0001/00017940/en

3rd Quarter Financial Report

BANK OF CYPRUS PUBLIC COMPANY LTD

BOCY

Correction To:0001/00017921

Group Financial Results for the nine months ended 30 September 2016

Group Financial Results for the nine months ended 30 September 2016: Interim Condensed Consolidated Financial Statements -Minor update in Note 36 (Post balance sheet event)

Attachments:

1. **Announcement**
2. **Presentation**
3. **Additional Risk and Capital Management Disclosures**
4. **Interim Condensed Consolidated Financial Statements**

Regulated

Publication Date: 15/11/2016

Bank of Cyprus

Announcement

Group Financial Results for the nine months ended 30 September 2016

Nicosia, 15 November 2016

Key Highlights

- Positive momentum continued in 3Q2016
- Further reduction of problem loans (90+ DPD) by €501 mn qoq; €2,6 bn or 23% reduction during 9M2016
- NPE reduction of €592 mn or 5% qoq; €2,1 bn or 15% reduction during 9M2016
- Significant increase in deposits by €896 mn or 6% qoq; €1,5 bn or 10% increase during 9M2016
- ELA reduced ytd by €3,0 bn to €0,8 bn
- CET1 ratio strengthened further to 14,6%; 60 basis points added during 9M2016
- Profit before provisions of €138 mn for 3Q2016, directed at increased provisions and impairment charges to faster de-risk balance sheet, a practice which is expected to continue into 2017
- Profit after tax of €5 mn for 3Q2016 and €62 mn for 9M2016

Statement by Bank of Cyprus Group CEO:

"We are pleased that the positive momentum continued in the third quarter of 2016, strengthening further our CET1 ratio and accelerating the reduction of non-performing loans and the increase in deposits compared to the previous quarter.

We reduced the stock of non-performing loans for a sixth consecutive quarter and by €2,6 bn or 23% during the nine month period. We have completed €3,4 bn of restructurings with the success of the restructurings performed starting to yield results. For the first time, the reduction of NPEs during the three months ended 30 September 2016 exceeded the reduction of 90+ DPD loans mainly as a result of restructured loans meeting the NPE exit criteria following satisfactory performance. The reduction of problem loans is expected to continue.

We are satisfied that our funding conditions continue to improve. We have repaid €3,0 bn of ELA year to date to a current level of €0,8 bn and full repayment now looks like a realistic near-term target. At the same time our deposits grew by €896 mn in the third quarter and our loans to deposit ratio stands at 102% as at the end of September 2016.

Our good underlying operating profitability continued in the third quarter at €138 mn and we have directed this to support faster derisking of our balance sheet, through increased provisions, a trend which we expect to continue into 2017.

The profit after tax for the third quarter was €5 mn and for the nine months ended 30 September 2016 was €62 mn.

The Group's capital ratio (CET1) was further strengthened by 60 basis points during the nine month period and stands at 14,6% at 30 September 2016.

We remain focused on operating as an accelerator for growth in the real Cypriot economy. Since the beginning of the year, we granted over €1 bn of new loans to promising sectors of the domestic economy through our core operations and to entrepreneurs in the UK through our UK subsidiary. New loans of €763 mn were granted to Cypriot households and businesses this year and we are actively seeking to provide more credit to viable businesses and consumers."

John Patrick Hourican

Group Profile

Founded in 1899, Bank of Cyprus Group is the leading banking and financial services group in Cyprus. The Group provides a wide range of financial products and services which include retail and commercial banking, finance, factoring, investment banking, brokerage, fund management, private banking, life and general insurance. The Group operates through a total of 129 branches, of which 123 operate in Cyprus, 1 in Romania and 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 4.229 staff worldwide. At 30 September 2016, the Group's Total Assets amounted to €22,4 bn and Total Equity was €3,1 bn.

EUROMONEY AWARDS FOR EXCELLENCE 2016

Bank of Cyprus
The Best Bank in Cyprus 2016

A. Analysis of the Financial Results for the nine months ended 30 September 2016

A.1 Balance Sheet Analysis

A.1.1 Capital Base

Shareholders' equity totalled €3.063 mn at 30 September 2016. The **CET1 ratio**[1] totalled 14,6% at 30 September 2016, compared to 14,4% at 30 June 2016 and to 14,0% at 31 December 2015. The CET1 was positively affected by the lower risk weighted assets mainly driven by balance sheet movements. Adjusting for Deferred Tax Assets[2], the **CET1 ratio on a fully-loaded basis** totalled 13,8% at 30 September 2016.

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

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

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

A.1.2 Customer Deposits and Loans

Group customer deposits totalled €15.643 mn at 30 September 2016 (compared to €14.746 mn at 30 June 2016 and €14.181 mn at 31 December 2015), and recorded an increase of 10% year to date. Customer deposits in Cyprus increased by €899 mn during the quarter, part of which relates to government deposits. Cyprus deposits stood at €14.210 mn at 30 September 2016, accounting for 91% of Group customer deposits. The Bank's deposit market share[3] in Cyprus reached 30,3% at 30 September 2016, compared to 29,0% at 30 June 2016.

Customer deposits are the primary source of funding, with their contribution towards the Group's overall funding gradually increasing. Customer deposits accounted for 70% of total assets at 30 September 2016, compared to 65% of total assets at 30 June 2016. Overall, customer deposits over total assets recorded an increase of 22 percentage points, since the low of 48% at 31 March 2014. The Loans to Deposits ratio (L/D) improved to 102% at 30 September 2016, compared to 110% at 30 June 2016 and a high of 151% at 31 March 2014.

Group gross loans[4] totalled €20.596 mn at 30 September 2016, compared to €21.083 mn at 30 June 2016 and €22.592 mn at 31 December 2015. The reduction in gross loans is, to a large extent, driven by the restructuring activity, including debt for property and debt for equity swaps. Gross loans in Cyprus totalled €18.773 mn at 30 September 2016 and accounted for 91% of Group gross loans. The Bank is the single largest credit provider in Cyprus with a 41,1% loan market share[5] at 30 September 2016, compared to 41,4% at 30 June 2016. Gross loans in the UK amounted to €1.232 mn, compared to €1.179 mn at 30 June 2016 and accounted for 6% of Group total loans.

[1] Transitional basis; includes reviewed profits for the nine months ended 30 September 2016.
[2] The DTA adjustments relate to Deferred Tax Assets totalling €450 mn and recognised on tax losses totalling €3,6 bn and can be set off against future profits of the Bank until 2028 at a tax rate of 12,5%. Furthermore, there are tax losses of c. €8,5 bn for which no deferred tax asset has been recognised. The recognition of deferred tax assets is supported by the Bank's business forecasts and takes into account the recoverability of the deferred tax assets within their expiry period.
[3] Based on data from the Central Bank of Cyprus.
[4] Gross loans are reported before the fair value adjustment on initial recognition relating to loans acquired from Laiki Bank (difference between the outstanding contractual amount and the fair value of loans acquired) amounting to €989 mn at 30 September 2016 (compared to €1.043 mn at 30 June 2016).
[5] See note 3.

A.1.3 Eurosystem Funding

At 30 September 2016, the Bank's Eurosystem funding totalled €2,0 bn, comprising ELA of €1,3 bn and European Central Bank (ECB) funding of €650 mn. Post 30 September 2016, ELA funding was reduced by €500 mn to a current level of €0,8 bn. In total, ELA has been reduced by €10,6 bn since its peak of €11,4 bn in April 2013.

A.1.4 Loan portfolio quality

Addressing the asset quality remains the Group's main priority. The main priority of the Bank's Restructuring and Recoveries Division (RRD) is the delivery of asset quality improvement. The RRD is actively seeking to find innovative solutions that bring bank loan servicing obligations more in line with the changing economic and financial circumstances of cooperating bank borrowers. The foreclosure legislation and insolvency framework, the effective interaction with borrowers and the improving fundamentals of the Cypriot economy, are playing a significant role in reducing the level of problem loans.

Loans in arrears for more than 90 days (90+ DPD)[6] were reduced by €501 mn (5% reduction qoq) in 3Q2016. The decrease was primarily due to the restructuring activity, including debt for property and debt for equity swaps. 90+ DPD stood at €8.768 mn at 30 September 2016, accounting for 43% of gross loans (90+ DPD ratio), compared to 44% a quarter earlier. 90+ DPD were reduced by €2,6 bn or by 23% in the first nine months of 2016. The provisioning coverage ratio of 90+ DPD[7] loans increased to 54% at 30 September 2016 (53% at 30 June 2016). When taking into account tangible collateral at fair value, 90+ DPD loans are fully covered. The provisioning coverage ratio of 90+ DPD, calculated with reference to the contractual balances of customers, totalled 66%[8] at 30 September 2016, compared to 64% at 30 June 2016.

	30.09.2016		**30.06.2016**	
	(€ mn)	% of gross loans	(€ mn)	% of gross loans
90+ DPD	**8.768**	**42,6%**	**9.269**	**44,0%**
Of which:				
- impaired with no arrears	514	2,5%	647	3,1%
- impaired with arrears less than 90 days	74	0,4%	66	0,3%

Non-performing exposures (NPEs)[9] as defined by the European Banking Authority (EBA) were reduced by €592 mn or 5% during 3Q2016 to €11.901 mn at 30 September 2016, accounting for 58% of gross loans. For the first time, the reduction of NPEs during the quarter exceeded the reduction of 90+ DPD mainly due to curing of restructured performing NPEs that met the exit criteria following satisfactory performance post their restructuring. Further curing of restructured performing NPEs is expected in the following quarters. The provisioning coverage ratio of NPEs stood at 40% at 30 September 2016, up from 39% at 30 June 2016. The provisioning coverage ratio of NPEs, calculated with reference to the contractual balances of customers, stood at 52%[10] at 30 September 2016, compared to 51% at 30 June 2016.

	30.09.2016		**30.06.2016**	
	(€ mn)	% of gross loans	(€ mn)	% of gross loans
Non-performing exposures (NPEs) as per EBA definition	**11.901**	**57,8%**	**12.493**	**59,3%**
Of which:				
- NPEs with forbearance measures, no impairments and no arrears	2.349	11,4%	2.436	11,6%

[6] Loans in arrears for more than 90 days (90+ DPD) are defined as loans past-due for more than 90 days and loans that are impaired (impaired loans are those which are not considered fully collectable and for which a provision for impairment has been recognised on an individual basis or for which incurred losses existed at their initial recognition or customers in Debt Recovery).
[7] Provisioning coverage ratio for 90+ DPD is calculated as the sum of accumulated provisions for impairment of customer loans, fair value adjustment on initial recognition and provision for off-balance sheet exposures, over 90+ DPD.
[8] This ratio is calculated by adjusting both the provisions stock and the customer balances to include any unrecognised interest income due on contractual balances.
[9] In 2014 the European Banking Authority (EBA) published its reporting standards on forbearance and non-performing exposures (NPEs). According to the EBA standards, a loan is considered a non-performing exposure if: (i) the debtor is assessed as unlikely to pay its credit obligations in full without the realisation of the collateral, regardless of the existence of any past due amount or of the number of days past due, for example in case of a write off, a legal action against the borrower, or bankruptcy, or (ii) the exposures are impaired i.e. in cases where there is a specific provision, or (iii) there are material exposures which are more than 90 days past due, or (iv) there are performing forborne exposures under probation for which additional forbearance measures are extended, or (v) there are performing forborne exposures under probation that present more than 30 days past due within the probation period.
[10] See Note 8.

A.1.5 Real Estate Management Unit

The **Real Estate Management Unit (REMU)** was set up at the beginning of this year to on-board assets through debt for property swaps, to manage these assets (including selective investment and development) and to execute exit strategies in order to monetise these assets, thus achieving an accelerated and cheaper foreclosure process. During 9M2016, REMU acquired €894 mn of assets via the execution of debt for property swaps. During the first nine months of 2016, the Bank completed the disposal of real estate assets amounting to €110 mn. As at 30 September 2016, REMU was managing properties with a total carrying value of €1,3 bn.

A.1.6 Non-core overseas exposures

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

The remaining non-core overseas exposures at 30 September 2016 are as follows:

- Greece: The net exposure comprised (a) net on-balance sheet exposures (excluding foreclosed properties) totalling €12 mn (compared to €13 mn at 30 June 2016), (b) 636 foreclosed properties with a book value of €161 mn (compared to 639 foreclosed properties with a book value of €164 mn at 30 June 2016), (c) off-balance sheet exposures totalling €115 mn (compared to €119 mn at 30 June 2016) and (d) lending exposures to Greek entities in the normal course of business in Cyprus totalling €80 mn (compared to €81 mn at 30 June 2016) and lending exposures in Cyprus with collaterals in Greece totalling €145 mn (compared to €144 mn at 30 June 2016).
- Romania: The overall net exposure is €221 mn (compared to €262 mn at 30 June 2016).
- Serbia: The overall net exposure is €42 mn, in line with the net exposure as at 30 June 2016.
- Russia: The remaining net exposure (on and off balance sheet) is €45 mn, in line with the net exposure as at 30 June 2016.

A.2 Income Statement Analysis

Net interest income (NII) and net interest margin (NIM) for 9M2016 amounted to €524 mn and 3,51% respectively. NII for 3Q2016 was €164 mn, down 7%, compared to €175 mn for 2Q2016, reflecting the reduction in customer loan balance primarily as a result of the elevated loan restructuring activity, including debt for property swaps. The NIM for 3Q2016 was at 3,35% compared to 3,55% for 2Q2016.

Non-interest income for 9M2016 was €193 mn, with recurring income comprising net fee and commission income of €112 mn and net insurance income of €35 mn. Non-interest income for 3Q2016 was €71 mn, up by 15% qoq, mainly due to a gain of €9 mn from the buyback of Cyprus Government Bonds. Recurring income comprising net fee and commission income and net insurance income totalled €38 mn and €10 mn for 3Q2016, respectively. The remaining component of non-interest income[11] for 3Q2016 was a net profit of €23 mn, which was positively affected by the gain from the buyback of Cyprus Government bonds, compared to a net profit of €14 mn for 2Q2016.

Total income[12] for 9M2016 amounted to €717 mn, compared to €786 mn for 9M2015, down 9% yoy, with the reduction primarily reflecting the reduction in NII. Total income for 3Q2016 recorded a decrease of 1% qoq and amounted to €235 mn (€238 mn for 2Q2016).

Total expenses for 9M2016 were €299 mn, 57% of which related to staff costs (€171 mn) and 43% to other operating expenses (€128 mn). The cost to income ratio for 9M2016 stood at 42%. Total expenses for 3Q2016 were €97 mn, compared to €103 mn a quarter earlier, down 5% qoq primarily driven by the 7% decrease in staff costs reflecting the effect of the voluntary exit plan (VEP) completed in 2Q2016. The cost to income ratio for 3Q2016 was 41%, compared to 43% for 2Q2016.

[11] Non interest income comprises of net foreign exchange gains/(losses), net gains/(losses) on other financial instruments, gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties and other income.
[12] Total income includes Net Interest Income and Non-Interest Income.

Profit before provisions and impairments[13], advisory, VEP, other restructuring costs and discontinued operations for 9M2016 was €418 mn, compared to €490 mn a year earlier, primarily reflecting the lower level of NII. Profit before provisions and impairments[14], advisory, VEP, other restructuring costs and discontinued operations for 3Q2016 was €138 mn, compared to €135 mn for 2Q2016, up by 2% qoq, a net result of the lower NII, the higher gains of financial instruments and the lower staff costs.

Provisions for impairment of customer loans (continuing operations) net of gains/(losses) on derecognition of loans and changes in expected cash flows for 9M2016 totalled €267 mn. Provisions for impairment of customer loans (continuing operations) net of gains/(losses) on derecognition of loans and changes in expected cash flows for 3Q2016 amounted to €109 mn, compared to €96 mn for 2Q2016. The annualised provisioning charge for 9M2016 accounted for 1,6%[15] of gross loans, compared to 1,4% for 1H2016. At 30 September 2016, accumulated provisions, including fair value adjustment on initial recognition[16], totalled €4.703 mn[17] (compared to €4.875 mn at 30 June 2016) and accounted for 22,8% of gross loans (compared to 23,1% at 30 June 2016).

Impairments of other financial and non-financial assets for 9M2016 totalled €34 mn. Impairments of other financial and non-financial assets for 3Q2016 totalled €12 mn, compared to €14 mn for 2Q2016, including impairment losses of stock of properties in Cyprus, Greece and in Romania.

Profit after tax excluding advisory, VEP, other restructuring costs, discontinued operations and net profit on disposal of non-core assets for 9M2016 totalled €101 mn. Profit after tax excluding advisory, VEP and other restructuring costs, discontinued operations and net profit on disposal of non-core assets for 3Q2016 totalled €16 mn compared to €17 mn in 2Q2016.

Advisory, VEP and other restructuring costs[18] for 9M2016 totalled €98 mn. Advisory, VEP and other restructuring costs for 3Q2016 totalled €11 mn, compared to €70 mn in 2Q2016. Adjusting for the one-off cost of the VEP in 2Q2016, the advisory, VEP and other restructuring costs remained at similar levels (€13 mn for 2Q2016). **Net gains on disposals of non-core assets** for 9M2016 of €59 mn primarily relate to the gain on disposal of the investment in Visa Europe during 2Q2016.

Profit after tax attributable to the owners of the Bank for 9M2016 was €62 mn. Profit after tax attributable to the owners of the Bank for 3Q2016 totalled €5 mn, compared to a profit of €6 mn for 2Q2016.

B. Outlook

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

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

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

The Group is now focused on its core operations in Cyprus, which account for 91% and 91% of gross loans and customer deposits respectively. The **financial performance of the Group and the economic recovery of Cyprus are mutually reinforced**. Growth in the Cypriot economy accelerated in the first half of 2016 with real GDP rising by 2,7% year-on-year seasonally adjusted. Growth was broadly based with almost all sectors participating including construction and manufacturing. Tourist activity was strong with arrivals up 19,2% in the

[13] Comprising provisions for impairments of customer loans and impairments of other financial and non-financial assets, net of gains/(losses) on derecognition and changes in expected cash flows.
[14] See Note 13.
[15] That is Provisions for impairment of customer loans and gains/(losses) on derecognition of loans and changes in expected cash flows on acquired loans over average gross loans (as defined in Note 4).
[16] 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.
[17] The decrease in accumulated provisions of €172 mn primarily relates to increased restructuring activity for the quarter. (The reduction in the previous quarter amounted to €201 mn).
[18] Advisory, VEP and other restructuring costs comprise mainly: 1) fees of external advisors in relation to: (i) disposal of operations (ii) customer loan restructuring activities which are not part of the effective interest rate and (iii) the contemplated listing on the London Stock Exchange and 2) voluntary exit plan cost.

year to August and tourist receipts up 13,7% in the year to June. Growth was further supported by a drop in unemployment, a near balanced government budget, a steady improvement in the banking sector, and upgrades of the sovereign's credit ratings. In September 2016, S&P Global raised Cyprus' long-term sovereign credit rating to 'BB', with a positive outlook, to reflect Cyprus' economic growth and debt reduction, as well as improvement in the banking sector's asset quality. In October 2016, Fitch upgraded Cyprus' long-term issuer default rating 'BB-' with a positive outlook to reflect continuing progress in economic adjustment particularly in terms of the economic recovery, the banking sector's strengthening and fiscal management. In November 2016 Moody's Investors Service improved the outlook on the Republic of Cyprus from stable to positive. These upgrades reflect the stronger than expected economic growth, the improvement in the fiscal position of the government and the improvement in the banking sector.

The outlook for the Cypriot economy in the second half of 2016 and over the medium term remains positive, underpinned by the strong performance of the tourist sector, a number of investment projects which are planned, including the casino resort and other infrastructure works in the tourist and energy sectors, as well as its unique position as a regional centre for business services.

Direct consequences on Cyprus of the UK referendum to exit the EU, will mostly emanate from tourist activity depending on the extent and durability of depreciation of the British Pound against the Euro, or from a possible economic recession in the UK. The possible loss of UK tourist arrivals may be mitigated at least in part, by increases in arrivals of tourists from other destinations, as tourist traffic may continue to divert away from other regional destinations. Downside risks to growth projections relate to the high level of non-performing loans and the worsening of the external environment.

Tackling the Group's loan portfolio quality remains the top priority for management. The Group continues to make steady progress across all asset quality metrics and the strong momentum in the loan restructuring activity continues. The Group has been successful in engineering sustainable restructuring solutions at an average of €1 bn a quarter since January 2015 across the spectrum of its loan portfolio. There is a shift of focus to the Recoveries portfolio, with recoveries via foreclosures and other available tools, to unlock solutions with problematic cases and non-cooperative borrowers. During the first nine months of 2016 the recoveries portfolio was deleveraged by €0,7 bn. Overall, the Bank is responsible for approximately two-thirds of the reduction of NPEs in Cyprus during the period of 1 January 2015 to 30 June 2016 that demonstrates the effectiveness of its strategy to tackle non-performing loans via a dedicated RRD division. Further reduction of the Group's 90+ DPD is expected in the forthcoming quarters, on the back of slower creation of 90+ DPD loans, restructuring momentum, implementation of regulatory reforms particularly the insolvency framework, foreclosure law and sale of loans bill, tax incentives to support debt restructuring and the improving economic and operating conditions in Cyprus. The set-up of REMU at the beginning of the year to professionalise the on boarding, management and sale of foreclosed property is expected to support the acceleration of the recovery process.

In order to normalise its funding structure and to fully repay ELA, the Bank is **stepping up its efforts to attract deposits**, leveraging on increasing customer confidence towards the Bank and improving macroeconomic conditions. During the year, the Bank introduced new deposit products aimed at attracting local and international depositors. The Bank's strong capital position and overall improvement in its financial position **enhance its funding options and facilitate access to the debt capital markets for wholesale funding,** subject to market conditions and investor appetite. So far, the Bank has been successful in reducing its reliance on ELA funding, with the quantum coming down by €10,6 bn as at today. ELA has been reduced to less than €1 bn and is expected to be fully extinguished early next year.

The Bank considers that it is adequately capitalized, taking into account its risk profile, level of non-performing loans, macro-economic environment and applicable regulatory requirements. Whilst the Bank considers that its current levels of Common Equity Tier 1 capital are appropriate for its circumstances, the Bank continues to seek opportunities to optimise the level and composition of its liabilities in light of existing and upcoming regulatory requirements, including the Minimum Requirement for Own Funds and Eligible Liabilities ('MREL'). Although the precise calibration and ultimate designation of the Bank's MREL liabilities have not yet been finalised, the Bank continues to consider various funding opportunities (including both senior debt and/or subordinated capital instruments) in anticipation of such requirements and in order to further strengthen its balance sheet.

Strategic focus and reshaping of business model to grow in core Cypriot market are through prudent new lending and developing the UK franchise. Growth in new lending is focused on selected industries that are more in line with the Bank's target risk profile, such as tourism, trade, professional services, information/communication technologies, energy, education and green projects. The Group is also aiming to pursue a focused growth strategy in the UK, targeting entrepreneurs and owner-managed businesses. With selective presence in London and Birmingham and a predominantly retail funded franchise, the UK strategy is to support its core proposition in the property market, specifically targeting the professional buy-to-let market and further expanding its mortgage, business and its savings, current accounts and trade-related products for SMEs, professionals and Cypriot residents.

Management is also focused on developing a lean bank by disposing non-core assets in addition to placing emphasis on diversifying income streams by boosting fee income from international transaction services, wealth management and insurance. The Group's insurance companies, EuroLife and General Insurance of Cyprus operating in the sectors of Life and General insurance respectively, constitute a leading player in the insurance business in Cyprus, with such businesses providing a recurring income, further diversifying the Bank's income streams. The insurance income net of insurance claims for the 9M2016 amounted to €35 mn compared to €32 mn for 9M2015.

The Bank continues **to have a leading position in the Cypriot banking system**. The Group's strengthened capital position and its improving liquidity, support its efforts to **provide credit to promising sectors of the domestic economy through its core operations, to support entrepreneurs in the UK through its UK subsidiary company, and to deliver value to shareholders and other stakeholders.** Since the beginning of the year, the Group has provided over €1 bn of new loans mainly to promising sectors of the domestic economy through its core operations and to entrepreneurs in the UK through its UK subsidiary, and is actively seeking to provide more credit to viable business and consumers.

<u>Bank to apply for a listing on the London Stock Exchange and the Cyprus Stock Exchange using a Holding Company structure</u>

The Bank today announced that it is **applying for a standard listing on the London Stock Exchange (LSE)**. The Group intends to maintain a listing on the Cyprus Stock Exchange and will no longer be listed on the Athens Exchange. The London listing is in line with the Bank's long-term strategic commitment to list on a major European stock exchange. The Bank continues to work towards a premium listing on the LSE, and intends to apply for a step up to the premium segment of the LSE at a future date, with the intention of becoming eligible for inclusion in the FTSE UK Index series. Work is ongoing and the standard listing is an intermediate step on this long-term path.

In order to be considered eligible for future inclusion in the FTSE UK index series following a step up to a premium listing, **the Bank has decided to incorporate a new holding company in Ireland**, which is a FTSE eligible jurisdiction. The newly set up company, Bank of Cyprus Holdings plc (BOC Holdings) was incorporated in Ireland earlier this year for this purpose. **It is intended that BOC Holdings will own all of the existing shares of the Bank, and existing shareholders of the Bank will receive shares in BOC Holdings in proportion to their current ownership**. The Group's headquarters, management and operations will all remain in Cyprus and the new holding company will be, and the Bank will remain, tax resident in Cyprus. The Group will continue to be regulated by the ECB and the CBC. **The change in the Group's structure will be implemented by means of a Cypriot law scheme of arrangement (the 'Scheme') and is therefore subject, amongst other things, to the approval/sanctioning of the Scheme by (i) the shareholders at an extraordinary general meeting, (ii) the Bank's regulators (including the ECB and the CBC) and (iii) the Courts of Cyprus following a hearing upon the fairness of the Scheme terms**. It is intended that a circular setting out full details of the Scheme will be made available to the Bank's shareholders in the coming days and a prospectus in relation to the shares in the new holding company is intended to be published thereafter.

C. Key Performance Indicators

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

Group Key Performance Indicators		**Actual Dec-2015**	**Actual Sept-2016**	**Medium-Term Targets**
Asset Quality	90+ Days Past Due ratio	50%	43%	**<30%**
	90+ Days Past Due coverage ratio	48%	54%	**>50%**
	Provisioning charge[19] (Cost of Risk) annualised	4,3%	1,6%[20]	**<1,0%**
Funding	ELA % Assets; € bn	16% €3,8 bn	6% €1,3 bn	**Fully Repay**
	Net Loans % Deposits	121%	102%	**100%-120%**
Capital	CET1 (transitional)[21]	14,0%	14,6%	**>15%**
Efficiency	Net interest margin	3,8%	3,5%	**~3,00%**
	Fee and Commission income / total income	15%	16%	**>20%**
	Cost to Income ratio	40%	42%	**40%-45%**
Balance Sheet	Total assets	€23,3 bn	€22,4 bn	**>€25 bn**

[19] IFRS 9 impact, which is effective as from 1 January 2018, has not been taken into account for the purpose of the targets. Targets are set on the basis of the present regulatory environment.
[20] See Note 15.
[21] See Note 1.

D. Appendix

Interim Condensed Consolidated Income Statement							
€ mn	**9M2016**	**9M2015**	**yoy ±%**	**3Q2016**	**2Q2016**	**qoq ±%**	**1Q2016**
Net interest income	524	644	-19%	164	175	-7%	185
Net fee and commission income	112	115	-3%	38	38	1%	36
Net foreign exchange gains and net gains on other financial instruments	35	18	91%	20	9	126%	6
Insurance income net of insurance claims	35	32	9%	10	11	-9%	14
Gains/(losses) from revaluation and disposal of investment properties and on disposal of stock of properties	3	(36)	-107%	1	1	-67%	1
Other income	8	13	-33%	2	4	-16%	2
Total income	**717**	**786**	-9%	**235**	**238**	-1%	**244**
Staff costs	(171)	(177)	-3%	(54)	(59)	-7%	(58)
Other operating expenses	(128)	(119)	7%	(43)	(44)	-3%	(41)
Total expenses	**(299)**	**(296)**	1%	**(97)**	**(103)**	-5%	**(99)**
Profit before provisions and impairments, gains/(losses) on derecognition of loans and changes in expected cash flows, restructuring costs and discontinued operations	**418**	**490**	-15%	**138**	**135**	2%	**145**
Provisions for impairment of customer loans net of gains/(losses) on derecognition of loans and changes in expected cash flows	**(267)**	**(329)**	-19%	**(109)**	**(96)**	14%	**(62)**
Impairments of other financial and non-financial assets	(34)	(37)	-9%	(12)	(14)	-10%	(8)
Share of profit from associates and joint ventures	3	3	-12%	1	1	96%	1
Profit before tax, restructuring costs and discontinued operations	**120**	**127**	-5%	**18**	**26**	-32%	**76**
Tax	(16)	(18)	-7%	(4)	(4)	0%	(8)
(Loss)/profit attributable to non-controlling interests	(3)	6	-162%	2	(5)	-142%	(1)
Profit after tax and before restructuring costs, discontinued operations and net profit on disposal of non-core assets	**101**	**115**	-13%	**16**	**17**	-4%	**67**
Advisory, VEP and other restructurings costs[22]	(98)	(27)	267%	(11)	(70)	-84%	(17)
Loss from disposal groups held for sale/discontinued operations	-	(38)	-100%	-	-	-	-
Net gain on disposal of non-core assets	59	23	154%	0	59	-100%	-
Profit after tax	**62**	**73**	-16%	**5**	**6**	-15%	**50**

Key Performance Ratios	**9M2016**	**9M2015**	**yoy ±%**	**3Q2016**	**2Q2016**	**qoq ±%**	**1Q2016**
Net Interest Margin (annualised)	3,51%	3,82%	-31 bps*	3,35%	3,55%	-20 bps*	3,63%
Cost to income ratio	42%	38%	+4p.p*	41%	43%	-2 p.p*	40%
Return on average assets (annualised)	0,4%	0,4%	-	0,1%	0,1%	-	0,9%
Return on average equity (annualised)	2,7%	2,8%	-1p.p*	0,7%	0,8%	-0,1 p.p*	6,5%
Basic earnings/(losses) per share (€ cent)	0,69	0,82	(0,13)	0,06	0,07	(0,01)	0,56

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

[22] See Note 18

Interim Condensed Consolidated Balance Sheet			
€ mn	**30.09.2016**	**31.12.2015**	**±%**
Cash and balances with central banks	1.587	1.423	12%
Loans and advances to banks	1.184	1.314	-10%
Debt securities, treasury bills and equity investments	595	1.009	-41%
Net loans and advances to customers	15.939	17.192	-7%
Other assets	3.065	2.284	34%
Non-current assets and disposal group held for sale	12	49	-76%
Total assets	**22.382**	**23.271**	-4%
Deposits by banks	371	242	53%
Funding from central banks	1.950	4.453	-56%
Repurchase agreements	329	368	-11%
Customer deposits	15.643	14.181	10%
Debt securities in issue	0	1	-100%
Other liabilities	986	944	4%
Non-current liabilities and disposal group held for sale	0	4	-100%
Total liabilities	**19.279**	**20.193**	-5%
Share capital	892	892	0%
Capital reduction reserve and share premium	2.505	2.505	0%
Revaluation and other reserves	241	259	-7%
Accumulated losses	(575)	(601)	-4%
Shareholders' equity	**3.063**	**3.055**	0%
Non-controlling interests	40	23	79%
Total equity	**3.103**	**3.078**	1%
Total liabilities and equity	**22.382**	**23.271**	-4%

Key Balance Sheet figures and ratios	**30.09.2016**	**31.12.2015**	**±%**
Gross loans (€ mn)	20.596	22.592	-9%
Customer deposits (€ mn)	15.643	14.181	10%
Loans to deposits ratio (net)	102%	121%	-19p.p.*
90+ DPD ratio	43%	50%	-7p.p.*
90+ DPD provisioning coverage ratio[23]	54%	48%	+6p.p.*

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

Capital	**30.09.2016**	**31.12.2015**	**±%**
Common Equity Tier 1 capital ratio (CET1) (transitional)[24]	14,6%	14,0%	+6p.p. *
Total capital ratio	14,7%	14,1%	+6p.p.*
Risk weighted assets (€ mn)	18.803	19.666	-4%

* 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 2016:

The Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2016 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/Financial Results).

The Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2016 have not been audited by the Bank's external auditors, but have been reviewed in accordance with the International Standard on Review Engagements 2410.

The announcement and the presentation for the financial results for the nine months ended 30 September 2016 have been posted on the Group's website www.bankofcyprus.com (Investor Relations/Financial Results).

[23] See Note 7.
[24] See Note 1.

Bank of Cyprus Group

Preliminary Group Financial Results for the nine months ended 30 September 2016

15 November 2016

EUROMONEY AWARDS FOR EXCELLENCE 2016

Bank of Cyprus
The Best Bank in Cyprus 2016

Bank of Cyprus

The Financial Statements for the nine months ended 30 September 2016 have been reviewed by the Bank's external auditors.

London-Cyprus Listing – Overview

Delivering on key commitments	✓ Another significant milestone in journey back to strength ✓ Positive signal for our investors, regulators and depositors ✓ First step in the long-term plan to achieve eligibility for inclusion in FTSE UK index series
Greater visibility for the Bank and the Cypriot economy	✓ Enhance the Bank's visibility ✓ Position the Bank amongst a broader group of international peers ✓ Enhance interest in the Bank and draw attention to Cyprus's well performing economy
Expanded shareholder base	✓ Access to a broad investor base in a deep capital market capable of supporting the Bank in the long term ✓ Expected to improve liquidity of the Bank's stock ✓ Possibility for our shareholders to trade in their market of choice, LSE or CSE
Focus remains on Cyprus	✓ A new Irish holding company a step in achieving potential FTSE UK Index series inclusion ✓ However, no change to operations or the location of the headquarters and management
Highest standard of corporate governance	✓ No change to our regulators: the ECB / CBC will continue to regulate our activities ✓ Voluntary adoption of the UK Corporate Governance Code ✓ Committed to maintaining the highest standards of transparency and governance
Process and timing	✓ The new corporate structure will be implemented via a scheme of arrangement ✓ Shareholders will be able to vote on the scheme at an EGM ✓ Further details and information will be made available to all shareholders in due course

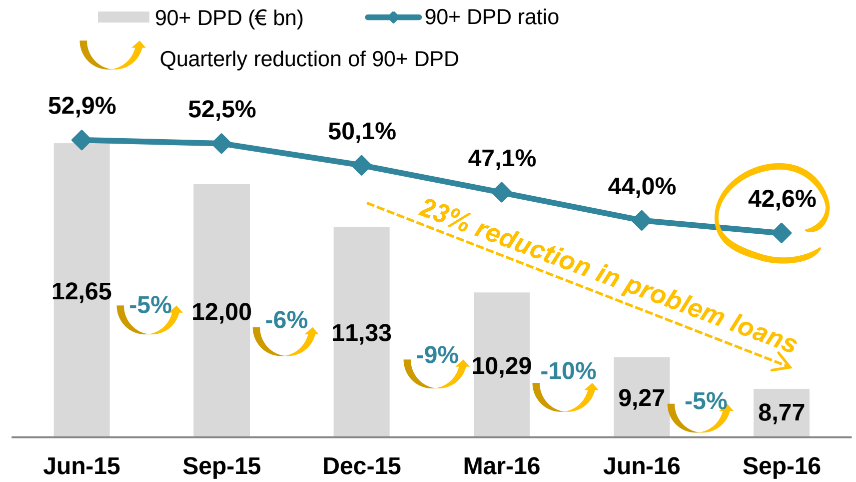
9M2016 Financial Results – Highlights

Declining Non performing exposures	• Positive momentum continued in 3Q2016 • Problem loans (90+ DPD)[1] down by €501 mn (or 5%) qoq and by €2,6 bn (or 23%) in 9M2016 • 90+ DPD ratio reduced to 43% and provisioning coverage ratio increased to 54% • NPE reduction of €592 mn (or 5%) qoq; €2,1 bn or 15% reduction during 9M2016. • Loan restructurings of €3,4 bn in 9M2016
Nearly Normalised Funding Structure	• ELA reduced by €3,0 bn ytd to €0,8 bn • Customer deposits increased by €896 mn (or 6%) qoq; €1,5 bn or 10% increase during 9M2016 • Customer deposits increased to 70% of total assets in 3Q2016 • Ratio of Loans to Deposits (L/D) improved to 102%
Maintaining Strong Capital Position	• CET1 ratio strengthened further to 14,6%; 60 basis points added during 9M2016; Total Capital ratio at 14,7% • RWA intensity at 84% • Conservative leverage ratio[2] of 13%
Profitable Quarter	• Profit before provisions of €138 mn for 3Q2016 directed at increased provisions and impairment charges, to faster de-risk balance sheet; • Profit after tax of €5 mn for 3Q2016; €62 mn for 9M2016 • Sustained NIM at 3,51%
Dominant position in a recovering economy	• Increased loans and deposit market shares[3] at 41,1% and 30,3%, respectively indicating return of confidence • New lending of over €1 bn, since the beginning of the year, to promising sectors of the domestic economy through its core operations and to entrepreneurs in the UK through its UK subsidiary

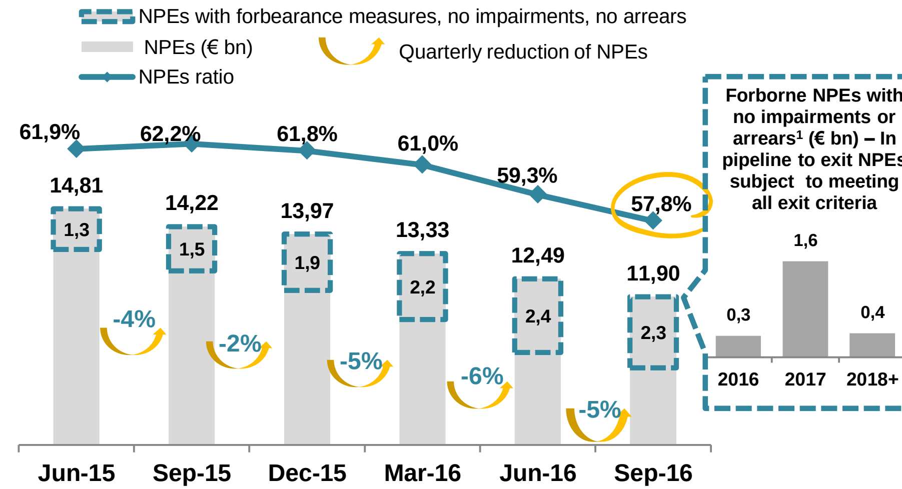
(1) Problem loans (90+ DPD) are loans in arrears for more than 90 days (90+ DPD) and are defined as loans past-due for more than 90 days and those that are impaired (impaired loans are those which are not considered fully collectable and for which a provision for impairment has been recognised on an individual basis or for which incurred losses exist at their initial recognition or customers in Debt Recovery).
(2) Leverage ratio = Tangible Total Equity over Total Assets (3) As at 30 September 2016

Significant reduction in Problem Loans…

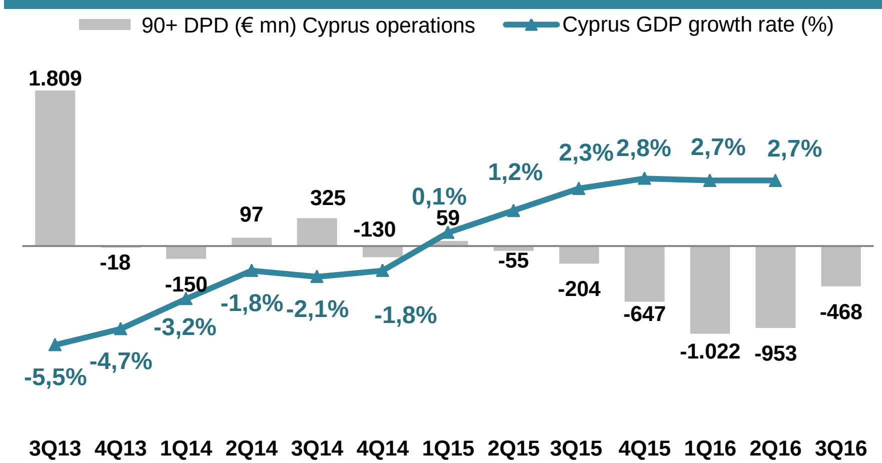
€2,6 bn or 23% drop in 90+ DPD during 9M2016 to €8,8 bn



€2,1 bn or 15% reduction in NPEs during 9M2016



Economic improvement underpins asset quality

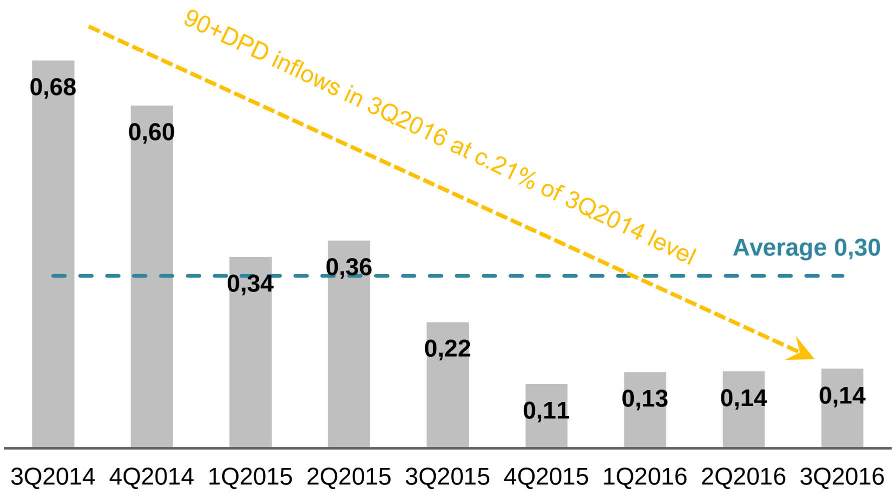


- **Non performing loans (90+ DPD)** reduced by €0,5 bn (or 5%) qoq and by €2,6 bn (or 23%) in 9M2016
- Non Performing Exposures (NPEs), as per EBA definition, reduced by €2,1 bn or 15% in 2016 and totalled €11,9 bn at 30 September 2016
- **For the first time, the reduction of NPEs during 3Q2016 exceeded the reduction of 90+ DPD loans** mainly as a result of restructured loans meeting the NPE exit criteria following satisfactory performance
- **NPEs with forbearance measures, no impairments and no arrears[1] totalled €2,3 bn** at 30 September 2016 of which **c. 84% are in the pipeline to exit the NPE classification** subject to meeting all exit criteria

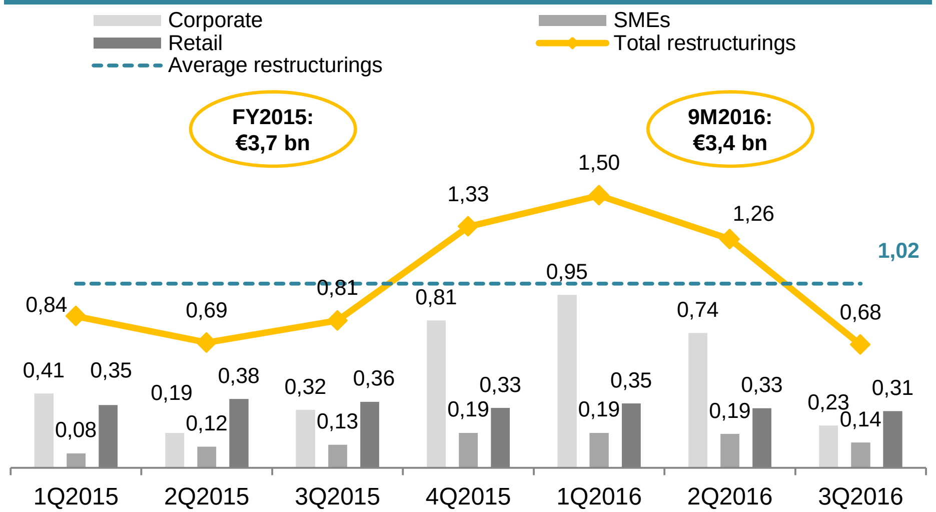
[(1)] Analysis provided on account basis. Accounts will not exit NPE status if not all exit criteria are met.

