Hellenic Bank Group

Audited
Financial Statements

for the year ended 31 December 2015

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for the year ended 31 December 2015

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HELLENIC BANK PUBLIC COMPANY LIMITED
REPORT OF THE BOARD OF DIRECTORS

The Board of Directors submits to the shareholders its annual report together with the audited consolidated Financial Statements and the Bank's separate Financial Statements (hereinafter collectively referred to as "Financial Statements") for the year ended 31 December 2015.

ACTIVITIES AND BRANCH NETWORK

The principal activity of the Group during 2015 continued to be the provision of a wide range of banking and financial services, including financing, investment, insurance services, as well as custodian and factoring services.

The Bank provides banking and financial services through its branches in Cyprus and maintains Representative Offices in Moscow, Johannesburg, Saint Petersburg and Kiev. On 17 November 2015 the Bank was granted approval by the Central Bank of Cyprus for the operation of a Representative Office in Athens.

RESULTS OVERVIEW

The Group's profitability improved year-on-year especially considering the recognition in 4Q2015 of the additional provisions recommended by the Single Supervisory Mechanism (SSM) following the on-site inspection completed in the last quarter of the year.

Profit attributable to the Bank's shareholders for 2015 amounted to €12,1million (2014: loss of €118,6 million). The €4,8 million profit from discontinued operations in 2015 relates to the disposal in 1Q2015 of a building owned by the Group in Moscow, following the sale of its Russian banking subsidiary in 2014.

The Group's total assets amounted to €7,4 billion as at 31 December 2015 and decreased by 2% compared to December 2014. Shareholders' Funds have increased by 8% mainly as a result of internal capital generation and the €20 million issue of new capital to the European Bank for Reconstruction and Development (EBRD) in October 2015.

Income Statement Analysis

Net interest income
Net Interest Income for 2015 amounted to €145,4 million compared to €204,1 million for 2014. The year-on-year reduction of net interest income is partly due to methodological alignments being applied in the interest income recognition with the corresponding decrease in the provision for impairment losses on loans. For the full year the impact was at €41,2 million. The Group's net interest margin for 2015 amounted to 2,0% (2014: 3,2%). The reduction of loan interest rates early in the year (euro base rate on loans in euro has decreased in March 2015 by 1%) had an immediate negative effect on the Bank's interest margin, whereas the impact from reduction on deposit interest rates is being gradual in accordance with the maturity schedule of the fixed deposits.

Non-interest income
Total non-interest income reached €111,1 million and increased by 17% compared to last year. The increase was mainly due to the €16,7 million gain from the disposal of Cyprus Government Registered Development Stocks of nominal value €168 million, as part of the treasury activities.

Expenses
Total expenses for 2015 amounted to €152,1 million, increased by 8% compared to last year, due to an increase both in staff costs by 6% and an increase in administrative and other expenses by 11%. The increase of staff costs, which represented 53% of the Group's total expenses, was partly due to the increased number of employees to 1.555 as at 31 December 2015, compared to 1.423 a year ago. In 4Q2015, 36 members of staff opted to take the Special Early Retirement Scheme offered by the Bank with departure date being 31 January 2016. The administrative and other expenses amounted to €67,3 million showing an increase of 11% compared to the corresponding 2014 and included ex-gratia

payments, amounting to €3,1 million to the Group employees that had opted to take the Scheme. The cost to income ratio for 2015 was 59% compared to 47% in 2014.

Impairment losses and provisions to cover credit risk
In 2015, the provision charge for impairment losses to cover credit risk amounted to €100,8 million and decreased by €203,6 million compared to 2014. While the cost of risk remained high at 2,3% it was significantly improved from the 6,4% for 2014, reflecting on the deceleration of the formation of Non-Performing Exposures (NPEs), the recovery of the Cypriot economy as well as the loan restructuring efforts of the Bank. In fact, 4Q2015 showed an absolute decrease in the level of NPEs.

The Group increased the accumulated impairment losses taking into account the €71 million provisions recommended by the SSM. The provisioning process relates to accounts assessed individually and to accounts assessed collectively with provisioning models. For accounts assessed individually by the Bank, the provisions have been aligned with the SSM recommendations by increasing the provisions of specific accounts, whilst at the same time we had releases of provisions as a result of certain major restructurings which we have successfully completed. For accounts assessed collectively by the Bank, conservative assumptions have been adopted relating to extension of recovery periods and application of additional liquidation discounts that resulted in increased provisions aligned with the findings of the SSM.

Statement of Financial Position Analysis

Deposits
Customer deposits reached €6,1billion at 31 December 2015. The Group's focus in the deposit market is in attracting deposits which are sticky. During the year, the Bank decreased its cost of deposits in line with the decrease in the lending rates which occurred earlier in the year. Total deposits recorded only a 3% annual decrease, despite the drop in deposit interest rates offered by the Bank. The Bank's deposits market share as at 31 December 2015 was 13,5% (December 2014: 13,8%).

Loans
Since the beginning of the year the Bank has assumed a more active role in providing lending to creditworthy businesses and households. Gross loans remained stable throughout 2015 and as at 31 December 2015 amounted to €4,4 billion. During the year exposures of €124 million have been written off, mostly due to legal changes. The Bank's loan market share as at 31 December 2015 was 7,0% (December 2014: 7,1%). Net loans amounted to €3,1 billion and decreased by 4% compared to last year.

The Bank maintained a stable and healthy net loans to deposits ratio of 50% (2014: 51%).

Loan Portfolio Quality
During the 4th Quarter of 2015 the level of NPEs of the Group has declined following a period of stabilisation. As at 31 December 2015 NPEs amounted to €2.602 million (December 2014: €2.557 million). The ratio of NPEs to gross loans was 59,2% (December 2014: 58,0%). The ratio of NPEs to total gross loans, both excluding suspended interest, at 31 December 2015, was 56,0% (December 2014: 55,6%). The coverage of the NPEs by provisions, including suspended interest, (coverage ratio) was 50,1% (December 2014: 46,3%).

SHARE CAPITAL

At 31 December 2015, 198.434.584 fully paid shares were in issue, of a nominal value of €0,50 each (2014: 9.300.973.920 shares of a nominal value €0,01 each).

In January 2015, the Bank raised €3 million through the allotment of shares that corresponded to the unexercised 2014 Rights and in October 2015 the Bank issued shares to European Bank for Reconstruction and Development (EBRD) for a consideration of €20m.

Details on the development of the share capital are disclosed in Note 34 of the Financial Statements.

There are no restrictions on the transfer of the Bank's ordinary shares, other than the provisions of the Banking Law of Cyprus which require Central Bank's of Cyprus approval prior to acquiring shares of the

Bank in excess of certain thresholds and the requirements of the Directive on Insider Dealing and Market Manipulation, which relates to transactions with related parties.
The Bank does not have any shares in issue which carry special control rights.

LOAN CAPITAL

Loan capital developments for 2015 are disclosed in Note 33 of the Financial Statements.

CAPITAL BASE AND ADEQUACY

The Group maintains solid capital adequacy ratios, well above the minimum required by the relevant regulatory authorities. The Capital Adequacy Ratios of the Group and the Bank as at 31 December 2015 under Pillar I (transitional basis) were as follows:

- Total Capital Adequacy Ratio: 18,13% (Bank: 18,12%)
- Tier 1 Ratio: 17,68% (Bank: 17,66%)
- Common Equity Tier 1 Ratio (CET 1): 14,75% (Bank: 14,73%)

The Group's risk weighted assets amounted to €3.958 million as at 31 December 2015 (31 December 2014: €4.027 million).

The Central Bank of Cyprus (CBC), in its relevant circulars, set the minimum CET 1 ratio at 8% (Pillar I capital requirements). According to relevant guidelines of the ECB, the Group is subject to additional capital requirements (Pillar II add-ons), for risks which are not covered or not adequately covered by the Pillar I capital requirements.

As from 20 November 2015 the Bank is required to maintain, on a consolidated basis, a Common Equity Tier 1 (CET1) capital ratio of 11,75%, as such ratio is defined in Regulation (EU) No 575/2013 of the European Parliament and of the Council. ECB notification is required if the Bank does not, or is likely not to, exceed by 25 basic points the CET1 minimum capital requirement of 11,75% listed in the ECB notification. In addition, the Bank is prohibited from paying out dividends to shareholders until 31 December 2016. The decision was based on the Supervisory Review and Evaluation Process (SREP) conducted pursuant to Article 4(1)(f) of Regulation (EU) No 1024/2013 on the information available on 31 December 2014, and any other relevant information received after that date. The supervisory review and evaluation process has been conducted under the lead of the ECB.

Details of the capital management of the Group for the year 2015 are disclosed in Note 48 of the Financial Statements.

DIVIDEND

The Bank is currently under a regulatory dividend distribution prohibition and therefore the Board of Directors of the Bank will not propose payment of dividend for the year 2015 at the shareholders' Annual General Meeting. No dividend payment was proposed for the year 2014.

STRATEGIC TARGETS AND OUTLOOK

The Bank's strategy focuses on two aspects: "Fix" and "Build". The "Fix" aspect of the strategy predominantly relates to the reduction of the high level of NPEs. It also relates to advancements in technology and enhancement of the customer service, as well as simplification of procedures and processes. The "Build" aspect of the strategy relates to the growth of the loan portfolio and furthering the customer relationships, be those of a deposit or lending nature.

The Cypriot economy returned to positive growth rates in 2015, estimated growth is at +1,6%, following four years of recession. The successful implementation of Cyprus' macroeconomic adjustment program has significantly enhanced confidence in the Cypriot economy, both domestically and internationally. The recent favorable developments reflect the flexibility of the Cypriot economy, as well as the momentum and the potential of the modern economic environment in Cyprus.

In implementing its strategic targets, the Group is focused on supporting the economy's recovery and contributing towards sustainable economic growth. A key priority is to address the high level of NPEs which remain at unprecedented levels and pose major risks to the stability of the banking system and to the outlook for the economy. Improvement in the level of NPEs in the economy has been slow. The economic recovery is expected to accelerate the pace of improvement, which nonetheless still remains volatile and partly dependent on real estate prices. The Group's focus is on the implementation of sustainable restructuring solutions.

The Bank has managed to navigate successfully through the banking crisis. It has maintained throughout the crisis its reputation for stability and trust and is concentrating in its strengthening and better focusing of its market positioning. Through its focus on its "Fix" and "Build" strategy, the Group has all the ingredients to continue the implementation on its strategy for 2016. At the same time the environment remains fragile and volatile and the Bank will remain vigilant of developments to turn them into opportunities both in Cyprus and internationally.

RISK MANAGEMENT

The Group is exposed to a variety of risks, the most important of which are described and analysed in Note 48 of the Financial Statements. The management and monitoring of risks is centralised under a uniform management, which covers the entire range of the Group's operations.

AGREEMENTS WITH MEMBERS OF THE BOARD OF DIRECTORS OR THE STAFF OF THE BANK

The employment contracts of the Executive Member of the Board/Chief Executive Officer of the Bank and the Executive Member of the Board/Group General Manager Corporate Development, include terms governing payment of compensation as a result of their premature and unjustified termination by the Bank. More detailed reference is made in the Remuneration Policy Report for 2015.

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Code published by the Cyprus Stock Exchange (4th Edition Revised – April 2014) has been fully adopted by the Bank's Board of Directors.

The Board of Directors recognises the importance of implementing sound Corporate Governance based on the Code in combination with the mandate and practices followed by the various Committees of the Board of Directors in order to achieve the target for maximisation of the shareholders' investment.

The Corporate Governance Code is publicly available on the Cyprus Stock Exchange (CSE) website www.cse.com.cy.

Information on Members of the Board of Directors retiring and being eligible for re-election, as well as on the composition and operation of the Bank's Board of Directors and its committees are set out in section B of the Report on Corporate Governance.

Any amendments to the Articles of Association of the Company are only valid if approved by a Special Resolution at a General Meeting of the shareholders.

Details of restrictions in voting rights and special control rights in relation to the shares of the Bank are set out in the Share Capital section above.

The Board of Directors may issue share capital if there is sufficient authorised capital which has not been issued and as long as the new shares to be issued are offered first to the existing shareholders, pro-rata to their percentage holding in the Bank's share capital. In the event that a share capital increase requires an increase in the authorised share capital or if the new shares will not be offered to existing shareholders, the approval of the shareholders at a General Meeting must be obtained. The Board of Directors may also propose to a General Meeting of the shareholders a share buyback scheme.

SHAREHOLDERS HOLDING MORE THAN 5% OF THE SHARE CAPITAL

Shareholders holding more than 5% of the share capital of the Bank are disclosed in Note 42 of the Financial Statements.

PREPARATION OF PERIODIC REPORTS

The Group has in place an effective system of internal controls, the adequacy of which is evaluated at least annually by the Board of Directors and in more frequent intervals by the Board's Audit Committee, in respect of financial and operational systems as well as for compliance with any risk management regulations that may arise. The adequacy of the system of internal controls secures the validity of financial data and compliance with relevant legislation and aims to ensure the management of risks while providing reasonable assurance that no loss will incur.

The Group's internal audit and risk management systems incorporate effective procedures aiming at the identification and prevention of errors, omissions or fraud that could result in material misstatements during the preparation of Financial Statements and relevant disclosures are included in the periodic reporting provided by the Group based on Part II of the Transparency Requirements Law (Securities admitted to trading on a Regulated Market) Laws of 2007 up to 2014.

EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are disclosed in Note 49 of the Financial Statements.

BOARD OF DIRECTORS

The Members of the Board of Directors as at 31 December 2015 were the following:

Irena A. Georgiadou	Non-Executive Chairwoman
Marinos S. Yannopoulos	Non-Executive Vice Chairman
Dr Evripides A. Polykarpou	Non-Executive Member of the Board
Ioannis A. Matsis	Non-Executive Member of the Board
Marianna Pantelidou Neophytou	Non-Executive Member of the Board
David Whalen Bonanno	Non-Executive Member of the Board
Christodoulos A. Hadjistavris	Non-Executive Member of the Board
Andreas Christofides	Non-Executive Member of the Board
Lambros Papadopoulos	Non-Executive Member of the Board
Georgios Fereos	Executive Member of the Board
Henricus Lambertus (Bert) Pijls	Executive Member of the Board

During 2015 and 2016 there were the following changes in the Board of Directors of the Bank:

Mr Marinos S. Yannopoulos was elected Member of the Board of Directors on 28 May 2014 and was Non-Executive Vice Chairman from 17 July 2014 until 9 September 2014. He was Chief Executive Officer/Executive Member of the Board for the period from 9 September 2014 until 8 January 2015. He was appointed Vice Chairman of the Board of Directors on 24 September 2015.

Mr Henricus Lambertus (Bert) Pijls was appointed as Chief Executive Officer on 12 January 2015 and Executive Member of the Board on 16 January 2015.

Mr Georgios Fereos, who was a Non-Executive Member of the Board, was appointed with effect from 29 April 2015, as Executive Member of the Board of Directors. Mr Fereos was employed by the Bank from the 24 February 2015 as General Manager, Corporate Development.

Mr Andreas Christofides and Mr Lambros Papadopoulos were elected as new Members of the Board of Directors on 27 May 2015 and appointed Directors with effect from 3 July 2015 upon the approval of their appointment by the European Central Bank.

On 15 September 2015 Dr Andreas G. Charitou resigned as Member of the Board of Directors.

Mr Andrew Charles Wynn was appointed as an Independent Non-Executive Member of the Board of Directors of the Bank with effect from the 19 February 2016.

Reference to Directors' emoluments, fees and compensation is made in Note 41 of the Financial Statements.
In accordance with the Company's Articles of Association, Mrs Marianna Pantelidou Neophytou and Messrs Ioannis A. Matsis, Andrew Charles Wynn and Dr Evripides A. Polykarpou will retire, and being eligible, will offer themselves for re-election. The vacancies so created will be filled by election.

DIRECTORS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY

The interest in the Share Capital of the Bank held by Members of the Board of Directors are disclosed in Note 40 to the Financial Statements.

INDEPENDENT AUDITORS

The independent auditors KPMG Limited have expressed their willingness to continue in office as the Bank's auditors. A resolution authorising the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

On behalf of the Board of Directors,

Irena A. Georgiadou
Chairwoman

Nicosia, 31 March 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HELLENIC BANK PUBLIC COMPANY LIMITED

Report on the Consolidated and Bank's Separate Financial Statements

We have audited the Consolidated Financial Statements of **HELLENIC BANK PUBLIC COMPANY LIMITED** (the "Bank") and its subsidiaries (the "Group") and the Bank's separate Financial Statements on pages 11 to 129, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Bank as at 31 December 2015, the consolidated income statement, consolidated statements of comprehensive income, changes in equity and cash flows of the Group and the income statement and statements of comprehensive income, changes in equity and cash flows of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated and separate Financial Statements

The Board of Directors is responsible for the preparation of consolidated and separate Financial Statements of the Bank that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated and separate Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated and separate Financial Statements of the Bank based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate Financial Statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated and separate Financial Statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation of consolidated and separate Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated and separate Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Consolidated Financial Statements and the separate Financial Statements give a true and fair view of the financial position of the Group and the Bank as at 31 December 2015, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 as amended from time to time, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of these books.
- The consolidated and the separate Financial Statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated and the separate Financial Statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 3 to 8 is consistent with the consolidated and separate Financial Statements.

Pursuant to the requirements of the Directive DI190/2007/04 of the Cyprus Securities and Exchange Commission, we report that a corporate governance statement has been made for the information relating to paragraphs (a), (b), (c), (f) and (g) of article 5 of the said Directive, and it forms a special part of the Report of the Board of Directors.

Other matter

This report, including the opinion, has been prepared for and only for the Bank's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 as amended from time to time, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Panayiotis A. Peleties, FCA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors

14 Esperidon Street
1087 Nicosia
Cyprus
31 March 2016

HELLENIC BANK GROUP
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	**2015 €'000**	2014 €'000
Continuing Operations			
Interest income	4	**205.766**	288.029
Interest expense	5	**(60.406)**	(83.891)
Net interest income		**145.360**	204.138
Fee and commission income	6	**63.349**	63.657
Fee and commission expense	7	**(4.933)**	(4.933)
Net fee and commission income		**58.416**	58.724
Net gains on disposal and revaluation of foreign currencies and financial instruments	8	**32.603**	17.938
Other income	9	**20.035**	18.203
Total net income		**256.414**	299.003
Staff costs	10	**(80.048)**	(75.318)
Depreciation and amortisation	23,24	**(4.767)**	(5.260)
Administrative and other expenses	11	**(67.284)**	(60.550)
Total expenses		**(152.099)**	(141.128)
Profit from ordinary operations before impairment losses and provisions to cover credit risk		**104.315**	157.875
Impairment losses and provisions to cover credit risk	12	**(100.788)**	(304.397)
Profit/(loss) before taxation		**3.527**	(146.522)
Taxation	13	**4.642**	28.118
Profit/(loss) for the year from continuing operations		**8.169**	(118.404)
Discontinued Operations			
Profit from discontinued operations after taxation	14	**4.826**	822
Profit/(loss) for the year		**12.995**	(117.582)
Profit/(loss) attributable to:			
Shareholders of the parent company from continuing operations		**7.251**	(119.412)
Shareholders of the parent company from discontinued operations		**4.826**	822
		12.077	(118.590)
Non-controlling interests		**918**	1.008
Profit/(loss) for the year		**12.995**	(117.582)
Basic and diluted earnings/(loss) per share (cent)	15	**6,4**	(160,7)
Basic and diluted earnings/(loss) per share (cent) from continuing operations	15	**3,9**	(161,8)

The notes on pages 23 to 129 form an integral part of the Financial Statements.

HELLENIC BANK GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	**2015 €'000**	2014 €'000
Profit/(loss) for the year		**12.995**	(117.582)
Other comprehensive income/(expenses)			
Items that will not be reclassified in the income statement			
Deficit on revaluation of land and buildings	35	**--**	(6.152)
Taxation relating to components of other comprehensive income	13	**(41)**	1.421
		(41)	(4.731)
Items that are or may be reclassified subsequently in the income statement			
Surplus on revaluation of available for sale equity and debt securities		**16.083**	1.821
Amortisation of revaluation of reclassified debt securities available for sale	35	**(1.492)**	(1.430)
Transfer to the income statement on impairment of investments in equity and debt securities available for sale	35	**(315)**	--
		14.276	391
Other comprehensive income/(expenses) for the year net of taxation		**14.235**	(4.340)
Total comprehensive income/(expenses) for the year		**27.230**	(121.922)
Total comprehensive income/(expenses) for the year attributable to:			
Shareholders of the parent company from continuing operations		**21.500**	(123.825)
Shareholders of the parent company from discontinued operations		**4.826**	822
		26.326	(123.003)
Non-controlling interests		**904**	1.081
		27.230	(121.922)

The notes on pages 23 to 129 form an integral part of the Financial Statements.

HELLENIC BANK GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2015

Assets	Note	**2015 €'000**	2014 €'000
Cash and balances with Central Banks	16	**2.029.180**	2.175.599
Placements with other banks	17	**909.849**	1.122.058
Loans and advances to customers	18	**3.092.773**	3.221.055
Debt securities	19	**1.043.012**	779.726
Equity securities & Collective investment units	21	**15.140**	9.319
Property, plant and equipment	23	**98.564**	97.715
Intangible assets	24	**22.640**	19.683
Tax receivable		**66**	40
Assets of subsidiary company held for sale	25	**--**	4.546
Deferred tax asset	26	**58.094**	52.471
Other assets	27	**128.055**	69.351
Total assets		**7.397.373**	7.551.563
Liabilities			
Deposits by banks	28	**76.938**	70.760
Amounts due to Central Banks	29	**236.373**	236.014
Customer deposits and other customer accounts	30	**6.138.705**	6.345.948
Tax payable		**5.314**	5.260
Deferred tax liability	31	**1.472**	1.345
Liabilities of subsidiary company held for sale	25	**--**	1.044
Other liabilities	32	**114.307**	115.399
		6.573.109	6.775.770
Loan capital	33	**181.468**	181.448
Equity			
Share capital	34	**99.217**	93.010
Reserves		**540.380**	496.977
Equity attributable to shareholders of the parent company		**639.597**	589.987
Non-controlling interest		**3.199**	4.358
Total equity		**642.796**	594.345
Total liabilities and equity		**7.397.373**	7.551.563
Contingent liabilities and commitments	36	**790.047**	730.941

The Consolidated Financial Statements have been approved by the Board of Directors on 31 March 2016.

I. A. Georgiadou	H.L Pijls	L. Papadopoulos	A. Rouvas
Chairwoman of Board of Directors	Chief Executive Officer	Chairman of the Audit Committee of the Board	Group Chief Financial Officer

The Notes on pages 23 to 129 form an integral part of the Financial Statements.

HELLENIC BANK GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Attributable to shareholders of the parent company									
	Share Capital (Note 34) €'000	**Reduction of share capital Reserve (Note 34) €'000**	**Share premium reserve €'000**	**Revenue reserve €'000**	**Translation reserve €'000**	**Revaluation reserve (Note 35) €'000**	**Own shares reserve €'000**	**Total €'000**	**Non-controlling interest €'000**	**Total €'000**
Balance 1 January 2015	93.010	260.269	499.057	(297.345)	39	36.561	(1.604)	**589.987**	4.358	**594.345**
Total comprehensive income/(expenses) for the year net of taxation										
Profit for the year	--	--	--	12.077	--	--	--	**12.077**	918	**12.995**
Other comprehensive income/(expenses)	--	--	--	--	--	14.249	--	**14.249**	(14)	**14.235**
Transfer of excess depreciation on revaluation surplus	--	--	--	317	--	(317)	--	**--**	--	**--**
	--	--	--	12.394	--	13.932	--	**26.326**	904	**27.230**
Transactions with shareholders										
Contributions and distributions										
Issue of shares	5.333	--	14.667	--	--	--	--	**20.000**	--	**20.000**
Issue of shares from the exercise of rights	874	--	2.404	--	--	--	--	**3.278**	--	**3.278**
Expenses from issue of shares	--	--	(536)	--	--	--	--	**(536)**	--	**(536)**
Dividends by subsidiary	--	--	--	--	--	--	--	**--**	(2.063)	**(2.063)**
	6.207	--	16.535	--	--	--	--	**22.742**	(2.063)	**20.679**
Disposal of own shares	--	--	--	(1.062)	--	--	1.604	**542**	--	**542**
	--	--	--	(1.062)	--	--	1.604	**542**	--	**542**
31 December 2015	99.217	260.269	515.592	(286.013)	39	50.493	**--**	**639.597**	3.199	**642.796**

The notes on pages 23 to 129 form an integral part of the Financial Statements.

HELLENIC BANK GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Attributable to owners of the parent company									
	Share capital (Note 34) €'000	Reduction of share capital reserve (Note 34) €'000	Share premium reserve €'000	Revenue reserve €'000	Translation reserve €'000	Revaluation reserve (Note 35) €'000	Own shares reserve €'000	Total €'000	Non-controlling interest €'000	Total €'000
Balance 1 January 2014	26.888	260.269	245.073	(179.719)	39	41.938	--	**394.488**	4.333	**398.821**
Total comprehensive (expenses)/income for the year net of taxation										
(Loss)/profit for the year	--	--	--	(118.590)	--	--	--	**(118.590)**	1.008	**(117.582)**
Other comprehensive (expenses)/income	--	--	--	--	--	(4.413)	--	**(4.413)**	73	**(4.340)**
Transfer of excess depreciation on revaluation surplus	--	--	--	331	--	(331)	--	--	--	--
Transfer to revenue reserve due to disposal of property	--	--	--	633	--	(633)	--	--	--	--
	--	--	--	(117.626)	--	(5.377)	--	**(123.003)**	1.081	**(121.922)**
Transactions with shareholders										
Contributions and distributions										
Dividend paid	--	--	--	--	--	--	--	--	(1.056)	**(1.056)**
Shares held by Subsidiary company of the Group	--	--	--	--	--	--	(1.604)	**(1.604)**	--	**(1.604)**
Expenses from issue of shares	--	--	(5.842)	--	--	--	--	**(5.842)**	--	**(5.842)**
Issue of shares from conversion of CCS1	12.478	--	112.306	--	--	--	--	**124.784**	--	**124.784**
Issue of shares from the exercise of rights	53.644	--	147.520	--	--	--	--	**201.164**	--	**201.164**
	66.122	--	253.984	--	--	--	(1.604)	**318.502**	(1.056)	**317.446**
31 December 2014	93.010	260.269	499.057	(297.345)	39	36.561	(1.604)	**589.987**	4.358	**594.345**

The non-controlling interest represents the 27,5% of the subsidiary company of the Group , Hellenic Alico Life Insurance Company Ltd (see Note 22) which, for segmental analysis purposes, is included in the Insurances Services.

The notes on pages 23 to 129 form an integral part of the Financial Statements.

HELLENIC BANK GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	**2015 €'000**	2014 €'000
Cash flow from operating activities			
Group Profit/(loss) for the year		**12.995**	(117.582)
Depreciation of property, plant and equipment and amortisation of intangible assets	23,24	**4.767**	5.260
Loss on disposal of property, plant and equipment		**118**	38
(Gain)/loss on disposal and revaluation of investment in debt and equity securities		**(19.090)**	583
Impairment loss/(reversal of impairment loss) on debt securities, on equity securities and on investments in subsidiary companies	8	**25**	(1.066)
Impairment of stock of properties held for sale and own use property	11	**413**	9.334
Income from investments in debt and equity securities		**(21.967)**	(18.860)
Interest expense on loan capital		**907**	1.000
Impairment losses and provisions to cover credit risk	12	**100.788**	304.397
Gain from disposal of discontinued operations, after taxation	14	**(4.886)**	(2.955)
Gain from disposal of stock of properties held for sale		**(1.482)**	(94)
Taxation	13	**(4.642)**	(28.118)
Operating profit before working capital changes		**67.946**	151.937
(Increase)/decrease in loans and advances to customers and other assets		**(44.357)**	51.425
(Decrease)/ increase in customer deposits and other customer accounts and other liabilities		**(203.957)**	817.614
Decrease/(increase) in placements with other banks		**12.613**	(53.596)
Decrease/(increase) in deposits with Central Banks		**6.547**	(7.699)
Increase in amounts due to Central Banks		**359**	236.014
Increase in deposits by banks		**6.178**	23.398
Net cash (used in)/from operating activities before taxation		**(154.671)**	1.219.093
Tax paid		**(867)**	(393)
Net cash flow (used in)/from operating activities		**(155.538)**	1.218.700
Cash flow from investing activities			
Disposal of discontinued operations, net of cash disposed of		**4.022**	5.247
Income from investments in debt and equity securities		**21.967**	18.860
Net (additions)/disposals/maturity of investment in debt and equity securities		**(235.761)**	(123.836)
Additions of property, plant and equipment		**(4.928)**	(3.866)
Additions of intangible assets		**(3.777)**	(2.401)
Proceeds from the disposal of stock of properties held for sale		**14.200**	286
Proceeds from disposal of property, plant and equipment		**13**	1.377
Net cash flow used in investing activities		**(204.264)**	(104.333)
Cash flow from financing activities			
Expenses from increase in authorised capital and issue of shares and loan capital		**(536)**	(5.842)
Proceeds from the issue of share capital		**23.278**	201.164
Dividend paid by subsidiary company		**(2.063)**	(1.056)
Proceeds from the disposal of own shares		**562**	--
Interest paid on loan capital		**(907)**	(1.000)
Net cash flow from financing activities		**20.334**	193.266
Net (decrease)/increase in cash and cash equivalents		**(339.468)**	1.307.633
Effect of exchange rate fluctuations on cash and cash equivalents		**--**	4.049
Cash and cash equivalents at the beginning of the year		**3.127.423**	1.815.741
Cash and cash equivalents at the end of the year	39	**2.787.955**	3.127.423

The notes on pages 23 to 129 form an integral part of the Financial Statements.

HELLENIC BANK PUBLIC COMPANY LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	**2015 €'000**	2014 €'000
Continuing Operations			
Interest income	4	**205.705**	288.610
Interest expense	5	**(60.975)**	(84.648)
Net interest income		**144.730**	203.962
Fee and commission income	6	**61.805**	62.305
Fee and commission expense	7	**(2.677)**	(2.549)
Net fee and commission income		**59.128**	59.756
Net gains on disposal and revaluation of foreign currencies and financial instruments	8	**32.699**	17.290
Other income	9	**12.664**	6.325
Total net income		**249.221**	287.333
Staff costs	10	**(74.571)**	(69.715)
Depreciation and amortisation	23,24	**(4.640)**	(5.126)
Administrative and other expenses	11	**(64.173)**	(59.865)
Total expenses		**(143.384)**	(134.706)
Profit from ordinary operations before impairment losses and provisions to cover credit risk		**105.837**	152.627
Impairment losses and provisions to cover credit risk	12	**(100.788)**	(304.397)
Profit/(loss) before taxation		**5.049**	(151.770)
Taxation	13	**5.431**	28.504
Profit/(loss) for the year		**10.480**	(123.266)
Basic and diluted earnings/(loss) per share (cent)	15	**5,6**	(167,1)

The notes on pages 23 to 129 form an integral part of the Financial Statements.

HELLENIC BANK PUBLIC COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	**2015 €'000**	2014 €'000
Profit/(loss) for the year		**10.480**	(123.266)
Other comprehensive income/(expenses)			
Items that will not be reclassified in the income statement			
Deficit on revaluation of land and buildings	35	**--**	(5.937)
Taxation relating to components of other comprehensive income	13	**(38)**	1.423
		(38)	(4.514)
Items that are or may be reclassified subsequently in the income statement			
Surplus on revaluation of available for sale equity and debt securities	35	**16.155**	1.555
Amortisation of revaluation of reclassified debt securities available for sale	35	**(1.492)**	(1.430)
Transfer to the income statement on impairment of investments in equity and debt securities available for sale	35	**(315)**	--
		14.348	125
Other comprehensive income/(expenses) for the year net of taxation		**14.310**	(4.389)
Total comprehensive income/(expenses) for the year		**24.790**	(127.655)

The notes on pages 23 to 129 form an integral part of the Financial Statements.

HELLENIC BANK PUBLIC COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2015

Assets	Note	**2015 €'000**	2014 €'000
Cash and balances with Central Banks	16	**2.029.179**	2.175.598
Placements with other banks	17	**907.550**	1.119.732
Loans and advances to customers	18	**3.092.773**	3.221.055
Debt securities	19	**1.037.252**	773.123
Equity securities & Collective investment units	21	**8.094**	9.259
Investments in subsidiary companies	22	**38.169**	41.104
Amounts due from subsidiary companies		**90**	4.206
Property, plant and equipment	23	**91.726**	90.807
Intangible assets	24	**7.783**	4.823
Deferred tax asset	26	**58.093**	52.470
Other assets	27	**94.131**	37.656
Total assets		**7.364.840**	7.529.833
Liabilities			
Deposits by banks	28	**76.938**	70.760
Amounts due to Central Banks	29	**236.373**	236.014
Customer deposits and other customer accounts	30	**6.138.705**	6.345.948
Amounts due to subsidiary companies		**33.253**	42.795
Tax payable		**5.063**	5.070
Deferred tax liability	31	**1.337**	1.107
Other liabilities	32	**62.556**	65.056
		6.554.225	6.766.750
Loan capital	33	**181.468**	181.468
Equity			
Share capital	34	**99.217**	93.010
Reserves		**529.930**	488.605
Total equity		**629.147**	581.615
Total liabilities and equity		**7.364.840**	7.529.833
Contingent liabilities and commitments	36	**795.231**	730.941

The Financial Statements have been approved by the Board of Directors on 31 March 2016.

I. A. Georgiadou	H.L. Pijls	L. Papadopoulos	A. Rouvas
Chairwoman of Board of Directors	Chief Executive Officer	Chairman of the Audit Committee of the Board	Group Chief Financial Officer

The notes on pages 23 to 129 form an integral part of the Financial Statements.

HELLENIC BANK PUBLIC COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share Capital (Note 34) €'000	Reduction of share capital Reserve (Note 34) €'000	Share premium reserve €'000	Revenue reserve €'000	Translation reserve €'000	Revaluation reserve (Note35) €'000	Total €'000
Balance 1 January 2015	93.010	260.269	498.924	(304.254)	67	33.599	**581.615**
Total comprehensive income for the year net of taxation							
Profit for the year	--	--	--	10.480	--	--	**10.480**
Other comprehensive income	--	--	--	--	--	14.310	**14.310**
Transfer of excess depreciation on revaluation surplus	--	--	--	292	--	(292)	**--**
	--	--	--	10.772	--	14.018	**24.790**
Transactions with shareholders							
Contributions and distributions							
Issue of shares	5.333	--	14.667	--	--	--	**20.000**
Issue of shares from the exercise of rights	874	--	2.404	--	--	--	**3.278**
Expenses from issue of shares	--	--	(536)	--	--	--	**(536)**
	6.207	--	16.535	--	--	--	**22.742**
31 December 2015	99.217	260.269	515.459	(293.482)	67	47.617	**629.147**

The notes on pages 23 to 129 form an integral part of the Financial Statements.

