ANNUAL REPORT 2015

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Contents

Notice of Annual General Meeting

The Annual General Meeting of the Members of USB Bank PLC will be held on 26 July, 2016 at 3.00 p.m. at Hilton Hotel to transact among others the following business:

AGENDA

1. Review and approve the Directors' Report for the year ended 31 December 2015.

2. Review and approve the Consolidated Financial Statements and the Independent Auditors' Report for the year ended 31 December 2015.

3. Election of the members of the Board of Directors in place of those who retire and consideration for election of members appointed by the Board of Directors in 2015.

4. Re-appointment of the Independent Auditors and authorisation to the Board of Directors to fix their remuneration.

5 (i) Approve the Remuneration Report of the Board of Directors.

   (ii) Review and approve an Ordinary Resolution relating to the revision of the remuneration of the Chairman and of the members of the Board of Directors, the revised remuneration to have retrospective effect as from 1st August 2015.

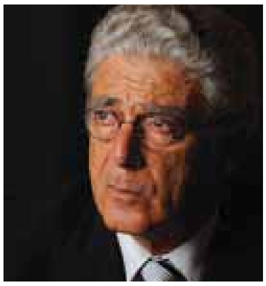
6. Any other business, which can be carried out at a General Meeting.

By order of the Board,

Panayiota Charitonos
Secretary

Nicosia, 29 June 2016

Chairman's Statement



Dear stakeholders,

The Cypriot economy returned to positive growth rates in 2015 after four years of deep recession and exited the economic adjustment program earlier than forecasted as a result of fiscal developments exceeding expectations.

In recognition of the progress achieved on the fiscal front and on economic recovery the international credit rating agencies have upgraded the credit ratings for the Cypriot sovereign opening the way to access the international capital markets and credibility to be regained. Building on these achievements, the reform momentum must continue, especially in view of the renewed volatility in global financial markets. Eurozone challenges such as deflation and high unemployment but also geopolitical developments and the refugee crisis cause concern and uncertainty.

Despite the positive developments, challenges remain and involve the high level of non performing exposures in the banking sector and the deterioration of the external environment which could pose risks for an open economy like Cyprus.

At USB Bank our focus is on the credit risk management which is considered as an important process and factor contributing towards the safeguarding of the Banks' operations. Our aim was to define a strategy in order to deal decisively with the management of the non performing exposures. In this respect resources have been diverted in managing the high level of NPEs through sustainable restructuring solutions and other actions to address the issue including debt to assets swaps. This will ensure improved performance, sustainable profitability and growth.

Focus is also placed on maintaining adequate levels of capital and liquidity in order to be able to manage potential adverse effects that could result from the present business and economic environment. USB Bank maintains healthy liquidity levels and with the support of its major shareholder its capital base was strengthened by €23 million in May 2016 with the proforma Common Equity Tier 1 Ratio as at year end of 2015 taking into account the above capital injection being 13,4%.

Despite the operational profitability of €9,4m achieved in the year 2015, due to the high provisions booked of €16,6m to cover credit risk the net loss for the year amounted to €7,2m.

The outlook for year 2016 remains to be challenging. On a country level it is imperative to continue the reform plan for a prudent course. Tackling of the NPEs is a main priority and we are fully committed towards this goal. The Bank will continue to support the economy in the coming year and provide financing to creditworthy businesses and individuals.

To conclude, allow me to express my sincere appreciation to all the members of the Board of Directors for their constructive support and to our employees for their dedication.

Finally, I would like to thank our valued customers for their continuous loyalty.

Maurice Sehnaoui
Chairman

Part A

The Board of Directors of USB BANK PLC (the "Bank"), aiming to the continuous servicing of corporate interest and investors' interest and the provision to the Members of timely information, relating to the Board and the total administration and corporate developments in relation to the Bank, and taking into consideration the provisions of the Directive of the Central Bank of Cyprus to Credit Institutions on Governance and Management Arrangements in Credit Institutions of 2014 ("the Directive on Governance") and all relevant Laws and Regulations in relation to the Governance of the Bank, provides the Members with the present Report on Corporate Governance.

Update on Corporate developments during 2015

In view of the continuous obligation on minimum dispersion, as set out in the Laws and Regulations relating to the market that the Bank was listed in, on 3 March 2015 BLC Bank Sal ("BLC Bank") announced to the investing public the submission of a Mandatory Take Over Bid offered to the Members of the Bank, for the acquisition of up to 100% of the Bank's issued share capital, pursuant to the relative provisions of article 13 of the Takeover Bids Law of 2007, (as amended) and as per the directions of the Cyprus Securities and Exchange Commission. The proposed consideration for the acquisition of the Bank's titles was €0,30 per share, to be paid in cash to all the Members accepting the Public Offer.

On 20 April 2015, a decision of the Board of Directors of the Bank was taken whereby it was decided to redeem on the 30th of June 2015, the Capital Securities of Euro 973.903 issued on the 1st January 2006, the Convertible Bonds (USBCB) of Euro 1.209.060 issued on the 14th of June 2010 and the Non-Convertible Bonds (USBSB) of Euro 8.000.000 issued on the 30th December 2009, in accordance with their respective terms and conditions (collectively referred to as the "Redemption") for which action the relevant approval of the Central Bank of Cyprus had been obtained. By virtue of a Resolution of the Members of the Bank dated 28 May 2015, the Board of Directors of the Bank proceeded with the issue and allotment of 40.800.000 new ordinary shares to BLC Bank at the issue price of Euro 0,25 per share. The issue was effected in order to facilitate the above "Redemption".

Following the successful completion of the Mandatory Takeover Bid of BLC Bank to the Members of the Bank, as described in the above first paragraph, and the expiry, on August 25th 2015 of the period for exercising the right of Sell out by the remaining Members of the Bank, the total participation of BLC Bank in the issued share capital of the Bank increased from 98,39% to 98,832%.

By virtue of a Resolution of the Members of the Bank dated 28th May 2015, the Board of Directors of the Bank was authorised, following the completion of the Mandatory Take Over Bid, to take all necessary measures for the delisting of the titles of the Bank from the C.S.E. and the Board of Directors acted accordingly.

Further to the above, the Cyprus Securities and Exchange Commission granted its consent to the C.S.E. for the delisting of the shares of the Bank from the C.S.E. The delisting of the shares took effect as from 8th October 2015.

The keeping of the Bank's Shares Registry was undertaken by the Central Depository / Central Registry (CSD) on the 18th of November 2015 and relative written notices were sent to the Members of the Bank.

Part B

1. Board of Directors

1.1 Overall purpose/objectives

The Bank is governed and controlled by the Board of Directors as per the provisions of its Memorandum and Articles of Association and in compliance with the provisions of the Directive on Governance, the Board of Directors has mainly the role of setting the strategic objectives and ensuring that these objectives are achieved, through the application of adequate internal administration and internal control systems. The Board of Directors is responsible for the monitoring and evaluation of the actions and output of the Executive Management as well as to its conformity with the policies issued.

1.2 Board of Directors Main Responsibilities

Pursuant to the Directive on Governance, all Members of the Board of Directors are required to carry out their corresponding duties and responsibilities in accordance with the requirements of the Directive on Governance. Furthermore, all Members of the Board of Directors must act in accordance with the provisions of USB BANK PLC's Internal Governance Manual for the Board of Directors and its Committees. The main duties and responsibilities of the Board of Directors include amongst others the following:

1. The Board of Directors of the Bank has the primary responsibility for internal governance at all times. It defines and oversees the implementation of governance arrangements that ensure effective and prudent Management of the Bank, including the segregation of duties and the prevention of conflicts of interest.

2. The Board of Directors has the overall responsibility for the Bank and approves and oversees the implementation of the Bank's strategic objectives, risk strategy and internal governance,

3. The Board of Directors ensures the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with the law and relevant standards,

4. The Board of Directors oversees the process of disclosure, is responsible for setting and overseeing the selection of key positions as well as for providing effective oversight of Senior Management and the Control Functions.

5. The Board of Directors monitors and periodically assesses the effectiveness of the Bank's governance arrangements and takes appropriate steps to address any deficiencies.

