 days	**152.261**	136.512
- 181 to 365 days	**464.041**	671.093
- over one year	**7.736.821**	6.824.667
	9.326.936	8.896.181

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 €179.657 thousand (corresponding period of 2014: €197.087 thousand).

27. Risk management – Credit risk (continued)

Credit quality of loans and advances to customers classified as held for sale

	Russia	
	30 September 2015	31 December 2014
	€000	€000
Neither past due nor impaired	-	435.912
Past due but not impaired:		
- up to 30 days	-	12.655
- 31 to 90 days	-	10.178
- 91 to 180 days	-	7.166
- 181 to 365 days	-	17.246
- over one year	-	84.663
	-	131.908
Impaired:		
- no arrears	-	106.624
- up to 30 days	-	65.538
- 31 to 90 days	-	8.049
- 91 to 180 days	-	6.463
- 181 to 365 days	-	14.385
- over one year	-	196.845
	-	397.904
	-	965.724

There are no loans and advances to customers classified as held for sale as at 30 September 2015. The fair value of the collateral for the impaired and past due but not impaired loans and advances to customers classified as held for sale at 31 December 2014 amounted to €154.543 thousand and €15.192 thousand respectively.

27. Risk management – Credit risk (continued)

Provisions for impairment of loans and advances to customers, including loans and advances held for sale

The movement of provisions for impairment of loans and advances, including the loans and advances held for sale, is as follows:

	Cyprus	Greece	Russia	Other countries	**Total**
30 September 2015	€000	€000	€000	€000	**€000**
1 January	2.887.343	9.275	415.894	175.336	**3.487.848**
Disposal of Russian operations	-	-	(238.012)	-	**(238.012)**
Foreign exchange and other adjustments	66.423	-	4.729	2.028	**73.180**
Transfer between geographical areas	(83.378)	6.329	-	77.049	**-**
Applied in writing off impaired loans and advances	(87.527)	(16.700)	(60.723)	(59.583)	**(224.533)**
Interest accrued on impaired loans and advances	(158.407)	(1.100)	-	(40)	**(159.547)**
Collection of loans and advances previously written off	2.561	-	-	3.916	**6.477**
Charge for the period – continuing operations	550.786	13.230	33.400	31.385	**628.801**
Charge for the period – discontinued operations	-	-	42.665	-	**42.665**
30 September	**3.177.801**	**11.034**	**197.953**	**230.091**	**3.616.879**
Individual impairment	**2.575.448**	**11.034**	**197.732**	**222.943**	**3.007.157**
Collective impairment	**602.353**	**-**	**221**	**7.148**	**609.722**

There are no loans and advances to customers classified as held for sale as at 30 September 2015. The balance of provisions for impairment of loans and advances to customers at 31 December 2014 includes €415.894 thousand for loans and advances to customers classified as held for sale. The above table does not include the provisions for impairment on financial guarantees and commitments which is part of 'Other liabilities'.

	Cyprus	Greece	Russia	Other countries	**Total**
30 September 2014	€000	€000	€000	€000	**€000**
1 January	2.554.672	189	286.366	235.043	**3.076.270**
Disposal of Ukrainian operations	-	-	-	(108.342)	**(108.342)**
Foreign exchange adjustments	21.731	-	(17.463)	(4.384)	**(116)**
Applied in writing off impaired loans and advances	(19.163)	(12)	(198)	(46)	**(19.419)**
Interest accrued on impaired loans and advances	(135.817)	(546)	(250)	(1.981)	**(138.594)**
Collection of loans and advances previously written off	120	-	-	1.003	**1.123**
Charge for the period - continuing operations	341.848	14.082	415	61.273	**417.618**
Charge for the period – discontinued operations	-	-	74.671	38.528	**113.199**
30 September	**2.763.391**	**13.713**	**343.541**	**221.094**	**3.341.739**
Individual impairment	**2.013.157**	**13.713**	**181.898**	**208.052**	**2.416.820**
Collective impairment	**750.234**	**-**	**161.643**	**13.042**	**924.919**

27. Risk management – Credit risk (continued)

Provisions for impairment of loans and advances to customers, including loans and advances held for sale (continued)

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

The carrying amount of the loan is reduced through the use of a provision account and the amount of the loss is recognised in the consolidated income statement. Loans together with the associated provisions are written off when there is no realistic prospect of future recovery. Partial write-offs including non-contractual write-offs may also occur when it is considered that there is no 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 mortgages 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. In accordance with the Loan Impairment and Provisioning Directives of 2014 and 2015 of the CBC, the cumulative average future change in property values during this period has been capped at zero.

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

Indicatively, for the customers that were assessed on a collective basis, if the timing of recovery from mortgages is increased by 1 year to an average of 4 years, then the provisions for impairment of loans and advances would increase by €54.243 thousand. Alternatively if the timing of recovery from mortgages is decreased by 1 year to an average of 2 years, then the provisions for impairment of loans and advances would decrease by €50.257 thousand.

If the actual recoverable amount from collateral of impaired loans in Cyprus is lower than the amount estimated as at 30 September 2015 by 5% and 10%, then the provisions for impairment of loans and advances would increase by €160.260 thousand and €339.601 thousand respectively. Alternatively, if the collateral values in Cyprus increased by 5% and 10%, then the provisions for impairment of loans and advances would decrease by €174.589 thousand and €329.236 thousand respectively.

