



EUROBANK CYPRUS LTD

Report and Financial Statements

For the year ended 31 December 2015

Eurobank Cyprus Ltd

Report and financial statements for the year ended 31 December 2015

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Eurobank Cyprus Ltd

Board of Directors and other officers

Board of Directors

R. Kyprianou	Chairman, Non Executive
M. Zampelas	Vice Chairman, Non Executive
M. Louis	Executive
D. Shacallis	Executive
M. Colakides	Non Executive
L. Demosthenous	Non Executive
O. Ellingham	Non Executive
A. Soteriou	Non Executive
N. Karamouzis	Non Executive (appointed on 18 September 2015)
S. Ioannou	Non Executive (appointed on 19 November 2015)
K. Vasiliou	Non Executive (resigned on 18 December 2015)
F. Karavias	Non Executive (resigned on 13 February 2015)

Executive Committee

M. Louis
D. Shacallis
C. Hambakis
A. Petsas
A. Malliotis
A. Antoniou
S. Kassianides
D. Eliades
N. Panayi
M. Hadjikyriakos

Company Secretary

D. Shacallis

Registered office

41 Arch. Makariou III Avenue
5th floor
CY-1065 Nicosia
Cyprus

Eurobank Cyprus Ltd

Report of the Board of Directors

The Board of Directors presents its report together with the audited financial statements of Eurobank Cyprus Ltd (the "Bank") for the year ended 31 December 2015.

Principal activity

The principal activity of the Bank, which is unchanged from last year, is the provision of banking and financial services.

Branches

The Bank did not operate through any branches during the year.

Review of developments, position and performance of the Bank's business

The main financial highlights for the year are as follows:

	2015 €'000	2014 €'000
Operating income	83.611	96.925
Operating expenses including provision for impairment of loans and advances	33.368	50.792
Profit before tax and government levies	50.243	46.133
Profit for the year	39.101	38.552
Customer deposits	3.240.685	3.310.105
Loans and advances to customers	1.896.991	1.647.386
Total assets	4.132.000	4.338.532

The financial position, development and performance of the Bank as presented in these financial statements are considered satisfactory.

Business outlook and risks

The Bank considers risk management to be a major process and a major factor contributing to the stability of the Bank's performance. The financial risks which are managed and monitored are credit risk, operational risk, market risk and liquidity risk. Detailed information relating to risk management is set out in Notes 2.1 and 4 of the financial statements.

Operating environment of Cyprus

The Cypriot economy has continued its successful progress, managing to defy all expectations by constantly outperforming projections with substantial margins. This path led to the successful implementation of the economic adjustment program with a high commendation from the Eurogroup that praised the Cypriot authorities for the important achievements made over the past three years. The Eurogroup has also welcomed the fact that economic activity has continued on a positive trend and the banking system has made further progress.

Eurobank Cyprus Ltd

Report of the Board of Directors (continued)

Business outlook and risks (continued)

GDP reported 4 consecutive positive growth rates with a 4th quarter of 2015 positive growth rate of 2.5% over the corresponding quarter of 2014. Based on seasonally and working day adjusted data, GDP growth rate in real terms is estimated at 2,7%. Revenue from tourism marked an increase of 4,4% in 2015 estimated at €2,1bn compared to €2,0bn in the corresponding period of 2014. Data published by the Land Registry indicate that annual property sales increase with a 54% in February'16 compared to the same month of 2015. The aforementioned positive developments have been instrumental in regaining investor confidence in the Cypriot economy, with the sovereign returning to the international markets.

The Cypriot banking system has undergone a deep transformation through significant reform measures, which have been executed or are underway and are essential to restoring the Cypriot financial system to viability. However, work must continue with determination to secure the reduction of the non-performing loan ratio to healthier levels. This includes the rigorous and swift implementation of the insolvency framework and foreclosure laws adopted in 2014 - 2015 together with further measures including the securitisation law and effective use of the full range of the available non-performing loan management tools.

Future developments of the Bank

The Bank currently operates through a network of 8 Banking Centres in Nicosia, Limassol, Larnaca, Paphos and Famagusta. The Bank will continue to strengthen its operations investing in human capital and procedures in various areas.

Results

The Bank's results for the year are set out on pages 7 and 8.

The Board of Directors at a Board meeting of 23 January 2015, proposed at a Shareholders' Extraordinary General Meeting which took place on 23 January 2015 after the Board meeting, the payment of a dividend distribution of €265,9 million or €221,4 thousands per share. The Board of Directors proposal was approved at the shareholders' meeting and the dividend was executed on the same day.

Share capital

There were no changes in the Bank's share capital during the year ended 31 December 2015.

Capital adequacy

The capital adequacy of the Bank as at 31 December 2015, as disclosed in Note 4.4 of the financial statements, stands at 30,6% (2014: 22,0%).

Eurobank Cyprus Ltd

Report of the Board of Directors (continued)

Board of Directors

The members of the Board of Directors of the Bank as at 31 December 2015 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2015 and up to the date of this report except from Messrs. K. Vasiliou and F. Karavias who resigned on 18 December 2015 and 13 February 2015, respectively. Messrs N. Karamouzis and S. Ioannou were appointed on the Board of Directors of the Bank on 18 September 2015 and 19 November 2015, respectively.

Bank Management

The Bank's Executive Committee as at 31 December 2015 and at the date of this report is shown on page 1.

Events after the balance sheet date

Events after the balance sheet date are disclosed in Note 31 of the financial statements.

Auditors

The Independent Auditors, PricewaterhouseCoopers Limited have expressed their willingness to continue in office.

By Order of the Board



Michalis Louis
Chief Executive Officer

Nicosia, 22 April 2016

Eurobank Cyprus Ltd

Independent auditor's report

To the Members of Eurobank Cyprus Ltd

Report on the financial statements

We have audited the accompanying financial statements of Eurobank Cyprus Ltd (the "Bank"), which comprise the balance sheet as at 31 December 2015, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 control. 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 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 financial statements give a true and fair view of the financial position of Eurobank Cyprus Ltd as at 31 December 2015, and of its financial performance and its 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.

Eurobank Cyprus Ltd

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, 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 Bank's 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 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 is consistent with the financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 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.



George C Kazamias
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 22 April 2016

Eurobank Cyprus Ltd

Income Statement for the year ended 31 December 2015

	Note	2015 €'000	2014 €'000
Interest income	5	109.809	118.006
Interest expense	5	(44.584)	(50.505)
Net interest income		65.225	67.501
Banking fee and commission income	6	25.813	21.768
Banking fee and commission expense	6	(7.825)	(9.889)
Net banking fee and commission income		17.988	11.879
Dividend income		-	323
Net trading income	7	90	49
Gains less losses from investment securities	8	307	17.173
Other income		1	-
		398	17.545
Operating income		83.611	96.925
Staff costs	9	(13.513)	(13.148)
Other operating expenses	10	(9.507)	(9.993)
Profit from operations before impairments		60.591	73.784
Impairment losses on loans and advances	16	(10.348)	(27.651)
Profit before tax and government levies		50.243	46.133
Government levy on customer deposits	23	(4.796)	(3.697)
Income tax expense	11	(6.346)	(3.884)
Profit for the year		39.101	38.552

The notes on pages 12 to 74 form an integral part of these financial statements.

Eurobank Cyprus Ltd

Statement of Comprehensive Income for the year ended 31 December 2015

	2015 €'000	2014 €'000
Profit for the year	<u>39.101</u>	<u>38.552</u>
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss:		
Available-for-sale financial assets (Note 17)		
- net changes in fair value, net of tax	1.344	927
- transfer to profit or loss due to disposal net of tax	<u>(307)</u>	<u>(17.173)</u>
	<u>1.037</u>	<u>(16.246)</u>
Other comprehensive income / (loss) for the year	<u>1.037</u>	<u>(16.246)</u>
Total comprehensive income for the year	<u>40.138</u>	<u>22.306</u>

The notes on pages 12 to 74 form an integral part of these financial statements.

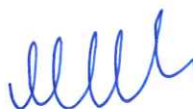
Eurobank Cyprus Ltd

Balance Sheet at 31 December 2015


	Note	2015 €'000	2014 €'000
Assets			
Cash and balances with central banks	12	39.896	41.110
Loans and advances to banks	13	1.554.848	1.932.030
Investment in subsidiaries	14	1	1
Derivative financial instruments	15	2.765	905
Loans and advances to customers	16	1.896.991	1.647.386
Available-for-sale financial assets	17	261.505	526.464
Held-to-maturity investments	18	366.081	179.965
Intangible assets	19	2.232	2.082
Property, plant and equipment	20	6.871	7.249
Other assets	21	810	1.340
Total assets		4.132.000	4.338.532
Liabilities			
Due to other banks	22	492.606	416.371
Derivative financial instruments	15	527	391
Due to customers	23	3.240.685	3.310.105
Other liabilities	24	34.155	21.803
Total liabilities		3.767.973	3.748.670
Equity			
Share capital	25	12.010	12.010
Share premium	25	245.384	245.384
Other reserves		(388)	(1.425)
Retained earnings		107.021	333.893
Total equity		364.027	589.862
Total equity and liabilities		4.132.000	4.338.532

On 22 April 2016 the Board of Directors of Eurobank Cyprus Ltd authorised the issuance of these financial statements.

Michalis Louis, Chief Executive Officer



Demetris Shacallis, Chief Financial Officer



The notes on pages 12 to 74 form an integral part of these financial statements.

Eurobank Cyprus Ltd

Statement of Changes in Equity for the year ended 31 December 2015

	Share capital €'000	Share premium €'000	Available- for-sale revaluation reserve €'000	Retained earnings €'000	Total €'000
Balance at 1 January 2014	12.010	245.384	14.821	295.341	567.556
Other comprehensive income for the year	-	-	(16.246)	-	(16.246)
Profit for the year	-	-	-	38.552	38.552
Total comprehensive income for the year	-	-	(16.246)	38.552	22.306
Balance at 31 December 2014/ 1 January 2015	12.010	245.384	(1.425)	333.893	589.862
Other comprehensive income for the year	-	-	1.037	-	1.037
Profit for the year	-	-	-	39.101	39.101
Total comprehensive income for the year	-	-	1.037	39.101	40.138
Transactions with owners:					
Dividend paid (Note 25)	-	-	-	(265.973)	(265.973)
Total transactions with owners	-	-	-	(265.973)	(265.973)
Balance at 31 December 2015	12.010	245.384	(388)	107.021	364.027

The notes on pages 12 to 74 form an integral part of these financial statements.

Eurobank Cyprus Ltd

Cash Flow Statement for the year ended 31 December 2015

	Note	2015 €'000	2014 €'000
Profit before tax and government levies		50.243	46.133
Adjustments for:			
Amortisation of intangible assets	19	562	493
Depreciation of property, plant and equipment	20	1.197	1.073
(Profit)/loss on disposal of property, plant and equipment	20	(13)	2
Impairment losses on loans and advances	16	10.702	18.088
Dividend income		-	(323)
Interest income on available-for-sale financial assets	5	(12.997)	(2.398)
Interest income on held-to-maturity instruments	5	(11.631)	(8.899)
Foreign exchange differences on investing activities		(20.460)	(10.331)
Profit on disposal of available-for-sale financial assets	8	(315)	(17.260)
Net fair value loss on available-for-sale financial assets transferred to income statement due to impairment	8	8	87
		17.296	26.665
Changes in operating assets and liabilities			
Net increase in cash and balances with central banks		3.626	37.558
Net increase in loans and advances to banks		137.161	16.156
Net decrease in derivative financial instruments		(1.724)	(1.779)
Net (decrease)/increase in loans and advances to customers		(260.307)	77.458
Net increase/(decrease) in other assets		530	(328)
Net increase/(decrease) in due to other banks		76.235	(192.139)
Net (decrease)/increase in due to customers		(69.420)	838.622
Net decrease in retirement benefit obligations		-	(134)
Net increase/(decrease) in other liabilities		12.203	(10.468)
		(84.400)	791.611
Government levy on customer deposits paid		(4.797)	(3.697)
Income tax paid		(6.196)	(4.606)
Net cash flows (used in)/from operating activities		(95.393)	783.308
Cash flows from investing activities			
Purchases of intangible assets	19	(712)	(576)
Purchases of property, plant and equipment	20	(826)	(1.472)
Proceeds from sale of property, plant and equipment	20	20	2
Payment for investment in subsidiary	14	-	(1)
Proceeds from disposal and redemptions of available-for-sale financial assets	17	560.538	190.218
Payments for acquisition of available-for-sale financial assets	17	(275.617)	(568.410)
Interest received on available-for-sale financial assets		14.839	3.136
Proceeds from redemption of held-to-maturity investments	18	62.625	87.000
Payments for acquisition of held-to-maturity investments	18	(244.583)	(102.205)
Interest received on held-to-maturity investments	18	7.473	8.811
Dividend income received from investment securities		-	323
Net cash flows from/(used in) investing activities		123.757	(383.174)
Cash flows from financing activities			
Payment of dividends	25	(265.973)	-
Net cash flows used in investing activities		(265.973)	-
Net (decrease)/increase in cash and cash equivalents		(237.609)	400.134
Cash and cash equivalents at beginning of year	29	1.790.765	1.390.631
Cash and cash equivalents at end of year	29	1.553.156	1.790.765

The notes on pages 12 to 74 form an integral part of these financial statements.