1.3 Membership and Functioning

a. Pursuant to the Directive on Governance, the Board of Directors consists of not less than seven Members and not more than thirteen Members.

b. At least fifty percent (50%) of the Members of the Board of Directors, rounded down plus one, are Independent.

c. Pursuant to the Articles of Association of the Bank, at the first annual general meeting of the Bank, all directors shall retire and at the annual general meeting of each consecutive year, one third of the directors or a multiple of three or if their number is not three or a number multiplied by three, then the number nearest to the one third (rounded up), shall retire from their position but they have the right of re-election at the Annual General Meeting of the Members of the Bank.

d. The Directors to retire in every year shall be those who have been longest in office since their last election. The Board of Directors has power at any time to appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors but so that the total number of Directors shall not at any time exceed the number fixed in accordance with the Directive on Governance. Any Director so appointed shall hold office only until the next Annual General Meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

e. The Executive Members must be at least two. They must be not more than twenty five percent (25%) of the Members of the Board of Directors rounded down. One of them must be the Chief Executive Officer.

f. A non-Executive Member of the Board of Directors holds the position of the Vice Chairperson of the Board of Directors to fulfil the roles and responsibilities of the Chairperson in the absence of the latter.

g. An Independent Member of the Board of Directors is appointed Senior Independent Member of the Board of Directors. The Senior Independent Member of the Board of Directors cannot hold the position of the Chairperson or the Vice-Chairperson.

h. The Board of Directors holds regular meetings to carry out their responsibilities adequately and effectively.

i. A quorum for any meeting of the Board of Directors, including a teleconference meeting, shall be 50% of the Members, rounded down, plus one.

j. Members of the Board of Directors may not be absent from Board of Directors meetings, whether physically or otherwise, for more than two (2) consecutive meetings or twenty five percent (25%) of the meetings held annually.

k. Decisions shall be taken by a majority and in the event of a tie the Chairperson shall have a casting vote.

l. The Non-Executive Members of the Board of Directors hold regular meetings on their own or with the external auditors and/or the Heads of the Control Functions as appropriate, without the presence of the Executive Members, at least on a semi-annual basis.

1.3 Membership and Functioning (continued)

The Non-Executive Members of the Board of Directors meet without the Chairperson present at least annually to appraise the Chairperson's performance.

The Chairperson of the Board of Directors is a Non-Executive Member. There is a division of responsibilities between the Chairperson and the Executive Management.

The Bank's Directors hold positions in other companies' Boards of Directors. The Members of the Board of Directors notify to the Bank the companies in which they take part and also their role in these companies (Executive or Non-Executive). Their participation in other Boards of Directors does not prevent them from dedicating the required time and attention in carrying out their duties as part of their role in the Bank's Board of Directors.

The Company Secretary ensures that that the Board of Directors and its committees are constituted and function in compliance with the Bank's Internal Governance Manual for the Management Body and its Committees, the provisions of the Directive on Governance and other applicable legal and supervisory requirements.

1.4 Meetings of the Board of Directors

During 2015, the Board of Directors has convened nine times.

The Directors receive prompt written notice together with all essential documentation before any Board of Directors meeting, so that they are appropriately prepared during the meeting.

1.5 Composition of the Board of Directors

On 31 December 2015 the Bank's Board of Directors comprised of eleven Members as follows:

Chairperson:	
Mr. Maurice Sehnaoui	Non-Executive Chairperson
Members:	
Mr. Nadim Kassar	Non Independent, Non-Executive Vice Chairperson
Fransa Invest Bank SAL represented by Mr.Mansour Bteish	Non Independent, Non-Executive
Mr. Ziyad Baroud	Independent, Non-Executive
Mr. Henri Pierre Jean Guillemin	Independent, Non-Executive
Mr. Agis Taramides	Independent, Non-Executive
Mr. George Galatariotis	Independent, Non-Executive
Mr. George Stylianou	Independent, Non-Executive
Mr. Philippos Philis	Independent, Non-Executive
Mr. Andreas Theodorides	Non Independent, Executive
Mrs. Despo Polycarpou	Non Independent, Executive
Secretary:	
Mrs. Panayiota Charitonos	

1.5 Composition of the Board of Directors (continued)

Changes in the composition during 2015

Pursuant to the Articles of Association of the Bank, at the Annual General Meeting of the Members of the Bank which was held on the 21st July 2015, three Members of the Board of Directors, namely Messrs Nabil Kassar, Walid Daouk and Fransabank Sal represented by Mr. Adel Kassar who were due to retire, did not put themselves up for re-election. At the same meeting, Messrs Nadim Kassar and George Galatariotis retired but were re-elected by the Members of the Bank.

Furthermore, two Members of the Board of Directors, namely Mrs. Tania Moussallem and BLC Bank Sal represented by Mr. Youssef Eid resigned from the Board of Directors of the Bank which was held on the 21st July 2015, following the AGM of even date. During the same Board of Directors' meeting, Mr. Ziyad Baroud was appointed as a new Board Member and Mrs. Panayiota Charitonos was appointed as the Company Secretary in replacement of Mr. Andreas Theodorides.

On the 26th of August 2015 the Board Member Mr. Raoul Nehme resigned from his position.

During the meeting of the Board of Directors held on the 20th of November 2015 Mr. Henri Pierre Jean Guillemin was appointed as a new Board Member and Mr. Nadim Kassar was appointed as Vice Chairperson of the Board of Directors of the Bank.

Structure of the Board of Directors as at 31.12.2015

Total Board Members, eleven out of which:

Independent Members:	six
Non-Independent Members:	five, out of whom two are Executive Members

1.6 Senior Independent Director

With a Board of Directors decision, dated 12 December 2008, Mr. George Stylianou was appointed as Senior Independent Director.

The Senior Independent Director is available to listen to the concerns of the Members of the Bank that have not been resolved through the normal communication channels.

1.7 Definition and Division of Responsibilities of the Chairperson and Managing Director

The responsibilities of the Chairperson are performed by Mr. Maurice Sehnaoui and the responsibilities of the Chief Executive Officer by Mr. Andreas Theodorides. The Chairperson is responsible for the proper running of the Board of Directors' meetings and the General Meetings of the Bank, guides the Board of Directors and deals with strategic issues of the Bank. The Chief Executive Officer has the responsibility for the daily operations of the Bank and deals with the management and the effective monitoring of the activities and operations of the Bank.

1.8 Re-election of Directors

At the next Annual General Meeting of the Members of the Bank, and according to the Articles of Association of the Bank, Mr. Maurice Sehnaoui, Fransa Invest Bank Sal represented by Mr. Mansour Bteish and Mr. Agis Taramides will retire but are offered for re-election.

Also, pursuant to the Articles of Association of the Bank, Mr. Ziyad Baroud who was appointed by the Board of Directors on the 21st July 2015 and Mr. Henri Guillemin who was appointed by the Board of Directors on the 20th November 2015 will resign but are eligible for election.

Biographical Details of the Members of the Board of Directors

Short biographical details of the Members of the Bank's Board of Directors as at the date of this report are set out below: -

H.E. Mr. Maurice Sehnaoui (Chairperson of the Board of Directors)
Mr. Maurice Sehnaoui was born in 1943. Mr. Maurice Sehnaoui is the Chairperson of the Board of Directors and General Manager of BLC Bank since 2008. He holds a degree in Economics (June 1967) from Saint Joseph University of Beirut. He was a former Minister of Energy and Water from 2004 to 2005. Mr. Sehnaoui was the Chairperson–General Manager of Société Générale de Banque au Liban from 1984 to 2007, the Chairperson of Societe General Cyprus Ltd from 1990 to 2008 and the Vice Chairperson of Societe Generale Jordan from 2000 and until 2008. He is Chevalier of the French "Légion d' Honneur" and Officer of the French "Ordre National du Mérite".