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 the 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.

27. Risk management – Credit risk (continued)

Forbearance (continued)

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 five years. In the case of loans for the construction of commercial property and project finance, a short-term solution may not exceed 3 years.

Short-term restructuring solutions can include the following:
- Interest only: during a defined short-term period, only interest is paid on credit facilities and no principal repayment is made.
- Reduced payments: decrease of the amount of repayment instalments over a defined short-term period in order to accommodate the borrower's new cash flow position.
- Arrears and/or interest capitalisation: the capitalisation of arrears and/or of accrued interest arrears to the principal; that is forbearance of the arrears and addition of any unpaid interest to the outstanding principal balance for repayment under a rescheduled program.
- Grace period: an agreement allowing the borrower a defined delay in fulfilling the repayment obligations usually with regard to the principal.
- Interest rate reduction: permanent or temporary reduction of interest rate (fixed or variable) into a fair and sustainable rate.

Long-term restructuring solutions can include the following:
- Extension of maturity: extension of the maturity of the loan which allows a reduction in instalment amounts by spreading the repayments over a longer period.
- Additional security: when additional liens on unencumbered assets are obtained as additional security from the borrower in order to compensate for the higher risk exposure and as part of the restructuring process.
- Forbearance of penalties in loan agreements: waiver, temporary or permanent, of violations of covenants in the loan agreements.
- Rescheduling of payments: the existing contractual repayment schedule is adjusted to a new sustainable repayment program based on a realistic, current and forecasted, assessment of the cash flow generation of the borrower.
- Strengthening of the existing collateral: a restructuring solution may entail the pledge of additional security for instance, in order to compensate for the reduction in interest rates or to balance the advantages the borrower receives from the restructuring.
- New loan facilities: new loan facilities may be granted during a restructuring agreement, which may entail the pledge of additional security and in the case of inter-creditor arrangements the introduction of covenants in order to compensate for the additional risk incurred by the Group in providing a new financing to a distressed borrower.
- Debt consolidation: the combination of multiple exposures into a single loan or limited number of loans.
- Debt/equity swaps: partial set-off of the debt and obtaining of an equivalent amount of equity by the Group, with the remaining debt right-sized to the cash flows of the borrower to allow repayment to the Group from repayment on the re-sized debt and from the eventual sale of the equity stake in the business. This solution is used only in exceptional cases and only where all other efforts for restructuring are exhausted and after ensuring compliance with the banking law.

27. Risk management – Credit risk (continued)

Forbearance (continued)

- 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.

Rescheduled loans and advances to customers

The below tables present the Group's rescheduled loans and advances to customers by industry sector, geography and credit quality classification, as well as impairment provisions and tangible collateral held for rescheduled loans. Similar information is disclosed for rescheduled loans and advances to customers classified as held for sale.

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	**Total**
30 September 2015	€000	€000	€000	€000	€000	€000	**€000**
1 January	7.024.847	75.778	234.659	136.421	184.585	-	**7.656.290**
Disposal of Russian operations	-	-	(118.313)	-	-	-	**(118.313)**
New loans and advances rescheduled in the period	1.724.708	-	17.999	31.671	-	-	**1.774.378**
Assets no longer classified as rescheduled (including repayments)	(770.520)	(34.684)	-	(50.033)	(29.612)	-	**(884.849)**
Applied in writing off rescheduled loans and advances	(72.475)	(16.700)	-	-	(33.888)	-	**(123.063)**
Interest accrued on rescheduled loans and advances	257.946	1.687	7.774	1.519	1.256	-	**270.182**
Foreign exchange adjustments	44.633	-	900	7.697	1.463	-	**54.693**
30 September	**8.209.139**	**26.081**	**143.019**	**127.275**	**123.804**	**-**	**8.629.318**

30 September 2014							
1 January	7.070.764	-	187.031	107.624	127.308	62.051	**7.554.778**
Disposal of Ukrainian operations	-	-	-	-	-	(78.708)	**(78.708)**
New loans and advances rescheduled in the period	1.206.247	70.048	39.908	77.073	26.282	4.481	**1.424.039**
Assets no longer classified as rescheduled (including repayments)	(2.654.205)	-	(38.045)	(49.431)	(23.850)	(3.975)	**(2.769.506)**
Interest accrued on rescheduled loans and advances	224.549	780	3.689	2.272	2.049	2.460	**235.799**
Foreign exchange adjustments	3.859	-	(17.343)	8.845	1.515	13.691	**10.567**
30 September	**5.851.214**	**70.828**	**175.240**	**146.383**	**133.304**	**-**	**6.376.969**

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit quality

	Cyprus	Greece	Russia	United Kingdom	Romania	**Total**
30 September 2015	€000	€000	€000	€000	€000	**€000**
Neither past due nor impaired	3.199.684	-	-	100.290	64.290	**3.364.264**
Past due but not impaired	1.784.782	-	767	22.981	484	**1.809.014**
Impaired	3.224.673	26.081	142.252	4.004	59.030	**3.456.040**
	8.209.139	**26.081**	**143.019**	**127.275**	**123.804**	**8.629.318**
31 December 2014						
Neither past due nor impaired	2.546.020	-	61.677	109.269	70.899	**2.787.865**
Past due but not impaired	1.764.528	-	16.468	21.814	3.247	**1.806.057**
Impaired	2.714.299	75.778	156.514	5.338	110.439	**3.062.368**
	7.024.847	**75.778**	**234.659**	**136.421**	**184.585**	**7.656.290**

At 31 December 2014, the rescheduled loans and advances to customers in Russia were classified as held for sale.