HELLENIC BANK PUBLIC COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Share Capital (Note 34) €'000	Reduction of share capital Reserve (Note 34) €'000	Share premium reserve €'000	Revenue reserve €'000	Translation reserve €'000	Revaluation reserve (Note 35) €'000	Total €'000
Balance 1 January 2014	26.888	260.269	245.073	(181.952)	67	38.952	**389.297**
Total comprehensive expenses for the year net of taxation							
Loss for the year	--	--	--	(123.266)	--	--	**(123.266)**
Other comprehensive expenses	--	--	--	--	--	(4.389)	**(4.389)**
Transfer of excess depreciation on revaluation surplus	--	--	--	331	--	(331)	**--**
Transfer to revenue reserve due to disposal of property	--	--	--	633	--	(633)	**--**
	--	--	--	(122.302)	--	(5.353)	**(127.655)**
Transactions with shareholders							
Contributions and distributions							
Issue of shares from the conversion of CCS1	12.478	--	112.306	--	--	--	**124.784**
Issue of shares from the exercise of rights	53.644	--	147.520	--	--	--	**201.164**
Expenses from issue of shares	--	--	(5.975)	--	--	--	**(5.975)**
	66.122	--	253.851	--	--	--	**319.973**
31 December 2014	93.010	260.269	498.924	(304.254)	67	33.599	**581.615**

The notes on pages 23 to 129 form an integral part of the Financial Statements.

HELLENIC BANK PUBLIC COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	**2015 €'000**	2014 €'000
Cash flow from operating activities			
Bank profit/(loss) for the year		**10.480**	(123.266)
Depreciation of property, plant and equipment and amortisation of intangible assets	23,24	**4.640**	5.126
Loss on disposal of property, plant and equipment		**118**	24
(Gain)/loss on disposal and revaluation of investments in debt and equity securities		**(19.096)**	643
Impairment loss on debt securities, on equity securities and on investments in subsidiary companies	8	**25**	1.332
Impairment of stock of properties held for sale and own use property	11	**282**	9.162
Gain from the disposal of stock of properties held for sale		**(1.482)**	(94)
Income from investment in debt and equity securities		**(28.975)**	(22.683)
Interest expense on loan capital		**907**	1.021
Impairment losses and provisions to cover credit risk	12	**100.788**	304.397
(Gain)//loss from disposal of subsidiary	9,11	**(1.112)**	2.679
Taxation	13	**(5.431)**	(28.504)
Operating profit before working capital changes		**61.144**	149.837
(Increase)/decrease in loans and advances to customers and other assets		**(42.632)**	50.317
(Decrease)/increase in customer deposits and other customer accounts and other liabilities		**(209.092)**	819.335
Decrease/(increase) in placements with other banks		**12.590**	(54.819)
Decrease/(increase) in deposits with Central Banks		**6.547**	(7.749)
Increase in deposits by banks		**6.178**	23.402
Decrease in amounts due from subsidiary companies		**4.116**	1.394
Increase in amounts due to Central Banks		**359**	236.014
(Decrease)/increase in amounts due to subsidiary companies		**(9.542)**	3.872
Net cash (used in)/from operating activities before taxation		**(170.332)**	1.221.603
Tax paid		**(7)**	(9)
Net cash flow (used in)/from operating activities		**(170.339)**	1.221.594
Cash flow from investing activities			
Increase in investment in subsidiary		**--**	(300)
Proceeds from disposal of subsidiary		**4.052**	24.441
Income from investments in debt and equity securities		**28.975**	22.683
Net (additions)/disposals/maturity of investments in debt and equity securities		**(229.552)**	(124.513)
Additions of property, plant and equipment		**(4.880)**	(3.811)
Additions of intangible assets		**(3.767)**	(2.343)
Proceeds from the disposal of stock of properties held for sale		**14.200**	286
Proceeds from disposal of property, plant and equipment		**12**	1.380
Net cash flow used in investing activities		**(190.960)**	(82.177)
Cash flow from financing activities			
Expenses from increase in authorised capital and issue of shares and loan capital		**(536)**	(5.975)
Proceeds from the issue of share capital		**23.278**	201.164
Interest paid on loan capital		**(907)**	(1.021)
Net cash flow from financing activities		**21.835**	194.168
Net (decrease)/increase in cash and cash equivalents		**(339.464)**	1.333.585
Cash and cash equivalents at the beginning of the year		**3.125.248**	1.791.663
Cash and cash equivalents at the end of the year	39	**2.785.784**	3.125.248

The notes on pages 23 to 129 form an integral part of the Financial Statements.

1. INCORPORATION AND PRINCIPAL ACTIVITY

Hellenic Bank Public Company Ltd (the "Bank") was incorporated in Cyprus and is a public company in accordance with the provisions of the Companies Law Cap. 113, the Cyprus Stock Exchange Laws and Regulations and the Income Tax Laws. The Bank's registered office is located at 200, Corner of Limassol and Athalassa Avenues, 2025 Strovolos, P.O. Box 24747, 1394 Nicosia. The Bank is the holding company of Hellenic Bank Group (the "Group").

The principal activity of the Group is the provision of a wide range of banking and financial services, which include financial, investment and insurance services, as well as custodian and factoring services.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the Consolidated Financial Statements and the Bank's separate Financial Statements (hereafter collectively refer to as "Financial Statements") and have been applied consistently by all companies of the Group.

2.1. Basis of preparation

(a) Going concern principle
The Financial Statements have been prepared on a going concern basis.

(b) Statement of compliance
The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap.113, the Cyprus Stock Exchange and the Cyprus Securities and Exchange Commission Laws and Regulations.

(c) Basis of measurement
The Financial Statements have been prepared on historical cost basis, except from derivatives, financial assets at fair value through profit or loss and available for sale, which are measured at fair value and properties for own use which are measured at fair value less subsequent depreciation and impairment losses.

(d) Functional and presentation currency
The Financial Statements are presented in Euro (€), which is the functional currency of the Bank. All figures have been rounded to the nearest thousand, except when otherwise indicated.

2.2. Adoption of new and revised International Financial Reporting Standards (IFRS) and interpretations

As from 1st January 2015, the Group adopted all the changes to International Financial Reporting Standards (IFRS) as adopted by EU which are relevant to its operations. These adoptions did not have a material effect on the Financial Statements of the Group.

2.3. Standards and interpretations that are not yet effective

The following Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for annual periods beginning on 1 January 2015. The Group does not intend to adopt these standards prior to their effective date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Standards and Interpretations adopted by the EU

Amendment to IFRS 11 "Accounting for acquisitions of Interests in Joint Operations" (effective for annual periods beginning on or after 1st January 2016).

The amendment clarify that same general accounting concept is applied in accounting for business combinations or the acquisition of additional interests in joint operations that result in retaining joint control. The additional interest acquired in the joint operation should be measured at fair value. The previously acquired interest in the joint operation should not be remeasured. The Group does not expect the adoption of these amendments in future periods to have a material effect on its Financial Statements.

Amendments to IAS 1: Disclosure Initiative (effective for annual periods beginning on or after 1st January 2016).

Amendments to IAS 1: Disclosure Initiative addresses the disclosure requirements in existing Standards and develop principles for disclosures in the notes in the Financial Statements. The Group does not expect the adoption of these amendments in future periods to have a material effect on its Financial Statements.

IAS 27 (Amendments) "Equity method in separate Financial Statements" (effective for annual periods beginning on or after 1st January 2016).

The Amendments allow entities to account for their investments in subsidiaries, joint ventures and associates under the equity method in their separate Financial Statements. The Group does not expect the adoption of these amendments in future periods to have a material effect on its Financial Statements.

IAS 16 and IAS 41 (Amendments) "Bearer plants" (effective for annual periods beginning on or after 1st January 2016).

The amendments bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment. The Group does not expect the adoption of these amendments in future periods to have a material effect on its Financial Statements.

IAS 16 and IAS 38 (Amendments) "Clarification of acceptable methods of depreciation and amortisation" (effective for annual periods beginning on or after 1st January 2016).

The amendments to IAS 38 "Intangible Assets" establish the presumption that the use of revenue-based methods to calculate the amortisation of intangible assets is not appropriate. This presumption can only be rebutted when revenue and the consumption of the economic benefits embodied in an intangible asset are highly correlated or when the intangible assets are used as a measure of revenue. The amendments to IAS 16 "Property, plant and equipment" clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate for Property, Plant and Equipment. The Group does not expect the adoption of these amendments in future periods to have a material effect on its Financial Statements.

Annual Improvements to IFRSs 2012–2014 Cycle (effective the latest as from the commencement date of its first annual period beginning on or after 1st January 2016).

Annual Improvements to IFRSs 2012–2014 Cycle was issued by the IASB on 25 September 2014, a collection of amendments to IFRSs, in response to four issues addressed during the 2012-2014 cycle. The amendments reflect issues identified by the IASB during the project cycle that began in 2012, and that were subsequently included in the Exposure Draft of proposed amendments to IFRSs, Annual Improvements to IFRSs 2012-2014 Cycle (published in September 2014). The issues addressed in this cycle include the following: IFRS 5 "Changes in methods of disposal", IFRS 7 "Servicing contracts" and applicability of the amendments to IFRS 7 to condensed interim Financial Statements, IAS 19 "Discount rate" and IAS 34 "Disclosure of information elsewhere in the interim financial report'. The Group is currently evaluating the impact of the amendments on its Financial Statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

IAS 19 (Amendments) "Employee Benefits" (effective for annual periods beginning on or after 1st February 2015).

This amendment introduces important changes to the recognition and measurement of defined benefit plans and post-retirement benefits (elimination of the corridor method) as also to the disclosures of all employees' benefits. The basic changes relate to the recognition of actuarial profits and losses, the recognition of the service cost/curtailments to the measurement of pensions, the required disclosures for the treatment of expenses and taxes which relate to defined benefit plans and distinction between short and long term benefits. The Group does not expect the adoption of this standard to have a material effect on its Financial Statements.

Improvements to IFRSs 2010-2012 (effective for annual periods beginning on or after 1st February 2014).

In December 2013, the International Accounting Standards Board issued Annual Improvements to IFRSs 2010-2012 Cycle, a collection of amendments to IFRSs, in response to eight issues addressed during the 2010-2012 cycle. The amendments reflect issues discussed by the International Accounting Standards Board during the project cycle that began in 2010 and that were subsequently included in the exposure draft of proposed amendments to IFRSs, Annual Improvements to IFRSs 2010-2012 Cycle. The Group does not expect the adoption of these improvements to have a material effect on its Financial Statements.

(ii) Standards and Interpretations not adopted by the European Union

IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1st January 2016).

IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for "regulatory deferral account balances" in accordance with previous accounting policies, both on initial adoption of IFRS and in subsequent Financial Statements. The Group does not expect the adoption of this standard to have a material effect on its Financial Statements.

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1st January 2016).

In December 2014, the International Accounting Standards Board issued narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28. These amendments introduce clarifications to the requirements when accounting for investment entities, while they provide relief in particular circumstances, which will reduce the costs of applying the Standards. The Group does not expect the adoption of these amendments in future periods to have a material effect on its Financial Statements.

IFRS 15 "Revenue from contracts with customers" (effective for annual periods beginning on or after 1st January 2017).

The new standard may have a significant effect on how and when entities will recognise revenue from contracts with customers. IFRS 15 replaces the IAS 11 "Construction contracts", IAS 18 "Revenue", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate", IFRIC 18 "Transfers of Assets from Customers" and SIC-31 "Revenue - Barter Transactions Involving Advertising Services". The standard provides a single, principles based model to be applied to all contracts with customers and two approaches to the recognition of revenue: at a point in time or over time. The Group is currently evaluating the impact of the standard on its Financial Statements.

IAS 7 (Amendments) "Disclosure Initiative" (effective for annual accounting periods beginning on or after 1 January 2017).

The amendments are intended to clarify IAS 7 and improve information provided to users for an entity's financing activities. The amendments will require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (a) changes from financing cash flows; (b) changes arising from obtaining or losing control of subsidiaries or other businesses; (c) the effect of

changes in foreign exchange rates; (d) changes in fair values; and (e) other changes. The Group is currently evaluating the impact of these amendments on its Financial Statements.

IAS 12 (Amendments) "Recognition of Deferred Tax Assets for Unrealised Losses" (effective for annual accounting periods beginning on or after 1 January 2017).

The amendments will give clarifications in relation to the recognition of a deferred tax asset that is related to a debt instrument measured at fair value. Additionally, it clarifies that the carrying amount of an asset does not limit the estimation of probable future taxable profits and that estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. Finally, it clarifies that an entity assesses a deferred tax asset in combination with other deferred tax assets. Finally, where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. The Group is currently evaluating the impact of these amendments on its Financial Statements.

IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019).

IFRS 16 will supersede IAS 17 and related interpretations. The new standard will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however will remain largely unchanged and the distinction between operating and finance leases is retained. The Group does not expect the adoption of this standard in future periods to have a material effect on its Financial Statements.

IFRS 9 "Financial Instruments" (the International Accounting Standards Board decided temporarily to request the application of this standard for annual periods beginning on or after 1st January 2018).

On 24th of July 2014, the International Accounting Standards Board (IASB) published the final version of IFRS 9 "Financial Instruments" which will replace the requirements of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 abolishes the four categories of classification of financial instruments and financial assets are classified under one of the three measurement categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The new standard is effective for periods beginning on or after 1st of January 2018 with early adoption permitted, if the Group decides so, subject to its adoption by the competent EU bodies. IFRS 9 changes significantly the way provisions for impairment are calculated, since it involves losses in relation to events that have occurred, as well as part of losses that are expected to occur in the future ("expected credit loss"). Particular criteria are established to determine for which loans expected credit losses that may occur in the next 12 months will be recognised and for which loans expected credit losses that may occur by the final payment of these loans will be recognised. The Group is currently evaluating the impact of the standard on its Financial Statements.

2.4. Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Business combinations are accounted for by applying the acquisition method. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. Any goodwill which may arise is tested annually for impairment.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in the income statement. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Associates are entities in which the Group has significant influence, but not control, over their financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 per cent of the voting power of another entity. Associates are accounted for in the Consolidated Financial Statements using the equity method.

Intra-group balances, and income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group promotes the formation of special purpose vehicles (SPVs) for the purpose of asset securitisation transactions so as to accomplish defined objectives. The Group consolidates these SPVs if the substance of its relationship with them indicates that it has control over them.

Non-controlling interest relates to that portion of the income statement and net assets of a subsidiary, attributable to equity interests that are not owned directly or indirectly by the Group. The profits or losses attributable to non-controlling interest are disclosed on the face of the income statement as allocation of the income statement for the period/year. Non-controlling interest is presented on the face of the statement of financial position, within equity, separately from equity attributable to owners of the parent.

2.5. Investments in subsidiaries and associates

Investments in subsidiaries and associates are presented at cost in the Bank's statement of financial position less provision for impairment, where applicable.

2.6. Foreign currency

(a) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the exchange rate at the date when the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement, except for differences arising on the retranslation of a financial liability designated as the hedging instrument in a hedge of the net investment in a foreign operation or in a qualifying cash flows hedge, which are recognised directly in equity.

(b) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the Group's presentation currency (Euro) at exchange rates at the statement of financial position date. The income and expenses of foreign operations are translated into

Euro using the average exchange rates for the year. Exchange differences arising on translation of foreign operations are recognised directly in the translation reserve within equity. When a foreign operation is disposed of, the cumulative amount of the exchange differences recognised in equity and relating to that foreign operation is reclassified to the income statement when the gain or loss on disposal is recognised.

2.7. Turnover

Group turnover includes interest income, fee and commission income, net gains or losses on disposal and revaluation of foreign currencies and financial instruments and other income.

2.8. Interest income and expense

Interest income and expense are recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset or liability to the net carrying amount of the financial asset or liability.

Interest income on impaired loans and advances, which corresponds to the amount of the impairment loss (see Note 3.1), is suspended and transferred to a temporary income suspension account which is included in the accumulated impairment losses on the value of loans and advances.

2.9. Fee and commission income and expense

Fee and commission income and expense is recognised in the income statement on an accruals basis, as the related services are performed.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10. Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

2.11. Income from hire purchase

Income from hire purchase recognised in the income statement is calculated in a systematic manner on the basis of instalments falling due, in order to produce a constant periodic rate of return on the net investment outstanding.

Hire purchase debtors are included in loans and advances to customers in the consolidated statement of financial position, net of unearned charges attributable to future instalments.

2.12. Profit from the disposal of property held for sale

Profit on disposal of property held for sale is recognised in the consolidated income statement in "Other income" when the buyer accepts delivery and the transfer of risks and rewards to the buyer are completed.

2.13. Employee retirement benefits

The Group participates in two different defined contribution retirement plans.

The terms of employment of the majority of Group employees are in accordance with the provisions of the Collective Agreement between the Cyprus Bankers Employers Association and the Cyprus Union of Bank Employees under which a defined contributions Provident Fund for the Hellenic Bank Group staff was set up and since then operates in accordance with Cyprus legislation. In accordance with the Collective Agreement, as of 1st of January 2012, employer contributions to the Provident Fund amounted to 14% of the gross salary (basic salary plus cost of living allowance) of each employee. Following the conclusion on 17 March 2014 of a new agreement amending the Collective Agreement, the employers' contributions to the Provident Fund, with effect from 1 January 2014, were fixed at 9% for the years 2014 and 2015, 9,5% for 2016 and 11,5% for 2017.

A number of staff are employed on the basis of personalised employment contracts that are not in accordance with the terms of the Collective Agreement. These employees are members of a multi-employer defined contribution Provident Fund to which the employer contributes 9% of the employees' gross salary.

Group obligations towards the employees' retirement benefits are limited to payment of the contributions to each Provident Fund. Employer's contributions due for payment are recognised as staff expense.

Prepaid contributions are recognised as an asset to the extent that cash will be refunded or future payments will be reduced.

2.14. Income tax

Income tax expense comprises of current and deferred tax. It is recognised in the income statement unless it relates to items recognised directly in reserves or the statement of comprehensive income.

Current taxation represents the amount of income tax payable on the taxable income of a tax period, using tax rates prevailing as at the date of the statement of financial position as well as any adjustments to tax payable in respect of previous years' results.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and their tax base. Deferred tax asset is recognised only to the extent that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will realise.

Deferred tax assets arising from tax losses are recognised based on judgements of the Management of the Bank on its ability to generate future taxable profits. These judgements are based on available

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

information including historical data, improved macroeconomic estimates, the reduction in deposit rates, the stabilization of the non-performing loans and the increase in operations. It is therefore probable that the Bank will generate future taxable profits against which these assets can be utilised.

Deferred tax is calculated at tax rates expected to be applicable in the period during which the asset will be utilised or the liability will be settled taking into consideration the tax rates and legislation enacted or substantially enacted at the reporting date.

Tax assets and liabilities are offset if they relate to taxes imposed by the same tax authority provided it allows such settlements, and provided the intention of the Group is to either settle the net amount or realise the asset and settle the obligation simultaneously.

2.15. Special Levy

According to the "Special Levy on Credit Institutions Law of 2011 to 2015", special levy, is imposed on credit institutions on a quarterly basis, at the rate of 0,0375% on qualifying deposits held by each credit institution on 31st December, 31 March, 30 June and 30 September.

Based on the latest amendment of the Law published in the official Gazette on the 17th December 2015, as from 1st January 2015 until the 31st of December 2021 35/60 of the funds received will be deposited to the newly incorporated Recapitalisation Fund.

2.16. Financial instruments

(a) Recognition

The Group initially recognises loans and advances to customers, customer deposits and loan capital issued on the date at which they are originated. All other financial assets and liabilities are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

(b) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest or obligation in transferred assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligation is discharged, cancelled or expired.

(c) Offsetting

Financial assets and liabilities are set off and the net amount is presented in the statement of financial position only when the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(d) Initial measurement

A financial asset or financial liability is measured initially at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

(e) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group measures the fair value of an instrument using the quoted price in an active market, when available for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the main factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in the income statement on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(g) Derivatives

Derivatives include mainly forward contracts, interest rate and currency swaps, credit default swaps, futures and options.

Derivatives are recognised and measured at fair value. When their fair value is positive, derivatives are included in other assets and when their fair value is negative they are included in other liabilities. Changes in the fair value of derivatives are recognised in the income statement in net gains/(losses) on disposal and revaluation of foreign currencies and financial instruments.

(h) Financial Assets

The Group has classified its financial assets that comprise of balances with Central Banks, placements with other banks, loans and advances to customers, investments in debt securities and investment in equity securities and collective investments units, under the following four categories. Financial assets are classified in these categories upon their initial recognition based on their characteristics and the purpose for which they were acquired.

(i) Held to maturity

Held to maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity and they do not meet the loans and receivables definition.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

After initial measurement, held to maturity investments are measured at amortised cost using the effective interest method less provisions for impairment.

Sale or reclassification of a more than insignificant amount of held to maturity investments not close to their maturity, will result in the reclassification of all held to maturity investments as available for sale, and prevent the Group from classifying investment securities as held to maturity for the current and the following two financial years.

(ii) At fair value through profit or loss
Financial assets at fair value through profit or loss are analysed in two categories:

Financial Assets held for trading: include financial assets acquired or incurred principally for the purpose of selling or repurchasing them in the near term or which are part of a portfolio of identified financial assets that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Financial Assets designated as at fair value through profit or loss upon initial recognition: include financial assets initially designated in this category when this designation results in more relevant information, because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or

- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the Group's Key Management personnel.

The changes in fair value of financial assets at fair value through profit or loss are recognised in the income statement.

(iii) Available for sale
Available for sale investments are non-derivative financial assets that are designated as available for sale or are not classified under another category of financial assets. Available for sale investments may be held for an undetermined period of time or may be sold in response to changes in market risks or liquidity requirements.

Subsequent to initial recognition, available for sale investments are measured at fair value and changes therein, other than impairment losses are recognised directly in equity. When an investment is sold or impaired, the cumulative gain or loss previously recognised in equity is recognised in the income statement.

(iv) Loans and receivables
Financial assets classified as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. Cash and balances with Central Banks, Placements with other banks and Loans and advances to customers are classified under this category. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less provisions for impairment losses (see Note 3.1, 3.4)

(i) Loan capital
Loan capital is initially measured at the fair value of the consideration received minus transaction costs that are directly attributable to the issue of the loan capital. Subsequently it is measured at amortised cost using the effective interest method, in order to amortise the difference between the cost and the redemption value, over the period to the earliest date that the Bank has the right to redeem the loan capital.

(j) Convertible bonds
On issuance of compound financial instruments that contain both liability and equity elements, these are accounted for separately, as financial liabilities and equity respectively. When the initial carrying amount

of a compound financial instrument is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument, as a whole, the amount separately determined for the liability component. On initial recognition, the fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the conversion option.

No gain or loss arises from initially recognising the components of the instrument separately. The liability component is subsequently measured at amortised cost using the effective interest rate method in order to amortise the difference between the nominal value and the carrying value at inception until it is extinguished on conversion or redemption. The equity component is not subsequently remeasured.

(k) Convertible Capital Securities (CCS)

CCS are perpetual financial instruments issued by the Bank. They have no maturity date and can be converted to shares during the conversion periods upon their holder's decision. The Bank may, at its discretion, at any time, and taking account its financial position as well as its solvency, cancel the interest payment on a non-cumulative basis. Any cancellation of interest payment will be final and will no longer be payable by the Bank.

The Bank, in applying the provisions of the Prospectus dated 30th of September 2013, may, at its sole discretion, redeem the CCS at par, including accrued interest, excluding any cancelled interest, the whole or part of CCS1 or/and CCS2. In case of a redemption of part of the CCS1 or/and CCS2, the redemption will occur for all holders of CCS1 or/and CCS2 in proportion to the CCS1 or/and CCS2 they hold.

The CCS will be mandatorily converted into Bank's ordinary shares, if an Emergency of Capital or a Viability Event occurs, as defined by the Prospectus dated 30th of September 2013.

(l) Customer deposits and other customer accounts

Subsequent to initial recognition, customer deposits and other customer accounts are measured at amortised cost using the effective interest method, except for certain deposits linked to derivatives that the Group has elected to classify as financial liabilities at fair value through profit or loss. Any changes in fair value in respect of deposits designated as at fair value through profit or loss are recognised in the income statement.

2.17. Impairment

(a) Financial assets

At the end of each reporting period the Group assesses whether there is any objective evidence that financial assets not carried at fair value through profit or loss are impaired.

Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that the borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the Group, or economic conditions that correlate with defaults in the Group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(i) Loans and advances to customers

The Group reviews its loan portfolio, for evidence of impairment loss from past events, at both individual and collective basis. Significant loans are assessed at an individual basis. Significant loans individually assessed and found not to be impaired as well as non-significant loans are then collectively evaluated for impairment losses. These loans are grouped based on similar credit risk characteristics and evaluated for impairment. Impairment losses on the various groups are calculated on a collective basis. In assessing

collective impairment the Group uses historical trends of the probability of default demonstrated by the relevant groups with similar risk characteristics.

Impairment loss on loans and advances to customers is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the loan's original effective interest rate. Losses are recognised in the income statement and accumulated in an impairment loss reserve as stated in Note 3.1.

When a subsequent event causes the amount of the provision for impairment loss to decrease or amounts are collected from impaired loans, the decrease in impairment loss is reversed through the income statement.

(ii) Held to maturity investments and investments classified as loans and receivables
If there is objective evidence that an impairment loss on held to maturity investments and investments classified as loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the investment's original effective interest rate. The amount of the loss is recognised in the income statement and the carrying amount of investments is reduced.

For investments in debt securities, the principal indication of impairment is the downgrading of the credit rating of the issuer.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in the income statement.

(iii) Available for sale investments
When there is objective evidence that an available for sale investment is impaired, the cumulative loss that had been recognised in equity is reclassified from equity to the income statement. The amount of the cumulative loss that is reclassified from equity to the income statement is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that investment previously recognised in the income statement.

For investments in debt securities, the principal indication of impairment is the downgrading of the credit rating of the issuer. For investments in shares the main evidence of impairment is a significant or prolonged decline in the fair value below its cost. Generally, the Group considers that a reduction of 20% below cost is significant and a period of nine months is prolonged. However in special cases a smaller decrease or a shorter period may be objective evidence of impairment.

If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss will be reversed, with the amount of the reversal recognised in the income statement. Impairment losses recognised in the income statement for impaired available for sale equity securities are not reversed through the income statement but are recognised in equity.

(b) Non-financial assets
The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The loss from impairment of goodwill is not reversible. The loss from impairment of other non-financial assets is reversible only to the extent that the carrying value does not exceed net carrying value that the non-financial asset would have if the impairment loss was not recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18. Property, plant and equipment

Owner-occupied property is property held by the Group for use in the supply of services or for administrative purposes. The classification of property is reviewed on a regular basis to account for any major changes in use. Owner occupied land and buildings are initially recognised at cost and are subsequently measured at fair value less subsequent accumulated depreciation and impairment losses. Fair value is determined from market-based valuations undertaken by professionally qualified valuers periodically between three to five years. Plant and equipment is measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes all expenditure that is directly attributable to the acquisition of the asset.

Depreciation for property, plant and equipment is recognised in the income statement on a straight line basis over the estimated useful lives of the assets. Land is not depreciated.

The depreciation rates used are as follows:

Buildings	2%
Leasehold improvements	20%
Plant and equipment	10% to 25%

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Gains and losses on disposal of property, plant and equipment, that are determined as the difference between the net disposal proceeds and the carrying amount of the asset, are included in the income statement when the item is derecognised.

2.19. Property revaluation reserve

Any surplus arising on the revaluation of land and buildings is credited to the property revaluation reserve that is included in equity. If, after a revaluation, the depreciation charge is increased, then an amount equal to the increase (net of deferred taxation), is transferred annually from the property revaluation reserve to revenue reserves. Upon disposal of revalued property, any relevant accumulated revaluation surplus which remains in the property revaluation reserve is also transferred to revenue reserves.

2.20. Intangible assets

Goodwill
Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entities at the date of acquisition. When the excess is negative (negative goodwill) is recognised immediately in the income statement.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. The carrying amount of goodwill is reviewed for impairment at least on an annual basis.

Computer software
Computer software is measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the software estimated at five years.

2.21. Cash and cash equivalents

Cash and cash equivalents include cash and unrestricted balances with Central Banks, investment in debt securities, placements with other banks and repurchase agreements, with original maturities of less than three months.

Cash and cash equivalents are presented in the statement of financial position at amortised cost.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22. Share capital and Share premium reserve

The difference between the issue price of share capital and its nominal value is recognised in the share premium reserve.

Expenses incurred from increase of authorised capital and issue of share capital are directly recognised in equity in the same year.

2.23. Own shares reserve

Shares of the Bank held by the Group's subsidiaries are deducted from the equity on their purchase. When own shares are sold or reissued subsequently, no gain or loss is recognised in the consolidated income statement.

2.24. Derivatives and hedge accounting

The Group designates certain derivatives held for risk management purposes as hedging instruments in qualifying hedging relationships. Hedging relationships are classified as fair value hedges or cash flow hedges. A hedging relationship qualifies for hedge accounting if the following conditions are met:

(a) Existence of formal documentation describing the derivative and the hedging objectives, as well as the specific hedged item.

(b) Existence of documented risk management strategy according to which the hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk throughout the financial reporting periods for which the hedge was designated.

(c) Maintenance of reliable monitoring systems and verification of the high continuous effectiveness of the hedging derivative.

For fair value hedges, changes in the fair value of the derivative are recognised in the income statement together with changes in the value of the hedged item attributable to the hedged risk.

For cash flow hedges, the effective portion of changes in the fair value of the derivative is recognised directly in equity. The amount recognised in equity is removed and included in the income statement in the same period as the hedged cash flows affect the income statement under the same income statement line as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement.

If the hedge no longer meets the criteria for hedge accounting the relevant adjusting entries are made and hedge accounting is discontinued.

For the remaining derivatives where the criteria are not satisfied in order to qualify for hedge accounting or which are held for trading, the accounting policies for financial instruments held for trading are applied. Several of the derivatives have been acquired with the intention of hedging interest rate or foreign currency risks.

Certain derivative transactions, while providing effective economic hedges under risk management, do not qualify for the use of hedge accounting. These derivatives are included under other assets or liabilities, with any changes in their fair value recognised in the income statement for the year.

These include derivatives held for offsetting interest rate or other risks, in relation to other assets and liabilities that are selectively designated as at fair value through profit or loss and which do not qualify for the use of hedge accounting.

The Group also hedges the foreign currency risk that derives from the translation to Euro of the net position of its foreign subsidiaries by maintaining an open foreign exchange position. All exchange differences resulting from the translation of the open foreign exchange position are recognised in the translation reserve.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25. Repurchase agreements

Repurchase agreements represent agreements with Central Banks. Cash received under the agreements, including accrued interest, is recognised as a liability on the statement of financial position. The relevant debt securities disposed to be repurchased at a future date are not derecognised from the statement of financial position. The difference between the sales price and repurchase price is recognised as interest expense over the duration of the agreement using the effective interest rate method.

2.26. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that is responsible for allocating resources to and assessing the performance of the operating segments of the Group.

For management purposes, during 2015 the Group was organised into two operating segments:(i) Banking and financial services and (ii) Insurance services.

Management monitors the operating results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating income before taxation which is measured in the same manner as in the Consolidated Financial Statements.

Transfer prices between segments are on an arm's length basis in a manner similar to transactions with third parties. Balances and transactions between segments are eliminated on consolidation.

2.27. Assets held for sale

The Group classifies non-current assets as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. When the Bank is committed to a sale plan involving loss of control of a subsidiary, the total assets and liabilities of that subsidiary are classified as held for sale, regardless of whether non-controlling interest in its former subsidiary after the sale is retained. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification and gains or losses from subsequent measurement are recognised in the income statement. Non-current assets held for sale are not depreciated once they have been classified under this category.

2.28. Provisions for pending litigations or complaints and/or claims or cases subject to arbitration proceedings

Provisions for pending litigations or complaints and/or claims or cases subject to arbitration proceedings are recognised when:
(a) the Group has a present obligation (legal or constructive) as a result of a past event,
(b) an outflow of resources embodying economic benefits to settle the obligation is probable and
(c) a reliable estimate of the amount of the obligation can be made.

The Group obtains legal advice on the value of the provision of specific complaints and/or claims and arbitration.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the facts and circumstances of any litigation or arbitration proceedings.

Where the effect of the time value of money is material, the amount of the provision is the present value of the estimated future expenditures expected to be required to settle the obligation.

When a separate liability is measured, the most likely outcome may be considered the best estimate of the liability.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.29. Provisions to cover credit risk resulting from commitments and guarantees

The Group enters into various contingent liabilities. These include acceptances and endorcements, guarantees, undrawn formal standby facilities, undisbursed loans amounts and other commitments. Although these liabilities are not recognised in the consolidated statement of financial position, they expose the Group to credit risk. To cover the credit risk a provision is calculated and recognised in other liabilities in the consolidated statement of financial position with a corresponding charge in the consolidated income statement under "Impairment losses and provisions to cover credit risk".

2.30. Discontinued operations

The Group presents discontinued operations in a separate line in the consolidated income statement if an entity or a component of an entity has been disposed of or is classified as held for sale and a) represents a separate major line of business or geographical area of operations, b) is part of an autonomous plan to dispose of a separate major line of business or of a geographical location of operations, or c) is a subsidiary acquired exclusively with intend to sale. Net profit from discontinued operations includes the net total of operating profit and loss before tax from discontinued operations (including net gain or loss on sale before tax) and discontinued operations tax expense.

When the Bank is committed to a sale plan involving loss of control of a subsidiary, the total assets and liabilities of that subsidiary are classified as held for sale, regardless of whether non-controlling interest in its former subsidiary after the sale is retained.

2.31. Stock of properties held for sale

Assets are classified as stock of properties held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This category includes property acquired in satisfaction of debt as well as own property which the Group no longer uses and intends to sell.

The Group, in its normal course of business, acquires/repossess properties in satisfaction of debt and are held either directly or by entities set up and controlled by the Group for the sole purpose of managing these properties. The Group acquires such assets (a) on Balance Sheet (direct acquisition) and/or (b) through Special Purpose Vehicle(s) ("SPV", indirect acquisition). The SPV can be either a "single property owner" or "multi property owner.