Mr. Nadim Kassar (Vice Chairperson)
Mr. Nadim Kassar is the Vice-Chairman and General Manager of BLC Bank SAL. He holds currently the following positions: Vice-Chairman and General Manager of BLC Invest SAL, General Manager of Fransabank SAL, Founder and Board Member of Fransa Invest Bank SAL (FIB), Founder and Chairman of Fransabank Al Djazaïr SPA, Board Member of the Association of Banks in Lebanon since 2001, Board Member of USB Bank PLC, Board Member of Lebanese International Finance Executives (LIFE), Co-Manager of A.A. Kassar (France) SARL and General Manager of A.A. Kassar SAL. Mr. Kassar also is a Board Member of the following Institutions: MasterCard Incorporated Asia, Pacific, Middle East & Africa, SAMEA Regional Board of Directors since 2005, NetCommerce, Interbank Payment Network, IPN SAL, Credit Card Management, Founder and Board Member of the American Lebanese Chamber of Commerce. He holds as well the position of Deputy Chairman of Société Financière du Liban.

His social activities includes the Makassed Philantropic Islamic Association in Beirut as a Member of the Board of Trustees, a Member of the Lebanese-Chinese inter-parliamentary friendship committee, a Member of the Lebanese-Tunisian friendship committee and Treasurer of the Comité des Proprietaires- Ouyoun As Simane. Mr. Kassar is born in 1964 and holds a Bachelor's degree in Business Administration from the American University of Beirut.

Mr. Mansour Bteish representing Fransa Invest Bank SAL
Mr. Mansour Bteish joined Fransabank SAL in 1974. Over the course of four decades, Mr. Bteish held various management positions and headed major Central Departments until he was appointed General Manager of Fransabank SAL in 2005. Mr. Bteish is currently a member of the Board of Directors of several subsidiaries in Lebanon and abroad, including Fransa Invest Bank, BLC Bank SAL, BLC Invest, Lebanese Leasing Company, Fransabank (France), Fransabank El Djazaïr SPA (Algeria), USB Bank PLC (Cyprus), and United Capital Bank (Sudan). Born in 1954, Mr. Bteish holds a Bachelor's degree in Business Administration and a Master's degree in Money and Banking from Université Saint Joseph.

H.E. Mr. Ziyad Baroud
Mr. Ziyad Baroud was born in Lebanon in 1970. Graduate of College Saint Joseph Antoura, he acquired a Masters degree in Law from Saint Joseph University of Beirut and pursued doctoral studies in Paris. He is a Court lawyer and managing partner at HBD-T Law Firm, a Member of the Board of Directors of BLC BANK SAL, Lebanon and also a Member of the Board of Directors of other overseas companies. Between July 2008 until June 2011, he served as the Minister of Interior and Municipalities of the Republic of Lebanon. Prior to his appointment as Minister, he has held a number of academic posts as lecturer at the University Saint Joseph, held a number of significant positions among which: Member of the Lebanese National Commission on Electoral Law, Secretary General of the Lebanese Association for Democratic Elections, served as board Member for a number of significant organisations in Lebanon and has received a number of important Lebanese and overseas awards.

Biographical Details of the Members of the Board of Directors (continued)

Mr. Henri Guillemin
Mr. Henri Pierre Jean Guillemin was born in France in 1947. Graduate of St. Joseph de Reims College, France with a Bachelor in mathematics and holder of a Diploma with honours from the Institute of Political Sciences in Paris, he acquired a Master degree in Economics from the Paris-Sorbonne University and a Master degree in Business Administration from INSEAD Fontainebleau. He commenced his career in 1973 and has an extensive Banking experience serving in various positions in a number of Financial Institutions including the position of CEO of the Indosuez Bank Bahrein Branch, Managing Director and CEO of the Banque Saudi Fransi in Riyadh and Managing Director and CEO of Credit Agricole Egypt. From 2012 until today he serves as an Independent Member of the Board of Directors of Fransabank SAL, Beirut and from 2015 he serves as an Independent Member of the Board of Directors of Fransa Invest Bank Sal.

Mr. George Stylianou (Senior Independent Director)
Mr. George Stylianou was born in 1966. He has a BA (Honours) degree in Economics from Ealing College of United Kingdom. He is a Fellow of the Association of Chartered Certified Accountants and the Association of Certified Public Accountants of Cyprus. From 1990 to 1993 he worked in London for Moore Stephens Chartered Accountants and from 1994 until today he works as a partner in Moore Stephens Stylianou & Co. Certified Public Accountants and Registered Auditors. He is a Member of the Board of Directors of a number of other companies.

Mr. Philippos Philis
Mr. Philippos Philis was born in 1961. He is the founder of Lemissoler Group and has been Managing Director since its establishment in 1996. He is appointed as Chairperson and Chief Executive Officer of the Group since 2009. The Group is active in the shipmanagement, ship operations and shipowning in a diversified fleet of Bulk Carriers, Containers and Ro-Ro / Paper Carriers. In early 1997, he started IMCL Inter Marine Container Lines, one of the most successful container feeder operators in the Baltic Sea, which has been merged with Unifeeder at the end of 2009 creating the largest short sea and container operator in Europe. He graduated from RWTH Aachen with the title of Dipl. Ing. in Mechanical Engineering. He is specialized in Expert Systems applications in Logistics and completed the Executive Leadership Program (ELP) at the Cyprus International Institute of Management (CIIM). He also completed the Private Equity and Venture Capital (PEVC) executive course at the Harvard Business School (HBS). He is an elected Member of the Board of Directors of the Cyprus Shipping Chamber (CSC) and has been appointed as Vice President of the Chamber. He is a Member of the Board of Directors of the European Communities Shipowners' Associations (ECSA) and a Member of the Board of Directors of the International Chamber of Shipping (ICS). He is an elected Member of America Bureau of Shipping (ABS), a Member of the DNV GL Cyprus Committee and an elected Chairperson of the Cyprus Shipowners Employers Association (CySea). He is a Member of the Cyprus Professional Engineers Association (CPEA), the Scientific & Technical Chamber of Cyprus (ETEK) and the Institute of Marine Engineering, Science & Technology (IMarEST). He is a Member of the Board of Directors of a number of other companies. He speaks fluent Greek, German and English.

Mr. George Galatariotis
Mr. George Galatariotis was born in 1948. He has a B.Sc Economics degree of the University of London and also an MBA of City University. Since 1986 he is the Managing Director of Galatariotis Technical Ltd.

Mr. Agis Taramides
He was born in 1971. He has a Bachelors degree in Mathematics, Statistics and Operational Research and also a Masters Degree in Statistics. He is a Chartered Accountant, member of the Institute of Chartered Accountants in England & Wales and the Institute of Certified Public Accountants of Cyprus. He started his career in 1997 with Hallidays (Chartered Accountants) Limited in the United Kingdom. As from July 2014 he is the Managing Director of WTS Cyprus Limited and as from July 2015 member of the Board of Directors of Alkan Holdings (Cy) Ltd.

Biographical Details of the Members of the Board of Directors (continued)

Mr. Andreas Theodorides

Mr. Andreas Theodorides was born in 1970. He has a BA Economics with specialization in Accounting and Finance of the University of Manchester, United Kingdom. He is a Chartered Accountant, Member of the Institute of Chartered Accountants in England & Wales, the Association of Certified Public Accountants of Cyprus and the Association of Internal Auditors Cyprus. He started his career in 1992 in the audit firm of Arthur Andersen Manchester and then in Lombard Natwest Bank Ltd. He has been employed by USB BANK PLC since 1998 where he held various managerial positions. In 2009 he was appointed as Chief Financial Officer, as from 1 July 2010 he was appointed as the Deputy Managing Director and as from 29 April, 2014 he holds the position of the Chief Executive Officer of the Bank.

Mrs Despo Polycarpou

Mrs Despo Polycarpou was born in 1957. She is a Fellow of the Chartered Institute of Bankers (FCIB) and holds the ACIB degree. She started her career in 1976 in Hellenic Bank until 1999 when she was employed by USB BANK PLC. At USB BANK PLC she held various positions including Manager Banking Operations and Trade Services, Nicosia Regional Manager, Manager Banking Services Development, Manager Retail Sector and currently holds the position of the Assistant General Manager, Manager of Compliance & Projects and also the position of the Manager of Human Resources. Until October 2015 she was the Secretary General of the Cyprus Institute of Financial Services.