The comparatives above include rescheduled loans and advances to customers acquired from Laiki Bank which had been rescheduled prior to the acquisition date (29 March 2013), previously disclosed separately.

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Fair value of collateral

	Cyprus	Russia	United Kingdom	Romania	**Total**
30 September 2015	€000	€000	€000	€000	**€000**
Neither past due nor impaired	2.938.974	-	193.313	64.012	**3.196.299**
Past due but not impaired	1.564.572	765	38.688	366	**1.604.391**
Impaired	2.813.532	27.636	3.032	41.248	**2.885.448**
	7.317.078	**28.401**	**235.033**	**105.626**	**7.686.138**
31 December 2014					
Neither past due nor impaired	2.241.882	58.144	108.699	70.899	**2.479.624**
Past due but not impaired	1.534.072	15.764	21.579	3.150	**1.574.565**
Impaired	2.556.664	86.725	3.267	50.943	**2.697.599**
	6.332.618	**160.633**	**133.545**	**124.992**	**6.751.788**

The fair value of the collateral presented above has been computed based on the extent that the collateral mitigates credit risk. The fair value of collateral at 31 December 2014 includes the fair value of collateral for rescheduled loans and advances to customers classified as held for sale.

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration

	Cyprus	Greece	Russia	United Kingdom	Romania	**Total**
30 September 2015	€000	€000	€000	€000	€000	**€000**
By economic activity						
Trade	681.458	-	33.802	335	2.960	**718.555**
Manufacturing	280.742	-	15.326	136	1.263	**297.467**
Hotels and catering	628.951	-	-	9.556	6.175	**644.682**
Construction	2.105.650	-	8.778	15.214	2.499	**2.132.141**
Real estate	1.041.925	-	-	67.585	87.586	**1.197.096**
Private individuals	2.555.934	-	-	2.720	118	**2.558.772**
Professional and other services	579.205	-	85.113	20.786	22.349	**707.453**
Other sectors	335.274	26.081	-	10.943	854	**373.152**
	8.209.139	**26.081**	**143.019**	**127.275**	**123.804**	**8.629.318**
By customer sector						
Corporate	4.164.910	26.081	138.176	101.693	120.952	**4.551.812**
Small and medium-sized enterprises (SMEs)	1.715.948	-	4.843	23.173	2.734	**1.746.698**
Retail						
- housing	1.713.014	-	-	233	-	**1.713.247**
- consumer, credit cards and other	565.103	-	-	2.176	118	**567.397**
International banking services	41.066	-	-	-	-	**41.066**
Wealth management	9.098	-	-	-	-	**9.098**
	8.209.139	**26.081**	**143.019**	**127.275**	**123.804**	**8.629.318**

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

	Cyprus	Greece	Russia	United Kingdom	Romania	**Total**
30 September 2015	€000	€000	€000	€000	€000	**€000**
By business line						
Corporate	693.953	26.081	138.176	101.693	120.211	**1.080.114**
Small and medium-sized enterprises (SMEs)	581.756	-	4.843	23.173	2.734	**612.506**
Retail						
- housing	1.607.114	-	-	233	-	**1.607.347**
- consumer, credit cards and other	472.426	-	-	2.176	118	**474.720**
Restructuring						
- corporate	2.741.715	-	-	-	621	**2.742.336**
- SMEs	770.250	-	-	-	-	**770.250**
Recoveries						
- corporate	729.242	-	-	-	120	**729.362**
- SMEs	363.942	-	-	-	-	**363.942**
- retail housing	105.900	-	-	-	-	**105.900**
- retail other	92.677	-	-	-	-	**92.677**
International banking services	41.066	-	-	-	-	**41.066**
Wealth management	9.098	-	-	-	-	**9.098**
	8.209.139	**26.081**	**143.019**	**127.275**	**123.804**	**8.629.318**

27. 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 2014	€000	€000	€000	€000	€000	**€000**
By economic activity						
Trade	530.047	-	49.794	645	2.935	**583.421**
Manufacturing	226.724	-	23.934	3.630	523	**254.811**
Hotels and catering	550.447	-	-	9.467	6.213	**566.127**
Construction	1.867.156	-	29.411	18.239	1.088	**1.915.894**
Real estate	849.667	-	-	83.656	89.933	**1.023.256**
Private individuals	2.121.324	-	-	2.411	63	**2.123.798**
Professional and other services	355.101	-	131.520	17.798	21.366	**525.785**
Other sectors	524.381	75.778	-	575	62.464	**663.198**
	7.024.847	**75.778**	**234.659**	**136.421**	**184.585**	**7.656.290**
By customer sector						
Corporate	3.590.159	75.778	210.689	75.085	180.885	**4.132.596**
Small and medium-sized enterprises (SMEs)	1.490.020	-	17.733	60.756	3.636	**1.572.145**
Retail						
- housing	1.405.686	-	1.463	62	-	**1.407.211**
- consumer, credit cards and other	492.791	-	4.774	518	64	**498.147**
International banking services	32.355	-	-	-	-	**32.355**
Wealth management	13.836	-	-	-	-	**13.836**
	7.024.847	**75.778**	**234.659**	**136.421**	**184.585**	**7.656.290**