…driven by slower formation of new problem loans and ramp up in restructuring activity

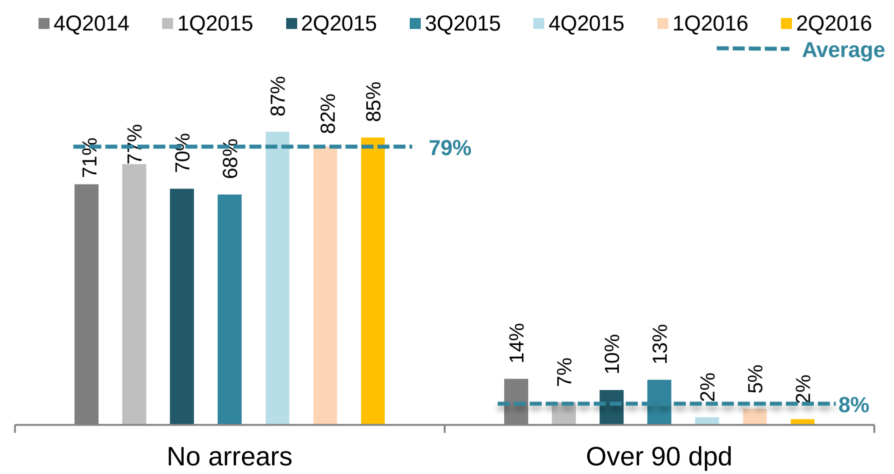
90+ DPD inflows in Cyprus operations (€ bn)



Quarterly evolution of restructured loans



79% of Restructured loans have suffered no arrears[1]

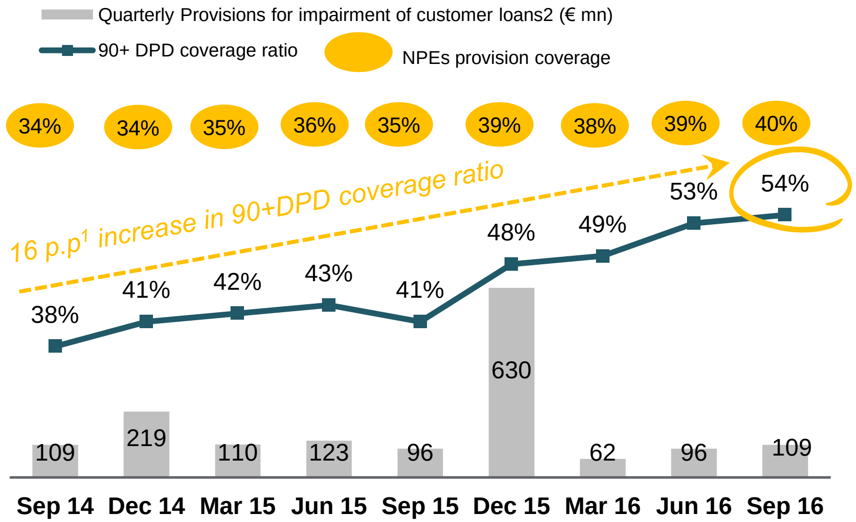


- 90+DPD inflows at €0,14 bn for 3Q2016
- Slower formation of new problem loans (90+ DPD) across all business segments
- €3,4 bn of restructurings in 9M2016
- As at 30 September 2016, **79% of loans restructured post 2013 for Cyprus operations have no arrears**

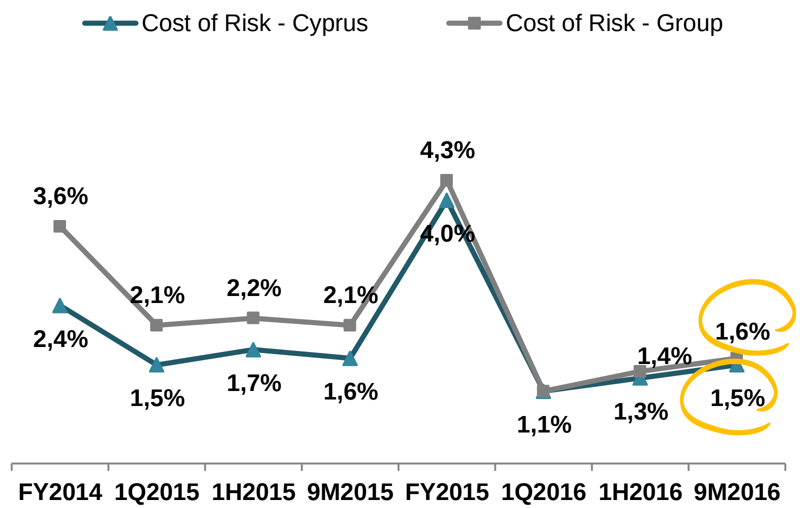
(1) The performance of loans restructured during 3Q2016 is not presented in this graph as it is too early to assess .

Conservative provisioning policy leading to increased coverage levels

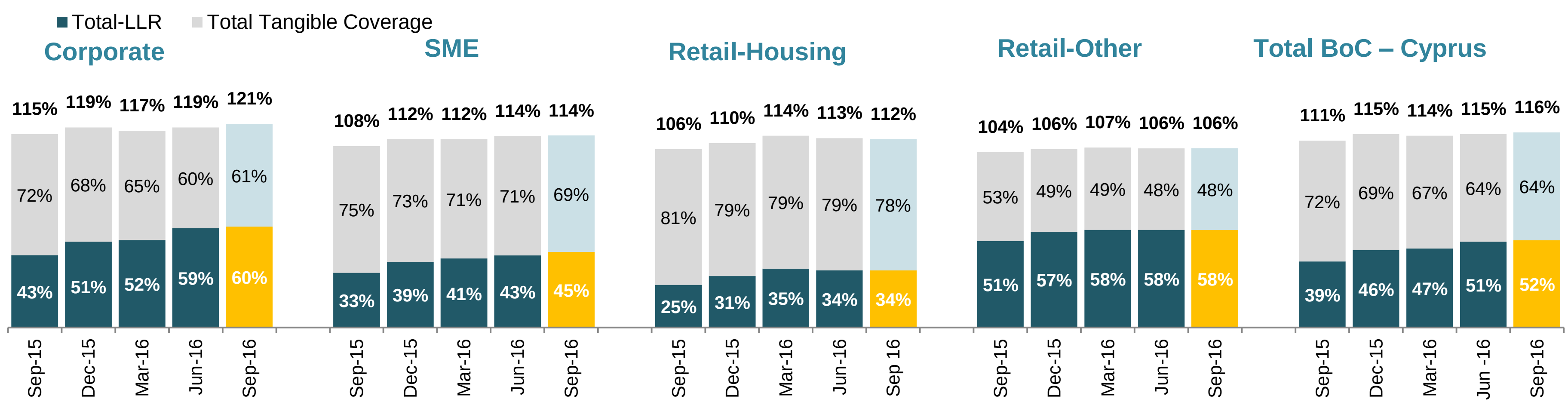
Coverage ratio improvement of 16 p.p[1] driven by over €1,6 bn additional cumulative provisions since September 2014



Continuing high cost of risk[3]



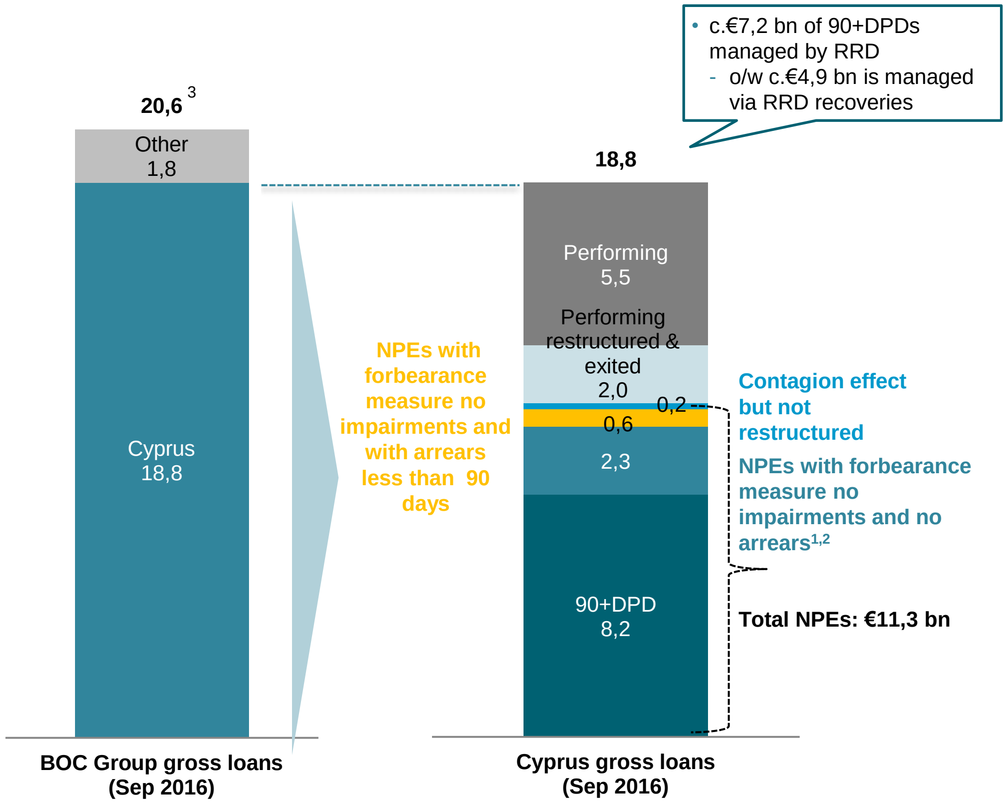
90+ DPD Fully Covered by Provisions & Tangible collateral (Cyprus operations)



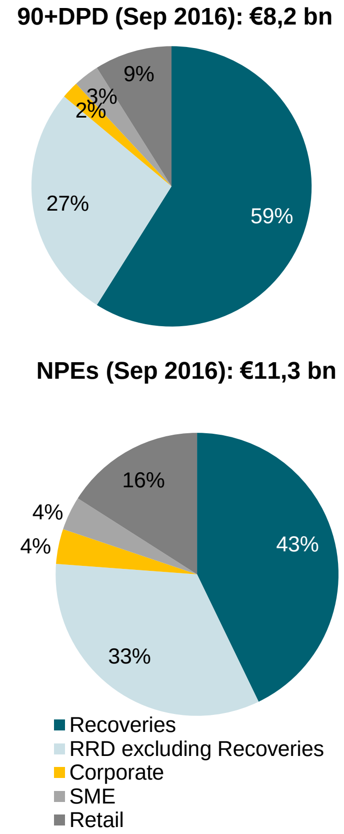
(1) p.p. = percentage points
(2) Provisions for impairment of customer loans and gains/(losses) on derecognition of loans and changes in expected cash flows
(3) Provisions for impairment of customer loans and gains/(losses) on derecognition of loans and changes in expected cash flows on acquired loans over average gross loans

Bulk of the 90+DPD stock is managed by the RRD

Gross loans breakdown by asset quality (€ bn)



90+DPD and NPE split in Cyprus



- **90+DPD of €8,2 bn and 90+DPD ratio of 44% in Cyprus as at 30 September 2016**
- NPEs in Cyprus totalled €11,3 bn as at 30 September 2016

(1) In pipeline to exit NPEs subject to meeting all exit criteria
(2) Analysis based on account basis
(3) Other countries: Russia, Romania and Greece

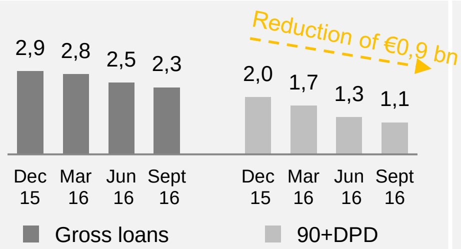
Sustainable asset quality improvement across the RRD

Bespoke tactical plans in place for each segment within RRD

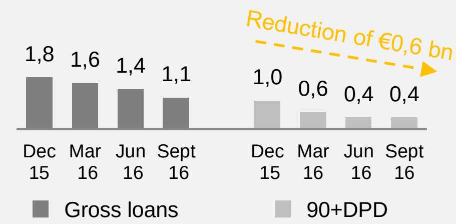
RRD (Excluding recoveries)	Major corporate	Corporate	SME
Business unit summary	• Large diversified groups • 23 connections • >€100 mn debt	• Mid market businesses • c.150 connections • €6 - €100 mn debt	• Small OMBs[1] • c.1.900 connections • <€6 mn debt
Key metrics evolution (€ bn)	see chart below	see chart below	see chart below
Management actions	• c.70 experienced restructuring officers • Portfolios assigned based on size/complexity • Sustainable solutions: debt-equity & debt-asset swaps; re-tranching, including “equity like“ PIK; mezzanine financing • Support from internationally experienced restructuring specialists and external lawyers (UK & CY) used extensively • Improvements to lending documents, security, step in rights, monitoring & covenants		• 7 specialist geographically spread BU’s • A central team added in 1Q2016 adds to pace of restructuring • Portfolio analysis with targeted campaigns • Product range enhanced e.g. split & freeze in addition to rescheduling of payments • Close monitoring & clearing of early arrears
Progress	• €350 mn of portfolio transferred back to Corporate line • Restructuring of major corporate clients largely completed. Remaining 90 +DPD relate to parts of groups where negotiations continue and exposures that hold provisions • Restructuring of corporate clients largely completed. Close monitoring of clients and early measures to avoid redefaults		• Pace improved qoq • Redefaults confined to small amounts • Active negotiations with borrowers • Underlying economic improvements supportive

Key metrics evolution (€ bn)

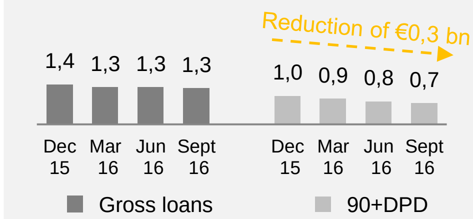
Major corporate



Corporate



SME

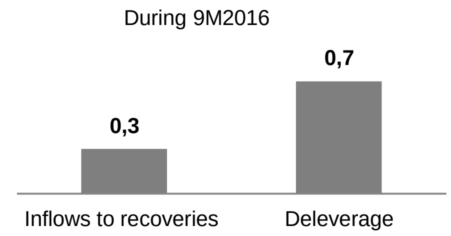


(1) Owned Medium Businesses

Enhanced focus on unlocking the Recoveries portfolio

Key developments / action points from the private auction process

- Commencement of private foreclosures in late June 2016
- 42 assets auctioned with 12 assets sales been achieved as at 30 September 2016
- Foreclosure Task Force is up and running, aiming to standardise process and boost foreclosure volumes
- Servicing either completed or in progress for over 650 assets from the private auction process and additional auction venues planned

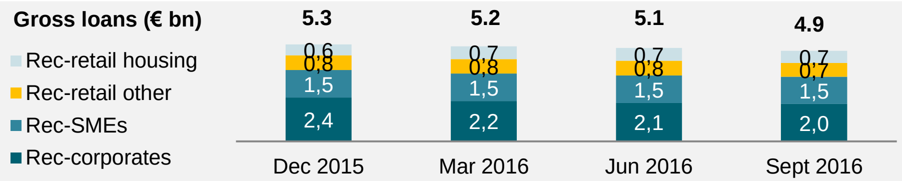


RRD – recoveries

Customers

- **Corporate:** c.250 connections
- **SME:** 17.500 connections
- **Retail:** 1.900 connections

Key metrics evolution



Use of foreclosures as an additional tool to the armoury used to unlock solutions for problematic cases and non cooperative borrowers

Management actions

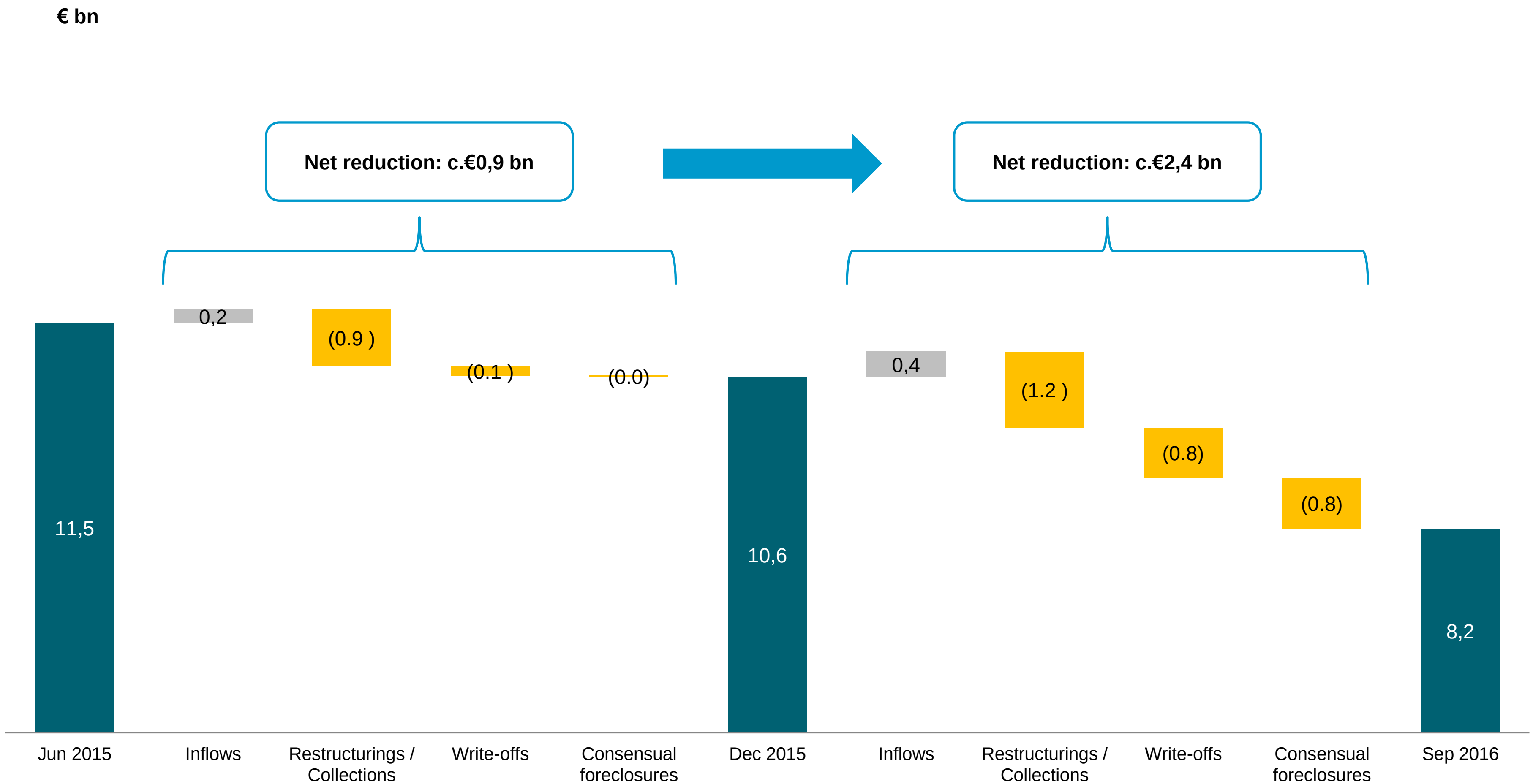
- Specialised units have been set up/enhanced – i.e. receivership and foreclosure teams
- Additional skills/experience transferred internally from other teams
- Additional support from international specialists
- Increased focus on faster consensual deals (e.g. debt: asset swaps)
- Step up aggressive actions for non co-operative borrowers, ramping up the pace in dealing with old unworkable portfolio

Progress

- Refreshed approach in corporate delivering results contributing to NPE reduction
- Retail/ SME showing slower but improving progress, next quarters important in keeping momentum
- Foreclosure actions important to building and maintaining pace

Increased reduction of Cypriot 90+DPD stock in 9M2016

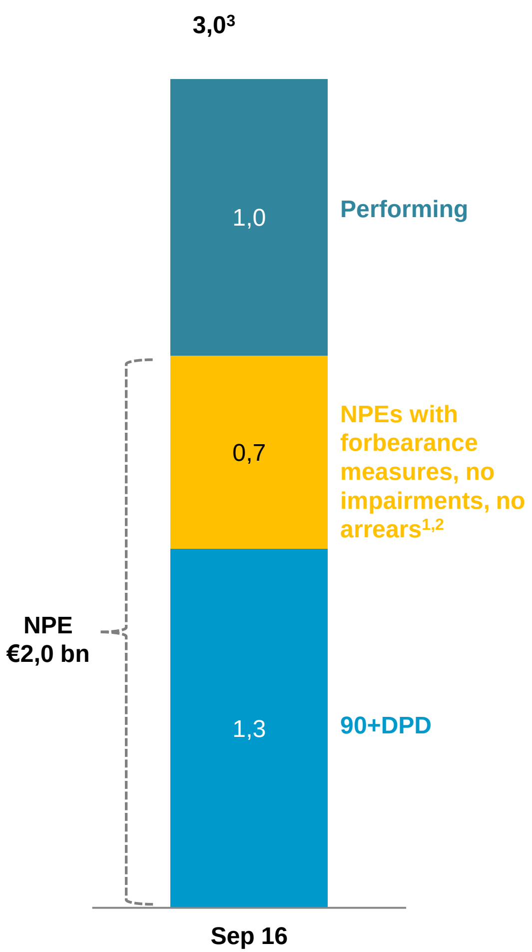
90+DPD evolution by movement of stock of loans and solutions applied (Cyprus)



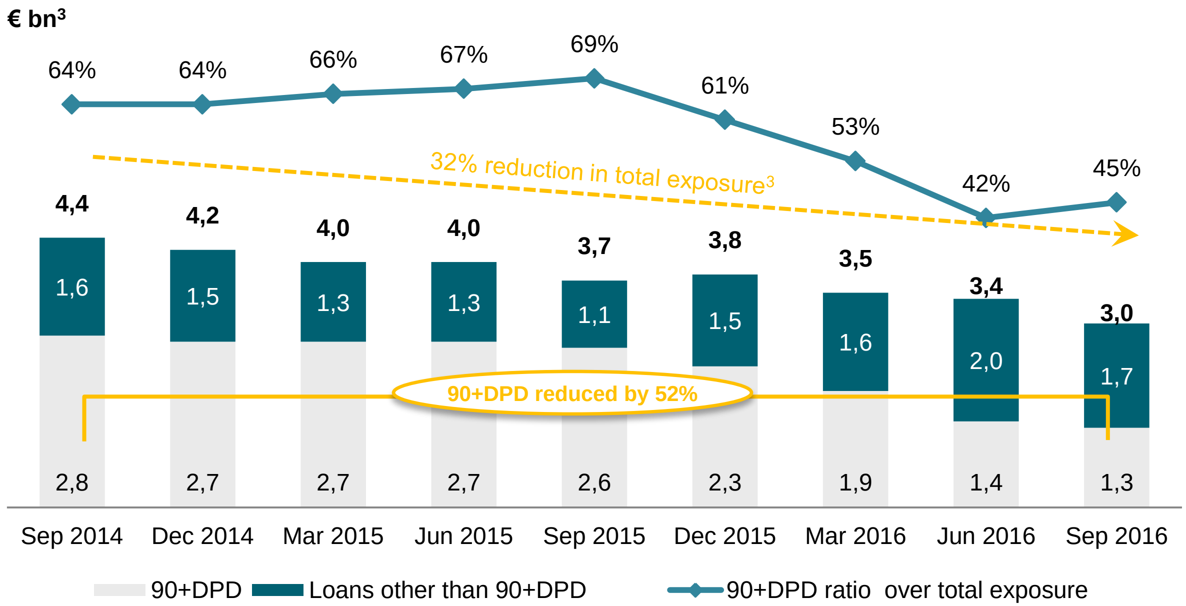
Reduction in 9M2016 involved application of more difficult solutions, as focus shifts towards tackling the recoveries portfolio

Progress on top 20 group exposures

Top 20 - total exposure split (€ bn)



Top 20 exposures down by €1,4 bn since 30 Sep 2014



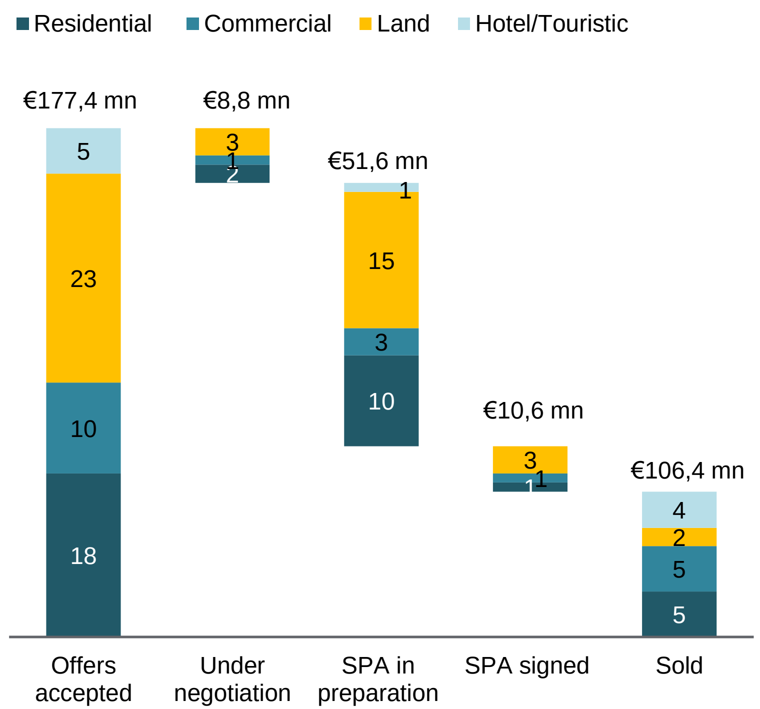
- **Top 20 group exposures were reduced by €0,4 bn** and totalled €3,0 bn as at 30 Sept 2016, mainly due to increased restructuring activity, including debt for asset swaps
- 90+ DPD ratio over total exposure at 45% at 30 September 2016
- **Taking into account the provisions and tangible collateral, top 20 exposures are fully covered**
  - Total coverage (Provisions and MV of collateral over total exposure) of 107% as at 30 Sept 2016
- **As at 30 Sept 2016, c.65% of the top 20 group exposures were restructured**

(1) In pipeline to exit NPEs subject to meeting all exit criteria
(2) Analysis based on account basis
(3) Total exposures include on balance sheet and off balance sheet items

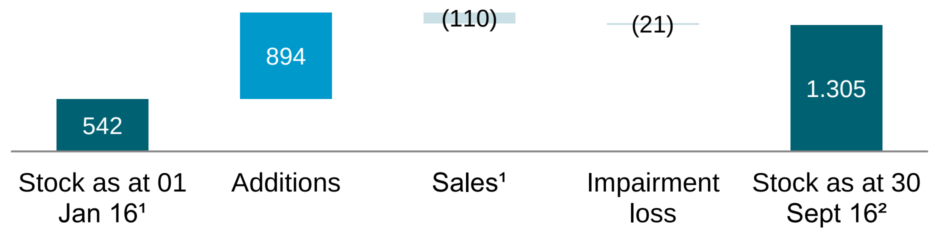
Bank of Cyprus

Real estate sales gathering momentum via REMU

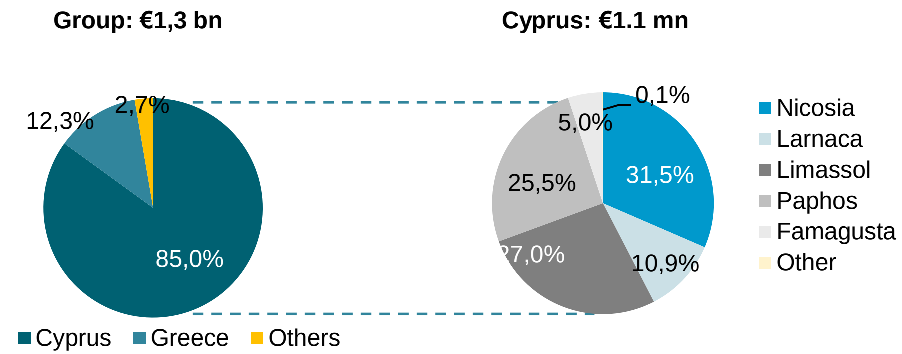
Property Sales Dynamics in Cyprus for 9M2016



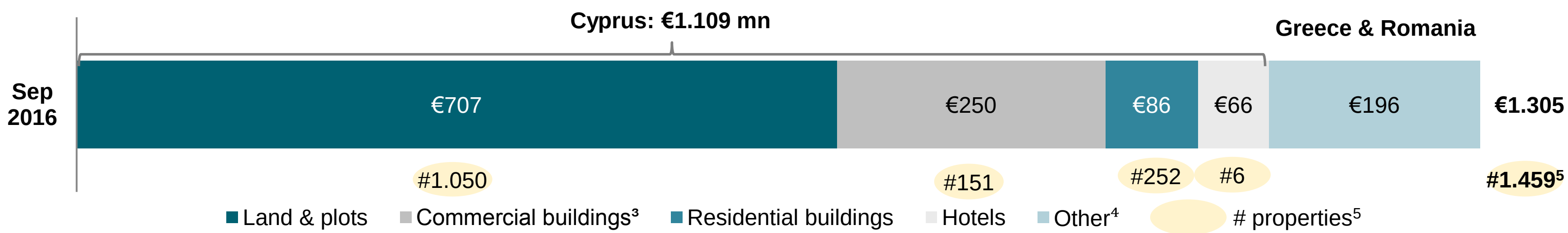
Property stock movement (Group) (€ mn)



Property stock analysis (30 September 2016)



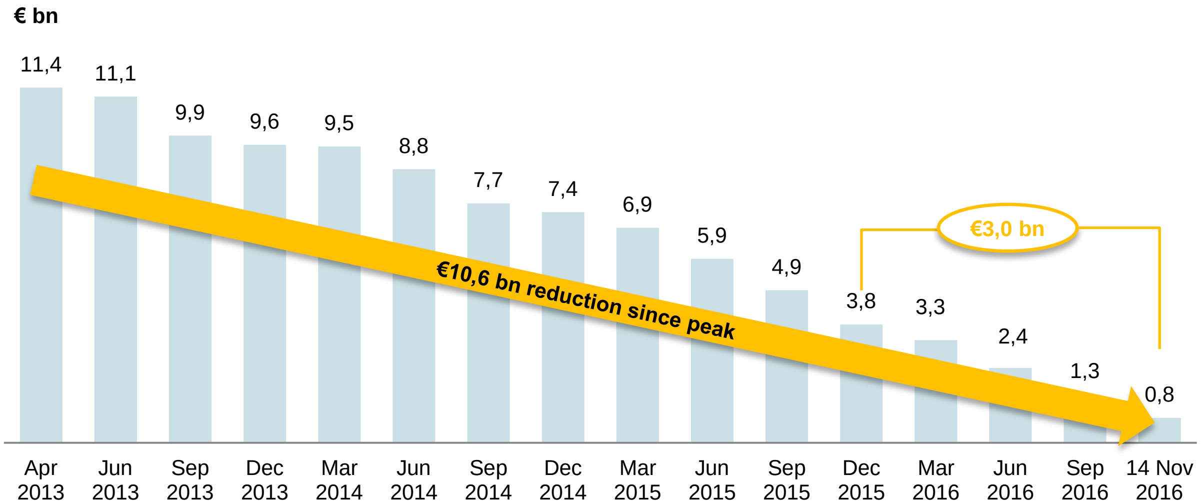
On-boarded property stock split (carrying value, € mn)



(1) Includes Kermia Hotels Limited where disposal completed in June 2016
(2) Total Stock as at 30 September 2016 excludes investment properties and investment properties held for sale
(3) Includes manufacturing, industrial and under construction
(4) Relates to Greece and Romania (5) Number of properties shown for Cyprus only

Significant reduction in ELA achieved with plans to fully repay early 2017

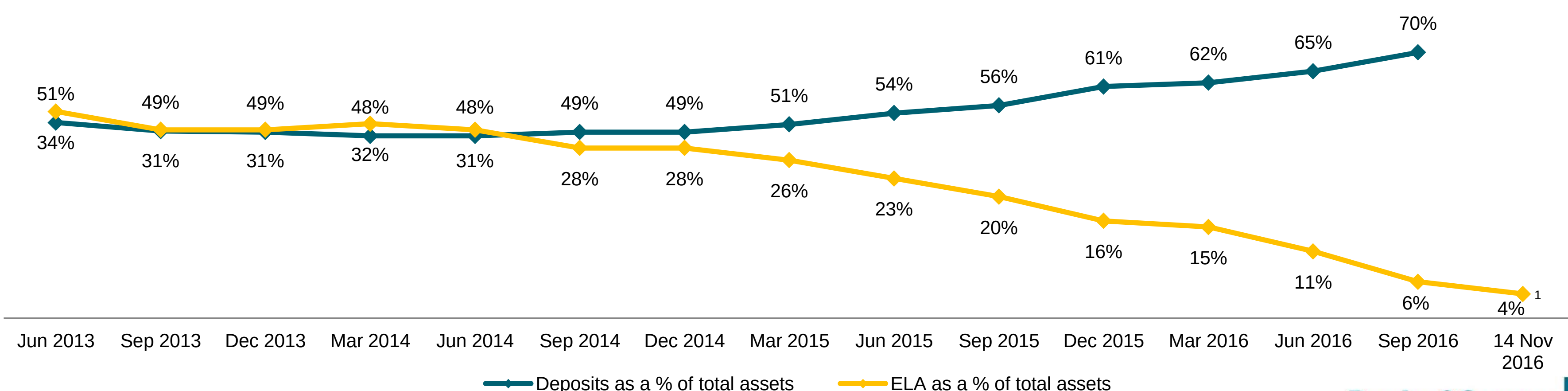
Over €10 bn reduction in ELA achieved since peak, with €3,0 bn reduction during 2016…



Plans to fully eliminate ELA

- Deposit Growth
- Wholesale and interbank market access
- Retention of cash profits from operations
- Proceeds from deleveraging
- Increase loan pool for the Additional Credit Claim ECB framework

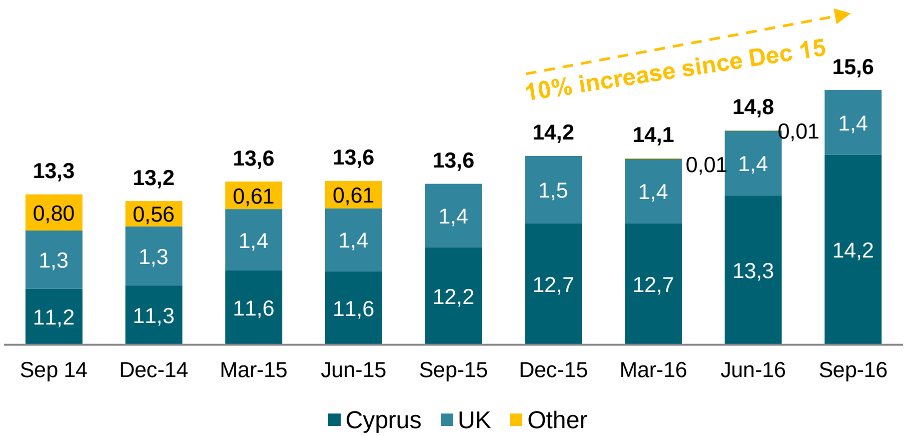
…reflected in an improving funding profile with continuous reduction in ELA to total assets since March 2014