2. Confirmations by the Board of Directors

2.1 Internal Control Systems

The Board of Directors confirms that the Bank maintains an effective internal control system, designed to manage and minimize risks which is annually reviewed and assessed for its effectiveness from both the Directors as well as the Audit Committee of the Board of Directors. In this way the procedures for the accuracy and validity of the information provided to investors are reviewed.

The Bank maintains an Internal Audit Department headed by the Manager of Internal Audit Mr. Athos Fasouliotis, Chartered Accountant. The Department currently employs five people.

The Board of Directors confirms that it has conducted a review of the effectiveness of the Bank's internal control systems and the procedures for verifying the correctness and completeness of the information which are provided to the investors and states its satisfaction. The review covers all the systems of controls, including the financial and operational systems as well as the risk management systems. The Bank has assigned to the parent company BLC Bank SAL, the provision of services for the audit of the Information Technology of the Bank.

3. Board of Directors Committees

In accordance with the provisions of the Directive on Governance, an Audit, a Nominations and Internal Governance, a Remuneration and a Risk Committee have been set up.

3.1 Audit Committee

Overall Purpose / Objectives
The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities. In performing its duties, the Committee maintains effective working relationships with the Board of Directors, the Executive Management, the Internal Audit Function, the External Auditors and the Compliance Function.

Membership and Functioning

a) The Committee is appointed by the Board of Directors and consists of a minimum of three Members.
b) The Chairperson of the Board of Directors cannot be a Member of the Committee.
c) The Committee consists only of non-Executive Members and more than fifty percent (50%) must be Independent Members.
d) A quorum for any meeting, including a meeting conducted via teleconference, is 50% of its Members rounded down plus 1.
e) Decisions are taken by a majority and in the event of a tie the Chairperson has a casting vote.
f) In the absence of the Chairperson for more than 5 minutes following the time set for a meeting, the Members present may elect one of their number to chair the meeting.
g) The Bank's Secretary or his/ her nominee is the Secretary of the Committee.
h) At least one Member of the Committee shall has sufficient experience and knowledge in Banking and financial matters.
i) It is also desirable that one Member has sufficient knowledge on technology issues relevant to the activities of the Bank.
j) The Board of Directors is authorized to replace any Member or the Chairperson of the Committee during their service and fill in their vacant post.

Audit Committee Chairperson

The Chairperson of the Committee:
a. Is appointed by the Board of Directors,
b. Must be independent and
c. Must have specialist knowledge and experience in the application of accounting principles and Internal Control processes.

Frequency of meetings and participation

a) The Committee meets at least once each quarter. Depending on the circumstances, additional meetings can be convened as required. Additional meetings of the Committee may be convened by the Chairperson of the Committee, any Member of the Committee, the Internal Auditor or the External Auditor if they consider that this is necessary.
b) The Committee meets at least once a year with the External Auditors without the presence of the management or any other executive.

3.1 Audit Committee (continued)

Duties and Responsibilities

The Audit Committee has, amongst others, the following main duties and responsibilities:

a) Reviews and evaluates on an annual basis the adequacy and effectiveness of the Internal Control System as per the relative information provided by the Internal Audit Function, the findings and observations of the External Auditors and the Central Bank of Cyprus. On the basis of this review, it submits to the Board of Directors recommendations for addressing any weaknesses which have been identified and oversees the timely implementation of the corrective actions carried out by the Bank's competent Units/Departments,
b) Reviews the Bank's Annual Reports/ Statements on Internal Control and its compliance with the current Guidance on Governance and Management Arrangements prior to their submission to the Board of Directors. In particular the Committee reviews:
    i. The Policies and overall process for identifying and assessing business risks and managing their impact on the Bank,
    ii. The reports submitted periodically by the Management, the Internal Audit and the External Auditors concerning control mechanisms and risk management,
    iii. The timeliness and effectiveness of corrective and/ or preventive measures taken by the Senior Management.
c) Considers whether, under the Legal and Regulatory requirements, any disclosures should be made for issues related with Internal Control Procedures,
d) Reviews and ensures that appropriate procedures are in place for identifying/ detecting fraud or misconduct,
e) Oversees the Bank's Internal Audit Function,
f) Oversees the Bank's Compliance Function,
g) Assesses and advises the Board of Directors, drawing on the work of the Compliance Function and External Auditors, on the adequacy and effectiveness of the Compliance Framework,
h) Submits proposals to the Board of Directors on the appointment, compensation, substitution or rotation of the External Auditors,
i) Enters into adequate dialogue with the External Auditor on the scope and timing of the audit to understand the issues of risk, information on the insurer's operating environment which is relevant to the audit, and any areas in which the Board of Directors may request for specific procedures to be carried out by the External Auditor, whether as part or extension of the audit engagement,
j) Reviews and considers the results of the external audit, its cost effectiveness and the audit fee,
k) Reviews, prior to its consideration by the Board of Directors, the External Auditor's report,
l) Reviews and discusses with the Management and/or the External Auditors any Preliminary Results, Interim Information and Annual Financial Statements.

3.1 Audit Committee (continued)

Composition and service of the Members of the Audit Committee during 2015 until today

Chairperson:		
George Stylianou	from 07/07/2008	Non-Executive, Independent
Members:		
Philippos Philis	from 21/01/2009	Non-Executive, Independent
Agis Taramides	from 21/03/2011	Non–Executive, Independent
Fransa Invest Bank Sal		
(represented by Mr. Mansour Bteish)	from 21/07/2015	Non-Executive, Non Independent
Henri Guillemin	from 20/11/2015	Non-Executive, Independent

Changes in the composition during 2015

Walid Daouk	from 21/03/2011	
	(retired 21/07/2015,	Non-Executive Non Independent)
BLC Bank Sal (represented by Mr. Youssef Eid)	from 21/03/2011	
	(retired on 21/07/2015,	Non-Executive, Non Independent)
Raoul Nehme	from 21/07/2015	
	(resigned on 26/08/2015,	Non-Executive, Non Independent)

During the year 2015 the Audit Committee met six times.

3.2 Nominations and Internal Governance Committee

Overall Purpose / Objectives

The Committee has the responsibility of ensuring the Bank's compliance with the Bank's Internal Governance Policy and the relevant requirements of the Legal and Regulatory Framework.

The Committee, within the scope of its role and responsibilities, assists the Board of Directors in fulfilling its duties. In discharging its duties, the Committee maintains effective working relationships with the Board of Directors and its Committees, the Management, the Control Functions and the Human Resource Function.

The Committee also has the responsibility of overseeing the selection and appointment process to ensure that competent and suitable individuals are appointed on the Bank's Board of Directors. The Committee prepares and submits to the Board of Directors proposals for the appointment of the Executive and Non-Executive Board of Directors Members.

Furthermore, the Committee closely cooperates with the relevant Board of Directors Committees for the review of the composition, authority and independence of the Bank's Control Functions.

3.2 Nominations and Internal Governance Committee (continued)

Membership and Functioning

a. The Committee is appointed by the Board of Directors and consists of a minimum of three Members.
b. The Committee consists only of non-Executive Members and more than fifty percent (50%) must be Independent Members.
c. A quorum for any meeting, including a meeting conducted via teleconference, is 50% of its Members rounded down plus 1.
d. Decisions shall be taken by a majority and in the event of a tie the Chairperson has a casting vote.
e. In the absence of the Chairperson for more than 5 minutes following the time set for a meeting, the Members present may elect one of their number to chair the meeting.
f. The Bank's Secretary or his/ her nominee is the Secretary of the Committee.
g. The Board of Directors is authorized to replace any Member or the Chairperson of the Committee during their service and fill in their vacant post.

Nominations and Internal Governance Committee Chairperson

The Chairperson of the Committee is appointed by the Board of Directors.

In the event that the Chairperson of the Board of Directors is also the Chairperson of the Nominations and Internal Governance Committee then he/ she may not participate in the process of appointing his or her successor.

Frequency of meetings and participation

The Committee meets at least once each year. Depending on the circumstances, additional meetings can be convened as required. An additional meeting of the Committee may be convened by the Chairperson of the Committee or any Member of the Committee.