27. 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 2014	€000	€000	€000	€000	€000	**€000**
By business line						
Corporate	412.853	75.778	210.689	75.085	180.069	**954.474**
Small and medium-sized enterprises (SMEs)	564.493	-	17.733	60.756	3.636	**646.618**
Retail						
- housing	1.316.481	-	1.463	62	-	**1.318.006**
- consumer, credit cards and other	409.038	-	4.774	518	64	**414.394**
Restructuring						
- corporate	2.613.905	-	-	-	699	**2.614.604**
- SMEs	629.956	-	-	-	-	**629.956**
Recoveries						
- corporate	563.401	-	-	-	117	**563.518**
- SMEs	295.571	-	-	-	-	**295.571**
- retail housing	89.205	-	-	-	-	**89.205**
- retail other	83.753	-	-	-	-	**83.753**
International banking services	32.355	-	-	-	-	**32.355**
Wealth management	13.836	-	-	-	-	**13.836**
	7.024.847	**75.778**	**234.659**	**136.421**	**184.585**	**7.656.290**

At 31 December 2014, the rescheduled loans and advances to customers in Russia were classified as held for sale.

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Provisions for impairment

	Cyprus	Greece	Russia	United Kingdom	Romania	**Total**
30 September 2015	€000	€000	€000	€000	€000	**€000**
Individual impairment	903.259	6.181	114.818	2.103	32.598	**1.058.959**
Collective impairment	261.928	-	54	480	2.019	**264.481**
	1.165.187	**6.181**	**114.872**	**2.583**	**34.617**	**1.323.440**
31 December 2014						
Individual impairment	732.657	15.310	103.704	1.836	60.385	**913.892**
Collective impairment	203.113	-	10.133	12	1.671	**214.929**
	935.770	**15.310**	**113.837**	**1.848**	**62.056**	**1.128.821**

Provisions for impairment for rescheduled loans and advances to customers at 31 December 2014 above, include provisions for impairment for rescheduled loans and advances to customers which were classified as held for sale.

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 higher 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 structure

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, about 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 ensure compliance at the level of individual units, as well as at Group level, with both internal policies and limits, and with the limits set by the regulatory authorities in the countries where the Group operates. Market Risk reports to ALCO the regulatory liquidity position of the various units and of the Group, at least monthly. It also provides the results of various stress tests to ALCO.

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 the 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.

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.

Temporary restrictions on withdrawal of deposits

Since the beginning of April 2015 there are no longer any restrictive measures or capital controls in Cyprus.

Monitoring process

Daily
Due to the deposit bail-in, imbalances in the banking sector and the resulting low liquidity position, the daily monitoring of cash flows and highly liquid assets has become important to safeguard and ensure the uninterrupted operations of the Group's activities. Market Risk prepares a report for submission to the CBC and ECB/Single Supervision Mechanism (SSM), indicating the cash inflows and outflows observed in customer balances and other balances, as well as the opening and closing balances of cash. Also, Group Treasury monitors daily 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.

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

Monitoring process (continued)

Monthly
Market Risk prepares tables 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 perform stress testing for three scenarios: Bank specific, Market wide and Combined and reports results to ALCO.

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 Supervisory Review and Evaluation Process (SREP) guidelines.

Annually
The Company has completed in mid May 2015 its Internal Liquidity Adequacy Assessment (ILAA). Market Risk co-ordinated the preparation of the report, which was discussed at the ALCO and approved by the Board through its Risk committee and submitted to the CBC/ECB.

As part of the Group's procedures for monitoring and managing liquidity risk, there is a Group Contingency Funding Plan for handling liquidity difficulties. The plan details the steps to be taken, in the event that liquidity problems arise, which escalate to a special meeting of the ALCO. The plan sets out the members of this Committee and a series of the possible actions that can be taken. This plan, as well as the Group's Liquidity Policy, is reviewed by ALCO at least annually, during the ILAA 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.

As from 4 November 2014 reports are sent not only to the CBC, but also to the ECB/SSM due to the assumption of its role as supervisor of the Group.

Liquidity ratios

The ratio of liquid assets to total deposits and other liabilities falling due in the next twelve months is prepared monthly by Market Risk and monitored by ALCO. Liquid assets are defined as cash, interbank deposits maturing within thirty days and debt and equity securities at haircuts prescribed by the regulatory authorities. Total deposits comprise all customer deposits irrespective of maturity and other liabilities include all non-customer deposit/liabilities due to be paid in the next twelve months.

The Group's liquidity ratio was as follows:

	Nine months to 30 September 2015	Twelve months to 31 December 2014
	%	%
At 30 September 2015/31 December 2014	**16**	21
Average ratio for the period	**18**	15
Highest ratio for the period	**22**	21
Lowest ratio for the period	**16**	12

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

Liquidity ratios (continued)

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

As at 30 September 2015 and 31 December 2014 the other banking units of the Group comply with their liquidity regulatory ratios, with the exception of Romania.