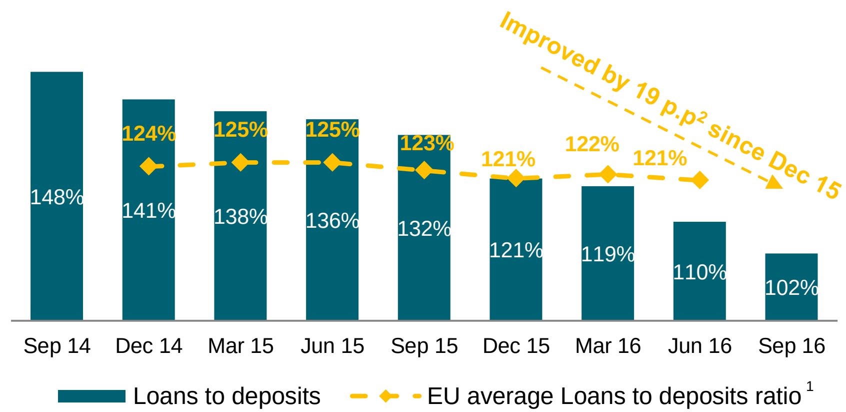


(1) Ratio of ELA funding as a % of total assets for 14 November 2016 is based on total assets as at 30 September 2016

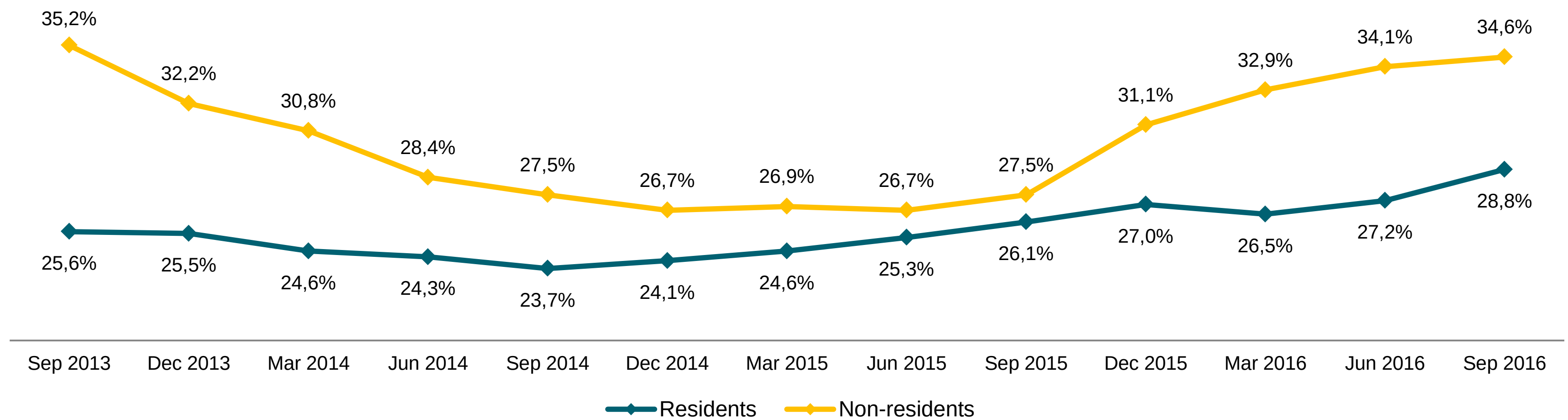
Growing deposit base resulting in improving liquidity and increasing market shares

€1,46 mn or 10% growth of deposits in 9M2016 to 70% of total assets with sequential improvement in loans to deposits ratio





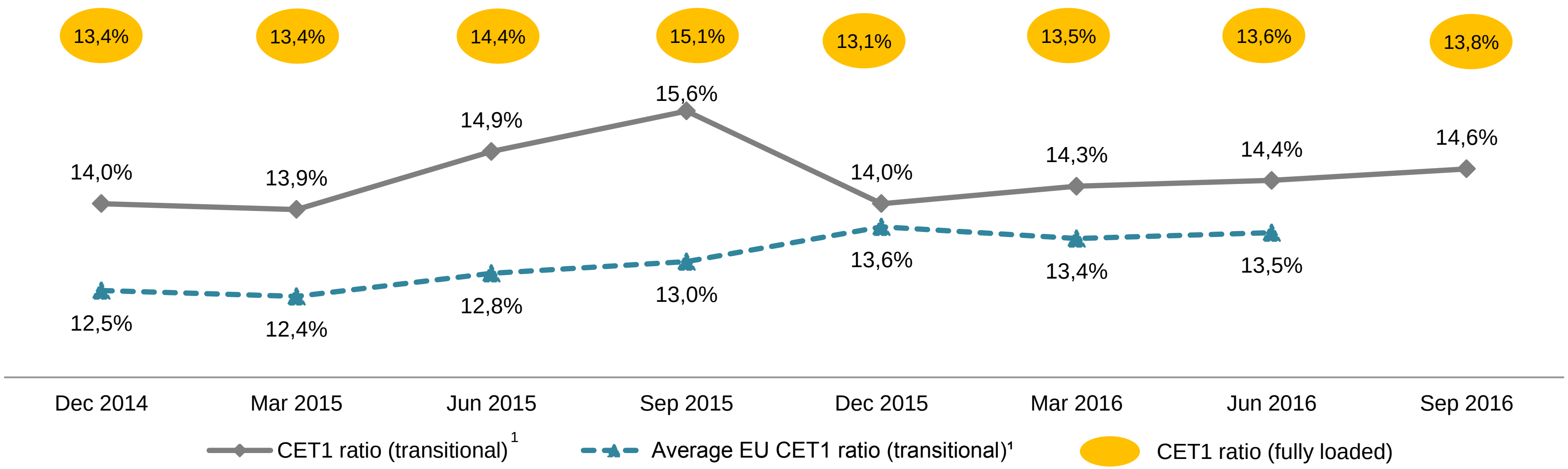
Increasing market share in resident and non-resident deposits



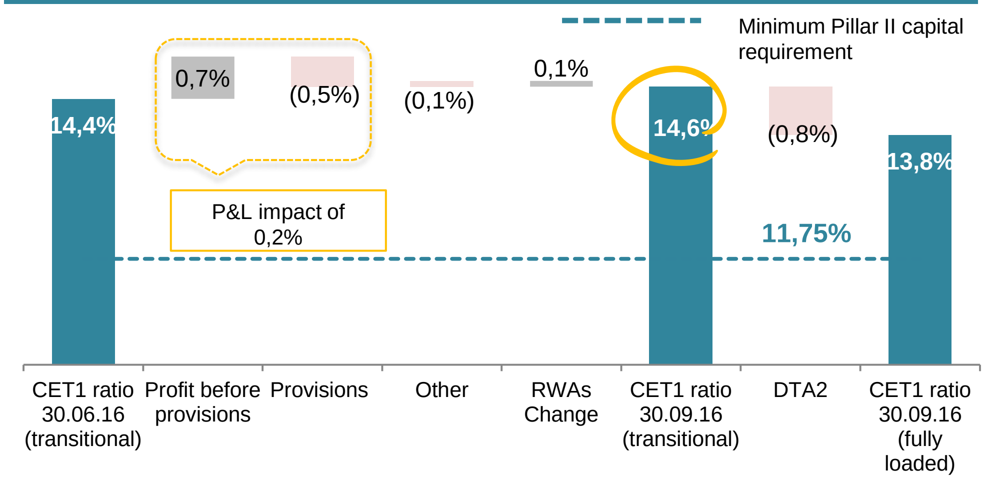
(1) Based on EBA Risk Dashboard Report, Data as at 30 June 2016
(2) Percentage Points

Strong Capital Adequacy ratios

CET 1 ratio (transitional) of 14,6% compares favorably with European peers



Evolution for CET1 ratio[1] during 3Q2016

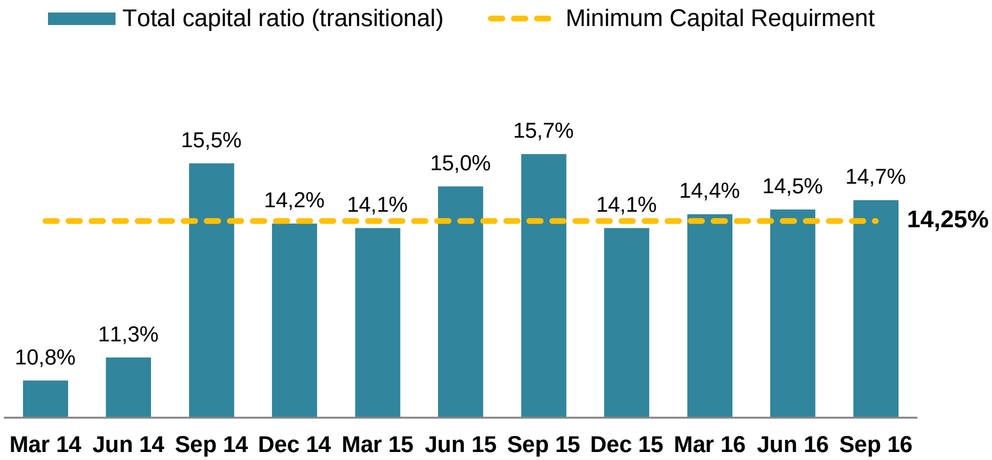


- CET 1 (transitional basis) stood at 14,6% at 30 September 2016, well above the average of European peers of 13,5% at 30 September 2016
- CET 1 ratio increased by 20 basis points during the quarter mainly due to the drop of Risk Weighted Assets driven by balance sheet movement
- Following SREP[3] performed by the ECB in 2016, effective as from 1 January 2017, **the Group's minimum phased-in Common Equity Tier 1 capital (CET1) ratio was set at 10,75%**[3]

(1) Transitional basis; includes unaudited profits for the nine months ended 30 September 2016
(2) Based on EBA Risk Dashboard Report, Data as at 30 June 2016
(3) The new SREP requirements as at the date of the publication of 3Q2016 results announcement, remain subject to ECB final confirmation, which is expected by end of 2016

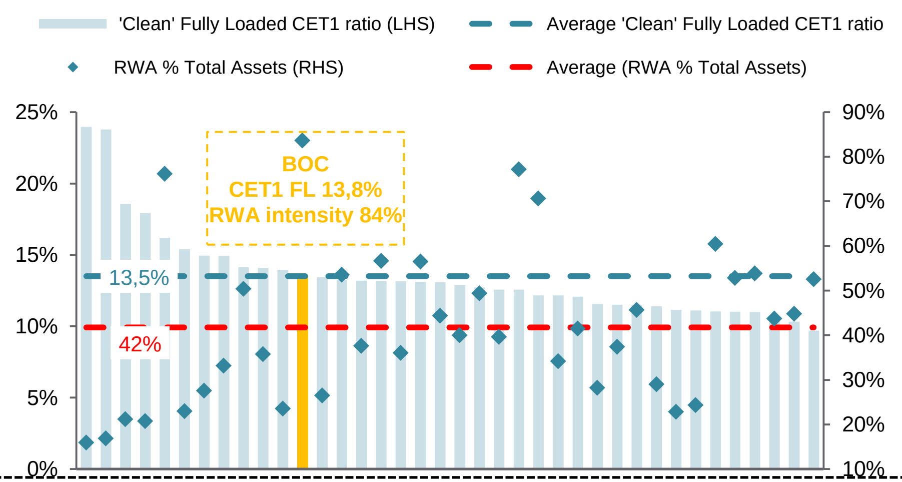
Capital Position

Capital Adequacy Ratios

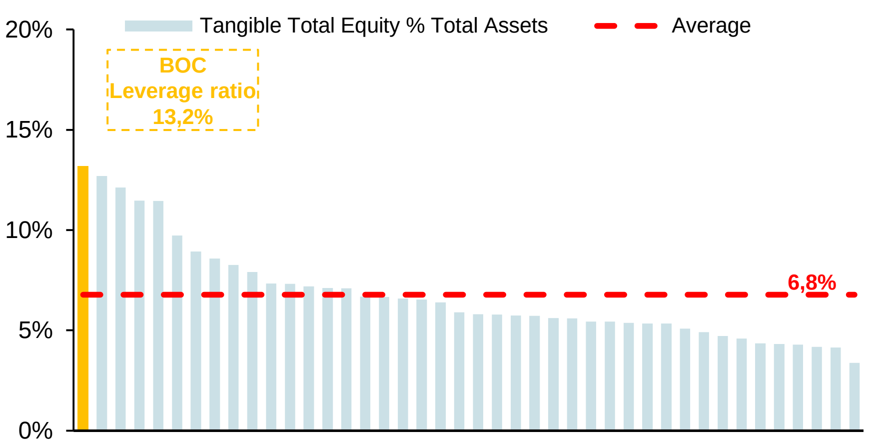


- **Overall Total Capital ratio stood at 14,7% as at 30 September 2016** compared to 14,5% as at 30 June 2016
- Following SREP[1] performed by the ECB in 2016, effective as from 1 January 2017, **the overall Total Capital Requirement has been set at 14,25%**[1]

'Clean' Fully Loaded CET1 ratio[2,3]



Leverage ratio[4,5]



(1) The new SREP requirements as at the date of the publication of 3Q2016 results announcement, remain subject to ECB final confirmation, which is expected by end of 2016
(2) As per SNL Financial Database, 'Clean' Fully Loaded CET1 ratio as 30 June 2016, excludes Deferred Tax Credits, AFS and Danish Compromise Estimated Impact
(3) The data used is based on 9M2016 financial results for 17 out of 38 EU Banks, including Bank of Cyprus, the data for the rest of the banks is based on 1H2016 financial results
(4) Leverage ratio is defined as Tangible Total Equity over Total Assets
(5) The data used is based on 9M2016 financial results for 18 out of 42 EU Banks, including Bank of Cyprus, the data for the rest of the banks are based on 1H2016 financial results

Income Statement Review

€ mn	9M2016	9M2015	yoy %	3Q2016	2Q2016	qoq %	1Q2016
Total income	**717**	**786**	**-9%**	**235**	**238**	**-1%**	**244**
Total expenses	**(299)**	**(296)**	**1%**	**(97)**	**(103)**	**-5%**	**(99)**
Profit before provisions and impairments[1]	**418**	**490**	**-15%**	**138**	**135**	**2%**	**145**
Provisions for impairment of customer loans net of gains/(losses) on loan derecognition and changes in expected cash flows	(267)	(329)	-19%	(109)	(96)	14%	(62)
Impairments of other financial and non financial assets	(34)	(37)	-9%	(12)	(14)	-10%	(8)
Share of profit from associates and joint ventures	3	3	-12%	1	1	96%	1
Profit before tax, restructuring costs, discontinued operations and net profit on disposal of non-core asset	**120**	**127**	**-5%**	**18**	**26**	**-32%**	**76**
Tax	(16)	(18)	-7%	(4)	(4)	0%	(8)
(Loss)/profit attributable to non-controlling interests	(3)	6	-162%	2	(5)	-142%	(1)
Profit after tax and before restructuring costs, discontinued operations and net profit on disposal of non-core asset	**101**	**115**	**-13%**	**16**	**17**	**-4%**	**67**
Advisory, VEP and other restructuring costs[2]	(98)	(27)	267%	(11)	(70)	-84%	(17)
Loss from disposal groups held for sale/discontinued operations	-	(38)	-100%	-	-	-	-
Net gain on disposal of non-core assets	59	23	154%	0	59	-100%	-
Profit after tax	**62**	**73**	**-16%**	**5**	**6**	**-15%**	**50**
Net interest margin	**3,51%**	**3,82%**	**-31 bps**	**3,35%**	**3,55%**	**-20 bps**	**3,63%**
Return on tangible equity (annualised)	**2,8%**	**2,9%**	**-1 p.p**	**0,7%**	**0,8%**	**-1 p.p**	**6,7%**
Return on Average Assets (annualised)	**0,4%**	**0,4%**	**-**	**0,1%**	**0,1%**	**-**	**0,9%**
Cost-to-Income ratio	**42%**	**38%**	**+4 p.p**	**41%**	**43%**	**-2 p.p**	**40%**

Key Highlights QoQ change

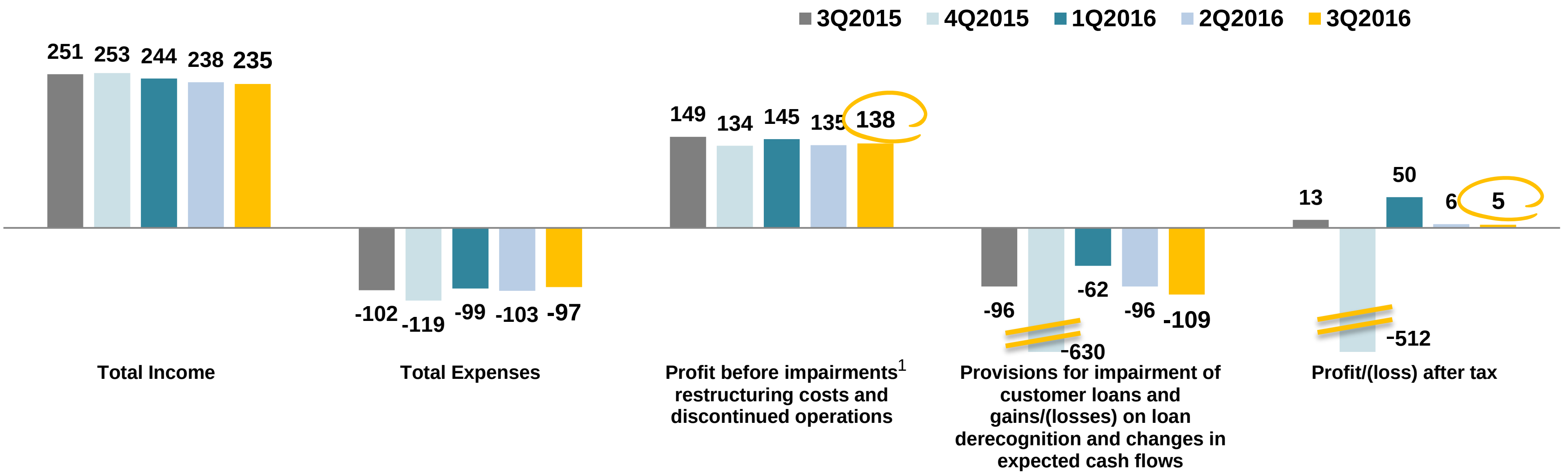
- **NIM** at 3,51% for 9M2016 compared to 3,59% for 1H2016 reflecting the reduction in customer loan balance primarily as a result of the elevated loan restructuring activity, including DFAs[3]
- **Total Income** down by 1% qoq due to lower NII
- **Total Expenses** down by 5% qoq primarily driven by the 7% decrease in staff costs reflecting the effect of the voluntary exit plan (VEP) completed in 2Q2016
- **Profit before provisions of €138 mn for 3Q2016,** up by 2%, a net result of the lower NII, the higher gains of financial instruments and the lower staff costs.
- **Impairments of other financial and non-financial assets for 3Q2016 totalled €12 mn,** compared to €14 mn for 2Q2016, including impairment losses of stock of properties in Cyprus, Greece and in Romania.
- **Profit after tax of €5 mn for 3Q2016**

(1) Profit before provisions and impairments, gains/(losses) on derecognition and changes on expected cash flows , restructuring costs and discontinued operations.
(2) Advisory, VEP and other restructuring costs comprise mainly: 1) fees of external advisors in relation to: (i) disposal of operations (ii) customer loan restructuring activities which are not part of the effective interest rate and (iii) the contemplated listing on the London stock exchange and 2) voluntary exit plan cost.
(3) Debt for Asset swaps

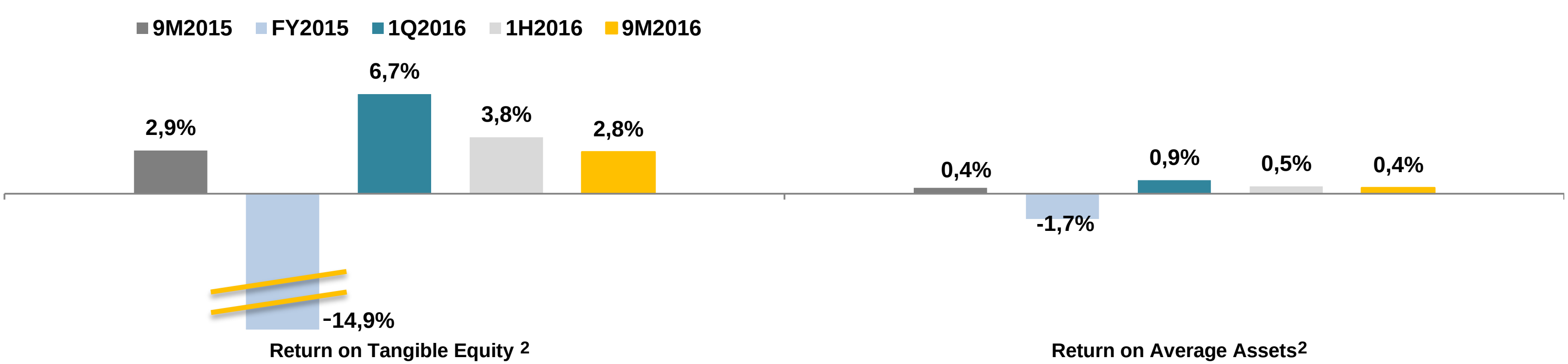
Bank of Cyprus

Good underlying profitability continues in 3Q2016

Group Income Statement Highlights (€ mn)



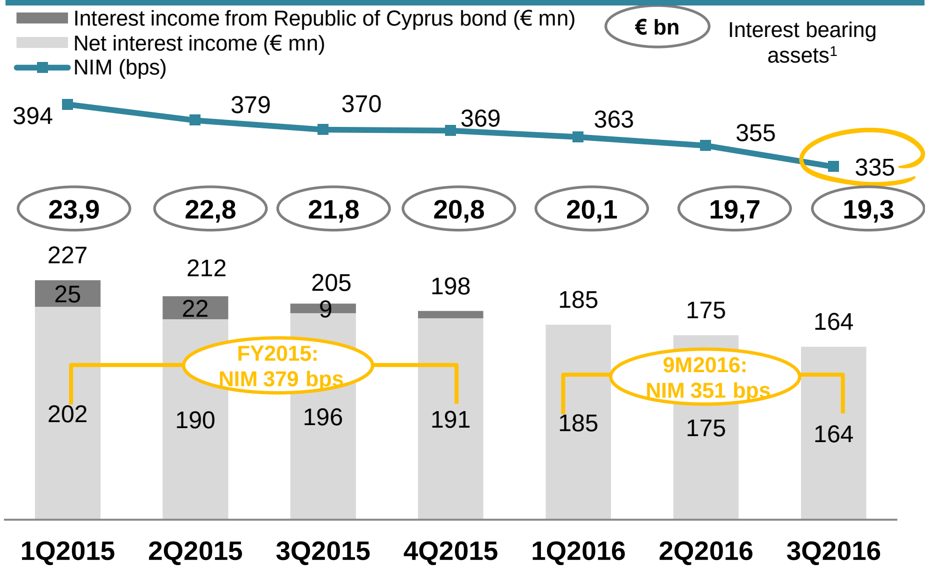
Return on Tangible Equity (RoTE) (%) & Return on Average Assets (RoAA)



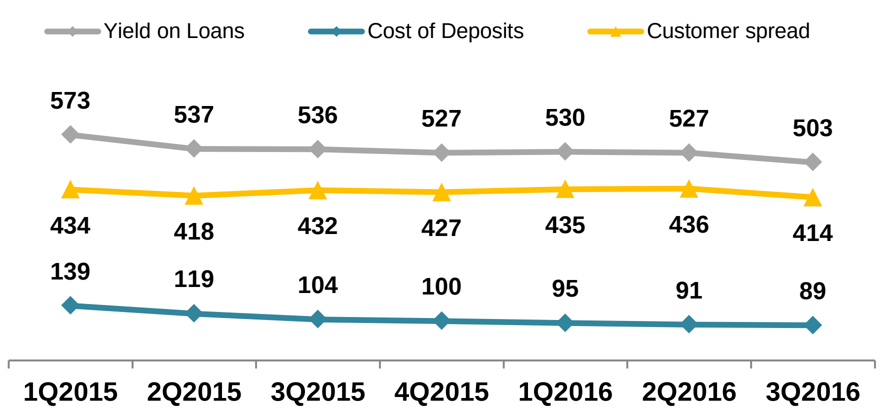
(1) Profit before provisions and impairments, gains/(losses) on loan derecognition and changes on expected cash flows, restructuring costs and discontinued operations.
(2) RoTE and RoAA are on an annualised basis.

Stable NIM and Customer Spread in a Competitive Market

Net Interest Income and Net Interest Margin



Yield on Loans and Cost of Deposits in Cyprus[2] (bps)



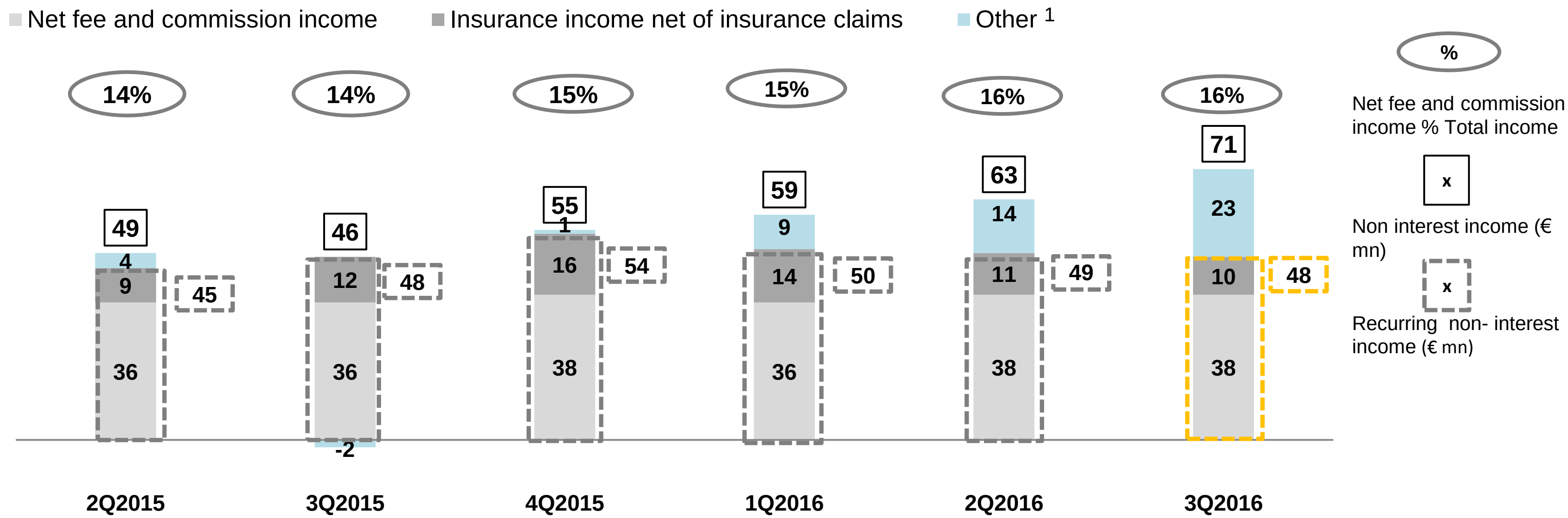
- **Net Interest Income (NII) at €164 mn**, compared to €175 mn for 2Q2016, reflecting the reduction in customer loan balance primarily due to the increased activity in loan restructuring, including Debt for Assets swaps (DFAs)
- Net Interest Margin (NIM) was marginally reduced to 3,51% for 9M2016 compared to 3,59% for 1H2016 mainly due to DFAs
- **Interest bearing assets** of €19,3 bn
- **Customer spread at 414 bps in 3Q2016** despite the increased competitive pressure
- **New lending of over €1 bn,** since the beginning of the year, to promising sectors of the domestic economy through its core operations and entrepreneurs in the UK through our UK subsidiary
- In Cyprus 41% of new lending relates to corporate loans, 33% to retail loans and 17% to SME loans

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

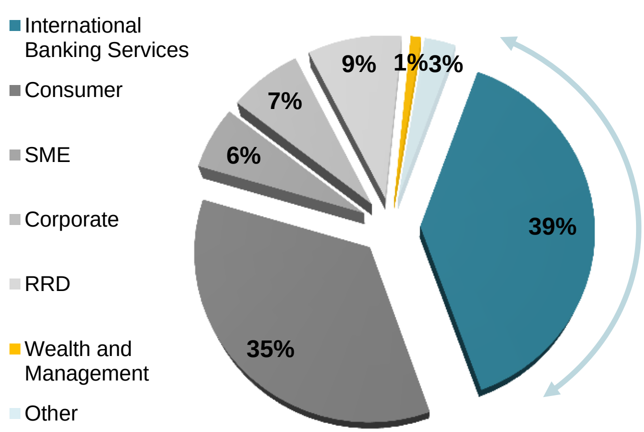
Bank of Cyprus

Growing Non-interest Income as percentage of Total Income

Analysis of Non Interest Income (€ mn) – Quarterly



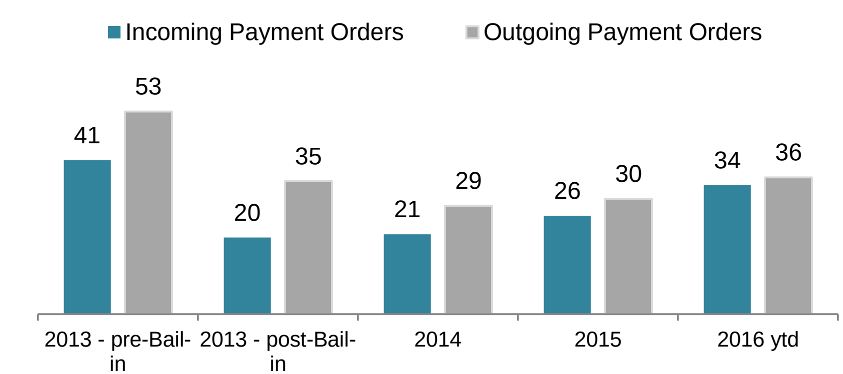
Fee & commission income in Cyprus by business line



One third of IBS fee & commission income is driven by Payment Transactions

Payment Transactions are increasing

Average Number of Payment Transactions per month (thousands)

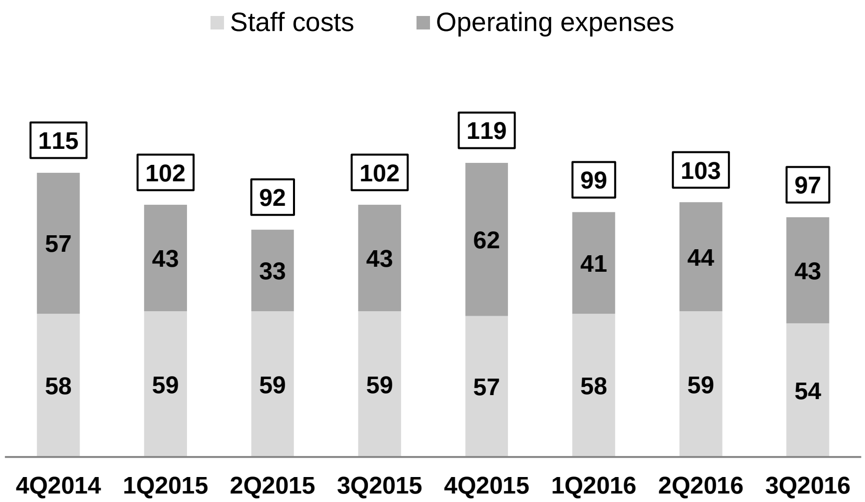


Bank of Cyprus

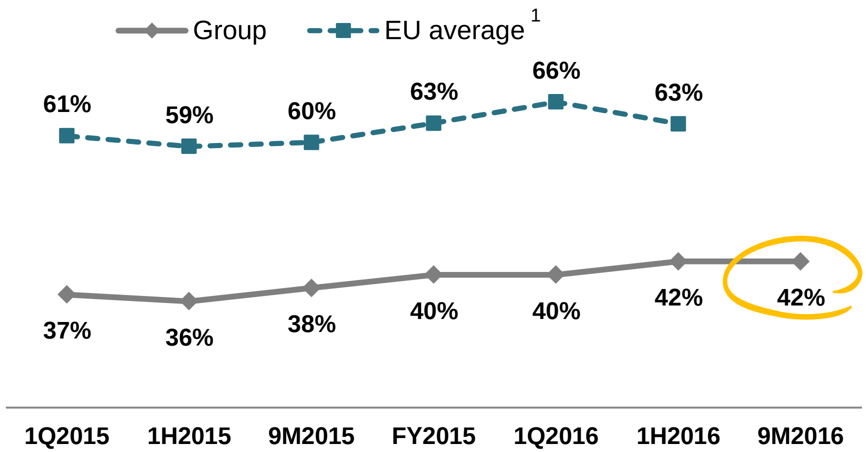
(1) Comprising (a) Net FX gains / (losses) & Net gains/(losses) on other financial instruments, (b) Losses from revaluation and disposal of investment properties and (c) other income.

Costs under control

Total expenses (€ mn)



Cost to Income Ratio

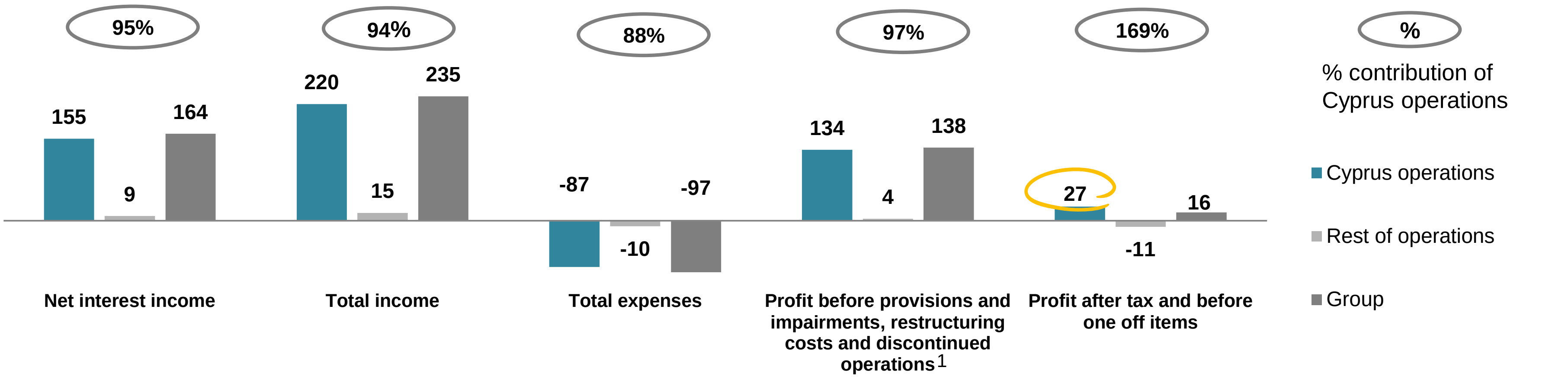


- **Total expenses for 3Q2016** were €97 mn, compared to €103 mn a quarter earlier, down 5% qoq **primarily driven by the 7% decrease in staff costs** reflecting the effect of the voluntary exit plan (VEP) completed in 2Q2016.
- **Operating expenses** for 3Q2016 in line with previous quarters
- **Cost to income ratio** stable at 42% for 9M2016
- **Actions for focused, targeted cost containment:**
  - Tangible savings through a targeted cost reduction program for operating expenses
  - Introduction of appropriate technology/ processes to enhance product distribution channels and reduce operating costs
  - Introduction of HR policies aimed at enhancing productivity

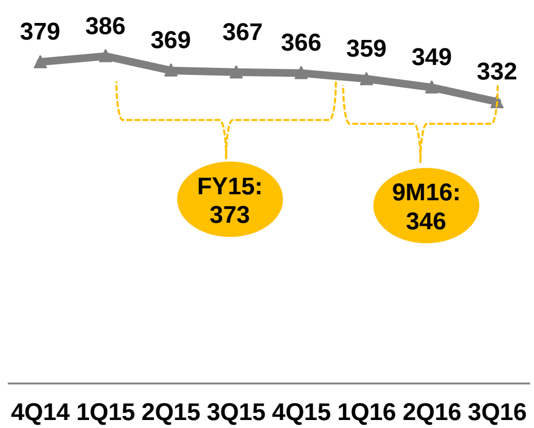
(1) Based on EBA Risk Dashboard Report, Data as at 30 June 2016

Profitable Core Cypriot business

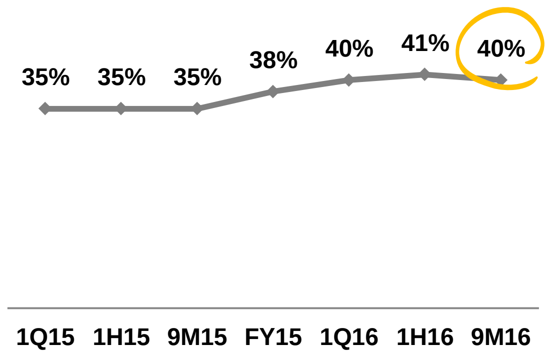
3Q2016 Cyprus Vs Group performance (€ mn)



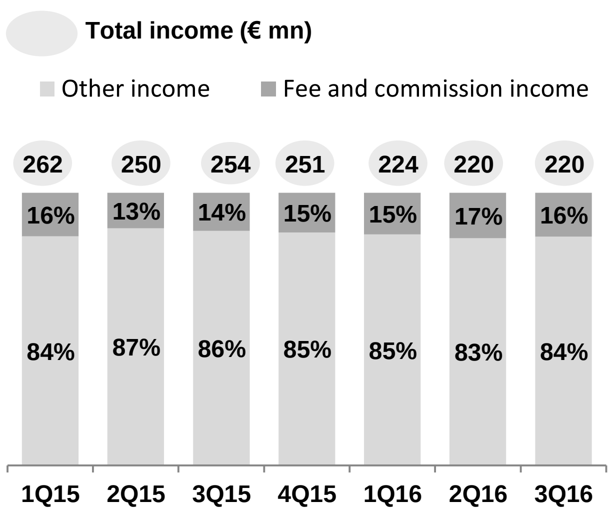
Stable NIM in Cyprus operations



Healthy Cost to Income ratio for Cyprus operations



Improving Fee and commission income for Cyprus operations

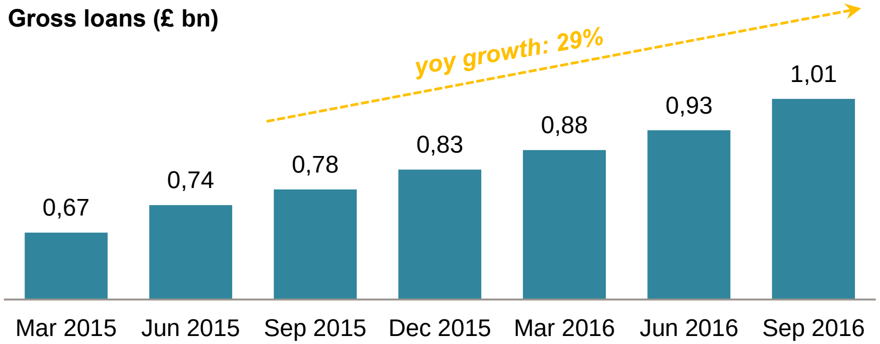


(1) Profit before provisions and impairments, gains/(losses) on loan derecognition and changes on expected cash flows, restructuring costs and discontinued operations.