Eurobank Cyprus Ltd

Notes to the financial statements

1 General information

Country of incorporation

Eurobank Cyprus Ltd ("the Bank") is incorporated in Cyprus as a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. Its registered office and business address is at 41 Arch. Makariou III Avenue, 5th floor, 1065 Nicosia, Cyprus.

Principal activity

The principal activity of the Bank, which is unchanged from last year, is the provision of banking and financial services.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

As of the date of the authorisation of the financial statements, all IFRSs issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2015 have been endorsed by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39, "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

These separate financial statements contain information about Eurobank Cyprus Ltd as an individual company and do not contain consolidated financial information as the parent of a group.

The Bank's presentation currency is the Euro (€) being its functional currency. Except as indicated, financial information presented in Euro has been rounded to the nearest thousand.

Eurobank Cyprus Ltd

Notes to the financial statements

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern considerations:

In making its assessment of the Bank's ability to continue as a going concern, the Board of Directors has taken into consideration the following:

a) Position of the Group

In 2015, the macroeconomic environment in Greece has been very challenging for the Greek banking system. In the first half of the year, the prolonged uncertainty relating to an agreement with the Eurozone partners over the implementation of the required reforms for the conclusion of the Second Economic Adjustment Program, the unsuccessful expiration of the former, the tightened liquidity conditions due to the financing problems of the Greek State and the significant deposit outflows – already observed from late 2014 – led to the imposition of restrictions in banking transactions (capital controls) together with a temporary bank holiday on 28 June 2015. In mid - August the Greek Government reached a final agreement with its European partners on a new 3-year European Stability Mechanism (ESM) program – the Third Economic Adjustment Program (TEAP) - with a ca €86 billion financing envelope and a series of reforms aiming to restore fiscal sustainability, safeguard financial stability, enhance growth, competitiveness and investment and develop a modern state and public administration. The Greek Government managed to complete two sets of prior actions from the program at the end of November and December 2015. By mid - December 2015, the systemic banks' recapitalisation was completed with only ca €5,4 billion used from the initial buffer of up to €25 billion. The unused funds were subtracted from the ESM loan, reducing it to ca €64,5 billion as of the end of January 2016. The review of Greece's reform programme by international creditors is currently pending. A swift completion of the program review may alleviate significantly the macroeconomic and sovereign uncertainties.

After the gradual normalisation of the economic and political situation in Greece and following the Eurobank Ergasias S.A. successful recapitalisation, the Group enhanced its liquidity position and significantly reduced its dependence on Eurosystem funding.

In accordance with the agreement with the European partners, the authorities are committed to preserving sufficient liquidity in the banking system, as long as Greece meets its obligations under the ESM program. The decisive implementation of the measures agreed in the context of the new ESM program will permit European Central Bank (ECB) to reinstate the waiver for the instruments issued by the Hellenic Republic and will signal the gradual repatriation of deposits in the banking system, which is a major priority for the Group, and the further re-access to the markets for liquidity.

On 31 October 2015, the ECB announced the results of the comprehensive assessment (CA) based on which the lowest shortfall across Greek banks was identified for Eurobank Ergasias S.A.. Following the CA results and in line with the new recapitalisation framework introduced by Law 4340/2015, Eurobank Ergasias S.A. proceeded to a capital increase of €2,039 million, which was covered exclusively from the markets. As a result, Eurobank Ergasias S.A. strengthened further its capital base and its CET1 ratio stood at 17% at the end of December 2015.

Eurobank Cyprus Ltd

Notes to the financial statements

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern considerations (continued):

b) *The Cyprus economy*

The Cypriot economy has continued its successful progress, managing to defy all expectations by constantly outperforming projections with substantial margins. This path led to the successful implementation of the economic adjustment program with a high commendation from the Eurogroup that praised the Cypriot authorities for the important achievements made over the past three years. The Eurogroup has also welcomed the fact that economic activity has continued on a positive trend and the banking system has made further progress.

GDP reported 4 consecutive positive growth rates with a 4th quarter of 2015 positive growth rate of 2.5% over the corresponding quarter of 2014. Based on seasonally and working day adjusted data, GDP growth rate in real terms is estimated at 2,7%. Revenue from tourism marked an increase of 4,4% in 2015 estimated at €2,1bn compared to €2,0bn in the corresponding period of 2014. Data published by the Land Registry indicate that annual property sales increase with a 54% in February'16 compared to the same month of 2015. The aforementioned positive developments have been instrumental in regaining investor confidence in the Cypriot economy, with the sovereign returning to the international markets.

The Cypriot banking system has undergone a deep transformation through significant reform measures, which have been executed or are underway and are essential to restoring the Cypriot financial system to viability. However, work must continue with determination to secure the reduction of the non-performing loan ratio to healthier levels. This includes the rigorous and swift implementation of the insolvency framework and foreclosure laws adopted in 2014 - 2015 together with further measures including the securitisation law and effective use of the full range of the available non-performing loan management tools.

2.2 Adoption of new and revised IFRS

(a) Amendments to standards and new interpretations adopted by the Bank

The following amendments to standards and new interpretations, as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IC) and endorsed by the European Union (EU), apply from 1 January 2015:

Annual Improvements to IFRSs 2011-2013 Cycle

The amendments introduce key changes to three IFRSs, following the publication of the results of the IASB's 2011-13 cycle of the annual improvements project, as follows:

- Clarify that IFRS 3 'Business Combinations' does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself;
- Clarify that the exception in IFRS 13 'Fair Value Measurement' for measuring the fair value of a group of financial assets and financial liabilities on a net basis applies to all contracts within the scope of, and accounted for in accordance with, IAS 39 'Financial Instruments: Recognition and Measurement' or IFRS 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities under IAS 32 'Financial Instruments: Presentation';

Eurobank Cyprus Ltd

Notes to the financial statements

2 Summary of significant accounting policies (continued)

2.2 Adoption of new and revised IFRS (continued)

- Address the interrelationship between IFRS 3 'Business Combinations' and IAS 40 'Investment Property', clarifying in the latter that an entity should assess whether: (a) the acquired property is investment property under IAS 40 and (b) the acquisition of investment property constitutes a business combination as defined in IFRS 3.

The adoption of the amendments had no impact on the Bank's financial statements.

IFRIC 21, Levies

IFRIC 21 Levies clarifies that an entity recognises a liability for a levy that is not income tax when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, for example a specified level of revenue, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.

The adoption of the interpretation had no impact on the Bank's financial statements.

(a) New standards and amendments to standards not yet adopted by the Bank

A number of new standards and amendments to existing standards are effective after 2015, as they have not yet been endorsed for use in the European Union or have not been early applied by the Bank. Those that may be relevant to the Bank are set out below:

IAS 1, Amendment - Disclosure initiative (effective 1 January 2016)

The amendment clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

The adoption of the amendment is not expected to impact the Bank's financial statements.

IAS 7, Amendment – Disclosure Initiative (effective 1 January 2017, not yet endorsed by EU)

The amendment requires disclosure of information enabling users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes. The disclosure requirements also apply to changes in financial assets, such as assets that hedge liabilities arising from financing activities, if cash flows from those financial assets were or future cash flows will be, included in cash flows from financing activities. The amendments include illustrative examples to show how an entity can meet the objective of the disclosure requirements.

The adoption of the amendment is not expected to impact the Bank's financial statements.

IAS 12, Amendment – Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017, not yet endorsed by EU)

The amendment clarifies that unrealised losses on debt instruments measured at fair value in the financial statements and at cost for tax purposes can result in deductible temporary differences. It also clarifies that the carrying amount of an asset does not limit the estimation of probable future taxable profits and that when comparing deductible temporary differences with future taxable profits, the future taxable profits exclude tax deductions resulting from the reversal of those deductible temporary differences.

The adoption of the amendment is not expected to impact the Bank's financial statements.

Notes to the financial statements

2 Summary of significant accounting policies (continued)

2.2 Adoption of new and revised IFRS (continued)

IAS 16 and IAS 38, Amendments -Clarification of Acceptable Methods of Depreciation and Amortisation (effective 1 January 2016)

The amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate and it also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

The adoption of the amendments is not expected to impact the Bank's financial statements.

IAS 19, Amendment- Defined Benefit Plans: Employee Contributions (effective 1 January 2016)

The amendment clarifies the accounting for post- employment benefit plans where employees or third parties are required to make contributions which do not vary with the length of employee service, for example, employee contributions calculated according to a fixed percentage of salary. The amendment allows these contributions to be deducted from pension expense in the year in which the related employee service is delivered, instead of attributing them to periods of employee service.

The adoption of the amendment is not expected to have a material impact on the Bank's financial statements.

IAS 27, Amendment –Equity Method in Separate Financial Statements (effective 1 January 2016)

This amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and clarifies the definition of separate financial statements. In particular, separate financial statements are those presented in addition to consolidated financial statements or in addition to the financial statements of an investor that does not have investments in subsidiaries but has investments in associates or joint ventures in which the investments in associates or joint ventures are required by IAS 28 Investments in Associates and Joint Ventures to be accounted for using the equity method.

The adoption of the amendment is not expected to impact the Bank's financial statements.

IFRS 9, Financial Instruments (effective 1 January 2018, not yet endorsed by EU)

In July 2014, the IASB published the final version of IFRS 9 which replaces IAS 39 'Financial Instruments'. IFRS 9 sets out revised requirements on the classification and measurements of financial assets, addresses the reporting of fair value changes in own debt when designated at fair value, replaces the existing incurred loss model used for the impairment of financial assets with an expected credit loss model and incorporates changes to hedge accounting.

Classification and measurement

IFRS 9 applies one classification approach for all types of financial assets, according to which the classification and measurement of financial assets is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. A business model refers to how an entity manages its financial assets so as to generate cash flows, by collecting contractual cash flows, or selling financial assets or both. Upon assessment, each financial asset will be classified in one of the three categories: amortised cost, fair value through profit or loss and fair value through other comprehensive income.

Eurobank Cyprus Ltd

Notes to the financial statements

2 Summary of significant accounting policies (continued)

2.2 Adoption of new and revised IFRS (continued)

With regard to financial liabilities, the treatment followed in IAS 39 is carried forward to IFRS 9 essentially unchanged. However, IFRS 9 requires fair value changes of liabilities designated at fair value under the fair value option which are attributable to the change in the entity's own credit risk to be presented in other comprehensive income rather than in profit or loss, unless this would result in an accounting mismatch.

The Bank is currently assessing the impact of the new classification and measurement requirements in its financial statements, which will be driven to a large extent by the Bank's operations and the structure of its portfolios upon transition to IFRS 9.

Impairment of financial assets

IFRS 9 introduces an expected credit loss model that will apply to all financial instruments that are subject to impairment accounting and replaces the incurred loss model in IAS 39. The new requirements eliminate the threshold in IAS 39 that required a credit event to have occurred before credit losses were recognised. Under IFRS 9, a loss allowance will be recognised for all financial assets, therefore the new requirements will result in the earlier recognition of credit losses.

The new standard uses a 'three stage approach' that will reflect changes in credit quality since initial recognition. At each reporting date, a loss allowance equal to 12-month expected credit losses will be recognised for all financial assets for which there is no significant increase in credit risk since initial recognition. For financial assets that have experienced a significant increase in credit risk since initial recognition as well as purchased or originated credit impaired financial assets, a loss allowance equal to lifetime expected credit losses will be recognised. The measurement of expected credit losses will be a probability-weighted average amount that will reflect the time value of money. In measuring expected credit losses, information about past events, current conditions and forecasts of future conditions should be considered.

The new impairment model is expected to result in a higher loss allowance for the Bank.

Hedge accounting

IFRS 9 introduces a reformed model for hedge accounting, seeking to more closely align hedge accounting with risk management activities so as to better reflect these activities in the entities' financial statements. Under the new model, new hedge effectiveness requirements apply, discontinuation of hedge accounting is allowed only under specific circumstances, and a number of items that were not eligible under IAS 39 as hedging instruments or hedged items are now eligible.

The Bank is currently assessing the impact of the revised model for hedge accounting.

The Bank has already initiated its implementation project and carried out a gap analysis of the current requirements against the IFRS 9 requirements to identify the data needs and the main changes in IT systems, methodologies and processes to comply with IFRS 9, focusing particularly on the impairment requirements, where the most significant changes are expected. The Bank expects to initiate the design phase in the first half of 2016 and plans to adopt IFRS 9 on the required effective date.

Eurobank Cyprus Ltd

Notes to the financial statements

2 Summary of significant accounting policies (continued)

2.2 Adoption of new and revised IFRS (continued)

IFRS 10, IFRS 12 and IAS 28, Amendments - Investment Entities: Applying the Consolidation Exception (effective 1 January 2016, not yet endorsed by EU)

These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

The adoption of the amendments is not expected to impact the Bank's financial statements.

IFRS 10 and IAS 28, Amendments- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date to be determined by IASB, not yet endorsed by EU)

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, whereas a partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are in a subsidiary.

The adoption of the amendments is not expected to impact the Bank's financial statements.

IFRS 11, Amendment – Accounting for Acquisitions of Interests in Joint Operations (effective 1 January 2016)

This amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'.