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

	Nine months to 30 September 2015	Twelve months to 31 December 2014
	%	%
At 30 September 2015/31 December 2014	**132**	141
Average ratio for the period	**137**	147
Highest quarter ratio for the period	**141**	151
Lowest quarter ratio for the period	**132**	142

Sources of funding

Currently the Group's main sources of liquidity are its deposit base and central bank funding, either through the Eurosystem monetary policy operations or through ELA.

The Group currently has limited access to interbank and wholesale markets which, combined with a reduction in deposits in Cyprus in 2013, the deposit bail-in and the acquisition of certain operations of Laiki Bank in March 2013, has resulted in increased reliance on central bank funding. As at 30 September 2015, the funding from the ELA amounted to €4.902.001 thousand (31 December 2014: €7.403.741 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 targeted long term refinancing operation (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.

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 CBC.

The subsidiaries may proceed with dividend distribution 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.

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

Collateral requirements

The carrying values of the Group's encumbered assets as at 30 September 2015 and 31 December 2014 are summarised below:

	30 September 2015	31 December 2014
	€000	€000
Cash and other liquid assets	**139.816**	191.968
Investments	**1.375.422**	2.435.766
Loans and advances	**13.238.389**	13.531.026
Non-current assets and disposal groups classified as held for sale	**537**	54.536
Property	**97.996**	99.468
	14.852.160	16.312.764

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

Investments are mainly used as collateral for repurchase transactions with the ECB and other commercial banks as well as supplementary assets for covered bonds, while loans are mainly used as collateral for funding from the CBC and for covered bonds.

In the case of ELA, however, as collateral is in general not released upon repayment of funding, there may be an inherent buffer which could be utilised for further funding if required.

In addition, bonds guaranteed by the Cyprus government amounting to €1.000 million are pledged as collateral for obtaining funding from the CBC (Note 22).

On 29 September 2015 the terms of the Covered Bond Programme and outstanding €1 billion Covered Bond were amended to a Conditional Pass–Through structure. As part of the restructuring, €350.000 thousand of the retained covered bond was repurchased and cancelled. The outstanding principal of the retained covered bond following the above actions stood at €650.000 thousand. The credit rating of the covered bonds was upgraded to an investment grade rating and as a result these have become eligible collateral for the Eurosystem credit operations. As from 2 October 2015 the covered bond has been placed as collateral for accessing funding from the ECB. Through this transaction, the Company has raised €550.000 thousand of ECB funding for the repayment of ELA. Prior to the rating upgrade, the covered bonds were used as collateral for ELA.

The assets used as collateral for the Covered Bond are already included in the table above.

29. 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. Market Risk is 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 and liabilities.

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.

29. Risk management – Market risk (continued)

Price risk

Equity securities price risk

The risk of loss from changes in the price of equity securities arises when there is an unfavourable change in the prices of equity securities held by the 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 2014, as presented in Note 47 of the annual Consolidated Financial Statements for the year 2014.

30. Capital management

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

The capital adequacy regulations which govern the Group's operations are established by the CBC.

The Group has complied with the minimum capital requirements (Pillar I and Pillar II) during the nine months ended 30 September 2015.

In addition, the Group's overseas banking subsidiaries comply with the regulatory capital requirements of the local regulators in the countries in which they operate. The insurance subsidiaries of the Group comply with the requirements of the Superintendent of Insurance including the minimum solvency ratio.

31. Related party transactions

	30 September 2015	31 December 2014
	€000	€000
Loans and advances:		
- members of the Board of Directors and other key management personnel	**3.518**	3.615
- connected persons	**934**	1.084
	4.452	4.699
Deposits:		
- members of the Board of Directors and other key management personnel	**2.743**	18.368
- connected persons	**4.003**	11.206
	6.746	29.574

The above table does not include period/year-end balances i.e. 30 September 2015 and 31 December 2014 respectively, for members of the Board of Directors and their connected persons who resigned/were removed during the period/year.

Interest income and expense from related parties for the nine months ended 30 September 2015 amounted to €106 thousand and €164 thousand respectively (corresponding period of 2014: €110 thousand and €321 thousand respectively).

31. 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 €129 thousand (31 December 2014: €175 thousand). There were also contingent liabilities and commitments to other key management personnel and their connected persons amounting to €822 thousand (31 December 2014: €689 thousand).

The total unsecured amount of the loans and advances and of the contingent liabilities and commitments to members of the Board of Directors, key management personnel and their connected persons (using forced-sale values for tangible collaterals and assigning no value to other types of collateral), at 30 September 2015 amounted to €1.257 thousand (31 December 2014: €1.586 thousand).

There were no transactions during the nine months ended 30 September 2015 with connected persons of the current members of the Board of Directors. During the nine months ended 30 September 2014, the Group paid €96 thousand relating to insurance transactions to Universal Insurance Agency Ltd, a subsidiary of Universal Life Insurance Public Company Limited in which Mr Xanthos Vrachas is the CFO.

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

	Nine months ended 30 September	
	2015	2014
Director emoluments	**€000**	€000
Executives		
Salaries and other short term benefits	**732**	633
Employer's contributions	**44**	34
Retirement benefit plan costs	**95**	83
	871	750
Non-executives		
Fees	**194**	336
Total directors' emoluments	**1.065**	1.086
Other key management personnel emoluments		
Salaries and other short term benefits	**2.570**	1.646
Employer's contributions	**116**	120
Retirement benefit plan costs	**136**	159
Total other key management personnel emoluments	**2.822**	1.925
Total	**3.887**	3.011

The fees of the non-executive directors include fees as members of the Board of Directors of the Company and its subsidiaries, as well as of committees of the Board of Directors.