Duties and Responsibilities

The Committee has, amongst others, the following main duties and responsibilities:

a. Preparing a description of the roles and capabilities for any vacancy, the profile of the potential candidates for the Board of Directors, including their academic and professional qualifications, their experience and abilities and also assessing the time commitment expected.
b. Identifying and nominating suitable candidates for the consideration and approval of the Board of Directors for filling up Board of Directors vacancies in a timely manner and aiming at ensuring smooth succession, in particular for the positions of the Chairperson and the Chief Executive Officer. The Committee's recommendations are based on the needs of the Board of Directors.
c. Assessing periodically and at least annually, based on the regulatory requirements, and reporting to the Chairperson of the Board of Directors with respect to the:
   i. Structure,
   ii. Size,
   iii. Composition,
   iv. Balance of skills, knowledge, expertise and
   v. Performance,

   as applicable, of individual Members of the Board of Directors and of the Board of Directors collectively and making recommendations with regards to any changes.

3.2 Nominations and Internal Governance Committee (continued)

Duties and Responsibilities (continued)

d. Putting in place and periodically reviewing a Policy promoting an appropriate level of age, geographical, educational, professional and gender diversity on the Board of Directors and Senior Management.
e. Periodically and at least annually, reviewing the Policy of the Board of Directors for the selection, appointment, rotation, promotion and replacement of the Senior Executive Management and Heads of the Control Functions and making recommendations to the Board of Directors.
f. Contributing in the process carried out by the Audit Committee for the appointment or removal of the Heads of the Internal Audit Function and Compliance Function.
g. Contributing in the process carried out by the Risk Committee for the appointment or removal of the Heads of the Risk Management Function and Information Security Function.
h. Considering issues relating to succession planning and making recommendations to the Chairperson of the Board of Directors, at least once a year, for Board of Directors succession over the longer term in order to maintain an appropriate balance of diversity, skills and experience and to ensure progressive renewal of the Board of Directors.
i. Periodically reviewing, and at least annually, in collaboration with the Audit and Risk Committee, the composition, authority and independence of their corresponding Control Functions and reporting to the Board of Directors accordingly.
j. Assessing on an ongoing basis the independence of the non-Executive and Independent Members and whether there are any relationships or circumstances which are likely to affect, or could appear to be affecting a Member's independence.

Composition and service of the Members of the Nominations and Internal Governance Committee during 2015 until today

Chairperson:

Ziyad Baroud	from 21/07/2015	Non-Executive, Independent

Members:

Nadim Kassar	from 21/03/2011	Non-Executive, Non Independent
Agis Taramides	from 21/07/2015	Non-Executive, Independent
Henri Guillemin	from 20/11/2015	Non-Executive, Independent

Changes in the composition during 2015

Philippos Philis	from 25/02/2010	
	(rotated on 21/07/2015,	Non-Executive, Independent
Raoul Nehme	from 21/10/2010	
	(rotated on 21/07/2015 and resigned on 26/08/2015)	
Nabil Kassar	from 21/03/2011	
	(retired on 21/07/2015,	Non-Executive, Non Independent
BLC Bank Sal (represented by Mr. Youssef Eid)	from 21/03/2011	
	(retired on 21/07/2015	Non-Executive, Non Independent
Andreas Theodorides	from 21/03/2011 (membership ceased on 21/07/2015)	
		Executive, Non Independent

During the year 2015, the Committee met five times.

3.3 Remuneration Committee

Overall Purpose / Objectives

The Remuneration Committee assists the Board of Directors in determining and implementing the Bank's Remuneration Policies.

The Committee reviews regularly the remuneration of the Executive and Non-Executive Directors, the Senior Management and any other personnel whose duties may involve increased risk taking and ensures that these are in line with the culture, the strategic plans and objectives and the regulatory environment of the Bank.

Furthermore, in cooperation with the corresponding Board of Directors Committees, the Committee also oversees the remuneration of the Heads of the Control Functions as a means of strengthening their independence.

In discharging its duties the Committee maintains effective working relationships with the Board of Directors, the Board of Directors Committees, the Control Functions and the Human Resource Function.

It is noted that salaries in the Bank are currently governed by the agreement between the Bank and the Employees' Union. However the Committee is alert at all times to ensure that remunerations are in line with the above objectives.

Membership and Functioning

a. The Committee is appointed by the Board of Directors and consists of at least three Members.
b. The Committee consists only of non-Executive Members and more than fifty percent (50%) must be Independent Members,
c. A quorum for any meeting, including a meeting conducted via teleconference, is 50% of its Members rounded down plus 1,
d. Decisions shall be taken by a majority and in the event of a tie the Chairperson has a casting vote.
e. In the absence of the Chairperson for more than 5 minutes following the time set for a meeting, the Members present may elect one of their number to chair the meeting.
f. The Bank's Secretary or his/her nominee is the Secretary of the Committee.
g. The Board of Directors is authorized to replace any Member or the Chairperson of the Committee during their service and fill in their vacant post.

Remuneration Committee Chairperson

The Chairperson of the Committee is appointed by the Board of Directors.

Frequency of meetings and participation

The Committee meets at least once each year. Additional meetings can be convened by the Chairperson of the Committee or any Member of the Committee.

3.3 Remuneration Committee (continued)

Duties and Responsibilities (continued)

The Committee has, amongst others, the following main duties and responsibilities:

a) The Committee is responsible for the preparation of decisions regarding remuneration, including those which have implications for the risk and risk management of the Bank and which are to be taken by the Board of Directors. When preparing the aforesaid decision, the Committee takes into account the long-term interests of Members, investors and other stakeholders of the Bank and the public interest and ensures that:
   (i) These are closely linked with the Bank's business objectives and strategies,
   (ii) These are in line with the requirements set out in 'Part VI Remuneration Framework' of the Directive on Governance.

b. Non-Executive Members are not included in the beneficiaries of performance-related remunerations.

c. Considers:
   i. The remuneration and other terms of service of Senior Executives,
   ii. Proposed compensation and settlement terms on loss of office for Executive Directors and Senior Management,
   iii. The pension consequences and associated costs to the Bank of basic salary increases and other changes in remuneration.

d. Reviews the employment contracts of the Executive Members.

e. Submits to the Board of Directors recommendations concerning the Framework and level of remuneration of the Executive Members. The remuneration must be sufficient so as to attract and maintain the Executives at the Bank's service,

f. Submits the proposals for the Director's remuneration, to the Board of Directors for its approval and subsequent presentation to and approval by the Members at an Annual General Meeting.

Composition and service of the Members of the Remuneration Committee during 2015 until today

Chairperson:		
George Galatariotis	from 21/03/2011	Non-Executive, Independent
Members:		
Maurice Sehnaoui	from 21/03/2011	Non-Executive, Non-Independent
Ziyad Baroud	from 21/07/2015	Non-Executive, Independent

Changes in the composition during 2015

Philippos Philis	from 21/10/2010 (rotated on 21/07/2015)	Non-Executive, Independent

During the year 2015, the Committee met three times.

3.4 Risk Committee

Overall Purpose / Objectives

The Risk Committee assists the Board in fulfilling its oversight responsibilities in risk management, hence the Committee Members shall have appropriate knowledge, skills and expertise to fully understand and monitor the risk strategy, the risk appetite of the Bank and the Bank's Risk Management Framework.

In discharging its duties, the Committee shall maintain effective working relationships with the Board of Directors and Committees, the Management, the Risk Management Function, the Information Security Function and the External Auditors.

Membership and functioning

a. The Committee is appointed by the Board of Directors and consists of a minimum of three Members who possess appropriate knowledge, skills and expertise to fully understand and monitor the risk strategy and the risk appetite of the Bank.
b. The Committee consists only of non-Executive Members and more than fifty percent (50%) must be Independent Members.
c. A quorum for any meeting, including a meeting conducted via teleconference, shall be 50% of its Members rounded down plus 1.
d. Decisions shall be taken by a majority and in the event of a tie the Chairperson shall have a casting vote.
e. In the absence of the Chairperson for more than 5 minutes following the time set for a meeting, the Members present may elect one of their number to chair the meeting.
f. The Bank's Secretary or his/ her nominee is the Secretary of the Committee.
g. The Board of Directors is authorized to replace any Member or the Chairperson of the Committee during their service and fill in their vacant post.