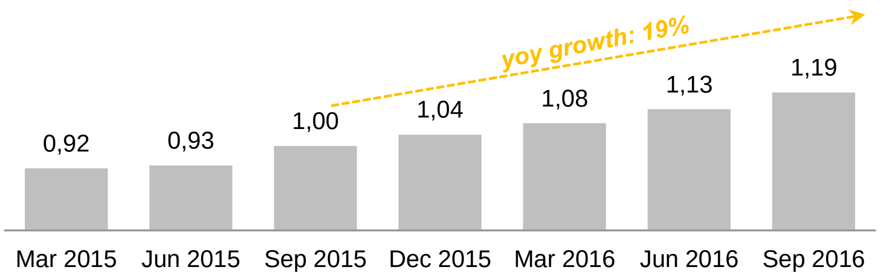
Expansion of BOC UK operations

Gross loans and customer deposits

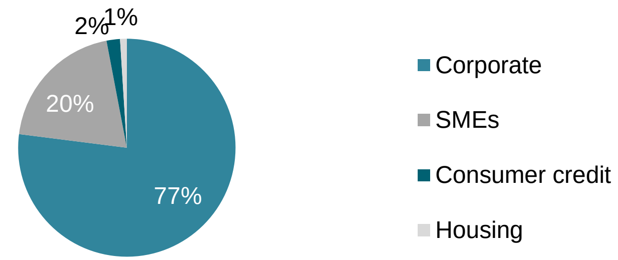
Gross loans (£ bn)



Customer deposits (£ bn)

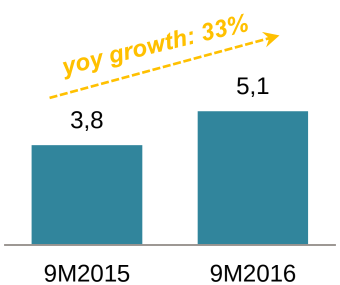


Loans by sector as at 30 September 2016

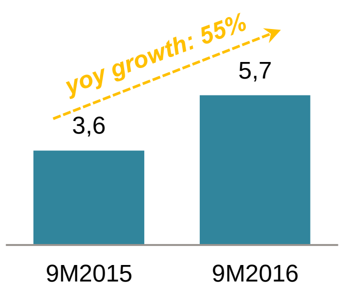


Profitability

Operating profit (£ mn)



Profit before tax (£ mn)



- Gross loans and customer deposits in the UK increased by 29% and 19% yoy to £1,01 bn and to £1,19 bn, respectively
- **New lending of £296 mn since the beginning of the year**
- **Operating profitability increased by 33% to £5,1 bn for the 9M2016**
- **Profit before tax increased by 55% to £5,7 bn for the 9M2016**

Bank of Cyprus

Significant Progress made on Group KPIs

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

Category	Key performance indicators	Dec-2015	Sept-2016	Medium Term Targets
Asset quality	90+ DPD ratio	50%	43%	**<30%**
	90+ DPD coverage	48%	54%	**>50%**
	Provisioning charge [1]	4,3%	1,6%[2]	**<1,0%**
Funding	ELA % Assets; € bn	16%; €3,8 bn	6%; €1,3 bn	**Fully repay**
	Net Loans % Deposits	121%	102%	**100%-120%**
Capital	CET1 (transitional)	14,0%	14,6%	**>15%**
Margins and efficiency	Net interest margin	3,8%	3,5%	**~3,00%**
	Fee and commission income/total income	15%	16%	**>20%**
	Cost to income ratio	40%	42%	**40%-45%**
Balance Sheet	Total assets	€23,3 bn	€22,4 bn	**>€25 bn**

Key Pillars & Plan of action

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

2. Normalise funding structure; Eliminate ELA
- Eliminate ELA; Boost deposit franchise
- Access debt capital markets
- Access wholesale and interbank market
- Increase loan pool for the Additional Credit Claim ECB framework
- Retention of cash profits from operations

3. Focus on core markets
- Targeted lending in Cyprus into promising sectors to fund recovery
- New loan origination, while maintaining lending yields
- Revenue diversification via fee income from international business, wealth, and insurance
- Expand UK franchise by leveraging the UK subsidiary

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

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

(1) IFRS9 impact, which is effective as from 1 January 2018, has not been taken into account for the purpose for the targets. Targets are set on the basis of the present regulatory environment.
(2) That is Provisions for impairment of customer loans and gains /(losses) on derecognition of loans and changes in expected cash flows on acquired loans over average gross loans.

Key Takeaways

- The Bank announced its **intention to apply for a listing on the LSE in addition to its existing listing on the CSE**; Significant milestone to increase the visibility of the Bank's stock
- BOC **franchise** remains dominant in an economy that continues to perform better than expected
- Problem loans (90+ DPD) down by €501 mn (or 5%) qoq and by €2,6 bn (or 23%) during 9M2016 ; Provision coverage improved to 54%
- **The success of the restructurings performed is starting to yield results; For the first time, the reduction of NPEs during the three months ended 30 September 2016 exceeded the reduction of 90+ DPD loans** mainly as a result of restructured loans meeting the NPE exit criteria following satisfactory performance
- Strong restructuring momentum continues with €3,4 bn of restructurings in 9M2016
- **Further normalisation of funding structure;** Loans to Deposits ratio (L/D) at 102% and customer deposits increased by €896 mn (or 6% qoq) accounting for 70% of total assets
- **ELA reduced by €3,0 bn year to date to €0,8 bn; Intention to fully repay ELA by early next year**
- **CET1 ratio (transitional basis) at 14,6%**;
- **Pre-provision profitability** of €138 mn for 3Q2016 directed at increased provisions and impairment charges to faster de-risk balance sheet
- Profit after tax of €5 mn for 3Q2016 and €62 mn for 9M2016

Key Information and Contact Details

Credit Ratings:

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

Moody's Investors Service:
Baseline Credit Assessment: Affirmed at caa3 on 15 June 2016 (positive outlook)
Short-term deposit rating: Affirmed at "Not Prime" on 15 June 2016
Long-term deposit rating: Affirmed at Caa3 on 15 June 2016 (positive outlook)
Counterparty Risk Assessment: Assigned at Caa1(cr) / Not-Prime (cr) on 15 June 2016

Listing:

ATHEX – BOC, CSE – BOCY, ISIN CY0104810110

Contacts

Investor Relations

Tel: +35722122239, Email: investors@bankofcyprus.com

Annita Pavlou, Investor Relations Manager, Tel: +357 22 122740, Email: annita.pavlou@bankofcyprus.com

Elena Hadjikyriacou, (elena.hadjikyriacou@bankofcyprus.com) Marina Ioannou, (marina.ioannou@bankofcyprus.com)
Styliani Nicolaou, (styliani.nicolaou@bankofcyprus.com) Andri Rousou, (andri.rousou@bankofcyprus.com)

Finance Director

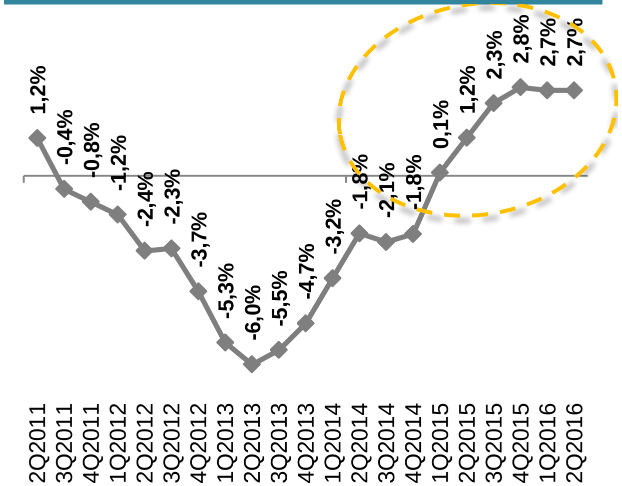
Eliza Livadiotou, Tel: +35722122344, Email: eliza.livadiotou@bankofcyprus.com

Visit our website at: www.bankofcyprus.com

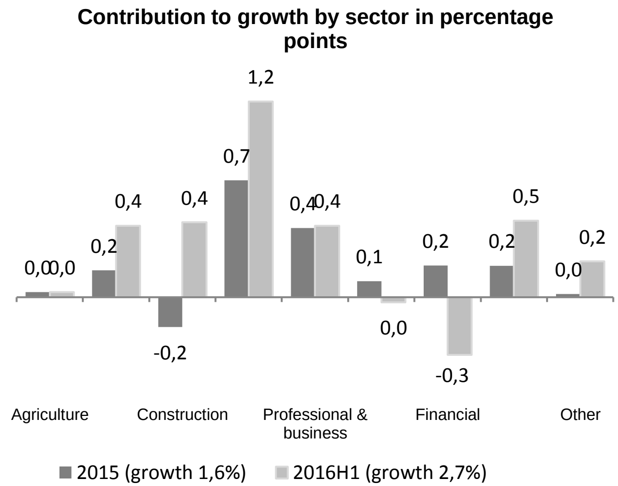
Appendix – Macroeconomic overview

Growth accelerated with broad sector participation

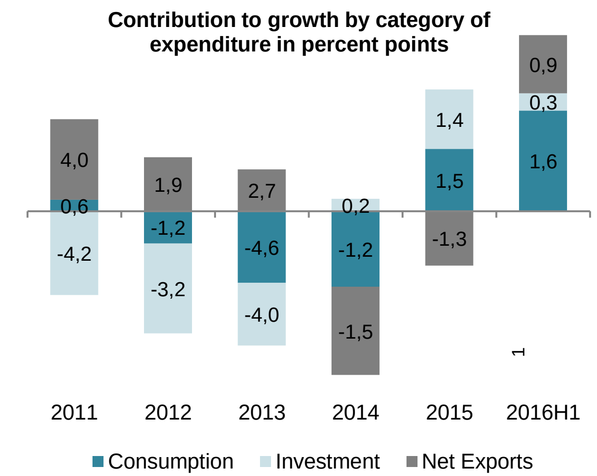
Real GDP continued to expand in the first half of the year …



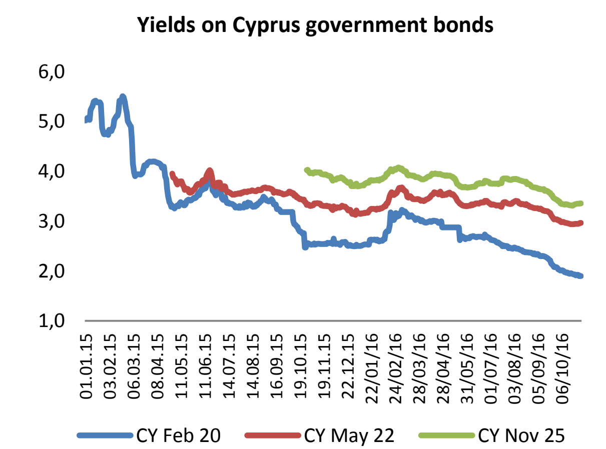
... with broad sector participation particularly from trade , tourism, and professional services, whilst….



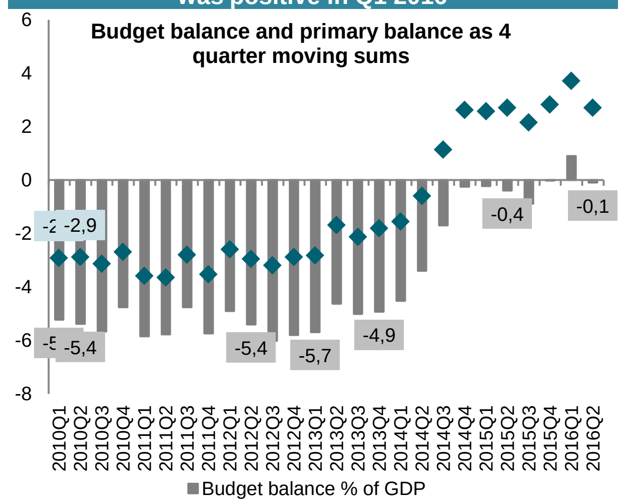
... on the expenditure side growth came from both domestic demand and net exports



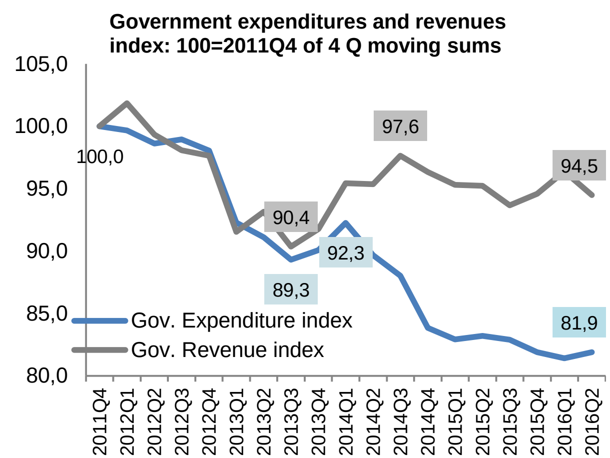
Improved rating and credit outlook, demonstrated by benchmark sovereign bond yields



The budget was totally balanced in 2015 on a yearly basis excluding recapitalisation costs, and was positive in Q1 2016



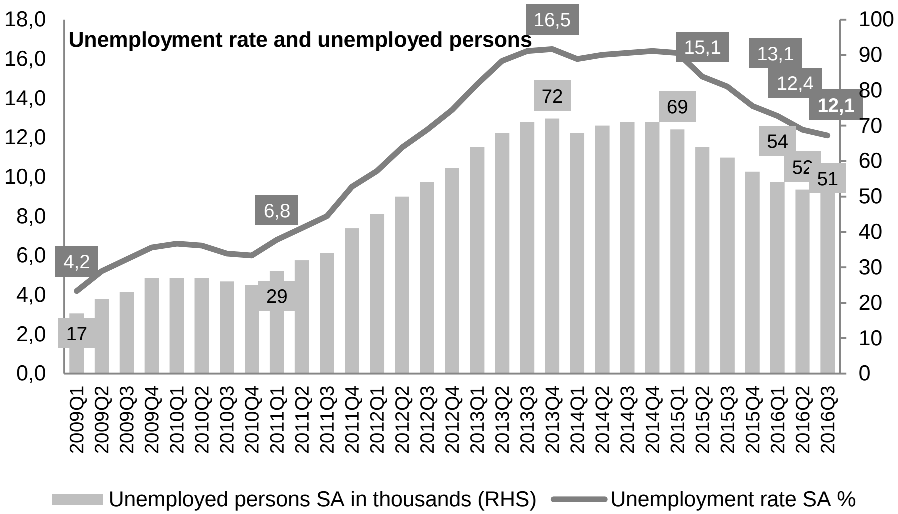
Expenditures dropped by 18,1% and revenues only by4,5% between 2011Q4 and 2016Q1 on a 4Q moving sums basis



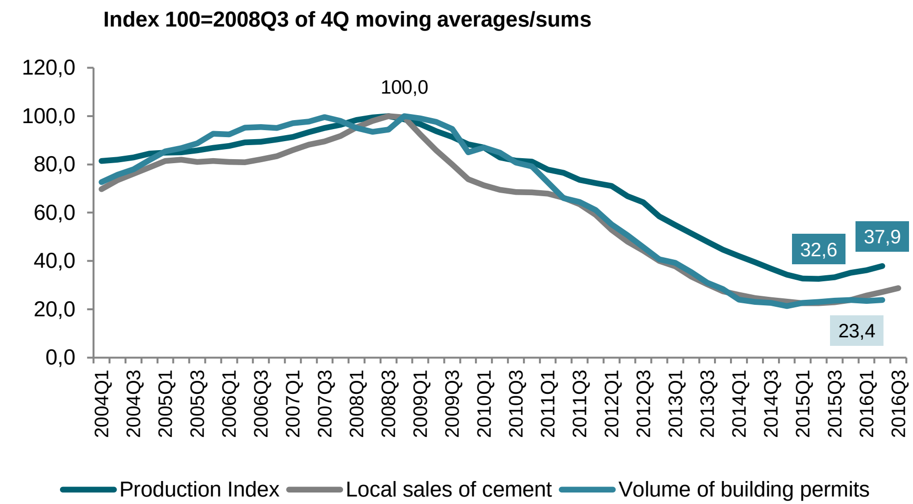
SOURCE: Statistical Service of Republic of Cyprus; Bloomberg; Calculations by BOC Economic Research

Key economic sectors are performing well

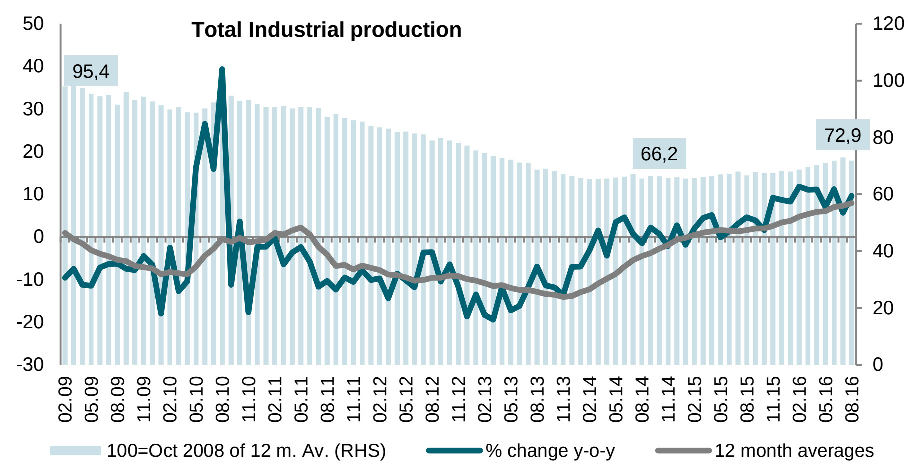
The unemployment rate dropped to 12,4% in Q2 from 13,2% in Q1 and a peak rate of 16,5% in Q4 of 2013.



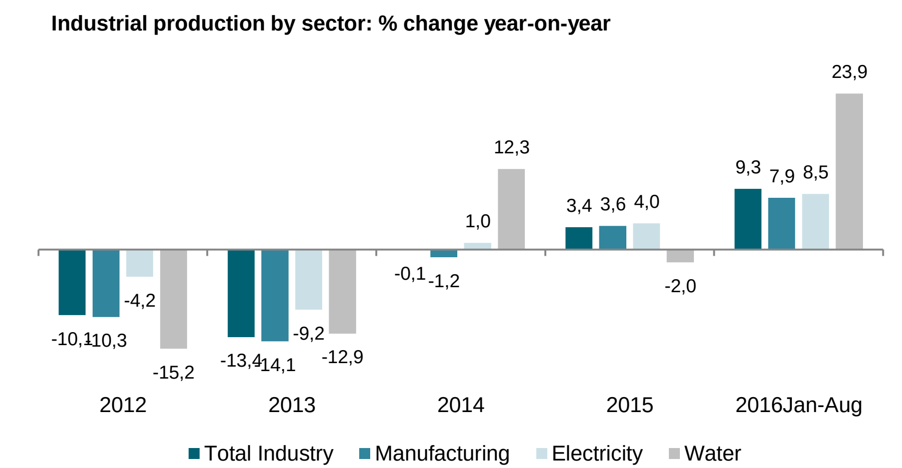
In construction the main indices may have bottomed in the first half of 2015 and started to rise from there



Industrial production bottomed in February 2014 on a 12 month basis, from a peak in 2008, and has been rising since ...



... were the rebound has been relatively uniform across sectors with the total production index up by 9,3% year-on-year in January-August

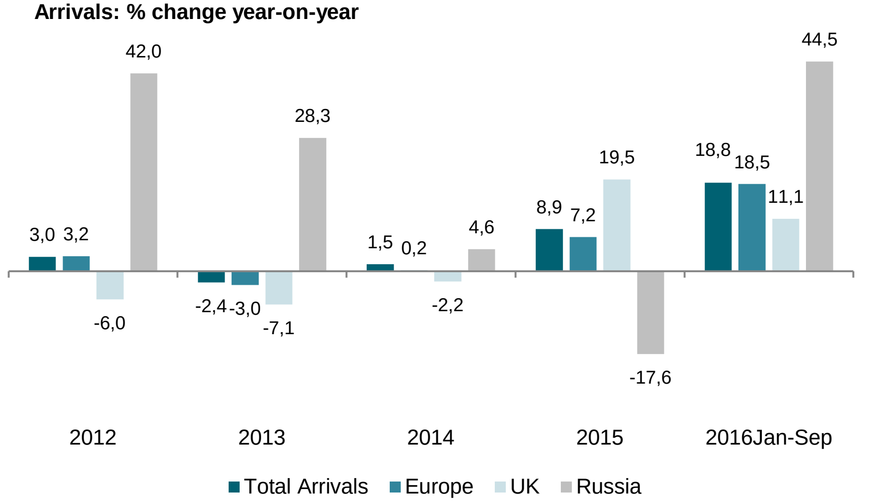


SOURCES: Statistical Service of Republic of Cyprus, Eurostat; Calculations by BOC Economic Research

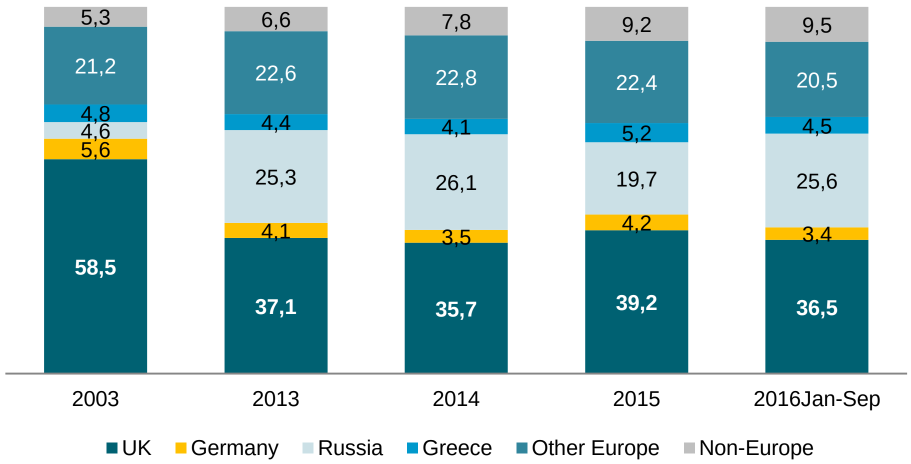
Bank of Cyprus

Tourism is expanding & Residential Property Index is stabilising

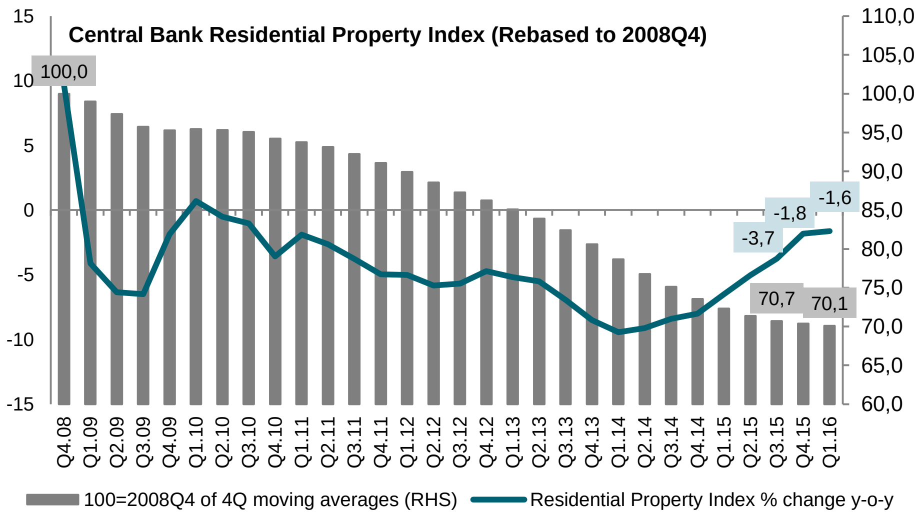
Tourist activity accelerated in 2015 and 2016 with total arrivals up 18,8% in the first nine months driven by a 44,5% increase from Russia and 11% from the UK



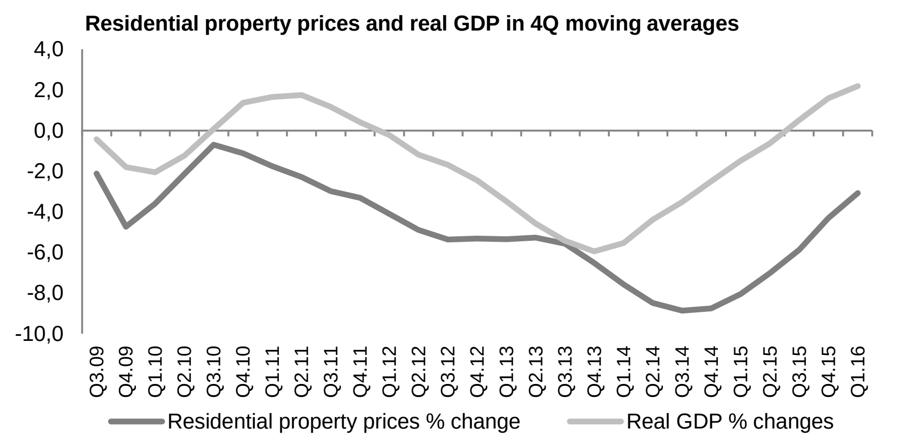
The distribution of tourist arrivals has been shifting over time with the UK now at 37,1% and Russia at 23,8%



Residential property prices declined by a cumulative 30% from their peak and started to stabilise from the second half of 2015



Residential property prices appear correlated with GDP growth with a lag, and might thus turn higher in the next few quarters

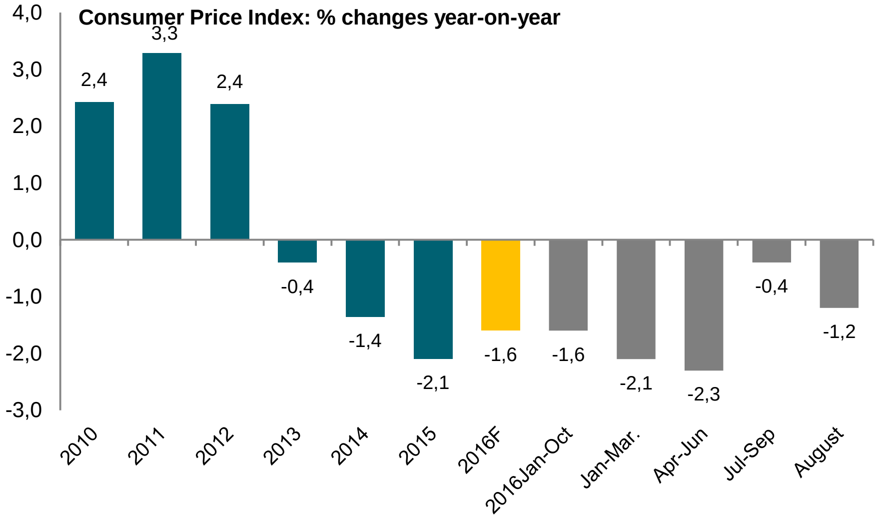


SOURCES: Statistical Service of Republic of Cyprus; Calculations by BOC Economic Research

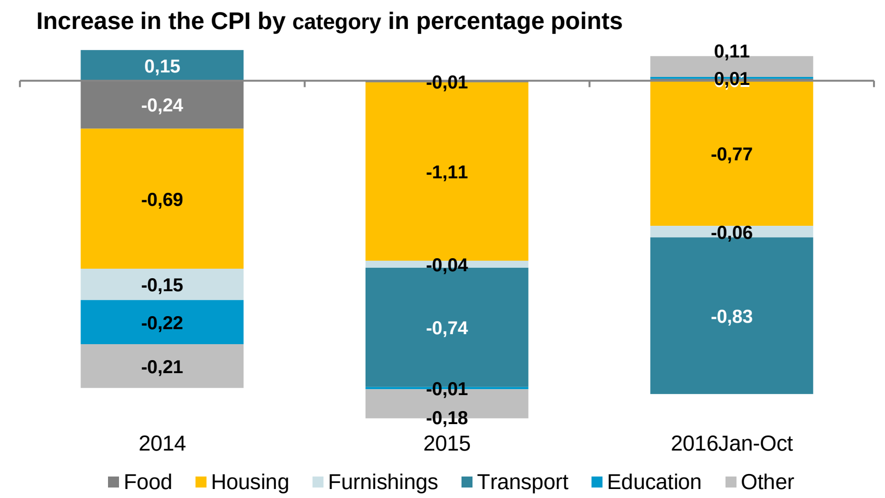
Bank of Cyprus

Consumer prices continued to drop while on the demand side of the economy, retail trade volumes continued to increase

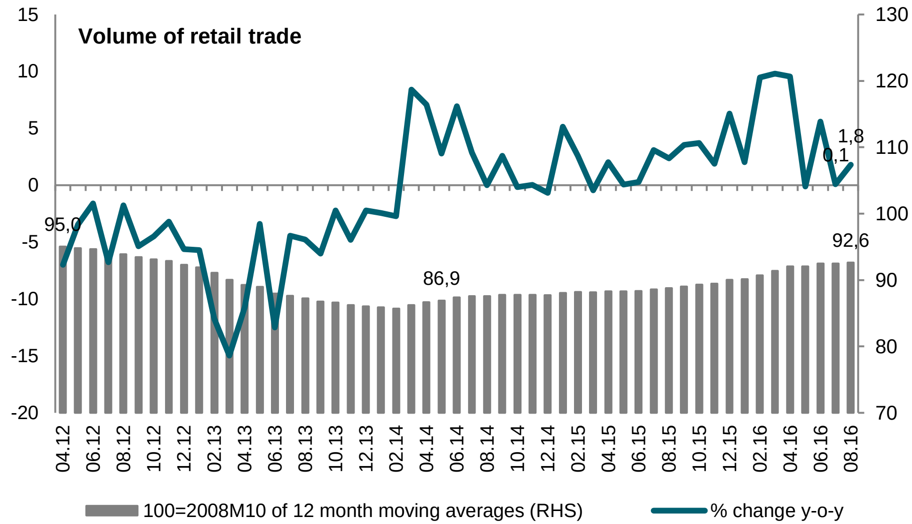
Following three consecutive years of decline, consumer prices dropped 1,6% in January-October, the decline slowing in Q3 but accelerating in October…



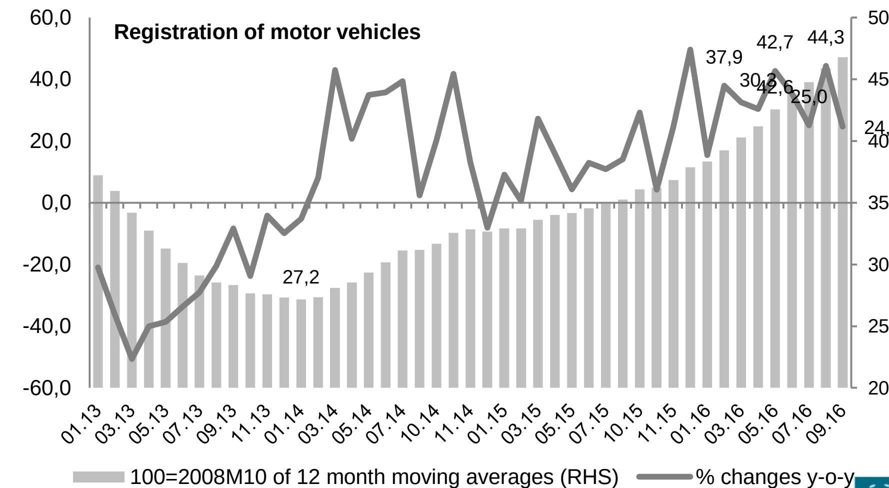
... driven mainly by housing and transport expenditures which are energy related.



The volume index of retail trade peaked in Oct. 2008 on a 12 month basis and dropped by about 15% by the first half of 2014 and has been rising since



Regarding vehicle registration, after a 73% drop from their peak in late 2008 to early 2014, they started to rebound sharply in 2015-2016



Bank of Cyprus

SOURCES: Statistical Service of Republic of Cyprus; Calculations by BOC Economic Research

Appendix – Additional financial information

Consolidated Balance Sheet

€ mn	% change	30.09.16	31.12.15
Cash and balances with Central Banks	12%	1.587	1.423
Loans and advances to banks	-10%	1.184	1.314
Debt securities, treasury bills and equity investments	-41%	595	1.009
Net loans and advances to customers	-7%	15.939	17.192
Other assets	34%	3.065	2.284
Non current assets and disposal group held for sale	-76%	12	49
Total assets	**-4%**	**22.382**	**23.271**

€ mn	% change	30.09.16	31.12.15
Deposits by banks	53%	371	242
Funding from central banks	-56%	1.950	4.453
Repurchase agreements	-11%	329	368
Customer deposits	10%	15.643	14.181
Debt securities in issue	-100%	0	1
Other liabilities	4%	986	944
Non current liabilities and disposal group held for sale	-100%	0	4
Total liabilities	**-5%**	**19.279**	**20.193**
Share capital	0%	892	892
Capital reduction reserve and share premium	0%	2.505	2.505
Revaluation and other reserves	-7%	241	259
Accumulated losses	-4%	(575)	(601)
Shareholders' equity	**0%**	**3.063**	**3.055**
Non controlling interests	79%	40	23
Total equity	**1%**	**3.103**	**3.078**
Total liabilities and equity	**-4%**	**22.382**	**23.271**

Income Statement Review

€ mn	9M2016	9M2015	yoy +%	3Q2016	2Q2016	qoq +%	1Q2016
Net interest income	524	644	-19%	164	175	-7%	185
Net fee and commission income	112	115	-3%	38	38	1%	36
Insurance income net of insurance claims	35	32	9%	10	11	-9%	14
Core income	*671*	*791*	*-15%*	*212*	*224*	*-6%*	*235*
Other income	46	-5	-	23	14	75%	9
Total income	**717**	**786**	**-9%**	**235**	**238**	**-1%**	**244**
Total expenses	**(299)**	**(296)**	**1%**	**(97)**	**(103)**	**-5%**	**(99)**
Profit before provisions and impairments[1]	**418**	**490**	**-15%**	**138**	**135**	**2%**	**145**
Provisions for impairment of customer loans net of gains on derecognition of loans and changes in expected cash flows	(267)	(329)	-19%	(109)	(96)	14%	(62)
Impairments of other financial and non financial assets	(34)	(37)	-9%	(12)	(14)	-10%	(8)
Share of profit from associates and joint ventures	3	3	-12%	1	1	96%	1
Profit before tax, restructuring costs and discontinued operations	**120**	**127**	**-5%**	**18**	**26**	**-32%**	**76**
Tax	(16)	(18)	-7%	(4)	(4)	0%	(8)
(Loss)/profit attributable to non-controlling interests	(3)	6	-162%	2	(5)	-142%	(1)
Profit after tax from continuing operations[2]	**101**	**115**	**-13%**	**16**	**17**	**-4%**	**67**
Advisory, VEP and other restructuring costs[3]	(98)	(27)	267%	(11)	(70)	-84%	(17)
Loss from disposal group held for sale/discontinued operations	-	(38)	-100%	-	-	-	-
Net gain on disposal of non-core assets	59	23	154%	0	59	-100%	-
Profit after tax	**62**	**73**	**-16%**	**5**	**6**	**-15%**	**50**
Net interest margin	**3,51%**	**3,82%**	**-31bps**	**3,35%**	**3,55%**	**-20bps**	**3,63%**
Cost-to-Income ratio	**42%**	**38%**	**+4p.p.**	**41%**	**43%**	**-2p.p.**	**40%**

(1) Profit before provisions and impairments, gains/(losses) on derecognition and changes on expected cash flows, 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) Advisory, VEP and other restructuring costs comprise mainly: 1) fees of external advisors in relation to: (i) disposal of operations (ii) customer loan restructuring activities which are not part of the effective interest rate and (iii) the contemplated listing on the London stock exchange and 2) voluntary exit plan cost.

Income Statement bridge for 9M2016

€ mn	Per presentation	Reclassification	Per financial statements
Net interest income	524	-	524
Net fee and commission income	112	-	112
Net foreign exchange gains and net gains on other financial instruments	35	59	94
Insurance income net of insurance claims	35	-	35
Gains/(losses) from revaluations/disposals of investment properties	3	3	6
Losses on disposal of stock properties	-	(3)	(3)
Other income	8	2	10
Total income	**717**	61	**778**
Total expenses	**(299)**	(98)	**(397)**
Profit before provisions and impairments, gains/(losses) on derecognition of loans and changes in expected cash flows, restructuring costs and discontinued operations	**418**	(37)	**381**
Provisions for impairment of customer loans	(305)	-	(305)
Gains on derecognition of loans and changes in expected cash flows	38	-	38
Impairments of other financial and non-financial assets	(34)	-	(34)
Share of profit from associates	3	-	3
Profit before tax, restructuring costs and discontinued operations	**120**	**(37)**	**83**
Tax	(16)	(2)	(18)
Loss attributable to non-controlling interests	(3)	-	(3)
Profit after tax and before restructuring costs, discontinued operations and net profit from disposal of non-core assets	**101**	**(39)**	**62**
Advisory, VEP and other restructuring costs[1]	(98)	98	-
Net gain on disposal of non-core assets	59	(59)	-
Profit after tax	**62**	-	**62**

(1) Advisory, VEP and other restructuring costs comprise mainly: 1) fees of external advisors in relation to: (i) disposal of operations (ii) customer loan restructuring activities which are not part of the effective interest rate and (iii) the contemplated listing on the London stock exchange and 2) voluntary exit plan cost.