The 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 Board of Directors.

32. Group companies

The main subsidiary companies and branches included in the Interim Condensed Consolidated Financial Statements of the Group, their country of incorporation, their activities, and the percentage held by the Company (directly or indirectly) as at 30 September 2015 are:

Company	Country	Activities	Percentage holding (%)
Bank of Cyprus Public Company Ltd	Cyprus	Commercial bank	N/A
The Cyprus Investment and Securities Corporation Ltd (CISCO)	Cyprus	Investment banking, asset management and brokerage	100
General Insurance of Cyprus Ltd	Cyprus	General insurance	100
EuroLife Ltd	Cyprus	Life insurance	100
Kermia Ltd	Cyprus	Property trading and development	100
Kermia Properties & Investments Ltd	Cyprus	Property trading and development	100
Kermia Hotels Ltd	Cyprus	Hotel business	100
Cytrustees Investment Public Company Ltd	Cyprus	Closed-end investment company	53
Finerose Properties Ltd	Cyprus	Financing services	100
Hydrobius Ltd	Cyprus	Special purpose entity	-
LCP Holdings and Investments Public Ltd (formerly Laiki Capital Public Co Ltd)	Cyprus	Holding company	67
Laiki Financial Services Ltd	Cyprus	Investment banking, asset management and brokerage	100
JCC Payment Systems Ltd	Cyprus	Card processing transaction services	75
CLR Investment Fund Public Ltd	Cyprus	Investment banking asset management and brokerage	20
Auction Yard Ltd	Cyprus	Auction company	100
Bank of Cyprus Public Company Ltd (branch of the Company)	Greece	Administration of guarantees and holding of real estate properties	N/A
Kyprou Commercial SA	Greece	Financing of motor vehicles and other consumer products	100
Kyprou Properties SA	Greece	Property management	100
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	-
Kyprou Finance (NL) B.V.	Netherlands	Financing services	100

32. Group companies (continued)

In addition to the above companies, at 30 September 2015 the Company had 100% shareholding in the companies listed below, whose main activity is the ownership and management of immovable property and other assets:

Cyprus: Timeland Properties Ltd, Cobhan Properties Ltd, Bramwell Properties Ltd, Birkdale Properties Ltd, Newington Properties Ltd, Innerwick Properties Ltd, Lameland Properties Ltd, Fairford Properties Ltd, Citlali Properties Ltd, Endar Properties Ltd, Ramendi Properties Ltd, Ligisimo Properties Ltd, Thames Properties Ltd, Moonland Properties Ltd, Polkima Properties Ltd, Nalmosa Properties Ltd, Smooland Properties Ltd, Emovera Properties Ltd, Estaga Properties Ltd, Skellom Properties Ltd, Blodar Properties Ltd, Spaceglowing Properties Ltd, Threefield Properties Ltd, Lepidoland Properties Ltd, Stamoland Properties Ltd, Ecunaland Properties Ltd, Tebane Properties Ltd, Cranmer Properties Ltd, Calomland Properies Ltd, Vieman Ltd, Les Coraux Estates Ltd, Natakon Company Ltd, Karmazi (Apartments) Ltd, Kermia Palace Enterprises Ltd, Oceania Ltd, Dominion Industries Ltd, Ledra Estates Ltd, Eurolife Properties Ltd, Laiki Lefkothea Center Ltd, Labancor Ltd, Paneuropean Ltd, Philiki Ltd, Cyprialife Ltd, Imperial Life Assurance Ltd, Philiki Management Services Ltd, Nelcon Transport Co. Ltd, Steparco Ltd, Joberco Ltd, Zecomex Ltd, Domita Estates Ltd, Memdes Estates Ltd, Obafemi Holdings Ltd, Pamaco Platres Complex Ltd, Gosman Properties Ltd, Odaina Properties Ltd, Vameron Properties Ltd, Thryan Properties Ltd, Icecastle Properties Ltd, Otoba Properties Ltd, Edoric Properties Ltd, Belvesi Properties Ltd, Ingane Properties Ltd, Indene Properties Ltd, Canosa Properties Ltd, Silen Properties Ltd, Kernland Properties Ltd, Unduma Properties Ltd, Iperi Properties Ltd, Warmbaths Properties Ltd, Danoma Properties Ltd, Kimrar Properties Ltd, Jobelis Properties Ltd, Tavoni Properties Ltd, Metin Properties Ltd, Pekiro Properties Ltd, Melsolia Properties Ltd, Nimoland Properties Ltd, Lozzaria Properties Ltd, Koralmon Properties Ltd, Petrassimo Properties Ltd, Kedonian Properties Ltd, Lasteno Properties Ltd and Armozio Properties Ltd.