Stock of properties held for sale is recognised in the Statement of Financial Position and is included in other assets, reflecting the substance of these transactions. The initial measurement of the acquired property is based on the carrying amount of the debt settled. Subsequently to initial recognition, stock of properties held for sale is measured at the lower of cost and net realisable value (NRV). Any write-down to NRV should be recognised as an expense in the period in which the write-down occurs. Any reversal is recognised in the income statement in the period in which the reversal occurs.

Profit or loss from disposal of stock of properties held for sale, is the difference between the net consideration amount and the carrying value of the asset and is recognised in the income statement when the asset is disposed.

2.32. Comparatives

Comparatives presented in the Financial Statements are restated, where considered necessary, to conform with changes in the presentation of the current year.

3. USE OF ESTIMATES AND JUDGEMENTS

The preparation of Financial Statements requires Management to make use of judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and the results of which form the basis of making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

3. USE OF ESTIMATES AND JUDGEMENTS (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and in future periods if the revision affects both current and future periods.

The accounting policies that are deemed critical to the Group's results and financial position and which involve significant estimates and judgments are set out below:

3.1 Provision for impairment of loans and advances to customers

The Group reviews the loans and advances to customers to assess whether impairment losses should be recognised in the income statement and accumulated in an impairment loss reserve.

The Group assesses whether there is objective evidence of impairment of the loan portfolio on an individual and collective basis.

Indicatively, the following events may be considered by the Group as an evidence of impairment. However, one event alone may not constitute evidence of impairment while the absence of a specific event does not preclude the existence of impairment:

1) Credit facilities classified as non-performing

2) Restructured credit facilities included in performing loans and advances

3) Significant and sustained reduction of total income/future cash flows of the borrower

4) Apparent deterioration of the debt servicing capacity of the borrower

5) The possibility of the debtor's insolvency

6) Significant reduction in the value of collateral

7) Credit facilities which are partly provided

8) Credit facilities with internal credit rating that represents high credit risk

9) Credit facilities which are pending renewal, violating the relevant credit policy of the Bank

10) Macroeconomic indications that may affect the expected future cash flows of the borrowers such as increase in unemployment rates and decline in real estate prices.

The loan portfolio which is assessed on an individual basis includes loans that are above specific significance limits as well as loans to groups of connected persons under paragraph 11 of the Central Bank of Cyprus Directive on Loan Impairment and Provisioning Procedures (February 2014).

The amount of impairment loss on the value of loans and advances to customers which are examined on an individual basis, is measured as the difference between the carrying amount of the loan and the present value of estimated future cash flows discounted at the original effective interest rate of the loan. In cases where the interest rate of the loan is variable, the original effective interest rate is measured with reference to the initial margin corresponding to the current base variable interest rate and the current variable interest rate. The estimated future cash flows are based on assumptions about a number of factors and therefore the actual losses may be different.

To determine the amount of impairment loss on the value of loans and advances to customers, judgment is involved regarding the amount and timing of estimated future cash flows. In particular, the time frame and the net recoverable amount of the recovered collateral, which mainly includes land and buildings, are considered, among others, important factors in calculating the amount of impairment loss. Assumptions are made about future changes in property prices, as well as the time horizon of collateral liquidation, the tax and recovery costs and subsequent selling costs of the collateral.

3. USE OF ESTIMATES AND JUDGEMENTS (continued)

Loans and advances assessed on an individual basis and for which no impairment loss is recognised are assessed on a collective basis for losses that have been incurred but not yet identified. Loans and advances that are below the materiality threshold are assessed on a collective basis for probable losses.

For the calculation of impairment loss on a collective basis, loans and advances are grouped based on similar credit risk characteristics and appropriate models are applied that take into account the recent historical loss experience of each group with similar credit risk characteristics adjusted for current conditions using appropriate probabilities of default and loss given default. Restructured facilities are classified in separate group with higher risk parameters.

These calculations include estimates and the use of judgment to supplement, assess and adjust accordingly the historical information and past experience events which determine the parameters and calculation of impairment losses as at the reporting date. The main assumptions used to estimate loss given default relate to the treatment of property collateral such as the time needed for collateral liquidation and the force sale discount at the point of liquidation. For loans and advances assessed individually, the specifics of each case are taken into consideration in determining the property parameters. For collectively assessed loans, the Bank assumes a liquidation period of 5 to 6 years, depending on the status of the customer, while a liquidation haircut of 25% is applied. The assumptions used in the collective assessment were revised following the Single Supervisory Mechanism (SSM) on-site inspection. In particular, the previous assumptions related to 3 to 5 years liquidation period and 20% liquidation haircut.

Accumulated impairment losses of the Group's loans and advances are inherently uncertain due to their sensitivity to economic and credit conditions of the environment in which the Group operates. Conditions are affected by many factors with a high degree of interdependency and there is not one single factor to which these conditions are particularly sensitive. It is possible for the actual conditions in the next financial year to differ significantly from the assumptions made during the current year, so that the carrying amount of loans and advances to be adjusted significantly.

3.2 Provisions for pending litigations or complaints and/or claims or cases subject to arbitration proceedings

The Group examines whether reliable estimates can be made for amounts which an outflow of resources embodying economic benefits to settle present obligations (legal or constructive) of the Group is probable as a result of a past event, in order to assess whether a provision must be recognised in the Group's income statement and reflected in the Group's administrative and other expenses.

The amounts recognised as provisions are the best estimates of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the facts and circumstances of any pending litigations or complaints and/or claims or case subject to arbitration proceedings. Any provision recognised does not constitute an admission of wrongdoing or legal liability.

The Group obtains legal advice on the value of the provision of specific complaints and/or claims and arbitration.

Where the effect of the time value of money is material, the amount of the provision is the present value of the estimated future expenditures expected to be required to settle the obligation.

When a separate liability is measured, the most likely outcome may be considered the best estimate of the liability.

3.3 Impairment of goodwill and investments in subsidiaries

The process of identifying and evaluating impairment of goodwill and investments in subsidiaries is inherently uncertain because it requires significant Management judgement in making a series of estimates, the results of which are highly sensitive to the assumptions used. The review of impairment represents Management's best estimate of the factors below.

3. USE OF ESTIMATES AND JUDGEMENTS (continued)

Firstly, significant Management judgement is required in estimating the future cash flows of the acquired entities. The values are sensitive to the cash flows projected for the periods for which detailed forecasts are available, and to assumptions regarding the long-term pattern of sustainable cash flows thereafter.

The cash flow forecasts are compared with actual performance and verifiable economic data in future years. However, the cash flow forecasts necessarily and appropriately reflect Management's view of future business prospects. Additionally, the cost of capital used to discount its future cash flows, can have a significant effect on the entity's valuation.

Any impairment of goodwill of the acquired entities affects the Group's results while any impairment of investments in subsidiaries affects the Bank's results.

3.4 Fair value of investments

The best evidence of fair value of investments is a quoted price in an actively traded market. If the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employed by the Group use only observable market data and thus the reliability of the fair value measurement is relatively high. The Group uses only models with unobservable inputs for the valuation of non-listed investments. In these cases, the Group takes into account, amongst others, the net positions of the entities in which the investment has been made, as well as estimates of the Group's Management to reflect uncertainties in fair values resulting from the lack of data and significant adverse changes in technology, market, economic or legal environment in which the entity operates.

3.5 Impairment of available for sale investments

Available for sale investments in equity securities are impaired when there has been a significant or prolonged decline in their fair value below cost. In such a case, the total loss previously recognised in equity is recognised in the consolidated income statement. The determination of what is significant or prolonged requires judgment by Management. The factors which are taken into account in these estimates include the percentage reduction in the cost or impaired cost, as well as the net positions of the entities.

Available for sale investments in debt securities are impaired when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the investment and the loss event (or events) has an impact on the estimated future cash flows of the investment. The identification of impairment requires judgment by Management. An individual assessment of impairment is carried out on debt securities whose fair value as at the date of the financial position has significantly decreased as well as the issuer has been downgraded.

3.6 Stock of Properties held for sale

Volatility in the markets is reflected in the real estate markets with negative impact on both the volume and value of property transactions. Under these circumstances, the degree of uncertainty is greater than that which exists in a more active market for determining the market value of properties.

Stock of Properties held for sale are measured at the lower of cost and net realisable value (NRV). NRV is determined by Management at each reporting date and calibrated to valuations, carried out at regular intervals, by professionally qualified valuers based on market conditions for their existing use.

3.7 Taxation

The Group is subject to corporation tax in the countries in which it operates. Estimates are required in determining the provision for corporation taxes as at the date of the financial position. There is the possibility of a change in the tax treatment of impairment losses on the value of loans and advances other than those concerning customers individually assessed, as indicated in correspondence from the office of the Commissioner of Taxation and contrary to the policy applied by the Bank to date. Where the final tax is different from the amounts initially recognised in the income statement, such differences will impact the 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.

3. USE OF ESTIMATES AND JUDGEMENTS (continued)

Deferred tax assets arising from tax losses are recognised based on judgements of the Management of the Bank on its ability to generate future taxable profits. These judgements are based on available information including historical data, improved macroeconomic estimates, the reduction in deposit rates, the stabilization of the non-performing exposures and the expected increase in operations based on the strategic plan of the Group. It is therefore probable that the Bank will generate future taxable profits against which these assets can be utilised. The applicable tax rate is 12,5%.

4. INTEREST INCOME

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Interest income from cash and balances with Central Banks	**32**	707	**32**	707
Interest income from placements with other banks	**8.020**	5.371	**8.006**	5.114
Interest income from loans and advances to customers	**176.316**	263.935	**176.364**	264.420
Interest income from debt securities	**17.643**	15.324	**17.548**	15.663
Interest income from other financial instruments	**3.755**	2.692	**3.755**	2.706
	205.766	288.029	**205.705**	288.610

Interest from loans and advances to customers include interest on the recoverable amount of impaired loans and advances amounting to €75,6 million (2014: €93,8 million).

5. INTEREST EXPENSE

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Interest expense on deposits by other banks	**4.412**	1.322	**4.412**	1.329
Interest expense on deposits by Central Banks	**359**	14	**359**	14
Interest expense on customer deposits and other customer accounts	**50.272**	75.332	**50.841**	75.884
Interest expense on loan capital	**907**	1.000	**907**	1.021
Interest expense on other financial instruments	**4.456**	6.223	**4.456**	6.400
	60.406	83.891	**60.975**	84.648

6. FEE AND COMMISSION INCOME

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Banking fees and commissions	**58.423**	58.939	**60.414**	60.832
Commissions from insurance operations	**3.119**	2.965	**--**	--
Asset management fees	**1.460**	1.524	**1.391**	1.473
Other fees and commissions	**347**	229	**--**	--
	63.349	63.657	**61.805**	62.305

7. FEE AND COMMISSION EXPENSE

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Banking fees and commissions	**2.297**	2.192	**2.297**	2.192
Commissions for insurance operations	**2.273**	2.399	**--**	--
Other fees and commissions	**363**	342	**380**	357
	4.933	4.933	**2.677**	2.549

8. NET GAINS ON DISPOSAL AND REVALUATION OF FOREIGN CURRENCIES AND FINANCIAL INSTRUMENTS

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Gain on disposal and revaluation of foreign currencies	**11.458**	15.081	**11.548**	16.891
(Loss)/gain on disposal of debt securities and other financial instruments:				
Instruments available for sale	**(33)**	53	**(33)**	53
Instruments held for trading	**(381)**	(500)	**(381)**	(500)
Instruments classified as loans and receivables	**16.674**	--	**16.674**	--
Surplus on revaluation of debt securities and other financial instruments:				
Instruments held for trading	**1.968**	2.251	**1.968**	2.251
Gain/(loss) on disposal of equity securities:				
Instruments available for sale	**2.973**	--	**2.973**	--
Instruments held for trading	**(10)**	--	**(4)**	--
Deficit on revaluation of equity securities:				
Instruments held for trading	**(17)**	(2)	**(17)**	(62)
Changes in fair value of financial instruments in fair value hedges:				
Hedged items	**(27)**	(509)	**(27)**	(509)
Hedging instruments	**23**	498	**23**	498
(Impairment loss)/reversal of impairment loss on equity securities, debt securities and investments in subsidiaries:				
Instruments available for sale	**(25)**	1.066	**(25)**	1.066
Impairment loss of investments in subsidiaries	**--**	--	**--**	(2.398)
	32.603	17.938	**32.699**	17.290

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
(Impairment loss)/reversal of impairment loss on debt securities, equity securities and investments in subsidiary companies:				
Listed investments	**(162)**	--	**(162)**	--
Unlisted investments	**137**	1.066	**137**	(1.332)
	(25)	1.066	**(25)**	(1.332)

8. NET GAINS ON DISPOSAL AND REVALUATION OF FOREIGN CURRENCIES AND FINANCIAL INSTRUMENTS (continued)

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
(Impairment loss)/reversal of impairment loss on equity securities, debt securities and investments in subsidiary companies:				
Equity securities	**(162)**	--	**(162)**	--
Debt securities	**137**	1.066	**137**	1.066
Investment in subsidiary companies	**--**	--	**--**	(2.398)
	(25)	1.066	**(25)**	(1.332)

The gain on disposal and revaluation of foreign currencies of the Group results from the translation of monetary assets denominated in foreign currency at the reporting date and the realised gains/(losses) on foreign currency transactions that were settled during the year.

The Group's gain on disposal and revaluation of foreign currencies includes a charge of €111 thousand (2014: €88 thousand) which is the net ineffective part of the net investment hedge.

Gain on disposal of instruments classified as loans and receivables of €16,7 million for the Group and the Bank, relates to the disposal of Cyprus Government Registered Development Stocks.

9. OTHER INCOME

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Dividend income	**609**	376	**7.673**	4.336
Income from insurance operations	**15.149**	15.884	**--**	--
Gain from the disposal of subsidiary company	**--**	--	**1.112**	--
Profit from the disposal of stock of properties held for sale	**1.538**	94	**1.538**	94
Other income	**2.739**	1.849	**2.341**	1.895
	20.035	18.203	**12.664**	6.325

10. STAFF COSTS

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Staff remuneration	**75.196**	70.605	**69.983**	65.267
Provident Fund Contributions	**4.852**	4.713	**4.588**	4.448
	80.048	75.318	**74.571**	69.715

The Group participates in two different defined contribution retirement plans.

The terms of employment of the majority of Group employees are in accordance with the provisions of the Collective Agreement between the Cyprus Bankers Employers Association and the Cyprus Union of Bank Employees under which a defined contributions Provident Fund for the Hellenic Bank Group staff was set up and since then operates in accordance with Cyprus legislation. In accordance with the

10. STAFF COSTS (continued)

Collective Agreement, as of 1st of January 2012, employer contributions to the Provident Fund amounted to 14% of the gross salary (basic salary plus cost of living allowance) of each employee. Following the conclusion on 17 March 2014 of a new agreement amending the Collective Agreement, the employers' contributions to the Provident Fund, with effect from 1 January 2014, were fixed at 9% for the years 2014 and 2015, 9,5% for 2016 and 11,5% for 2017.

A number of staff are employed on the basis of personalised employment contracts that are not in accordance with the terms of the Collective Agreement. During 2015 these employees became members of a multi-employer defined contribution Provident Fund to which the employer contributes 9% of the employees' gross salary. During 2015 an amount of €32 thousand was charged to the income statement.

Group obligations towards the employees' retirement benefits are limited to payment of the contributions to each Provident Fund. Employer's contributions due for payment are recognised as staff expense.

Furthermore during 2014 the Bank operated a defined benefit plan in accordance with terms included in a specific contract of employment. The plan was terminated during 2014 and an amount of €50 thousand was charged to the income statement.

Special Voluntary Early Retirement Scheme

On the 20th of November 2015, the Bank announced, as part of its strategy to reorganise and reshape its business model, its decision to proceed with a Special Early Retirement Scheme ("Scheme") which took the form of voluntary retirement. The Scheme, which was in line with the rules of corporate governance and employee rights, was addressed to all permanent members of the staff and was in effect from the 20th of November 2015 to the 18th of December 2015. Upon completion, 36 members of the staff opted to take the scheme and leave the Bank.

On 31 of December 2015, the number of staff employed by the Group was 1.555 (December 2014: 1.423 employees) and by the Bank 1.438 (December 2014: 1.314 employees).

11. ADMINISTRATIVE AND OTHER EXPENSES

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Impairment losses on stock of properties held for sale	**413**	2.397	**282**	2.225
Impairment losses of own use property	**--**	6.937	**--**	6.937
Operating leases of land and buildings	**2.583**	2.258	**2.563**	2.230
Repairs and maintenance	**6.509**	5.627	**6.444**	5.552
Consultancy and other professional services fees	**15.252**	12.089	**14.967**	11.907
Loss on disposal of subsidiary	**--**	--	**--**	2.679
Regulatory Supervisory fees	**835**	483	**835**	483
Special Levy on Credit Institutions	**9.526**	8.286	**9.526**	8.286
Loss from the disposal of property held for sale	**56**	--	**56**	--
Provisions for pending litigations or complaints and/or claims	**5.857**	1.082	**5.857**	1.082
Other administrative expenses	**23.163**	21.391	**21.066**	18.484
Special Voluntary Early Retirement Scheme (see Note 10)	**3.090**	--	**2.577**	--
	67.284	60.550	**64.173**	59.865

11. ADMINISTRATIVE AND OTHER EXPENSES (continued)

Consultancy and other professional services fees

The Board of Directors of the Bank proceeded with the appointment of international advisory firms to provide advisory services on matters in accordance with their competency, in a wide range of issues relating to the Bank's operations. As at 31 December 2015 an amount of €11,1 million (2014: €9,9 million) was charged to the income statement.

The total fees for statutory auditors included in the consultancy and other professional services fees are analysed as follows:

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Audit of annual accounts	**172**	199	**101**	113
Assurance services	**26**	37	**11**	17
Tax advisory	**48**	105	**57**	72
Other non-audit services	**366**	552	**325**	495
	612	893	**494**	697

The profit from discontinued operations after tax for the year ended 31 December 2014 includes an amount of €44 thousand relating to the audit of annual accounts.

Provisions for pending litigations or complaints and/or claims

There are risks and uncertainties surrounding the facts and circumstances of any litigations or complaints and/or claims. The amount recognised as a provision is based on the Group's best estimate of the expenditure required to settle the present obligation as at 31 December 2015.

12. IMPAIRMENT LOSSES AND PROVISIONS TO COVER CREDIT RISK

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Impairment losses on the value of loans and advances (see Note 18)	**101.437**	281.934	**101.437**	281.934
Provisions to cover credit risk for contractual commitments and guarantees (see Note 32)	**(649)**	22.463	**(649)**	22.463
	100.788	304.397	**100.788**	304.397

13. TAXATION

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Corporation tax	**(877)**	(362)	**--**	--
Taxes withheld at source	**(18)**	(26)	**--**	--
Deferred tax	**5.537**	28.506	**5.431**	28.504
	4.642	28.118	**5.431**	28.504

According to the Income Tax Law 118(I)/2002 as amended, the Bank's profit and that of its subsidiaries in Cyprus, is subject to corporation tax at the rate of 12,5%. Tax losses of Group companies in Cyprus can be offset against taxable profits of other Group companies in Cyprus and any tax losses not utilised can be carried forward and offset against the same entity's taxable profits of the next five years. As of 1st January 2015 onwards cross-border relief is allowed only in the case of losses of an EU subsidiary that has exhausted all other possibilities to use the said losses in its country of tax residence.

Profits earned by subsidiary companies and permanent establishments outside Cyprus are subject to taxation at the rates applicable in the country in which the operations are carried out.

Tax exemptions, allowances, deductions and offsets pursuant to Articles 8, 9, 10 and 13 of the Income Tax Law 118(I)/2002 are taken into consideration for the calculation of the tax liability.

According to the provisions of the Special Contribution for the Defence of the Republic Law, Companies that do not distribute 70% of their profits after tax, as these profits are defined by this Law, during the two years following the end of the year to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the shareholders (individuals and companies), at the end of the period of two years from the end of the fiscal year to which the profits refer, are Cyprus residents for the purposes of this Law. The amount of the deemed dividend distribution is reduced by any actual dividend already distributed in respect of the year to which the profits refer. The special contribution for defence is paid by the Company on behalf of the shareholders.

Deferred tax assets arising from tax losses are recognised based on judgements of the Management of the Bank on its ability to generate future taxable profits. These judgements are based on available information including historical data, improved macroeconomic estimates, the reduction in deposit rates, the stabilization of the non-performing loans and the expected increase in operations based on the strategic plan of the Group. It is therefore probable that the Bank will generate future taxable profits against which these assets can be utilised. The applicable tax rate is 12,5%.

Recent developments on taxation issues

- Notional Interest Deduction: In an attempt to reduce excessive debt financing and encourage the injection of capital in corporate structures (hence reducing the overall debt exposure and de-leveraging of the economy), new provisions to the Law have been enacted. These provide for a Notional Interest Deduction (NID) as from 1 January 2015. The NID is calculated on the basis of an interest reference rate on new equity introduced in a company and used in the business.
- Loan Restructuring Exemption – An exemption from CGT/Income Tax/Corporate Tax/Land Registry Fees/Stamp Duties is available on all transfers of immovable property (IP) or shares of companies owning IP as a result of loan restructuring arrangements concluded between lenders and borrowers. The exemption is available for a period of two years commencing on 31 December 2015.
- Capital Gains Tax exemption on future disposal of Immovable Property (IP) – This exemption is available in respect of profits from the disposal of an IP, at any time in the future, to any person who acquires that IP before 31 December 2016.

13. TAXATION (continued)

- Other Amendments to the Tax Laws:
  The following amendments have been enacted in order to improve harmonization of the Cyprus tax legislation with EU Law and also render the Cyprus tax environment more attractive to investors:
  - Harmonisation with the EU Parent Subsidiary Directive regarding the taxation of distributable profits provided these are considered tax deductible in the country where the entity paying the dividend is resident.
  - Unrealised Exchange Differences will not be taken into account in the computation of chargeable income
  - Harmonisation with EU case law with regard to Tax Cross Border Losses Group Relief
  - Arms-Length Principle - The Arm's Length principle will apply to both entities, that is where income is subjected to tax the respective expense is also allowed.

Reconciliation of taxation based on taxable income and taxation based on accounting profits

The Group	**2015 €'000**	2014 €'000
Group profit/(loss) before taxation	**3.527**	(146.522)
Taxation based on applicable tax rates	**441**	(18.315)
Expenses non-tax deductible	**2.812**	6.470
Non-taxable income	**(7.958)**	(16.096)
Tax effect of losses from overseas operations	**(115)**	(362)
Other taxation	**178**	185
Tax credit for the year	**(4.642)**	(28.118)

The Bank	**2015 €'000**	2014 €'000
Bank profit/(loss) before taxation	**5.049**	(151.770)
Taxation based on applicable tax rates	**631**	(18.971)
Expenses non-tax deductible	**2.721**	6.450
Non-taxable income	**(8.668)**	(15.621)
Tax effect of losses from overseas operations	**(115)**	(362)
Tax credit for the year	**(5.431)**	(28.504)

Taxation recognised in other comprehensive income:

	The Group		The Bank	
	2015 €'000	2014 €'000	**2015 €'000**	2014 €'000
Deferred taxation on property revaluation	**(41)**	1.421	**(38)**	1.423

14. PROFIT FROM DISCONTINUED OPERATIONS AFTER TAXATION

On the 6th of February 2015, the Bank proceeded with the disposal of its subsidiary Borenham Holdings Limited. Borenham Holdings Limited owned 100% of the share capital of the Russian company Limited Liability Company "Format Invest", owner of the building facilities of its former Russian banking subsidiary "Limited Liability Company Commercial Bank "Hellenic Bank"" which was disposed on 5th of June 2014.

According to the provisions of the International Financial Reporting Standard 5, "Non-Current assets held for sale and discontinued operations", the comparable Group's results for the year ended 31 December 2015 have been adjusted to reflect the reclassification from continuing operations to discontinued operations of the Bank's subsidiaries, Limited Liability Company Commercial Bank "Hellenic Bank" and Borenham Holdings Limited that were disposed.

The total effect of the Group's discontinued operations in Russia on the Group's results for the year ended 31 December is presented below and is further analysed by company under (i) and (ii) below:

	Note	**2015 €'000**	2014 €'000
Discontinued operations			
Turnover		**--**	1.367
Net interest income		**--**	991
Net income from fees, commissions, net gains on disposal and revaluation of foreign currencies and financial instruments and other income		**--**	198
Total net income		**--**	1.189
Total expenses		**(60)**	(3.398)
Loss before taxation		**(60)**	(2.209)
Taxation		**--**	76
Loss after taxation		**(60)**	(2.133)
Profit on disposal of subsidiary company		**4.886**	2.955
Profit for the year		**4.826**	822
Basic and diluted earnings per share (cent)	15	**2,6**	1,1

14. PROFIT FROM DISCONTINUED OPERATIONS AFTER TAXATION (continued)

(i) *Limited Liability Company Commercial Bank "Hellenic Bank"*

	2015 **€'000**	2014 €'000
Turnover	**--**	1.286
Net interest income	**--**	992
Net income from fees, commissions, net gains on disposal and revaluation of foreign currencies and financial instruments and other income	**--**	117
Total net income	**--**	1.109
Total expenses	**--**	(1.119)
Loss before taxation	**--**	(10)
Taxation	**--**	76
Profit after taxation	**--**	66
Profit on disposal of subsidiary company	**--**	2.955
Profit for the year	**--**	3.021

14. PROFIT FROM DISCONTINUED OPERATIONS AFTER TAXATION (continued)

(i) *Limited Liability Company Commercial Bank "Hellenic Bank" (continued)*

The profit has arisen from the sale of the subsidiary's assets and liabilities, under the signed agreement on the 5th of June 2014, which constitutes the difference between the net payable amount and the carrying value of the Net Assets is analysed as follows:

Assets	**€'000**
Cash and balances with Central Banks	**853**
Placements with other banks	**18.061**
Loans and advances to customers	**12.435**
Property, plant and equipment	**170**
Intangible assets	**553**
Deferred tax asset	**769**
Other assets	**115**
Total Assets	**32.956**
Liabilities	
Deposits and other customer accounts	**1.464**
Deferred tax liability	**107**
Other liabilities	**663**
Loan capital	**9.236**
Total Liabilities	**11.470**
Net Assets	**21.486**
Disposal consideration	**24.441**
Profit on disposal of subsidiary company	**2.955**

14. PROFIT FROM DISCONTINUED OPERATIONS AFTER TAXATION (continued)

(ii) Borenham Holdings Limited

	2015 €'000	2014 €'000
Discontinued operations		
Turnover	**--**	81
Net interest income	**--**	(1)
Net income from fees, commissions, net gains on disposal and revaluation of foreign currencies and financial instruments and other income	**--**	81
Total net income	**--**	80
Total expenses	**(60)**	(2.279)
	(60)	(2.199)
Profit on disposal of subsidiary company	**4.886**	--
Profit/(loss) for the year	**4.826**	(2.199)

The profit has arisen from the sale of the subsidiary's assets and liabilities, under the signed agreement on the 6th of February 2015, which constitutes the difference between the net payable amount and the carrying amount of the Net Assets is analysed as follows:

Assets	€'000
Cash and balances with Central Banks	30
Property, plant and equipment	3.828
Other assets	53
Total assets	**3.911**
Liabilities	
Intercompany loan undertaken by new company shareholders	3.514
Other liabilities	1.231
Total liabilities	**4.745**
Net liabilities	**834**
Disposal consideration	**4.052**
Profit on disposal of subsidiary company	**4.886**

14. PROFIT FROM DISCONTINUED OPERATIONS AFTER TAXATION (continued)

The effect of the discontinued operations on the Statement of Cash Flows was as follows:

	2015	2014
	€'000	€'000
Cash flow from discontinued operations		
Net cash flow from investing activities	**4.021**	5.247
Net cash flow (used in)/from operating activities	**(864)**	10.424
Net cash flow for the year	**3.157**	15.671

15. BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

	The Group		The Bank	
	2015	2014	**2015**	2014
Basic and diluted earnings/(loss) per share				
Profit/(loss) attributable to owners of the parent company (€ thousand)	**12.077**	(118.590)	**10.480**	(123.266)
Average number of shares in issue during the year (thousand)	**188.265**	73.782	**188.265**	73.782
Basic and diluted earnings/(loss) per share (cent €)	**6,4**	(160,7)	**5,6**	(167,1)

	The Group		The Bank	
	2015	2014	**2015**	2014
Basic and diluted earnings/(loss) per share from continuing operations				
Profit/(loss) attributable to owners of the parent company (€ thousand) from continuing operations	**7.251**	(119.412)	**10.480**	(123.266)
Average number of shares in issue during the year (thousand)	**188.265**	73.782	**188.265**	73.782
Basic and diluted earnings/(loss) per share (cent €) from continuing operations	**3,9**	(161,8)	**5,6**	(167,1)

	The Group		The Bank	
	2015	2014	**2015**	2014
Basic and diluted earnings per share from discontinued operations				
Profit attributable to owners of the parent company (€ thousand) from discontinued operations	**4.826**	822	--	--
Average number of shares in issue during the year (thousand)	**188.265**	73.782	**--**	--
Basic and diluted earnings per share (cent €) from discontinued operations	**2,6**	1,1	--	--

For the calculation of the basic loss per share for the year ended 31 December 2014, the average number of shares issued is adjusted in accordance with IAS 33 to take into account the issue of shares during 2015 and the reverse split of the share capital.

As at 31 December 2015 there were no options or instruments convertible into new shares and so basic and diluted earnings per share are the same.

16. CASH AND BALANCES WITH CENTRAL BANKS

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Cash	**65.038**	54.910	**65.037**	54.909
Balances with Central Banks	**1.964.142**	2.120.689	**1.964.142**	2.120.689
	2.029.180	2.175.599	**2.029.179**	2.175.598

On 31 December 2015, cash and balances with Central Banks included the deposit to the European Central Bank (ECB) amounting to €1.925 million (2014: €2.075 million) as well as the obligatory deposits for liquidity purposes as determined by the Central Bank of Cyprus which amounted to €63.318 thousand (2014: €61.829 thousand).

17. PLACEMENTS WITH OTHER BANKS

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Other placements with banks	**762.332**	912.260	**762.076**	910.535
Interbank accounts	**147.517**	209.798	**145.474**	209.197
	909.849	1.122.058	**907.550**	1.119.732

Analysis of placements with other Banks is based on their remaining contractual maturity at 31 December.

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
On demand	**92.276**	313.358	**90.232**	312.757
Within three months	**710.455**	700.389	**710.304**	698.792
Between three months and one year	**4.574**	379	**4.470**	251
Between one year and five years	**102.544**	107.932	**102.544**	107.932
	909.849	1.122.058	**907.550**	1.119.732

On 31 December 2015, an amount of €112.235 thousand (2014: €115.053 thousand) is pledged as collateral on placements with other banks, being common practice among financial institutions.

18. LOANS AND ADVANCES TO CUSTOMERS

	The Group and the Bank	
	2015	2014
	€'000	€'000
Trade	**743.866**	719.609
Construction and Real Estate	**1.130.901**	1.165.871
Manufacturing	**269.497**	233.974
Tourism	**285.183**	246.046
Other Sectors	**701.435**	750.922
Retail	**1.265.014**	1.288.660
	4.395.896	4.405.082
Accumulated Impairment losses	**(1.303.123)**	(1.184.027)
	3.092.773	3.221.055

Analysis of loans and advances to customers is based on their remaining contractual maturity at 31 December.

	The Group and the Bank	
	2015	2014
	€'000	€'000
On demand	**2.244.520**	2.156.585
Within three months	**94.877**	71.346
Between three months and one year	**200.804**	249.045
Between one year and five years	**871.778**	972.608
Over five years	**983.917**	955.498
	4.395.896	4.405.082
Accumulated Impairment losses	**(1.303.123)**	(1.184.027)
	3.092.773	3.221.055

18. LOANS AND ADVANCES TO CUSTOMERS (continued)

Accumulated impairment losses on the value of loans and advances

	The Group and the Bank	
	2015	2014
	€'000	€'000
Individual impairment losses		
1 January		
Provision reserve	**889.573**	598.996
Temporary income suspension account	**244.001**	164.833
	1.133.574	763.829
Net write-offs of loan impairment losses	**(72.310)**	(5.242)
Net write-offs of suspended income losses	**(48.938)**	(1.059)
Suspended income for the year	**126.634**	80.227
Charge for the year	**116.559**	296.970
Transfer to other assets/other liabilities	**--**	(4.621)
Exchange difference	**14.017**	3.470
	135.962	369.745
31 December		
Provision reserve	**947.839**	889.573
Temporary suspension income account	**321.697**	244.001
	1.269.536	1.133.574
Collective impairment losses		
1 January	**50.453**	66.388
Net write-offs of loan impairment losses	**(2.670)**	--
Transfer to other assets/other liabilities	**--**	(899)
Charge for the year	**(15.122)**	(15.036)
Exchange difference	**926**	--
31 December	**33.587**	50.453
Accumulated impairment losses	**1.303.123**	1.184.027

Impaired loans and advances
Represent the loans and advances for which the Group determines that there is objective evidence for impairment as a result of one or more loss events occurring after initial recognition and which have an impact on the estimated future cash flows. These loans and advances are classified Grade 3 (high risk) based on the Group's credit risk assessment system.

Loans with renegotiated terms due to the deterioration of the financial position of the customer are usually considered impaired, if the Group determines that, according to the loan contractual terms, non-repayments of the total principal and contractual interest due is possible.

Non-impaired loans and advances
The loans and advances which were not found to be impaired, are presented in risk categories based on the credit risk assessment system of the Group. The risk categories are as follows:

Grade 1 (Low Risk):
An immediate ability to repay the credit facility is assumed.

Grade 2 (Medium Risk):
The probability of indirect recovery of the credit facility is assumed.

18. LOANS AND ADVANCES TO CUSTOMERS (continued)

Grade 3 (High Risk):
The debtor presents a higher risk compared to Grade 1 and 2 on the existence of direct and indirect recovery of the credit facility.

Past due but not impaired loans and advances
Represent non-impaired loans and advances for which the contractual interest or principal repayments are past due and the Group determines that there is no objective evidence of impairment by taking into account, among others, the value of available collateral.

Collateral
On the basis of the Group's policy, the amount of credit facilities granted should be based on the repayment capacity of the relevant counterparties. Furthermore, policies are applied for the hedging and mitigation of credit risk through the holding of collateral. These policies define the types of collaterals held and the methods for estimating their fair value.

The main collaterals held by the Group include mortgage interests over property, pledging of cash, government and bank guarantees, charges over business assets as well as personal and corporate guarantees.