Cyprus: Income Statement by business line for 9M2016

€ mn	Consumer Banking	SME Banking	Corporate Banking	International Banking	Wealth & Brokerage & Asset Management	RRD	REMU	Insurance	Other	Total Cyprus
Net interest income	187	48	60	46	6	160	(9)	-	(7)	491
Net fee & commission income	34	6	7	38	2	9	-	(3)	14	107
Other income	3	0	1	5	3	0	(2)	35	21	66
Total income	**224**	**54**	**68**	**89**	**11**	**169**	**(11)**	**32**	**28**	**664**
Total expenses	**(87)**	**(9)**	**(8)**	**(19)**	**(3)**	**(25)**	**(7)**	**(10)**	**(99)**	**(267)**
Profit/(loss) before provisions and impairments	**137**	**45**	**60**	**70**	**8**	**144**	**(18)**	**22**	**(71)**	**397**
Provisions for impairment of customer loans net of gains/(losses) on derecognition of loans and changes in expected cash flows	32	(14)	20	0	0	(263)	-	-	(1)	(226)
Impairment of other financial and non financial assets	-	-	-	-	-	-	(10)	-	(15)	(25)
Share of profits from associates	-	-	-	-	-	-	-	-	3	3
Profit/(loss) before tax	**169**	**31**	**80**	**70**	**8**	**(119)**	**(28)**	**22**	**(84)**	**149**
Tax	(18)	(4)	(10)	(8)	(1)	17	4	(2)	8	(14)
Profit attributable to non controlling interest	-	-	-	-	-	-	-	-	(4)	(4)
Profit/(loss) after tax and before one off items	**151**	**27**	**70**	**62**	**7**	**(102)**	**(24)**	**20**	**(80)**	**131**

Risk Weighted Assets – Regulatory Capital

Risk weighted assets by Geography (€ mn)

	30.06.15	30.09.15	31.12.15	31.03.16	30.06.16	30.09.16
Cyprus	19.607	19.473	18.438	18.276	17.845	17.675
Russia	708	46	21	25	16	15
United Kingdom	667	663	685	650	695	725
Romania	318	315	269	198	195	205
Greece	180	173	208	182	176	140
Other[1]	47	47	45	43	41	43
Total RWA	**21.527**	**20.717**	**19.666**	**19.374**	**18.968**	**18.803**
RWA intensity(%)	**85%**	**86%**	**85%**	**85%**	**84%**	**84%**

Equity and Regulatory Capital (€ mn)

	30.06.15	30.09.15	31.12.15	31.03.16	30.06.16	30.09.16
Shareholders' equity	3.506	3.518	3.055	3.101	3.054	3.063
CET1 capital	3.205	3.231	2.748	2.769	2.735	2.736[2]
Tier I capital	3.205	3.231	2.748	2.769	2.735	2.736
Tier II capital	32	22	30	20	21	21
Total regulatory capital (Tier I + Tier II)	**3.237**	**3.253**	**2.778**	**2.789**	**2.756**	**2.757**

Risk weighted assets by type of risk (€ mn)

	30.06.15	30.09.15	31.12.15	31.03.16	30.06.16	30.09.16
Credit risk	19.426	18.830	17.618	17.326	16.921	16.747
Market risk	16	7	8	8	7	6
Operational risk	2.085	1.880	2.040	2.040	2.040	2.050
Total	**21.527**	**20.717**	**19.666**	**19.374**	**18.968**	**18.803**

Reconciliation of Group Equity to CET 1

€ mn	**30.09.16**
Group Equity per financial statements	3.103
Less: Intangibles and other deductions	(19)
Less: Deconsolidation of insurance and other entities	(220)
Less: Regulatory adjustments (Minority Interest, DTA and other items)	(75)
Less: Revaluation reserves and other unrealised items transferred to Tier II	(53)
CET 1 (transitional)	**2.736**
Less: Adjustments to fully loaded (mainly DTA)	**(155)**
CET 1 (fully loaded)	**2.581**
Risk Weighted Assets	**18.803**
CET 1 ratio (fully loaded)	**13,8%**
CET 1 ratio (transitional)[1]	**14,6%**

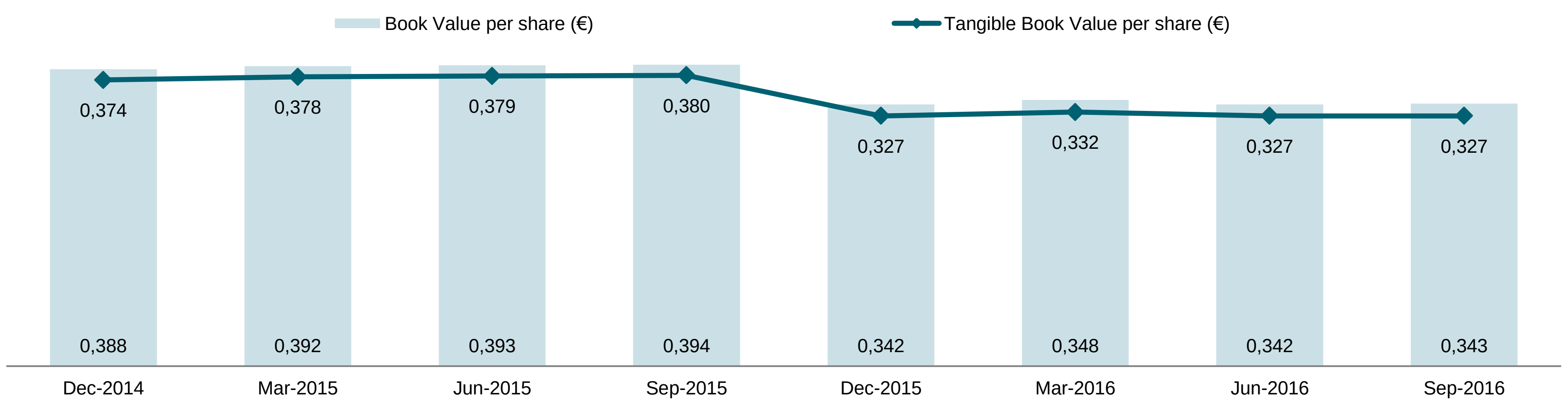
(1) Other countries primarily relates to exposures in Channel Islands
(2) Transitional basis; includes unaudited profits for the nine months ended 30 September 2016.

Bank of Cyprus

BOC - Main performance indicators

	Ratios	Group 9M2016
Performance	ROAA (annualised)	0,4%
	ROTE (annualised)	2,8%
	Net Interest Margin	3,51%
	Cost to income ratio	42%
	Loans to deposits	102%
Asset Quality	90+ DPD / 90+ DPD ratio	€8.768 mn (43%)
	90+ DPD coverage	54%
	Cost of risk (annualised)	1,6%[1]
	Provisions / Gross Loans	22,8%
Capital	Transitional Common Equity Tier 1 capital	2.736
	CET1 ratio (transitional basis)	14,6%
	Total Shareholders' Equity / Total Assets	13,7%

Book value evolution

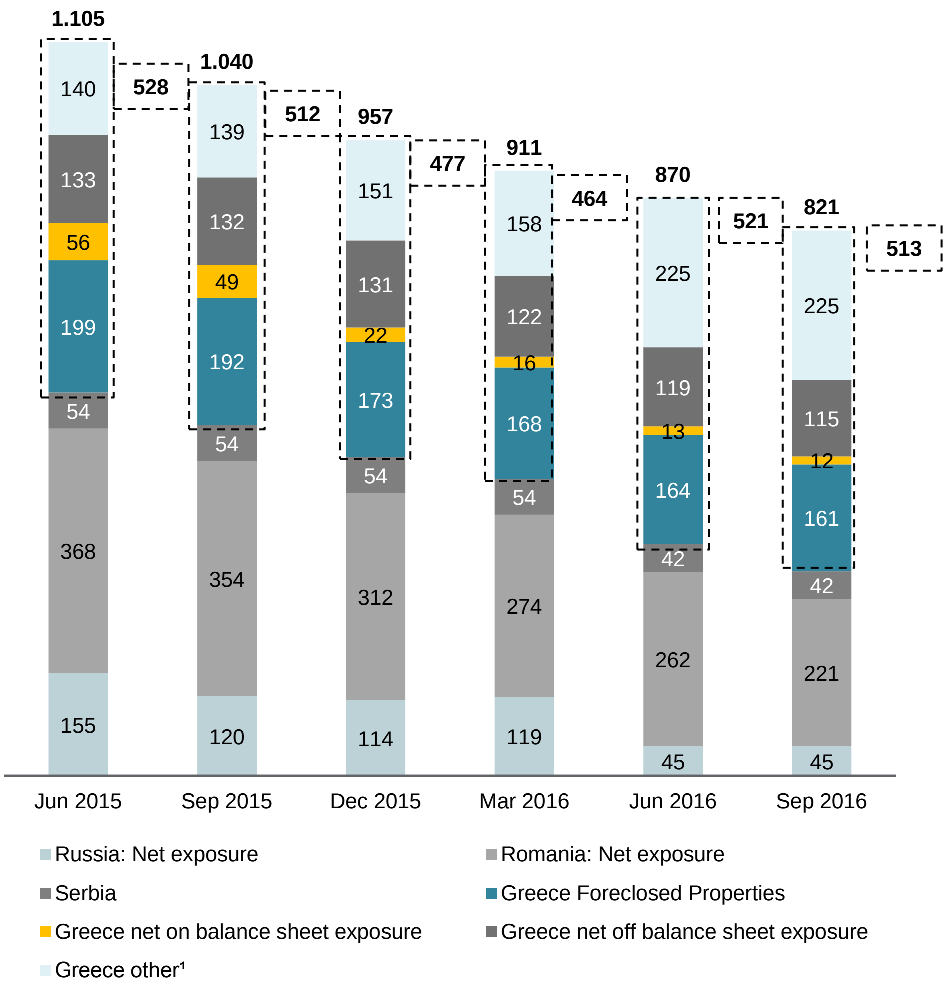


(1) Provisions for impairment of customer loans and gains/(losses) on derecognition of loans and changes in expected cash flows

Bank of Cyprus

Reduction in Overseas Non-Core Exposures

Overseas non-core exposures (€ mn)



The non-core overseas exposures at 30 September 2016 were as follows:

Greece: Net exposure comprised:

a. Net on-balance sheet exposures (excluding foreclosed properties) totalling €12 mn;

b. 636 foreclosed properties with a book value of €161 mn;

c. off-balance sheet exposures of €115 mn; and

d. lending exposures to Greek entities in the normal course of business in Cyprus of €80 mn, and lending exposures in Cyprus with collaterals in Greece of €145 mn.

Romania: Overall net exposure of €221 mn

Serbia: Overall net exposure of €42 mn, in line with the previous quarter

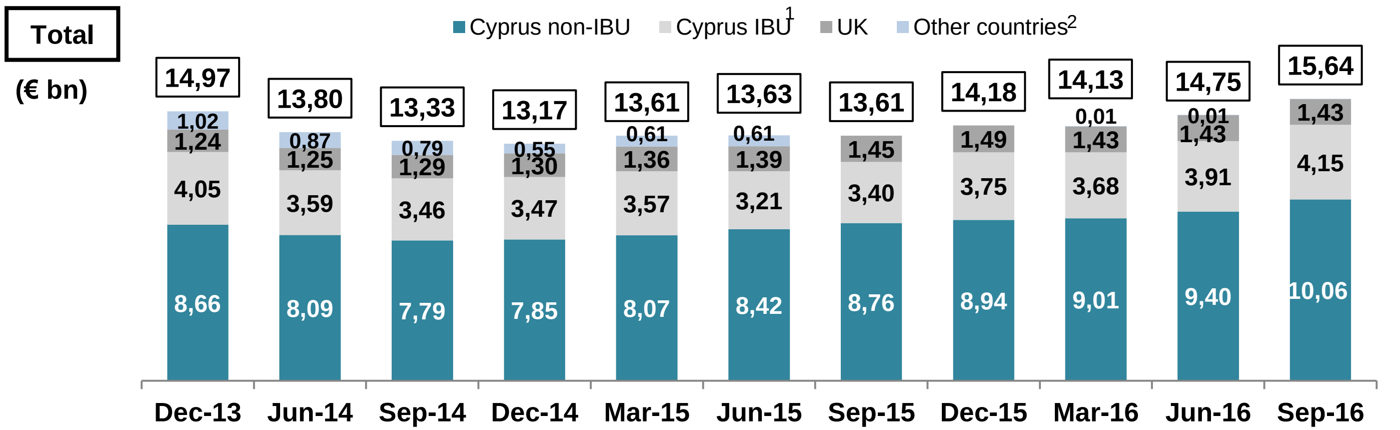
Russia: Remaining net exposure (on and off balance sheet) in Russia remained unchanged at €45 mn during 3Q2016 in line with the previous quarter.

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

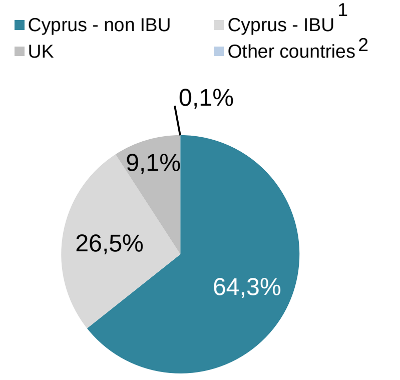
(1) Lending exposures to Greek entities in the normal course of business in Cyprus and lending exposures in Cyprus with collaterals in Greece

Analysis of Deposits by Geography and by Type

Deposits by geography

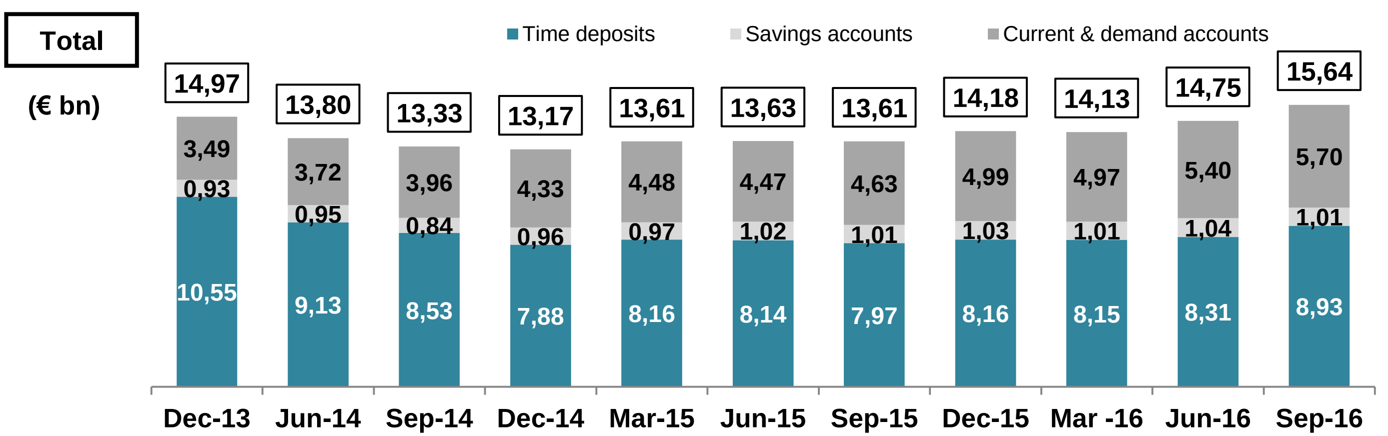


30 September 2016 (%)

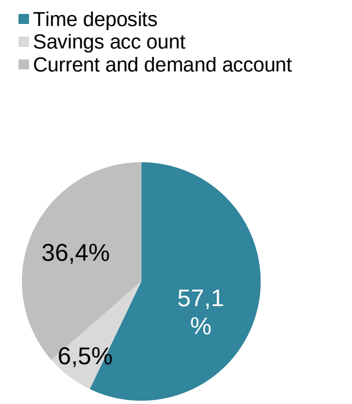


Total Cyprus 90,8%

Deposits by type of deposits



30 September 2016 (%)

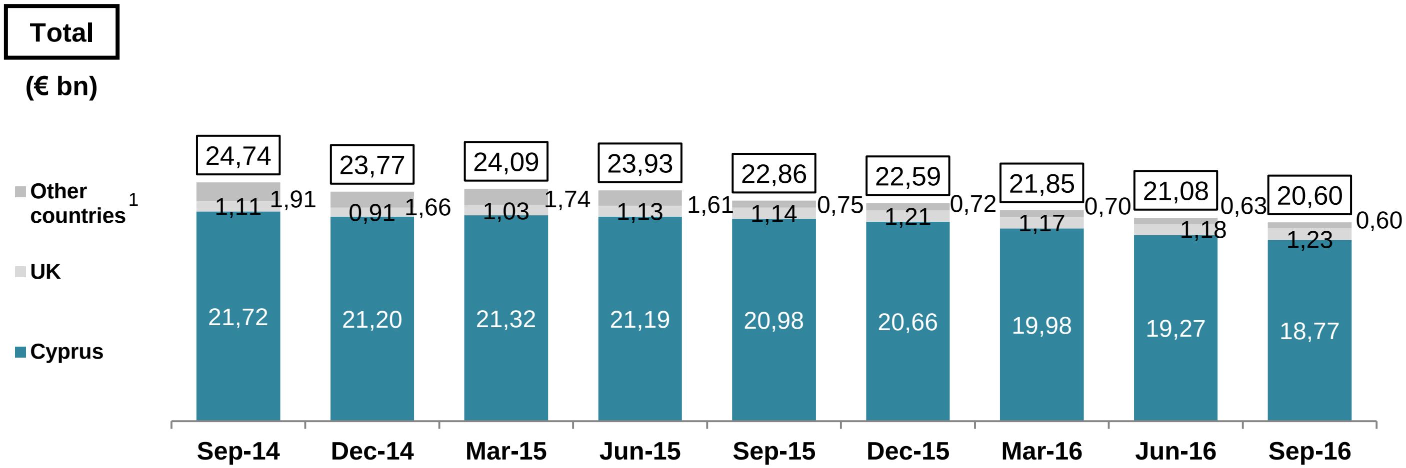


(1) IBU- Division servicing exclusively international activity companies registered in Cyprus and abroad and non-residents
(2) Other countries: Russia (until June 2015), Romania, and Ukraine (until March 2014).

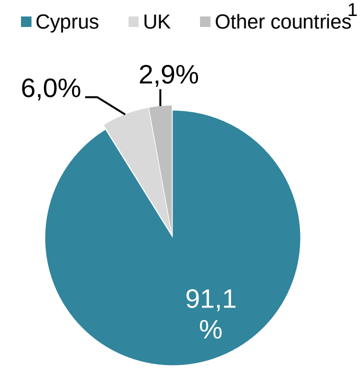
Bank of Cyprus

Gross loans by Geography and by Customer Type

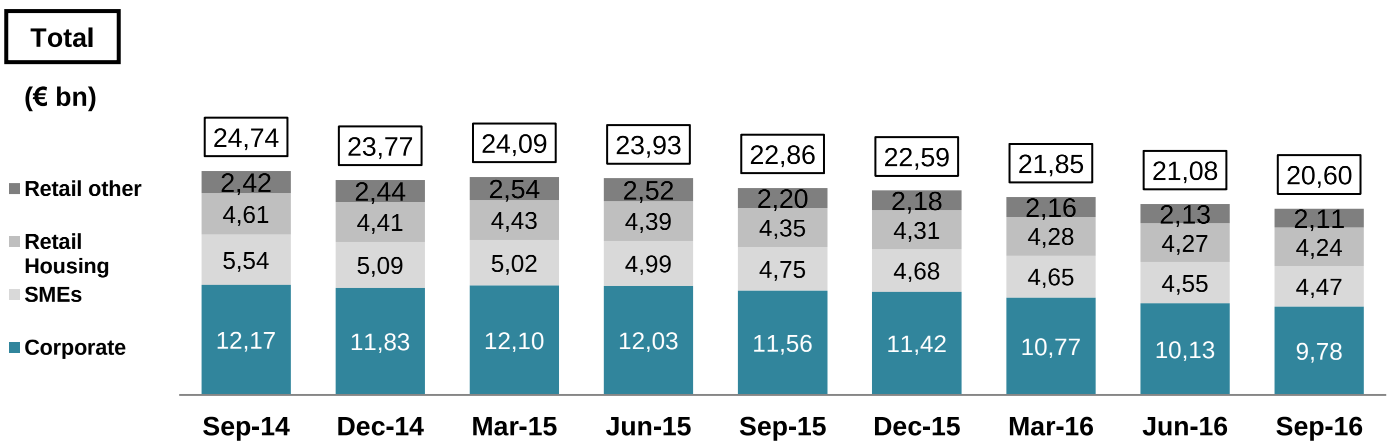
Gross loans by geography



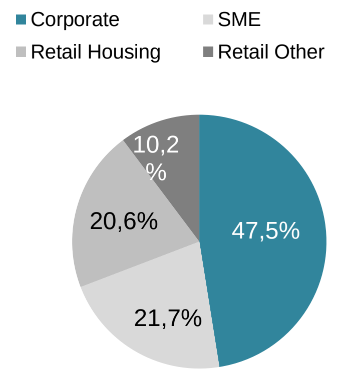
30 September 2016 (%)



Gross loans by customer type



30 September 2016 (%)

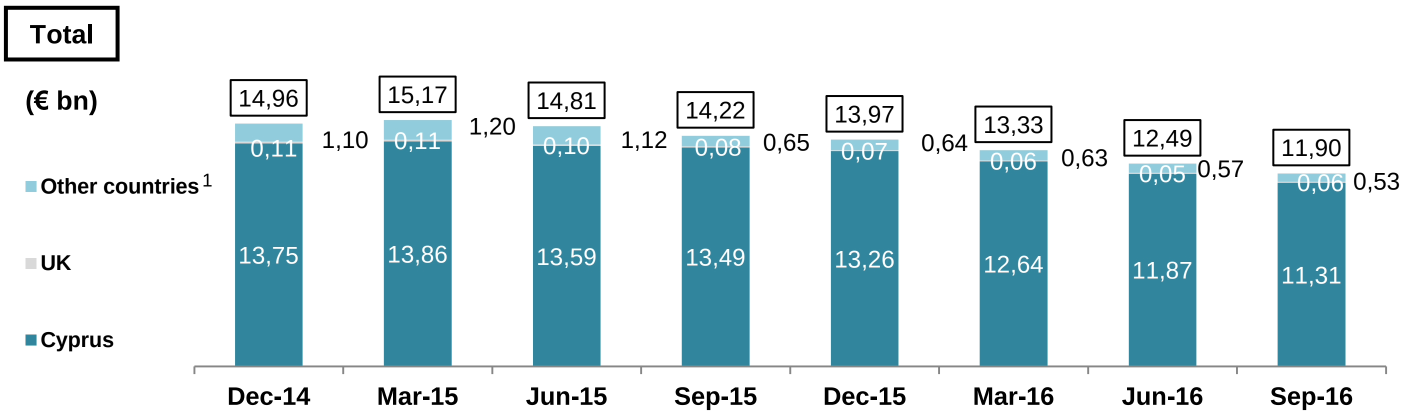


(1) Other countries: Russia, Greece and Romania

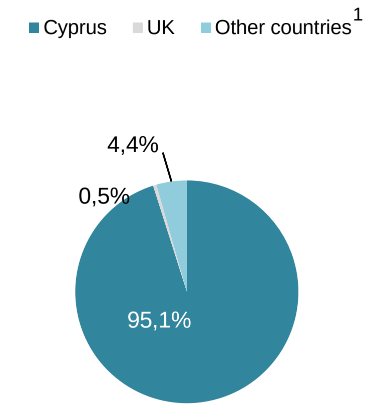
Bank of Cyprus

NPEs by Geography and by Customer Type

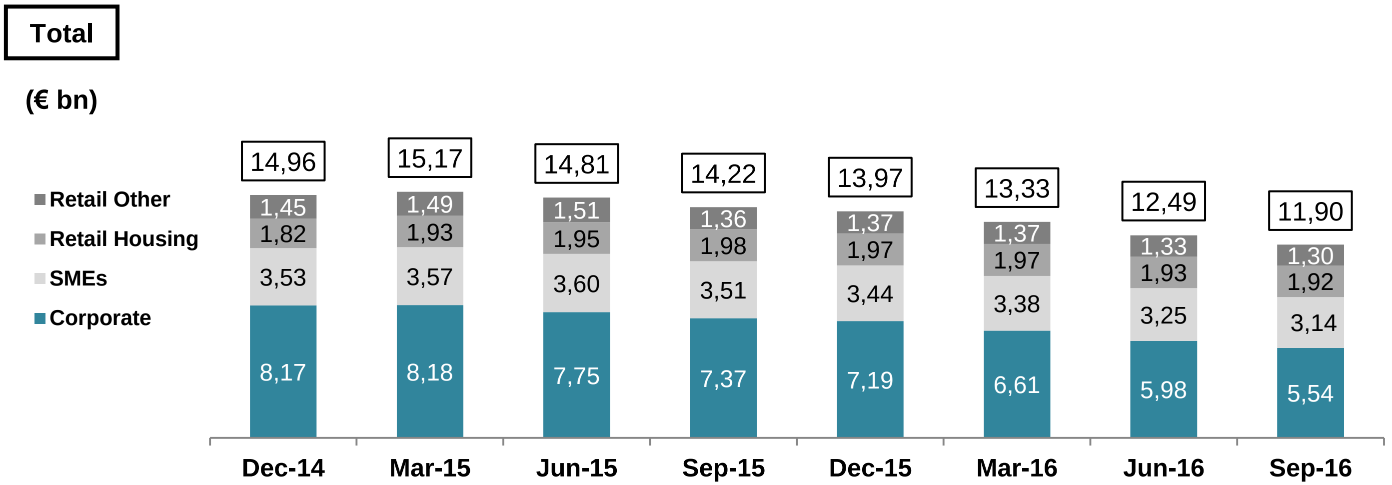
NPEs by geography



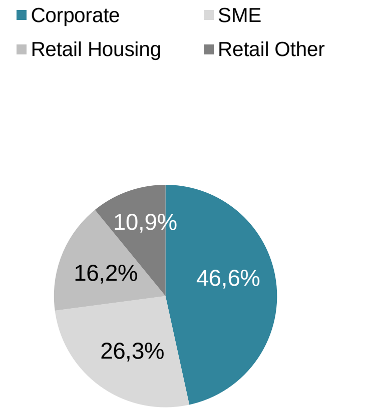
30 September 2016 (%)



NPEs by customer type



30 September 2016 (%)



(1) Other countries: Russia (until June 2015) and Romania

Bank of Cyprus

Asset Quality- 90+ DPD analysis

(€ mn)	Sept-16	Jun - 16	Mar-16	Dec-15	Sept-15
A. Gross Loans after Fair value on Initial recognition	**19.607**	**20.040**	**20.719**	**21.385**	**21.597**
Fair value on Initial recognition	989	1.043	1.130	1.207	1.266
B. Gross Loans	**20.596**	**21.083**	**21.849**	**22.592**	**22.863**
B1. Loans with no arrears	**10.897**	**10.879**	**10.551**	**10.443**	**9.925**
B2. Loans with arrears but not impaired	**2.488**	**2.607**	**2.901**	**3.049**	**3.611**
Up to 30 DPD	587	574	623	469	585
31-90 DPD	344	361	386	351	355
+ 91-180 DPD	146	121	133	144	200
+ 181-365 DPD	144	175	183	259	374
+ Over 1 year DPD	1.267	1.376	1.576	1.826	2.097
+ **B3. Impaired Loans**	**7.211**	**7.597**	**8.397**	**9.100**	**9.327**
With no arrears	514	647	860	876	848
Up to 30 DPD	22	25	36	78	66
31-90 DPD	52	41	57	24	60
91-180 DPD	15	95	49	65	152
181-365 DPD	106	123	157	310	464
Over 1 year DPD	6.502	6.666	7.238	7.747	7.737
= **(90+ DPD)[1]**	**8.768**	**9.269**	**10.289**	**11.329**	**11.998**
90+ DPD ratio (90 + DPD / Gross Loans)	**42,6%**	**44,0%**	**47,1%**	**50,1%**	**52,5%**
Accumulated provisions (including fair value adjustment on initial recognition[2])	**4.703**	**4.875**	**5.076**	**5.445**	**4.933**
Gross loans provision coverage	**22,8%**	**23,1%**	**23,2%**	**24,1%**	**21,6%**
90+ DPD provision coverage	**53,6%**	**52,6%**	**49,3%**	**48,1%**	**41,1%**

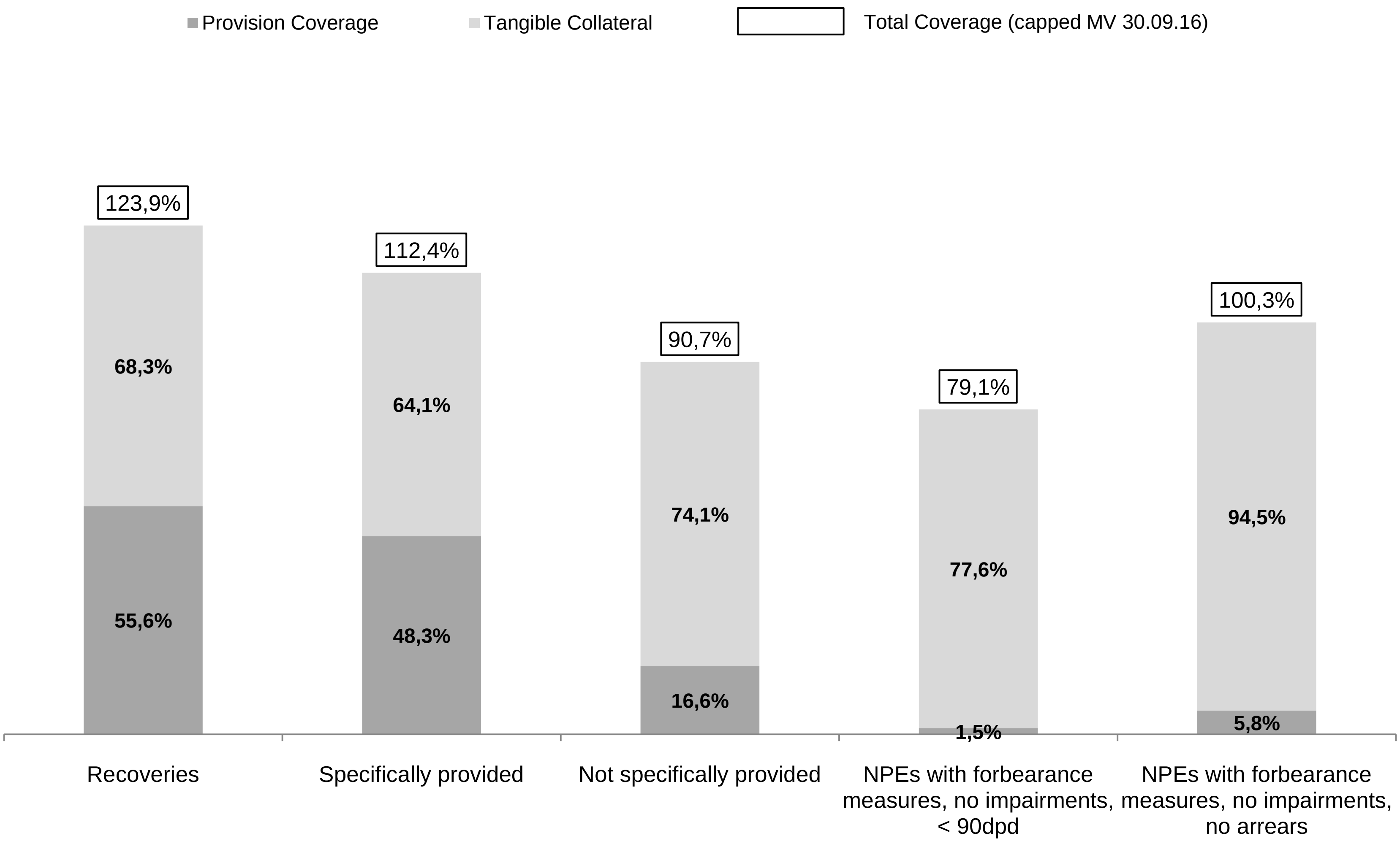
(1) Loans in arrears for more than 90 days (90+ DPD) are defined as loans past-due for more than 90 days and those that are impaired (impaired loans are those which are not considered fully collectable and for which a provision for impairment has been recognised on an individual basis or for which incurred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

(2) 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.

Bank of Cyprus

Asset Quality – NPEs analysis

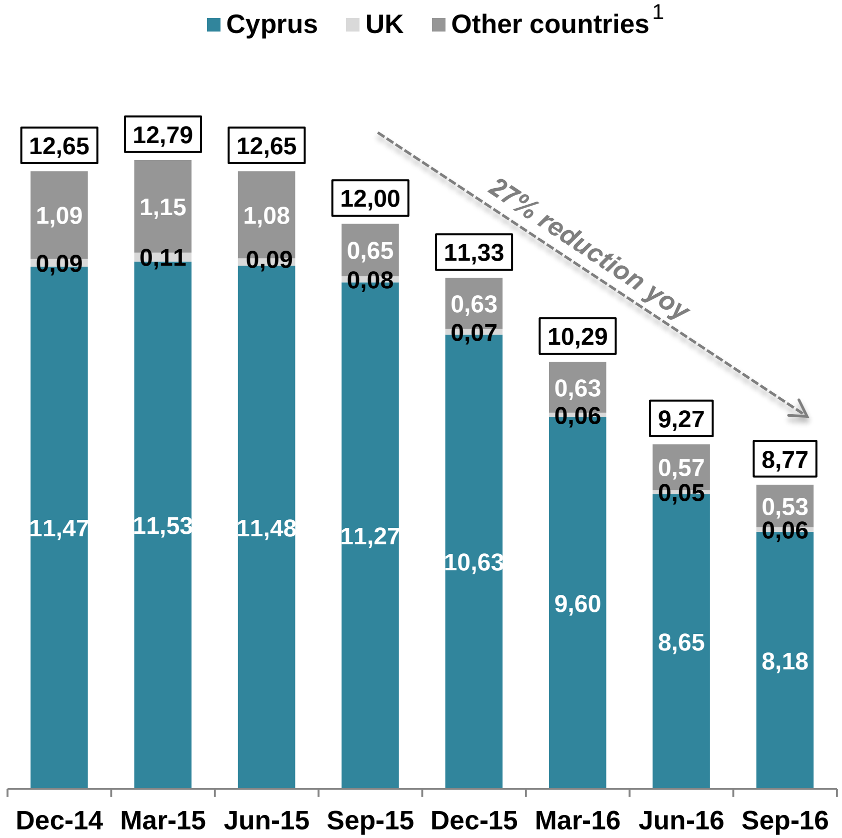
Total Coverage for NPES Cyprus – Adequately provided



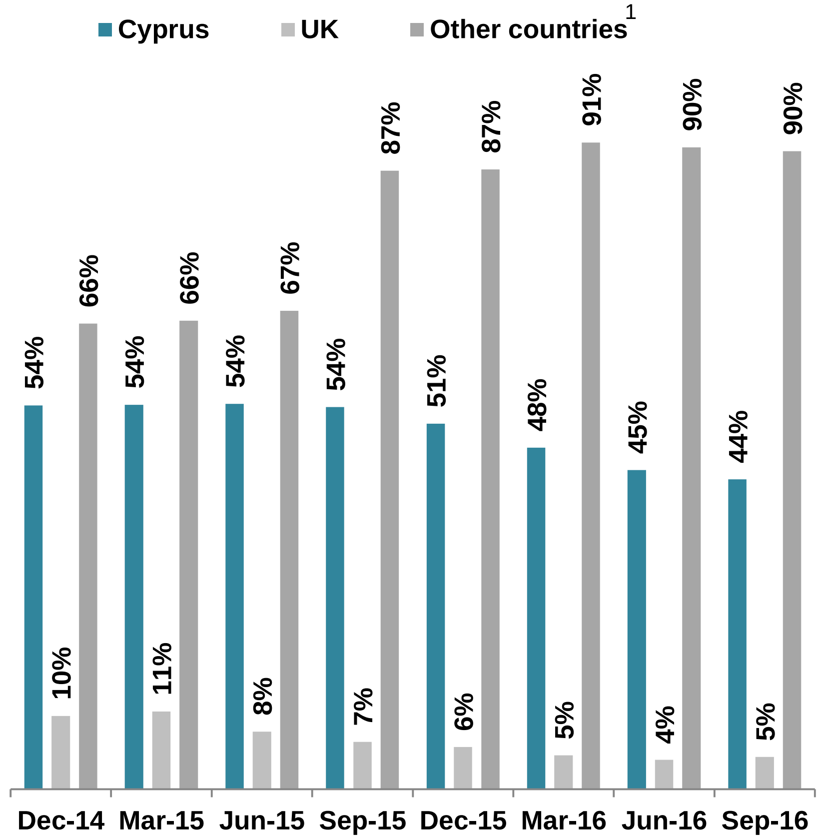
Bank of Cyprus

90+ DPD by Geography

90+ DPD by Geography (€ bn)



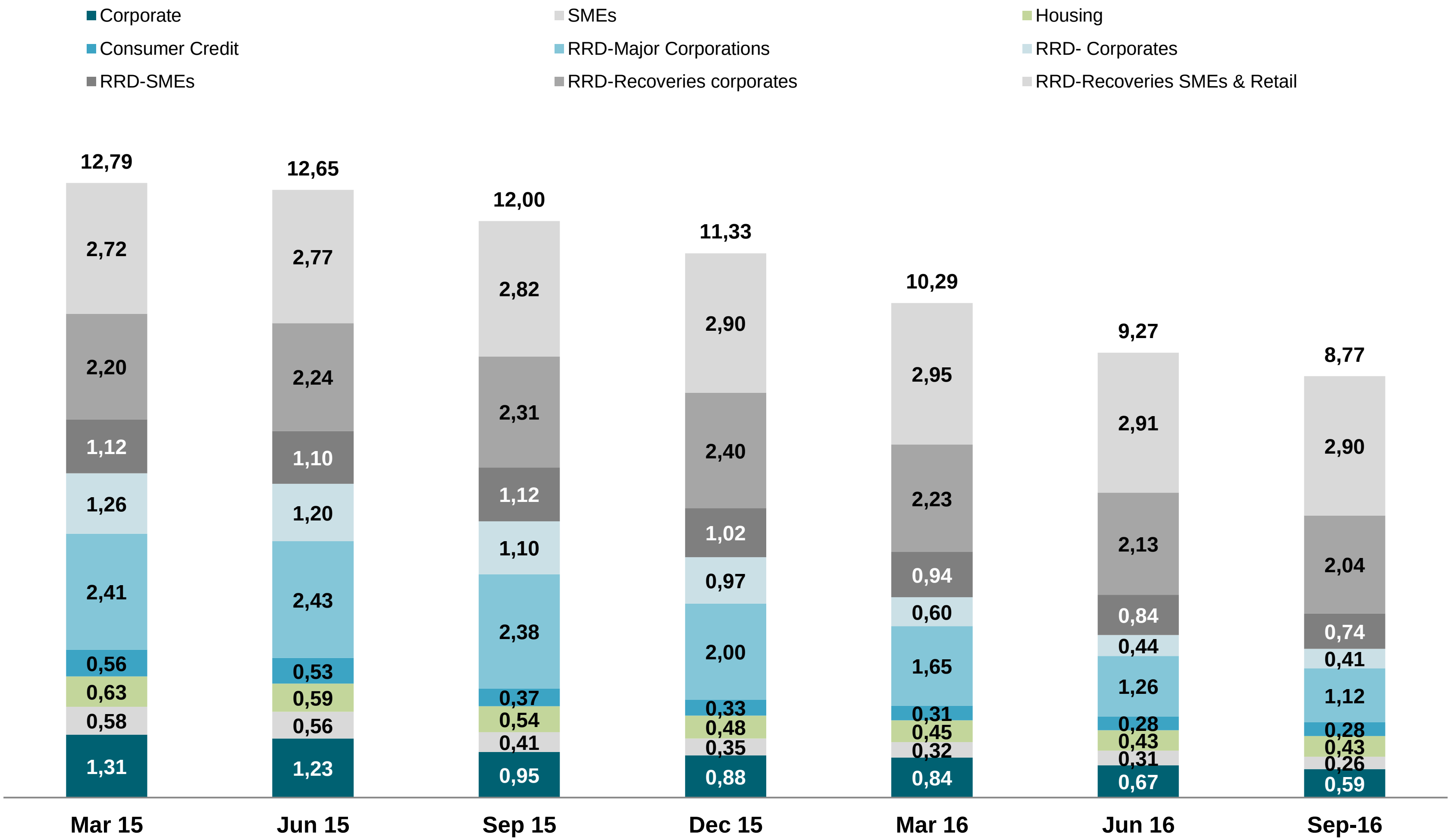
90+ DPD ratios by Geography



(1) Other countries:, Russia Romania and Greece

Analysis 90+ DPD ratios by Business Line[1]