The adoption of the amendment is not expected to impact the Bank's financial statements.

IFRS 15, Revenue from Contracts with Customers (effective 1 January 2018, not yet endorsed by EU)

IFRS 15 establishes a single, comprehensive revenue recognition model to be applied consistently to all contracts with customers, determining when and how much revenue to recognise, but has no impact on income recognition related to financial instruments which is under the scope of IFRS 9 and IAS 39. In addition, IFRS 15 replaces the previous revenue standards IAS 18 Revenue and IAS 11 Construction contracts and the related Interpretations on revenue recognition.

The Bank is currently assessing the impact of IFRS 15, however the adoption of the standard is not expected to have a material impact on the Bank's financial statements.

IFRS 16, Leases (effective 1 January 2019, not yet endorsed by EU)

Under IFRS 16, which replaces the current guidance in IAS 17, the classification of leases for a lessee, as either operating leases or finance leases, is eliminated and all leases are treated similarly to finance leases under IAS 17. Leases are capitalised by recognising the present value of the lease payments and are shown either as lease assets (right of use assets) or together with property, plant and equipment. A financial liability is also recognised, if lease payments are made over time, representing the obligation to make future lease payments. In addition, lease expense treatment is aligned for all leases of lessees and the typical straight line operating lease expense for operating leases under IAS 17 is replaced with a depreciation charge for lease assets and an interest expense on lease liabilities. Recognition of assets and liabilities by lessees are not required for certain short term leases and leases of low value assets.

Under the new standard a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

The Bank is currently assessing the impact of IFRS 16 on its financial statements.

Notes to the financial statements

2 Summary of significant accounting policies (continued)

2.2 Adoption of new and revised IFRS (continued)

Annual Improvements to IFRSs 2010-2012 Cycle (effective 1 January 2016)

The amendments introduce key changes to seven IFRSs following the publication of the results of the IASB's 2010-12 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- Definition of vesting condition in IFRS 2 'Share – based Payment';
- Accounting for contingent consideration in a business combination in IFRS 3 'Business Combinations';
- Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets in IFRS 8 'Operating Segment';
- Short-term receivables and payables in IFRS 13 'Fair Value Measurement';
- Revaluation method—proportionate restatement of accumulated depreciation in IAS 16 'Property, Plant and Equipment';
- Key management personnel in IAS 24 'Related Party Disclosures'; and
- Revaluation method—proportionate restatement of accumulated amortisation in IAS 38 'Intangible Assets'

The adoption of the amendments is not expected to impact the Bank's financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016)

The amendments introduce key changes to four IFRSs following the publication of the results of the IASB's 2012-14 cycle of the annual improvements project. The topics addressed by these amendments are set out below:

- Clarifying in IFRS 5 'Non-current assets held for sale and discontinued operations' that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.
- Adding in IFRS 7 'Financial instruments: Disclosures' specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. It also clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34.
- Clarifying in IAS 19 'Employee benefits' that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise.
- Clarifying in IAS 34 'Interim financial reporting' what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'.

The adoption of the amendments is not expected to impact the Bank's financial statements.

Eurobank Cyprus Ltd

Notes to the financial statements

2 Summary of significant accounting policies (continued)

2.3 Foreign currency translation

(i) *Functional and presentation currency*

Items included in the Bank's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Euro thousands, which is the Bank's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions that are transactions denominated, or require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in a foreign currency are translated with the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

All foreign exchange gains and losses recognised in the income statement are presented net in the income statement within foreign exchange income.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security.

Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount, except impairment, are recognised in other comprehensive income.

Translation differences on non-monetary financial instruments, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in other comprehensive income.

2.4 Derivative financial instruments and hedge accounting

Derivative financial instruments, including foreign exchange contracts, forward currency agreements and interest rate options (both written and purchased), currency and interest rate swaps and other derivative financial instruments are initially recognised in the balance sheet at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices, including recent market transactions, discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Eurobank Cyprus Ltd

Notes to the financial statements

2 Summary of significant accounting policies (continued)

2.4 Derivative financial instruments and hedge accounting (continued)

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e., the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

Certain derivatives, embedded in other financial instruments, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. The Bank designates certain derivatives as hedges of the exposure to changes in the fair value of recognised assets or liabilities or unrecognised firm commitments (fair value hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Bank documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statement over the period to maturity. The adjustment to the carrying amount of a hedged item for which the effective interest method is not used remains until the disposal of the equity security.

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify and/or are not designated for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement under "Net Trading Income/Loss".

The fair values of derivative instruments held for trading and used for hedging purposes are disclosed in Note 15.

Eurobank Cyprus Ltd

Notes to the financial statements

2 Summary of significant accounting policies (continued)

2.5 Interest income and expense

Interest income and expenses for all interest-bearing financial instruments are recognised within "interest income" and "interest expense" in the income statement on an accruals basis, using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the expected life of the financial instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Then interest income is calculated on the recoverable amount.

2.6 Fees and commissions

Fees and commissions are generally recognised in the income statement on an accruals basis. Commissions and fees relating to foreign exchange transactions, private banking activities, trade services, remittances and bank charges are recognised on the completion of the underlying transaction.

2.7 Operating leases

Accounting for leases as lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.8 Income taxation

(i) Current income tax

Income tax payable/(receivable) is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognised as an expense /(income) for the period except to the extent that current tax related to items that are charged or credited in other comprehensive income or directly to equity. In these circumstances, current tax is charged or credited to other comprehensive income.

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the Bank operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Eurobank Cyprus Ltd

Notes to the financial statements

2 Summary of significant accounting policies (continued)

2.8 Income taxation (continued)

If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Where tax losses can be relieved only by carry-forward against taxable profits of future periods, a deductible temporary difference arises. Those losses carried forward are set off against deferred tax liabilities carried in the statement of financial position.

The Bank does not offset income tax liabilities and current income tax assets.

(ii) *Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the balance sheet and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property, plant and equipment and amortisation of computer software.

Deferred tax assets are recognised when it is probable that future taxable profit will be available against which these temporary differences can be utilised.

The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to items recognised in other comprehensive income, is also recognised in the other comprehensive income.

2.9 Employee benefits

The Bank and the employees contribute to a defined contributions scheme.

Under the defined contributions scheme the Bank and members of staff pay fixed contributions into a separate provident fund. The Bank's contributions are recognised in the period they relate to and included in staff costs in the income statement.

The Bank and the members of staff also contribute to the Government Social Insurance Fund based on members of staff salaries.

Eurobank Cyprus Ltd

Notes to the financial statements

2 Summary of significant accounting policies (continued)

2.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent expenditure is recognised in the asset's carrying amount only when it is probable that future economic benefits will flow to the Bank and the cost of the asset can be measured reliably. All other repair and maintenance costs are recognised in the income statement as expenses as occurred.

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values, over their estimated useful lives. The estimated useful economic lives are as follows:

	<u>Useful economic life</u>
Motor vehicles	5 years
Furniture, fixtures and office equipment	3 to 12 years
Leasehold property improvements	12 years
Computer hardware	3 to 12,5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.12).

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in "other operating expenses" in the income statement.

2.11 Computer software

Acquired computer software licenses/programs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight line method to allocate the cost of computer software, over their estimated useful lives. The annual amortisation rates used range between 8% and 33.33%.

Gains and losses on disposal of computer software are determined by comparing proceeds with carrying amount and are included in "other operating expenses" in the income statement.

2.12 Impairment of non-financial assets

Non-financial assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Eurobank Cyprus Ltd

Notes to the financial statements

2 Summary of significant accounting policies (continued)

2.13 Financial assets and liabilities

2.13.1 Financial assets

The Bank classifies its financial assets in the following IAS 39 categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition.

(i) Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets held for trading and financial assets designated at fair value through profit or loss upon initial recognition.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or it is a derivative (except for derivatives that are financial guarantee contracts or designated and effective hedging instruments).

The Bank designates certain financial assets upon initial recognition as at fair value through profit or loss when the following apply:

- a) it eliminates or significantly reduces measurement or recognition inconsistencies; or
- b) financial assets share the same risks with financial liabilities and those risks are managed and evaluated on a fair value basis; or
- c) structured products containing embedded derivatives that could significantly modify the cash flows of the host contract.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- a) those that the Bank intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; or
- b) those that the Bank upon initial recognition designates as available for sale.

Loans and receivables are reported in the balance sheet as loans and advances to banks or customers.

Eurobank Cyprus Ltd

Notes to the financial statements

2 Summary of significant accounting policies (continued)

2.13 Financial assets and liabilities (continued)

2.13.1 Financial assets (continued)

(iii) *Held-to-maturity financial assets*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity, other than:

- a) those that the Bank upon initial recognition designates as at fair value through profit or loss;
- b) those that the Bank designates as available-for-sale; and
- c) those that meet the definition of loans and receivables.

(iv) *Available-for-sale financial assets*

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

(v) *Accounting treatment*

Purchases and sales of financial assets are recognised on trade-date, the date on which the Bank commits to purchase or sell the asset. Loans originated by the Bank are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value; transaction costs are taken directly to the income statement.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and transferred to the available for sale revaluation reserve in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. However, interest calculated using the effective interest rate method is recognised in the income statement.

Dividends on equity instruments are recognised in the income statement when the Bank's right to receive payment is established.

Interest income and expense on financial assets is recognised in the income statement. Interest income on financial assets is included in "Interest income" and interest expense on financial liabilities is included in "Interest expense".

Eurobank Cyprus Ltd

Notes to the financial statements

2 Summary of significant accounting policies (continued)

2.13 Financial assets and liabilities (continued)

2.13.2 Financial liabilities

The Bank classifies its financial liabilities in the following categories: financial liabilities measured at amortised cost and financial liabilities at fair value through profit or loss. Financial liabilities at fair value through profit or loss have two sub categories: financial liabilities held for trading and financial liabilities designated at fair value through profit or loss upon initial recognition.

The Bank designates financial liabilities at fair-value-through-profit-or-loss when any of the following apply:

- a) it eliminates or significantly reduces measurement or recognition inconsistencies; or
- b) financial liabilities share the same risks with financial assets and those risks are managed and evaluated on a fair value basis; or
- c) structured products containing embedded derivatives that could significantly modify the cash flows of the host contract.

2.13.3 Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired.

Collateral (shares and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions is not derecognised, or recognised if under securities borrowing or reverse repurchase agreements, because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

2.14 Impairment of financial assets

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

Eurobank Cyprus Ltd

Notes to the financial statements

2 Summary of significant accounting policies (continued)

2.14 Impairment of financial assets (continued)

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- a) significant financial difficulty of the issuer or obligor;
- b) a breach of contract, such as a default or delinquency in interest or principal payments;
- c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- e) the disappearance of an active market for that financial asset because of financial difficulties; or
- f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - adverse changes in the payment status of borrowers in the portfolio; and
 - national or local economic conditions that correlate with defaults on the assets in the portfolio.

(i) Assets carried at amortised cost

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Eurobank Cyprus Ltd

Notes to the financial statements

2 Summary of significant accounting policies (continued)

2.14 Impairment of financial assets (continued)

(i) *Assets carried at amortised cost (continued)*

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and advances to banks and customers are classified in "impairment losses on loans and advances" whilst impairment charges relating to investment securities (held-to-maturity and loans and receivables categories) are classified in "Gains less losses from investment securities".

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 (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

(ii) *Available-for-sale assets*

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale equity securities, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

Eurobank Cyprus Ltd

Notes to the financial statements

2 Summary of significant accounting policies (continued)

2.15 Sale and repurchase agreements and securities lending

(i) *Sale and repurchase agreements*

Securities sold subject to repurchase agreements ("repos") continue to be recorded in the Bank's balance sheet while the counterparty liability is included in amounts due to other banks or due to customers, as appropriate. Securities purchased under agreements to resell ("reverse repos") are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the period of the repo agreements using the effective interest method.

(ii) *Securities lending*

Securities lent to counterparties are also retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless they are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

2.16 Fiduciary activities

Where the Bank acts in a fiduciary capacity such as nominee, trustee or agent, assets and related income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements.

2.17 Related party transactions

Related parties include the parent and ultimate controlling party, fellow subsidiaries, other group companies under common control, directors and key management personnel, their close families, companies owned or controlled by them and companies whose financial and operating policies they can influence. Transactions of similar nature within the same category are disclosed on an aggregate basis.

2.18 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.19 Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Restructuring provisions comprise lease termination penalties and employee termination payments, and are recognised in the period in which the Bank becomes legally or constructively committed to payment. Costs related to the ongoing activities of the Bank are not provided in advance. Provisions are not recognised for future operating losses.

Eurobank Cyprus Ltd

Notes to the financial statements

2 Summary of significant accounting policies (continued)

2.20 Due to banks and due to customers

Due to banks and due to customers are recognised initially at fair value, net of transaction costs incurred and are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in interest expense in the income statement using the effective interest method. Due to banks and due to customers are derecognised when they are extinguished, that is, when the obligation is discharged.

2.21 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

2.22 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency of bankruptcy of the Company or the counterparty.

2.23 Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation calculated to recognise in the income statement the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is recognised in the income statement within other operating expenses.