Property collateral relates to immovable commercial, residential and land real estate collateral. The open market value is indexed to today using publicly available indices. The value of tangible collateral for loans and advances classified as impaired both under Collective and Individual assessments amounted to €2.053 million as at 31 December 2015 (31 December 2014: €1.956 million). The value of tangible collateral for loans and advances past due but not impaired amounted to €295,1 million as at 31 December 2015 compared to €553,2 million as at 31 December 2014, reflecting the decrease of loans and advances past due but not impaired balances in 2015.

Forborne Exposures

According to the European Banking Authority's (EBA) technical standards, forborne exposures are (i) exposures which involve changes in their terms and/or conditions and (ii) the forbearance measures consist of concessions towards a debtor which aim to address existing or anticipated difficulties on the part of the borrower to service debt in accordance with the current repayment schedule. Changes in the terms and conditions of a contract that do not occur because the customer is not able to meet the terms and conditions of the contract due to financial difficulties do not constitute forbearance measures (see details below).

The most significant prerequisite for the forbearance of an exposure is the existence of customer repayment ability i.e. the customer is viable. The Bank's Forbearance Policy includes the terms and conditions on which the Bank determines whether or not a renegotiated repayment schedule shall be granted.

The forbearance measures to be taken and their duration thereof are determined on the basis of specific customer information, based on the prevailing economic conditions and in accordance with relevant legislation or regulatory Directives.

The monitoring of forborne loans is performed by both, Business Units and the Credit Risk Management Department.

Every effort is taken by the Bank for the proper assessment of the new repayment schedule on the basis of the forbearance measures, in order to avoid a new default.

Non performing and forborne exposures according to the European Banking Authority's (EBA) technical standards

The European Banking Authority (EBA) published in 2014 its technical standards with respect to non-performing and forborne exposures. Exposures include all debt instruments (loans and advances and debt securities) and off-balance sheet exposures, except those held for trading exposures.

18. LOANS AND ADVANCES TO CUSTOMERS (continued)

As per the EBA technical standards, the following are considered as NPEs:

(i) Material exposures that are over 90 days past due,

(ii) The debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due,

(iii) Exposures in respect of which a default is considered to have occurred in accordance with Article 178 of Regulation (EU) No 575/2013,

(iv) Exposures of debtors against whom legal action has been taken by the Bank or exposures of bankrupt debtors,

(v) Exposures that are found impaired as per the applicable accounting framework,

(vi) Forborne exposures reclassified from NPE status that were NPE at forbearance or became NPE after forbearance and which are re-forborne while under probation (the probation period for forborne exposures begins once the contract is considered as performing and lasts for two years minimum),

(vii) Forborne exposures reclassified from NPE status that were NPE at forbearance or became NPE after forbearance (the probation period for forborne exposures begins once the contract is considered as performing and lasts for two years minimum) that present arrears 30 days past due while under probation,

(viii) Further to the above the all-embracing criteria apply as follows: (a) for debtors classified as retail debtors as per the EU Regulation 575/2013, when the Bank has on-balance sheet exposures to a debtor that are material and are past due by more than 90 days the gross carrying amount of which represents more than 20% of the gross carrying amount of all on-balance sheet exposures to that debtor, all on and off-balance sheet exposures to that debtor shall be considered as non-performing and (b) for debtors classified as non-retail debtors as per the EU Regulation 575/2013, when the Bank has any on-balance sheet exposures to a debtor that are non-performing (if the exposure is non-performing due to over 90 days past due it must pass the materiality thresholds), all on and off-balance sheet exposures to that debtor shall be considered as NPE. Else, only exposures that are non-performing will be classified as such.

The below materiality thresholds apply only for the NPE criterion of arrears over 90 days past due.

For exposures to debtors classified as Retail as per the EU Regulation 575/2013:

- For term loans: if the past due amount of each exposure is over €500 the exposure it shall be classified as material.
- For overdrafts/current accounts: if the past due amount or the excess of the exposure exceeds €500 or 10% of the limit approved by the Bank the exposure shall be classified as material.

For exposures to debtors not classified as Retail as per the EU Regulation 575/2013:

- If the total excesses/past dues of debtors exceed €1.000 or exceed 10% of their total on balance sheet exposures then all the exposures of the debtor shall be classified as material.

If as per the above the exposures are not classified as material, then they may be classified as performing NPE even if they present arrears over 90 days past due.

Exposures may be considered to have ceased being non-performing when all of the following conditions are met:

(a) the situation of the debtor has improved to the extent that full repayment, according to the original or when applicable the modified conditions, is likely to be made;

(b) the debtor does not have any amount past-due by more than 90 days.

18. LOANS AND ADVANCES TO CUSTOMERS (continued)

When forbearance measures are extended to non-performing exposures or to exposures which had been non-performing at forbearance or became non-performing after forbearance, the exposures may be considered to have ceased being non-performing only when all the following conditions are met:

(a) the extension of forbearance does not lead to the recognition of impairment or default;

(b) one year has passed since the forbearance measures were extended;

(c) 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.

(d) the debtor does not have any amount past-due by more than 90 days.

As per EBS technical standards evidence of a concession towards a debtor which aim to address existing or anticipated difficulties on the part of the borrower to service debt in accordance with the current repayment schedule, includes:

(a) the modification of the previous terms and conditions of a contract would not have been granted had the debtor not been in financial difficulties;

(b) a difference in favour of the debtor between the modified and the previous terms of the contract;

(c) cases where a modified contract includes more favourable terms than other debtors with a similar risk profile could have obtained from the same institution.

Examples of exposures that should be classified as forborne as per the new EBA technical standards include:

(a) Exposures that were non-performing at forbearance.

(b) Exposures that were past due more than 30 days anytime within 3 months prior to forbearance.

(c) Forbearance measures such as partial write-offs.

Exposures may have ceased to be classified as forborne when all of the following conditions are met:

(a) the contract is considered as performing, including if it has been reclassified from the non-performing category after an analysis of the financial condition of the debtor showed it no longer met the conditions to be considered as non-performing,

(b) a minimum 2 year probation period has passed from the date the forborne exposure was considered as performing;

(c) regular payments of more than an insignificant aggregate amount of principal or interest have been made during at least half of the probation period;

(d) none of the exposures to the debtor is more than 30 days past-due at the end of the probation period.

18. LOANS AND ADVANCES TO CUSTOMERS (continued)

Based on the above categories, loans and advances to customers of the Group and the Bank, are presented as follows:

	Loans and advances to customers	
	31 December 2015	31 December 2014
	€'000	€'000
Carrying amount	**3.092.773**	3.221.055
Impaired:		
Grade 3 (high risk)	**2.528.751**	2.368.793
Individual impairment losses	**(1.269.536)**	(1.133.574)
Carrying amount	**1.259.215**	1.235.219
Of which with forbearance measures	***552.765***	*543.352*
Past due but not impaired:		
Grade 1 (low risk)	**90.129**	134.951
Grade 2 (medium risk)	**88.435**	189.182
Grade 3 (high risk)	**10.030**	30.734
Carrying amount	**188.594**	354.867
Past due comprises:		
0+ up to 30 days	**64.903**	103.286
30+ up to 60 days	**58.441**	84.875
60+ up to 90 days	**40.452**	66.712
90 days+	**24.798**	99.994
Carrying amount	**188.594**	354.867
Of which with forbearance measures	***42.806***	*77.917*
Neither past due nor impaired:		
Grade 1 (low risk)	**1.227.706**	1.210.810
Grade 2 (medium risk)	**423.873**	442.972
Grade 3 (high risk)	**26.972**	27.640
Carrying amount	**1.678.551**	1.681.422
Of which with forbearance measures	***334.068***	*479.576*
Balances after individual impairment losses	**3.126.360**	3.271.508
Collective impairment losses	**(33.587)**	(50.453)
Total carrying amount	**3.092.773**	3.221.055

18. LOANS AND ADVANCES TO CUSTOMERS (continued)

The movement of the net carrying amount of the Group's and the Bank's impaired loans and advances to customers is as follows:

	31 December 2015 €'000	31 December 2014 €'000
1 January	**1.235.219**	827.342
Transfer to non- impaired loans and advances during the year	**(160.757)**	(76.206)
Net movement of impaired loans and advances	**(51.014)**	(97.877)
	1.023.448	653.259
Loans and advances classified as impaired during the year	**235.767**	581.960
31 December	**1.259.215**	1.235.219

The Group's and the Bank's loans and advances with forbearance measures are analysed below:

			After individual impairment	
	31 December 2015 €'000	31 December 2014 €'000	**31 December 2015 €'000**	31 December 2014 €'000
Trade	**97.275**	103.547	**67.769**	83.361
Construction and Real Estate	**650.651**	669.518	**418.626**	482.698
Manufacturing	**57.346**	50.039	**41.251**	35.828
Tourism	**87.031**	71.880	**63.574**	48.351
Other sectors	**246.886**	346.940	**200.361**	306.271
Retail	**177.457**	175.256	**138.058**	144.337
	1.316.646	1.417.180	**929.639**	1.100.846

The tangible collateral relating to loans and advances with forbearance measures amounted to €1.638 million as at 31 December 2015 (31 December 2014: €1.782 million).

According to the CBC directive on Loan Impairment and Provisions Practices (February 2014), the credit institutions are obliged to announce Tables A and B as presented below. The non-performing loans portfolio of the Group as at 31 December 2015 amounted to €2.602 million (December 2014: €2.557 million).

The ratio of NPEs to gross loans was 59,2% (December 2014: 58,0%). The ratio of NPEs to total gross loans, both excluding suspended interest, at 31 December 2015, was 56,0% (December 2014: 55,6%). The coverage of the NPEs by provisions, including suspended interest, (coverage ratio) was 50,1% (December 2014: 46,3%).

18. LOANS AND ADVANCES TO CUSTOMERS (continued)

Analysis of loan portfolio according to the counterparty sector as at 31 December 2015
Table A

	Total loan portfolio				Cumulative Impairment losses			
		of which non-performing exposures**	of which exposures with forbearance measures			of which non-performing exposures**	of which exposures with forbearance measures	
				of which on non-performing exposures				of which on non-performing exposures
	€000	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Loans and advances*	**4.395.896**	**2.602.383**	**1.316.646**	**958.884**	**1.303.123**	**1.269.536**	**396.297**	**387.007**
General Governments	2.029	6	--	--	40	4	--	--
Other financial corporations	93.426	50.821	36.395	34.697	22.577	20.917	14.395	14.228
Non-financial corporations	2.942.086	1.843.684	1.070.462	777.770	896.188	874.040	334.246	327.015
of which: Small and Medium-sized enterprises	2.737.472	1.758.353	1.031.318	746.204	848.777	829.728	322.757	315.775
of which: Commercial real estate	587.535	297.974	153.612	118.090	125.320	120.276	48.591	46.967
By sector								
1. Construction	820.662	692.827			294.439			
2. Wholesale and retail trade	704.041	428.633			247.651			
3. Real estate activities	296.312	181.288			91.307			
4. Accommodation and food service activities	326.775	180.750			77.930			
5. Manufacturing	265.287	117.495			54.068			
6. Other sectors	529.009	242.691			130.793			
Households	1.358.355	707.872	209.789	146.417	384.318	374.575	47.656	45.764
of which: Residential mortgage loans	655.928	282.162	89.005	53.360	115.941	112.552	15.680	14.873
of which: Credit for consumption	247.965	142.582	15.986	10.245	106.253	103.517	2.901	2.574

* Non-including loans and advances to central banks and credit institutions.
** As per EBA definition.

18. LOANS AND ADVANCES TO CUSTOMERS (continued)

Analysis of loan portfolio according to the counterparty sector as at 31 December 2014
Table A

	Total loan portfolio				Cumulative Impairment losses			
		of which non-performing exposures**	of which exposures with forbearance measures			of which non-performing exposures**	of which exposures with forbearance measures	
				of which on non-performing exposures				of which on non-performing exposures
	€000	€000	€000	€000	€000	€000	€000	€000
Loans and advances*	**4.405.082**	**2.557.335**	**1.417.180**	**926.063**	**1.184.027**	**1.133.574**	**328.066**	**316.334**
General Governments	2.339	--	--	--	49	--	--	--
Other financial corporations	94.368	36.282	57.453	19.625	15.132	14.324	6.714	6.133
Non-financial corporations	2.870.083	1.830.500	1.104.238	765.190	810.202	779.403	281.955	275.123
of which: Small and Medium-sized Enterprises	2.633.884	1.734.793	1.049.766	745.333	738.718	712.221	267.613	261.325
of which: Commercial real estate	539.337	270.348	183.231	115.559	90.067	90.067	34.948	34.948
By sector								
1. Construction	835.018	679.891			244.235			
2. Wholesale and retail trade	684.424	393.385			213.895			
3. Real estate activities	316.750	192.684			104.743			
4. Accommodation and food service activities	287.219	171.084			76.262			
5. Manufacturing	230.564	110.115			44.446			
6. Other sectors	516.108	283.341			126.621			
Households	1.438.292	690.553	255.489	141.248	358.644	339.847	39.397	35.078
of which: Residential mortgage loans	628.972	265.329	93.165	53.876	95.707	95.707	12.464	12.464
of which: Credit for consumption	179.389	96.129	14.630	10.390	70.257	65.989	2.153	1.694

* Non-including loans and advances to central banks and credit institutions.

** as per EBA definition

18. LOANS AND ADVANCES TO CUSTOMERS (continued)

Analysis of loan portfolio* on the basis of loan origination date as at 31 December 2015
Table B

Loan origination date**	Total loan portfolio			Loans to non-financial corporations			Loans to other financial corporations			Loans to households		
		Non-performing exposures	Cumulative Impairment losses		Non-performing exposures	Cumulative Impairment losses		Non-performing exposures	Cumulative Impairment losses		Non-performing exposures	Cumulative Impairment losses
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Within 1 year	380.872	66.880	18.862	272.514	53.004	14.622	773	--	21	107.585	13.876	4.219
1 - 2 years	73.602	22.519	7.477	34.398	13.766	4.545	439	38	36	38.765	8.715	2.896
2 - 3 years	185.066	99.712	41.541	128.146	82.402	33.487	1.378	166	30	55.542	17.144	8.024
3 - 5 years	572.181	312.776	135.477	369.704	226.561	98.819	10.132	3.668	1.729	192.345	82.547	34.929
5 - 7 years	723.309	422.299	208.172	450.877	292.038	147.439	6.836	531	268	265.596	129.730	60.465
7 - 10 years	1.537.211	1.061.508	530.805	1.018.921	734.644	350.838	62.300	40.064	16.593	455.990	286.800	163.374
Over 10 years	921.626	616.683	360.749	667.526	441.269	246.438	11.568	6.354	3.900	242.532	169.060	110.411
Total	4.393.867	2.602.377	1.303.083	2.942.086	1.843.684	896.188	93.426	50.821	22.577	1.358.355	707.872	384.318

*Non-including loans and advances to general governments.

**Loan origination date is defined as the contractual loan origination date for each account, either new or restructured.

18. LOANS AND ADVANCES TO CUSTOMERS (continued)

Analysis of loan portfolio* on the basis of loan origination date as at 31 December 2014
Table B

Loan origination date**	Total loan portfolio			Loans to non-financial corporations			Loans to other financial corporations			Loans to households		
		Non-performing exposures	Cumulative Impairment losses		Non-performing exposures	Cumulative Impairment losses		Non-performing exposures	Cumulative Impairment losses		Non-performing exposures	Cumulative Impairment losses
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Within 1 year	112.082	28.997	8.355	52.124	18.048	5.411	495	35	32	59.463	10.914	2.912
1 - 2 years	207.891	98.620	33.281	143.233	83.209	26.870	1.952	164	111	62.706	15.247	6.300
2 - 3 years	234.782	94.480	35.928	134.111	70.528	26.481	9.717	959	167	90.954	22.993	9.280
3 - 5 years	917.751	483.906	202.064	558.652	353.832	152.479	11.330	2.912	1.002	347.769	127.162	48.583
5 - 7 years	1.064.762	685.579	299.986	723.726	499.785	202.687	20.685	4.875	1.983	320.351	180.919	95.316
7 - 10 years	1.013.270	617.713	290.334	643.250	415.939	191.331	38.068	21.539	7.895	331.952	180.235	91.108
Over 10 years	852.205	548.040	314.030	614.987	389.159	204.943	12.121	5.798	3.942	225.097	153.083	105.145
Total	4.402.743	2.557.335	1.183.978	2.870.083	1.830.500	810.202	94.368	36.282	15.132	1.438.292	690.553	358.644

*Non-including loans and advances to general governments.

** Loan origination date is defined as the contractual loan origination date for each account, either new or restructured.

19. DEBT SECURITIES

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Securities held for trading				
Listed	**1.819**	1.882	**1.819**	1.882
Securities held to maturity				
Listed	**45.501**	56.330	**45.501**	52.296
Securities classified as loans and receivables				
Listed	**226.963**	323.963	**226.963**	323.963
Securities available for sale				
Listed	**758.842**	387.585	**753.082**	385.016
Unlisted	**9.961**	10.177	**9.961**	10.177
Provisions for impairment	**(74)**	(211)	**(74)**	(211)
	768.729	397.551	**762.969**	394.982
	1.043.012	779.726	**1.037.252**	773.123

The analysis of Debt securities is based on their remaining contractual maturity at 31 December.

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Within three months	**67.738**	84.412	**67.303**	84.412
Between three months and one year	**79.493**	199.739	**79.141**	199.739
Between one year and five years	**515.557**	351.756	**510.584**	345.153
Over five years	**380.224**	143.819	**380.224**	143.819
	1.043.012	779.726	**1.037.252**	773.123

Analysis of Debt securities by sector:

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Concentration by sector:				
Governments	**561.411**	546.366	**559.664**	543.797
Banks	**180.853**	215.396	**180.853**	211.362
Other sectors	**300.748**	17.964	**296.735**	17.964
	1.043.012	779.726	**1.037.252**	773.123

As at 31 December 2015 the Group's exposure in Cyprus Government Bonds amounted to €393.903 thousand.

The category 'Other sectors' mainly consists of debt securities of supranational organisations.

The Group has participated in a targeted long term refinancing operation (TLTROs) of the European Central Bank in 2014. By participating in the TLTROs scheme the Group has placed as at 31 December 2015, as collateral, debt securities with a total market value less any haircuts, imposed by the

19. DEBT SECURITIES (continued)

ECB being equal to the total funding received from ECB, which amounted to €236 million (2014: €236 million bonds pledged under the same scheme).

Movement of Provision for impairment in value of investment in debt securities:

	The Group and the Bank	
	2015	2014
	€'000	€'000
	Securities available for sale	Securities available for sale
Provisions for impairment		
Balance 1 January	211	1.277
Reversal of provision	(137)	(1.066)
Balance 31 December	74	211

20. RECLASSIFICATION OF DEBT SECURITIES

On the 1st of January 2009, the Group proceeded with a review of its intension for the holding of debt securities and consequently of its policy for classifying them under the various categories. As a result of this review, a number of debt securities, which were included in the held for trading and available for sale categories, were reclassified to the held to maturity and loans and receivables categories. For the years 2010 to 2015 there has been no other reclassification of debt securities in other categories.

Reclassification of investments held for trading

In accordance with the provisions of the amended IAS 39 and considering the rare circumstances arising as a result of the international financial crisis and its continuing effects on the global economy, the Group identified the investments in debt securities that it did not intend to trade in on the 1st of January 2009. These investments were reclassified from the held for trading to the held to maturity category.

As at 31 December 2015, all Securities held for trading reclassified as held to maturity, matured.

Reclassification of available for sale investments

In accordance with the provisions of the amended IAS 39, the Group has reclassified certain available for sale debt securities to loans and receivables, in view of the fact that there was no active market for these debt securities and the Group did not have the intention to sell these securities in the foreseeable future.

The carrying amount and fair value of the reclassified debt securities is presented below:

	1 January 2009	31 December 2015	
	Carrying amount and fair value	Carrying amount	Fair value
	€'000	€'000	€'000
Available for sale debt securities reclassified as loans and receivables	139.001	133.369	135.570

Had the Group not reclassified the available for sale debt securities to loans and receivables on the 1st of January 2009, the Group's equity would have included losses from change in fair value of these debt securities of €3.431 thousand that would have been included in the revaluation reserve for available for sale investments.

In addition, on the 1st of January 2009, the Group reclassified certain available for sale debt securities, that it intends to hold to maturity, to the held to maturity category. The carrying amount of these debt securities transferred on the 1st of January 2009 amounted to €1.019 million. On 31st of December 2015 the carrying value of the remaining bonds that have not matured yet amounted to €6.795 thousand (31 December 2014: €6.525 thousand).

20. RECLASSIFICATION OF DEBT SECURITIES (continued)

As a result of the above decision, for the year ended 31 December 2015, an amount of €1.492 thousand (31 December 2014: €1.430 thousand), being amortisation of revaluation of reclassified debt securities available for sale, was transferred from the investment revaluation reserve to the income statement.

21. EQUITY SECURITIES AND COLLECTIVE INVESTMENTS UNITS

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Securities held for trading				
Listed securities	**282**	525	**282**	465
Securities available for sale				
Listed securities	**1.657**	8.842	**1.657**	8.564
Provisions for impairment	**(370)**	(7.328)	**(370)**	(7.050)
	1.287	1.514	**1.287**	1.514
Unlisted securities	**7.535**	12.500	**7.257**	11.617
Provisions for impairment	**(1.010)**	(5.220)	**(732)**	(4.337)
	6.525	7.280	**6.525**	7.280
Collective investments units	**7.046**	--	**--**	--
	14.858	8.794	**7.812**	8.794
	15.140	9.319	**8.094**	9.259

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Concentration by sector:				
Securities held for trading				
Banks	**--**	60	**--**	--
Other sectors	**282**	465	**282**	465
	282	525	**282**	465
Securities available for sale				
Banks	**--**	4	**--**	4
Other sectors	**7.812**	8.790	**7.812**	8.790
Collective investments units	**7.046**	--	**--**	--
	14.858	8.794	**7.812**	8.794
	15.140	9.319	**8.094**	9.259

Unlisted securities available for sale include the Group's and the Bank's investment in JCC Payment Systems Ltd of €6.269 thousand (2014: €4.408 thousand). In determining the fair value of the Bank's investment in the unlisted company JCC Payment Systems Ltd a valuation method based on the company's net assets was used.

During 2015 the Group invested in collective investments units (ETFs) which are shares/units in well diversified investments funds.

21. EQUITY SECURITIES AND COLLECTIVE INVESTMENTS UNITS (continued)

Movement of Provision for impairment in the value of investment in shares:

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Provisions for impairment				
Balance 1 January	**12.548**	12.067	**11.387**	10.906
Exchange difference	**370**	481	**370**	481
Reversal due to disposal	**(11.538)**	--	**(10.655)**	--
Balance 31 December	**1.380**	12.548	**1.102**	11.387

22. INVESTMENTS IN SUBSIDIARY COMPANIES

Investments in subsidiary companies represent the cost of acquisition of shares or the cost of incorporation/investment net of any provision for impairment of investment, where applicable, in the following subsidiary companies:

					The Bank	
	Line of Business	Country of operation and registration	Ownership %	Number of shares (thousand)	**2015**	2014
					€'000	€'000
Hellenic Bank (Investments) Ltd	Investment banking, asset management and brokerage	Cyprus	100	3.750	**4.309**	4.309
Hellenic Bank Trust and Finance Corporation Ltd	Financing Services	Cyprus	100	50	**94**	94
Pancyprian Insurance Ltd	General Insurance	Cyprus	99,96	15.700	**32.423**	32.423
Hellenic Alico Life Insurance Company Ltd	Life Insurance	Cyprus	72,50	725	**1.239**	1.239
Hellenic Insurance Agensy Ltd	Inactive	Greece	99,50	600	**18**	18
Hellenic Insurance Agency Ltd	Inactive	Cyprus	100	50	**86**	86
Borenham Holdings Limited	Holding Company	Cyprus	100	5.000	**--**	2.935
					38.169	41.104

Hellenic Insurance Agency Ltd and Hellenic Insurance Agensy Ltd are in the process of dissolution.

On the 6th of February 2015, the Bank proceeded with the disposal of its subsidiary Borenham Holdings Limited. Borenham Holdings Limited owned 100% of the share capital of the Russian company Limited Liability Company "Format Invest", owner of the building facilities of the Group's banking subsidiary in Russia, Limited Liability Company Commercial Bank "Hellenic Bank" which was disposed in 2014 (see Note 14).

The Board of Directors has authorised the Management of the Bank to proceed to the formation of special purpose entities aiming to the transfer of real estate which will be acquired as a result of forthcoming debt settlements.

During 2015 and based on the above decision, the Bank set up in Cyprus 5 new companies, where the Bank has 100% shareholding. The main activity of these companies is the ownership and management of immovable property. As at 31 December 2015 all companies were inactive.

23. PROPERTY, PLANT AND EQUIPMENT

The Group	Land and buildings 2015 €'000	Plant and equipment 2015 €'000	**Total 2015 €'000**
Cost or valuation			
1 January	87.975	57.351	**145.326**
Additions	--	4.928	**4.928**
Disposals/transfers	--	(1.447)	**(1.447)**
31 December	87.975	60.832	**148.807**

The Group	Land and buildings 2015	Plant and equipment 2015	**Total 2015**
Depreciation			
1 January	325	47.286	**47.611**
Charge for the year	1.096	2.851	**3.947**
Disposals/transfers	--	(1.315)	**(1.315)**
31 December	1.421	48.822	**50.243**
Net book value 31 December	86.554	12.010	**98.564**

The Group	Land and buildings 2014 €'000	Plant and equipment 2014 €'000	**Total 2014 €'000**
Cost or valuation			
1 January	114.374	57.408	**171.782**
Additions	1	3.865	**3.866**
Disposals/transfers	--	(2.956)	**(2.956)**
Transfer to assets of subsidiary held for sale	(5.048)	(1)	**(5.049)**
Transfer to assets held for sale	(573)	--	**(573)**
Disposal of subsidiary	--	(925)	**(925)**
Deficit on revaluation of land and buildings	(16.828)	--	**(16.828)**
Exchange difference	(3.951)	(40)	**(3.991)**
31 December	87.975	57.351	**145.326**

23. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group	Land and buildings 2014	Plant and equipment 2014	**Total 2014**
Depreciation			
1 January	2.115	46.005	**48.120**
Charge for the year – Continuing operations	1.233	3.088	**4.321**
Charge for the year – Discontinued operations	241	66	**307**
Disposals/transfers	--	(1.086)	**(1.086)**
Disposal of subsidiary	--	(755)	**(755)**
Transfer to assets held for sale	(18)	--	**(18)**
Transfer to assets of subsidiary company held for sale	(674)	(1)	**(675)**
Revaluation of land and buildings	(2.138)	--	**(2.138)**
Exchange difference	(434)	(31)	**(465)**
31 December	325	47.286	**47.611**
Net book value 31 December	87.650	10.065	**97.715**

The Bank	Land and buildings 2015 €'000	Plant and equipment 2015 €'000	**Total 2015 €'000**
Cost or valuation			
1 January	81.171	54.807	**135.978**
Additions	--	4.880	**4.880**
Disposals/transfers	--	(1.434)	**(1.434)**
31 December	81.171	58.253	**139.424**

The Bank	Land and buildings 2015 €'000	Plant and equipment 2015 €'000	**Total 2015 €'000**
Depreciation			
1 January	244	44.927	**45.171**
Charge for the year	1.039	2.794	**3.833**
Disposals/transfers	--	(1.306)	**(1.306)**
31 December	1.283	46.415	**47.698**
Net book value 31 December	79.888	11.838	**91.726**

23. PROPERTY, PLANT AND EQUIPMENT (continued)

The Bank	Land and buildings 2014 €'000	Plant and equipment 2014 €'000	**Total 2014 €'000**
Cost or valuation			
1 January	96.059	53.898	**149.957**
Additions	--	3.811	**3.811**
Deficit on revaluation of land and buildings	(14.888)	--	**(14.888)**
Disposals/transfers	--	(2.902)	**(2.902)**
31 December	81.171	54.807	**135.978**

The Bank	Land and buildings 2014 €'000	Plant and equipment 2014 €'000	**Total 2014 €'000**
Depreciation			
1 January	1.086	42.947	**44.033**
Charge for the year	1.171	3.027	**4.198**
Revaluation of land and buildings	(2.013)	--	**(2.013)**
Disposals/transfers	--	(1.047)	**(1.047)**
31 December	244	44.927	**45.171**
Net book value 31 December	80.927	9.880	**90.807**

Land and buildings were revalued at 31 December 2014, by independent qualified valuers on a market value basis for their existing use.

The cost and net book value on a historic cost basis of the freehold land and buildings stated at valuation at 31 December 2015 amounted to €70.880 thousand (2014: €70.880 thousand) and €63.751 thousand (2014: €64.452 thousand) respectively for the Group, and to €66.923 thousand (2014: €66.923 thousand) and €59.836 thousand (2014: €60.537 thousand) respectively for the Bank.

The cost of branches under renovation included under plant and equipment at 31 December 2015 amounted to €1.038 thousand (2014: €738 thousand) for the Group and the Bank.

At 31 December 2015 the value of the revalued freehold land not subject to depreciation amounted to €30.196 thousand (2014: €30.196 thousand) for the Group and €29.067 thousand (2014: €29.067 thousand) for the Bank.

24. INTANGIBLE ASSETS

The Group	Computer software 2015 €'000	Goodwill 2015 €'000	**Total 2015 €'000**
Cost			
1 January	22.192	25.130	**47.322**
Additions	3.777	--	**3.777**
Disposals	(2)	--	**(2)**
31 December	25.967	25.130	**51.097**

	Computer software 2015 €'000	Goodwill 2015 €'000	**Total 2015 €'000**
Amortisation or impairment losses			
1 January	17.333	10.306	**27.639**
Charge for the year	820	--	**820**
Disposals	(2)	--	**(2)**
31 December	18.151	10.306	**28.457**
Net book value 31 December	7.816	14.824	**22.640**

The Group	Computer software 2014 €'000	Goodwill 2014 €'000	**Total 2014 €'000**
Cost			
1 January	20.877	25.130	**46.007**
Additions	2.401	--	**2.401**
Disposal of subsidiary	(1.043)	--	**(1.043)**
Exchange difference	(43)	--	**(43)**
31 December	22.192	25.130	**47.322**

	Computer software 2014 €'000	Goodwill 2014 €'000	**Total 2014 €'000**
Amortisation or impairment losses			
1 January	16.836	10.306	**27.142**
Charge for the year – Continuing operations	939	--	**939**
Charge for the year – Discontinued operations	67	--	**67**
Disposal of subsidiary	(490)	--	**(490)**
Exchange difference	(19)	--	**(19)**
31 December	17.333	10.306	**27.639**
Net book value 31 December	4.859	14.824	**19.683**

On 31 December 2015, the Group assessed whether there is any impairment of goodwill arising on the acquisition of Pancyprian Insurance Ltd, by calculating the estimated fair value of the company, based on the future cash flows discounted to their present value using a pre-tax discount rate that reflects current market estimates of the time value of money and the risks specific to the investments. As a result of this assessment, no impairment of goodwill arose.

24. INTANGIBLE ASSETS (continued)

The Bank	Computer software 2015 €'000	Goodwill 2015 €'000	**Total 2015 €'000**
Cost			
1 January	21.775	--	**21.775**
Additions	3.767	--	**3.767**
Disposals	(2)	--	**(2)**
31 December	25.540	--	**25.540**
Amortisation or impairment losses			
1 January	16.952	--	**16.952**
Charge for the year	807	--	**807**
Disposals	(2)	--	**(2)**
31 December	17.757	--	**17.757**
Net book value 31 December	7.783	--	**7.783**

The Bank	Computer software 2014 €'000	Goodwill 2014 €'000	**Total 2014 €'000**
Cost			
1 January	19.432	--	**19.432**
Additions	2.343	--	**2.343**
31 December	21.775	--	**21.775**
Amortisation or impairment losses			
1 January	16.024	--	**16.024**
Charge for the year	928	--	**928**
31 December	16.952	--	**16.952**
Net book value 31 December	4.823	--	**4.823**

The goodwill relating to the branch network in Greece sold in 2013 which amounted to €1.291 thousand (Net book value:€ nil) was written off in 2013.

25. ASSETS/LIABILITIES OF SUBSIDIARY COMPANY HELD FOR SALE

The Bank's subsidiary Borenham Holdings Limited owned 100% of the share capital of Russia company Limited Liability Company "Format Invest", owner of the building facilities of the former Bank's subsidiary in Russia Limited Liability Company Commercial Bank "Hellenic Bank". The Bank as at 31 December 2014 was in an advance stage of negotiations with an investor for the disposal of its subsidiary company Borenham Holdings Ltd and the disposal was completed on 6 February 2015. The consideration price for the subsidiary was €4,1 million.

According to the provisions of the IFRS 5, "Non-Current assets held for sale and discontinued operations", all assets and liabilities of the subsidiary companies held for sale have been reclassified and are presented in total on the face of the consolidated statement of financial position under the category Asset/Liabilities of subsidiary companies held for sale.

25. ASSETS/LIABILITIES OF SUBSIDIARY COMPANY HELD FOR SALE (continued)

At 31 December 2014 assets and liabilities of the subsidiary company Borenham Holdings Limited included in the consolidated statement of financial position were as follow:

	€'000
Assets	
Placements with other banks	59
Property, plant and equipment	4.374
Tax Receivable	22
Other assets	91
Total assets	4.546
Liabilities	
Deferred tax liability	978
Other liabilities	66
Total liabilities	1.044

26. DEFERRED TAX ASSET

Deferred taxation arose as follows:

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Property revaluation differences and differences between depreciation and capital allowances	**1**	159	**--**	158
Tax losses	**58.093**	52.312	**58.093**	52.312
	58.094	52.471	**58.093**	52.470

Movement of Deferred taxation:

2015

	The Group			
	Balance 1 January	Effect on income statement	Effect on income statement- Discontinued operations	Balance 31 December
	€'000	**€'000**	**€'000**	**€'000**
Property revaluation differences and differences between depreciation and capital allowances	159	(158)	--	1
Tax losses	52.312	5.781	--	58.093
	52.471	5.623	--	58.094

26. DEFERRED TAX ASSET (continued)

2014

	The Group			
	Balance 1 January	Effect on income statement	Effect on income statement- Discontinued operations	Balance 31 December
	€'000	**€'000**	**€'000**	**€'000**
Property revaluation differences and differences between depreciation and capital allowances	225	(60)	(6)	159
Tax losses	24.456	28.566	(710)	52.312
Other temporary differences	16	--	(16)	--
	24.697	28.506	(732)	52.471

2015

	The Bank		
	Balance 1 January	Effect on income statement	Balance 31 December
	€'000	**€'000**	**€'000**
Property revaluation differences and differences between depreciation and capital allowances	158	(158)	--
Tax losses	52.312	5.781	58.093
	52.470	5.623	58.093

2014

	The Bank		
	Balance 1 January	Effect on income statement	Balance 31 December
	€'000	**€'000**	**€'000**
Property revaluation differences and differences between depreciation and capital allowances	218	(60)	158
Tax losses	23.748	28.564	52.312
	23.966	28.504	52.470

The recognition of deferred tax asset arising from tax losses is based on the forecasts of the Bank's Management for profitability. These forecasts are based on the available evidence, including the historical data, improved macroeconomic forecasts/estimates, the reduction in deposit rates, the stabilisation of non-performing exposures and of the growth of operations and are estimated at 12,5% tax rate. Therefore, it is probable that the Bank may realise future taxable gains against which the deferred tax assets may be used.