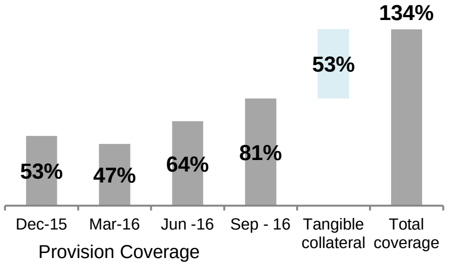
90+ DPD by business line (€ bn)



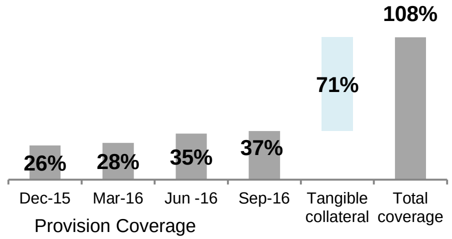
(1) As part of the restructuring of the Group, management is currently monitoring the loan portfolio of the Group using new business line definitions. An important component of the Group's new operational structure is the establishment of the RRD for the purposes of centralising and streamlining the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

Further break down of 90+ DPD coverage by business line - Cyprus

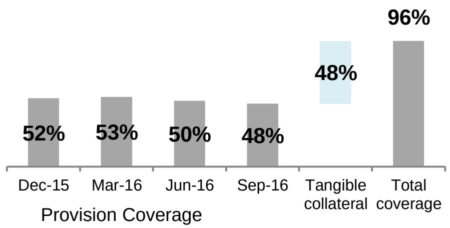
Corporate



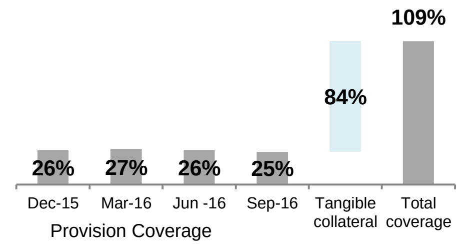
SMEs



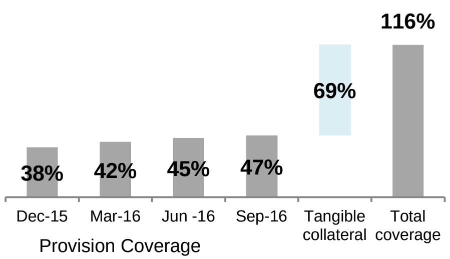
Consumer



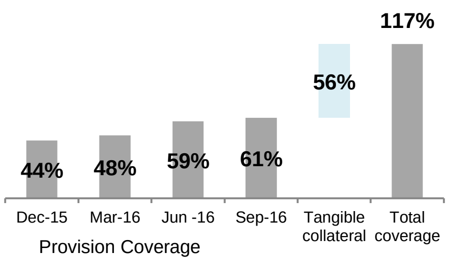
Housing



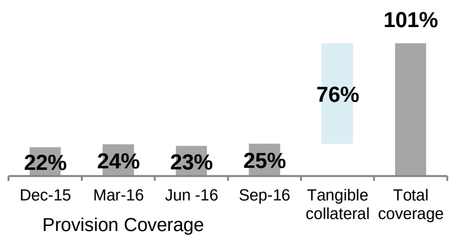
RRD Corporations



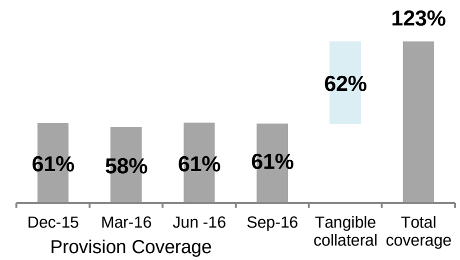
RRD Major Corporations



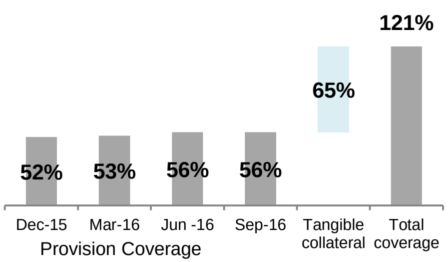
RRD- SMEs



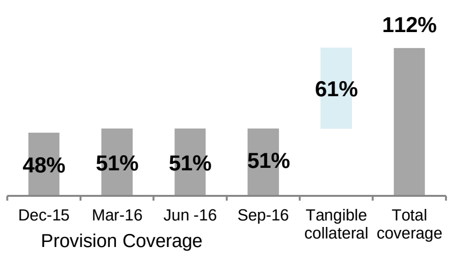
RRD Recoveries Corporate



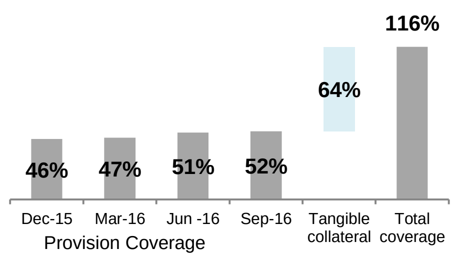
RRD Recoveries SMEs



RRD Recoveries Retail



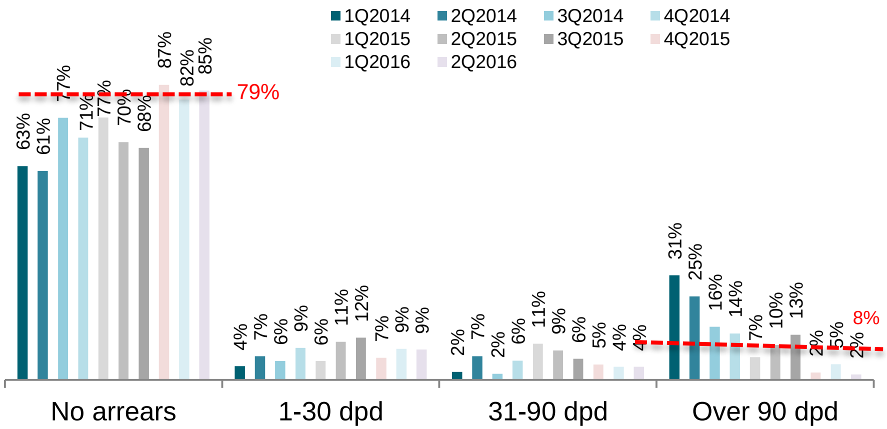
Total Cyprus



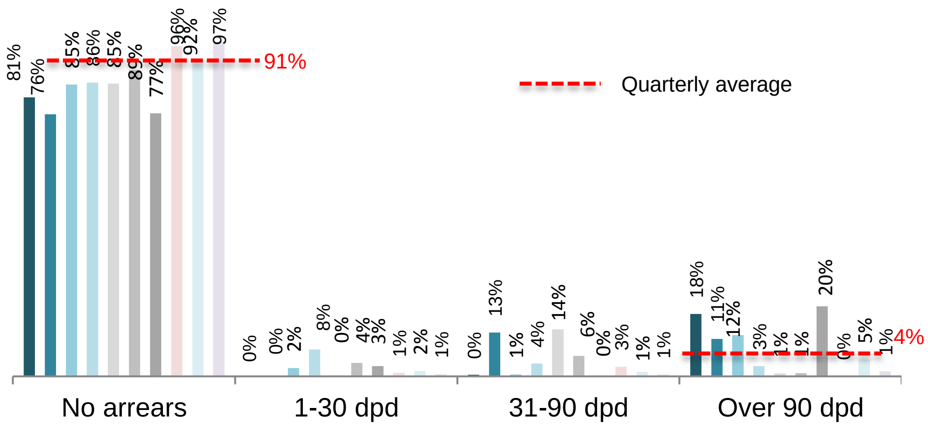
Bank of Cyprus

Performance of Restructured Loans[1]

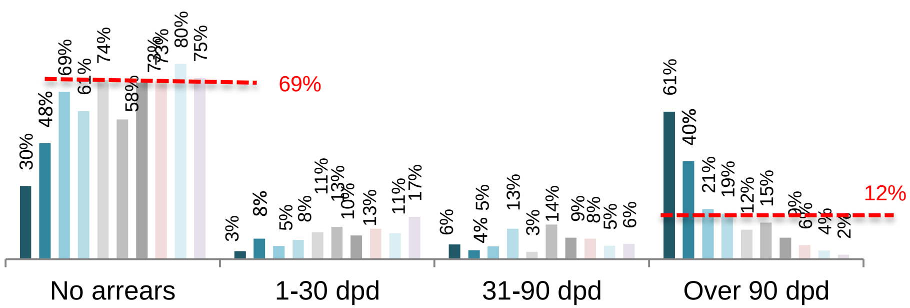
Total Bank – Cyprus



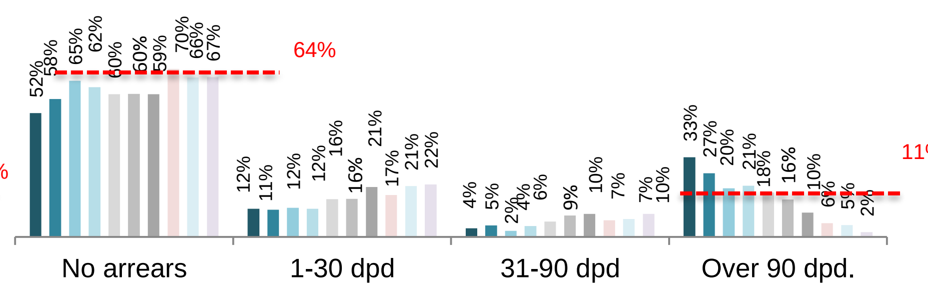
Corporate



SMEs



Retail

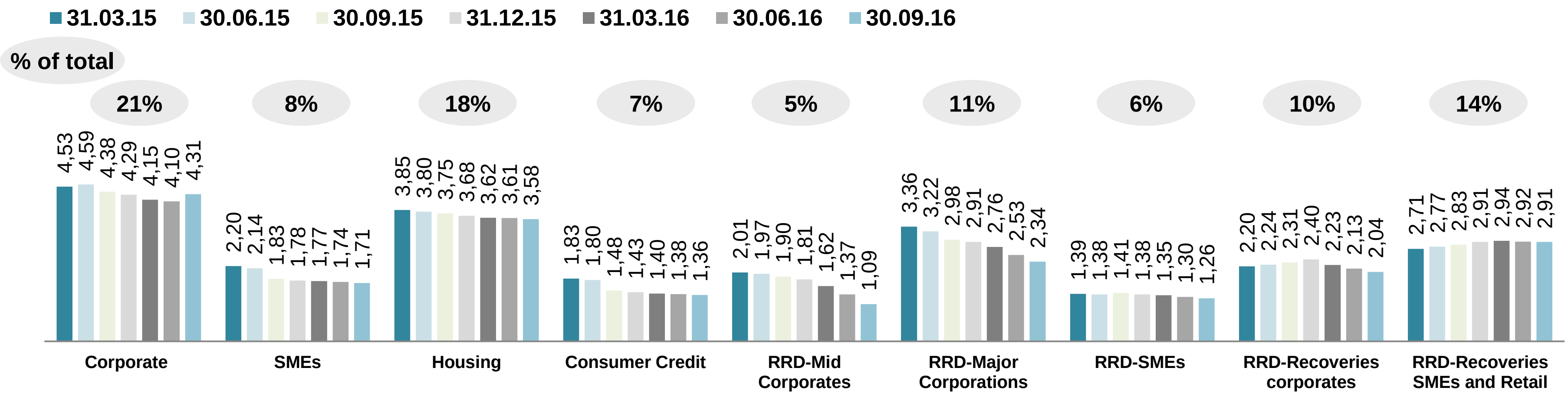


- An analysis performed as at 30 September 2016 indicates that on average 79% of the loans restructured post 31 December 2013 for Cyprus operations, have no arrears (restructurings performed in 3Q2016 were excluded); The average percentage of restructured loans with arrears more than 90 days stands at 8%
- Corporate restructured loans exhibit the best performance with an average percentage of restructured loans with no arrears of 91%

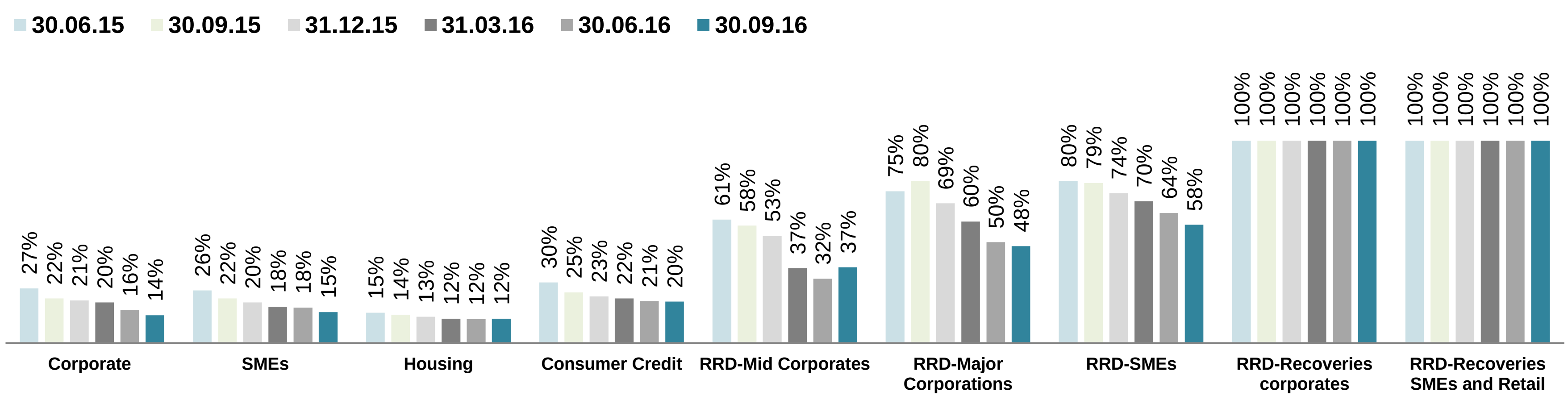
(1) The performance of loans restructured during 3Q2016 is not presented in this graph as it is too early to assess it.

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

Gross loans by business line (€ bn)



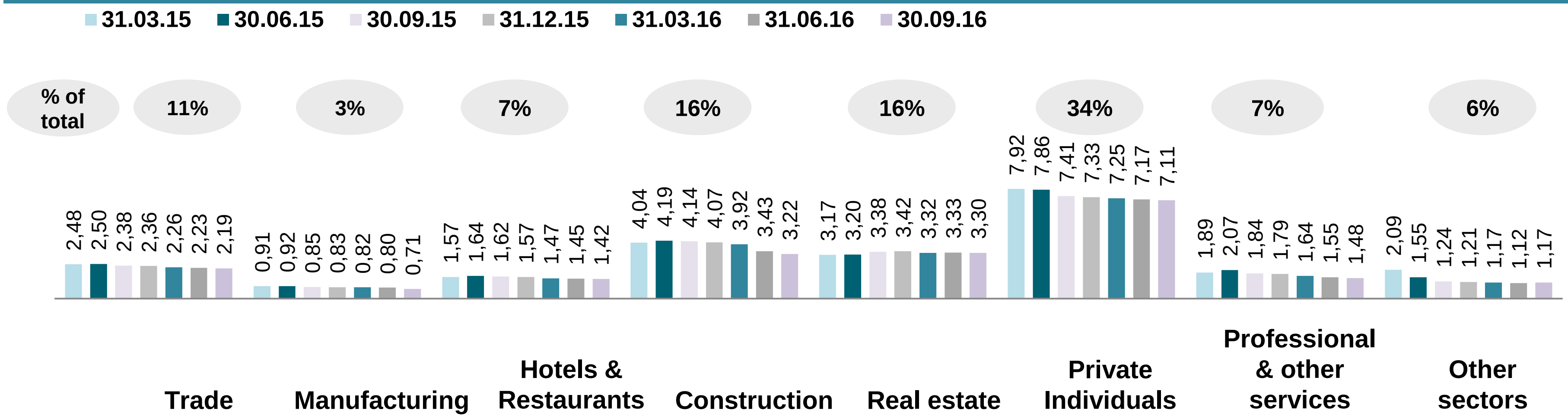
90+ DPD ratios by business line



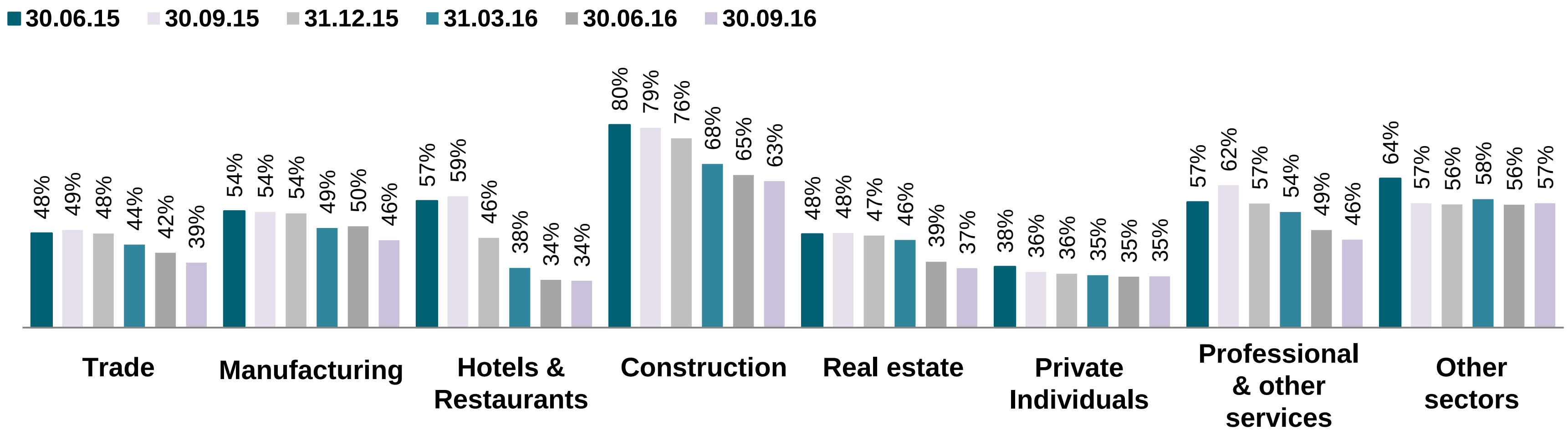
(1) As part of the restructuring of the Group, management is currently monitoring the loan portfolio of the Group using new business line definitions. An important component of the Group's new operational structure is the establishment of the RRD for the purposes of centralising and streamlining the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

Analysis of Loans and 90+ DPD ratios by Economic Activity

Gross loans by economic activity (€ bn)

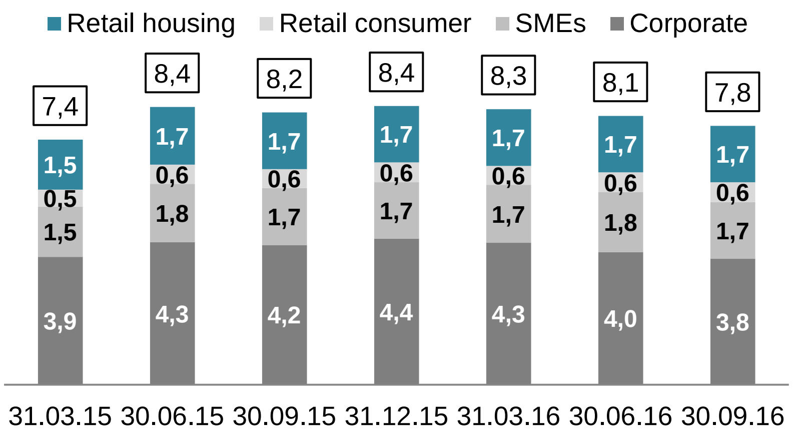


90+ DPD ratios by economic activity

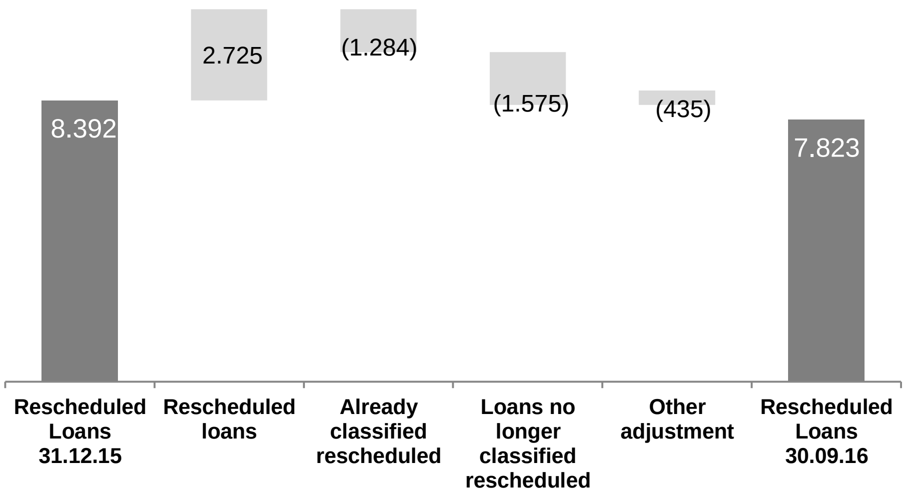


Rescheduled Loans for the Cyprus Operations

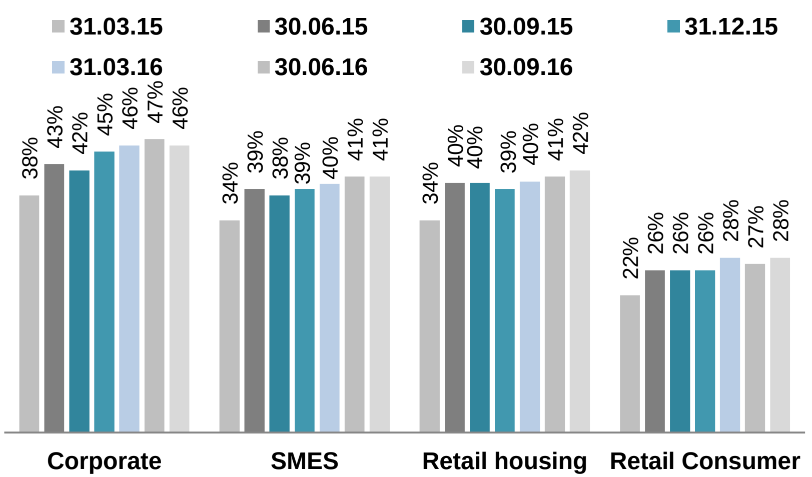
Rescheduled Loans by customer type (€ bn)



Rescheduled Loans (€ bn)

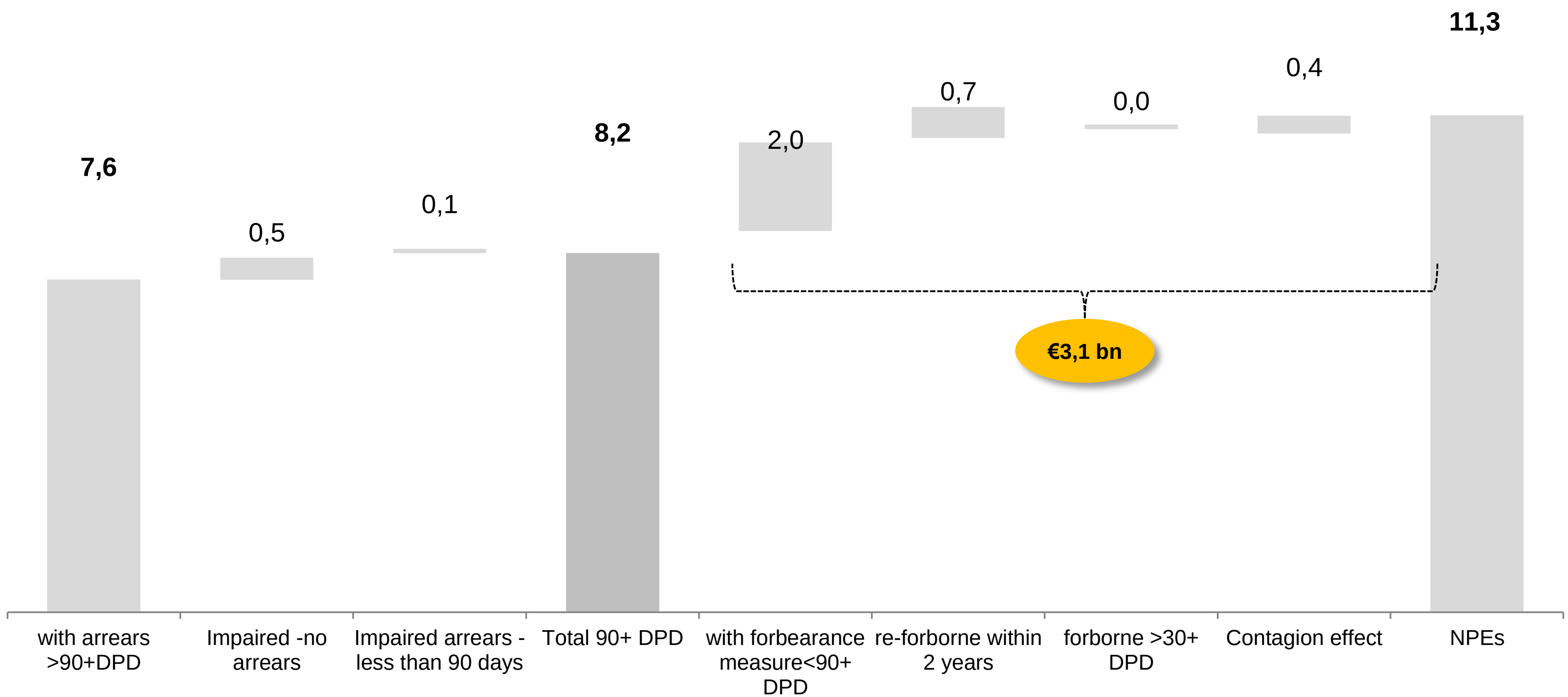


Rescheduled loans % gross loans[1] by customer type



(1) Before fair value adjustment on initial recognition relating to loans acquired from Laiki Bank (difference between the outstanding contractual amount and the fair value of loans acquired) amounting to €989 mn for gross loans and to €475 mn for rescheduled loans (compared to €1.043 mn and €497 mn respectively at 30 June 2016), including loans of discontinued operations/disposal group held for sale.

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



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.

The exit criteria of NPE forborne are the following:

1. The extension of forbearance measures does not lead to the recognition of impairment or default
2. One year has passed since the forbearance measures were extended
3. There is not, following the forbearance measures, any past due amount or concerns regarding the full repayment of the exposure according to the post forbearance conditions.

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

Disclaimer

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

Additional Risk and Capital Management Disclosures

30 September 2016

1. Credit risk

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

The Directive requires certain disclosures in relation to the loan portfolio quality, provisioning policy and levels of provision. The disclosures required by the Directive, in addition to those presented in Notes 3 and 44 of the Consolidated Financial Statements for the year ended 31 December 2015 and on Note 27 of the Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2016 are set out in the following tables. The tables disclose non-performing exposures (NPEs) based on the definitions of the European Banking Authority (EBA) standards.

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

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

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

The following materiality criteria are applied:

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

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

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

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

1. **Credit risk** (continued)

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

	Gross loans and advances to customers				**Provision for impairment and fair value adjustment on initial recognition**			
30 September 2016	**Group gross customer loans and advances[1]**	**Of which NPEs**	**Of which exposures with forbearance measures**		**Total provision for impairment and fair value adjustment on initial recognition**	**Of which NPEs**	**Of which exposures with forbearance measures**	
			Total exposures with forbearance measures	**Of which on NPEs**			**Total exposures with forbearance measures**	**Of which on NPEs**
	€000	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
General governments	**116.383**	4.851	5.025	4.646	**2.503**	1.665	1.656	1.603
Other financial corporations	**411.508**	289.662	166.439	147.459	**183.986**	180.658	98.896	98.803
Non-financial corporations	**12.044.121**	7.557.313	5.546.508	4.282.243	**3.241.569**	3.151.385	1.349.178	1.314.098
Of which: Small and Medium sized Enterprises[2]	**7.279.001**	4.732.650	2.656.709	2.079.733	**2.171.980**	2.115.752	688.878	665.460
Of which: Commercial real estate[2]	**9.487.849**	6.233.304	4.882.592	3.801.307	**2.442.435**	2.369.571	1.107.471	1.075.734
Non-financial corporations by sector								
Construction	**3.180.514**	2.569.374			**1.089.515**			
Wholesale and retail trade	**2.121.711**	1.087.101			**458.829**			
Accommodation and food service activities	**1.343.302**	780.361			**267.712**			
Real estate activities	**2.901.900**	1.600.081			**709.356**			
Manufacturing	**687.847**	415.545			**162.970**			
Other sectors	**1.808.847**	1.104.851			**553.187**			
Households	**8.023.502**	4.049.027	2.930.145	2.099.146	**1.227.863**	1.154.800	324.615	306.948
Of which: Residential mortgage loans[2]	**5.460.371**	2.780.661	2.269.467	1.602.318	**603.145**	550.011	184.686	173.094
Of which: Credit for consumption[2]	**1.071.768**	604.870	312.980	250.745	**292.174**	281.504	63.524	60.438
Total on-balance sheet	**20.595.514**	**11.900.853**	**8.648.117**	**6.533.494**	**4.655.921**	**4.488.508**	**1.774.345**	**1.721.452**

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

1. **Credit risk** (continued)

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

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

2. Liquidity risk and funding

2.1 Liquidity regulation

In addition to regulatory liquidity ratios disclosed in Note 29 of the Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2016, the Group has to comply with the Liquidity Coverage Ratio (EU) 2015/61 (LCR). It also monitors its position against the Basel Quantitative Impact Study (QIS) Net Stable Funding Ratio (NSFR). The LCR is designed to promote short-term resilience of a Group's liquidity risk profile by ensuring that it has sufficient high quality liquid resources to survive an acute stress scenario lasting for 30 days. The NSFR has been developed to promote a sustainable maturity structure of assets and liabilities.

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

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

Based on Regulation (EU) 2015/61 and Basel QIS standards respectively, as at 30 September 2016 the Group had a LCR of 0% (31 December 2015: 0%) and a Basel QIS NSFR of 88% (31 December 2015: 83%). Under the Delegated Regulation, the Emergency Liquidity Assistance (ELA) funding, as well as any other funding secured by non-LCR liquid assets and maturing within 30 days, is deducted from High Quality Liquid Assets, thus resulting in a zero LCR. It should be noted, however, that the Company considers that it has sufficient available liquidity to meet its day-to-day needs and the zero ratio is due to the above adjustment.

2.2 Liquidity reserves

Composition of the liquidity reserves	**30 September 2016**		31 December 2015	
	Liquidity reserves	**Liquidity reserves of which CRR (Delegated Regulation (EU) 2015/61) LCR eligible Level 1**	Liquidity reserves	Liquidity reserves of which Basel 3 LCR eligible Level 1
	€000	**€000**	€000	€000
Cash and balances with central banks	**1.585.483**	**1.212.315**	1.421.733	1.002.649
Nostro and overnight loans and advances to banks	**620.118**	**-**	537.722	-
Other loans and advances to banks	**221.760**	**-**	477.604	-
Liquid investments	**43.630**	**49.729**	19.594	2.421
Available ECB Buffer	**47.963**	**-**	178.792	178.792
Other investments	**6.677**	**-**	8.637	-
Total	**2.525.631**	**1.262.044**	2.644.082	1.183.862

2. Liquidity risk and funding (continued)

2.2 Liquidity reserves (continued)

Investments under Liquidity Reserve are shown at market value net of haircut (as prescribed by regulators) in order to reflect the actual liquidity value that can be obtained and include only the international issues of Government of Cyprus. Under LCR Liquidity Reserves, all Cyprus Government Bonds remain eligible for inclusion as Level 1 assets given that they are issued by a Member State. LCR does not require liquid assets to be eligible as collateral for central bank operations and are included at market value.

The Liquidity Reserves are managed by Group Treasury.

Cyprus exited its economic adjustment programme in March 2016. The credit ratings of the Republic of Cyprus by the main credit rating agencies continue to be below investment grade. As a result, the European Central Bank (ECB) is no longer able to include Cyprus Government bonds in its asset purchase programme, or as eligible collateral for Eurosystem monetary operations, as was the case when the waiver for collateral eligibility due to the country being under an economic adjustment programme existed. This resulted in the repayment of ECB funding at the end of March 2016 for an amount of €100 million which was collateralised by Cyprus Government bonds and materially reduced the available ECB buffer (this buffer represents the amount that could be drawn from the ECB based on the collateral pledged). However, any Cyprus Government bonds that remain unencumbered can be considered as ELA eligible collateral.

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

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

In August 2016, the Company cancelled two own-issued bonds guaranteed by the Republic of Cyprus of €500 million each. The bonds bore an annual fixed interest rate at 5%. The bonds were guaranteed by the Republic of Cyprus and were issued in accordance with the relevant legislation and decrees on the 'Granting of Government Guarantees for the Conclusion of Loans and/or the Issue of Bonds by Credit Institutions Law'. No liability from the issue of these bonds was presented in debt securities in issue in the consolidated balance sheet as all the bonds were held by the Company. The bonds were listed on the Cyprus Stock Exchange and were pledged as collateral for obtaining funding from central banks. One of the bonds has been released in June 2016 from the ELA pool of collateralised assets. After taking into consideration the significant reduction of ELA funding, the Board of Directors of the Company at its meeting held on 16 August 2016, decided to proceed with the cancellation of the two bonds. Given the decision for the cancellation, the CBC released the second bond on 19 August 2016. The two bonds were cancelled on 25 August 2016, following the approval/consent from the competent authorities.

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

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

2. Liquidity risk and funding (continued)

2.2 Liquidity reserves (continued)

In 2014, the Group participated in the Targeted Long Term Refinancing Operations (TLTRO) of the ECB for an amount of €500 million. On 29 June 2016, the Company repaid the amount borrowed through the TLTRO amounting to €500 million and borrowed the same amount from the Main Refinancing Operations (MRO).

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

3. Other risks

Political risk

External factors which are beyond the control of the Group, such as developments in the European and the global economy, as well as political and government actions in Cyprus can affect the operations of the Group, its strategy and prospects, either directly or indirectly through their possible impact on the domestic economy.

Important political risk factors include the possible government intervention in the economy that may affect the Group's activities; social, economic and political developments in overseas countries where the Group operates or maintains exposure; and international developments particularly in the European Union (EU) and the Eurozone that may lead to payments crisis, changes in the regulatory and supervisory framework, or a Euro exit of a Eurozone member state. The exit of the United Kingdom (UK) following the EU referendum of 23 June 2016 may lead to an economic recession in the UK itself and to possible disruptions in the Eurozone with pressure to bear on the euro and the currency markets generally. Italy will hold a referendum on constitutional reform in December 2016. A rejection of the reforms may ignite a political uncertainty at a time when some Italian banks are trying to attract fresh capital and manage NPEs. France and Germany are facing elections in 2017.

An exit of the UK from the EU may impact Cyprus. Cyprus has trade, investment links with the UK, and it is a popular tourist destination for British tourists. In 2015 the UK accounted for 39% of all tourist arrivals and about 33% of tourist receipts as per the Cyprus Statistical Service. The possible loss of UK tourist arrivals may be mitigated at least in part, by increases in arrivals of tourists from other destinations, as tourist traffic may continue to divert away from other regional destinations. In total 9% of Cyprus imports and 7% of Cyprus exports are made with the UK. Additionally there is a relatively sizeable community of British expatriates in Cyprus, many of which have purchased homes and live permanently on the island.

Consequences for the Cyprus economy may potentially derive from the wider implications of the UK exit on the EU and the global economy. This may affect access to international markets and investment inflows.

Developments in other non-EU countries with which Cyprus maintains significant economic links, the unresolved Cyprus problem, and political and social unrest or escalation of military conflict in neighboring countries and/or other overseas areas may adversely affect the Cyprus economy.

The European Union is already stressed by economic crisis and by the refugee crisis that are creating insular reactions by member states. The UK exit from the EU may create other problems as other members choose to demand changes in the future in pursuing their own national priorities. These developments may be leading to a more fragmented Europe which may stop and sometimes reverse the process of integration. This may lead to slower growth, reduce intra-EU trade and aggravate the risk of recession.

Russia is an important economic partner of Cyprus both in terms of tourism and international business flows. Any developments that impact negatively on these linkages will have a negative impact on the economy and will thus affect the Group's operations. The standoff between Russia and the West over Ukraine continues and the United States and the EU maintain sanctions against Russia. Russia continues its military operations over Syria and relations with Turkey remain complicated despite the August 2016 rapprochement and the normalisation of diplomatic and economic relations.

3. Other risks (continued)

Political risk (continued)

As a result of sanctions and most importantly the steep decline in oil and commodity prices, Russia entered a steep recession in 2015 when the economy contracted by 3,7% and expected to contract further by 0,8% in 2016 according to the International Monetary Fund (IMF) (World Economic Outlook, October 2016). Adjusting to lower oil prices requires an ambitious fiscal consolidation programme over the medium term. Monetary policy has been on hold but normalisation can resume once underlying inflation is firmly on a declining path. Lower oil prices and necessary fiscal adjustment will keep the economy in recession in 2016 and growth is expected to resume in 2017 and reach about 1% as per IMF (World Economic Outlook, October 2016). However, with adverse demographics, and barring significant structural reforms that increase productivity growth, potential growth is likely to be at around 1,5% over the medium term. A fall in oil prices is the main risk to the outlook.

In relation to Greece, the economy contracted by 0,2% in 2015 and is expected to register a zero growth or slightly positive in 2016 before growing by 2,8% in 2017 according to the IMF (World Economic Outlook, October 2016). Greece signed a third Memorandum of Understanding (MoU) with the European Commission in August 2015 for further stability support accompanied by a third economic adjustment programme. The IMF was not part of the agreement. The Greek authorities also signed a Financial Assistance Facility Agreement with the European Stability Mechanism (ESM) to specify the financial terms of the loan.

It is now recognised that Greece will need debt relief and there is agreement on the methodology of how to assess debt sustainability. The IMF agreed that debt relief measures will be agreed at the end of the programme period and not upfront which was its initial position. In this context, the IMF is expected to support the Greek programme before the end of the year.

The Greek government has a slight majority in parliament but has so far been successful in passing important reforms. Unemployment is about 25% in Greece and youth unemployment is in excess of 50% as per Eurostat. With a shrinking labour force, low fertility rates and inefficient tax collection, the country will face considerable stresses meeting programme obligations and hence, discontent and social unrest may grow. Social unrest may remain a threat throughout 2016 and 2017, and with it, political instability will ensue. Early elections cannot be ruled out. In this context, the enforceability of the bailout programme and Greece's membership in the Eurozone may again come to be questioned.

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

4. Capital management

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

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

4. Capital management (continued)

CRR permits a transitional period for certain of the enhanced capital requirements and certain other measures, such as the leverage ratio, which will be largely fully effective by 2019 and some other transitional provisions provide for phase in until 2024. The CBC has determined the extent of phasing-in of the transitional provisions relating to Common Equity Tier 1 deductions.

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

The capital conservation buffer is 2,5% of RWA over the minimum CET1 ratio and was fully phased in since 2015.

In addition to the above minimum capital requirements, the following capital buffer requirements are effective and are gradually being phasing-in and will become fully effective on 1 January 2022.