Eurobank Cyprus Ltd

Notes to the financial statements

2 Summary of significant accounting policies (continued)

2.24 Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash in hand, all interbank placements and reverse sale agreements with other banks with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

2.25 Investments in subsidiaries

Subsidiaries are all entities (including structured entities) over which the Bank has control. The Bank controls an entity when the Bank is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries are measured at cost less impairment. Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised through profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss recognised in prior years is reversed where appropriate if there has been a change in the estimates used to determine the recoverable amount.

2.26 Intermediary parent undertaking and consolidated financial statements

These separate financial statements contain information about Eurobank Cyprus Ltd as an individual company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption under IFRS 10 "Consolidated Financial Statements" and the Cyprus Companies Law, Cap. 113 from the requirement to prepare consolidated financial statements as the Company and its subsidiary are included in the consolidated financial statements of its intermediate parent, Eurobank Ergasias S.A, which prepares consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU that are available for public use. These consolidated financial statements can be obtained from the registered office of Eurobank Ergasias SA at Othonos 8, 105 57 Athens, Greece.

Eurobank Cyprus Ltd

Notes to the financial statements

3 Critical accounting estimates and judgments in applying accounting policies

In the process of applying the Bank's accounting policies, the Bank's management makes various judgments, estimates and assumptions that affect the reported amounts of assets and liabilities recognised in the financial statements within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment continuously. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating there is measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

At 31 December 2015, if the recoverable amounts increased by 10%, provision for impairment losses on loans and advances to customers would have been €5.397 thousands (2014: €5.321 thousands) lower, while a 10% decrease would result in €5.416 thousands (2014: €6.105 thousands) increase in provisions for impairment losses.

4 Financial risk management

4.1 Use of financial instruments

By their nature the Bank's activities are principally related to the use of financial instruments including derivatives. The Bank accepts deposits from customers, at both fixed and floating rates, and for various periods and seeks to earn above average interest margins by investing these funds in high quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Bank also seeks to raise its interest margins by obtaining above average margins, net of provisions, through lending to commercial and retail borrowers within a range of credit standing. Such exposures include both on-balance sheet loans and advances and off-balance sheet guarantees and other commitments such as letters of credit.

The Bank also trades in financial instruments where it takes positions in traded and over the counter instruments including derivatives, to take advantage of short-term market movements in the equity and bond markets and in currency and interest rates. The Risk Committee places trading limits on the level of exposure that can be taken in relation to overnight and intra-day market positions as well as limits in longer durations. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally concluded to hedge outstanding positions, thereby controlling the variability in the net cash amounts required to offset market positions.

Eurobank Cyprus Ltd

Notes to the financial statements

4 Financial risk management (continued)

4.2 Financial risk factors

The Bank's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and equity risk) and liquidity risk. The Bank's overall risk management policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Bank's financial performance, financial position and cash flows.

4.2.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are recognised for losses that have been incurred at the balance sheet date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Bank's portfolio, could result in losses that are different from those provided for at the balance sheet date. Therefore, management carefully manages its exposure to credit risk.

The Bank minimises the risk by adopting appropriate procedures and controls to evaluate the quality of the credit facilities granted.

In addition, the Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted (excluding related party balances, Note 30). Facilities higher than these limits are authorised and monitored at group level.

(a) Credit risk measurement and management - investment securities and derivatives

Derivative financial instruments held by the Bank are primarily with Eurobank Ergasias S.A., and as such the Bank considers that these carry the credit risk of Eurobank Ergasias S.A. Therefore, as this is the parent entity of the Bank, the Bank does not have any specific policies in place to monitor this credit risk.

(b) Credit risk measurement – Loans and advances

The Bank applies various credit rating systems for the assessment and measurement of credit risk. These systems assign a specific rating to every borrower/counterparty which reflects the creditworthiness of the particular borrower and consequently the ability to repay funds on a timely manner. Credit rating takes under consideration various quantitative and qualitative factors. The Bank periodically reviews rating systems and adapts them to particular market conditions, products or borrowers.

Eurobank Cyprus Ltd

Notes to the financial statements

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

Risk limit control and mitigation policies – Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

The principal collateral types for loans and advances to customers are:

- Cash deposits and other cash equivalents;
- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities;
- Lien agreement with the parent bank.

Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

4.2.1.1 Maximum exposure to credit risk before collateral held

The table below represents the maximum credit risk exposure of the Bank at 31 December 2015 and 2014, without taking into account any collateral held:

	2015 €'000	2014 €'000
Credit risk exposures relating to on-balance sheet assets:		
Loans and advances to banks	1,554,848	1,932,030
Derivative financial instruments	2,765	905
Loans and advances to customers:		
Retail lending:		
- Mortgage	11,561	11,681
- Consumer	4,871	6,971
- Credit cards	356	16
Wholesale lending:		
- Large corporate	873,399	916,445
- Wealth management	254,838	268,087
- International business banking	751,966	444,186
Available-for-sale financial assets - debt securities	260,471	526,363
Held-to-maturity investments	366,081	179,965
Other assets	437	1,069
Total	4,081,593	4,287,718
Credit risk exposures relating to off-balance sheet items (Note 27):		
Guarantees and letters of credit	113,305	69,016
Approved unutilised credit facilities	197,055	254,593
Total	310,360	323,609

For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

Eurobank Cyprus Ltd

Notes to the financial statements

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.2 Loans and advances to banks

The credit quality of placements and settlement balances with banks and reverse repurchase agreements receivable from banks, based on rating agencies' counterparty country ratings, is graded as follows as at 31 December 2015 and 2014:

	2015 €'000	2014 €'000
Aaa to Aa3	101.344	98.845
A1 to A3	81.670	38.428
Baa1 to Baa3	61.664	98.807
Ba1 to Ba3	11.161	-
Caa1 to Caa3 (1)	1.298.024	1.695.646
Not rated	985	304
	1.554.848	1.932.030

(1) Loans and advances to banks include reverse repurchase agreements of €1.237.351 thousand (2014: €1.434.779 thousand) fully secured by ECB Eligible bonds majority of those being EFSF bonds (Note 13).

4.2.1.3 Loans and advances to customers

The section below provides a detailed overview of the Bank's exposure to credit risk arising from its customer lending portfolios.

(a) Credit quality of loans and advances to customers

Loans and advances to customers are classified as "neither past due nor impaired", "past due but not impaired" and "past due and impaired". Loans reported as "Neither past due nor impaired" include loans with no contractual payments in arrears and no other indications of impairment. "Past due but not impaired" category includes loans with contractual payments overdue by at least one day, but which are not impaired unless specific information indicates to the contrary.

The following tables present the total gross amount, representing the maximum exposure to credit risk gross of impairment allowance, of loans and advances that are classified as non-impaired (i.e. "neither past due nor impaired" and "past due but not impaired") and those classified as impaired (i.e. "past due and impaired"). They also present the total impairment allowance recognised in respect of all loans and advances, the total net amount, as well as the value of collateral held as security to mitigate credit risk. The value of collateral presented in the tables below is capped to the respective gross loan amount.

Eurobank Cyprus Ltd

Notes to the financial statements

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers (continued)

	31 December 2015					
	Non-impaired		Impaired €'000	Total gross amount €'000	Impairment allowance €'000	Total net amount €'000
	Neither past due nor impaired €'000	Past due but not impaired €'000				
Retail lending						
- Mortgage	11.566	-	-	11.566	(5)	11.561
- Consumer	4.731	150	15	4.896	(25)	4.871
- Credit card	350	9	-	359	(3)	356
Wholesale lending						
- Large corporate	816.773	8.798	92.800	918.371	(44.972)	873.399
- Wealth management	227.946	6.571	41.446	275.963	(21.125)	254.838
- International business banking	750.420	1.916	9	752.345	(379)	751.966
Total	1.811.786	17.444	134.270	1.963.500	(66.509)	1.896.991
Value of collateral	1.668.665	14.248	108.019	1.790.932		

	31 December 2014					
	Non-impaired		Impaired €'000	Total gross amount €'000	Impairment allowance €'000	Total net amount €'000
	Neither past due nor impaired €'000	Past due but not impaired €'000				
Retail lending						
- Mortgage	11.716	118	-	11.834	(153)	11.681
- Consumer	6.970	70	29	7.069	(98)	6.971
- Credit card	16	-	-	16	-	16
Wholesale lending						
- Large corporate	883.254	6.463	81.694	971.411	(54.966)	916.445
- Wealth management	241.185	5.418	37.971	284.574	(16.487)	268.087
- International business banking	444.200	105	15	444.320	(134)	444.186
Total	1.587.341	12.174	119.709	1.719.224	(71.838)	1.647.386
Value of collateral	1.327.158	8.858	100.438	1.436.454		

Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired as at year end can be assessed by reference to the Bank's standard grading system.

The following tables present the risk classification of loans and advances at their gross amount that are neither past due nor impaired, based on the Bank's credit assessment methodology:

	2015 €'000	2014 €'000
Strong	1.571.297	1.331.210
Satisfactory risk	162.280	188.237
Watch list	78.209	67.894
Total	1.811.786	1.587.341

Eurobank Cyprus Ltd

Notes to the financial statements

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers (continued)

Loans and advances past due but not impaired

The following tables present the ageing analysis of past due but not impaired loans and advances by product line at their gross amounts before any impairment allowance:

	31 December 2015						Total €'000
	Retail lending			Mortgage lending			
	Mortgage €'000	Consumer €'000	Credit card €'000	Large corporate €'000	Wealth management €'000	International business banking €'000	
Up to 29 days	-	62	9	7.889	5.906	1.872	15.738
30 to 59 days	-	81	-	377	419	1	878
60 to 89 days	-	7	-	532	246	43	828
90 to 179 days	-	-	-	-	-	-	-
180 to 360 days	-	-	-	-	-	-	-
More than 360 days	-	-	-	-	-	-	-
Total	-	150	9	8.798	6.571	1.916	17.444
Value of collateral	-	18	-	7.332	6.090	808	14.248

	31 December 2014						Total €'000
	Retail lending			Mortgage lending			
	Mortgage €'000	Consumer €'000	Credit card €'000	Large corporate €'000	Wealth management €'000	International business banking €'000	
Up to 29 days	-	66	-	4.849	4.179	99	9.193
30 to 59 days	118	4	-	708	583	2	1.415
60 to 89 days	-	-	-	225	365	4	594
90 to 179 days	-	-	-	681	291	-	972
180 to 360 days	-	-	-	-	-	-	-
More than 360 days	-	-	-	-	-	-	-
Total	118	70	-	6.463	5.418	105	12.174
Value of collateral	-	-	-	4.248	4.610	-	8.858

Loans and advances past due and impaired

As at 31 December 2015, loans and advances past due and impaired amounted to €134.270 thousands (2014: €119.709 thousands).

Eurobank Cyprus Ltd

Notes to the financial statements

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers (continued)

(b) Geographical and industry concentrations of loans and advances to customers

The Bank holds diversified portfolios across markets and countries and implements limits on concentrations arising from the geographical location or the activity of groups of borrowers that could be similarly affected by changes in economic or other conditions, in order to mitigate credit risk.

The tables in Note 4.2.1.5 break down the Bank's exposure into loans and advances to customers at their net amounts, by product line, industry and geographical region.

(c) Forbearance

Forbearance consists of concessions towards a debtor that is experiencing or about to experience difficulties in meeting its financial commitments.

The following table presents a summary of the types of the Bank's forbore activities (cumulative as of the balance sheet date):

	2015 €'000	2014 €'000
Forbearance measures:		
Interest only schedule	40.661	46.626
Reduced payment schedule	27.713	18.141
Term extension	55.853	38.378
Arrears capitalisation	2.751	2.844
Other	3.863	5.743
Total amount net of impairment allowance	130.841	111.732

The following table presents a summary of the credit quality of forbore loans and advances to customers:

	Total loans & advances	31 December 2015 Forborne loans & advances	% of forbore loans & advances to total loans & advances
	€'000	€'000	
Neither past due nor impaired	1.811.786	103.936	5,7
Past due but not impaired	17.444	2.300	13,2
Past due and impaired	134.270	34.592	25,8
Total gross amount	1.963.500	140.828	7,2
Impairment allowance	(66.509)	(9.987)	
Total net amount	1.896.991	130.841	6,9
Collateral received	1.790.932	132.959	

Eurobank Cyprus Ltd

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.3 Loans and advances to customers (continued)

(c) Forbearance (continued)

	Total loans & advances	31 December 2014	
		Forborne loans & advances	% of forborne loans & advances to total loans & advances
	€'000	€'000	
Neither past due nor impaired	1.587.341	84.864	5,3
Past due but not impaired	12.174	313	2,6
Past due and impaired	119.709	33.443	27,9
Total gross amount	1.719.224	118.620	6,9
Impairment allowance	(71.838)	(6.888)	
Total net amount	1.647.386	111.732	6,8
Collateral received	1.436.454	112.455	

The following table presents the Bank's exposure to forborne loans and advances by product line:

	2015	2014
	€'000	€'000
Retail lending:		
- Mortgage	-	-
- Consumer	-	7
- Credit cards	-	-
Wholesale lending:		
- Large corporate	89.156	83.824
- Wealth management	41.685	27.901
- International business banking	-	-
Total amount net of impairment allowance	130.841	111.732

The following table presents the Bank's exposure to forborne loans and advances by geographical region:

	2015	2014
	€'000	€'000
Cyprus	122.934	104.070
Other Western European countries	7.812	7.561
New Europe countries	95	101
Other countries	-	-
Total amount net of impairment allowance	130.841	111.732

Eurobank Cyprus Ltd

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.4 Debt securities

The table below presents an analysis of debt securities by rating agency designation at 31 December 2015 and 2014 based on Moody's ratings or their equivalent:

31 December 2015			
	Available- for-sale debt securities €'000	Held-to- maturity investments €'000	Total €'000
Aaa	45.805	26.035	71.840
Aa1 to Aa3	-	34.301	34.301
A1 to A3	-	2.156	2.156
Baa1 to Baa3	-	9.557	9.557
Ba1 to Ba3	76.929	-	76.929
B1 to B3	25.806	294.032	319.838
Caa1 to Caa3	101.043	-	101.043
Not rated	10.888	-	10.888
Total	260.471	366.081	626.552

31 December 2014			
	Available- for-sale debt securities €'000	Held-to- maturity investments €'000	Total €'000
Aaa	253.306	-	253.306
Aa1 to Aa3	-	-	-
Baa1 to Baa3	44.820	-	44.820
Ba1 to Ba3	105.032	-	105.032
B1 to B3	98.362	179.965	278.327
Caa1 to Caa3	14.352	-	14.352
Not rated	10.491	-	10.491
Total	526.363	179.965	706.328

Eurobank Cyprus Ltd

Notes to the financial statements

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.5 Concentration of credit risk

(a) Geographical sectors

The following table analyses the Bank's main credit exposure of balance sheet assets and off balance sheet items at their carrying amounts, as categorised by geographical region as at 31 December 2015 and 2014. For this table, the Bank has allocated exposures to regions based on the country of activity/economic interest of counterparties.