The tax losses relate to the same jurisdiction with the deferred tax asset.

27. OTHER ASSETS

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Prepaid expenses	**2.195**	1.653	**2.189**	1.647
Fair value of derivatives (see Note 37)	**6.653**	11.070	**6.653**	11.070
Assets held to cover liabilities of unit linked funds	**13.372**	13.176	**--**	--
Assets held for sale	**--**	--	**41.414**	--
Stock of properties held for sale	**71.216**	21.437	**28.200**	20.078
Debtors and other receivables	**22.238**	22.015	**3.294**	4.861
Equity held for sale	**12.381**	--	**12.381**	--
	128.055	69.351	**94.131**	37.656

The Board of Directors has authorised the Management of the Bank to proceed to the formation of special purpose entities aiming the transfer of real estate which will be acquired as a result of debt settlements. Based on the above decision the Bank has set up during 2015 and has a 100% shareholding in Anolia Holdings Ltd whose main activity is the ownership and management of immovable property and is classified under assets held for sale. The Group intends to dispose the investment within 2016. The fair value of the investment as at 31 December 2015 amounted to €41.414 thousand.

The Group's movement of assets from customers' debt settlement on 31 December 2015 is presented as follows:

	Banking & Financial services €'000	Insurance Services €'000	**Total €'000**
1 January 2015	7.257	908	**8.165**
Additions	62.910	--	**62.910**
Disposals	(256)	--	**(256)**
Impairment losses	(256)	(80)	**(336)**
31 December 2015	69.655	828	**70.483**

During 2015, the stock of property held for sale was revalued by independent professional valuers based on open market value for its existing use. The fair value of these assets for the Group amounted to €71.186 thousand (2014: €22.315 thousand) and for the Bank €69.958 thousand (2014: €20.955 thousand).

Shares held for sale relate to the shares the Bank holds in Visa Europe Limited. During 2015 Visa Inc. expressed an interest in acquiring the 100% of the issued and outstanding share capital of Visa Europe Limited. The deal values Visa Europe at €16,5 billion, which will be payable as €11,5 billion in cash and €5 billion in Visa Inc. preferred stock. There will also be an additional earn-out of up to €4,7 billion (including interest), which, will be subject to the terms of the earn-out. Based on the Bank's contribution to Visa Europe's business, Visa Europe calculated and communicated to the Bank, the share of the up-front consideration relating to the proposed sale of the issued and outstanding share capital of Visa Europe to Visa Inc. The fair value of the consideration that was booked in the accounts of the Bank amounted to €12,4 million and was derived after taking a 50% hair cut on the value of shares proposed without accounting for the Bank's share of any additional earn-out consideration.

The transaction is due to be completed in the 1st half of 2016 subject to regulatory approvals.

27. OTHER ASSETS (continued)

Assets held to cover liabilities of unit linked funds comprise of:

	The Group	
	2015	2014
	€'000	€'000
Deposits	**2.782**	2.273
Government bonds	**330**	313
Equity securities	**10.260**	10.590
	13.372	13.176

28. DEPOSITS BY BANKS

	The Group and the Bank	
	2015	2014
	€'000	€'000
Interbank accounts	**37.036**	58.623
Cheque clearing	**15.610**	12.137
Money Market deposits	**24.292**	--
	76.938	70.760

Analysis of deposits by banks is based on their remaining contractual maturity at 31 December.

	The Group and the Bank	
	2015	2014
	€'000	€'000
On demand	**52.629**	51.008
Within three months	**17.166**	4.462
Between three months and one year	**7.143**	15.290
	76.938	70.760

On 31 December 2015, an amount of €2.271 thousand (2014: €6.110 thousand) is pledged as collateral on deposits by banks, being common practise among financial institutions.

29. DEPOSITS BY CENTRAL BANKS

	The Group and the Bank	
	2015	2014
	€'000	€'000
Between one and five years	**236.373**	236.014

On 5th of June 2014, in pursuing its price stability mandate, the Governing Council of the European Central Bank (ECB) decided to introduce measures to enhance the functioning of the monetary policy transmission mechanism by supporting lending to the real economy. One particular measure announced by the ECB in relation to achieving this objective, was the decision of ECB to conduct a series of targeted longer-term refinancing operations (TLTROs) over a period of two years. In implementing this plan, the Governing Council aims to support bank lending to the non-financial private sector, meaning households and non-financial corporations, to the Eurozone member states. This measure does not propose to deal with lending to households for the purposes of house purchases. Under the scheme, banks were entitled to an initial borrowing allowance equal to 7% of a specific part of their loans in two parts, in September and December 2014. After this, additional amounts could be borrowed in further TLTROs, depending on the evolvement of the banks' eligible lending activities in excess of bank-specific benchmarks. The additional borrowing allowance is limited to three times the difference between the net lending from 30th of

29. DEPOSITS BY CENTRAL BANKS (continued)

April 2014 and the benchmark at the time it is claimed. According to the requirements of the ECB, the Banks that borrow under the TLTROs and fail to achieve their benchmarks as at 30 of April 2016 will be required to pay back their borrowings in full in September 2016, while on the contrary, all TLROs will mature in September 2018. According to ECB the interest rate for the remaining six targeted longer-term refinancing operations (TLTROs) will be equal to the interest rate of the Euro system's main refinancing operations prevailing at the time of each TLTRO transaction separately. The annual interest rate for the amount that has been granted to the Bank is 0,15% for the entire duration of the program and is payable upon the expiry of the program and the capital repayment.

As at 31 December 2015, the Bank participated in the program placing debt securities as collateral with a total market value, less any haircuts set by the ECB being equal to the total funding received (see Note 19).For recent developments refer to Note 48-Risk management/Market and Liquidity Risks.

30. CUSTOMER DEPOSITS AND OTHER CUSTOMER ACCOUNTS

	The Group and the Bank	
	2015	2014
	€'000	€'000
Demand deposits	**3.012.242**	2.940.691
Savings deposits	**574.385**	408.631
Notice deposits	**154.170**	194.246
Time deposits	**2.397.908**	2.802.380
	6.138.705	6.345.948

Analysis of customer deposits and other customer accounts is based on their remaining contractual maturity at 31 December.

	The Group and the Bank	
	2015	2014
	€'000	€'000
On demand	**3.604.946**	3.366.940
Within three months	**1.270.414**	1.383.310
Between three months and one year	**1.240.305**	1.561.577
Between one year and five years	**23.040**	34.121
	6.138.705	6.345.948

31. DEFERRED TAX LIABILITY

Deferred taxation arose as follows:

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Property revaluation differences and differences between depreciation and capital allowances	**1.467**	1.340	**1.329**	1.099
Other temporary differences	**5**	5	**8**	8
	1.472	1.345	**1.337**	1.107

31. DEFERRED TAX LIABILITY (continued)

Movement of Deferred taxation:

2015

	The Group				
	Balance 1 January	Effect on revaluation reserve	Effect on income statement	Effect on income statement- Discontinued operations	Balance 31 December
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Property revaluation differences and differences between depreciation and capital allowances	1.340	41	86	--	1.467
Other temporary differences	5	--	--	--	5
	1.345	41	86	--	1.472

2014

	The Group				
	Balance 1 January	Effect on revaluation reserve	Transfer to liabilities of subsidiary company held for sale	Effect on income statement- Discontinued operations	Balance 31 December
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Property revaluation differences and differences between depreciation and capital allowances	4.379	(1.421)	(1.516)	(102)	1.340
Other temporary differences	27	--	--	(22)	5
	4.406	(1.421)	(1.516)	(124)	1.345

2015

	The Bank			
	Balance 1 January **€'000**	Effect on revaluation reserve **€'000**	Effect on income statement **€'000**	Balance 31 December **€'000**
Property revaluation differences and differences between depreciation and capital allowances	1.099	38	192	1.329
Other temporary differences	8	--	--	8
	1.107	38	192	1.337

31. DEFERRED TAX LIABILITY (continued)

2014

	The Bank			
	Balance 1 January **€'000**	Effect on revaluation reserve **€'000**	Effect on income statement **€'000**	Balance 31 December **€'000**
Property revaluation differences and differences between depreciation and capital allowances	2.522	(1.423)	--	1.099
Other temporary differences	8	--	--	8
	2.530	(1.423)	--	1.107

32. OTHER LIABILITIES

	The Group		The Bank	
	2015 **€'000**	2014 €'000	**2015** **€'000**	2014 €'000
Fair value of derivatives (see Note 37)	**7.362**	11.700	**7.362**	11.700
Accrued expenses	**15.457**	14.396	**15.095**	13.973
Liabilities of unit linked funds	**13.372**	13.176	**--**	--
Provisions to cover credit risk resulting from commitments and guarantees	**21.814**	22.463	**21.814**	22.463
Other accounts payable	**56.302**	53.664	**18.285**	16.920
	114.307	115.399	**62.556**	65.056

Accumulated Provisions to cover credit risk resulting from commitments and guarantees:

	The Group and the Bank	
	2015 **€'000**	2014 €'000
1 January	**22.463**	--
Charge for the year	**(649)**	22.463
31 December	**21.814**	22.463

Other accounts payable for the Group and the Bank include provisions for pending litigations or complaints and/or claims amounting to €8.008 thousand (2014: €1.601 thousand).

33. LOAN CAPITAL

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Tier 1 Capital				
Convertible Capital Securities 1	**1.597**	1.577	**1.597**	1.597
Convertible Capital Securities 2	**128.070**	128.070	**128.070**	128.070
	129.667	129.647	**129.667**	129.667
Tier 2 Capital				
Non-Convertible Bonds 2016	**41.801**	41.801	**41.801**	41.801
Non-Convertible Bonds 2018	**10.000**	10.000	**10.000**	10.000
	51.801	51.801	**51.801**	51.801
	181.468	181.448	**181.468**	181.468

Full details/terms of issue of the Bonds and Securities of the Bank are included in the Prospectus and the Supplementary Prospectuses of each issue.

Tier 1 Capital

Convertible Capital Securities 1 ("CCS1")

The Convertible Capital Securities 1 are perpetual securities with no maturity date. Under the terms of their issue, they bear an annual fixed interest rate of 11% which is payable on a quarterly basis at the end of each Interest Payment period. Interest payment dates are set to be the 31st of March, 30th of June, 30th of September and 31st of December.

The Bank may, at its sole discretion, partially or fully cancel the interest payment on non-cumulative basis at any time considered necessary or desirable and for any reason, for an unlimited time period and without any restriction to the Bank.

The interest payment will be paid by the Available Distributable Items of the Bank.

Without this affecting the right of the Bank on cancelling the interest payment at its sole discretion, as mentioned above, the mandatory cancellation of the interest payment will apply in cases where:

(i) the Bank does not possess the necessary Available Distributable Items for such an interest payment on CCS1, or
(ii) the Bank or the Group is in breach of applicable laws, regulations, requirements, guidelines and policies regarding the Bank's or the Group's capital requirements, or
(iii) there is a requirement by the Central Bank of Cyprus at its sole discretion, as the competent authority, to cancel all or part of an interest payment.

Interest cancellation will not constitute an event of default, will not impose any restrictions on the Bank and will not grant the right to CCS1 holders to apply for the liquidation or resolution of the Bank. The Bank may use any cancelled interest payment without restrictions in order to meet its obligations, as they fall due.

The CCS1 are unsecured and subordinated obligations of the Bank and are classified as Tier 1 capital securities in accordance with the Directive of Capital Requirements and Large Exposures (as amended, revised or replaced) and any relevant European Union Directives and Regulations as applied in Cyprus or any other requirements that may apply.

33. LOAN CAPITAL (continued)

The rights and claims of CCS1 holders:

(i) are subordinated to the claims of the Bank's creditors, which are:

- depositors or other creditors whose claims are not subordinated to claims of the depositors,
- creditors whose claims are subordinated, except those whose claims rank pari passu with the claims of CCS1 holders,
- Bank bondholders that are classified as Capital Tier 2 (Tier 2), whose claims are subordinated,
- holders of securities that are issued or guaranteed by the Bank and ranked in higher priority than the CCS1.

(ii) Rank pari passu with the claims of other existing issues of the Bank (Capital Securities 2003 and NCPCS) and any other future bond and other securities issues of the Bank that are classified as Tier 1, excluding ordinary shares.

(iii) They have priority only in respect of the Bank's ordinary shareholders.

Under the provisions of the Prospectus dated 30 September 2013 the Bank may, at its sole discretion, redeem, following a notification of CCS1 holders and the Trustee, at par including accrued interest, excluding any cancelled interest, the total or part of the CCS1, on 31 October 2018 or on any interest payment date after that date, provided that the financial position and/or the solvency of the Bank and/or the Group are not adversely affected by such a redemption and after approval by the Central Bank of Cyprus or other competent supervisory authority. In case of redemption of part of the CCS1, the redemption will apply for all holders of CCS1 in proportion to the CCS1 they hold.

The CCS1 are also redeemable at the sole discretion of the Bank, at or after their issuance (after approval of the Central Bank of Cyprus or other competent authority and given that events or conditions referred to in (i) or/and (ii) below, as applicable, could not reasonably be anticipated by the Bank at the time of the issue of CCS1 and deemed by the Central Bank of Cyprus that such changes in (i) below are considered almost certain), in whole and not part of, at par including accrued interest not cancelled:

(i) when as a result of any change or proposed change in Laws or Regulations of the Republic of Cyprus, the relevant Directives, Regulations or Laws in relation to the Credit Institutions or change or proposed change in the application or official interpretation, the CCS1 cease to be considered:

(a) Tier 1 Capital and/or

(b) appropriate funds for inclusion in the calculation of capital requirements as defined by Troika (as long as the Hellenic Bank or the Group is required to maintain Common Equity Tier 1 ratio equal to or greater than 9%).

(ii) if the Bank shall not be entitled to claim any deduction in the calculation of tax liabilities in Cyprus with respect to any interest payment on the next interest payment date or if the amount of any deduction for the Bank would be greatly reduced.

All CCS1 redeemed by the Bank will be cancelled and will not be reissued or resold. The Bank shall cease to have any obligations in regards to any CCS1 that may be cancelled.

On 9 December 2013, in accordance with the above provisions, and at its sole discretion, the Bank announced the mandatory cancellation of the interest payment as a result of the inexistence of the required Available Distributable Items for such interest payment. The mandatory cancellation of interest payment will be valid unless the Bank informs the holders of the CCS1 otherwise.

Any redemption of CCS1 will be subject to prior approval from the Central Bank of Cyprus, as the supervisory authority and/or any other competent authority.

33. LOAN CAPITAL (continued)

The CCS1 will mandatorily and irrevocably be converted into ordinary shares, if any of the following occur:

(a) The Common Equity Tier 1 ratio of the Bank or the Group after 31st October 2013 or if this date is amended by the Central Bank of Cyprus, after this new date, has decreased, or remains below 9% (as long as Hellenic Bank or the Group is required, by the Central Bank of Cyprus, to maintain its Common Equity Tier 1 ratio equal to or greater than 9%).

(b) The Common Equity Tier 1 ratio of the Bank or the Group at any time decreases or remains below the applicable percentage required, by the Central Bank of Cyprus, to be maintained by the Bank or the Group with maximum ratio of Common Equity Tier 1 of 9%.

(c) The Common Equity Tier 1 ratio of the Bank or the Group is decreased below 5,125%.

(d) If any Non-Viability Event occurs for the Bank or the Bank may be subject to state aid measures.

The conversion amount will be, as applicable, (i) the amount required to restore the Common Equity Tier 1 ratio of the Bank and/or the Group to 5,125% and/or to 9% (for the latter, as long as Hellenic Bank or the Group is required to maintain the Common Equity Tier 1 ratio equal to or greater than 9%) and/or the applicable ratio that is required, at any time, from the Central Bank of Cyprus with maximum ratio of Common Equity Tier 1 Capital of 9% or (ii) the amount required so that Hellenic Bank is considered viable by the Central Bank of Cyprus, in each case up to the entire nominal amount of CCS1. Any conversion will apply pro rata to the outstanding balance of CCS1.

In accordance with the provisions of the Prospectus dated 30 September 2013:

The CCS1 will be converted into new fully paid ordinary shares of Hellenic Bank at the "Mandatory Conversion Price", which will be equal to the higher of:

(i) the Mandatory Reported Market Price, i.e. the average closing price of the last five days of trading of the shares of the Bank on the CSE prior to conversion with 20% discount,

(ii) the minimum conversion price of €0,10 and,

(iii) the nominal value of the Bank's ordinary shares.

The CCS1 holders may voluntarily convert them into fully paid ordinary shares of the Bank, at predetermined periods each year at the "Voluntary Conversion Price", which will be equal to the higher of:

(i) the Voluntary Reported Market Price, i.e. the average closing price of the last five days of trading of the shares of the Bank on the CSE prior to conversion with 20% discount,

(ii) the minimum conversion price of €0,15 and,

(iii) the nominal value of the Bank's ordinary shares.

On 28th of February 2014, under the provisions of the Prospectus dated 30 September 2013, within the implementation framework of the issue terms of CCS1 and as a result of the formation of the Common Equity Tier 1 ratio of the Group and the Bank being below the minimum required supervisory ratio of 9%, CCS1 of a total value of €85.873.871 were mandatorily and irrevocably converted, without any obligation to obtain the consent of the CCS1 holders, to shares so that the lower of the two, Common Equity Tier 1 Ratio of the Group and the Bank is increased to 9%.

Furthermore, on 29 August 2014 and on 26 October 2014 and as a result of the Common Equity Tier 1 Ratio of the Group and the Bank being below the minimum required supervisory ratio of 8%, as set by the Central Bank's circular dated 29 May 2014, CCS1 of total value of €15.106.520 and €23.804.161 respectively, were mandatorily and irrevocably converted to shares so that, the lower of the two, Common Equity Tier 1 Ratio of the Bank and the Group is increased to 8%.

33. LOAN CAPITAL (continued)

The mandatory conversion was applied pro rata to the outstanding balance of CCS1 for each investor on the conversion date and the applicable mandatory Conversion Price of CCS1 to shares was set at €0,10. All CCS1 that have been converted into shares were automatically cancelled and any right or obligation derived from the Prospectus ceased to be valid.

The CCS1 are listed on the Cyprus Stock Exchange.

Convertible Capital Securities 2 ("CCS2")

The Convertible Capital Securities 2 are perpetual securities with no maturity date. Under the terms of their issue, they bear an annual fixed interest rate of 10% which is payable on a quarterly basis at the end of each Interest Payment period. Interest payment dates are set to be the 31st of March, 30th of June, 30th of September and 31st of December.

The Bank may, at its sole discretion, partially or fully cancel the interest payment on non-cumulative basis at any time considered necessary or desirable and for any reason, for an indefinite time period and without any restriction to the Bank.

The interest payment will be paid by the Available Distributable Items of the Bank.

Without this affecting the right of the Bank on cancelling the interest payment at its sole discretion, as mentioned above, the mandatory cancellation of the interest payment will apply in cases where:

(i) the Bank does not possess the necessary Available Distributable Items for such an interest payment on CCS2, or
(ii) the Bank or the Group is in breach of applicable laws, regulations, requirements, guidelines and policies regarding the Bank's or the Group's capital requirements, or
(iii) there is a requirement by the Central Bank of Cyprus at its sole discretion, as the competent authority, to cancel all or part of an interest payment.

Interest cancellation will not constitute an event of default, will not impose any restrictions on the Bank and will not grant the right to CCS2 holders to apply for the liquidation or resolution of the Bank. The Bank may use any cancelled interest payment without restrictions in order to meet its obligations, as they fall due.

CCS2 were offered (the "CCS2 Voluntary Exchange Offer") to the holders of the following securities:

- Bonds due 2016 (ISIN CY0140040110), issued under the issuance terms of the Prospectus dated 11 May 2006,
- Bonds due 2018 issued on 1 September 2008,
- Bonds due 2019 (ISIN CY0140940111) issued on 11 March 2009 under the issuance terms included in the Prospectus dated 18 May 2009 and,
- Capital securities (ISIN CY0048940114) issued on 18 April 2003 under the issuance terms of the Prospectus dated 7 November 2003.

The CCS2 are unsecured and subordinated obligations of the Bank and are classified as Tier I capital securities in accordance with the Directive of Capital Requirements and Large Exposures (as amended, revised or replaced) and any relevant European Union Directives and Regulations as applied in Cyprus or any other requirements that may apply.

33. LOAN CAPITAL (continued)

The rights and claims of CCS2 holders:

(i) are subordinated to the claims of the Bank's creditors, which are:

- depositors or other creditors whose claims are not subordinated to claims of the depositors,
- creditors whose claims are subordinated, except those whose claims rank pari passu with the claims of CCS2 holders,
- Bank bondholders that are classified as Capital Tier 2 (Tier 2), whose claims are subordinated,
- Holders of securities that are issued or guaranteed by the Bank and their rank is higher of the rank of CCS2.

(ii) Rank pari passu with the claims of other existing issues of the Bank (Capital Securities 2003 and NCPCS) and any other future bond and other securities issues of the Bank that are classified as Tier 1, with the exception of the ordinary shares.

(iii) They have priority only in respect of the Bank's ordinary shareholders.

Under the provisions of the Prospectus dated 30 September 2013 the Bank may, at its sole discretion, redeem, following a notification of CCS2 holders and the Trustee ,at par including accrued interest, excluding any cancelled interest, the total or part of the CCS2, on 31 October 2018 or on any interest payment date after that date, provided that the financial position and/or the solvency of the Bank and/or the Group are not adversely affected by such a redemption and after approval by the Central Bank of Cyprus or other competent supervisory authority. In case of redemption of part of the CCS2, the redemption will apply for all holders of CCS2 in proportion to the CCS2 they hold.

The CCS2 are also redeemable at the sole discretion of the Bank, at or after their issuance(after approval of the Central Bank of Cyprus or other competent authority and given that events or conditions referred to in (i) or/and (ii) below, as applicable, could not reasonably be anticipated by the Bank at the time of the issue of CCS2 and deemed by the Central Bank of Cyprus that such changes in (i) below are considered almost certain), in whole and not part of, at par including accrued interest not cancelled:

(i) when as a result of any change or proposed change in Laws or Regulations of the Republic of Cyprus, the relevant Directives, Regulations or Laws in relation to the Credit Institutions or change or proposed change in the application or official interpretation, the CCS2 cease to be considered:

(a) Tier 1 capital and/or

(b) appropriate funds for inclusion in the calculation of capital requirements as defined by Troika (as long as the Hellenic Bank or the Group is required to maintain Common Equity Tier 1 ratio equal to or greater than 9%).

(ii) if the Bank shall not be entitled to claim any deduction in the calculation of tax liabilities in Cyprus with respect to any interest payment on the next interest payment date or the amount of any deduction for the Bank would be significantly reduced.

All CCS2 redeemed by the Bank will be cancelled and will not be reissued or resold. The Bank shall cease to have any obligations in regards to any CCS2 that may be cancelled.

On 9 December 2013, in accordance with the above provisions, and at its sole discretion, the Bank announced mandatory the cancellation of the interest payment as a result of inexistence of the required Available Distributable Items for such interest payment. The mandatory cancellation of interest payment will be valid unless the Bank warns the holders of the CCS2 otherwise.

Any redemption of CCS2 will be subject to prior approval from the Central Bank of Cyprus, as supervisory authority or/and any other competent authority.

33. LOAN CAPITAL (continued)

The CCS2 will mandatorily and irrevocably be converted into ordinary shares, if any of the following occur:

(a) The Common Equity Tier 1 ratio of the Bank or the Group after 31 October 2013 or if this date is amended by the Central Bank of Cyprus, after this new date, has decreased, or remains below 9% (as long as Hellenic Bank or the Group is required, by the Central Bank of Cyprus, to maintain its Common Equity Tier 1 ratio equal to or greater than 9%).

(b) the Common Equity Tier 1 ratio of the Bank or the Group at any time decreases or remains below the applicable percentage required, by the Central Bank of Cyprus, to be maintained by the Bank or the Group with maximum ratio of Common Equity Tier 1 of 9%.

(c) The Common Equity Tier 1 ratio of the Bank or the Group is decreased below 5,125%.

(d) If any Non-Viability Event occurs for the Bank or the Bank may be subject to State Aid measures.

The conversion amount will be, as applicable, (i) the amount required to restore the Common Equity Tier 1 ratio of the Bank and/or the Group to 5,125% and/or to 9% (for the latter, as long as Hellenic Bank or the Group is required to maintain the Common Equity Tier 1 ratio equal to or greater than 9%) and/or the applicable ratio that is required, at any time, from the Central Bank of Cyprus with maximum ratio of Common Equity Tier 1 Capital of 9% or (ii) the amount required so that Hellenic Bank is considered viable by the Central Bank of Cyprus, in each case up to the entire nominal amount of CCS2. Any conversion will apply pro rata to the outstanding balance of CCS2.

In accordance with the provisions of the Prospectus dated 30 September 2013:

The CCS2 will be converted into new fully paid ordinary shares of Hellenic Bank at the "Mandatory Conversion Price", which will be equal to the higher of:

(i) the Mandatory Reported Market Price, i.e. the average closing price of the last five days of trading of the shares of the Bank on the CSE prior to conversion with 20% discount,

(ii) the minimum conversion price of €0,05 and,

(iii) the nominal value of the Bank's ordinary shares.

The CCS2 holders may voluntarily convert them into fully paid ordinary shares of the Bank, at predetermined periods each year at the "Voluntary Conversion Price", which will be equal to the higher of:

(i) the Voluntary Reported Market Price, i.e. the average closing price of the last five days of trading of the shares of the Bank on the CSE prior to conversion with 20% discount,

(ii) the minimum conversion price of €0,15 and,

(iii) the nominal value of the Bank's ordinary shares.

The CCS2 are listed on the Cyprus Stock Exchange.

Further to the announcement of Hellenic Bank Public Company Ltd dated 31 October 2014, concerning the decision of the Board of Directors of the Bank for the issue of shares via rights issue and based on the provisions of the Prospectus dated 30 September 2013 ("the Prospectus") part IV/B/III paragraph 10 C1 and part IV/C/III paragraph 11 C1, the minimum price of mandatory conversion of the CCS1 was adjusted from €0,10 to €0,08, the minimum price of voluntary conversion of the CCS1 was adjusted from €0,15 to €0,13 as well as the minimum price of mandatory conversion of the CCS2 was adjusted from €0,05 to €0,04 and the minimum price of voluntary conversion of the CCS2 was adjusted from €0,15 to €0,13.

33. LOAN CAPITAL (continued)

These adjustments became effective from 18 November 2014, the date of the first CSE session that the shares of Hellenic Bank traded ex-rights.

Following the approval of the relevant Special Resolution by the Extraordinary General Meeting which was held on the 27th of February 2015, the issued share capital of the Bank, has been consolidated and divided and based on the provisions of the Prospectus dated 30th of September 2013, Part IV/B/III paragraph C1 (i) and Part IV/C/III paragraph C1 (i), the following adjustments took place which were effective from the 27th of February 2015:

Minimum Price of Mandatory Conversion:

- For CCS1 the price was adjusted from €0,08 to €4,00
- For CCS2 the price was adjusted from €0,04 to €2,00

Minimum Price of Voluntary Conversion:

- For CCS1 the price was adjusted from €0,13 to €6,50
- For CCS2 the price was adjusted from €0,13 to €6,50

As long as the Bank continues to be required to maintain CET1 ratio equal to or greater than 9% pursuant to the provisions of the Prospectus dated 30 September 2013 for the issue of CCS1 and CCS2, each of the CCS1 and CCS2 will be mandatorily converted into ordinary shares of the Bank, if the CET1 ratio of the Bank, on a consolidated basis, decreases or remains below 9% and/or in the event of any other occurrences specified as contingent conversion triggers for mandatory conversion in the Prospectus.

Pursuant to the terms of the Prospectus, CCS1/CCS2 holders may exercise the right to convert the CCS1/CCS2 into ordinary shares, during the periods between 15-31 January and 15-31 July of each year ("the Conversion Period") with the first Conversion Period commencing on 15 January 2016 and the last Conversion Period commencing on 15 July 2023. If a CCS1/CCS2 holder exercises his Right to convert, any interest accrued ceases to be calculated and becomes due until the end of the conversion period during which the holder has exercised voluntary conversion, according to the provisions of Paragraph 10.B.(d) of Part IV/B/III of the Prospectus.

The first Conversion Period for CCS1/CCS2 commenced on 15 January 2016 and ended on 29 January 2016. The Bank did not receive a Voluntary Conversion Application from any CCS1 /CCS2 holder.

Tier 2 Capital

For the purposes of the calculation of the capital base, the following bonds are considered as Tier 2 Capital.

Non-Convertible Bonds 2016

The Bonds 2016 were issued in three different series and will mature on the 1st of July 2016, irrespective of the date of issue. Under the terms of issue, (Prospectus dated 11 May 2006, Supplementary Prospectus dated 7 June 2006, Second Supplementary Prospectus dated 1 November 2006, Third Supplementary Prospectus dated 12 December 2006 and Fourth Supplementary Prospectus dated 5 April 2007), the Bank has the right to redeem the Bonds 2016 on any interest payment date after the 1st of July 2011. The Bonds which resulted from all issues are listed on the Cyprus Stock Exchange.

Bonds 2016 are not secured and in the event of the Bank's liquidation their repayment follows in priority the claims of depositors and other creditors. They have, however, priority over shareholders and Capital Securities holders.

Bonds 2016 bear interest at a floating rate reviewed at the beginning of each interest payment period and applicable to that specific period. According to the Bonds' terms of issue, if the Bonds were not redeemed by the Bank, the current interest rate was the 3-month Euribor plus 0,80% until the 1st of July 2011 and the 3-month Euribor plus 1,50% after the 1st of July 2011. Interest is payable quarterly in cash at the end of each interest period. For the period from the 1st of January 2015 to 31 March 2015 the interest rate was set at 1,579% per annum, for the period from the 1st of April 2015 to 30 June 2015 the interest rate was set at 1,518% per annum, for the period from the 1st of July 2015 to 30 September 2015 the interest rate

33. LOAN CAPITAL (continued)

was set at 1,484% per annum, while for the period from the 1st of October 2015 to 31 December 2015 the interest rate was set at 1,459% per annum.

With the absorption of the operations of Athena Cyprus Company Ltd on 28 June 2010, an amount of €854 thousand, which related to an investment of Athena Cyprus Public Company Ltd in Bonds 2016, had been undertaken by the Bank and is eliminated on consolidation.

Pursuant to the Prospectus, dated 30 September 2013 among others, CCS2 of total value of €20.881.785 were issued to exchange the Non-Convertible Bonds 2016 (ISIN CY0140040110), to the holders who had accepted the CCS2 Voluntary ExchangeOffer.

On the 2nd of November 2013, all Non-Convertible Bonds 2016 that were converted into CCS2 were automatically cancelled and the Bank ceased to have any obligations in respect of them.

Non-Convertible Bonds 2018

On the 1st of September 2008, the Bank proceeded with the issue of the Bonds 2018 amounting to €10.000.000. The Bonds mature on 31 August 2018.

Interest on Bonds 2018 is payable in cash every three months, at the end of each interest period. Bonds 2018 bear interest at a floating rate equal to the 3-month Euribor rate applicable at the beginning of each interest period, plus 1,75%. Under the terms of issuance of the bond if the bonds are not redeemed by the Bank after the 1st of September 2013, they would bear an additional interest of 1%. Consequently the interest rate applicable subsequent to the 1st of September 2013 is equal to the 3-month Euribor plus 2,75%.

Bonds 2018 are not secured and in the event of the Bank's liquidation their repayment follows in priority the claims of depositors and other creditors. They have, however, priority over shareholders and Capital Securities holders. Bonds 2018 are not listed on the Cyprus Stock Exchange.

34. SHARE CAPITAL

	The Group and the Bank			
	31 December 2015 €'000	**Number of shares (thousand)**	31 December 2014 €'000	Number of shares (thousand)
Authorised				
51.600 million shares of €0,01 each	**--**	**--**	516.000	51.600.000
1.032 million shares €0,50 each	**516.000**	**1.032.000**	--	--

	31 December 2015 €'000	**No. of shares (thousand)**	31 December 2014 €'000	No. of shares (thousand)
Issued				
Fully paid shares				
1 January	**93.010**	**9.300.974**	26.888	2.688.753
Allotment of unexercised 2014 rights	**874**	**87.422**	--	--
Issue of shares from exercise of 2014 Rights	**--**	**--**	53.644	5.364.375
Reverse split	**--**	**(9.200.628)**	--	--
Issue of shares to EBRD	**5.333**	**10.667**	--	--
Issue of shares from conversion of Non-Convertible Capital Securities	**--**	**--**	12.478	1.247.846
Total issued share capital	**99.217**	**198.435**	93.010	9.300.974

34. SHARE CAPITAL (continued)

Authorised Share Capital

At the Extraordinary General Meeting of the shareholders of the Bank which was held on 27th of February 2015, amongst others, it was discussed and approved the consolidation and division (reverse split) of the share capital with a ratio of 50:1, the proposal for the issue of shares to the Chief Executive Officer of the Bank as part of his variable remuneration package and a proposal authorising the Board of Directors to issue and allot up to 18.776.000 ordinary shares (post the effect of consolidation and the reverse split) in order to take advantage of any capital raising opportunities that may arise within a period of 12 months. The issue price of such shares shall not be less than €1,875. It was also decided that the fractions of ordinary shares, arose on reverse split to be aggregated and sold in the market. The net proceeds from the sale, which amounted to €19.433, were distributed to Cyprus Red Cross.

Issued Share Capital

On 28th of February 2014, under the provisions of the Prospectus dated 30th of September 2013, within the implementation framework of the issue terms of CCS1 and CCS2, and as a result of the Common Equity Tier 1 ratio of the Group and the Bank being below the minimum required supervisory ratio of 9% at 31 December 2013, CCS1 of a total value of €85.873.871 were mandatorily and irrevocably converted, without any obligation to obtain the consent of the CCS1 holders, to shares so that the lower of the two, Common Equity Tier 1 Ratio of the Group and the Bank is increased to 9%.