The level of the Countercyclical Capital buffer (CCyB) is set on a quarterly basis by the CBC in accordance with the provisions of the Macroprudential Oversight of Institutions Law of 2015 in accordance with the methodology set out in this law. The CCyB is effective as from 1 January 2016 and is determined by the CBC ahead of the beginning of each quarter. The CBC has set the level of the CCyB at 0% for the year of 2016.

Since 2015, the Group has been designated as an Other Systemically Important Institution (O-SII). The CBC set the O-SII buffer for the Group at 2%. This buffer will be phased-in gradually, starting from 1 January 2019 at 0,5% and increasing by 0,5% every year thereafter, until being fully implemented (2,0%) on 1 January 2022.

The Group is also subject to additional capital requirements for risks which are not covered by the Pillar I capital requirements (Pillar II add-ons). The Pillar II total minimum CET1 capital was determined by the ECB at 11,75% in November 2015. The Group's capital position at 30 September 2016 exceeds its Pillar I and its Pillar II add-on capital requirements. However, the Group's Pillar II add-on capital requirements are a point-in-time assessment and therefore are subject to change over time.

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

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

The new SREP requirements will be effective as from 1 January 2017 and as at the date of the publication of these Additional Risk and Management disclosures, these requirements remain subject to ECB final confirmation, which is expected by end of 2016.

The Company'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 II ratio which is effective from 1 January 2016. The regulated investment firms of the Group comply with the regulatory capital requirements of the Cyprus Securities and Exchange Commission (CySEC) laws and regulations.

4. Capital management (continued)

4.1 Capital position

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

	30 September 2016	31 December 2015
Regulatory capital	**€000**	€000
Transitional Common Equity Tier 1 (CET1)[3]	**2.736.004**	2.747.772
Transitional Additional Tier 1 capital (AT1)	**-**	-
Tier 2 capital (T2)	**20.990**	30.290
Transitional total regulatory capital	**2.756.994**	2.778.062
Risk weighted assets – credit risk[4]	**16.746.501**	17.618.578
Risk weighted assets – market risk	**6.433**	7.811
Risk weighted assets – operational risk	**2.050.325**	2.039.888
Total risk weighted assets	**18.803.259**	19.666.277
	%	%
Transitional Common Equity Tier 1 ratio	**14,6**	14,0
Transitional total capital ratio	**14,7**	14,1

During the nine months ended 30 September 2016, the CET1 was positively affected by the profit for the period and by the disposal of non-core assets and it was negatively affected by the phase in of transitional adjustments, mainly deferred tax asset. The reduction of risk-weighted assets is primarily due to the Group's ongoing efforts for risk-weighted assets optimisation. As a result of the above, the CET1 ratio increased by 60 bps during the period.

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

The Group prepared the ICAAP and ILAAP reports for year 2015. Both reports were approved by the Board of Directors and have been submitted to the ECB in April 2016.

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

A quarterly review is also performed for the ILAAP through quarterly stress tests submitted to the Assets and Liabilities Committee (ALCO) and Board Risk Committee, as from 2016. During the quarterly review, the liquidity risk drivers are assessed and, if needed, the stress test assumptions are amended accordingly. The quarterly review identifies whether the Group has an adequate liquidity buffer to cover the stress outflows.

[3] CET1 includes regulatory deductions, primarily comprising deferred tax assets and intangible assets amounting to €53.943 thousand and €35.193 thousand as at 30 September 2016 and 31 December 2015 respectively.

[4] Includes Credit Valuation Adjustments (CVA).

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

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

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

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

The new SREP requirements will be effective as from 1 January 2017 and as at the date of the publication of these Additional Risk and Management disclosures, these requirements remain subject to ECB final confirmation, which is expected by end of 2016.

Bank of Cyprus

Interim Condensed Consolidated Financial Statements
for the nine months ended

30 September 2016

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

Contents	**Page**

BANK OF CYPRUS GROUP
Interim Consolidated Income Statement

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

Attributable to:					
Owners of the Company – continuing operations	*8*	**61.627**	129.048	**5.255**	39.723
Owners of the Company – discontinued operations	*8*	**-**	(55.839)	**-**	(26.734)
Total profit attributable to the owners of the Company		**61.627**	73.209	**5.255**	12.989
Non-controlling interests – continuing operations	*8*	**3.551**	(5.715)	**(2.319)**	(4.566)
Non-controlling interests – discontinued operations	*8*	**-**	(9.268)	**-**	(2.106)
Total profit / (loss) attributable to non-controlling interests		**3.551**	(14.983)	**(2.319)**	(6.672)
Profit for the period		**65.178**	58.226	**2.936**	6.317

Basic and diluted earnings per share (cent) attributable to the owners of the Company - continuing operations	*13*	**0,7**	1,4	**0,1**	0,4
Basic and diluted earnings per share (cent) attributable to the owners of the Company	*13*	**0,7**	0,8	**0,1**	0,1

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

Attributable to:				
Owners of the Company	**6.907**	84.729	**8.911**	37.314
Non-controlling interests	**(1.068)**	(11.674)	**(2.239)**	652
Total comprehensive income for the period	**5.839**	73.055	**6.672**	37.966

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

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

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

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

	Attributable to the owners of the Company													Non-controlling interests	Total equity
	Share capital (Note 24)	Share premium (Note 24)	Capital reduction reserve (Note 24)	Shares subject to interim orders	Treasury shares (Note 24)	Accumulated losses	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Other reserves	Life insurance in-force business reserve	Foreign currency translation reserve	Reserve of disposal group and assets held for sale (Note 20)	**Total**		
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	**€000**
1 January 2015	**892.238**	**552.539**	**1.952.486**	**441**	**(88.051)**	**(79.021)**	**115.830**	**2.226**	**6.059**	**97.698**	**22.929**	**(9.882)**	**3.465.492**	**15.555**	**3.481.047**
Profit/(loss) for the period	-	-	-	-	-	73.209	-	-	-	-	-	-	**73.209**	(14.983)	**58.226**
Other comprehensive (loss)/income after tax for the period	-	-	-	-	-	-	(255)	(2.510)	-	-	(14.374)	28.659	**11.520**	3.309	**14.829**
Total comprehensive income/(loss)for the period	-	-	-	-	-	73.209	(255)	(2.510)	-	-	(14.374)	28.659	**84.729**	(11.674)	**73.055**
Issue of share capital	56	79	-	-	-	-	-	-	-	-	-	-	**135**	-	**135**
Transfer of realised losses on sale of properties	-	-	-	-	-	(1.565)	1.641	-	-	-	-	(76)	**-**	-	**-**
Acquisition of non-controlling interests	-	-	-	-	-	(68)	-	-	-	-	-	-	**(68)**	68	**-**
Disposal of subsidiaries	-	-	-	-	-	6.805	-	-	-	-	-	(6.805)	**-**	(18.112)	**(18.112)**
Increase in shareholding of subsidiaries	-	-	-	-	-	(37.094)	-	-	-	-	11.693	-	**(25.401)**	25.401	**-**
Debt capitalisation for subsidiary non-controlling interests	-	-	-	-	-	(9.293)	-	-	-	-	-	-	**(9.293)**	9.293	**-**
Increase in value of in-force life insurance business	-	-	-	-	-	(1.323)	-	-	-	1.323	-	-	**-**	-	**-**
Tax on increase in value of in-force life insurance business	-	-	-	-	-	121	-	-	-	(121)	-	-	**-**	-	**-**
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	**-**	(918)	**(918)**
Disposals of treasury shares	-	-	-	(441)	42.242	(38.934)	-	-	-	-	-	-	**2.867**	-	**2.867**
Reclassification from assets held-for-sale	-	-	-	-	-	-	272	-	-	-	11.624	(11.896)	**-**	-	**-**
30 September 2015	**892.294**	**552.618**	**1.952.486**	**-**	**(45.809)**	**(87.163)**	**117.488**	**(284)**	**6.059**	**98.900**	**31.872**	**-**	**3.518.461**	**19.613**	**3.538.074**

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

Non-cash transactions

Nine months ended 30 September 2016

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

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

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

Nine months ended 30 September 2015

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

1. Corporate information

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

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

Interim Condensed Consolidated Financial Statements

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

2. Unaudited financial statements

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

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

3. Basis of preparation

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

3.1 Statement of compliance

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

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

3.2 Comparative information

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

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

4. Accounting policies

New and amended standards and interpretations

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

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

5. Going concern

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

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

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

The Group’s management, taking into consideration the factors described below and the uncertainties that existed at the reporting date, is satisfied that the Group has the resources to continue in business for the foreseeable future and, therefore, the going concern principle is appropriate for the reasons set out below, despite the fact that, as disclosed in Notes 6.2.3 and 29, it is currently in breach of the regulatory liquidity ratios in Cyprus, which can be considered as a material uncertainty as to its ability to continue as a going concern.

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

5. Going concern (continued)

- The improved ratings of both the Company (Fitch Ratings upgrade of Long-term Issuer Default Rating from 'CCC' to 'B-' in April 2016 with stable outlook, and Moody's Investor Service upgrade of long-term deposit rate from Caa3 with stable outlook to Caa3 with positive outlook in June 2016) and the Republic of Cyprus (Fitch Ratings upgrade by two notches to B+ with a positive outlook in October 2015, S&P Global Rating by one notch to BB- with a positive outlook in September 2015 and Moody's Investors Service by two notches to B1 with a stable outlook in November 2015). In September 2016, S&P Global Rating improved their rating on the Republic of Cyprus to BB with a positive outlook. In October 2016 Fitch Ratings improved their rating on the Republic of Cyprus to BB- with a positive outlook. In November 2016 Moody's Investors Service improved the outlook on the Republic of Cyprus from stable to positive.

6. Operating environment

6.1 Cyprus

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

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

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

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

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

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

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

The international credit rating agencies have upgraded the rating of the country. Fitch Ratings upgraded the rating of the Republic of Cyprus by two notches to B+ with a positive outlook in October 2015, S&P Global Rating by one notch to BB- with a positive outlook in September 2015 and Moody's Investors Service by two notches to B1 with a stable outlook in November 2015. In September 2016, S&P Global Rating improved their rating on the Republic of Cyprus to BB with a positive outlook. In October 2016 Fitch Ratings improved their rating on the Republic of Cyprus to BB- with a positive outlook. In November 2016 Moody's Investors Service improved the outlook on the Republic of Cyprus from stable to positive.

6. Operating environment (continued)

6.1 Cyprus (continued)

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

6.2 The Group

6.2.1 Regulatory capital ratios

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

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

The Group is also subject to additional capital requirements for risks which are not covered by the Pillar I capital requirements (Pillar II add-ons). The Pillar II total minimum CET1 capital was determined by the European Central Bank (ECB) at 11,75% in November 2015. The Group's capital position at 30 September 2016 exceeds its Pillar I and its Pillar II add-on capital requirements. However, the Group's Pillar II add-on capital requirements are a point-in-time assessment and therefore are subject to change over time.

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

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

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

6.2.2 Asset quality

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

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

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

6. Operating environment (continued)

6.2 The Group (continued)

6.2.3 Liquidity

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

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

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

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

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

Cyprus exited its economic adjustment programme in March 2016. The credit ratings of the Republic of Cyprus by the main credit rating agencies continue to be below investment grade. As a result, the ECB is no longer able to include Cyprus Government bonds in its asset purchase programme, or as eligible collateral for Eurosystem monetary operations, as was the case when the waiver for collateral eligibility due to the country being under an economic adjustment programme existed. This resulted in the repayment of ECB funding at the end of March 2016 for an amount of €100 million which was collateralised by Cyprus Government bonds and materially reduced the available ECB buffer (this buffer represents the amount that could be drawn from the ECB based on the collateral pledged). However, any Cyprus Government bonds that remain unencumbered can be considered as ELA eligible collateral.

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

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

6.2.4 Pending litigation and claims

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

6. Operating environment (continued)

6.2 The Group (continued)

6.2.4 Pending litigation and claims (continued)

Despite the novelty of the said claims and the uncertainties inherent in a unique situation, on the information available at present and on the basis of the law as it currently stands, the management considers that the said claims are considered unlikely to have a material adverse impact on the financial position and capital adequacy of the Group (Note 23).

7. Significant judgements, estimates and assumptions

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

The key assumptions concerning the future and other key sources of estimation of uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are described in the Annual Consolidated Financial Statements for the year ended 31 December 2015.

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

7.1 Provision for impairment of loans and advances to customers

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

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

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

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

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

7. Significant judgements, estimates and assumptions (continued)

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

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

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

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

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

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

The total amount of the Group's provision for impairment of loans and advances is inherently uncertain because it is highly sensitive to changes in economic and credit conditions across a number of geographical areas.

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

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

7. Significant judgements, estimates and assumptions (continued)

7.2 Tax

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

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

7.3 Classification of properties

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

7.4 Stock of property – estimation of net realisable value

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

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

7.5 Provisions

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

For a detailed description of the nature of uncertainties and assumptions and the effect on the amount and timing of pending litigation and claims refer to Note 23.

7.6 Exercise of significant influence

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

8. Segmental analysis

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

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

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

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

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

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

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

The disposal of the majority of the Russian operations was completed in September 2015 and the results of the Russian operations which have been disposed of are presented as discontinued operations in the comparative period. The results of the remaining Russian operations, being the management of a distressed loan portfolio, are presented within continuing operations of the 'Other countries' segment.

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

8. **Segmental analysis** (continued)

Continuing operations

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

8. **Segmental analysis** (continued)

Continuing operations (continued)

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

8. **Segmental analysis** (continued)

Discontinued operations

	Russia	Subsidiary acquired with the view to sale	**Total discontinued operations**
Nine months ended 30 September 2015	€000	€000	**€000**
Net interest income	16.353	-	**16.353**
Net fee and commission income	8.108	-	**8.108**
Net foreign exchange gains	1.537	-	**1.537**
Losses from revaluation and disposal of investment properties	(160)	-	**(160)**
Losses on disposal of stock of property	(66)	-	**(66)**
Other income	1.222	18.833	**20.055**
	26.994	18.833	**45.827**
Staff costs	(17.010)	(5.433)	**(22.443)**
Other operating expenses	(17.147)	(7.954)	**(25.101)**
	(7.163)	**5.446**	**(1.717)**
Provisions for impairment of loans and advances to customers and other customer credit losses	(42.665)	-	**(42.665)**
Impairment upon remeasurement of disposal group at fair value less costs to sell	(3.288)	-	**(3.288)**
(Loss)/profit on disposal of discontinued operations	(23.032)	5.640	**(17.392)**
(Loss) / profit before tax	**(76.148)**	**11.086**	**(65.062)**
Income tax	(45)	-	**(45)**
(Loss) / profit after tax	**(76.193)**	**11.086**	**(65.107)**
Non-controlling interests – loss/(profit)	10.630	(1.362)	**9.268**
(Loss) / profit after tax attributable to the owners of the Company	**(65.563)**	**9.724**	**(55.839)**

8. **Segmental analysis** (continued)

Analysis of total revenue

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

Continuing operations

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

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

Discontinued operations

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

8. Segmental analysis (continued)

Analysis of assets

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

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

Analysis of liabilities

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

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

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

Analysis by business line

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

Income and expenses directly associated with each business line are included in determining the line’s performance. Transfer pricing methodologies are applied between the business lines to present their results on an arm’s length basis. Total other operating income/(expense) includes net foreign exchange gains, net gains/(losses) on financial instrument transactions, insurance income net of claims and commissions, gains/(losses) from revaluation and disposal of investment properties, (losses)/gains on disposal of stock of property and other income. Total other operating income, staff costs and other operating expenses incurred directly by the business lines are allocated to the business lines as incurred. Indirect other operating income and indirect other operating expenses are allocated to the head office function. Notional tax at the 12,5% Cyprus tax rate is charged/credited on profit or loss before tax of each business line.

The business line ‘Other’ includes Group and head office functions such as treasury, finance, risk management, compliance, legal, corporate affairs and human resources. Head office functions provide services to the operating segments. From 2016 onwards, following the establishment of REMU in December 2015 real estate management results are also presented as a separate business line, as REMU is considered a separate operating segment and reported as such to management. No comparative information has been disclosed for the results of this new business line as this was only set up in December 2015.

8. Segmental analysis (continued)

Analysis by business line (continued)

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

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

8. **Segmental analysis** (continued)

Analysis by business line (continued)

	Corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	Insurance	Other	**Total Cyprus**
Nine months ended 30 September 2015	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
Net interest income	51.726	51.702	187.196	221.105	45.612	4.900	504	40.037	**602.782**
Net fee and commission income/(expense)	5.726	6.686	40.971	10.884	36.257	1.209	(1.992)	10.403	**110.144**
Total other operating income	476	453	3.434	236	5.358	2.835	31.749	49.428	**93.969**
	57.928	58.841	231.601	232.225	87.227	8.944	30.261	99.868	**806.895**
Staff costs and other operating expenses	(7.847)	(9.162)	(89.204)	(24.006)	(16.101)	(3.764)	(11.479)	(108.723)	**(270.286)**
Restructuring costs	-	-	(385)	(16.564)	(3)	(168)	-	(5.375)	**(22.495)**
	50.081	49.679	142.012	191.655	71.123	5.012	18.782	(14.230)	**514.114**
Gain on derecognition of loans and advances to customers and changes in expected cash flows	31.134	26.755	58.180	127.238	2.332	1.546	-	9.928	**257.113**
(Provisions)/reversal of provisions for impairment of loans and advances to customers 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	162.689	(148.066)	70.175	333	18.782	(26.433)	**237.676**
Income tax	(9.621)	(10.404)	(20.384)	16.438	(8.772)	(63)	(2.131)	18.509	**(16.428)**
Profit / (loss) after tax	67.344	72.827	142.305	(131.628)	61.403	270	16.651	(7.924)	**221.248**
Non-controlling interests - profit	-	-	-	-	-	-	-	(173)	**(173)**
Profit / (loss) after tax attributable to the owners of the Company	**67.344**	**72.827**	**142.305**	**(131.628)**	**61.403**	**270**	**16.651**	**(8.097)**	**221.075**

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

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

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

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

10. Staff costs and other operating expenses

Staff costs

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

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

Other operating expenses

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

10. Staff costs and other operating expenses (continued)

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

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

	Nine months ended 30 September		Three months ended 30 September	
	2016	2015	**2016**	2015
	€000	€000	**€000**	€000
Gain on derecognition of loans and advances to customers and changes in expected cash flows	**(37.994)**	(263.392)	**(15.828)**	(33.353)
Provisions net of reversals of provisions for impairment of loans and advances to customers and other customer credit losses				
Loans and advances to customers (Note 27)	**302.576**	628.801	**122.818**	161.692
Financial guarantees and commitments	**2.300**	(36.037)	**2.133**	(32.854)
	304.876	592.764	**124.951**	128.838
Impairment/(reversal of impairment) of other financial instruments				
Available-for-sale equity securities	**498**	1.616	**(32)**	388
Available-for-sale mutual funds	**56**	810	**-**	15
Loans and receivables debt securities	**-**	(167)	**-**	-
Loans and advances to banks	**13.820**	13.270	**-**	(200)
Other receivables	**(2.999)**	21.576	**(374)**	5.734
Deposits by banks	**447**	-	**-**	-
	11.822	37.105	**(406)**	5.937
Impairment of non-financial instruments				
Stock of property (Note 18)	**22.012**	-	**12.650**	-

12. Income tax

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

13. Earnings per share

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

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

13. Earnings per share (continued)

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

14. Investments

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

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

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

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

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

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

14. Investments (continued)

Reclassification of investments

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

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

14. Investments (continued)

Reclassification of investments (continued)

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

15. Derivative financial instruments

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

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

Hedge accounting

Hedges of net investments

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

As at 30 September 2016, deposits and forward exchange rate contracts amounting to €162.092 thousand and €167.951 thousand respectively (31 December 2015: €178.101 thousand and €151.246 thousand respectively) have been designated as hedging instruments and have given rise to a gain of €44.352 thousand (corresponding period of 2015: loss of €9.227 thousand; year ended 31 December 2015: loss of €22.860 thousand) which was recognised in the 'Foreign currency translation reserve' in the consolidated statement of comprehensive income, against the profit or loss from the retranslation of the net assets of the overseas subsidiaries and branches.

16. Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16. Fair value measurement (continued)

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

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

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

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

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

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

16. Fair value measurement (continued)

Model inputs for valuation (continued)

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

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

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

16. Fair value measurement (continued)

Model inputs for valuation (continued)

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

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

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

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

17. Loans and advances to customers

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

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

18. Stock of property

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

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

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

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

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

18. Stock of property (continued)

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

19. Prepayments, accrued income and other assets

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

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

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

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

Non-current assets and disposal group held for sale

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

Non-current liabilities and disposal group held for sale

Disposal group held for sale	**-**	3.677

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

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

Non-current assets held for sale

Investment properties
The investment properties classified as held for sale are properties which management is committed to sell and has proceeded with an active programme to complete this plan. The disposals are expected to take place within 12 months from the date of classification. Investment properties classified as held for sale are measured at fair value. The results of the fair value changes are presented within 'Gains/(losses) from revaluation and disposal of investment properties' in the consolidated income statement and are within the Cyprus operating segment for investment properties in Cyprus and in the Other countries operating segment for Greek, UK and Romanian investment properties.

Disposal group held for sale

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

21. Funding from central banks

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

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

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

In 2014 the Group participated in the TLTRO of the ECB. The interest rate on the TLTRO was fixed over its life at 15 bps (being a fixed spread of 10 bps over the MRO level prevailing at the time of allotment). The Company repaid the amount borrowed through the TLTRO of €500 million on 29 June 2016 and borrowed the same amount from the MRO. Since the end of June 2016 all the Company's funding from the ECB is through its MRO.

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

Details on encumbered assets related to the above funding facilities are disclosed in Note 29.

22. Customer deposits

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

By customer sector	Cyprus	United Kingdom	Romania	**Total**
30 September 2016	€000	€000	€000	**€000**
Corporate	1.110.219	44.487	1.398	**1.156.104**
SMEs	515.575	204.254	192	**720.021**
Retail	7.449.112	1.138.960	161	**8.588.233**
Restructuring				
– Corporate	222.875	-	-	**222.875**
– SMEs	27.302	-	-	**27.302**
Recoveries				
– Corporate	8.725	-	-	**8.725**
International banking services	4.141.240	-	-	**4.141.240**
Wealth management	735.160	43.264	-	**778.424**
	14.210.208	**1.430.965**	**1.751**	**15.642.924**
31 December 2015				
Corporate	978.672	40.425	2.242	**1.021.339**
SMEs	455.133	236.616	461	**692.210**
Retail	6.995.757	1.134.334	337	**8.130.428**
Restructuring				
– Corporate	189.196	-	-	**189.196**
– SMEs	35.363	-	-	**35.363**
Recoveries				
– Corporate	7.865	-	-	**7.865**
International banking services	3.710.742	-	-	**3.710.742**
Wealth management	318.362	75.176	-	**393.538**
	12.691.090	**1.486.551**	**3.040**	**14.180.681**

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

23. Accruals, deferred income and other liabilities

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

Provisions for pending litigation and claims

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

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

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

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

Pending litigation and claims

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

Apart from what is described below, the Group considers that none of these matters is material, either individually or in aggregate. The Group has not disclosed an estimate of the potential financial effect on its contingent liabilities arising from these matters where it is not practicable to do so because it is too early or the outcome is too uncertain or, in cases where it is practicable, where disclosure could prejudice conduct of the matters. Provisions have been recognised for those cases where the Group is able to estimate probable losses. Where an individual provision is material, the fact that a provision has been made is stated. Any provision recognised does not constitute an admission of wrongdoing or legal liability. While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of legal proceedings and regulatory matters as at 30 September 2016 and hence it is not believed that such matters, when concluded, will have a material impact upon the financial position of the Group.

Investigations and litigation relating to securities issued by the Company

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

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

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

Pending litigation and claims (continued)

Investigations and litigation relating to securities issued by the Company (continued)
The Company is defending these claims, particularly with respect to institutional investors and retail purchasers who received investment advice from independent investment advisors. In the case of retail investors, if it can be documented that the relevant Company officers 'persuaded' them to proceed with the purchase and/or purported to offer 'investment advice', the Company may face significant difficulties. To date, a small number of cases have been tried in Greece. The Company has appealed against any such cases which were not ruled in its favour. The resolution of the claims brought in the courts of Greece is expected to take a number of years. Provision has been made based on management's best estimate of probable outflows based on advice of counsel.

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

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

The Cyprus Securities and Exchange Commission (CySEC) Investigations
CySEC is currently in the process of investigating:

- Matters concerning possible price manipulation attributable to the Company for the period from 1 November 2009 to 30 June 2010 post the investment in Banca Transylvania.

- The adequacy of provisions for impairment of loans and advances in year 2013 in light of the results of the Asset Quality Review.

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

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

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

Bail-in related litigation
Depositors
A number of the Company's depositors, who allege that they were adversely affected by the bail-in, filed claims against the Company and other parties (such as the CBC and the Ministry of Finance of Cyprus) on the grounds that, inter alia, the 'Resolution Law of 2013' and the Bail-in Decrees were in conflict with the Constitution of the Republic of Cyprus and the European Convention on Human Rights. They are seeking damages for their alleged losses resulting from the bail-in of their deposits. The Company is defending these actions.

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

Pending litigation and claims (continued)

Bail-in related litigation (continued)
Shareholders
Numerous claims were filed by shareholders in 2013 (some of whom are current shareholders of the Company) against the Government and the CBC before the Supreme Court in relation to the dilution of their shareholding as a result of the recapitalisation pursuant to the Resolution Law and the Bail-in Decrees issued thereunder. These proceedings sought the cancellation and setting aside of the Bail-in Decrees as unconstitutional and/or unlawful and/or irregular. The Company appeared in these proceedings as an interested party to support the position that the cases should be adjudicated upon in the context of private law. The Supreme Court ruled in these cases in October 2014 that the proceedings fall within private and public law and thus fall within the jurisdiction of the District Courts.

As at the present date, both the Resolution Law and the Bail-in Decrees have not been annulled by a court of law and thus remain legally valid and in effect. It is expected that actions for damages will be instituted by the shareholders in due course before the District Courts of Cyprus.

Claims based on set-off
Certain claims have been filed by customers against the Company alleging that the implementation of the bail-in under the Bail-in Decrees was not carried out correctly in relation to them and, in particular, that their rights of set-off were not properly respected. The Company intends to contest such claims.

Laiki Bank depositors and shareholders
The Company has been joined as a defendant with regards to certain claims which have been brought against Laiki Bank by its depositors, shareholders and holders of debt securities. These claims have been brought on grounds similar to the claims brought by the Company’s bailed-in depositors and shareholders as described above. The Company, inter alia, maintains the position that it should not be a party to these proceedings.

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

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

Commission for the Protection of Competition Investigation
In April 2014, following an investigation, which began in 2010, the Cypriot Commission for the Protection of Competition (the CPC) issued a statement of objections, alleging violations of Cypriot and EU competition law relating to the activities and/or omissions in respect of card payment transactions by, among others, the Company and JCC Payment Systems Ltd (JCC), a card-processing business currently 75% owned by the Company.

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

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

Pending litigation and claims (continued)

CNP Arbitration

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

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

Provident fund cases

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

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

Employment litigation

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

Greek case

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

Swiss Francs loans litigation in Cyprus and UK

A number of actions have been instituted against the Company by borrowers who obtained loans in foreign currencies (mainly Swiss Francs). The central allegation in these cases is that the Company misled these borrowers and/or misrepresented matters, in violation of applicable law. The Company intends to contest such proceedings. The Group does not expect that these actions will have a material impact upon its financial position.

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

Pending litigation and claims (continued)

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

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

The Attorney General has filed a criminal case against the Company and five former members of the Board of Directors for alleged breach of Article 302 (conspiracy to defraud) of Cyprus' criminal code and Article 19 of the Manipulation of Insider Information and Market Manipulation (Market Abuse) Law. The alleged offence refers to the non-publication in a timely manner of the increased capital shortfall of the Company in 2012. The Company denies all allegations. The case is fixed for hearing on 21-23 November 2016 and 1-2 December 2016. The maximum penalty on the Company, if found guilty, will be the imposition of a fine that is not expected to have a material impact on the financial position of the Group.

The Attorney General has filed a separate criminal case against the Company and six former members of the Board of Directors for alleged breach of Article 19 of the Manipulation of Insider Information and Market Manipulation (Market Abuse) Law, with respect to the Greek Government Bonds. The alleged offence refers to the non-disclosure of the purchase of the Greek Government Bonds during a specified period. The Company denies all allegations. The next stage is that the case is fixed for plea on 22 November 2016. The maximum penalty on the Company, if found guilty, will be the imposition of a fine that is not expected to have a material impact on the financial position of the Group.

Other contingent liabilities

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

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

24. Share capital

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

24. Share capital (continued)

Issued share capital

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

All issued ordinary shares carry the same rights.

Share premium reserve

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

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

Capital reduction reserve

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

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

Treasury shares of the Company

Shares of the Company held by entities controlled by the Group are deducted from equity on the purchase, sale, issue or cancellation of such shares. No gain or loss is recognised in the consolidated income statement. During the nine months ended 30 September 2016 all treasury shares were disposed, therefore there were no treasury shares as at 30 September 2016 (31 December 2015: 5.136 thousand of a nominal value of €0,10 each. The total cost of acquisition of treasury shares at 31 December 2015 was €41.301 thousand).

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

Share-based payments-share options

On 24 November 2015, the Annual General Meeting of the Company's shareholders authorised the Board to establish and implement a Long Term Incentive Plan and allowed the Company the flexibility to increase the ratio of variable remuneration relative to fixed remuneration up to a maximum of 100% of fixed remuneration for members of senior management ('Shareholder Resolution'). The authorised Long Term Incentive Plan involved the granting of options for the acquisition of shares to a defined group of employees of the Group and under the current terms of the Shareholder Resolution:
(i) the total amount of shares that may be issued and allotted under the Long Term Incentive Plan shall not exceed 178.458.891 ordinary shares of nominal value of €0,10 each,
(ii) the exercise price shall be set at €0,25 per share,
(iii) the vested share options will only be able to be exercised three years after the grant date, and
(iv) any share options not exercised by 31 March 2026 will lapse.

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

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

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

25. Cash and cash equivalents

Cash and cash equivalents comprise:

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

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

	30 September 2016	31 December 2015
	€000	€000
Cash and non-obligatory balances with central banks	**1.454.029**	1.299.795
Obligatory balances with central banks	**133.357**	122.807
Total cash and balances with central banks	**1.587.386**	1.422.602

Loans and advances to banks with original maturity less than three months	**1.010.528**	1.085.098
Other restricted loans and advances to banks	**82.825**	82.123
Other loans and advances to banks	**90.226**	147.159
Total loans and advances to banks	**1.183.579**	1.314.380

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

26. Analysis of assets and liabilities by expected maturity

	30 September 2016			31 December 2015		
	Less than one year	**Over one year**	**Total**	Less than one year	Over one year	Total
Assets	**€000**	**€000**	**€000**	€000	€000	€000
Cash and balances with central banks	**1.455.382**	**132.004**	**1.587.386**	1.300.846	121.756	1.422.602
Loans and advances to banks	**1.027.676**	**155.903**	**1.183.579**	1.212.418	101.962	1.314.380
Derivative financial assets	**11.591**	**374**	**11.965**	13.939	84	14.023
Investments	**127.787**	**467.435**	**595.222**	348.596	660.691	1.009.287
Loans and advances to customers	**5.494.918**	**10.444.675**	**15.939.593**	5.147.878	12.043.754	17.191.632
Life insurance business assets attributable to policyholders	**12.388**	**478.115**	**490.503**	17.243	458.160	475.403
Prepayments, accrued income and other assets	**105.070**	**127.661**	**232.731**	87.690	194.090	281.780
Property, equipment and intangible assets	**-**	**424.424**	**424.424**	485	397.636	398.121
Investment properties	**-**	**37.519**	**37.519**	-	34.628	34.628
Investments in associates and joint ventures	**-**	**112.582**	**112.582**	-	107.753	107.753
Deferred tax assets	**4.800**	**445.597**	**450.397**	8.828	447.703	456.531
Stock of property	**352.242**	**952.386**	**1.304.628**	90.115	425.743	515.858
Non-current assets and disposal group held for sale	**11.569**	**-**	**11.569**	48.503	-	48.503
	8.603.423	**13.778.675**	**22.382.098**	8.276.541	14.993.960	23.270.501
Liabilities						
Deposits by banks	**289.257**	**82.121**	**371.378**	206.997	35.140	242.137
Funding from central banks	**1.300.045**	**650.000**	**1.950.045**	2.744.764	1.708.086	4.452.850
Repurchase agreements	**45.022**	**284.303**	**329.325**	111.605	256.546	368.151
Derivative financial liabilities	**5.444**	**45.016**	**50.460**	16.032	38.367	54.399
Customer deposits	**5.145.415**	**10.497.509**	**15.642.924**	4.981.609	9.199.072	14.180.681
Insurance liabilities	**81.211**	**493.375**	**574.586**	80.118	486.807	566.925
Accruals, deferred income and other liabilities	**240.728**	**74.848**	**315.576**	219.346	63.485	282.831
Debt securities in issue	**-**	**-**	**-**	712	-	712
Deferred tax liabilities	**428**	**44.712**	**45.140**	415	40.392	40.807
Non-current liabilities and disposal group held for sale	**-**	**-**	**-**	3.677	-	3.677
	7.107.550	**12.171.884**	**19.279.434**	8.365.275	11.827.895	20.193.170

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

The ELA funding which forms part of the funding from central banks has been included in the less than one year time band, since it is expected to be repaid within the year. The MRO funding which forms part of the funding from central banks has been included in the over one year time band since it is expected that it will continue to be required and available. It is noted, however, that funding under both ELA and MRO has a contractual maturity of less than one year.

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

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

Performing loans and advances to customers in Cyprus are classified based on the contractual repayment schedule. Overdraft accounts are classified in the over one year time band. The impaired loans as defined in Note 27, net of specific and collective provisions, and the loans which are past due for more than 90 days, are classified in the over one year time band except from expected receipts which are included within time bands, according to historic amounts of receipts in the last months.

A percentage of customer deposits in Cyprus maturing within one year is transferred in the over one year time band, based on the observed behavioural analysis. In the United Kingdom, Romania and Channel Islands deposits are classified on the basis of contractual maturities.

Trading investments are classified in the less than one year column.

The expected maturity of all prepayments, accrued income and other assets and accruals, deferred income and other liabilities is the same as their contractual maturity. If they don't have a contractual maturity, the expected maturity is based on the timing the asset is expected to be realised and the liability is expected to be settled.

27. Risk management – Credit risk

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

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

The Credit Risk department sets the Group's credit disbursement policies and monitors compliance with credit risk policy applicable to each business line and monitors the quality of the Group's loans and advances portfolio through the timely assessment of problematic customers. The credit exposures from related accounts are aggregated and monitored on a consolidated basis.

Credit Risk department, safeguards the effective management of credit risk at all stages of the credit cycle, monitors the quality of decisions and processes and ensures that credit sanctioning function is being properly managed.

The credit policies are combined with modern methods used for the assessment of the customers' creditworthiness (credit rating and credit scoring systems).

The loan portfolio is analysed on the basis of assessments about the customers' creditworthiness, their economic sector of activity and the country in which they operate.

The credit risk exposure of the Group is diversified both geographically and across the various sectors of the economy. The Credit Risk department determines the prohibitive/dangerous sectors of the economy and sets out stricter policy rules for these sectors, according to their degree of riskiness.

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

The Market Risk department assesses the credit risk relating to investments in liquid assets (mainly loans and advances to banks and debt securities) and submits its recommendations for limits to be set for banks and countries to the Assets and Liabilities Committee (ALCO) for approval.

27. Risk management – Credit risk (continued)

Maximum exposure to credit risk and collateral and other credit enhancements

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

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

27. Risk management – Credit risk (continued)

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

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

	30 September 2016	31 December 2015
On-balance sheet	**€000**	€000
Cyprus	**17.435.548**	18.851.208
Greece	**55.141**	57.032
Russia	**43.872**	93.432
United Kingdom	**1.607.997**	1.673.293
Romania	**178.000**	266.695
	19.320.558	20.941.660
Off-balance sheet		
Cyprus	**2.697.904**	2.736.014
Greece	**115.305**	131.172
Russia	**-**	20.000
United Kingdom	**17.253**	21.063
Romania	**425**	307
	2.830.887	2.908.556
Total on and off-balance sheet		
Cyprus	**20.133.452**	21.587.222
Greece	**170.446**	188.204
Russia	**43.872**	113.432
United Kingdom	**1.625.250**	1.694.356
Romania	**178.425**	267.002
	22.151.445	23.850.216

27. Risk management – Credit risk (continued)

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

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

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

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

The main types of collateral obtained by the Group are mortgages on real estate, cash collateral/blocked deposits, bank guarantees, government guarantees, pledges of equity securities and debt instruments of public companies, fixed and floating charges over corporate assets, assignment of life insurance policies, assignment of rights on certain contracts and personal and corporate guarantees.

The Group's management regularly monitors the changes in the market value of the collateral and, where necessary, requests the pledging of additional collateral in accordance with the relevant agreement.

Other financial instruments
Collateral held as security for financial assets other than loans and advances is determined by the nature of the financial instrument. Debt securities and other eligible bills are generally unsecured with the exception of asset-backed securities and similar instruments, which are secured by pools of financial assets. In addition, some debt securities are government-guaranteed.

The Group has chosen the ISDA Master Agreement for documenting its derivatives activity. It provides the contractual framework within which dealing activity across a full range of over-the-counter (OTC) products is conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement, if either party defaults. In most cases the parties execute a Credit Support Annex (CSA) in conjunction with the ISDA Master Agreement. Under a CSA, the collateral is passed between the parties in order to mitigate the market contingent counterparty risk inherent in their open positions.

Settlement risk arises in any situation where a payment in cash or securities is made in the expectation of a corresponding receipt in securities or cash. The Group sets daily settlement limits for each counterparty. Settlement risk is mitigated when transactions are effected via established payment systems or on a delivery upon payment basis.

Credit risk concentration of loans and advances to customers

There are restrictions on loan concentrations which are imposed by the Banking Law in Cyprus and the relevant CBC Directives and CRR. According to these restrictions, banks are prohibited from lending more than 25% of the capital base to a single customer group. The Group's risk appetite statement imposes stricter concentration limits and the Group is taking actions to run down those exposures which are in excess of these internal limits over time.

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

Fair value adjustment on initial recognition
The fair value adjustment on initial recognition relates to the loans and advances to customers acquired as part of the acquisition of certain operations of Laiki Bank in 2013 and originated credit impaired loans. In accordance with the provisions of IFRS 3 and IAS 39 this adjustment has decreased the gross balance of loans and advances to customers. However, for IFRS 7 disclosure purposes as well as for credit risk monitoring, the aforementioned adjustment is not presented within the gross balances of loans and advances.