Risk Committee Chairperson

The Chairperson of the Committee is appointed by the Board of Directors.

Frequency of meetings and participation

The Committee meets at least once each quarter. Additional meetings may be convened by the Chairperson of the Committee, any Member of the Committee, the Risk Manager or the External Auditor if they consider this necessary.

3.4 Risk Committee (continued)

Duties and Responsibilities

The Committee has, amongst others, the following main duties and responsibilities, without prejudice to the overall responsibility of the Board of Directors for risks:

a) Advises the Board of Directors on the Bank's overall current and future risk appetite and strategy, taking into account:
   i. The requirements set out in the Directive on Governance,
   ii. The financial and risk profile of the Bank and
   iii. The capacity of the Bank to manage and control risk.
b) Advises the Board of Directors on the determination of the principles which should govern the Management of risks.
c) Oversees the development of an Internal Risk Management Framework and its integration with the Bank's decision making process, covering the whole spectrum of the Bank's activities and units, as well as any subsidiaries.
d) Examines whether incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings.
e) Assesses the adequacy of and oversees the carrying out of the annual stress test and other scenarios to assess:
   i) Market risk,
   ii) Credit risk,
   iii) Liquidity risk and
   iv) Operational risk.
f) Assesses the various risks involved in the participation of the Bank in new markets, new companies or new operations and submits proposals to the Board of Directors.
g) Seeks and receives adequate reassurance that:
   i. The Senior Executive Management fully comprehends and applies the acceptable risk taking levels, as these have been defined by the Board of Directors,
   ii. That all affected employees comprehend and apply the risk taking and risk Management Policy and
   iii. That excessive risk-taking is not encouraged.
h) Oversees the Bank's Risk Management Function,
i) Oversees the Bank's Information Security Function.
j) Evaluates the quarterly reports submitted to it by the Risk Management Function and briefs the Board of Directors on the most important risks which have been assumed by the Bank.
k) Assesses, on an annual basis:
   i. The adequacy and effectiveness of the Risk Management Policy,
   ii. The appropriateness of the risk appetite and risk limits,
   iii. The adequacy of provisions and effectiveness of strategies and policies with respect to maintaining, on an ongoing basis, amounts, types and distribution of both internal capital and own funds adequate to cover the risks of the Institution,
   iv. The overall capital adequacy of own funds in relation to the size and nature of the risks undertaken,
l) Advises the Board of Directors, drawing on the work of the Audit Committee, risk Management Function and External Auditors, on the adequacy and effectiveness of the Risk Management Framework,

3.4 Risk Committee (continued)

Duties and Responsibilities (continued)

m) Advises the Board of Directors, drawing on the work of the Audit Committee, Information Security Function and External Auditors, on the adequacy and effectiveness of the Information Security Framework,
n) Advises the Board of Directors, drawing on the work of the Audit Committee, Risk Management Function and Information Security Function and External Auditors, on the adequacy and robustness of information and communication systems to:
   i. Enable identification, measurement, assessment and reporting of risk in a timely and accurate manner,
   ii. Ensure the adequate protection of the Bank's confidential and proprietary information,
o) Submit to the Board of Directors proposals and recommendations for corrective action, whenever weaknesses are identified in implementing the risk strategy,
p) Review whether prices of liabilities and assets offered to clients take fully into account the Bank's business model and risk strategy. In the event that they do not, the Committee presents a remedy plan to the Board of Directors.

Composition and service of the Members of the Risk Committee during 2015 until today

Chairperson:		
Philippos Philis	from 21/07/2015	Non-Executive, Independent
Members:		
George Galatariotis	from 21/03/2011	Non-Executive, Independent
Fransa Invest Bank Sal (represented by Mr. Mansour Bteish)	from 04/11/2011	Non-Executive, Non Independent
George Stylianou	from 21/07/2015	Non Executive, Independent
Nadim Kassar	from 20/11/2015	Non-Executive, Non-Independent

Changes in the composition during 2015

Walid Daouk	from 21/03/2011 (retired on 21/07/2015)	Non-Executive, Non Independent
Andreas Theodorides	from 12/07/2010 (membership ceased on 21/07/2015),	Executive, Non Independent
Nabil Kassar	from 21/03/2011 (resigned on 21/07/2015),	Non-Executive, Non Independent)
BLC Bank Sal (represented by Mr. Yousef Eid)	from 21/03/2011 (resigned on 21/07/2015)	Non-Executive, Non Independent
Raoul Nehme	from 04/11/2011 (resigned on 26/08/2015)	Non-Executive, Non Independent

During the year 2015, the Committee met four times.

4. Report on Remuneration of Board of Directors and Senior Management

The Bank applies the provisions regarding the Remuneration of the Directors that are included in the Directive on Governance.

The remuneration of the Members of the Board of Directors is analysed between remuneration as Members of the Board of Directors and remuneration for their executive services. The analysis of the remuneration of the Board of Directors is presented in Note 33 of the audited financial statements for the year ended 31 December 2015.

The Remuneration of the Non-Executive Members of the Board includes fees for their participation as Members in the Board of Directors of the Bank and also as Members in the Committees of the Board of Directors.

Based on the existing policy of the Bank, the remuneration of the Non-Executive Directors is based on their responsibilities, time spent on meetings and their participation to the various Committees of the Board of Directors and is not connected with the profitability of the Bank.

Also, in accordance with the Articles of Association of the Bank, the Members of the Board of Directors can claim the travelling expenses incurred for attendance in meetings.

The revision of the remuneration of the Non-Executive Directors is authorised by the Members of the Bank at a General Meeting of the Bank.

Details in relation to the remuneration of the Non- Executive Directors for the years 2015 and 2014 are set out below.

Remuneration of the Non-Executive Members of the Board	**2015**	**2014**
	€	**€**
Maurice Sehnaoui	31.781	31.098
Fransabank SAL represented by Mr. Adel Kassar (retired on 21.7.2015)	4.133	7.171
Nadim Kassar	8.491	8.013
Nabil Kassar (retired on 21.7.2015)	5.832	10.183
Walid Daouk (retired on 21.7.2015)	8.607	15.281
Fransa Invest Bank SAL represented by Mr. Mansour Bteish	11.003	9.513
Raoul Nehme (retired on 26.08.2015)	7.387	10.354
BLC Bank SAL represented by Mr. Youssef Eid (retired on 21.7.2015)	7.821	12.696
Tania Moussallem (retired on 21.7.2015)	4.303	7.342
Agis Taramides	10.846	9.769
George Galatariotis	11.495	10.812
George Stylianou	14.772	12.982
Philippos Philis	14.642	11.576
Ziyad Baroud (appointed on 21.7.2015)	4.306	-
Henri Guillemin (appointed on 20.11.2015)	1.312	-
	146.731	156.790

4. Report on Remuneration of Board of Directors and Senior Management (continued)

Remuneration of Executive Members of the Board

The last time the remuneration of the Non-Executive Directors was revised, was at the Extraordinary General Meeting of the Members of the Bank on the 21st of January 2009. Taking into account the above and also the respective remuneration of Directors in other comparable organisations, a proposal of the Board of Directors for an increase in the remuneration of the Non-Executive Directors with effect from August 1st 2015, shall be brought before the Members of the Bank at a General Meeting of the Bank.

As a result, during 2015 an additional amount of €71.945 has been recognised in the Income statement of the Bank in relation to the aforesaid increase in the non-Executive Directors' remuneration, which shall be proposed to the members in a General Meeting for approval.

The salaries and other short-term benefits of the Executive Members of the Board totalling €265K (2014 €243K) concern €163K (2014:138K) for Mr. Andreas Theodorides and €102K (2014:105.K) for Mrs. Despo Polycarpou.

The employment and remuneration of the Executive Directors are governed by the collective agreements as applied to all other staff Members of the Bank.

The Executive Members of the Board of Directors are also entitled to any other benefits that are offered to the management and personnel of the Bank as part of its overall employment policy and collective agreements.

As far as the remuneration of the Executive Directors is concerned, no remuneration policy is provided, under which variable remuneration components are included, nor were any schemes adopted under which share options are granted.