On 29th of August 2014 and on 26th of October 2014 and as a result of the Common Equity Tier 1 Ratio of the Group and the Bank being below the minimum required supervisory ratio of 8%, as set by the Central Bank's of Cyprus circular dated 29th of May 2014, CCS1 of total value of €15.106.520 and €23.804.161 respectively, were mandatorily and irrevocably converted to shares so that, the lower of the two, Common Equity Tier 1 Ratio of the Group and the Bank is increased to 8%.

The mandatory conversion was applied pro rata to the outstanding balance of CCS1 for each investor on the conversion date and the applicable mandatory Conversion Price of CCS1 to shares was set at €0,10. All CCS1 that have been converted into shares were automatically cancelled and any right or obligation derived from the Prospectus ceased to be valid. A total of 1.247.845.520 ordinary shares of the Bank resulted from the conversion.

On the 26th of October 2014, the European Central Bank (ECB" and the European Banking Authority (EBA) published the results of the Asset Quality Review (AQR) and the Stress Tests (together the "Comprehensive Assessment") for 130 banks across the Eurozone, including Hellenic Bank (the "Bank" or the "Group"). The results of the "Baseline Scenario" of the stress test confirmed the business model of Hellenic Bank while the "Adverse Scenario" calculated the capital that the Bank should raise to be able to handle unexpected future losses. The capital actions of the Bank reduced the initial gap of €277 million, based on the "Adverse Scenario", to €105 million.

As a result of the above, the Board of Directors of the Bank decided at a meeting held on the 31st of October 2014 to increase the share capital of the Bank by €210 million via a Rights Issue to the existing shareholders of the Bank after securing the necessary approvals by the competent authorities.

According to the provisions of the Prospectus issued on the 14th of November 2014, the Rights were issued and allotted to all existing shareholders at the ratio of one (1) Right to every one (1) Ordinary Share held on the Record Date. Every two (2) Rights exercised were converted to three (3) new Ordinary Shares of the Bank of nominal value €0,01 with an Exercise Price of €0,0375 for every New Share. The Holders of Subscription Rights who exercised all of their Subscription Rights in time could, concurrently with the exercise of their Subscription Rights, exercise their Presubscription Right to acquire any New Unsubscribed Shares, i.e. shares that correspond to the unexercised Subscription Rights, at a price equal to the Exercise Price, i.e. €0,0375 per New Share, provided that the exercise of such Holder's Subscription Rights and Presubscription Right did not result in such investor holding equal or in excess of 30% of the issued share capital of the Bank after giving effect to the issue of shares pursuant to the Subscription Rights and Presubscription Right. New Shares issued pursuant to a Presubscription Right were allocated on a pro rata basis, to those holders that exercise them, up to 100% of the number of New Shares corresponding to the Subscription Rights exercised by such Holder. If the Presubscription Right is in excess of the aforementioned limit of 100%, then satisfying the excess percentage over 100% will be at the discretion of the Board.

34. SHARE CAPITAL (continued)

A total of 5.364.374.709 ordinary shares resulted during 2014 from the exercise of Rights according to the provisions of the Prospectus dated 14th of November 2014.

In addition, on the 28th of January 2015 87.421.980 ordinary shares were issued from the exercise of unallocated 2014 Rights.

On 28th January 2015, the Bank announced that it has successfully concluded the share capital increase that commenced in November 2014, raising €204 million and covering by 92% of the target set in an adverse and challenging economic environment. Specifically, as mentioned above, €201 million raised in phase 1 of the capital increase (through the Subscription and Presubscription phase), and €3 million raised through the shares allotment that correspond to the unexercised Rights, not allotted through the Presubscription phase.

The Extraordinary General Meeting decided on the 27th of February 2015 the reverse split of the share capital with a ratio of 50:1 and as result the number of shares in issue were decreased by 9.200.628 thousand.

On 30th of September 2015 the Bank and the European Bank for Reconstruction and Development (EBRD) signed an agreement of participation in the share capital of the Bank.

Following the signing of the agreement, on the 12th of October 2015, 10.666.666 new ordinary shares of nominal value €0,50 per each share were issued and allotted to EBRD at an issue price of €1,875 per share. As a result, EBRD acquired a 5,38% shareholding in the Bank's share capital.

All shares resulted from the mandatory conversion, the exercise of Rights and the issue of shares have been listed and are traded on the Cyprus Stock Exchange.

At 31 December 2015, 198.434.584 fully paid shares were in issue, with a nominal value of €0,50 each (2014: 9.300.973.920 shares with a nominal value €0,01 each).

35. REVALUATION RESERVES

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Property revaluation reserve				
1 January	**30.098**	35.793	**27.105**	32.583
Deficit on revaluation of land and buildings	**--**	(6.152)	**--**	(5.937)
Deferred taxation on property revaluation	**(41)**	1.421	**(38)**	1.423
Transfer to revenue reserve	**(317)**	(964)	**(292)**	(964)
	29.740	30.098	**26.775**	27.105
Revaluation reserve of available for sale securities				
1 January	**6.463**	6.145	**6.494**	6.369
Revaluation of equity securities	**14.478**	665	**14.500**	665
Revaluation of debt securities	**1.619**	1.083	**1.655**	890
Amortisation of revaluation of reclassified debt securities	**(1.492)**	(1.430)	**(1.492)**	(1.430)
Impairment losses on equity securities transferred to the income statement	**(315)**	--	**(315)**	--
	20.753	6.463	**20.842**	6.494
Total revaluation reserves 31 December	**50.493**	36.561	**47.617**	33.599

The revaluation reserve of available for sale securities at 31 December 2015 consists entirely of revaluation to fair value gains.

36. CONTINGENT LIABILITIES AND COMMITMENTS

	The Group		The Bank	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Contingent liabilities				
Acceptances and endorsements	**367**	812	**367**	812
Guarantees	**217.831**	213.374	**217.831**	213.374
	218.198	214.186	**218.198**	214.186
Commitments				
Undrawn formal standby facilities	**458.293**	472.638	**463.477**	472.638
Undisbursed loan amounts	**103.451**	36.339	**103.451**	36.339
Other commitments	**10.105**	7.778	**10.105**	7.778
	571.849	516.755	**577.033**	516.755
	790.047	730.941	**795.231**	730.941

Capital Commitments

At 31 December 2015, the Group's and the Bank's commitments for capital expenditure, not recognised in the statement of financial position, amounted to €1.749 thousand (December 2014: €7.871 thousand).

Other Commitments

At 31 December 2015, the Group's and the Bank's commitments for expenditure regarding advisory services, not recognised in the income statement, amounted to €2.153 thousand (December 2014:€2.605).

37. DERIVATIVES

The Group uses the following derivative instruments:

Foreign currency forwards: represent agreements for the purchase or sale of foreign currencies settled at a future date.

Foreign currency swaps: represent agreements for the exchange of cash flows of different currencies.

Options: represent contracts for future purchase or sale, at a predetermined value of a financial "product", offering the right, but not the obligation, to one of the two parties to request by the other party the fulfilment of the agreement during a certain period of time or on a specific date.

Interest rate swaps: represent agreements where one stream of future interest payments is exchanged for another based on a predetermined notional amount and time periods.

	The Group and the Bank		
	Nominal value	Fair value	
		Other assets	Other liabilities
At 31 December 2015	€'000	€'000	€'000
Foreign currency forwards	50.151	25	698
Foreign currency swaps	301.572	3.258	522
Options	34.333	136	136
Interest rate swaps	122.282	3.234	6.006
	508.338	6.653	7.362

37. DERIVATIVES (continued)

	The Group and the Bank		
	Nominal value	Fair value	
At 31 December 2014	€'000	Other assets €'000	Other liabilities €'000
Foreign currency forwards	226.585	6.533	1.383
Options	30.985	180	180
Interest rate swaps	202.042	4.357	10.137
	459.612	11.070	11.700

38. HEDGE ACCOUNTING

The Group's policy is to hedge the risks arising from its exposure to fluctuations of interest rates, credit ratings and foreign exchange rates.

Fair value hedging

Interest rate swaps, where the Group exchanges fixed rate with floating rate of interest, are used as fair value hedges for fixed interest rate debt securities classified as available for sale.

The fair value of hedging instruments used for hedging interest rate risk is shown below:

	The Group and the Bank		
	Nominal value	Fair value	
At 31 December 2015	€'000	Other assets €'000	Other liabilities €'000
Interest rate swaps with fixed interest rate payments	--	--	--
		Other assets	Other liabilities
At 31 December 2014	€'000	€'000	€'000
Interest rate swaps with fixed interest rate payments	8.237	--	314

39. CASH AND CASH EQUIVALENTS

	The Group		The Bank	
	2015 €'000	2014 €'000	**2015 €'000**	2014 €'000
Cash and balances with Central Banks	**1.990.038**	2.129.910	**1.990.037**	2.129.909
Placements with other banks	**797.917**	997.513	**795.747**	995.339
	2.787.955	3.127.423	**2.785.784**	3.125.248

Cash and cash equivalents include cash and unrestricted balances with Central Banks and placements with other banks, with original maturities of less than three months.

40. DIRECTORS' INTEREST IN THE SHARE CAPITAL OF THE BANK

According to the Cyprus Securities and Stock Exchange Regulations and in accordance with the requirements of the Directive DI190/2007/04 para. 4 of the Cyprus Securities and Exchange Commission, the Bank is required to disclose the percentage shareholdings in the Bank's share capital owned by Members of the Board of Directors, their spouses, or/and relatives by blood up to first degree and companies in which they control directly and indirectly at least 20% of the voting rights at 31 December 2015 and the respective percentages of five (5) days prior to the date of approval of the Financial Statements by the Board.

	31 December 2015			24 March 2016		
	Direct participation	Indirect participation	Total	Direct participation	Indirect participation	Total
I. A. Georgiadou	--	--	--	--	--	--
A. Christofides	--	0,00001%	0,00001%	--	0,00001%	0,00001%
L. Papadopoulos	--	0,00005%	0,00005%	--	0,00005%	0,00005%
D. W. Bonanno	--	--	--	--	--	--
M. S. Yannopoullos	--	--	--	--	--	--
Dr E. A. Polykarpou	--	--	--	--	--	--
G. Fereos	--	--	--	--	--	--
M. Pantelidou - Neophytou	0,0036%	--	0,0036%	0,0036%	--	0,0036%
H.L. Pijls	--	--	--	--	--	--
I. A. Matsis	--	0,0012%	0,0012%	--	0,0012%	0,0012%
Ch. A. Hadjistavris	--	--	--	--	--	--
A. C. Wynn	--	--	--	--	--	--

The Members of the Board of Directors as at 31 December 2015 did not hold any stake in the Bank's issued loan capital.

41. RELATED PARTY TRANSACTIONS

Members of the Board of Directors and connected persons

Connected persons include the spouse, the children, the parents and the companies in which Directors hold, directly or indirectly, at least 20% of the voting rights at a general meeting.

	31 December 2015 €'000	31 December 2014 €'000
Loans and advances	**8**	4
Tangible securities	**6**	5
Deposits	**2.104**	1.990

Additionally, at 31 December 2015, there were contingent liabilities and commitments in respect of Members of the Board of Directors and their connected persons in the form of documentary credits, guarantees and unused limits amounting to €324 thousand which did not exceeded 1% of the Bank's net assets (December 2014: €18 thousand).

For the year ended 31 December 2015 there was no interest income in relation to Members of the Board of Directors and their connected persons (December 2014: nil), while interest expense in respect of Members of the Board of Directors and their connected persons amounted to €13 thousand (December 2014: €9 thousand).

41. RELATED PARTY TRANSACTIONS (continued)

Emoluments and fees of Members of the Board of Directors

	31 December 2015 €'000	31 December 2014 €'000
Emoluments and fees of Members of the Board of Directors:		
Emoluments and benefits in executive capacity	**674**	382
Employer's contributions for social insurance, etc	**37**	30
Retirement benefits	**10**	50
Amounts paid on termination	**--**	393
Total emoluments for Executive Directors	**721**	855
Fees	**890**	270
Employer's contributions – Non Executive Directors	**10**	--

On the 1st of September 2014, the contract of employment between the Executive Director/Chief Executive Officer and the Bank was terminated by mutual consent. The two parties agreed to a consideration for the termination of the contract of employment, in cash and in kind, amounting in total to around €393 thousand. The Bank also paid to the Executive Director/Chief Executive Officer the total amount of his accrued rights.

Other transactions with Members of the Board of Directors and related parties

The sales of insurance policies for the year ended 31 December 2015 by the Group's subsidiary, Pancyprian Insurance Ltd, to Members of the Board and their connected persons as defined above, amounted to €8 thousand (2014: €7 thousand), while sales of insurance policies by the Group's subsidiary, Hellenic Alico Life Insurance Company amounted to €20 (2014: €3 thousand).

Key Management personnel who are not Directors and their connected persons

Key Management personnel are those persons who have the authority and the responsibility for the planning, management and control of the Banks' operations, directly or indirectly. The Group, according to the provisions of IAS 24 considers as Key Management personnel the General Managers of the Bank who were not Directors, the members of the Asset and Liability Committee (ALCO) as well as management personnel who refer directly to the Chief Executive Officer.

Connected persons include spouses, minor children and companies in which the Key Management personnel who were not Directors hold, directly or indirectly, at least 20% of the voting rights at a general meeting.

	31 December 2015 €'000	31 December 2014 €'000
Loans and other advances	**688**	592
Tangible securities	**196**	160
Deposits	**5.169**	6.269

41. RELATED PARTY TRANSACTIONS (continued)

Emoluments of Key Management personnel of the Group

The emoluments of Key Management personnel who were not Directors were:

	31 December 2015 €'000	31 December 2014 €'000
Emoluments of Key Management personnel who were not Directors:		
Salaries and other short term benefits	**2.068**	1.441
Employer's contributions for social insurance etc	**227**	187
Retirement benefits	**131**	128
Amounts paid on termination	**942**	--
	3.368	1.756

During 2015, the contracts of employment between 5 Key Management personnel and the Bank were terminated by mutual consent. The parties agreed to a consideration for the termination of the contract of employment, in cash and in kind, amounting in total to around €942 thousand. The Bank also paid to the 5 Key Management personnel the total amount of their accrued rights.

In addition, on 31 December 2015, there were contingent liabilities and commitments to Key Management personnel who were not Directors and their connected persons amounting to €335 thousand (December 2014: €441 thousand).

Interest income in relation to Key Management personnel and their connected persons for the year ended 31 December 2015 amounted to €16 thousand (December 2014: €13 thousand), while interest expense in relation to Key Management personnel and their connected persons amounted to €111 thousand (December 2014: €194 thousand).

The sales of insurance policies for the year ended 31 December 2015 by the Group's subsidiary, Pancyprian Insurance Ltd, to Key Management personnel and their connected persons, as defined above, amounted to €20 thousand (2014: €18 thousand) while the sales of insurance policies by the Group's subsidiary, Hellenic Alico Life Insurance Company amounted to €28 thousand (2014:€30 thousand).

Shareholders with significant influence and their connected persons

Pursuant to the provisions of IAS 24, related parties are considered, among others, the Shareholders who have significant influence to the Bank or/and hold directly or indirectly more than twenty percent (20%) of the nominal value of the issued capital of the Bank.

Connected persons include the entities controlled by Shareholders with significant influence as they are defined above.

	31 December 2015 €'000	31 December 2014 €'000
Loans and advances	**--**	--
Tangible securities	**208**	50
Deposits	**20.616**	26.680

On 31 December 2015, there were contingent liabilities and commitments in relation to Shareholders with significant influence and connected persons in the form of documentary credits, guarantees and unused limits amounting to €513 thousand (December 2014: €50 thousand).

41. RELATED PARTY TRANSACTIONS (continued)

There was no interest income in relation to Shareholders and connected persons for the year ended 31 December 2015 (December 2014: €1 thousand), while the corresponding interest expense amounted to €62 thousand (December 2014: €63 thousand).

Other transactions with Shareholders with significant influence and their connected persons

During 2015 there were no purchases of goods and services by Shareholders with significant influence and their connected persons as defined above (December 2014: €381 thousand). In addition, the sales of insurance policies by the Group's subsidiary, Pancyprian Insurance Ltd, to shareholders with significant influence and their connected persons as defined above, amounted to €121 thousand (December 2014: €0,5 million). For the year ended 31 December 2015 non-interest income amounting to €57 thousand (December 2014: nil) was received which relates to Shareholders with significant influence and their connected persons.

On 31 December 2015, Shareholders with significant influence and their connected persons had in their possession Convertible Capital Securities 2 (CCS2) amounting to €15,7 million (December 2014: €15,7 million).

In addition during 2015, the commissions received for transactions with CSE, by the Group's subsidiary, Hellenic Bank (Investments) Ltd, from shareholders with significant influence and their connected persons as defined above, amounted to €232 (December 2014: €15 thousand).

All transactions with Members of the Board of Directors, Key Management personnel, Shareholders with significant influence and their connected persons are at an arm's length basis. Regarding the Key Management personnel, facilities have been granted based on current terms as those applicable to the rest of the Group's personnel.

42. SHAREHOLDERS HOLDING MORE THAN 5% OF THE SHARE CAPITAL

According to the Cyprus Securities and Stock Exchange Regulations and pursuant to the requirements of the Directive DI190/2007/04 para. 4 of the Cyprus Securities and Exchange Commission, the following shareholders owned five (5) percent or more of the nominal value of the Bank's issued share capital at 31 December 2015:

CPB FBO Third Point Hellenic Recovery Fund LP (CY)	26,20%
Wargaming Group Limited	24,92%
Demetra Investment Public Ltd	10,02%
European Bank for Reconstruction and Development	5,38%

On 31 December 2015 shareholders holding more than 5% of the share capital, had in their possession CCS1 amounting to €23 thousand and CCS2 amounting to €15,7 million.

Pursuant to the requirements of the Directive DI190/2007/04 of the Cyprus Securities and Exchange Commission, the Bank is required to disclose the percentage of shareholders who held at least five percent of the nominal value of the issued capital, five (5) days prior to the date of approval of the Financial Statements by the Board.

CPB FBO Third Point Hellenic Recovery Fund LP (CY)	26,20%
Wargaming Group Limited	24,92%
Demetra Investment Public Ltd	10,02%
European Bank for Reconstruction and Development	5,38%

42. SHAREHOLDERS HOLDING MORE THAN 5% OF THE SHARE CAPITAL (continued)

Five (5) days prior to the date of approval of the Financial Statements by the Board, Shareholders holding more than 5% of the share capital, had in their possession CCS1 amounting to €23,4 thousand and CCS2 amounting to €15,7 million.

43. FAIR VALUE

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group measures the fair value of an instrument using the quoted price in an active market, when available, for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the main factors that market participants would take into account in pricing a transaction.

Fair value of financial instruments

The table below presents the analysis of the Group's financial instruments measured at fair value on the basis of the three-level hierarchy by reference to the source of data used to derive the fair values. The levels of hierarchy of fair value are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Data other than quoted prices included within level 1 that is observable for the asset or liability, either directly or indirectly.
- Level 3: Import data for the asset or liability that is not based on observable market data (non-observable import data).

31 December 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
	€'000	**€'000**	**€'000**	**€'000**
Financial assets				
Derivatives:				
Foreign currency forwards	--	25	--	**25**
Options	--	136	--	**136**
Interest rate swaps	--	3.234	--	**3.234**
Currency swaps	--	3.258	--	**3.258**
	--	6.653	--	**6.653**
Other financial assets at fair value through profit or loss				
Debt securities:				
Banks	269	--	--	**269**
Other issuers	1.550	--	--	**1.550**
Equity securities	282	--	--	**282**
	2.101	--	--	**2.101**
Investments available for sale				
Debt securities:				
Government	287.200	1.747	--	**288.947**
Banks	170.697	--	9.887	**180.584**
Other issuers	299.198	--	--	**299.198**
Equity securities	1.287	--	6.525	**7.812**
Collective investments units	7.046	--	--	**7.046**
	765.428	1.747	16.412	**783.587**
Other Assets -Equity held for sale	--	--	12.381	**12.381**
Total	**767.529**	**8.400**	**28.793**	**804.722**

43. FAIR VALUE (continued)

31 December 2015	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Financial liabilities				
Derivatives:				
Foreign currency forwards	--	698	--	**698**
Options	--	136	--	**136**
Interest rate swaps	--	6.006	--	**6.006**
Currency swaps	--	522	--	**522**
Total	**--**	**7.362**	**--**	**7.362**

31 December 2014	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Financial assets				
Derivatives:				
Foreign currency forwards	--	6.533	--	**6.533**
Options	--	180	--	**180**
Interest rate swaps	--	4.357	--	**4.357**
	--	11.070	--	**11.070**
Other financial assets at fair value through profit or loss				
Debt securities:				
Government	--	--	--	**--**
Banks	286	--	--	**286**
Other issuers	1.596	--	--	**1.596**
Equity securities	525	--	--	**525**
	2.407	--	--	**2.407**
Investments available for sale				
Debt securities:				
Government	213.309	2.569	--	**215.878**
Banks	155.339	--	9.966	**165.305**
Other issuers	14.995	--	1.373	**16.368**
Equity securities	1.514	--	7.280	**8.794**
	385.157	2.569	18.619	**406.345**
Total	**387.564**	**13.639**	**18.619**	**419.822**

31 December 2014	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Financial liabilities				
Derivatives:				
Foreign currency forwards	--	1.383	--	**1.383**
Options	--	180	--	**180**
Interest rate swaps	--	10.137	--	**10.137**
Total	**--**	**11.700**	**--**	**11.700**

43. FAIR VALUE (continued)

The tables below presents the analysis of financial instruments categorized at level 3 hierarchy:

	Investments available for sale			
	Debt securities €'000	Equity securities €'000	Shares held for sale €'000	**Total €'000**
1 January 2015	11.339	7.280	--	**18.619**
Gains recognised in consolidated income statement in the category 'Net gains on disposal and revaluation of foreign currencies and financial instruments'	178	--	--	**178**
Repayments	(1.630)	--	--	**(1.630)**
Disposals	--	(2.609)	--	**(2.609)**
Gains recognised in consolidated statement of comprehensive income in the category 'Surplus on revaluation of available for sale equity and debt securities'	--	1.854	12.381	**14.235**
31 December 2015	9.887	6.525	12.381	**28.793**

	Investments available for sale			
	Debt securities €'000	Equity securities €'000	Shares held for sale €'000	**Total €'000**
1 January 2014	10.881	6.874	--	**17.755**
Losses/(gains) recognised in consolidated income statement in the category 'Net gains on disposal and revaluation of foreign currencies and financial instruments'	(43)	312	--	**269**
Repayments	(413)	--	--	**(413)**
Gains recognised in consolidated statement of comprehensive income in the category 'Surplus on revaluation of available for sale equity and debt securities'	914	94	--	**1.008**
31 December 2014	11.339	7.280	--	**18.619**

For the valuation at fair value of the investments in equity securities which are classified as Level 3, a valuation method based on the company's equity at which the investment in shares is held as well as estimates of the Management of the Group have been used. Investments in debt securities, classified in Level 3, were valued using unobservable data that reflect however the assumptions that market participants would make to assess an asset or a liability, based on the best available information under current conditions.

On 31 December 2015 the fair value of investments in debt securities classified in the category 'Assets held to maturity' and which are not measured at fair value for both the Group and the Bank amounted to €46.108 thousand (2014: Group €56.716 thousand, Bank € 52.690) and in the three-level hierarchy would be classified as level 1. Also the fair value of investments in debt securities classified in the category 'Loans and receivables' and which are not measured at fair value, amounted to €229.122 thousand for the Group and the Bank (2014: €317.121 thousand) and in the three-level hierarchy would be classified as level 2.

43. FAIR VALUE (continued)

The fair value of loans and advances to customers is based on the present value of expected future cash flows. Future cash flows have been based on the future expected loss rate per loan category, taking into account expectations in the credit quality of the borrowers. The discount rate includes components that capture: the Group's funding cost, cost of capital and an adjustment for the future cost of risk.
The fair value of loans and advances to customers not measured at fair value on 31 December 2015 amounted to €3.035 million (2014:€3.202 million) for the Group and the Bank and have been classified at level 3.

44. SEGMENTAL ANALYSIS

For management purposes, the Group is organised into two operating segments based on the provision of services, as follows:

- Banking and financial services segment - principally providing banking and financial services, including financing and investment services, as well as custodian and factoring services.
- Insurance services segment - principally providing life and general insurance services in Cyprus.

The table below presents income, expenses, impairment losses and provisions to cover credit risk, profit/(loss) before taxation and information on assets, liabilities and capital expenditure regarding the Group's operating segments.

44. SEGMENTAL ANALYSIS (continued)

	Banking & Financial services		Insurance Services		Intersegment transactions/balances		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000	**€'000**	€'000	**€'000**	€'000
Turnover	**312.393**	375.368	**19.075**	19.839	**(9.715)**	(7.380)	**321.753**	387.827
Net interest income	**144.776**	204.071	**620**	850	**(36)**	(783)	**145.360**	204.138
Net fees and commission income/(expense)	**59.546**	60.021	**(1.123)**	(1.288)	**(7)**	(9)	**58.416**	58.724
Net gains on disposal and revaluation of foreign currencies and financial instruments	**32.586**	17.878	**17**	60	**--**	--	**32.603**	17.938
Other income	**11.911**	6.301	**15.303**	15.934	**(7.179)**	(4.032)	**20.035**	18.203
Staff costs	**(75.050)**	(70.258)	**(4.998)**	(5.060)	**--**	--	**(80.048)**	(75.318)
Depreciation and amortisation of property, plant & equipment and amortisation of intangibles	**(4.643)**	(5.129)	**(124)**	(131)	**--**	--	**(4.767)**	(5.260)
Administrative and other expenses	**(64.392)**	(57.491)	**(2.980)**	(3.137)	**88**	78	**(67.284)**	(60.550)
Profit/(loss) from ordinary operations before impairment losses and provisions to cover credit risk	**104.734**	155.393	**6.715**	7.228	**(7.134)**	(4.746)	**104.315**	157.875
Impairment losses on the value of loans and advances	**(101.437)**	(281.934)	**--**	--	**--**	--	**(101.437)**	(281.934)
Provisions to cover credit risks for contractual commitments and guarantees	**649**	(22.463)	**--**	--	**--**	--	**649**	(22.463)
Profit/(loss) before taxation	**3.946**	(149.004)	**6.715**	7.228	**(7.134)**	(4.746)	**3.527**	(146.522)
Total assets	**7.342.725**	7.504.254	**83.921**	86.832	**(29.273)**	(44.069)	**7.397.373**	7.547.017
						Subsidiary assets held for sale	**--**	4.546
						Total assets	**7.397.373**	7.551.563
Total liabilities	**6.732.511**	6.944.593	**51.343**	50.838	**(29.277)**	(39.257)	**6.754.577**	6.956.174
						Subsidiary liabilities held for sale	**--**	1.044
						Total liabilities	**6.754.577**	6.957.218
Capital expenditure on property, plant & equipment and intangibles	**11.137**	6.153	**55**	83	**--**	--	**11.192**	6.236
						Subsidiary assets held for sale	**--**	31
						Total Capital expenditure on property, plant & equipment and intangibles	**11.192**	6.267

45. CATEGORISATION OF FINANCIAL INSTRUMENTS

The Group	Carrying Amount	Trading	Held to maturity	Loans and receivables	Available for sale	Other amortised cost
31 December 2015						
Assets	€'000	€'000	€'000	€'000	€'000	€'000
Cash and balances with Central Banks	2.029.180	--	--	2.029.180	--	--
Placements with other banks	909.849	--	--	909.849	--	--
Loans and advances to customers	3.092.773	--	--	3.092.773	--	--
Debt securities	1.043.012	1.819	45.501	226.963	768.729	--
Equity securities & Collective investment units	15.140	282	--	--	14.858	--
Shares held for sale	12.381	--	--	--	12.381	--
Derivatives	6.653	6.653	--	--	--	--
	7.108.988	8.754	45.501	6.258.765	795.968	--
Liabilities						
Deposits by banks	76.938	--	--	--	--	76.938
Amounts due to Central Banks	236.373	--	--	--	--	236.373
Customer deposits and other customer accounts	6.138.705	--	--	--	--	6.138.705
Derivatives	7.362	7.362	--	--	--	--
Loan Capital	181.468	--	--	--	--	181.468
	6.640.846	7.362	--	--	--	6.633.484
31 December 2014						
Assets	€'000	€'000	€'000	€'000	€'000	€'000
Cash and balances with Central Banks	2.175.599	--	--	2.175.599	--	--
Placements with other banks	1.122.058	--	--	1.122.058	--	--
Loans and advances to customers	3.221.055	--	--	3.221.055	--	--
Debt securities	779.726	1.882	56.330	323.963	397.551	--
Equity securities	9.319	525	--	--	8.794	--
Derivatives	11.070	11.070	--	--	--	--
	7.318.827	13.477	56.330	6.842.675	406.345	--
Liabilities						
Deposits by banks	70.760	--	--	--	--	70.760
Amounts due to Central Banks	236.014	--	--	--	--	236.014
Customer deposits and other customer accounts	6.345.948	--	--	--	--	6.345.948
Derivatives	11.386	11.386	--	--	--	--
Derivatives for hedge accounting	314	314	--	--	--	--
Loan Capital	181.448	--	--	--	--	181.448
	6.845.870	11.700	--	--	--	6.834.170

45. CATEGORISATION OF FINANCIAL INSTRUMENTS (continued)

The Bank	Carrying Amount	Trading	Held to maturity	Loans and receivables	Available for sale	Other amorised cost
31 December 2015						
Assets	€'000	€'000	€'000	€'000	€'000	€'000
Cash and balances with Central Banks	2.029.179	--	--	2.029.179	--	--
Placements with other banks	907.550	--	--	907.550	--	--
Loans and advances to customers	3.092.773	--	--	3.092.773	--	--
Debt securities	1.037.252	1.819	45.501	226.963	762.969	--
Equity securities	8.094	282	--	--	7.812	--
Shares held for sale	12.381	--	--	--	12.381	--
Derivatives	6.653	6.653	--	--	--	--
	7.093.882	8.754	45.501	6.256.465	783.162	--
Liabilities						
Deposits by banks	76.938	--	--	--	--	76.938
Amounts due to Central Banks	236.373	--	--	--	--	236.373
Customer deposits and other customer accounts	6.138.705	--	--	--	--	6.138.705
Derivatives	7.362	7.362	--	--	--	--
Loan Capital	181.468	--	--	--	--	181.468
	6.640.846	7.362	--	--	--	6.633.484
31 December 2014						
Assets	€'000	€'000	€'000	€'000	€'000	€'000
Cash and balances with Central Banks	2.175.598	--	--	2.175.598	--	--
Placements with other banks	1.119.732	--	--	1.119.732	--	--
Loans and advances to customers	3.221.055	--	--	3.221.055	--	--
Debt securities	773.123	1.882	52.296	323.963	394.982	--
Equity securities	9.259	465	--	--	8.794	--
Derivatives	11.070	11.070	--	--	--	--
	7.309.837	13.417	52.296	6.840.346	403.776	--
Liabilities						
Deposits by banks	70.760	--	--	--	--	70.760
Amounts due to Central Banks	236.014	--	--	--	--	236.014
Customer deposits and other customer accounts	6.345.948	--	--	--	--	6.345.948
Derivatives	11.386	11.386	--	--	--	--
Derivatives for hedge accounting	314	314	--	--	--	--
Loan Capital	181.468	--	--	--	--	181.468
	6.845.890	11.700	--	--	--	6.834.190

46. ECONOMIC ENVIRONMENT

After almost four years of contraction, the Cypriot economy returned to positive growth rates in 2015. Based on seasonally and working day adjusted data, GDP growth rate in real terms is estimated at +1,6% for 2015. The expansion of the economy was mainly driven by rising private consumption amid negative inflation and supported by the depreciation of the Euro and the low oil prices. Growth was also supported by the slower pace of public spending cuts and the increase in investment.

Declining energy prices continued to weigh on the Harmonized Index of Consumer Prices inflation, which remained negative in 2015 (-1,6%). Signs of a stabilising labor market emerged in the course of 2015, with the unemployment rate registering 15,6%. Youth unemployment reached 40% towards the end of 2013, but has since then declined significantly to 31,7%, while long term unemployment also decreased to 6,6%. The developments in the tourism sector for the year have been encouraging with arrivals rising by 8,9% compared to the previous year. Additionally, for 2015 revenue from tourism rose by 4,4% compared to the equivalent period in 2014. The housing market continued its adjustment in the course of 2015, bringing the cumulative fall in prices since mid-2008 to circa 31% (Central Bank of Cyprus's Property Price Index). During 2015, property sales recorded a new increase according to Land Registry data. Specifically, for the year 2015, the deeds of sale recorded an increase of 9% to 4.952 against 4.527 during the corresponding period a year ago.

The commitment regarding the implementation of the Economic Adjustment Programme has been the cornerstone for the return to economic growth. The better than expected economic performance, combined with the progress made in the restructuring of the banking sector, allowed the Cypriot authorities to complete the programme ahead of schedule without a precautionary post-programme credit line. This reflects the flexibility of the Cypriot economy as well as the momentum and the potential of the modern economic environment in Cyprus. The positive macroeconomic performance in 2015, does not justify complacency and does not signal a relaxation of efforts to further reform the economy. On the contrary, more and longer efforts are needed to put the economy back on the track of sustainable growth. Important reforms which are still outstanding relate to privatisations of semi-governmental organizations and reforms within the public administration, local government and the health sector.

In early March 2016 the Eurogroup, has issued a statement, where it supports the Cypriot government's decision to exit its macroeconomic adjustment programme without a successor arrangement. Additionally, the International Monetary Fund accepted Cyprus's decision to end its bailout program in March 2016. As a result of the above, and the minimum credit rating requirement of the ECB's quantitative easing programme the Cyprus Bonds will qualify for the programme when Cyprus returns to investment grade.

Despite the important steps taken towards restoring the economic climate, some degree of uncertainty remains, as the country still has certain issues to resolve, such as the high volume of non-performing exposures, high unemployment and the implementation of the privatization initiatives and public sector reforms. In particular, restoring the credibility of the financial sector is one of the greatest challenges. A key factor for the system's stability will be to address the high level of non-performing exposures (NPEs).

From an exogenous perspective, the country's economy may be negatively influenced by the economic uncertainty in Greece, the negative outlook of the Russian economy and the increased geopolitical tensions in the Middle East and Eastern Mediterranean, which could trigger adverse spillovers to economic confidence, tourism and consequently to the aggregate economic activity. Additionally, developments over a potential reunification of Cyprus along with the exploitation of Cyprus' natural resources are being closely monitored in order to assess the potential prospects that are being developed.