Romania: Otherland Properties Dorobanti SRL, Pittsburg Properties SRL, Battersee Real Estate SRL, Trecoda Real Estate SRL, Green Hills Properties SRL, Bocaland Properties SRL, Buchuland Properties SRL, Commonland Properties SRL, Romaland Properties SRL, Janoland Properties SRL, Blindingqueen Properties SRL, Fledgego Properties SRL, Hotel New Montana SRL, Loneland Properties SRL, Unknownplan Properties SRL, Frozenport Properties SRL, Imoreth Properties SRL, Inroda Properties SRL, Melgred Properties SRL, Tantora Properties SRL, Zunimar Properties SRL, Allioma Properties SRL, Mirodi Properties SRL, Nallora Properties SRL, Nikaba Properties SRL and Selilar Properties SRL.

In addition, the Company holds 100% of the following intermediate holding companies:

Cyprus: Otherland Properties Ltd, Pittsburg Properties Ltd, Battersee Properties Ltd, Trecoda Properties Ltd, Bonayia Properties Ltd, Bocaland Properties Ltd, Buchuland Properties Ltd, Commonland Properties Ltd, Romaland Properties Ltd, BC Romanoland Properties Ltd, Blindingqueen Properties Ltd, Fledgego Properties Ltd, Janoland Properties Ltd, Threerich Properties Ltd, Loneland Properties Ltd, Unknownplan Properties Ltd, Frozenport Properties Ltd, Imoreth Properties Ltd, Inroda Properties Ltd, Melgred Properties Ltd, Tantora Properties Ltd, Zunimar Properties Ltd, Selilar Properties Ltd, Mirodi Properties Ltd, Nallora Properties Ltd, Nikaba Properties Ltd and Allioma Properties Ltd.

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

Cyprus: Laiki Bank (Nominees) Ltd and Laiki EDAK Ltd.

Ukraine: Leasing Finance LLC, Corner LLC and Omiks Finance LLC.

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.

32. Group companies (continued)

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

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

Dissolution and disposal of subsidiaries

As at 30 September 2015, the following subsidiaries were in the process of dissolution or in the procedure of erasing: Samarinda Navigation Co Ltd, Kyprou Securities SA, BOC Ventures Ltd, Tefkros Investments Ltd, Tefkros Investments (CI) Ltd, Salecom Ltd, Longtail Properties Ltd, Turnmill Properties Ltd, Limestone Holdings Ltd, Guarded Path Properties Ltd, Bank of Cyprus Mutual Funds Ltd and Diners Club (Cyprus) Ltd.

Misthosis Funding Plc and Misthosis Funding (Holding) Ltd, were dissolved on 13 June and 30 June 2015 respectively.

Elswick Properties Ltd was disposed on 27 July 2015.

33. Acquisitions and disposals

33.1 Acquisitions during 2015

Acquisition of shares of Laiki Financial Services Ltd

On 30 January 2015, the AGM of the shareholders of Laiki Financial Services Ltd approved the disposal of the shares of Laiki Financial Services Ltd to the Company for a consideration of €3 million. Previously, Laiki Financial Services Ltd was 100% owned by LCP Holdings and Investments Public Ltd (formerly Laiki Capital Public Co Ltd), a subsidiary of the Company. As a result, the increase of the Company's holding from 67% to 100% in Laiki Financial Services Ltd is accounted for as an equity transaction.

33.2 Disposals during 2015

Disposal of the majority of the Group's Russian operations

On 25 September 2015, the Group completed the disposal of the majority of its Russian operations, comprising (i) its 100% holding in its subsidiary, BOC Russia (Holdings) Ltd, its 80% holding in its Russian banking subsidiary, CB Uniastrum Bank LLC, and its 80% holding in its Russian leasing subsidiary, Leasing Company Uniastrum Leasing LLC and (ii) certain other Russian loan exposures.

The transaction resulted in a loss on disposal of €23.032 thousand, comprising a loss of €28.237 thousand representing the recycling of the foreign currency translation reserve from other comprehensive income to the income statement and a profit of €5.205 thousand against the net book value of the assets as at the disposal date. As part of the sales agreement the parties agreed an asset swap arrangement which involved the exchange of certain assets between them that resulted in €41.849 thousand receivable for the Group.

Following the disposal of the Group's Russian operations, the remaining net exposure (on and off balance sheet) in Russia is €120.478 thousand, comprising of customer loans and the €41.849 thousand deferred component of the asset swap arrangement.

33. Acquisitions and disposals (continued)

33.2 Disposals during 2015 (continued)

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

The results of the Group's Russian operations from 1 January 2015 until the date of their disposal are presented in Note 7 of these financial statements and are classified as discontinued operations.

The assets and liabilities of the Group's Russian operations disposed as at the date of their disposal are presented below:

Assets	**€000**
Cash and balances with central banks	**64.291**
Placements with banks	**26.269**
Investments	**12.726**
Loans and advances to customers	**343.909**
Other assets	**41.950**
	489.145
Liabilities	
Amounts due to banks	**24.422**
Customer deposits	**494.274**
Debt securities in issue	**139**
Subordinated loan stock	**2.673**
Other liabilities	**4.976**
	526.484
Net liabilities	**(37.339)**

The sale consideration is analysed below:

	€000
Net cash consideration received	**2.896**

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

	Nine months ended 30 September	
	2015	2014
	€000	€000
Operating	**(34.108)**	-
Investing	**(15.927)**	-
Financing	**(1.733)**	-
Net cash outflow for the period	**(51.768)**	-

33. Acquisitions and disposals (continued)

33.2 Disposals during 2015 (continued)

Disposal of Aphrodite group

In September 2015, the Group completed the sale of shares representing a 65% shareholding in the Aphrodite Hills Resort Ltd and Aphrodite Hills (Lakkos tou Frangou) Ltd. For additional information refer to Note 17.