	31 December 2015				Total €'000
	Cyprus €'000	Other Western European countries €'000	New Europe countries €'000	Other countries €'000	
On-balance sheet assets					
Loans and advances to banks	40.491	1.402.082	-	112.275	1.554.848
Derivative financial instruments	446	2.319	-	-	2.765
Loans and advances to customers:					
Retail lending:					
- Mortgage	11.561	-	-	-	11.561
- Consumer	4.871	-	-	-	4.871
- Credit cards	355	1	-	-	356
Wholesale lending:					
- Large corporate	414.925	399.008	41.372	18.094	873.399
- Wealth management	165.229	57.432	5.243	26.934	254.838
- International business banking	153.056	125.310	6.472	467.128	751.966
Available-for-sale financial assets – debt securities	13.392	189.367	7.360	50.352	260.471
Held-to-maturity investments	294.032	72.049	-	-	366.081
Other assets	135	263	-	39	437
Total	1.098.493	2.247.831	60.447	674.822	4.081.593
Off-balance sheet items					
Guarantees and letters of credit	105.703	6.150	8	1.444	113.305
Approved unutilised credit facilities	159.531	15.985	92	21.447	197.055
Total	265.234	22.135	100	22.891	310.360

Eurobank Cyprus Ltd

Notes to the financial statements

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.5 Concentration of credit risk (continued)

(a) Geographical sectors (continued)

	31 December 2014				Total €'000
	Cyprus €'000	Other Western European countries €'000	New Europe countries €'000	Other countries €'000	
On-balance sheet assets					
Loans and advances to banks	304	1,797,427	-	134,299	1,932,030
Derivative financial instruments	-	592	311	2	905
Loans and advances to customers:					
Retail lending:					
- Mortgage	11,681	-	-	-	11,681
- Consumer	6,971	-	-	-	6,971
- Credit cards	16	-	-	-	16
Wholesale lending:					
- Large corporate	399,420	483,317	31,937	1,771	916,445
- Wealth management	179,387	64,143	5,789	18,768	268,087
- International business banking	156,204	124,345	5,441	158,196	444,186
Available-for-sale financial assets – debt securities	42,918	266,512	7,382	209,551	526,363
Held-to-maturity investments	179,965	-	-	-	179,965
Other assets	-	906	121	42	1,069
Total	976,866	2,737,242	50,981	522,629	4,287,718
Off-balance sheet items					
Guarantees and letters of credit	65,395	1,616	6	1,999	69,016
Approved unutilised credit facilities	188,930	4,996	3	60,664	254,593
Total	254,325	6,612	9	62,663	323,609

New Europe countries classification as disclosed above includes the following countries: Belarus, Bulgaria, Czech Republic, Latvia, Lithuania, Poland, Romania, Ukraine, Serbia, Montenegro, Hungary, Malta, Croatia and Estonia.

Eurobank Cyprus Ltd

Notes to the financial statements

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.5 Concentration of credit risk (continued)

(b) Industry sectors

The following table analyses the Bank's main credit risk exposure of balance sheet assets and off balance sheet items at their carrying amounts, as categorised by the industry sectors of the Bank's counterparties as at 31 December 2015 and 2014:

31 December 2015

	Sovereigns €'000	Commerce & services €'000	Banks & financial institutions €'000	Private individuals €'000	Constru- ction €'000	Manufa- cturing €'000	Other €'000	Total €'000
On-balance sheet assets								
Loans and advances to banks	-	-	1,554,848	-	-	-	-	1,554,848
Derivative financial instruments	-	25	2,314	1	-	425	-	2,765
Loans and advances to customers:								
Retail lending:								
- Mortgage	-	-	-	11,561	-	-	-	11,561
- Consumer	-	1,587	-	3,274	-	10	-	4,871
- Credit cards	-	32	-	323	-	1	-	356
Wholesale lending:								
- Large corporate	-	771,129	-	24,972	24,019	50,903	2,376	873,399
- Wealth management	-	141,309	-	110,516	2,744	227	42	254,838
- International business banking	-	629,011	-	89,816	5	33,132	2	751,966
Available-for-sale financial assets								
- debt securities	58,314	-	78,382	-	-	-	123,775	260,471
Held-to-maturity investments	294,032	-	-	-	-	-	72,049	366,081
Other assets	-	135	263	-	-	-	39	437
Total	352,346	1,543,228	1,635,807	240,463	26,768	84,698	198,283	4,081,593

	Sovereigns €'000	Banks & financial institutions €'000	Private individuals €'000	Corporate €'000	Total €'000
Off-balance sheet items					
Guarantees and letters of credit	1	4,387	6,014	102,903	113,305
Approved unutilised credit facilities	-	95	27,107	169,853	197,055
Total	1	4,482	33,121	272,756	310,360

Eurobank Cyprus Ltd

Notes to the financial statements

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.1 Credit risk (continued)

4.2.1.5 Concentration of credit risk (continued)

(b) Industry sectors (continued)

31 December 2014

	Sovereigns €'000	Commerce & services €'000	Banks & financial institutions €'000	Private individuals €'000	Constru- ction €'000	Manufa- cturing €'000	Other €'000	Total €'000
On-balance sheet assets								
Loans and advances to banks	-	-	1.932.030	-	-	-	-	1.932.030
Derivative financial instruments	-	33	592	-	-	280	-	905
Loans and advances to customers:								
Retail lending:								
- Mortgage	-	-	-	11.681	-	-	-	11.681
- Consumer	-	1.826	-	5.145	-	-	-	6.971
- Credit cards	-	-	-	16	-	-	-	16
Wholesale lending:								
- Large corporate	-	804.362	6	28.719	23.547	57.519	2.292	916.445
- Wealth management	-	166.742	-	97.193	3.849	247	56	268.087
- International business banking	-	326.335	-	90.751	-	27.100	-	444.186
Available-for-sale financial assets								
- debt securities	247.371	-	129.101	-	-	-	149.891	526.363
Held-to-maturity investments	179.965	-	-	-	-	-	-	179.965
Other assets	-	121	906	-	-	-	42	1.069
Total	427.336	1.299.419	2.062.635	233.505	27.396	85.146	152.281	4.287.718

	Sovereigns €'000	Banks & financial institutions €'000	Private individuals €'000	Corporate €'000	Total €'000
Off-balance sheet items					
Guarantees and letters of credit	-	10.153	830	58.033	69.016
Approved unutilised credit facilities	-	70	17.915	236.608	254.593
Total	-	10.223	18.745	294.641	323.609

Eurobank Cyprus Ltd

Notes to the financial statements

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.2 Market risk

The Bank takes on exposure to market risks. Market risks arise from exposure to interest rates, currency and equity products or combination of them, all of which are exposed to general and specific market movements. Specifically, the market risks the Bank is exposed to are the following:

(a) Interest rate risk

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected adverse movements arise. The Bank's Risk Committee sets limits on the level of mismatch of interest rate repricing that may be undertaken and exposures are monitored daily.

(b) Currency risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Risk Committee sets limits on the level of exposures which are monitored daily.

(c) Equity price risk

Equity price risk is the risk of the decrease of fair values as a result of changes in the levels of equity indices and the value of individual stocks. The equity price risk that the Bank undertakes arises mainly from equity positions classified as available-for-sale financial assets. The Risk Committee sets limits on the level of the exposures which are monitored daily.

The Bank's monitoring of market risk is performed by the parent bank with the use of 'value at risk' (VaR) methodology to estimate the market risk of positions held and the potential economic loss based upon a number of assumptions and variables.

(d) VaR summary for 2015 and 2014

VaR is a methodology used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon. The VaR that the Bank measures is an estimate based upon a 99% confidence level and a holding period of 1 day and the methodology used for the calculation is Monte Carlo simulation (full repricing).

The VaR models are designed to measure market risk in a normal market environment. It is assumed that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The distribution is calculated using exponentially weighted moving average (EWMA) of 6 months historical data.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to certain limitations. Given this, actual outcomes are monitored regularly, via back testing process, to test the validity of the assumptions and the parameters used in the VaR calculation.

Eurobank Cyprus Ltd

Notes to the financial statements

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.2 Market risk (continued)

(d) VaR summary for 2015 and 2014 (continued)

Since VaR constitutes an integral part of the Bank's market risk control regime, VaR limits have been established for all (trading and investment portfolios) operations and actual exposure is reviewed daily by management. However, the use of this approach does not prevent losses outside of these limits in the event of extraordinary market movements.

Average VaR by risk type:

	2015 €'000	2014 €'000
Interest Rate Risk	626	146
Foreign Exchange Risk	10	5
Equities Risk	9	223
Total VaR	627	337

The VaR calculation is applied to all positions.

The aggregate of the interest rate, foreign exchange and equities VaR results does not constitute the Bank's total VaR due to correlations and consequent diversification effects among risk factors.

4.2.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match, and as a result there may be inability to meet cash calls.

The Bank is exposed to daily calls on its available cash resources due to deposits withdrawals, loan draw-downs and guarantees, margin calls and payments on cash-settled derivatives. The Bank maintains cash resources to meet all of these needs. The Risk Committee sets liquidity limits to ensure that sufficient funds are available to meet such calls.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because past performance supports that the third parties generally do not draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

Eurobank Cyprus Ltd

Notes to the financial statements

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.3 Liquidity risk (continued)

The table below presents maturity analysis of assets as at 31 December 2015 and 2014, based on their contractual undiscounted cash flows. Loans without contractual maturities are presented in the "less than 1 month" time bucket.

	31 December 2015				
	Less than 1 month	1 – 3 months	3 months to 1 year	Over 1 year	Total
	€'000	€'000	€'000	€'000	€'000
- Cash and balances with central banks	39.896	-	-	-	39.896
- Loans and advances to banks	1.546.850	-	6.267	2.000	1.555.117
- Loans and advance to customers	283.686	50.968	160.002	1.633.708	2.128.364
- Available-for-sale investments	844	4.893	39.844	247.954	293.535
- Held-to-maturity investments	407	44.438	8.270	368.153	421.268
- Derivative financial instruments	2.268	12	85	400	2.765
- Other assets	302	-	-	135	437
	1.874.253	100.311	214.468	2.252.350	4.441.382

	31 December 2014				
	Less than 1 month	1 – 3 months	3 months to 1 year	Over 1 year	Total
	€'000	€'000	€'000	€'000	€'000
- Cash and balances with central banks	41.110	-	-	-	41.110
- Loans and advances to banks	1.658.501	106.308	148.780	52.994	1.966.583
- Loans and advance to customers	243.572	108.112	310.380	1.190.114	1.852.178
- Available-for-sale investments	207.269	20.403	51.008	293.284	571.964
- Held-to-maturity investments	3.550	144	47.356	152.655	203.705
- Derivative financial instruments	488	137	162	118	905
- Other assets	948	-	-	121	1.069
	2.155.438	235.104	557.686	1.689.286	4.637.514

Derivative assets are reported in the liquidity analysis at current market value. The amounts reported per time bucket (markets values) are very close to the corresponding net future cash flows since the current rates of EUR and USD are low.

The above assets are used from a liquidity management perspective to manage liquidity risk arising from the contractual maturity analysis of financial liabilities as disclosed in the following tables.

Eurobank Cyprus Ltd

Notes to the financial statements

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.3 Liquidity risk (continued)

The table below analyses the cash flows payable by the Bank under derivative and non-derivative financial liabilities and off-balance sheet items into relevant maturity groupings based on the remaining period at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows. Liabilities without contractual maturities (sight and saving deposits) are presented in the "less than 1 month" time bucket.