In spite of these challenges, Cyprus' macroeconomic outlook is positive, with GDP expected to grow in 2016 reaching levels of up to 2%. The moderate pick-up in domestic demand is expected to be reflected into improved labor market conditions, with unemployment starting to ease gradually. Inflation is also expected to remain low, weighed down by recent declines in oil prices.

46. ECONOMIC ENVIRONMENT (continued)

Consequences of the recent developments

The Cyprus banking sector has gone through a reformation phase and is now in a strengthened capital and liquidity position. Its size has been reduced to a moderate 4 times the GDP or about the EU average. Foreign exposures have been eliminated and domestic operations form the main focus. While decisive steps were taken and swift progress has been achieved throughout the banking sector, the high share of non-performing exposures is impacting both on the banks' balance sheets as well as on their ability to extend credit to the economy.

The Bank has managed to navigate successfully through the banking crisis. It has maintained throughout the crisis its reputation for stability and trust and is concentrating in its strengthening and better focusing of its market positioning. Meanwhile, the Bank maintains sufficient liquidity to allow it to exploit opportunities while maintaining its focus on organic growth. The Bank has the ability to finance creditworthy businesses and households, helping in the restoration of the country's economy. The Bank estimates there is potential and opportunities in various sectors of the economy. The focus of new loans will be companies that increase the competitiveness and productivity of the country, such as in the sectors of commercial activities, tourism, agriculture, European programs and specific projects on energy and shipping. At the same time, loans to the retail sector will be geared toward mortgages, small loans to new customers and supporting current clients who are deemed viable.

The high levels of non-performing exposures (NPEs) pose major risks to the stability of the banking system and to the outlook for the economy. Ineffective implementation of the new insolvency and foreclosure legal framework could delay the resumption of healthy credit conditions and robust economic growth. Unavoidably, the high level of NPEs causes an erosion of the Banks' income and may cause additional provisions and effectively reduced profit from ordinary operations. At the same time the Bank recognises that the real estate market which is a significant driver of the provisions for impairment of customer loans continues to be subdued and puts further pressure on the profitability. Within the framework of tackling the Bank's loan portfolio quality the Group is focusing on restructuring loans in a sustainable manner and on mutually beneficial terms.

The Board of Directors and the Management of the Bank are taking decisive actions to address the high level of NPEs, including debts to assets swaps, in order to ensure improved performance, sustainable profitability and growth.

47. ON-SITE INSPECTION ON RISK MANAGEMENT AND RISK CONTROL SYSTEM

The Governing Council of the European Central Bank (ECB), exercising its supervisory role during 2015, conducted an on-site inspection with the purpose of assessing "Risk Management – credit and counterparty risk". The scope of the inspection included a file review and assessment of a sample of Bank's credit risk portfolios for both corporate and SME/Retail exposure with a specific focus on provisioning adequacy and collateral valuation. The reference date used for the inspection was 30 June 2015 and was completed in the last quarter of 2015.

The final findings of the onsite inspection, which were communicated to the Bank through a recommendation letter issued on 14 March 2016, identified a provisioning shortfall of €71 million and revealed qualitative findings. Based on these recommendations the Bank increased its accumulated impairment losses as at 31 December 2015. The Bank is also required to prepare and submit a Board-approved plan outlining how the Bank intends to address all findings.

48. RISK MANAGEMENT

Introduction and overview

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market and Liquidity risks
- Operational risk

48. RISK MANAGEMENT (continued)

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the management of Group´s capital.

Group Risk Management

The management and monitoring of all Group risks is centralised under a single division to which the following specialised risk management Departments report:

- Group Credit Risk Management
- Group Market and Liquidity Risks Management
- Group Operational Risks Management
- Quantitative Risk Analysis
- Group Credit Control & Review
- Risk Governance

These Departments report to the Group Risk Management Division, which is administratively independent from other units with executive authority and reports to the Board of Directors, through the Risk Management Committee, as well as to the Chief Executive Officer.

The Departments cover all risk aspects across the Group's operations and are intensively working towards the Bank fully conforming to the provisions of the Accord of Basel III, the Directives of the regulatory authorities and international best practice. This is facilitated by the recent establishment of the Risk Governance Department. Risk Governance is a horizontal function, whose primary aim is to develop and review risk frameworks and policies for the management of individual risks, in co-operation with the other Risk Departments. Additionally, Risk Governance enhances the management and monitoring of risks by providing support to the Board Risk Committee.

The basic aim of Management is the adoption of sophisticated methods and systems for the evaluation and management of risks undertaken by the Group.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer and/or other counterparty to a financial instrument fail to meet their contractual obligations. This risk principally arises from lending, trade finance activities and treasury operations. The management of credit risk is one of the most important chapters in the Group's operation and is essential for its long term soundness.

Group Credit Risk Management

Group Credit Risk Management is responsible for formulating and regularly reviewing the credit policy and other appropriate policies and procedures for detecting, evaluating, measuring and observing/controlling credit risk, based on the strategic objectives of the Group, as defined by the Board of Directors, as well as the economic and other developments in the local and international economy. The effective management of credit risk is an important tool in the efforts to mitigate the effects of the acute economic crisis, which continues to negatively affect the Group's financial results as a consequence of the increased non-performing exposures and impairment losses and provisions to cover credit risk as well as reduced profitability.

During 2015, the Department continued to participate in various ways in the crisis management after the March 2013 events with the active participation and coordination in the implementation/application of the relevant Directives of the Supervisory Authority under the provisions of the Memorandum of Understanding. Emphasis is given to measuring the effectiveness of arrears management procedures and the efficiency of the restructuring solutions agreed with the customers. In addition, the Department participates in the preparation of regular reports to the Central Bank of Cyprus and to the Single Supervisory Mechanism (SSM) which Hellenic Bank Group has joined in November 2014.

To ensure the effectiveness of credit risk management, there is a regular assessment of the Group's credit and other policies and monitoring of the compliance of the relevant service/business lines with these policies. Group Credit Risk Management issues directions to the various service/business lines based on the Group's credit risk appetite for specific market segments' operations, as well as specific

banking products and, whenever considered necessary, restrictions/limits are set regarding the undertaking of additional credit risk.

Group Risk Management is responsible for the process of formation of provisions for impairment losses. The recommendations for proceeding or not with provisions for impairment losses on credit facilities which are individually assessed are made by the business units. The recommendations are submitted to the Group Credit Risk Management which evaluates them and accordingly it validates them or differentiates them.

Group Credit Control & Review

Group Credit Control & Review which was re-activated as a department in 2015 performs effective credit control and review to analyse and measure the Bank's quality of credit portfolio exposures with the following objectives:

- Ensure credit decisions are supported by adequate credit analysis
- Ensure that appropriate collection, default management and foreclosure strategies are in place and are followed
- Monitor historical performance through review of various credit metrics and credit risk reporting inclusive of new originations, portfolio mitigations exception reporting etc
- Independently review and validate the consistency and accuracy of individual risk ratings on individual credit reviewed
- Perform portfolio analysis on an aggregate basis to identify trends based on the systemic use of early warning indicators (KPI's) and credit process and credit portfolio metrics
- Review of individual credit decisions on a sample basis

The Department provides ongoing, regular and near real-time feedback on areas of improvement.

Group Credit Control & Review is responsible to report the findings and relevant recommendations stemming from its work and to follow up on implementation of recommendations.

Quantitative Risk Analysis

For all those credit facilities that are not individually assessed for impairment of value, a collective assessment is made using the appropriate probability of default and loss-given default rates. The Quantitative Risk Analysis Department applies models for calculating the probability of default for each credit facilities' category and for measuring the loss-given default. The models' parameters are revisited on a regular basis. Upon completion of the above procedures the Group Risk Management submits its suggestions for individual as well as collective impairments for approval to the Impairment Losses Committee and subsequently to the relevant Committee of the Board of Directors.

In order to protect the interests of the Group, the significant and/or sudden changes in the parameters that shape credit risks are identified (world market developments/events, diversification of economic aggregates, credit ratings changes, reclassifications of countries etc) and all necessary measures/implementation of actions within the framework of credit risk management are taken. Stress tests are conducted at regular time intervals, both in relation to the possible deterioration in asset quality as well as the possible impairment in the value of specific collaterals (with special emphasis on the value of mortgaged properties).

To achieve the above, sophisticated systems are employed to evaluate existing/potential borrowers' creditworthiness and to measure credit risk based on quantitative and qualitative criteria:

1. For the Retail sector, a credit risk assessment system is applied for the evaluation of the creditworthiness of customers and the measurement of credit risk (Credit Scoring). This system covers credit cards and other retail lending products.

48. RISK MANAGEMENT (continued)

2. For the Commercial and Corporate sectors, an internal credit rating system (Credit Rating) is applied which classifies companies into credit rating bands, thus assisting both in the assessment of the credit worthiness of a company and in the rationalisation of pricing requirements according to the risk undertaken, while taking into account each company's financial position and various qualitative criteria relating to the company as well as the market in which it operates.

3. For Treasury, there is a centralised management of exposures to countries, financial institutions and other counterparties. Limits are defined based on the Credit Limits Model, which is primarily based on the credit standing of the country and counterparty as determined by international credit assessment institutions while also taking into account their international classification regarding the assets and the country risk in which they are resident.

Exposure to credit risk

Based on the above categories Group's loans and advances to customers, placements with other banks and debt securities are as follow:

	Loans and advances to customers		**Placements with other banks**		**Debt securities**	
	2015 €'000	2014 €'000	**2015 €'000**	2014 €'000	**2015 €'000**	2014 €'000
Carrying amount	**3.092.773**	3.221.055	**909.849**	1.122.058	**1.043.012**	779.726
Impaired:						
Grade 3 (high risk)	**2.528.751**	2.368.793	**--**	--	**9.961**	9.921
Provisions for impairment	**(1.269.536)**	(1.133.574)	**--**	--	**(74)**	(211)
Carrying amount	**1.259.215**	1.235.219	**--**	--	**9.887**	9.710
Of which with forbearance measures	***552.765***	*543.352*	**--**	--	**--**	--
Past due but not impaired:						
Grade 1 (low risk)	**90.129**	134.951	**--**	--	**--**	--
Grade 2 (medium risk)	**88.435**	189.182	**--**	--	**--**	--
Grade 3 (high risk)	**10.030**	30.734	**--**	--	**--**	--
Carrying amount	**188.594**	354.867	**--**	--	**--**	--
Past due comprises:						
0+ up to 30 days	**64.903**	103.286	**--**	--	**--**	--
30+ to 60 days	**58.441**	84.875	**--**	--	**--**	--
60+ to 90 days	**40.452**	66.712	**--**	--	**--**	--
90 days+	**24.798**	99.994	**--**	--	**--**	--
Carrying amount	**188.594**	354.867	**--**	--	**--**	--
Of which with forbearance measures	***42.806***	*77.917*	**--**	--	**--**	--
Neither past due nor impaired:						
Grade 1 (low risk)	**1.227.706**	1.210.810	**909.849**	1.122.058	**1.033.125**	770.016
Grade 2 (medium risk)	**423.873**	442.972	**--**	--	**--**	--
Grade 3 (high risk)	**26.972**	27.640	**--**	--	**--**	--
Carrying amount	**1.678.551**	1.681.422	**909.849**	1.122.058	**1.033.125**	770.016
Of which with forbearance measures	***334.068***	*479.576*	**--**	--	**--**	--
Balances after individual impairment	**3.126.360**	3.271.508	**909.849**	1.122.058	**1.043.012**	779.726
Collective impairment	**(33.587)**	(50.453)	**--**	--	**--**	--
Total carrying amount	**3.092.773**	3.221.055	**909.849**	1.122.058	**1.043.012**	779.726

48. RISK MANAGEMENT (continued)

Concentration of credit risk

The Group monitors concentration of credit risk by sector and by geographic location.

The concentration by geographic location for loans and advances to customers is measured based on the geographical position of the customer. The concentration by geographic location for investments and placements with other banks is based on the geographical position of the risk country of the issuer of the security and counterparty respectively.

The analysis of concentration of credit risk at the reporting date is shown below:

	Loans and advances to customers		**Placements with other banks**		**Investments in bonds**	
Concentration by sector:	**2015 €'000**	2014 €'000	**2015 €'000**	2014 €'000	**2015 €'000**	2014 €'000
Carrying amount	**3.092.773**	3.221.055	**909.849**	1.122.058	**1.043.012**	779.726
Businesses	**3.130.882**	3.116.422	**--**	--	**--**	--
Individuals	**1.265.014**	1.288.660	**--**	--	**--**	--
Banks	**--**	--	**909.849**	1.122.058	**180.927**	215.608
Government	**--**	--	**--**	--	**561.411**	546.366
Other	**--**	--	**--**	--	**300.748**	17.963
	4.395.896	4.405.082	**909.849**	1.122.058	**1.043.086**	779.937
Provisions for impairment	**(1.303.123)**	(1.184.027)	**--**	--	**(74)**	(211)
	3.092.773	3.221.055	**909.849**	1.122.058	**1.043.012**	779.726

Businesses in the above table include trade, construction and real estate, manufacturing, tourism and other companies as disclosed in Note 18.

	Loans and advances to customers		**Placements with other banks**		**Investments in bonds**	
Concentration by geographical location:	**2015 €'000**	2014 €'000	**2015 €'000**	2014 €'000	**2015 €'000**	2014 €'000
Carrying amount	**3.092.773**	3.221.055	**909.849**	1.122.058	**1.043.012**	779.726
Eurozone	**4.266.418**	4.242.346	**397.328**	321.177	**629.592**	469.053
Other European countries	**120.389**	152.148	**394.481**	749.357	**91.923**	112.060
America	**766**	770	**104.830**	45.203	**191.955**	192.892
Oceania	**--**	--	**542**	860	**77.019**	--
Asia	**523**	344	**11.431**	4.803	**46.046**	--
Middle East	**3.710**	3.633	**1.154**	566	**6.551**	5.932
Africa	**4.090**	5.841	**83**	92	**--**	--
	4.395.896	4.405.082	**909.849**	1.122.058	**1.043.086**	779.937
Provisions for impairment	**(1.303.123)**	(1.184.027)	**--**	--	**(74)**	(211)
	3.092.773	3.221.055	**909.849**	1.122.058	**1.043.012**	779.726

48. RISK MANAGEMENT (continued)

At 31 December 2015, the analysis of debt securities per credit rating, based on the CRR 575/2013 and CRD IV 2013/36/EU for the Risk Weighted Assets calculation (as per Section 4, Article 138 of the regulation), in Moody's credit ratings equivalents is as follows:

	2015 €'000
Aaa	**439.104**
Aa1	**27.510**
Aa2	**52.674**
Aa3	**34.389**
A1	**40.639**
A2	**16.741**
A3	**22.333**
Baa1 to B3	**399.735**
Unrated	**9.887**
	1.043.012

Group's exposure in countries with high credit risk

The Group closely monitors developments in the international markets so that any measures needed to reduce credit risk are promptly taken.

The monitoring of exposure in countries of high risk is centralised through systems that fully and on an ongoing basis cover all material exposures to these countries such as interbank placements, debt securities, other investments, etc. Also, maximum acceptable levels are specified according to the rankings of the countries and taking into account their credit ratings, political, economic and other factors.

For the classification of a country as "High Risk" country, the credit ratings of the countries, the bond implied ratings which incorporate information about credit spreads of government bonds as well as other available financial data of the countries, are primarily considered.

Some of the debt securities listed in the table below, based on the three level hierarchy depending on the significance of the inflows used to determine fair value, are classified in Level 2 and 3.

On 31st of December 2015 the Group did not have any exposures with issuers from Portugal, Slovenia, Pakistan, Brazil, Turkey or Vietnam.

The analysis of concentration of credit risk in countries with high credit risk at the reporting date is shown below:

48. RISK MANAGEMENT (continued)
At 31 December 2015

	Cyprus €'000	Greece €'000	Ireland €'000	Italy €'000	Spain €'000	Hungary €'000	South Africa €'000	Russia €'000	Kazakhstan €'000	Egypt €'000	Ukraine €'000	**Total €'000**
Assets held for trading												
Government Bonds												
Carrying value (fair value)	--	--	--	--	--	--	--	--	--	--	--	**--**
Bank Bonds												
Carrying value (fair value)	--	--	--	--	--	--	--	--	--	--	--	**--**
Derivatives												
Carrying value (fair value)	160	--	--	--	--	--	--	--	--	--	--	**160**
Assets classified as loans and receivables												
Government bonds												
Carrying value (amortised cost)	226.963	--	--	--	--	--	--	--	--	--	--	**226.963**
Fair value	229.122	--	--	--	--	--	--	--	--	--	--	**229.122**
Deposits in other banks												
Carrying value (amortised cost)	21.269	153	--	356	937	779	83	29.696	--	--	--	**53.273**
Fair value	21.269	153	--	356	937	779	83	29.696	--	--	--	**53.273**
Loan and advances to customers												
Carrying value (amortised cost)	2.994.571	9.369	922	104	1	92	2.867	37.810	134	411	1.516	**3.047.797**
Accumulated impairment losses	(1.259.438)	(173)	(1.203)	(10)	(3)	(3)	(423)	(8.028)	(142)	(4)	(2.070)	**(1.271.497)**
Fair value	2.994.571	9.369	922	104	1	92	2.867	37.810	134	411	1.516	**3.047.797**
Assets available for sale												
Government Bonds												
Nominal value	157.691	--	--	--	--	--	--	--	--	--	--	**157.691**
Carrying value (fair value)	166.940	--	--	--	--	--	--	--	--	--	--	**166.940**
Accumulated amount of the fair value reserve	2.530	--	--	--	--	--	--	--	--	--	--	**2.530**
Bank bonds												
Nominal value	--	--	10.000	4.000	--	--	--	--	--	--	--	**14.000**
Carrying value (fair value)	--	--	9.887	3.981	--	--	--	--	--	--	--	**13.868**
Accumulated impairment losses	--	--	(75)	--	--	--	--	--	--	--	--	**(75)**
Accumulated amount of the fair value reserve	--	--	--	(18)	--	--	--	--	--	--	--	**(18)**
Other bonds												
Nominal value	--	--	--	--	--	--	--	--	--	--	--	**--**
Carrying value (amortised cost)	--	--	--	--	--	--	--	--	--	--	--	**--**
Accumulated amount of the fair value reserve	--	--	--	--	--	--	--	--	--	--	--	**--**
Total book value	3.409.903	9.522	10.809	4.441	938	871	2.950	67.506	134	411	1.516	**3.509.001**

48. RISK MANAGEMENT (continued)
At 31 December 2014

	Cyprus €'000	Greece €'000	Ireland €'000	Italy €'000	Spain €'000	Hungary €'000	South Africa €'000	Russia €'000	Kazakhstan €'000	Egypt €'000	Ukraine €'000	**Total €'000**
Assets held for trading												
Government Bonds												
Carrying value (fair value)	--	--	--	--	--	--	--	--	--	--	--	**--**
Bank Bonds												
Carrying value (fair value)	--	22	--	--	--	--	--	--	--	--	--	**22**
Derivatives												
Carrying value (fair value)	179	--	--	--	--	--	--	--	--	--	--	**179**
Assets classified as loans and receivables												
Government bonds												
Carrying value (amortised cost)	323.963	--	--	--	--	--	--	--	--	--	--	**323.963**
Fair value	317.121	--	--	--	--	--	--	--	--	--	--	**317.121**
Deposits in other banks												
Carrying value (amortised cost)	17.885	716	--	680	837	871	92	13.971	--	--	--	**35.052**
Fair value	17.885	716	--	680	837	871	92	13.971	--	--	--	**35.052**
Loan and advances to customers												
Carrying value (amortised cost)	3.089.247	8.070	992	99	20	94	3.896	48.926	120	387	6.180	**3.158.031**
Accumulated impairment losses	(1.116.644)	(25.537)	(1.068)	(4)	(1)	(7)	(1.084)	(7.877)	(112)	(4)	(1.915)	**(1.154.253)**
Fair value	3.089.247	8.070	992	99	20	94	3.896	48.926	120	387	6.180	**3.158.031**
Assets available for sale												
Government Bonds												
Nominal value	2.545	--	--	--	--	--	--	--	--	--	--	**2.545**
Carrying value (fair value)	2.569	--	--	--	--	--	--	--	--	--	--	**2.569**
Accumulated amount of the fair value reserve	(34)	--	--	--	--	--	--	--	--	--	--	**(34)**
Bank bonds												
Nominal value	256	--	10.000	4.000	--	--	--	--	--	--	--	**14.256**
Carrying value (fair value)	256	--	9.710	3.948	--	--	--	--	--	--	--	**13.914**
Accumulated impairment losses	--	--	(211)	--	--	--	--	--	--	--	--	**(211)**
Accumulated amount of the fair value reserve	--	--	--	(50)	--	--	--	--	--	--	--	**(50)**
Other bonds												
Nominal value	--	1.957	--	--	--	--	--	--	--	--	--	**1.957**
Carrying value (amortised cost)	--	1.373	--	--	--	--	--	--	--	--	--	**1.373**
Accumulated amount of the fair value reserve	--	(587)	--	--	--	--	--	--	--	--	--	**(587)**
Total book value	3.434.099	10.181	10.702	4.727	857	965	3.988	62.897	120	387	6.180	**3.535.103**

48. RISK MANAGEMENT (continued)

Market and Liquidity Risks

Group Market and Liquidity Risk Management

The Assets and Liabilities Management Committee (ALCO) is responsible for implementing the policy of the Bank's Board of Directors regarding the risks and profitability arising from the Group's assets and liabilities. Group Market and Liquidity Risk Management is responsible for the monitoring and management of Group market and liquidity risks within the framework of risk policies and limits defined by ALCO.

The Group's approach towards market and liquidity risk management is to concentrate these risks for all Group business units under the Group Treasury Department. The Group Treasury Department manages risks using a framework of activities and limits approved by ALCO. Group Risk Management is responsible for developing policies and procedures for managing the risks and for the daily monitoring of their implementation. These policies and procedures are reviewed at regular time intervals and are approved by ALCO.

Liquidity Risk

Liquidity risk is the risk of decrease in profits or capital, arising from a weakness of the Bank to meet its immediate obligations, without incurring additional costs. The Group's approach in managing liquidity risk is to ensure, to the extent possible (considering that the main role of the Bank as an intermediary is to accept short term deposits and grant long term loans), that there is adequate liquidity in order to satisfy its obligations, when they arise, under "normal" circumstances as well as under stress conditions, without the Group incurring any additional costs.

The Group currently operates mainly in Cyprus. The management of the liquidity of the Group's banking units (including compliance with regulatory limits), is undertaken by the Group Treasury Department and is locally effected depending on the conditions prevailing in the various markets.

The Group places emphasis on the maintenance of stable customer deposits, as they represent one of its basic funding sources. This is mainly achieved through the maintenance of good and long standing relationships of trust with customers and through competitive and transparent pricing strategies.

Regular stress testing scenarios are performed to simulate extreme conditions and the appropriate measures are taken whenever necessary.

The liquidity risk of banking units is monitored daily by Group Market and Liquidity Risk Management. At Group level, the liquidity of the Euro is being monitored separately, as well as the liquidity of all foreign currencies, lumped together.

In managing liquidity risk for the Euro, the Group calculates and monitors, among other ratios, the liquid assets ratio required by the Central Bank Directive on Prudential Liquidity in Euro. According to the Directive, the liquid assets ratio of the Bank should always be equal to or greater than 20%. Liquid assets comprise of cash, interbank deposits and debt securities.

The liquid assets ratio for the Euro was as follows:

	2015	2014
	%	%
At 31 December	**41,64**	44,14
Average for the year	**44,47**	35,72
Maximum percentage for the year	**48,95**	46,21
Minimum percentage for the year	**41,46**	28,52

48. RISK MANAGEMENT (continued)

At Group level, the liquidity of all foreign currencies is being monitored on an aggregate basis. According to the relevant Directive of the Central Bank of Cyprus on Prudential Liquidity in foreign currency, the Bank needs to maintain 70% of its total foreign currency deposits in highly liquid assets.

The liquid assets ratio in foreign currencies was as follows:

	2015	2014
	%	%
At 31 December	**87,83**	87,47
Average for the year	**82,62**	76,78
Maximum percentage for the year	**92,99**	87,47
Minimum percentage for the year	**77,11**	70,72

The ratio is calculated based on items expressed in all foreign currencies other than Euro.

The tables below present the undiscounted cash flows of the Group's liabilities based on their remaining contractual maturity dates.

Analysis of financial liabilities based on their remaining contractual maturity at 31 December 2015

	Carrying amount €'000	Gross nominal (inflows)/ outflows €'000	On demand €'000	Within three months €'000	Between three months and one year €'000	Between one and five years €'000	Over five years €'000
Financial liabilities							
Deposits by banks	**76.938**	76.971	52.629	17.184	7.158	--	--
Deposits with Central Bank	**236.373**	237.356	--	--	--	237.356	--
Customer deposits and other customer accounts	**6.138.705**	6.148.119	3.737.622	1.096.444	1.192.806	119.727	1.520
Derivatives	**7.362**						
- Cash inflows		(191.236)	(79.793)	(111.443)	--	--	--
- Cash outflows		192.371	80.000	112.371	--	--	--
Taxation payable	**5.314**	5.314	5.314	--	--	--	--
Deferred tax liability	**1.472**	1.472	--	--	--	1.472	--
Other liabilities	**106.945**	106.934	65.720	4.483	7.500	20.695	8.536
Loan capital	**181.468**	182.453	--	206	42.143	10.438	129.666
	6.754.577	6.759.754	3.861.492	1.119.245	1.249.607	389.688	139.722

48. RISK MANAGEMENT (continued)

Analysis of financial liabilities based on their remaining contractual maturity at 31 December 2014

	Carrying amount €'000	Gross nominal (inflows)/ outflows €'000	On demand €'000	Within three months €'000	Between three months and one year €'000	Between one and five years €'000	Over five years €'000
Financial liabilities							
Deposits by banks	**70.760**	70.775	51.007	4.478	15.290	--	--
Deposits with Central Bank	**236.014**	237.370	--	--	--	237.370	--
Customer deposits and other customer accounts	**6.345.948**	6.372.411	3.504.591	1.205.677	1.496.823	165.320	--
Derivatives	**11.700**						
- Cash inflows		(64.551)	(688)	(63.863)	--	--	--
- Cash outflows		65.934	689	65.245	--	--	--
Taxation payable	**5.260**	5.260	5.260	--	--	--	--
Deferred tax liability	**1.345**	1.345	--	--	--	1.345	--
Liabilities of subsidiary company held for sale	**1.044**	1.044	--	1.044	--	--	--
Other liabilities	**103.699**	103.689	79.988	6.759	14.366	1.930	646
Loan capital	**181.448**	183.476	--	230	708	52.891	129.647
	6.957.218	6.976.753	3.640.847	1.219.570	1.527.187	458.856	130.293

The liquid assets of the Group, calculated in accordance with the instructions of the Central bank of Cyprus for the purposes of Prudential Liquidity in Euro and foreign currencies at 31 December, are as follows:

	2015 €'000	2014 €'000
Cash and balances with Central Banks	**2.029.180**	2.175.599
Placements with other banks	**770.728**	985.248
Debt securities	**609.273**	396.398
Equity securities and Collective Investments Units	**5.169**	1.224
	3.414.350	3.558.469

The Group has the ability to raise liquidity through the mechanisms of the European Central Bank.

On 16th of March 2016, the ECB issued a decision which is effective from 1st of April 2016, that states that the Eurosystem's standard criteria and credit quality thresholds should apply in respect of marketable debt instruments issued or fully guaranteed by the Republic of Cyprus and that such debt instruments will be subject to the standard haircuts according to the ECB guidelines. This is a consequence of the completion of Cyprus's economic and financial adjustment programme and it effectively means that the bonds issued by the Government of Cyprus held by Hellenic Bank will no longer be accepted as collateral for the purposes of Eurosystem monetary policy operations, and this would lead to a reduction of liquid assets by €241 million for positions as at 31 December 2015. This decision will likely lead to breach of some of the prudential liquidity ratios of the Central Bank of Cyprus. In 2014, the Group received funding of €236 million through a targeted long term refinancing operation (TLTROs) of the ECB, placing debt securities as collateral with a total market value, less any haircut set by the ECB being equal to the total funding received. As a result of the above decision, the Bank's Cyprus Government Bonds portfolio cannot be used as collateral for the €236 million borrowing from the ECB TLTRO program. Upon the signing of an addendum agreement between the Bank and the CBC cash or other ECB eligible assets will be placed as collaterals to cover the exposure.

48. RISK MANAGEMENT (continued)

The table below presents the encumbered and unencumbered assets:

31 December 2015	The Group				The Bank			
	Carrying amount of encumbered assets		Carrying amount of unencumbered assets		Carrying amount of encumbered assets		Carrying amount of unencumbered assets	
		of which European Central Bank's eligible		of which European Central Bank's eligible		of which European Central Bank's eligible		of which European Central Bank's eligible
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Loans on demand	29	--	2.054.390	--	29	--	2.054.255	--
Equity instruments	--	--	8.094	--	--	--	8.094	--
Debt securities	323.506	323.506	719.506	314.551	323.506	323.506	713.744	314.551
Loans and advances other than loans on demand	112.206	--	3.800.143	--	112.206	--	3.797.977	--
Other assets	--	--	379.499	--	--	--	355.029	--
Total assets	**435.741**	**323.506**	**6.961.632**	**314.551**	**435.741**	**323.506**	**6.929.099**	**314.551**

31 December 2014	The Group				The Bank			
	Carrying amount of encumbered assets		Carrying amount of unencumbered assets		Carrying amount of encumbered assets		Carrying amount of unencumbered assets	
		of which European Central Bank's eligible		of which European Central Bank's eligible		of which European Central Bank's eligible		of which European Central Bank's eligible
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Loans on demand	638	--	2.432.833	--	638	--	2.432.698	--
Equity instruments	--	--	9.319	--	--	--	9.083	--
Debt securities	347.420	347.420	432.305	23.448	347.420	347.420	425.702	23.448
Loans and advances other than loans on demand	114.409	--	3.915.923	--	114.409	--	3.917.832	--
Other assets	--	--	298.716	--	--	--	282.051	--
Total assets	**462.467**	**347.420**	**7.089.096**	**23.448**	**462.467**	**347.420**	**7.067.366**	**23.448**

48. RISK MANAGEMENT (continued)

Market Risks

Market risks are derived from the change in the value of the Group's statement of financial position and the uncertainty in the stream of future earnings, resulting from changes in market conditions (volatility in foreign exchange, interest rates and stock exchange prices).

The Group has defined its strategy and methods of continuous monitoring for the control of market risk undertaking and the prudential management of these risks. More specifically, this is achieved mainly through the implementation of open position and stop loss limits.

The Bank carries its activities involving foreign currency through correspondence banks for the respective currencies. For the major currencies, the Bank maintains 3 bank relationships for USD, including one which is a full service relationship, 3 bank relationships for GBP, 4 bank relationships for RUB, and 2 bank relationships for CHF.

The table below presents the distribution of assets and liabilities that are subject to market risk between trading and non-trading portfolios:

	The Group			The Bank		
31 December 2015	Carrying amount €'000	Trading portfolios €'000	Non-trading portfolios €'000	Carrying amount €'000	Trading portfolios €'000	Non-trading portfolios €'000
Assets						
Cash and balances with Central Banks	2.029.180	--	2.029.180	2.029.179	--	2.029.179
Derivatives	6.653	6.653	--	6.653	6.653	--
Placements with other banks	909.849	--	909.849	907.550	--	907.550
Loans and advances to customers	3.092.773	--	3.092.773	3.092.773	--	3.092.773
Debt ,equity securities & Collective Investments Units	1.058.152	2.101	1.056.051	1.045.346	2.101	1.043.245
Shares held for sale	12.381	--	12.381	12.381	--	12.381
	7.108.988	8.754	7.100.234	7.093.882	8.754	7.085.128

	The Group			The Bank		
31 December 2015	Carrying amount €'000	Trading portfolios €'000	Non-trading portfolios €'000	Carrying amount €'000	Trading portfolios €'000	Non-trading portfolios €'000
Liabilities						
Derivatives	7.362	7.362	--	7.362	7.362	--
Deposits	6.452.016	--	6.452.016	6.452.016	--	6.452.016
Loan capital	51.801	--	51.801	51.801	--	51.801
Subordinated loan capital	129.667	--	129.667	129.667	--	129.667
	6.640.846	7.362	6.633.484	6.640.846	7.362	6.633.484

	The Group			The Bank		
31 December 2014	Carrying amount €'000	Trading portfolios €'000	Non-trading portfolios €'000	Carrying amount €'000	Trading portfolios €'000	Non-trading portfolios €'000
Assets						
Cash and balances with Central Banks	2.175.599	--	2.175.599	2.175.598	--	2.175.598
Derivatives	11.070	11.070	--	11.070	11.070	--
Placements with other banks	1.122.058	--	1.122.058	1.119.732	--	1.119.732
Loans and advances to customers	3.221.055	--	3.221.055	3.221.055	--	3.221.055
Debt and equity securities	789.045	2.347	786.698	782.382	2.347	780.035
	7.318.827	13.417	7.305.410	7.309.837	13.417	7.296.420

48. RISK MANAGEMENT (continued)

	The Group			The Bank		
31 December 2014	Carrying amount €'000	Trading portfolios €'000	Non-trading portfolios €'000	Carrying amount €'000	Trading portfolios €'000	Non-trading portfolios €'000
Liabilities						
Derivatives	11.386	11.386	--	11.386	11.386	--
Derivatives held for risk hedging	314	--	314	314	--	314
Deposits	6.652.722	--	6.652.722	6.652.722	--	6.652.722
Loan capital	51.801	--	51.801	51.801	--	51.801
Subordinated loan capital	129.647	--	129.647	129.667	--	129.667
	6.845.870	11.386	6.834.484	6.845.890	11.386	6.834.504

Foreign Exchange Risk

Foreign exchange risk arises from the undertaking of an open position in one or more foreign currencies. Group Market and Liquidity Risk Management monitors foreign currency positions on an ongoing basis within the risk management framework and limits set by the Assets and Liabilities Management Committee (ALCO) and the regulatory authority. Within this framework, there are nominal limits (by currency, in total, during the day, end of day), gain/loss limits and Value at Risk (VaR) limits. The regulatory limits for open positions during working hours exceed the limits for open positions during non-working hours.

VaR methodology is an important tool for the monitoring of foreign exchange risk. With this methodology, the Group calculates the maximum possible loss that may be incurred as a result of changes in market conditions, with a confidence level of 99% and over a one day period, based on the historical data of foreign exchange rate parities over a period of one year.

The table below presents VaR figures for the Group's foreign exchange risk:

	2015	2014
	€'000	€'000
At 31 December	**9**	13
Average for the year	**9**	8
Maximum amount for the year	**17**	13
Minimum amount for the year	**5**	6

The limitations of the VaR methodology are derived from the fact that the historical data used in the calculation may not be indicative of future events.