27. Risk management – Credit risk (continued)

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

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

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

27. Risk management – Credit risk (continued)

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

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

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

27. Risk management – Credit risk (continued)

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

	Cyprus	Greece	United Kingdom	Romania	Russia	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
31 December 2015	€000	€000	€000	€000	€000	**€000**	**€000**	**€000**
By economic activity								
Trade	2.267.092	-	23.138	12.360	57.704	**2.360.294**	**(121.192)**	**2.239.102**
Manufacturing	801.536	-	9.214	7.604	15.066	**833.420**	**(31.596)**	**801.824**
Hotels and catering	1.463.129	-	98.871	6.209	-	**1.568.209**	**(77.444)**	**1.490.765**
Construction	3.976.254	-	27.119	56.830	10.457	**4.070.660**	**(335.803)**	**3.734.857**
Real estate	2.130.028	43.443	927.423	250.956	69.132	**3.420.982**	**(137.185)**	**3.283.797**
Private individuals	7.282.322	216	44.627	5.684	-	**7.332.849**	**(268.496)**	**7.064.353**
Professional and other services	1.595.010	-	64.398	38.834	96.542	**1.794.784**	**(101.913)**	**1.692.871**
Other sectors	1.145.327	24.866	12.325	28.759	-	**1.211.277**	**(133.781)**	**1.077.496**
	20.660.698	**68.525**	**1.207.115**	**407.236**	**248.901**	**22.592.475**	**(1.207.410)**	**21.385.065**
By customer sector								
Corporate	9.222.429	68.309	918.423	386.973	232.733	**10.828.867**	**(666.631)**	**10.162.236**
SMEs	4.408.096	-	248.647	17.523	9.520	**4.683.786**	**(263.630)**	**4.420.156**
Retail								
- housing	4.285.156	-	17.336	1.306	-	**4.303.798**	**(108.267)**	**4.195.531**
- consumer, credit cards and other	2.152.950	216	22.709	1.434	6.648	**2.183.957**	**(154.174)**	**2.029.783**
International banking services	528.795	-	-	-	-	**528.795**	**(8.056)**	**520.739**
Wealth management	63.272	-	-	-	-	**63.272**	**(6.652)**	**56.620**
	20.660.698	**68.525**	**1.207.115**	**407.236**	**248.901**	**22.592.475**	**(1.207.410)**	**21.385.065**

27. Risk management – Credit risk (continued)

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

	Cyprus	Greece	United Kingdom	Romania	Russia	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
31 December 2015 (represented)	€000	€000	€000	€000	€000	**€000**	**€000**	**€000**
By business line								
Corporate	2.188.777	68.309	918.423	305.980	219.040	**3.700.529**	**(83.695)**	**3.616.834**
SMEs	1.502.261	-	248.647	17.523	9.520	**1.777.951**	**(46.973)**	**1.730.978**
Retail								
- housing	3.657.181	-	17.336	1.306	-	**3.675.823**	**(45.585)**	**3.630.238**
- consumer, credit cards and other	1.409.855	216	22.709	1.434	-	**1.434.214**	**(36.834)**	**1.397.380**
Restructuring								
- major corporate	2.877.985	-	-	35.736	-	**2.913.721**	**(175.920)**	**2.737.801**
- corporate	1.814.518	-	-	-	-	**1.814.518**	**(75.945)**	**1.738.573**
- SMEs	1.376.635	-	-	-	-	**1.376.635**	**(67.758)**	**1.308.877**
Recoveries								
- corporate	2.341.149	-	-	45.257	13.693	**2.400.099**	**(331.071)**	**2.069.028**
- SMEs	1.529.200	-	-	-	-	**1.529.200**	**(148.899)**	**1.380.301**
- retail housing	627.975	-	-	-	-	**627.975**	**(62.682)**	**565.293**
- retail other	743.095	-	-	-	6.648	**749.743**	**(117.340)**	**632.403**
International banking services	528.795	-	-	-	-	**528.795**	**(8.056)**	**520.739**
Wealth management	63.272	-	-	-	-	**63.272**	**(6.652)**	**56.620**
	20.660.698	**68.525**	**1.207.115**	**407.236**	**248.901**	**22.592.475**	**(1.207.410)**	**21.385.065**

The loans and advances to customers in Cyprus include lending exposures to Greek entities granted by the Company in Cyprus in its normal course of business with a carrying value of €79.674 thousand (31 December 2015: €81.078 thousand) and lending exposures in Cyprus with collaterals in Greece with a carrying value of €144.575 thousand (31 December 2015: €69.983 thousand).

27. Risk management – Credit risk (continued)

Currency concentration of loans and advances to customers

	Cyprus	Greece	United Kingdom	Romania	Russia	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
30 September 2016	€000	€000	€000	€000	€000	**€000**	**€000**	**€000**
Euro	17.652.641	44.403	26.126	352.220	16.075	**18.091.465**	**(929.454)**	**17.162.011**
US Dollar	202.403	-	475	20	75.662	**278.560**	**(10.409)**	**268.151**
British Pound	67.709	-	1.186.076	85	-	**1.253.870**	**(7.651)**	**1.246.219**
Russian Rouble	2	-	-	-	100.389	**100.391**	**(2)**	**100.389**
Romanian Lei	1	-	-	1.316	-	**1.317**	**-**	**1.317**
Swiss Franc	751.731	-	7.524	-	-	**759.255**	**(32.719)**	**726.536**
Other currencies	98.392	-	12.264	-	-	**110.656**	**(8.449)**	**102.207**
	18.772.879	**44.403**	**1.232.465**	**353.641**	**192.126**	**20.595.514**	**(988.684)**	**19.606.830**
31 December 2015								
Euro	19.261.905	68.525	28.423	405.998	16.099	**19.780.950**	**(1.128.137)**	**18.652.813**
US Dollar	250.757	-	507	22	137.204	**388.490**	**(11.540)**	**376.950**
British Pound	49.052	-	1.154.110	93	-	**1.203.255**	**(10.121)**	**1.193.134**
Russian Rouble	108	-	-	-	95.598	**95.706**	**(1)**	**95.705**
Romanian Lei	1	-	-	1.123	-	**1.124**	**-**	**1.124**
Swiss Franc	1.028.865	-	13.492	-	-	**1.042.357**	**(51.761)**	**990.596**
Other currencies	70.010	-	10.583	-	-	**80.593**	**(5.850)**	**74.743**
	20.660.698	**68.525**	**1.207.115**	**407.236**	**248.901**	**22.592.475**	**(1.207.410)**	**21.385.065**

27. Risk management – Credit risk (continued)

Credit quality of loans and advances to customers

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

	30 September 2016			31 December 2015		
	Gross loans before fair value adjustment on initial recognition	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**	Gross loans before fair value adjustment on initial recognition	Fair value adjustment on initial recognition	Gross loans after fair value adjustment on initial recognition
	€000	**€000**	**€000**	€000	€000	€000
Neither past due nor impaired	**10.896.147**	**(168.573)**	**10.727.574**	10.442.903	(173.260)	10.269.643
Past due but not impaired	**2.488.188**	**(46.701)**	**2.441.487**	3.048.929	(60.803)	2.988.126
Impaired	**7.211.179**	**(773.410)**	**6.437.769**	9.100.643	(973.347)	8.127.296
	20.595.514	**(988.684)**	**19.606.830**	22.592.475	(1.207.410)	21.385.065

Past due loans are those with delayed payments or in excess of authorised credit limits. Impaired loans are those which are not considered fully collectable and for which a provision for impairment has been recognised on an individual basis or for which incurred losses exist at their initial recognition or customers in Debt Recovery.

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

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

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

The fair value of the collateral that the Group holds (to the extent that it mitigates credit risk) in respect of loans and advances to customers that are past due but not impaired as at 30 September 2016 is €1.993.242 thousand (31 December 2015: €2.466.960 thousand). The fair value of the collateral is capped to the gross carrying value of the loans and advances to customers.

27. Risk management – Credit risk (continued)

Credit quality of loans and advances to customers (continued)

Impaired loans and advances to customers

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

The fair value of the collateral presented above has been computed based on the extent that the collateral mitigates credit risk and has been capped to the gross carrying value of the loans and advances to customers.

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

Interest income on impaired loans

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

27. Risk management – Credit risk (continued)

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

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

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

30 September 2015					
1 January	2.867.345	9.275	415.894	195.334	**3.487.848**
Disposal of Russian operations	-	-	(238.012)	-	**(238.012)**
Foreign exchange and other adjustments	66.423	-	4.729	2.028	**73.180**
Transfer between geographical areas	(83.378)	6.329	-	77.049	**-**
Applied in writing off impaired loans and advances	(87.527)	(16.700)	(60.723)	(59.583)	**(224.533)**
Interest accrued on impaired loans and advances	(158.407)	(1.100)	-	(40)	**(159.547)**
Collection of loans and advances previously written off	2.561	-	-	3.916	**6.477**
Charge for the period – continuing operations (Note 11)	550.786	13.230	33.400	31.385	**628.801**
Charge for the period – discontinued operations (Note 8)	-	-	42.665	-	**42.665**
30 September	**3.157.803**	**11.034**	**197.953**	**250.089**	**3.616.879**
Individual impairment	**2.555.450**	**11.034**	**197.732**	**242.941**	**3.007.157**
Collective impairment	**602.353**	**-**	**221**	**7.148**	**609.722**

27. Risk management – Credit risk (continued)

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

There are no loans and advances to customers held for sale as at 30 September 2016 and 30 September 2015. The above table does not include the provisions for impairment on financial guarantees and commitments which are part of 'Accruals, deferred income and other liabilities' (Note 23).

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

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

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

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

27. Risk management – Credit risk (continued)

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

Sensitivity analysis

The Group has performed sensitivity analysis on certain of the loan impairment assumptions relating to the loan portfolio in Cyprus with reference date 30 September 2016. The impact on the provisions for impairment of loans and advances is presented below:

	Increase / (decrease) on provisions for impairment of loans and advances
Change in provisions assumptions:	**€000**
Increase the timing of recovery from collaterals by 1 year (to an average of 4 years) for the customers that were assessed on a collective basis, excluding any customers in Debt Recovery	27.557
Decrease the timing of recovery from collaterals by 1 year (to an average of 2 years) for the customers that were assessed on a collective basis, excluding any customers in Debt Recovery	(25.170)
Decrease the recoverable amount from collaterals of customers individually assessed and which have an identified impairment loss and all customers in Debt Recovery by 5% compared to the expected recoverable amount applied in the provisions calculations	108.175
Decrease the recoverable amount from collaterals of customers individually assessed and which have an identified impairment loss and all customers in Debt Recovery by 10% compared to the expected recoverable amount applied in the provisions calculations	217.377
Increase the recoverable amount from collaterals of customers individually assessed and which have an identified impairment loss and all customers in Debt Recovery by 5% compared to the expected recoverable amount applied in the provisions calculations	(106.829)
Increase the recoverable amount from collaterals of customers individually assessed and which have an identified impairment loss and all customers in Debt Recovery by 10% compared to the expected recoverable amount applied in the provisions calculations	(211.926)
Extend the timing of recovery from collaterals by 1 year and decrease the liquidation haircut by 20% on customers that have been individually assessed for impairment with an identified impairment loss and on customers collectively assessed for impairment	70.061
Decrease the timing of recovery from collaterals by 1 year and increase the liquidation haircut by 20% on customers that have been individually assessed for impairment with an identified impairment loss and on customers collectively assessed for impairment	(67.161)

27. Risk management – Credit risk (continued)

Forbearance

Forbearance measures occur in situations in which the borrower is considered to be unable to meet the terms and conditions of the contract due to financial difficulties. Taking into consideration these difficulties, the Group decides to modify the terms and conditions of the contract to provide the borrower the ability to service the debt or refinance the contract, either partially or fully.

The practice of extending forbearance measures constitutes a grant of a concession whether temporarily or permanently to that borrower. A concession may involve restructuring the contractual terms of a debt or payment in some form other than cash, such as an arrangement whereby the borrower transfers collateral pledged to the Group. As such, it constitutes an objective indicator that requires assessing whether impairment is needed.

Modifications of loans and advances that do not affect payment arrangements, such as restructuring of collateral or security arrangements are not regarded as sufficient to indicate impairment as by themselves they do not necessarily indicate credit distress affecting payment ability.

Rescheduled loans and advances are those facilities for which the Group has modified the repayment programme (provision of a grace period, suspension of the obligation to repay one or more instalments, reduction in the instalment amount and/or elimination of overdue instalments relating to capital or interest) and current accounts/overdrafts for which the credit limit has been increased with the sole purpose of covering an excess.

For an account to qualify for rescheduling it must meet certain criteria including that the client's business must be considered to be viable. The extent to which the Group reschedules accounts that are eligible under its existing policies may vary depending on its view of the prevailing economic conditions and other factors which may change from year to year. In addition, exceptions to policies and practices may be made in specific situations in response to legal or regulatory agreements or orders.

Forbearance activities may include measures that restructure the borrower's business (operational restructuring) and/or measures that restructure the borrower's financing (financial restructuring).

Restructuring options may be of a short or long-term nature or combination thereof. The Group has developed and deployed sustainable restructuring solutions, which are suitable for the borrower and acceptable for the Group.

Short-term restructuring solutions are defined as restructured repayment solutions of duration of less than two years. In the case of loans for the construction of commercial property and project finance, a short-term solution may not exceed one year.

Short-term restructuring solutions can include the following:

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

27. Risk management – Credit risk (continued)

Forbearance (continued)

Long-term restructuring solutions can include the following:

- Extension of maturity: extension of the maturity of the loan which allows a reduction in instalment amounts by spreading the repayments over a longer period.
- Additional security: when additional liens on unencumbered assets are obtained as additional security from the borrower in order to compensate for the higher risk exposure and as part of the restructuring process.
- Forbearance of penalties in loan agreements: waiver, temporary or permanent, of violations of covenants in the loan agreements.
- Rescheduling of payments: the existing contractual repayment schedule is adjusted to a new sustainable repayment program based on a realistic, current and forecasted, assessment of the cash flow generation of the borrower.
- Strengthening of the existing collateral: a restructuring solution may entail the pledge of additional security for instance, in order to compensate for the reduction in interest rates or to balance the advantages the borrower receives from the restructuring.
- New loan facilities: new loan facilities may be granted during a restructuring agreement, which may entail the pledge of additional security and in the case of inter-creditor arrangements the introduction of covenants in order to compensate for the additional risk incurred by the Group in providing a new financing to a distressed borrower.
- Debt consolidation: the combination of multiple exposures into a single loan or limited number of loans.
- Debt/equity swaps: partial set-off of the debt and obtaining of an equivalent amount of equity by the Group, with the remaining debt right-sized to the cash flows of the borrower to allow repayment to the Group from repayment on the re-sized debt and from the eventual sale of the equity stake in the business. This solution is used only in exceptional cases and only where all other efforts for restructuring are exhausted and after ensuring compliance with the banking law.
- Debt/asset swaps: agreement between the Group and the borrower to voluntarily dispose of the secured asset to partially or fully repay the debt. The asset may be acquired by the Group and any residual debt may be restructured within an appropriate repayment schedule in line with the borrower's reassessed repayment ability.
- Debt write-off: cancellation of part or the whole of the amount of debt outstanding by the borrower. The Group applies the debt forgiveness solution only as a last resort and in remote cases having taken into consideration the ability of the borrower to repay the remaining debt in the agreed timeframe and the moral hazard.
- Split and freeze: the customer's debt is split into sustainable and unsustainable parts. The sustainable part is restructured and continues to operate. The unsustainable part is 'frozen' for the restructured duration of the sustainable part. At the maturity of the restructuring, the frozen part is either forgiven pro-rata (based on the actual repayment of the sustainable part) or restructured.

Rescheduled loans and advances to customers

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

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

30 September 2016	Cyprus	Greece	Russia	United Kingdom	Romania	**Total**
	€000	€000	€000	€000	€000	**€000**
1 January	8.391.624	24.865	138.376	116.232	119.185	**8.790.282**
New loans and advances rescheduled in the period	847.572	-	-	50.106	18.216	**915.894**
Assets no longer classified as rescheduled (including repayments)	(1.116.866)	(46)	(73.479)	(44.860)	(1.409)	**(1.236.660)**
Applied in writing off rescheduled loans and advances	(557.524)	-	-	(273)	(188)	**(557.985)**
Interest accrued on rescheduled loans and advances	257.443	24	879	509	981	**259.836**
Foreign exchange adjustments	723	-	13.658	(14.184)	1.596	**1.793**
30 September	**7.822.972**	**24.843**	**79.434**	**107.530**	**138.381**	**8.173.160**
31 December 2015						
1 January	7.024.847	75.778	234.659	136.421	184.585	**7.656.290**
Disposal of Russian operations	-	-	(118.313)	-	-	**(118.313)**
New loans and advances rescheduled in the year	2.189.524	-	24.097	32.695	-	**2.246.316**
Assets no longer classified as rescheduled (including repayments)	(1.125.219)	(35.927)	-	(66.606)	(32.396)	**(1.260.148)**
Applied in writing off rescheduled loans and advances	(80.896)	(16.700)	-	-	(33.888)	**(131.484)**
Interest accrued on rescheduled loans and advances	337.231	1.714	10.424	5.538	1.687	**356.594**
Foreign exchange adjustments	46.137	-	(12.491)	8.184	(803)	**41.027**
31 December	**8.391.624**	**24.865**	**138.376**	**116.232**	**119.185**	**8.790.282**

The classification as rescheduled loans is discontinued when all EBA criteria for the discontinuation of the classification as forborne exposure are met. These are set out in EBA Final draft Implementing Technical Standards (ITS) on supervisory reporting and non-performing exposures.

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit quality

30 September 2016	Cyprus	Greece	Russia	United Kingdom	Romania	**Total**
	€000	€000	€000	€000	€000	**€000**
Neither past due nor impaired	4.201.642	-	-	88.523	57.143	**4.347.308**
Past due but not impaired	1.338.359	-	763	16.307	1.193	**1.356.622**
Impaired	2.282.971	24.843	78.671	2.700	80.045	**2.469.230**
	7.822.972	**24.843**	**79.434**	**107.530**	**138.381**	**8.173.160**
31 December 2015						
Neither past due nor impaired	3.636.868	-	-	84.829	60.182	**3.781.879**
Past due but not impaired	1.591.934	-	699	29.229	297	**1.622.159**
Impaired	3.162.822	24.865	137.677	2.174	58.706	**3.386.244**
	8.391.624	**24.865**	**138.376**	**116.232**	**119.185**	**8.790.282**

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Fair value of collateral

30 September 2016	Cyprus	Russia	United Kingdom	Romania	**Total**
	€000	€000	€000	€000	**€000**
Neither past due nor impaired	3.939.511	-	78.385	55.585	**4.073.481**
Past due but not impaired	1.132.586	763	5.948	1.193	**1.140.490**
Impaired	1.910.007	48.233	2.582	23.077	**1.983.899**
	6.982.104	**48.996**	**86.915**	**79.855**	**7.197.870**
31 December 2015					
Neither past due nor impaired	3.360.868	-	84.722	59.930	**3.505.520**
Past due but not impaired	1.407.575	696	29.182	178	**1.437.631**
Impaired	2.709.602	49.297	1.668	39.696	**2.800.263**
	7.478.045	**49.993**	**115.572**	**99.804**	**7.743.414**

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

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration

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

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

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

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

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

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

31 December 2015 (represented)	Cyprus	Greece	Russia	United Kingdom	Romania	**Total**
	€000	€000	€000	€000	€000	**€000**
By business line						
Corporate	647.785	24.865	133.932	99.603	115.639	**1.021.824**
SMEs	550.664	-	4.444	12.519	2.647	**570.274**
Retail						
- housing	1.562.149	-	-	-	-	**1.562.149**
- consumer, credit cards and other	468.368	-	-	4.110	153	**472.631**
Restructuring						
- major corporate	1.768.782	-	-	-	626	**1.769.408**
- corporate	1.272.086	-	-	-	-	**1.272.086**
- SMEs	798.010	-	-	-	-	**798.010**
Recoveries						
- corporate	679.654	-	-	-	120	**679.774**
- SMEs	371.779	-	-	-	-	**371.779**
- retail housing	123.519	-	-	-	-	**123.519**
- retail other	100.618	-	-	-	-	**100.618**
International banking services	42.481	-	-	-	-	**42.481**
Wealth management	5.729	-	-	-	-	**5.729**
	8.391.624	**24.865**	**138.376**	**116.232**	**119.185**	**8.790.282**

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Provisions for impairment

30 September 2016	Cyprus	Greece	Russia	United Kingdom	Romania	**Total**
	€000	€000	€000	€000	€000	**€000**
Individual impairment	952.015	24.843	60.041	1.852	56.235	**1.094.986**
Collective impairment	202.206	-	378	303	1.613	**204.500**
	1.154.221	**24.843**	**60.419**	**2.155**	**57.848**	**1.299.486**
31 December 2015						
Individual impairment	1.144.475	22.966	113.177	1.396	35.694	**1.317.708**
Collective impairment	207.106	-	49	266	1.813	**209.234**
	1.351.581	**22.966**	**113.226**	**1.662**	**37.507**	**1.526.942**

28. Risk management – Market risk

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

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

Currency risk
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Price risk
Equity securities price risk
The risk of loss from changes in the price of equity securities arises when there is an unfavourable change in the prices of equity securities held by the Group as investments.

Debt securities price risk
Debt securities price risk is the risk of loss as a result of adverse changes in the prices of debt securities held by the Group. Debt security prices change as the credit risk of the issuer changes and/or as the interest rate changes for fixed rate securities. The Group invests a significant part of its liquid assets in debt securities issued mostly by governments and banks.

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

29. Risk management – Liquidity risk and funding

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

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

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

Management and structure

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

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

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

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

Management and structure (continued)

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

Liquidity is also monitored daily by Market Risk, which is an independent department responsible to monitor compliance at the level of individual units, as well as at Group level, with both internal policies and limits, and with the limits set by the regulatory authorities in the countries where the Group operates. Market Risk reports to ALCO the regulatory liquidity position of the various units of the Group, at least monthly. It also provides the results of various stress tests to ALCO at least quarterly.

Liquidity is monitored and managed on an ongoing basis through:

(i) Risk appetite: established Group Risk Appetite together with the appropriate limits for the management of all risks including liquidity risk.
(ii) Liquidity policy: sets the responsibilities for managing liquidity risk as well as the framework and limits.
(iii) Liquidity limits: a number of internal and regulatory limits are monitored on a daily, monthly and quarterly basis. Where applicable, a traffic light system (RAG) has been introduced for the ratios, in order to raise flags when the ratios deteriorate.
(iv) Early warning indicators: monitoring of a range of market indicators for early signs of liquidity risk in the market or specific to the Group. These are designed to immediately identify the emergence of increased liquidity risk to maximise the time available to execute appropriate mitigating actions.
(v) Contingency Funding Plan: maintenance of a Contingency Funding Plan (CFP) which is designed to provide a framework where a liquidity stress could be effectively managed. The CFP provides a communication plan and includes management actions to respond to liquidity stresses.
(vi) Recovery Plan: the Group has developed a Recovery Plan. The key objectives are to provide the Group with a range of options to ensure its viability in a stress, to set consistent Early Warning and Recovery Indicators and to enable the Group to be adequately prepared to respond to stressed conditions.

Monitoring process

Daily

The daily monitoring of cash flows and highly liquid assets is important to safeguard and ensure the uninterrupted operations of the Group's activities. Market Risk prepares a report for submission to the CBC and ECB/Single Supervisory Mechanism (SSM), indicating the cash inflows and outflows observed in customer balances and other balances, as well as the opening and closing balances of cash. Also, Group Treasury monitors daily and intraday the inflows and outflows in the main currencies used by the Group.

Since May 2016, Market Risk also prepares stress testing for bank-specific, market wide and combined scenarios. The requirement is to have sufficient liquidity buffer to enable the Company to survive a two-week stress period, and adequate capacity to raise funding under a three month period, under all scenarios.

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

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

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

Monitoring process (continued)

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

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

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

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

Quarterly
The results of the stress testing scenarios prepared daily are reported to ALCO and Board Risk Committee quarterly. Moreover, Market Risk reports the Net Stable Funding Ratio (NSFR), Leverage Ratio to the CBC/ECB quarterly and various other liquidity reports, included in the short-term exercise of the SSM per their SREP guidelines.

Annually
The Group prepares on an annual basis its report on Internal Liquidity Adequacy Assessment Process (ILAAP). The report for the year 2015 was approved by the Board and was submitted to the CBC and the ECB within the deadline which was 30 April 2016.

As part of the Group's procedures for monitoring and managing liquidity risk, there is a Group Contingency Funding Plan for handling liquidity difficulties. The plan details the steps to be taken in the event that liquidity problems arise, which escalate to a special meeting of the extended ALCO. The plan sets out the members of this Committee and a series of the possible actions that can be taken. This plan, as well as the Group's Liquidity Policy, is reviewed by ALCO at least annually, during the ILAAP review. The latter submits the updated policy with its recommendations to the Board through the Board Risk Committee for approval. The approved policy is notified to the SSM.

Liquidity ratios

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

The Group's liquidity ratio was as follows:

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

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

Liquidity ratios (continued)

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

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

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

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

Sources of funding

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

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

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

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

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

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

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

Funding to subsidiaries

The funding provided by the Company to its subsidiaries for liquidity purposes is repayable as per the terms of the respective agreements. For lending provided for capital purposes (subordinated loan stocks) the prior approval of the regulator is usually required on any repayment before the maturity date and for Bank of Cyprus UK Ltd approval is also required for the final repayment. The Company's subsidiaries Bank of Cyprus UK Ltd and Bank of Cyprus (Channel Islands) Ltd, cannot place funds with the Group in excess of maximum limits set by the local regulator.

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

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

Funding to subsidiaries (continued)

The subsidiaries may proceed with dividend distributions in the form of cash to the Company, provided that they are not in breach of their regulatory capital and liquidity requirements. Certain subsidiaries have a recommendation from their regulator to avoid any dividend distribution at this point in time.

Collateral requirements

The carrying values of the Group's encumbered assets as at 30 September 2016 and 31 December 2015 are summarised below:

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

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

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

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

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

In August 2016, the Company cancelled two own-issued bonds guaranteed by the Republic of Cyprus of €500 million each. The bonds bore an annual fixed interest rate at 5%. The bonds were guaranteed by the Republic of Cyprus and were issued in accordance with the relevant legislation and decrees on the 'Granting of Government Guarantees for the Conclusion of Loans and/or the Issue of Bonds by Credit Institutions Law'. No liability from the issue of these bonds was presented in debt securities in issue in the consolidated balance sheet as all the bonds were held by the Company. The bonds were listed on the Cyprus Stock Exchange and were pledged as collateral for obtaining funding from central banks. One of the bonds has been released in June 2016 from the ELA pool of collateralised assets. After taking into consideration the significant reduction of ELA funding, the Board of Directors of the Company at its meeting held on 16 August 2016, decided to proceed with the cancellation of the two bonds. Given the decision for the cancellation, the CBC released the second bond on 19 August 2016. The two bonds were cancelled on 25 August 2016, following the approval/consent from the competent authorities.

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

Under the Programme, the Company issued in December 2011 covered bonds of €1.000 million. The covered bonds issued had a maturity of three years with a potential extension of their repayment by one year, bore interest at the three month Euribor plus 1,25% on a quarterly basis and were traded on the Luxemburg Bourse.

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

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

Collateral requirements (continued)

On 29 September 2015 the terms of the Covered Bond Programme and the outstanding €1.000 million covered bond were amended to a Conditional Pass–Through structure. As part of the restructuring, the outstanding principal of the retained covered bond was reduced to €650 million with a new maturity date of 12 December 2018. The credit rating of the covered bond was upgraded to an investment grade rating and the covered bond has become eligible collateral for the Eurosystem credit operations.

As from 2 October 2015 the covered bond has been placed as collateral for accessing funding from the ECB. Through this transaction, the Company has raised €550 million of ECB funding. Prior to the rating upgrade, the covered bond was used as collateral for ELA.

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

Cyprus exited its economic adjustment programme in March 2016. The credit ratings of the Republic of Cyprus by the main credit rating agencies continue to be below investment grade. As a result, the ECB is no longer able to include Cypriot Government Bonds in its asset purchase programme, or as eligible collateral for Eurosystem monetary operations, as was the case when the waiver for collateral eligibility due to the country being under an economic adjustment programme existed. This resulted in the repayment of ECB funding at the end of March 2016 for an amount of €100 million which was collateralised by Cyprus Government bonds and materially reduced the available ECB buffer (this buffer represents the amount that could be drawn from the ECB based on the collateral pledged). However, any Cyprus Government bonds that remain unencumbered can be considered as ELA eligible collateral.

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

30. Capital management

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

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

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

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

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

31. Related party transactions

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

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

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

In addition to loans and advances, there were contingent liabilities and commitments in respect of members of the Board of Directors and their connected persons, mainly in the form of documentary credits, guarantees and commitments to lend amounting to €47 thousand (31 December 2015: €135 thousand). There were also contingent liabilities and commitments to other key management personnel and their connected persons amounting to €382 thousand (31 December 2015: €856 thousand).

The total unsecured amount of the loans and advances and contingent liabilities and commitments to members of the Board of Directors, key management personnel and other connected persons (using forced-sale values for tangible collaterals and assigning no value to other types of collaterals) at 30 September 2016 amounted to €663 thousand (31 December 2015: €1.094 thousand).

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

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

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

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

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

31. Related party transactions (continued)

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

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

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

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

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

32. Group companies

The main subsidiary companies and branches included in the consolidated financial statements of the Group, their country of incorporation, their activities, and the percentage held by the Company (directly or indirectly) as at 30 September 2016 are:

Company	Country	Activities	Percentage holding (%)
Bank of Cyprus Public Company Ltd	Cyprus	Commercial bank	N/A
The Cyprus Investment and Securities Corporation Ltd (CISCO)	Cyprus	Investment banking, asset management and brokerage	100
General Insurance of Cyprus Ltd	Cyprus	General insurance	100
EuroLife Ltd	Cyprus	Life insurance	100
Kermia Ltd	Cyprus	Property trading and development	100
Kermia Properties & Investments Ltd	Cyprus	Property trading and development	100
Cytrustees Investment Public Company Ltd	Cyprus	Closed-end investment company	54
Finerose Properties Ltd	Cyprus	Financing services	100
LCP Holdings and Investments Public Ltd (formerly Laiki Capital Public Co Ltd)	Cyprus	Holding company	67
JCC Payment Systems Ltd	Cyprus	Card processing transaction services	75
CLR Investment Fund Public Ltd	Cyprus	Investment company	20
Auction Yard Ltd	Cyprus	Auction company	100
BOC Secretarial Company Ltd	Cyprus	Secretarial services	100
S.Z. Eliades Leisure Ltd	Cyprus	Land development and operation of a golf resort	70
Bank of Cyprus Public Company Ltd (branch of the Company)	Greece	Administration of guarantees and holding of real estate properties	N/A
Kyprou Zois (branch of EuroLife Ltd)	Greece	Life insurance	N/A
Kyprou Asfalistiki (branch of General Insurance of Cyprus Ltd)	Greece	General insurance	N/A
Bank of Cyprus UK Ltd	United Kingdom	Commercial bank	100
BOC Financial Services Ltd	United Kingdom	Financial advisory services	100
Bank of Cyprus (Channel Islands) Ltd	Channel Islands	Commercial bank	100
Bank of Cyprus Romania (branch of the Company)	Romania	Commercial bank	N/A
Cyprus Leasing Romania IFN SA	Romania	Leasing	100
MC Investment Assets Management LLC	Russia	Problem asset management company	100
Kyprou Finance (NL) B.V.	Netherlands	Financing services	100
Fortuna Astrum Ltd	Serbia	Problem asset management company	100

32. Group companies (continued)

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

Cyprus: Timeland Properties Ltd, Cobhan Properties Ltd, Bramwell Properties Ltd, Birkdale Properties Ltd, Newington Properties Ltd, Innerwick Properties Ltd, Ramendi Properties Ltd, Ligisimo Properties Ltd, Moonland Properties Ltd, Polkima Properties Ltd, Nalmosa Properties Ltd, Smooland Properties Ltd, Emovera Properties Ltd, Estaga Properties Ltd, Skellom Properties Ltd, Blodar Properties Ltd, Spaceglowing Properties Ltd, Threefield Properties Ltd, Lepidoland Properties Ltd, Ecunaland Properties Ltd, Tebane Properties Ltd, Cranmer Properties Ltd, Vieman Ltd, Les Coraux Estates Ltd, Natakon Company Ltd, Oceania Ltd, Dominion Industries Ltd, Ledra Estate Ltd, Eurolife Properties Ltd, Laiki Lefkothea Center Ltd, Labancor Ltd, Steparco Ltd, Joberco Ltd, Zecomex Ltd, Domita Estates Ltd, Memdes Estates Ltd, Pamaco Platres Complex Ltd, Vameron Properties Ltd, Thryan Properties Ltd, Otoba Properties Ltd, Edoric Properties Ltd, Canosa Properties Ltd, Silen Properties Ltd, Kernland Properties Ltd, Unduma Properties Ltd, Danoma Properties Ltd, Kimrar Properties Ltd, Jobelis Properties Ltd, Metin Properties Ltd, Pekiro Properties Ltd, Melsolia Properties Ltd, Nimoland Properties Ltd, Lozzaria Properties Ltd, Koralmon Properties Ltd, Petrassimo Properties Ltd, Kedonian Properties Ltd, Lasteno Properties Ltd, Armozio Properties Ltd, Spacous Properties Ltd, Calinora Properties Ltd, Marcozaco Properties Ltd, Soluto Properties Ltd, Solomaco Properties Ltd, Linaland Properties Ltd, Andaz Properties Ltd, Unital Properties Ltd, Neraland Properties Ltd, Canemia Properties Ltd, Pariza Properties Ltd, Wingstreet Properties Ltd, Nolory Properties Ltd, Lynoco Properties Ltd, Renalandia Properties Ltd, Fitrus Properties Ltd, Lisbo Properties Ltd, Mantinec Properties Ltd, Browneye Properties Ltd, Syniga Properties Ltd, Colar Properties Ltd, Irisa Properties Ltd, Valiro Properties Ltd, Avolo Properties Ltd, Bracando Properties Ltd, Provezaco Properties Ltd, Hillbay Properties Ltd, Jungax Properties Ltd, Ofraco Properties Ltd, Forenaco Properties Ltd, Vidalaco Properties Ltd, Jemina Properties Ltd, Hovita Properties Ltd, Flitous Properties Ltd, Badrul Properties Ltd, Belaland Properties Ltd, Glodas Properties Ltd, Belzeco Properties Ltd, Bothwick Properties Ltd, Fireford Properties Ltd, Citlali Properties Ltd, Endar Properties Ltd, Astromeria Properties Ltd, Orzo Properties Ltd, Basiga Properties Ltd, Regetona Properties Ltd, Arcandello Properties Ltd, Sylvesta Properties Ltd, Camela Properties Ltd, Nerofarm Properties Ltd, Subworld Properties Ltd, Jongeling Properties Ltd, Introserve Properties Ltd, Alomco Properties Ltd, Cereas Properties Ltd, Fareland Properties Ltd, Landeed Properties Ltd, Sindelaco Properties Ltd, Barosca Properties Ltd, Fogland Properties Ltd, Tebasco Properties Ltd, Dolapo Properties Ltd, Homirova Properties Ltd, Nabela Properties Ltd, Valecross Properties Ltd, Altco Properties Ltd, Forsban Properties Ltd, Marisaco Properties Ltd, Olivero Properties Ltd, Cavadino Properties Ltd, Jaselo Properties Ltd, Elosa Properties Ltd, Garveno Properties Ltd, Flona Properties Ltd, Toreva Properties Ltd, Resoma Properties Ltd, Singleserve Properties Ltd, Consento Properties Ltd, Mostero Properties Ltd, Helal Properties Ltd, Yossi Properties Ltd, Gozala Properties Ltd, Molla Properties Ltd, Lezanco Properties Ltd, Pendalo Properties Ltd, Frontyard Properties Ltd, Bascot Properties Ltd, Bonsova Properties Ltd, Givolo Properties Ltd, Nasebia Properties Ltd, Vanemar Properties Ltd, Garmozy Properties Ltd, Orasmo Properties Ltd, Palmco Properties Ltd, Crolandia Properties Ltd, Benely Properties Ltd, Arcozil Properties Ltd, Denmor Properties Ltd, Coramono Properties Ltd, Galozy Properties Ltd, Primantela Properties Ltd, Varony Properties Ltd and Thermano Properties Ltd.

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

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

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

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

32. Group companies (continued)

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

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

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

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

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

Greece: Kyprou Commercial SA and Kyprou Properties SA.

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

Termination of the leasing activities of Cyprus Leasing Romania IFN SA

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

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

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

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

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

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

Dissolution and disposal of subsidiaries

As at 30 September 2016, the following subsidiaries were in the process of dissolution or in the process of being struck off: Samarinda Navigation Co Ltd, Kyprou Securities SA, BOC Ventures Ltd, Tefkros Investments Ltd, Salecom Ltd, Longtail Properties Ltd, Diners Club (Cyprus) Ltd, Leasing Finance LLC, Corner LLC, Omiks Finance LLC and Unknownplan Properties SRL.

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

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

33. Acquisitions and disposals

33.1 Acquisition during 2016

33.1.1 Acquisition of S.Z. Eliades Leisure Ltd

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

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

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

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

No cash and cash equivalents were acquired.

33.2 Disposal during 2016

33.2.1 Disposal of Kermia Hotels Ltd and adjacent land

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

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

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

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

33. Acquisitions and disposals (continued)

33.3 Disposals during 2015

33.3.1 Disposal of the majority of the Group's Russian operations

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

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

Following the disposal of the Group's Russian operations, the remaining net exposure as at 30 September 2016 in Russia is €45.358 thousand, comprising primarily of customer loans.

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

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

Assets	**€000**
Cash and balances with central banks	**64.291**
Loans and advances to banks	**26.269**
Investments	**12.726**
Loans and advances to customers	**343.909**
Prepayments, accrued income and other assets	**41.950**
	489.145
Liabilities	
Deposits by banks	**24.422**
Customer deposits	**494.274**
Debt securities in issue	**139**
Subordinated loan stock	**2.673**
Accruals, deferred income and other liabilities	**4.976**
	526.484
Net liabilities	**(37.339)**

The sale consideration is analysed below:

	€000
Net cash consideration received, of which:	**2.896**
- Outflow of cash and cash equivalents	**(3.945)**

33. Acquisitions and disposals (continued)

33.3 Disposals during 2015 (continued)

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

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

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

33.3.2 Disposal of Aphrodite group

In September 2015, the Group completed the sale of shares representing a 65% shareholding in the Aphrodite Hills Resort Ltd and Aphrodite Hills (Lakkos tou Frangou) Ltd, for the amount of €500 thousand. Following the sale, the Group retained a 10% minority equity stake in the Aphrodite group. The transaction also involved the restructuring of the debt owed by these companies to the Group.

33.3.3 Disposal of Kyprou Leasing SA

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

34. Investments in associates and joint ventures

Carrying value of the investments in associates and joint ventures

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

34. Investments in associates and joint ventures (continued)

Investment in associates

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

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

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

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

Investment in joint ventures

Tsiros (Agios Tychon) Ltd
The Group holds a 50% shareholding in Tsiros (Agios Tychon) Ltd. The shareholder agreement with the other shareholder of Tsiros (Agios Tychon) Ltd stipulates a number of matters which require consent by both shareholders, therefore the Group considers that it jointly controls the company. The carrying value of Tsiros (Ayios Tychon) Ltd is restricted to zero.

35. Capital commitments

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

36. Events after the reporting date

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

The Board of Directors decided to proceed with an application for a standard listing on the London Stock Exchange (LSE). The Company intends to maintain a listing on the Cyprus Stock Exchange and will no longer be listed on the Athens Exchange.

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

36. Events after the reporting date (continued)

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

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

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

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

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

36.2 Other events after the reporting date

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

Ernst & Young Cyprus Ltd
Jean Nouvel Tower
6 Stasinou Avenue
P.O.Box 21656
1511 Nicosia, Cyprus

Tel: +357 22209999
Fax: +357 22209998
ey.com/cy

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

Introduction

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

Scope of Review

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

Conclusion

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

Building a better working world

Emphasis of matter

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

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

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