31 December 2015					
	Less than 1 month	1 – 3 months	3 months to 1 year	Over 1 year	Total
	€'000	€'000	€'000	€'000	€'000
Non-derivative liabilities:					
- Due to other banks	376.225	30.251	23.844	71.828	502.148
- Due to customers	1.932.302	584.895	730.266	3.128	3.250.591
- Other liabilities	30.052	513	2.575	-	33.140
	2.338.579	615.659	756.685	74.956	3.785.879
Derivative financial instruments:	39	8	83	397	527

<u>Off-balance sheet items</u>	Less than 1 year €'000	Over 1 year €'000	Total €'000
Guarantees and letters of credit	113.305	-	113.305
Approved unutilised credit facilities	197.055	-	197.055
Capital expenditure	212	-	212
Operating lease commitments	1.114	1.082	2.196
	311.686	1.082	312.768

31 December 2014					
	Less than 1 month	1 – 3 months	3 months to 1 year	Over 1 year	Total
	€'000	€'000	€'000	€'000	€'000
Non-derivative liabilities:					
- Due to other banks	262.554	73.393	39.753	52.362	428.062
- Due to customers	2.065.747	613.005	635.700	7.189	3.321.641
- Other liabilities	18.026	448	2.463	-	20.937
	2.346.327	686.846	677.916	59.551	3.770.640
Derivative financial instruments:	178	36	59	118	391

<u>Off-balance sheet items</u>	Less than 1 year €'000	Over 1 year €'000	Total €'000
Guarantees and letters of credit	69.016	-	69.016
Approved unutilised credit facilities	254.593	-	254.593
Capital expenditure	248	-	248
Operating lease commitments	587	661	1.248
	324.444	661	325.105

On derivative instruments line, the negative net present value (allocated per time bucket) is presented as a good proxy of the expected outflow.

Eurobank Cyprus Ltd

Notes to the financial statements

4 Financial risk management (continued)

4.2 Financial risk factors (continued)

4.2.3 Liquidity risk (continued)

The liabilities from derivatives are reported in the liquidity analysis using the current market values of them. The amounts reported per time bucket (markets values) are very close to the corresponding net future cash flows since the current rates of EUR and USD are low.

It should be noted that the above table represents the worst case scenario since it is based on the assumption that all liabilities will be paid earlier than expected (all term deposits are withdrawn at their contractual maturity). Historical experience shows that even in a period of a systemic financial crisis the likelihood of such an event is remote.

4.3 Off balance sheet instruments

In common with other banks, the Bank conducts business involving guarantees, documentary letters of credit and acceptances (Note 27).

Guarantees are generally written by a bank to support the performance of a customer to third parties. As the Bank will only be required to meet obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Documentary credits commit the Bank to make payments to third parties on production of documents and provided that the terms of the documentary credits are satisfied. The repayment by the customer is usually immediate.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer in the event that the customer does not honour payment.

Endorsements are residual liabilities in respect of bills of exchange, which have been discounted by a bank and subsequently rediscounted.

Commitments to lend are agreements to lend to a customer in the future subject to certain conditions. Such commitments are made for fixed periods and are cancellable by the Bank subject to notice requirements.

Eurobank Cyprus Ltd

Notes to the financial statements

4 Financial risk management (continued)

4.4 Capital management

	2015	2014	2014
		after dividend	before
	€'000	(note 25)	dividend
		€'000	€'000
Ordinary shareholders' equity	364.027	589.862	589.862
Less: other regulatory adjustments	(2.232)	(2.082)	(2.082)
Less: dividends	-	(265.973)	-
Total Tier 1 capital	361.795	321.807	587.780
Tier 2 capital	46.244	48.527	48.527
Total regulatory capital	408.039	370.334	636.307
Risk Weighted Assets	1.335.061	1.684.453	1.684.453
	2015	2014	2014
		after dividend	before
	%	(note 25)	dividend
		%	%
Ratios:			
Core Tier 1	27,1	19,1	34,9
Tier 1	27,1	19,1	34,9
Tier 2	3,5	2,9	2,9
Capital Adequacy Ratio	30,6	22,0	37,8

Tier 1 capital represents share capital, share premium and reserves less intangible assets and valuation differences eligible as Tier 2 as at 31 December.

Tier 2 capital represents subordinated debt and valuation differences eligible as Tier 2 as at 31 December.

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the European Union and the Central Bank of Cyprus.

The Bank has complied with all externally imposed capital requirements throughout the period.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, processes and policies from previous years.

Eurobank Cyprus Ltd

Notes to the financial statements

4 Financial risk management (continued)

4.4 Capital management (continued)

Leverage

The new regulatory framework has introduced the leverage ratio as a non-risk based measure which is intended to restrict the build-up of excessive leverage from on and off balance sheet items in the banking sector. The leverage ratio is defined as Tier 1 capital divided by the total exposure measure and will be a binding requirement at the beginning of 2018. The Bank submits to the regulatory authorities the leverage ratio on quarterly basis and monitors the level and the factors that affect the ratio.

The level of the leverage ratio with reference date 31 December 2015 amounts to 11,6%, according to the transitional definition of Tier I capital, significantly over the 3% minimum threshold applied by the competent authorities.

4.5 Financial assets and liabilities measured at 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. A market price, where an active market (such as a recognised stock exchange) exists, is the best evidence of the fair value of a financial instrument. Where market prices are not available, the fair value of financial assets and liabilities is estimated using present value or other estimation and valuation techniques where all significant inputs are observable.

The values derived using these techniques are significantly affected by underlying assumptions concerning both the amounts and timing of future cash flows and the discount rate used. The fair values of financial assets and liabilities approximate their carrying amounts due to the following reasons:

- a) trading assets, derivatives and other transactions undertaken for trading purposes as well as treasury bills, available-for-sale securities and assets and liabilities designated at fair value through profit or loss are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then the fair values are estimated using valuation techniques.
- b) substantially all of the Bank's other financial assets and liabilities are at floating rates of interest, which re-price at frequent intervals. Therefore the Bank has no significant exposure to fair value fluctuations and the carrying value of the financial assets and liabilities is substantially equivalent to their fair values, other than held-to-maturity financial assets which are referred to in Note 18.
- c) all financial instruments that are measured at fair value are categorised into one of the three fair value hierarchy levels at year-end; based on whether the inputs to their fair values are observable or non observable.
 - i) Level 1 - Quoted prices in active markets for identical assets or liabilities. Quoted prices must be readily and regularly available from an exchange or active index/market location and prices must represent actual and regularly occurring market transactions on an arm's length basis. Any form of valuation technique results in the instrument not falling into this level.

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Notes to the financial statements

4 Financial risk management (continued)

4.5 Financial assets and liabilities measured at fair value (continued)

- i) Level 2 - Financial instruments measured using valuation techniques where all significant inputs are market observable. This level includes OTC derivative contracts, structured assets and liabilities and available-for-sale financial assets with no quoted price.
- ii) Level 3 - Financial instruments measured using valuation techniques which include at least one significant non-observable input.

The fair value hierarchy categorisation of the financial assets and liabilities carried at fair value as at 31 December 2015 and 2014 is presented in the following tables. The below fair value measurements represent recurring fair value measurements.

	At 31 December 2015			Total €'000
	Level 1 €'000	Level 2 €'000	Level 3 €000	
Financial assets measured at fair value:				
Derivative financial instruments held for trading	-	2.765	-	2.765
Available-for-sale investment securities	261.505	-	-	261.505
Total financial assets measured at fair value	261.505	2.765	-	264.270

Financial liabilities measured at fair value:

Derivative financial instruments held for trading	-	527	-	527
Total financial liabilities measured at fair value	-	527	-	527

	At 31 December 2014			Total €'000
	Level 1 €'000	Level 2 €'000	Level 3 €000	
Financial assets measured at fair value:				
Derivative financial instruments held for trading	-	905	-	905
Available-for-sale investment securities	526.464	-	-	526.464
Total financial assets measured at fair value	526.464	905	-	527.369

Financial liabilities measured at fair value:

Derivative financial instruments held for trading	-	391	-	391
Total financial liabilities measured at fair value	-	391	-	391

Eurobank Cyprus Ltd

Notes to the financial statements

4 Financial risk management (continued)

4.6 Financial instruments not carried at fair value

The following table presents the carrying amounts and the fair values of financial instruments not measured at fair value, analysed by the level in the IFRS 13 fair value hierarchy into which each fair value measurement is included:

At 31 December 2015					
	Level 1 €'000	Level 2 €'000	Level 3 €000	Total Fair Value- for disclosure purposes €000	Carrying amount €'000
Financial assets measured at amortised cost					
Loans and advances to banks	-	1.554.848	-	1.554.848	1.554.848
Loans and advances to customers	-	-	1.896.991	1.896.991	1.896.991
Held-to-maturity investments	374.321	-	-	374.321	366.081
Other financial assets	-	437	-	437	437
Financial liabilities measured at amortised cost					
Due to other banks	-	492.606	-	492.606	492.606
Due to customers	-	3.240.685	-	3.240.685	3.240.685
Other financial liabilities	-	33.140	-	33.140	33.140

At 31 December 2014					
	Level 1 €'000	Level 2 €'000	Level 3 €000	Total Fair Value- for disclosure purposes €000	Carrying amount €'000
Financial assets measured at amortised cost					
Loans and advances to banks	-	1.932.030	-	1.932.030	1.932.030
Loans and advances to customers	-	-	1.647.386	1.647.386	1.647.386
Held-to-maturity investments	179.664	-	-	179.664	179.965
Other financial assets	-	1.069	-	1.069	1.069
Financial liabilities measured at amortised cost					
Due to other banks	-	416.371	-	416.371	416.371
Due to customers	-	3.310.105	-	3.310.105	3.310.105
Other financial liabilities	-	20.937	-	20.937	20.937

4.7 Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the Bank acts in a fiduciary capacity such as nominee, trustee or agent.

Eurobank Cyprus Ltd

Notes to the financial statements

4 Financial risk management (continued)

4.8 Offsetting of financial assets and financial liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows:

	31 December 2015		
	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amount of exposure
	Financial instruments €' 000	Cash collateral received €' 000	€' 000
Assets	14.962	-	-
Total assets subject to offsetting, master netting and similar arrangement	14.962	-	-
Liabilities	14.962	-	-
Total liabilities subject to offsetting, master netting and similar arrangement	14.962	-	-

	31 December 2014		
	Amounts subject to master netting and similar arrangements not set off in the statement of financial position		Net amount of exposure
	Financial instruments €' 000	Cash collateral received €' 000	€' 000
Assets	37.640	-	37.640
Total assets subject to offsetting, master netting and similar arrangement	37.640	-	37.640
Liabilities	37.640	-	37.640
Total liabilities subject to offsetting, master netting and similar arrangement	37.640	-	37.640

The Bank has master netting arrangements entered into in the normal course of business, which are enforceable in case of default.

Eurobank Cyprus Ltd

Notes to the financial statements

5 Net interest income

	2015 €'000	2014 €'000
Interest income		
Interest from loans and advances to banks	5.317	25.015
Interest from derivatives	1.219	432
Interest from loans and advances to customers	78.644	81.262
Interest from available-for-sale financial assets	12.997	2.398
Interest from held-to-maturity investments (Note 18)	11.631	8.899
Other interest income	1	-
Total interest income	109.809	118.006
Interest expense		
Interest on due to other banks	(10.551)	(13.963)
Interest on derivatives	(364)	(307)
Interest on customer deposits	(33.664)	(36.231)
Other interest expense	(5)	(4)
Total interest expense	(44.584)	(50.505)
Net interest income	65.225	67.501

6 Net banking fee and commission income

	2015 €'000	2014 €'000
Banking fee and commission income		
Bank transfer commissions	8.476	8.606
Other fees and commissions	17.337	13.162
Total banking fee and commission income	25.813	21.768
Banking fee and commission expense		
Fees on lien agreements (Note 30)	(2.553)	(3.711)
Other fees and commissions	(5.272)	(6.178)
Total banking fee and commission expense	(7.825)	(9.889)
Net banking fee and commission income	17.988	11.879

7 Net trading income

	2015 €'000	2014 €'000
Foreign exchange loss	-	(125)
Gains less losses on financial instruments at fair value through profit or loss – derivatives held for trading	90	174
	90	49

Eurobank Cyprus Ltd

Notes to the financial statements

8 Gains less losses from investment securities

	2015	2014
	€'000	€'000
Gains less losses on disposal of available-for-sale financial assets	315	17.260
Losses on impairment of available-for-sale equity investments	(8)	(87)
	<u>307</u>	<u>17.173</u>

9 Staff costs

	2015	2014
	€'000	€'000
Salaries and other related costs	10.079	9.573
Social insurance and other costs	1.856	1.987
Directors' fees and remuneration	778	875
Retirement benefit costs – defined contributions scheme	800	713
	<u>13.513</u>	<u>13.148</u>

The average number of employees of the Bank during the year 2015 was 249 (2014: 221).

The Defined Contribution Scheme is managed by an Administrative Committee composed of representatives of both the members and the employer.