48. RISK MANAGEMENT (continued)

Analysis of assets and liabilities by currency at 31 December 2015

	Euro €'000	US Dollar €'000	British pound €'000	Rouble €'000	Swiss Franc €'000	Other currencies €'000	**Total €'000**
Assets							
Cash and balances with Central Banks	2.026.077	1.879	1.116	13	19	76	**2.029.180**
Placements with other banks	45.833	681.039	93.547	62.233	2.387	24.810	**909.849**
Loans and advances to customers	2.821.163	115.714	7.257	2	130.532	18.105	**3.092.773**
Debt securities	735.852	279.650	27.510	--	--	--	**1.043.012**
Equity securities & Collective Investments Units	15.140	--	--	--	--	--	**15.140**
Property, plant and equipment	98.564	--	--	--	--	--	**98.564**
Intangible assets	22.640	--	--	--	--	--	**22.640**
Tax receivable	66	--	--	--	--	--	**66**
Deferred tax asset	58.094	--	--	--	--	--	**58.094**
Other assets	121.140	6.720	59	--	--	136	**128.055**
Total assets	5.944.569	1.085.002	129.489	62.248	132.938	43.127	**7.397.373**
Liabilities							
Deposits by banks	70.937	4.967	--	--	--	1.034	**76.938**
Amounts due to Central Banks	236.373	--	--	--	--	--	**236.373**
Customer deposits and other customer accounts	4.490.440	1.421.660	128.845	62.224	11.302	24.234	**6.138.705**
Tax payable	5.314	--	--	--	--	--	**5.314**
Deferred tax liability	1.472	--	--	--	--	--	**1.472**
Other liabilities	106.714	6.477	557	--	39	520	**114.307**
	4.911.250	1.433.104	129.402	62.224	11.341	25.788	**6.573.109**
Loan capital	181.468	--	--	--	--	--	**181.468**
Equity							
Share capital	99.217	--	--	--	--	--	**99.217**
Reserves	540.380	--	--	--	--	--	**540.380**
Equity attributable to owners of the parent company	639.597	--	--	--	--	--	**639.597**
Non-controlling interest	3.199	--	--	--	--	--	**3.199**
	642.796	--	--	--	--	--	**642.796**
Total liabilities and equity	5.735.514	1.433.104	129.402	62.224	11.341	25.788	**7.397.373**
Total position	209.055	(348.102)	87	24	121.597	17.339	
Nominal value of foreign currency derivatives	(209.110)	347.157	(64)	--	(121.595)	(16.388)	
Net currency position	(55)	(945)	23	24	2	951	

48. RISK MANAGEMENT (continued)

Analysis of assets and liabilities by currency at 31 December 2014

	Euro €'000	US Dollar €'000	British pound €'000	Rouble €'000	Swiss Franc €'000	Other currencies €'000	**Total €'000**
Assets							
Cash and balances with Central Banks	2.170.968	2.238	1.908	189	98	198	**2.175.599**
Placements with other banks	58.244	885.352	98.258	58.804	130	21.270	**1.122.058**
Loans and advances to customers	2.936.820	98.281	6.245	--	158.826	20.883	**3.221.055**
Debt securities	393.848	355.953	29.925	--	--	--	**779.726**
Equity securities & Collective Investments Units	6.711	2.608	--	--	--	--	**9.319**
Property, plant and equipment	97.715	--	--	--	--	--	**97.715**
Intangible assets	19.683	--	--	--	--	--	**19.683**
Tax receivable	40	--	--	--	--	--	**40**
Assets of subsidiary company held for sale	--	--	--	4.546	--	--	**4.546**
Deferred tax asset	52.471	--	--	--	--	--	**52.471**
Other assets	57.932	11.237	--	--	--	182	**69.351**
Total assets	5.794.432	1.355.669	136.336	63.539	159.054	42.533	**7.551.563**
Liabilities							
Deposits by banks	51.584	11.648	--	7.468	--	60	**70.760**
Amounts due to Central Banks	236.014	--	--	--	--	--	**236.014**
Customer deposits and other customer accounts	4.670.167	1.453.074	135.952	55.582	12.800	18.373	**6.345.948**
Tax payable	5.260	--	--	--	--	--	**5.260**
Deferred tax liability	1.345	--	--	--	--	--	**1.345**
Liabilities of subsidiary company held for sale	--	--	-	1.044	--	--	**1.044**
Other liabilities	104.354	10.393	320	--	--	332	**115.399**
	5.068.724	1.475.115	136.272	64.094	12.800	18.765	**6.775.770**
Loan capital	181.448	--	--	--	--	--	**181.448**
Equity							
Share capital	93.010	--	--	--	--	--	**93.010**
Reserves	496.977	--	--	--	--	--	**496.977**
Equity attributable to owners of the parent company	589.987	--	--	--	--	--	**589.987**
Non-controlling interest	4.358	--	--	--	--	--	**4.358**
	594.345	--	--	--	--	--	**594.345**
Total liabilities and equity	5.844.517	1.475.115	136.272	64.094	12.800	18.765	**7.551.563**
Total position	(50.085)	(119.446)	64	(555)	146.254	23.768	
Nominal value of foreign currency derivatives	49.997	118.635	--	--	(146.279)	(22.353)	
Net currency position	(88)	(811)	64	(555)	(25)	1.415	

48. RISK MANAGEMENT (continued)

Interest Rate Risk

Interest rate risk arises as a result of timing differences on the interest rate repricing of assets and liabilities.

Interest rate risk is managed through the monitoring of the interest rate gaps by currency, by time interval and in total (gap analysis).

Group Market and Liquidity Risk Management monitors interest rate positions on a continuous basis, within the risk management framework and limits set by the Assets and Liabilities Management Committee (ALCO).

Analysis of assets and liabilities based on their contractual repricing or maturity dates at 31 December 2015

	Non-interest bearing	Within one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	**Total**
	€'000	€'000	€'000	€'000	€'000	€'000	**€'000**
Assets							
Cash and balances with Central Banks	65.037	1.964.143	--	--	--	--	**2.029.180**
Placements with other banks	18.872	890.873	--	104	--	--	**909.849**
Loans and advances to customers	--	2.402.797	385.699	290.977	10.147	3.153	**3.092.773**
Debt securities	--	79.551	52.841	79.986	450.410	380.224	**1.043.012**
Equity securities & Collective investments units	8.094	--	--	--	7.046	--	**15.140**
Property, plant and equipment	98.564	--	--	--	--	--	**98.564**
Intangible assets	22.640	--	--	--	--	--	**22.640**
Tax receivable	66	--	--	--	--	--	**66**
Deferred tax asset	58.094	--	--	--	--	--	**58.094**
Other assets	128.055	--	--	--	--	--	**128.055**
Total assets	399.422	5.337.364	438.540	371.067	467.603	383.377	**7.397.373**
Liabilities							
Deposits by banks	--	53.687	16.109	7.142	--	--	**76.938**
Amounts due to Central Banks	--	--	--	--	236.373	--	**236.373**
Customer deposits and other customer accounts	--	4.308.563	609.886	1.206.756	11.948	1.552	**6.138.705**
Tax payable	5.314	--	--	--	--	--	**5.314**
Deferred tax liability	1.472	--	--	--	--	--	**1.472**
Other liabilities	114.307	--	--	--	--	--	**114.307**
	121.093	4.362.250	625.995	1.213.898	248.321	1.552	**6.573.109**
Loan capital	129.667	--	51.801	--	--	--	**181.468**
Total liabilities	250.760	4.362.250	677.796	1.213.898	248.321	1.552	**6.754.577**
Total position	148.662	975.114	(239.256)	(842.831)	219.282	381.825	**642.796**
Nominal value of interest rate derivatives	--	6.210	15.638	(740)	(21.108)	--	**--**
Net position	148.662	981.324	(223.618)	(843.571)	198.174	381.825	**642.796**

48. RISK MANAGEMENT (continued)

Analysis of assets and liabilities based on their contractual repricing or maturity dates at 31 December 2014

	Non-interest bearing	Within one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	**Total**
	€'000	€'000	€'000	€'000	€'000	€'000	**€'000**
Assets							
Cash and balances with Central Banks	54.909	2.120.690	--	--	--	--	**2.175.599**
Placements with other banks	15.557	1.106.501	--	--	--	--	**1.122.058**
Loans and advances to customers	--	2.570.039	409.898	232.880	7.661	577	**3.221.055**
Debt securities	--	76.657	62.938	209.277	285.895	144.959	**779.726**
Equity securities	9.319	--	--	--	--	--	**9.319**
Property, plant and equipment	97.715	--	--	--	--	--	**97.715**
Intangible assets	19.683	--	--	--	--	--	**19.683**
Tax receivable	40	--	--	--	--	--	**40**
Assets of subsidiary company held for sale	4.546	--	--	--	--	--	**4.546**
Deferred tax asset	52.471	--	--	--	--	--	**52.471**
Other assets	69.351	--	--	--	--	--	**69.351**
Total assets	323.591	5.873.887	472.836	442.157	293.556	145.536	**7.551.563**
Liabilities							
Deposits by banks	--	66.385	4.375	--	--	--	**70.760**
Amounts due to Central Banks	--	--	--	--	236.014	--	**236.014**
Customer deposits and other customer accounts	--	4.144.793	677.910	1.498.230	24.601	414	**6.345.948**
Tax payable	5.260	--	--	--	--	--	**5.260**
Deferred tax liability	1.345	--	--	--	--	--	**1.345**
Liabilities of subsidiary company held for sale	1.044	--	--	--	--	--	**1.044**
Other liabilities	115.399	--	--	--	--	--	**115.399**
	123.048	4.211.178	682.285	1.498.230	260.615	414	**6.775.770**
Loan capital	129.647	--	51.801	--	--	--	**181.448**
Total liabilities	252.695	4.211.178	734.086	1.498.230	260.615	414	**6.957.218**
Total position	70.896	1.662.709	(261.250)	(1.056.073)	32.941	145.122	**594.345**
Nominal value of interest rate derivatives	--	8.763	16.002	7.000	(29.765)	(2.000)	**--**
Net position	70.896	1.671.472	(245.248)	(1.049.073)	3.176	143.122	**594.345**

48. RISK MANAGEMENT (continued)

In addition to monitoring interest rate gaps, interest rate risk management is carried out mainly by monitoring the sensitivity of the Group's economic value (net present value) and net interest income under various interest rate change scenarios. ALCO is regularly informed about the magnitude of interest rate risk and makes decisions for the management of the risk based on this information. Scenario calculations for interest rate changes consider both parallel and non-parallel shifts of the yield curve. Additionally, analyses based on stress testing scenarios are also performed.

The table below presents the impact on net interest income and Group's economic value (net present value) from reasonably possible changes in interest rates:

	Net Interest Income €'000	**Net Present Value €'000**
2015		
+100 basis points	**35.495**	**(5.246)**
-100 basis points[1]	**(35.495)**	**5.246**

	Net Interest Income €'000	**Net Present Value €'000**
2014		
+100 basis points	**36.978**	**22.373**
-100 basis points[1]	**(36.978)**	**(22.373)**

(Note 1: Under the current circumstances, interest rate reduction by 100 basis points is theoretical since market interest rates in most foreign currencies in which the Group holds a position are at very lower levels.)

Price Risk

Price risk is derived from the undertaking of an open position in equities, bonds or derivatives. The Group manages this risk through policies and procedures of setting and monitoring open position limits, stop loss limits on trading positions, as well as concentration limits by issuer.

The table below presents the impact on financial results and own funds (including the impact from changes in net profits) from reasonably possible changes in equity prices which are traded on stock exchanges:

	2015		2014	
	Net profits €'000	**Own Funds €'000**	Net profits €'000	Own Funds €'000
+15% change in index	**42**	**1.172**	79	227
-15% change in index	**(42)**	**(1.172)**	(79)	(227)

Operational risk

Operational risk is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. For the Group, this definition includes legal, conduct and reputational risk, but excludes strategic risk.

The Group has adopted the principles and provisions set out in the guidelines of the Directives of the Central Bank of Cyprus, the Single Supervisory Mechanism, Basel III as adopted by the EU and the Committee for European Banking Supervisors (CEBS).

The Group has developed a strong framework for the management of operational risk, by adopting operational risk principles in line with Basel Committee's sound principles and taking into account its risk appetite and tolerance. The governance structures are developed to ensure that these principles are met at

all times. The financial insurance coverage held by the Group is regarded as an effective tool for mitigating operational risks and forms part of this framework.

Operational Risk Management, through its knowledge and the implementation of appropriate mitigation framework, constitutes one of the priorities for the Group. This involves all employees and is integrated into the various decision-making processes within the Group.

The Board supports the development of a robust operational risk management culture where the roles of business and control functions under a three lines of defence model, are well understood and respected. The Board encourages open discussion, challenge and thorough analyses of operational risks identified, to ensure that they are managed within the Group's risk appetite.

Operational Risk Management is supported and overseen by an independent Operational Risk Unit under the Chief Risk Officer. Group Operational Risk Unit is empowered to oversee operational risk management. This is effected through establishing and providing support in implementing and embedding policies, responsibly aligning these policies with risk and strategy and providing assurance to Internal Audit. Indicative examples of control mechanisms are effective segregation of duties, access authorization and reconciliation procedures, ongoing staff training and assessment processes as well as the utilization of operational risk indicators.

The 'Risk Control Self-Assessment' process is being implemented where departments, with the cooperation of Group Operational Risk Unit, identify and assess potential risks inherent in their specific processes and activities, on a residual risk basis. Internal integrated controls and measures for monitoring operational risks form part of the assessment process. Where appropriate, Risk Indicators are agreed for the monitoring of the identified risks, and where necessary action plans guide remedial actions.

A holistic and efficient solution has been deployed for operational risk incident management purposes, as well as to enhance operational risk assessment, management and reporting. The system's functionality embraces the requirements of operational-risk-related Units; such are Information Security, Business Continuity, Health, Safety & Security, Compliance and Audit.

Group Operational Risk Unit informs on regular intervals the Management and Risk Committee of the Board of Directors of the operational risks the Group faces.

Capital management

Until the 4th November 2014, the lead supervisory authority that set and monitors capital requirements for the Group, was the Central Bank of Cyprus (CBC). According to the European Council's Regulation (EC) 1024/2013, specific tasks concerning policies relating to the prudential supervision of credit institutions have been assigned to the ECB. Since 4th November 2014 the ECB has taken on full responsibility for the supervision of important credit institutions in participating Member States, including the Group, with the help of the local supervisory authorities. The CBC, as part of its supervisory role, has adopted the recommendations of Basel Committee and the European Directives on banking supervisory matters.

As from 1st January 2014, the European Parliament's and Council's Directive 2013/36/EU (CRD IV) and the Regulation No. 575/2013 (CRR) of 26 June 2013 became effective comprising the European regulatory package designed to transpose the new capital, liquidity and leverage standards of Basel III into the European Union's legal framework. The Regulation 575/2013 (CRR) establishes the prudential requirements for capital, liquidity and leverage that entities need to abide by and is immediately binding on all European Union Member States. The Directive 2013/36/EU (CRD IV) governs access to deposit-taking activities, internal governance arrangements including remuneration, board composition and transparency. Unlike the Regulation 575/2013 (CRR), the Directive 2013/36/EU (CRD IV) has been transposed into national law and national regulators by the Central Bank of Cyprus, which can impose additional capital buffer requirements. The Regulation 575/2013 (CRR) introduces significant changes in the prudential and regulatory regime applicable to banks including amended minimum capital adequacy ratios, changes to the definition of capital, the calculation of risk-weighted assets and the introduction of new measures relating to leverage, liquidity and funding. The CRR permits a transitional period for certain of the enhanced capital requirements and certain other measures, such as the leverage ratio, which are not expected to be fully implemented until 2018.

48. RISK MANAGEMENT (continued)

The CBC has determined the extent of phasing-in of the transitional provisions relating to Common Equity Tier 1 deductions and, on 29th of May 2014, set the minimum Common Equity Tier 1 capital ratio at 8%. According to relevant guidelines of the ECB, the Group is subject to additional capital requirements (Pillar 2 add-ons), for risks which are not covered by the Pillar 1 capital requirements. On 20th of February 2015, the ECB notified the Bank that it must maintain on a consolidated basis and on an ongoing basis an overall CET1 ratio of 9,88% and an overall Tier 1 Capital ratio equal to 11,58%.

The ECB, on the basis of a draft proposal of the Supervisory Board under Article 26(8) of Council Regulation (EU) No 1024/2013, has decided pursuant to Article 16, that the Bank shall fulfil the following prudential requirements. As from 20th November 2015 the Bank is required to maintain, on a consolidated basis, a CET1 capital ratio of 11,75%, as such ratio is defined in Regulation (EU) No 575/2013 of the European Parliament and of the Council. ECB notification is required if the Bank does not, or is likely not to, exceed by 25 basic points the CET1 minimum capital requirement of 11,75% listed in the ECB notification. In addition, the Bank is prohibited from paying out dividends to shareholders until 31 December 2016. The decision was based on the Supervisory Review and Evaluation Process (SREP) conducted pursuant to Article 4(1)(f) of Regulation (EU) No 1024/2013 on the information available on 31 December 2014, and any other relevant information received after that date. The SREP has been conducted under the lead of the ECB.

The CET 1 ratio of 11,75% includes: (i) the minimum Common Equity Tier 1 ratio required to be maintained at all times under Article 92(1)(a) of Regulation (EU) No 575/2013; (ii) the Common Equity Tier 1 ratio required to be held in excess of that minimum Common Equity Tier 1 ratio and to be maintained at all times in accordance with Article 16(2)(a) of Regulation (EU) No 1024/2013; and (iii) the capital conservation buffer required under Article 129 of Directive 2013/36/EU as implemented in the national law of the Republic of Cyprus.

Other Systemically important institution (O-SII) buffer will also be introduced gradually over four years, starting from 1 January 2019. The Bank must maintain an O-SII buffer of 1,5% (by 2022) of its total risk exposure amount calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013, on an individual and consolidated basis.

Basel III comprises of three Pillars:

- Pillar 1–Enhanced minimum capital and liquidity requirements
- Pillar 2–Enhanced supervisory review process for firm-wide risk management and capital planning
- Pillar 3–Enhanced risk disclosure and market discipline

Pillar 1 – Enhanced minimum capital and liquidity requirements

(i) Capital Requirements

Pillar 1 sets forth the guidelines for calculating the minimum capital requirements to cover the credit risk, the market risk and the operational risk.

The Group has at first adopted the Standardised Approach for the calculation of the minimum capital against credit risk. Under this approach, exposures are classified in specified classes and are weighed using specific weights, depending on the class the exposures belong to and their credit rating. Also, Basel III suggests two methods for the recognition of collateral, the Simple Approach and the Comprehensive Approach. The Group has applied the Comprehensive Approach, as this enables the fairer recognition and more accurate estimation of the Group's collateral.

Regarding market risk, the Group has adopted the Standardised Approach, according to which the minimum capital requirement is estimated by adding together the capital requirements of positions on interest rates, equity and debt securities, foreign exchange and derivatives derived from the Trading Portfolio using predefined models, by risk category.

The Group uses the Basic Indicator Approach for the calculation of the capital requirements for operational risk. According to the Basic Indicator Approach, the operational risk capital requirement is derived applying 15% to the average over three years of the relevant indicator as set in Article 316 of CRR.

48. RISK MANAGEMENT (continued)

The Group's policy is to maintain a strong capital base, in order to maintain investor, creditor and market confidence and support the future development of the Group's operations. The Central Bank of Cyprus requires the maintenance of a specific total capital ratio in relation to the risks undertaken by the Bank.

During 2015, the Group's capital base has strengthened both as a result of internal capital generation, as well as through an increase in the share capital of the Group. More specifically, in January 2015, the Bank raised €3 million through shares allotment that corresponded to the unexercised 2014 Rights. In October 2015 the Bank issued shares to EBRD for a consideration of €20 million.

The Capital Adequacy Ratio of the Group as at 31 December 2015 was 18,13% (Bank: 18,12%), the Tier 1 Ratio was 17,68% (Bank: 17,66%) and the Common Equity Tier 1 Ratio was 14,75% (Bank: 14,73%).

The Group's regulatory capital is calculated in accordance with the provisions of the European Regulation 575/2013 and is analysed as follows:

- Common Equity Tier 1, which includes share capital, share premium, reduction of share capital reserve, retained earnings including the profit for the current year, the revaluation reserve (i.e. revaluation reserve of investment in debt securities, revaluation reserve of investment in equity securities and property revaluation reserve) and other reserves i.e. translation reserve. The carrying amount of intangible assets, and deferred tax assets that rely on future profitability and do not arise from temporary differences are deducted from Common Equity Tier 1 capital subject to the transitional provisions of the relevant circular of the CBC (R.A.A. 393/2014).
- Additional Tier 1 capital, which includes hybrid instruments, composed by Convertible Capital Securities 1 (CCS1) and Convertible Capital Securities 2 (CCS2). A portion of the carrying amount of intangible assets is deducted from Additional Tier 1 capital subject to the transitional provisions of the relevant circular of the CBC.
- Tier 2, which includes subordinated loan capital. The direct holdings of Additional Tier 2 instruments are deducted from Tier 2 capital. In addition, other transitional adjustments in relation to property revaluation reserve are added to Tier 2 capital.

With regards to the Bank's significant investments in financial sector entities, including its investments in subsidiary companies which operate in the insurance sector (i.e. Pancyprian Insurance Ltd, Hellenic Alico Life Insurance Company Ltd, Hellenic Insurance Agensy Ltd (Greece) and Hellenic Insurance Agency Ltd (Cyprus)) and deferred tax assets that rely on future profitability and arise from temporary differences which in aggregated are equal or lower than the 15% of the relevant Common Equity Tier 1 capital of the Bank, the Bank applied the exemption from deduction from Common Equity Tier 1 in accordance with the provisions of Article 470(2) of the European Regulation 575/2013.

The position of the Group's regulatory capital as at 31 December is as follows:

	2015 €'000	2014 €'000
Own funds		
Common Equity Tier 1 (CET1)	583.733	539.453
Additional Tier 1 (AT1)	116.103	113.928
Tier 1 (T1)	699.836	653.381
Tier 2 (T2)	17.892	80.850
Total regulatory capital	**717.728**	**734.231**
Risk weighted assets		
Credit risk	3.458.331	3.480.105
Market risk	10.095	7.300
Operational risk	488.725	537.625
Total risk exposure amount for credit valuation adjustments (CVA)	1.100	1.788
Total risk weighted assets	**3.958.251**	**4.026.818**
Common Equity Tier 1 ratio	**14,75%**	**13,40%**
Tier 1 ratio	**17,68%**	**16,23%**
Capital adequacy ratio	**18,13%**	**18,23%**

48. RISK MANAGEMENT (continued)

(ii) Liquidity and Leverage Ratio Requirements

Additionally, Pillar 1 sets forth the guidelines for calculating the leverage ratio as an institution's capital measure divided by the institution's total exposure measure expressed as a percentage.

The leverage ratio of the Group is calculated using two capital measures:
(a) Tier 1 capital: fully phased-in definition.
(b) Tier 1 capital: transitional definition.

According to the Regulation No.2015/62 of the European Parliament and Council dated 10th of October 2014, as at 31 December 2015 the Leverage Ratio for the Group was 9,05% the Bank 9,04% compared to 8,15% for the Group and 8,18% for the Bank as at 31 December 2014.

The CET 1 ratio on a fully loaded basis, for the Group is formed at 13,53% (Bank: 13,51%). The leverage ratio on a fully loaded basis, for the Group is formed at 8,60% and the Bank, is formed at 8,59%.

Pillar 1 sets forth the guidelines for calculating other liquidity measures such as the Liquidity Coverage Requirement ratio (LCR) calculated as the sum of the values which cover the liquidity outflows less the liquidity inflows under stressed conditions so as to ensure that institutions maintain levels of liquidity buffers which are adequate to face any possible imbalance between liquidity inflows and outflows under gravely stressed conditions over a period of thirty days. During times of stress, institutions may use their liquid assets to cover their net liquidity outflows. As at 31 December 2015 the LCR of the Group was 295%.

Even before its full implementation in 2018, and as per relevant CBC instructions, the Net Stable Funding Ratio (NSFR) is being monitored by the Bank and reported quarterly to CBC.

Pillar 2 – Enhanced supervisory review process for firm-wide risk management and capital planning

Pillar 2 includes rules to ensure that adequate capital is in place to support any risk exposures of the Group and requires appropriate risk management, reporting and governance policies. Under Pillar 2, the Bank conducts stress tests, presenting different balance sheet positions to negative changes scenarios, in order to identify weaknesses that may, under the circumstances, expose the Bank at risk. The intensity and breadth of scenarios depends on idiosyncratic factors relevant to the mixture and the concentration of the assets of the Bank.

Banks are assessing internally their capital needs relative to their risks within the framework of Internal Capital Adequacy Assessment Process (ICAAP). This process is supervised and evaluated by the Central Bank of Cyprus. Due to the conducting of the pan-European 'Comprehensive Assessment' exercise the Bank performed a compact ICAAP exercise to assess risks that have not been covered by that exercise and estimate possible capital requirements

Pillar 3 – Enhanced risk disclosure and market discipline

Pillar 3 sets out required disclosures to allow market participants, having a full picture of the risk profile of the Group, to assess key pieces of information relevant to the capital structure, risk exposures, risk assessment processes and hence the capital adequacy of the Group.

Based on Part 8 "Disclosure by Institutions" of the Regulation (EU) No. 575/2013 (CRR) the banks disclosed, among others, information relating to their objectives and risk management policies, the composition of Common Equity Tier 1, Additional Tier 1 and Tier 2 Capital, their compliance with minimum capital requirements, the leverage ratio, the internal capital adequacy assessment process, the remuneration policy and recruitment and staff evaluation processes.

The Group is fully in compliance with the requirements of the CRR regarding the disclosure of the Pillar 3 report, based on the Basel III principles as adopted by the European Union.

49. EVENTS AFTER THE REPORTING PERIOD

Single Resolution Mechanism comes into effect for the Banking Union

The European Union within the Banking Union framework, has taken significant steps to address the root causes of the financial crisis, to ensure that banks are now much better capitalised and more effectively supervised and to identify risks that may be building in the system. But despite closer supervision and a greater emphasis on crisis prevention, there may still be cases of banks getting into difficulty. The first pillar of the Banking Union consists of a common framework for supervision of banks to be implemented by the Single Supervisory Mechanism (SSM) whereas the second pillar consists of a common framework for bank resolution to be implemented by the Single Resolution Mechanism (SRM). Those two pillars have been put into place. The third pillar, a deposit insurance scheme (EDIS-European Deposit Insurance Scheme), will be put forward.

The SRM becomes fully operational on 1 January 2016 and implements the EU-wide Bank Recovery and Resolution Directive (BRRD) in the Euro area. The full resolution powers of the SRB will also apply as of 1 January 2016. The SRM will bolster the resilience of the financial system and help avoid future crises by providing for the timely and effective resolution of cross-border and domestic banks. The BRRD provides authorities with more comprehensive and effective arrangements to deal with failing banks at national level, as well as cooperation arrangements to tackle cross-border. The choice of tools will depend on the specific circumstances of each case and build on options laid out in the resolution plan prepared for the bank and will consist of powers to:

(i) effect private sector acquisitions (parts of the bank can be sold to one or more purchasers without the consent of shareholders);
(ii) transfer business to a temporary structure (such as a "bridge bank") to preserve essential banking functions or facilitate continuous access to deposits;
(iii) separate clean and toxic assets between "good" and "bad" banks through a partial transfer of assets and liabilities; and/or
(iv) bail in creditors (mechanism to cancel or reduce the liabilities of a failing bank, or to convert debt to equity, as a means of restoring the institution's capital position).

The SRM provides that the Single Resolution Fund (SRF) will be built up over a period of 8 years with 'ex-ante' contributions from the banking industry.

EU legislation already ensures that all deposits up to €100 000 are protected, through their national deposit guarantee scheme (DGS), in case of a bank failure. However, national DGS can be vulnerable to large local shocks. EDIS provides a stronger and more uniform degree of insurance cover for all retail depositors in the Banking Union, ensuring that the level of depositor confidence in a bank would not depend on the bank's location. Currently, all Member States have deposit guarantee schemes as the Deposit Guarantee Scheme Directive requires all deposit-taking banks in the EU to be a member of a national DGS. National schemes would continue to co-exist alongside EDIS. EDIS would be established in three sequential stages:

- The first stage would be a re-insurance scheme and would apply for 3 years until 2020. In this stage, EDIS would provide a specified amount of liquidity assistance and absorb a specified amount of the final loss of the national scheme in the event of a pay-out or resolution procedure. In order to limit moral hazard and avoid “first-mover advantages”, a DGS can only benefit from EDIS in this stage if it has met its requirements and filled its national fund to the required level, and only if those funds have been fully depleted.
- The second stage would be a co-insurance scheme and would apply for 4 years until 2024. For this phase, a national scheme would not have to be exhausted before accessing EDIS. EDIS would absorb a progressively larger share of any losses over the 4-year period in the event of a pay-out or resolution procedure. Access to EDIS would continue to be dependent on compliance by national DGS with the required funding levels.
- In the final stage, EDIS would fully insure deposits and would cover all liquidity needs and losses in the event of a pay-out or resolution procedure.

49. EVENTS AFTER THE REPORTING PERIOD (continued)

2016 EU-wide stress test

The European Banking Authority (EBA) launched the 2016 EU wide stress test exercise, designed to provide supervisors, banks and other market participants with a common analytical framework to consistently compare and assess the resilience of EU banks to economic shocks. For this exercise, no single capital thresholds have been defined (i.e. it is not a pass or fail exercise) as the results will inform the 2016 round of Supervisory Review and Evaluation Processes (SREP) under which decisions are made on appropriate capital resources. The EU-wide stress test is conducted on a sample of 51 EU banks covering 70% of the banking sector in the EU and is run at the highest level of consolidation. The stress test involves the economic conditions under a baseline and an adverse scenarios and were published by EBA on 24th of February 2016.

Given that the majority of institutions supervised by the Single Supervisory Mechanism (SSM) are not included in the 2016 EBA Stress Test (Hellenic Bank included), the ECB will also carry out a designated stress test for such institutions, to support the 2016 SREP, with strong involvement of the National Competent Authorities. To ensure a level playing field among the institutions under its direct supervision, the SSM has decided to align the SREP Stress Test with the EBA Stress Test, while having due regard to the proportionality principle.

Appointment of Mr Andrew Charles Wynn to the Board of Directors of Hellenic Bank Public Company Ltd

The Bank announced on the 22nd of February 2016 the appointment of Mr Andrew Charles Wynn as an Independent Non-Executive member of the Board of Directors of the Bank with effect from 19 February 2016.

ECB decreases interest rates

The Governing Council of the European Central Bank on the 10th of March 2016 announced the decrease in the interest rate on the main refinancing operations of the Eurosystem by 5 basis points to 0,00%, starting from the operation to be settled on 16 March 2016. Based on the above decision the Bank announced on the 15th of March 2016 the reduction in the interest rate on loans, from 0,05% to 0,00% with effect from the 16th of March 2016 on loans granted before the 1st of January 2008 and whose interest rates are linked to the basic interest rate of the Bank.

Further, the interest rate on the marginal lending facility was decreased by 5 basis points to 0,25%, and the interest rate on the deposit facility by 10 basis points to -0,40%, with effect from 16 March 2016. The monthly purchases under the asset purchase programme will be expanded to €80 billion starting in April, from €60 million a month currently, while investment grade euro-denominated bonds issued by non-bank corporations established in the euro area will be included in the list of assets that are eligible for regular purchases. Finally, the ECB announced a new series of four targeted longer-term refinancing operations (TLTRO II), each with a maturity of four years, will be launched, starting in June 2016.

Hellenic Bank joins EBRD trade facility

The European Bank for Reconstruction and Development (EBRD) is stepping up its support to Cypriot exporters and importers with a €20 million trade facility to Hellenic Bank under the EBRD's Trade Facilitation Programme (TFP). Hellenic Bank will become the third issuing bank under the programme in Cyprus. According to a statement by EBRD on the 22nd of March 2016, through this facility, EBRD will issue guarantees in favour of international commercial banks covering the political and commercial payment risk of the transactions undertaken by Hellenic Bank. This agreement will allow Hellenic Bank to expand its corresponding bank network and stimulate working relationships with countries where the EBRD invests. Through the programme, EBRD provides guarantees to international confirming banks and short-term loans to selected banks and factoring companies for on-lending to local exporters, importers and distributors.

DECLARATION BY THE MEMBERS OF THE BOARD OF DIRECTORS AND THE BANK OFFICIALS RESPONSIBLE FOR THE DRAFTING OF THE FINANCIAL STATEMENTS

In accordance with article 9(3)(c) and (7) of the 2007 Law on Transparency Requirements (Securities Listed for Trading on a Regulated Market), we the Members of the Board of Directors and the Bank officials responsible for the drafting of the Financial Statements of Hellenic Bank Public Company Ltd (the "Bank") for the year ended 31 December 2015, confirm that to the best of our knowledge:

(a) the annual Financial Statements presented in pages 11 to 129:

(i) have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and the provisions of article (9), paragraph (4) of the Cyprus Companies Law, and

(ii) give a true and fair view of the assets and liabilities, the financial position and the profits or losses of Hellenic Bank Public Company Ltd and of the entities included in the Consolidated Financial Statements, as a whole and

(b) the report of the Board of Directors provides a fair review of the developments and performance of the business as well as the position of Hellenic Bank Public Company Ltd and of the entities included in the Consolidated Financial Statements, as a whole, together with a description of the major risks and uncertainties that they face.

Members of the Board of Directors

Irena A. Georgiadou	Non-Executive Chairwoman.....
Marinos S. Yiannopoulos	Non-Executive Vice Chairman ….....
Andreas Christofides	Non-Executive Member of the Board.....
Dr Evripides A. Polykarpou	Non-Executive Member of the Board.....
Marianna Pantelidou Neophytou	Non-Executive Member of the Board.....
Ioannis A. Matsis	Non-Executive Member of the Board.....
David Whalen Bonanno	Non-Executive Member of the Board.....
Lambros Papadopoulos	Non-Executive Member of the Board.....
Christodoulos A. Hadjistavris	Non-Executive Member of the Board.....
Andrew Charles Wynn	Non-Executive Member of the Board.....
Georgios Fereos	Executive Member of the Board.....
Henricus Lambertus (Bert) Pijls	Executive Member of the Board.....

Company official responsible for the drafting of the Financial Statements

Antonis Rouvas, Group Chief Financial Officer……

Nicosia, 31 March 2016