Disposal of Kyprou Leasing SA

Following the disposal of the Group's leasing operations in Greece to Piraeus Bank SA through a Decree issued on 26 March 2013, the Group completed the transfer of the legal ownership of its subsidiary, Kyprou Leasing SA to Piraeus Bank SA during the first quarter of 2015.

33.3 Disposals during 2014

Disposal of the Group's Ukrainian operations

In April 2014, the Group completed the disposal of its Ukrainian operations, comprising (i) its holding of 99,77% in its subsidiary bank in Ukraine, PJSC Bank of Cyprus, (ii) the funding provided by the Company to PJSC Bank of Cyprus, and (iii) its loans with Ukrainian exposures, to Alfa group. The sale consideration was €198.860 thousand, comprising €98.860 thousand received and €100.000 thousand deferred up to 31 March 2015. In 2015 the settlement terms of the deferred consideration and the related interest rate were amended. The deferred consideration is due to be paid to the Group under a repayment programme which extends until 1 June 2019.

The accounting loss from the sale was €114.228 thousand and represented the difference of the consideration and the carrying value of the assets and liabilities disposed, as well as the unwinding of the related foreign currency reserve of €55.796 thousand as at the disposal date.

The results of the Group's Ukrainian operations from 1 January 2014 until the date of its disposal are presented in Note 7 of these financial statements and are classified as discontinued operations.

The assets and liabilities of the Group's Ukrainian operations as at the date of their disposal are presented below:

	€000
Cash and balances with central banks	**10.181**
Placements with banks	**15.924**
Loans and advances to customers	**250.076**
Investment properties	**34.395**
Other assets	**1.168**
Customer deposits	**(47.235)**

The net cash flows of the Group's Ukrainian business are presented below:

	2014
	€000
Net cash flow used in operating activities	**(999)**
Net cash flow used in investing activities	**-**
Net cash flow used in financing activities	**-**
Net decrease in cash and cash equivalents	**(999)**

34. Investments in associates and joint venture

Carrying value of the investments in associates and joint venture

	30 September 2015	31 December 2014
	€000	€000
CNP Cyprus Insurance Holdings Ltd	**110.731**	108.467
Byron Capital Partners Ltd	**-**	5.322
Interfund Investments Plc	**2.128**	2.987
Aris Capital Management LLC	**-**	-
Rosequeens Properties Limited	**-**	-
Rosequeens Properties SRL	**-**	-
	112.859	116.776

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%) and Rosequeens Properties SRL (effective shareholding of 33,33%). The carrying value of Rosequeens Properties Limited, Rosequeens Properties SRL and Aris Capital Management LLC is restricted to zero. In September 2014, the Group sold its 35,3% holding in its associate Grand Hotel Enterprises Society Ltd, which also had a zero carrying value as at the date of the disposal.

The Group's investment in joint venture comprised of Byron Capital Partners Ltd (BCP) acquired by the Group as part of the acquisition of certain operations of Laiki Bank. BCP managed 100% of the shares of MDSF (Note 17). During the third quarter of 2015, BCP bought back all its shares held by the Group.

35. Capital commitments

Capital commitments for the acquisition of property, equipment and intangible assets as at 30 September 2015 amount to €10.923 thousand (31 December 2014: €5.203 thousand).

36. Events after the reporting date

36.1 Covered bonds upgrade

The covered bonds were upgraded to an investment grade rating and have become eligible collateral for the Eurosystem credit operations. As from 2 October 2015 the covered bond has been placed as collateral for accessing funding from the ECB. Through this transaction, the Company has raised €550.000 thousand of ECB funding for the repayment of ELA. Prior to the rating upgrade, the covered bonds were used as collateral for ELA.

36.2 Repayment of ELA

In the period since 30 September 2015, the Company repaid €600 million of ELA funding.

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Building a better working world

Report of the statutory auditor to the Board of Directors of Bank of Cyprus Public Company Ltd on the review of the interim condensed consolidated financial statements as of 30 September 2015 and for the nine-month period then ended

Introduction

We have reviewed the interim condensed consolidated financial statements of Bank of Cyprus Public Company Ltd (the 'Company') and its subsidiaries (together with the Company the 'Group') on pages 1 to 87, which comprise the interim consolidated balance sheet as at 30 September 2015, the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine-month period then ended, the interim consolidated statements of income and comprehensive income for the three-month period then ended and explanatory notes. These statements show a consolidated balance sheet total with total equity of €3.538 million and with total assets of €24.197 million as at 30 September 2015 and a consolidated net profit for the nine-month period then ended of €58.226 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 the International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" applicable to review engagements. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Emphasis of matter

We draw your attention to note 6 to the interim condensed consolidated financial statements which discusses the significant judgments, estimates and assumptions used in the preparation of the interim condensed financial statements on a going concern basis and the inherent risk and uncertainty related to the assumptions made for the determination of the provision for impairment of loans and advances to customers, which could result in significant changes in the amount of required provisions of the Group. 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
23 November 2015