The Bank contributes 10% of the gross monthly salary of the members of staff who previously were under the Defined Benefit pension scheme which was resolved in 2013 and a range between 5%-10% for new members of staff who were not under the above scheme.

10 Other operating expenses

	2015	2014
	€'000	€'000
Amortisation of intangible assets (Note 19)	562	493
Depreciation of property, plant and equipment (Note 20)	1.197	1.073
(Gain)/loss on disposal/write down of intangible assets and property, plant and equipment	(13)	2
Operating lease rentals	1.193	1.278
Repairs and maintenance	1.615	1.924
Auditors' remuneration for statutory audit	63	65
Auditors' remuneration for other assurance and non-assurance engagements	118	76
Auditors' remuneration for tax services	42	43
Professional fees	749	792
Advertising and promotion	1.122	1.357
Other administrative expenses	2.859	2.890
	<u>9.507</u>	<u>9.993</u>

Eurobank Cyprus Ltd

Notes to the financial statements

11 Income tax expense

	2015 €'000	2014 €'000
Current tax:		
- Corporation tax	6.360	3.623
- Withholding tax	95	273
Total current tax	6.455	3.896
Deferred tax credit	(109)	(12)
Total income tax expense	6.346	3.884

The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	2015 €'000	2014 €'000
Profit before income tax	50.243	46.133
Tax calculated at the applicable corporation tax rate of 12,5%	6.280	5.767
Tax effect of expenses not deductible for tax purposes	368	402
Tax effect of allowances and income not subject to tax	(288)	(2.546)
Withholding tax	95	273
Deferred tax credit	(109)	(12)
Income tax expense	6.346	3.884

The Bank is subject to income tax on taxable profits at the rate of 12,5%.

As from tax year 2012 brought forward losses of only five years may be utilised.

From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and only be subject to special defence contribution at the rate of 10%; increased to 15% as from 31 August 2011; increased to 30% as from 29 April 2013.

In certain cases dividends received from abroad may be subject to special defence contribution at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% from 1 January 2012 to 31 December 2013; reduced to 17% as from 1 January 2014.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc.) are exempt from Cyprus income tax.

There is no income tax effect relating to components of other comprehensive income (2014: €nil).

Eurobank Cyprus Ltd

Notes to the financial statements

11 Income tax expense (continued)

Deferred income tax:

Deferred income taxes are calculated on all temporary differences under the liability method at the rate in effect at the time the reversal is expected to take place.

The movement in deferred income tax assets and liabilities (non-current) during the year is as follows:

	Differences between wear & tear and depreciation €'000	Total €'000
Balance at 1 January 2014	131	131
Credited to income statement	(12)	(12)
Balance at 1 January 2015	119	119
Credited to income statement	(109)	(109)
Balance at 31 December 2015 (Note 24)	10	10

12 Cash and balances with central banks

	2015 €'000	2014 €'000
Cash in hand	6.430	4.018
Balances with central banks	33.466	37.092
	39.896	41.110
of which:		
Mandatory deposits with central banks	31.724	31.597

Cash and balances with central banks are classified as current.

Mandatory deposits with central banks represent the minimum level of average monthly deposits which the Bank is required to maintain. Mandatory balances with central banks can be withdrawn at any time provided the average monthly minimum deposits are maintained.

Eurobank Cyprus Ltd

Notes to the financial statements

13 Loans and advances to banks

	2015	2014
	€'000	€'000
Reverse repurchase agreements receivables (1)	1.237.351	1.434.779
Placements with banks (2)	165.829	411.364
Settlement balances with banks	151.668	85.887
	1.554.848	1.932.030
Maturity analysis:		
Current:		
- on demand up to 7 days	215.966	184.726
- between 7 days and three months	1.330.760	1.602.021
- between three months and one year	6.122	143.283
	1.552.848	1.930.030
Non-current	2.000	2.000
	1.554.848	1.932.030

(1) The reverse repurchase agreements receivables represent money market placements fully secured by ECB Eligible bonds. The majority of these are bonds issued by the European Financial Stability Fund (EFSF) amounting to approximately €1,2 billion (2014: €1,3 billion).

(2) Placements with banks bear interest which is based on the interbank rate of the relevant term and currency.

None of these financial assets are either past due or impaired.

Loans and advances to banks are categorised as "loans and receivables".

14 Investment in subsidiaries

The subsidiary company and its principal activity are described below:

<u>Name</u>	<u>Participation</u>	<u>Principal activities</u>	2015	2014
			€'000	€'000
Foramonio Ltd	100%	Investing activities	1	1

Foramonio Ltd is registered and operates in Cyprus.

This entity has been set up to acquire properties from customers in settlement of their obligations with the Bank.

Eurobank Cyprus Ltd

Notes to the financial statements

15 Derivative financial instruments

The Bank utilises the following derivative instruments for both hedging and non-hedging purposes:

Currency forwards represent commitments to purchase or sell foreign and domestic currency. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates or to buy or sell foreign currency or a financial instrument on a future date at a specified price established in an organised financial market. Since future contracts are collateralised by cash or marketable securities and changes in the futures contract value are settled daily with the exchange, the credit risk is negligible.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). Except for certain currency swaps, no exchange of principal takes place. The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities, except in the cases where the counterparty is a Eurobank group entity.

Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. In consideration for the assumption of foreign exchange or interest rate risk, the seller receives a premium from the purchaser. Options may be either exchange-traded or negotiated between the Bank and a customer (OTC). The Bank is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which the instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held are set out in the following table:

Eurobank Cyprus Ltd

Notes to the financial statements

15 Derivative financial instruments (continued)

	Fair Values			
	2015		2014	
	Assets €'000	Liabilities €'000	Assets €'000	Liabilities €'000
Derivatives held for trading				
Foreign exchange derivatives	120	130	402	146
Cross currency/interest rate swaps	2.645	397	503	245
	2.765	527	905	391
	2.765	527	905	391

	Fair Values			
	2015		2014	
	Assets €'000	Liabilities €'000	Assets €'000	Liabilities €'000
Maturity analysis:				
Current	2.366	130	488	178
Non-current	399	397	417	213
	2.765	527	905	391

(a) Cross currency/interest rate swaps

The notional principal amounts of the outstanding cross currency/interest rate swap contracts at 31 December 2015 were €97,6 million (2014: €4 million).

(b) Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2015 were €17,9 million (2014: €20,6 million).

(c) Foreign exchange options

The notional principal amounts of foreign exchange options at 31 December 2015 were €8,0 million (2014: €19,2 million).

(d) Foreign exchange swaps

The notional principal amounts of foreign exchange options at 31 December 2015 were €318,2 million (2014: €164 million).

Eurobank Cyprus Ltd

Notes to the financial statements

16 Loans and advances to customers

	2015 €'000	2014 €'000
Retail lending:		
- Mortgages	11.566	11.834
- Consumer	4.896	7.069
- Credit cards	359	16
	<u>16.821</u>	<u>18.919</u>
Wholesale lending:		
- Large corporate	918.371	971.411
- Wealth management	275.963	284.574
- International business banking	752.345	444.320
	<u>1.946.679</u>	<u>1.700.305</u>
Total	<u>1.963.500</u>	<u>1.719.224</u>
Gross loans and advances to customers	1.963.500	1.719.224
Less: provision for impairment losses	(66.509)	(71.838)
Net amount of loans and advances to customers	<u>1.896.991</u>	<u>1.647.386</u>
	2015 €'000	2014 €'000
Maturity analysis:		
Current	346.690	546.742
Non-current	1.550.301	1.100.644
	<u>1.896.991</u>	<u>1.647.386</u>

The movement of the impairment allowances for loans and advances to customers by product line is as follows:

	31 December 2015		
	Wholesale lending €'000	Retail lending €'000	Total €'000
Balance at 1 January	71.587	251	71.838
Impairment loss for the year, net of write backs	10.920	(218)	10.702
Amounts written off (previously provided)	(16.031)	-	(16.031)
Balance at 31 December	<u>66.476</u>	<u>33</u>	<u>66.509</u>
	31 December 2014		
	Wholesale lending €'000	Retail lending €'000	Total €'000
Balance at 1 January	46.470	7.155	53.625
Impairment loss for the year, net of write backs	27.391	260	27.651
Amounts written off (previously provided)	(2.399)	(7.164)	(9.563)
Foreign exchange gain	125	-	125
Balance at 31 December	<u>71.587</u>	<u>251</u>	<u>71.838</u>

Impairment losses on loans and advances charged to the income statement are net of an amount of €354 thousand that relates to loans that were written off in prior periods and recovered during the current year.

Interest income on impaired loans and advances to customers accrued during the year amounted to €6.898 thousand (2014: €8.358 thousand).

Eurobank Cyprus Ltd

Notes to the financial statements

16 Loans and advances to customers (continued)

As at 31 December 2015, loan impairment provision amounted to €66.509 thousand (2014: €71.838 thousand).

As at 31 December 2014, €20.102 thousand of the provision related to one loan receivable from a related company with a gross carrying amount before provisions of €412.113 thousand. As at 31 December 2015, there was no such specific provision.

The fair value of the Bank's loans and advances to customers approximates their carrying amount at the balance sheet date as they bear interest at variable rates.

Loans and advances to customers are categorised as "loans and receivables".

17 Available-for-sale financial assets

	2015 €'000	2014 €'000
Analysis by issuer:		
Issued by public organisations – government bonds and shares in public government organisations:		
- USA	-	164.731
- Russia	44.922	39.722
- Cyprus	13.392	42.918
	<u>58.314</u>	<u>247.371</u>
Issued by other issuers:		
- Banks	79.341	129.101
- Other	123.850	149.992
	<u>203.191</u>	<u>279.093</u>
Total	<u>261.505</u>	<u>526.464</u>
Analysis by type:		
Equity	1.034	101
Debt	260.471	526.363
	<u>261.505</u>	<u>526.464</u>
Maturity analysis:		
Current	33.631	265.891
Non-current	227.874	260.573
	<u>261.505</u>	<u>526.464</u>

The movement of available-for-sale financial assets is as follows:

	2015 €'000	2014 €'000
Net book value at 1 January	526.464	137.752
Additions	275.617	568.410
Disposals and redemptions	(560.538)	(190.218)
Amortisation of discounts/premiums and interest	(1.850)	(738)
Net gains from changes in fair values	1.342	927
Foreign exchange gain	20.470	10.331
Net book value at 31 December	<u>261.505</u>	<u>526.464</u>

All available-for-sale financial assets are listed.

None of these financial assets are either past due or impaired.

Eurobank Cyprus Ltd

Notes to the financial statements

17 Available-for-sale financial assets (continued)

Equity reserve: Revaluation of the available-for-sale investments

Gains and losses arising from the changes in the fair value of available-for-sale investments are recognised in other comprehensive income and in the revaluation reserve for available-for-sale financial assets in equity. The movement of the reserve is as follows:

	2015 €'000	2014 €'000
Balance at 1 January	(1.425)	14.821
Net gains from changes in fair value	1.342	927
Net losses transferred to net profit on disposal	(305)	(17.173)
Balance at 31 December	<u>(388)</u>	<u>(1.425)</u>

18 Held-to-maturity investments

	2015 €'000	2014 €'000
Cyprus government bonds	294.032	179.965
Other debt securities	72.049	-
	<u>366.081</u>	<u>179.965</u>

	2015 €'000	2014 €'000
Maturity analysis:		
Current	41.720	43.421
Non-current	324.361	136.544
	<u>366.081</u>	<u>179.965</u>

The movement of held-to-maturity investments is as follows:

	2015 €'000	2014 €'000
Net book value at 1 January	179.965	164.672
Additions	244.583	102.205
Maturities and Redemptions	(62.625)	(87.000)
Interest accrued (Note 5)	11.631	8.899
Interest received	(7.473)	(8.811)
Net book value at 31 December	<u>366.081</u>	<u>179.965</u>

None of these financial assets are either past due or impaired.

Eurobank Cyprus Ltd

Notes to the financial statements

19 Intangible assets

	Computer licences & software €'000	Total €'000
At 1 January 2014		
Cost	3.984	3.984
Accumulated amortisation	(1.985)	(1.985)
Net book amount	1.999	1.999
Year ended 31 December 2014		
At 1 January	1.999	1.999
Additions	576	576
Amortisation charge (Note 10)	(493)	(493)
At 31 December	2.082	2.082
At 31 December 2014		
Cost	4.560	4.560
Accumulated amortisation	(2.478)	(2.478)
Net book amount	2.082	2.082
Year ended 31 December 2015		
At 1 January	2.082	2.082
Additions	712	712
Amortisation charge (Note 10)	(562)	(562)
At 31 December	2.232	2.232
At 31 December 2015		
Cost	5.272	5.272
Accumulated amortisation	(3.040)	(3.040)
Net book amount	2.232	2.232

Eurobank Cyprus Ltd

Notes to the financial statements

20 Property, plant and equipment

	Leasehold improvements €'000	Motor vehicles and motor cycles €'000	Equipment €'000	Total €'000
At 1 January 2014				
Cost	7.113	186	3.619	10.918
Accumulated depreciation	(1.826)	(141)	(2.097)	(4.064)
Net book amount	5.287	45	1.522	6.854
Year ended 31 December 2014				
At 1 January	5.287	45	1.522	6.854
Additions	831	-	641	1.472
Disposals and write offs	(2)	-	(2)	(4)
Depreciation charge (Note 10)	(577)	(22)	(474)	(1.073)
At 31 December	5.539	23	1.687	7.249
At 31 December 2014				
Cost	7.925	186	4.214	12.325
Accumulated depreciation	(2.386)	(163)	(2.527)	(5.076)
Net book amount	5.539	23	1.687	7.249
Year ended 31 December 2015				
At 1 January	5.539	23	1.687	7.249
Additions	491	2	333	826
Disposals and write offs	(6)	-	(1)	(7)
Depreciation charge (Note 10)	(675)	(9)	(513)	(1.197)
At 31 December	5.349	16	1.506	6.871
At 31 December 2015				
Cost	8.407	128	4.465	13.000
Accumulated depreciation	(3.058)	(112)	(2.959)	(6.129)
Net book amount	5.349	16	1.506	6.871

Leasehold improvements relate to premises occupied by the Bank for its own activities.