All Executive Members of the Board of Directors are participating in the Staff Retirement Plan with the same terms applicable to the personnel of the Bank. The main characteristics of the Scheme are described in Note 6 of the audited consolidated financial statements for the year ended 31 December 2015.

Remuneration of Senior Management

The Remuneration of the Senior Management, which includes the two Executive Directors and all Managers reporting directly to the Chief Executive Officer of the Bank, amounted in 2015 to €1.360.036 (2014 €1.419.672).

5. Loans and other transactions of the Members of the Board of Directors

Details of the loans and other transactions of the Members of the Board of Directors and their related parties for the year ended 31 December 2015 are set out in Note 33 of the audited financial statements. It is certified that all the transactions are conducted in the normal course of the Bank's business, on an arms length basis and with transparency.

6. Investor Relations

All Members of the Bank are treated on an equal basis. The Bank, within the framework of providing the Members with timely information, announces its financial results.

The Board of Directors provide the opportunity to the Members of the Bank who represent at least 5% of the Bank's share capital to place items on the agenda of the General Meetings of the Members, in accordance with the procedures provided for by the Companies Act.

Any amendments or additions to the Memorandum and Articles of Association of the Bank are considered valid only by a special resolution at a meeting of the Members.

The Senior Independent Director Mr. George Stylianou is available to the Members of the Bank if they have concerns that have not been resolved through the normal communication channels.

Board of Directors
USB BANK PLC

Nicosia, 22 April 2016

Board of Directors and Executives

Board of Directors

Maurice Sehnaoui, Non Executive Chairman	
Nadim Kassar, Non Executive Vice-Chairman	
Fransabank SAL represented by Mr. Adel Kassar	- Resigned on 21 July 2015
Nabil Kassar	- Resigned on 21 July 2015
Walid Daouk	- Resigned on 21 July 2015
Fransa Invest Bank SAL represented by Mr. Mansour Bteish	
Raoul Nehme	- Resigned on 26 August 2015
BLC Bank SAL represented by Mr.Youssef Eid	- Resigned on 21 July 2015
Tania Moussallem	- Resigned on 21 July 2015
Agis Taramides	
George Galatariotis	
George Stylianou	
Philippos Philis	
Ziyad Baroud	- Appointed on 21 July 2015
Henri Pierre Jean Guillemin	- Appointed on 20 November 2015
Andreas Theodorides	
Despo Polycarpou	

Secretary

Andreas Theodorides	- Resigned on 21 July 2015
Panayiota Charitonos	- Appointed on 21 July 2015

Chief Executive Officer
Andreas Theodorides

Finance Manager
Paola Ioannou

Registered Office
83 Digenis Akritas Avenue
5th floor
1070 Nicosia

Legal Advisors
Dr. Kypros Chrysostomides & Co LLC
L.Papafilippou & Co LLC

Independent Auditors
Deloitte Limited
Certified Public Accountants and Registered Auditors

The Board of Directors of USB Bank Plc (the 'Bank') submit to the shareholders their Report and the audited financial statements for the year ended 31 December 2015.

Activities

The Bank's main activities during the year continued to be the provision of banking and financial services in Cyprus through 14 fully operated branches and 3 branches with ATM operations only.

Operating environment and Future developments

The Cypriot economy returned to positive growth rates in 2015 with the growth mainly driven by tourism, business services and financial and insurance services on the supply side. On the expenditure side the driver for growth was mainly investments in buildings, metals and machinery and transport equipment. The growth was also supported by the depreciation of the euro and the drop in oil price.

The ESM Macroeconomic Adjustment Programme ended on 31st March 2016 and the government has decided to exit without a successor arrangement. In March 2016 the Eurogroup has issued a statement where it is highlighting the need for further reform to strengthen the resilience of the Cyprus economy. In recognition of the progress achieved on the fiscal front and on economic recovery as well as the adoption in April 2015 of a comprehensive reform framework for corporate and personal insolvency, the international credit rating agencies have upgraded the credit ratings for the Cypriot sovereign opening the way for the sovereign to access the international capital markets.

Despite the important steps taken towards restoring the economic climate, some degree of uncertainty still remains with the high volume of non performing exposures being a key issue to resolve in order to restore the credibility of the financial sector.

The implementation of the foreclosure law will assist banks to manage more effectively the non performing exposures (the 'NPEs') as it will result in an improvement in the negotiating power with defaulted customers and a reduction in the recovery period in case of repossession of an asset from a defaulted customer.

Credit risk management is considered as an important process and factor contributing towards the safeguarding of the Banks' operations and the Management takes all necessary steps to effectively manage it. In this respect significant resources have been diverted in managing the high level of NPEs through sustainable restructuring solutions and other decisive actions to address the issue including debt to assets swaps. This will ensure improved performance, sustainable profitability and growth.

Detailed information about the operating environment is set out in Note 35 to the Financial Statements.

Financial Results

The results of the Bank for the year ended 31st December 2015 are set out in the consolidated income statement on Page 33.

Despite the challenging economic conditions the Bank maintained healthy liquidity levels, with a net loans to deposits ratio at 61%, a euro liquidity ratio of 27% as an average for the year, with the regulatory minimum being 20%, and no interbank lending or from any other third party.

The Bank's turnover was decreased by 10% in relation to the previous year mainly because of the reduction in the net interest income by €1,5m. The reduction of the lending interest rates early in the year had an immediate negative effect on the Bank's interest margin, whereas the impact from the reduction on the deposit interest rates is being gradual in accordance with the maturity schedule of the fixed deposits.

Financial Results (continued)

Fees, commissions and other income was negatively affected by 5,5% in relation to the previous year due to the lower volume of transactions and total expenses for the year 2015 were marginally increased by 1% given the cost control efforts implemented. As a result the operating profit of the Bank resulted to €10,8m in relation to €12,6m for the year 2014 representing a decrease of €1,8m or 14%.

An amount of €1,4 million was recognized as a loss on revaluation of investment properties which were acquired by the Bank in settlement of customer debts and are accounted for at their estimated fair value at the reporting date.

In 2015, the provision charge for impairment losses to cover credit risk amounted to €16,6m and decreased by €7,5m compared to 2014 resulting to a net loss of €7,2m for the year 2015 in relation to a net loss of €13,1m for the year 2014.

Dividends

In 2015 and 2014 no dividends were paid or declared by the Bank since the Bank had accumulated losses. It should be noted that the Bank is currently under a regulatory dividend distribution prohibition.

Share capital and Loan capital

In an Extraordinary General Meeting ("EGM") held on the 28th May 2015 a special resolution was passed whereby the Bank was authorised to proceed with the issue and allotment of 40.800.000 new ordinary shares of nominal value of €0,10 to BLC Bank SAL at the issue price of €0,25 per share (the "Issue"). With the successful Issue and allotment of 40.800.000 new ordinary shares to BLC Bank SAL the issued share capital of the Bank as at 31st December 2015 amounts to €20.673.733 divided into 206.737.330 ordinary shares of nominal value €0,10 per share. The new 40.800.000 ordinary shares rank pari passu with the existing shares of the Bank.

At the same EGM it was decided that following the above Issue, the Bank would proceed immediately with the commencement of the Redemption procedures that was effected on the 30th June 2015, for which the relevant approval of the Central Bank of Cyprus has been obtained, of the Capital Securities of €973.903 issued on the 1st January 2006, the Convertible Bonds (USBCB) of €1.209.060 issued on the 14th June 2010 and the Non-Convertible Bonds (USBSB) of €8.000.000 issued on the 30th December 2009, in accordance with their respective terms and conditions in cash at their nominal value together with any earned interest of the current period.

A third resolution was passed at the same EGM where it was decided that following the completion of the Mandatory Public Takeover Bid of BLC Bank SAL to the members of the Bank for the acquisition of up to 100% of the issued share capital of the Bank, the Board of Directors of the Bank will immediately proceed with the necessary actions for the delisting of the titles of the Bank from the Cyprus Stock Exchange ("CSE"). Following the successful completion of the Mandatory Takeover Bid of BLC Bank SAL to the shareholders of USB Bank Plc for the acquisition of up to 100% of the issued share capital of USB Bank Plc and the expiry, on 25th August 2015, of the period exercising the right to Sell out by the remaining shareholders of the Bank, the total participation of BLC Bank SAL in the issued share capital of the Bank has increased to 98,832%.