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2015 €'000	2014 €'000
Net book amount	7	4
Profit/(loss) on sale of property, plant and equipment (Note 10)	13	(2)
Proceeds from sale of property, plant and equipment as per cash flow statement	20	2

Eurobank Cyprus Ltd

Notes to the financial statements

21 Other assets

	2015	2014
	€'000	€'000
Prepaid expenses	373	271
Other assets	437	1,069
	<u>810</u>	<u>1,340</u>

	2015	2014
	€'000	€'000
Maturity analysis:		
Current	312	1,219
Non-current	498	121
	<u>810</u>	<u>1,340</u>

None of these financial assets are either past due or impaired.

22 Due to other banks

	2015	2014
	€'000	€'000
Deposits from other banks	402,297	368,140
Settlement balances with other banks	50,268	8,187
Subordinated debt (Note 30(i))	40,041	40,044
	<u>492,606</u>	<u>416,371</u>

Maturity analysis:

Current:		
- on demand up to 7 days	55,334	24,721
- 7 days up to 3 months	351,054	310,584
- 3 months to 1 year	23,822	24,213
	<u>430,210</u>	<u>359,518</u>
Non-current:		
- 1 to 5 years	16,739	16,809
- after 5 years	45,657	40,044
	<u>62,396</u>	<u>56,853</u>
	<u>492,606</u>	<u>416,371</u>

The fair value of amounts due to other banks approximates their carrying amount at the balance sheet date.

Amounts due to other banks are categorised as other financial liabilities at amortised cost.

Eurobank Cyprus Ltd

Notes to the financial statements

23 Due to customers

	2015	2014
	€'000	€'000
Current accounts	1.269.179	1.126.403
Notice accounts	7.306	18.274
Term deposits	1.964.200	2.165.428
	3.240.685	3.310.105
Maturity analysis:		
- up to 1 month	1.931.967	2.065.403
- between 1 month and three months	583.525	610.899
- between three months and one year	722.086	626.801
- between one year and five years	3.107	5.002
- more than five years	-	2.000
	3.240.685	3.310.105

The fair value of amounts due to customers approximates their carrying amount at the balance sheet date as the amounts due to customers almost entirely fall due within one year.

Total client deposits pledged as collateral for credit facilities granted to clients as at 31 December 2015 amounted to €817 million (2014: €534 million).

Amounts due to customers are categorised as other financial liabilities at amortised cost.

Special levy on total deposits is imposed by legislation to all Banks and Credit Institutions operating in Cyprus.

For 2014 and until September 2015 the levy on deposits was 0,15%, calculated on the previous year-end deposits. From September 2015 it is calculated on the previous quarter-end deposits. The levy is payable in quarterly instalments. The government levy on customer deposits for the year ended 31 December 2015 amounted to €4.796 thousand (2014: €3.697 thousand).

24 Other liabilities

	2015	2014
	€'000	€'000
Current income tax liability	1.005	747
Deferred tax liability (Note 11)	10	119
Other liabilities and accruals ¹	33.140	20.804
Payable for unsettled bond purchase ²	-	133
	34.155	21.803
Maturity analysis:		
Current	34.145	21.684
Non-current	10	119
	34.155	21.803

¹Other liabilities and accruals include commissions and consultancy fees of €426 thousand (2014: €338 thousand) payable to Eurobank Ergasias S.A. (Note 30 (i)).

²The payable for unsettled bond purchase as at 31 December 2014 relates to a purchase of a bond with trade date in late December 2014 and settlement in early January 2015.

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Notes to the financial statements

25 Share capital

The par value of the Bank's shares is €10 thousand per share. All shares are fully paid.

The movement of share capital and share premium is as follows:

	No. of shares	Ordinary shares €'000	Share premium €'000	Total €'000
Authorised				
At 31 December 2015 & 2014	1.500	15.000	-	15.000
Issued				
At 31 December 2015 & 2014	1.201	12.010	245.384	257.394

There were no changes in the Bank's share capital during the years ended 31 December 2015 and 2014.

All the shares have the same rights.

Dividends

The Board of Directors at a Board meeting of 23 January 2015, proposed at a Shareholders' Extraordinary General Meeting which took place on 23 January 2015 after the Board meeting, the payment of a dividend distribution of €265,9 million or €221,4 thousands per share. The Board of Directors proposal was approved at the shareholders' meeting and the dividend was executed on the same day.

26 Operating lease commitments – where the Bank is the lessee

The Bank leases various offices under non-cancellable operating lease agreements with varying terms and renewal rights. The future aggregate minimum lease payments under non-cancellable building operating leases are as follows:

	2015 €'000	2014 €'000
Not later than one year	1.114	587
Later than one year and not later than five years	1.082	661
	2.196	1.248

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Notes to the financial statements

27 Contingencies and commitments

The following analysis indicates the contractual amounts of the Bank's off-balance sheet financial instruments that commit the Bank to make payments in relation to acceptances, guarantees, indemnities and letters of credit drawn on customers and other undrawn commitments to lend:

	2015 €'000	2014 €'000
<i>Contingent liabilities:</i>		
Guarantees	108.924	64.171
Other	4.381	4.845
	<u>113.305</u>	<u>69.016</u>
<i>Commitments:</i>		
Approved unutilised credit facilities	<u>197.055</u>	<u>254.593</u>

Capital commitments

As at 31 December 2015 commitments for contracted capital expenditures for the Bank amount to €212 thousand (2014: €248 thousand).

Legal proceedings

As at 31 December 2015 and 2014 there were no significant pending litigation, claims or assessments against the Bank, the outcome of which would have a material effect on the Bank's financial position or operations.

28 Fiduciary activities

The Bank provides custody, investment management and advisory services to third and related parties which involve the Bank making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. At the balance sheet date the Bank had investment custody accounts, including fiduciary assets, with fair value amounting to approximately €1.049.198 thousand (2014: €1.055.372 thousand).

29 Cash and cash equivalents on cash flow statement

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with original maturities of three months or less:

	2015 €'000	2014 €'000
Cash in hand (Note 12)	6.430	4.018
Balances with banks	1.546.726	1.786.747
	<u>1.553.156</u>	<u>1.790.765</u>

Eurobank Cyprus Ltd

Notes to the financial statements

30 Related party transactions and balances

The immediate controlling party of the Bank is ERB New Europe Holding B.V. registered in the Netherlands. Eurobank Ergasias S.A., who produces consolidated financial statements available for public use, owns 100% of the shares of ERB New Europe Holding B.V..

In May 2014, following the completion of Eurobank Ergasias S.A.'s share capital increase fully covered by investors, institutional and others, the percentage of the ordinary shares with voting rights held by the Hellenic Financial Stability Fund (HFSF), the controlling shareholder of Eurobank Ergasias S.A. until that date, decreased from 95,23% to 35,41%. Accordingly, as of that date HFSF was considered to have significant influence over Eurobank Ergasias S.A.. In November 2015, following the completion of Eurobank Ergasias S.A.'s share capital increase, fully covered by investors, institutional and others, the percentage of the ordinary shares with voting rights held by HFSF decreased to 2,38%.

In the context of the Law 3864/2010, as in force, HFSF exercises its voting rights in Eurobank Ergasias S.A.'s General Assembly only for decisions concerning the amendment of Eurobank Ergasias S.A.'s Articles of Association, including the increase or decrease of Eurobank Ergasias S.A.'s capital or the granting of a corresponding authorisation to Eurobank Ergasias S.A.'s Board, decisions concerning the mergers, divisions, conversions, revivals, extension of duration or dissolution of Eurobank Ergasias S.A., the transfer of assets, or any other issue requiring approval by an increased majority as provided for in Company Law 2190/1920. In addition, Eurobank Ergasias S.A. has entered into a new Relationship Framework Agreement (RFA) with the HFSF on 4 December 2015 replacing the previous one, signed on 26 August 2014. Taking into account the terms of the revised RFA, the HFSF is still considered to have significant influence over Eurobank Ergasias S.A..

A number of banking transactions are entered into with related parties in the normal course of business and are conducted on an arm's length basis. These include loans, deposits, derivatives and repurchase agreements. In addition, as part of its normal course of business in investment banking activities, the Bank at times may hold positions in debt and equity instruments of related parties. The volume of related party transactions and outstanding balances at the year-end are as follows:

Notes to the financial statements

30 Related party transactions and balances (continued)

(i) Related party transactions and outstanding balances:

	With Eurobank Ergasias S.A.		With Eurobank Ergasias S.A. Group (other than Eurobank Ergasias S.A.)		With key management personnel	
	2015 €'000	2014 €'000	2015 €'000	2014 €'000	2015 €'000	2014 €'000
Loans and advances to banks (1)	1.257.934	1.695.642	686	-	-	-
Loans and advances to customers (2)	-	-	346.972	416.915	1.257	1.495
Derivative financial instruments – Assets	2.313	591	-	-	-	-
Derivative financial instruments – Liabilities	428	160	-	-	-	-
Other assets	-	-	-	-	-	-
Due to other banks (3)	471.197	409.799	-	-	-	-
Due to customers	-	-	10.528	3.769	1.959	2.562
Other liabilities	426	338	140	102	-	-

	With Eurobank Ergasias S.A.		With Eurobank Ergasias S.A. Group (other than Eurobank Ergasias S.A.)		With key management personnel	
	2015 €'000	2014 €'000	2015 €'000	2014 €'000	2015 €'000	2014 €'000
Interest income	3.634	23.789	22.851	27.008	81	69
Interest expense	10.703	14.161	-	5	35	63
Banking fee and commission income	267	435	-	-	-	-
Banking fee and commission expense – fees on lien agreement	2.553	3.711	-	-	-	-
Banking fee and commission expense – other	875	1.108	-	-	-	-
Net trading income	-	-	-	125	-	-
Impairment losses on loans and advances	-	-	-	10.096	-	-
Staff costs excluding retirement benefit costs	-	-	-	-	946	906
Defined contribution scheme	-	-	-	-	122	99
Directors' remuneration	-	-	-	-	730	827
Other operating expenses	253	-	177	154	-	-

Key management personnel include directors and key management personnel of the Bank, and their close family members.

(1) Loans and advances to banks include reverse repurchase agreements with Eurobank Ergasias S.A. of €1.237.351 thousand (2014: €1.434.779 thousand) fully secured by ECB Eligible bonds majority of those being EFSF bonds (Note 13).

Eurobank Cyprus Ltd

Notes to the financial statements

30 Related party transactions and balances (continued)

(i) Related party transactions and outstanding balances (continued):

(2) Total collaterals in relation to loans and advances to key management personnel amounted to €1.155 thousand (2014: €1.403 thousand).

(3) On 31 March 2010, Eurobank Ergasias S.A. advanced the sum of €40 million to the Bank. The interest rate of the loan was set at an annual rate equal to 3 month LIBOR plus 65 basis points and reprised to 3 month LIBOR plus 275 basis points on 18 December 2013. The loan shall be repaid on 31 March 2020. After 31 March 2015 the Bank has the option to call in any part of the loan subject to the prior consent of the Central Bank of Cyprus. The loan is not secured and the rights and claims of Eurobank Ergasias S.A. are subordinated to the claims of all other creditors of the Bank except the holders of other subordinated indebtedness of the same type (lower tier II) of the Bank.

(ii) Lien agreements

As of 31 December 2015 and 2014, the Bank has in place lien agreements from Eurobank Ergasias S.A., which act as guarantees for the purposes of securing the following assets as of the reporting date:

	2015 €'000	2014 €'000
Loans and advances to customers	<u>360.555</u>	<u>316.960</u>

Based on the Lien agreements, in case of default of any of the issuers of the underlying assets, the Bank can set off the receivable amounts with the equivalent funds placed by Eurobank Ergasias S.A.

On 28 September 2012 the Bank and Eurobank Ergasias S.A. signed a memorandum of understanding whereby the latter assumes the credit losses arising from the credit facility extended by the Bank to ERB New Europe Funding II B.V. for any amount exceeding the amount of €15 million on an annual basis, and establish a pledge, in favour of the Bank over a deposit held in its name with the Bank. The loans and advances to customers subject to these arrangements amounted to €42.531 thousands (2014: €177.755 thousands).

31 Post balance sheet events

There were no material post balance sheet events, which have a bearing on the understanding of the financial statements.

Independent Auditor's Report on pages 5 and 6.