Further to the above, the Cyprus Securities and Exchange Commission has granted its consent to the CSE for the delisting of the shares of the Bank from the CSE. The delisting of the shares was in effect from the 8th October 2015 and the trading of the titles was suspended from the 5th of October 2015 to the 7th October 2015.

Capital management

The primary objective of the Bank's capital management is to ensure compliance with the relevant regulatory capital requirements and healthy capital adequacy ratios in order to support its business and maximize shareholder value.

Following the completion of the Supervisory Review and Evaluation Process ("SREP") of the Bank by Central Bank of Cyprus ("CBC"), the Pillar 2 Capital Requirements amounts to 4% resulting in a Total Supervisory Capital Requirements of 14,5% based on the 31st December 2014 figures which give rise to an injection of €23m additional capital. Furthermore, the Total Supervisory Capital Requirements shall always be maintained above 12,25% in the future.

The parent of the Bank, BLC Bank SAL, has made an irrevocable commitment to fully cover the required increase of capital of the Bank, by blocking €23m in an escrow account to facilitate the issue of additional share capital not later than 30 September 2016 as per CBC requirement.

Details on capital management are shown in Note 32 to the financial statements.

Board of Directors

The Board of Directors at the date of this report is listed on page 27.

At the Annual General Meeting held on the 21st July 2015 the retiring Directors Messrs Nadim Kassar and George Galatariotis were approved for re-election. The members of the Board of Directors Messrs Nabil Kassar, Walid Daouk and Fransabank SAL represented by Mr. Adel Kassar, who pursuant to the Articles of Association of the Bank would retire, did not put themselves for re-election by the members of the Bank.

In a meeting held on 21 July 2015 the Bank's Board of Directors made the following resolutions:

1. Appointment of Mr. Ziyad Baroud with effect from 21 July 2015 as a new Non Executive Independent member of the Board of Directors.
2. Accepted the resignations of the members of the Board of Directors, Mrs. Tania Moussallem and BLC Bank SAL represented by Mr. Youssef Eid which were submitted to the Board of Directors on 21 July 2015.
3. Appointed Mrs. Panayiota Charitonos as the new Secretary of the Board of Directors to replace Mr. Andreas Theodorides.

On the 26th August 2015, Mr. Raoul Nehme resigned from his position of Non Executive, Non Independent Member of the Board of Directors and at a meeting held by the Board of Directors on the 20th November 2015, Mr. Henri Pierre Jean Guillemin was appointed as a Non Executive, Independent Member of the Board of Directors.

According to the Bank's Articles of Association, at the next Annual General Meeting of the Bank's shareholders, Mr. Maurice Sehnaoui, Fransa Invest Bank Sal represented by Mr. Mansour Bteish and Mr. Agis Taramides will retire but are offered for re-election.

Also, Messrs Ziyad Baroud who was appointed by the Board of Directors on 21st July 2015 and Mr. Henri Pierre Jean Guillemin who was appointed by the Board of Directors on the 20th November 2015 will resign but are eligible for election.

Risk management

The Bank considers risk management to be a major process and a significant factor contributing towards the safeguarding of a stable return to its shareholders. The financial risks that the Bank is exposed to are mainly credit risk, operational risk, market risk and liquidity risk. Detailed information relating to risk management is set out in Note 31 to the financial statements.

Related party transactions

The related party transactions of the Bank are disclosed in Note 33 to the Financial Statements.

Events after the reporting date

Any significant events that occurred after the reporting date are described in Note 36 to the Financial Statements.

Independent auditors

The independent auditors of the Bank, Deloitte Limited, have expressed their willingness to continue in office. A resolution for the election of the Bank's independent auditors and their remuneration will be proposed at the shareholders' Annual General Meeting.

On behalf of the Board of Directors,

Maurice Sehnaoui
Chairman
Nicosia, 30 May 2016

	Note	2015 €	2014 €
Turnover		**39.857.983**	44.487.232
Interest income	4	**36.925.281**	41.399.561
Interest expense	5	**(10.843.610)**	(13.898.043)
Net interest income		**26.081.671**	27.501.518
Fee and commission income		**2.249.563**	2.645.506
Fee and commission expense		**(480.505)**	(490.182)
Foreign exchange income		**265.040**	305.505
Other income		**418.099**	136.660
Total net income		**28.533.868**	30.099.007
Staff costs	6	**(11.092.897)**	(11.017.996)
Depreciation of property, equipment and intangible assets	16,17	**(877.826)**	(786.039)
Other operating expenses		**(5.755.043)**	(5.730.821)
Total operating expenses before provisions		**(17.725.766)**	(17.534.856)
Profit from operations		**10.808.102**	12.564.151
Loss on revaluation of investment properties	15	(1.434.767)	(1.574.000)
Profit before provisions for impairment of loans and advances		**9.373.335**	10.990.151
Provision for impairment of loans and advances	12	**(16.613.345)**	(24.209.839)
Loss before tax	7	**(7.240.010)**	(13.219.688)
Deferred tax	8	43.205	79.300
Loss for the year		**(7.196.805)**	(13.140.388)
Attributable to:			
Owners of the Bank		**(7.248.268)**	(13.140.388)
Non-controlling interests		**51.463**	-
Loss for the year		**(7.196.805)**	(13.140.388)
Loss per share attributable to the owners of the Bank (cent)	9	**(3,8)**	(9,4)

	Note	**2015** **€**	**2014** **€**
Loss for the year		**(7.196.805)**	(13.140.388)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Available for sale investments			
Profit on revaluation of investments available for sale	23	**1.739.272**	-
		1.739.272	-
Items that will not be reclassified subsequently to profit or loss			
Property revaluation			
Profit/(loss) on revaluation of properties	23	**113.791**	(32.775)
Taxation on revaluation of properties	23	**(9.677)**	6.417
		104.114	(26.358)
Other comprehensive income for the year after taxation		**1.843.386**	(26.358)
Total comprehensive income for the year		**(5.353.419)**	(13.166.746)
Attributable to:			
Owners of the Bank		**(5.433.318)**	(13.166.746)
Non-controlling interests		**79.899**	-
Total comprehensive income year		**(5.353.419)**	(13.166.746)

	Note	**2015**	**2014**
		€	**€**
ASSETS			
Cash and balances with the Central Bank	10	**20.158.901**	69.584.511
Placements with banks	11	**48.297.554**	87.153.762
Loans and advances to customers	12	**354.592.363**	379.837.587
Investments available for sale	13	**1.739.272**	-
Investments held-to-maturity	14	**157.258.965**	100.563.138
Investment properties	15	**47.031.030**	30.756.000
Property and equipment	16	**9.592.950**	5.270.986
Intangible assets	17	**552.846**	578.905
Other assets	18	**2.891.035**	2.839.403
Total assets		**642.114.916**	676.584.292
LIABILITIES			
Customer deposits	19	**582.723.906**	606.306.788
Other liabilities	20	**12.299.530**	10.593.900
Loan capital	21	**-**	10.182.963
Total liabilities		**595.023.436**	627.083.651
EQUITY			
Share capital	22	**20.673.733**	16.593.733
Share premium	22	**44.120.065**	38.000.065
Special reserve	22	**-**	10.200.000
Revaluation reserves	23	**5.118.849**	3.303.899
Accumulated losses	24	**(25.845.324)**	(18.597.056)
Equity attributable to the owners of the Bank		**44.067.323**	49.500.641
Non-controlling interests		**3.024.157**	-
Total equity		**47.091.480**	49.500.641
Total liabilities and equity		**642.114.916**	676.584.292

	Attributable to the owners of the Bank							
	Share capital (Note 22)	**Share premium** (Note 22)	**Special reserve**	**Revaluation reserves** (Note 23)	**Accumulated losses** (Note 24)	**Total**	**Non-controlling Interests**	**Total Equity**
	€	€	€	€	€	€	€	€
YEAR 2015								
1 January	16.593.733	38.000.065	10.200.000	3.303.899	(18.597.056)	49.500.641	-	49.500.641
Acquisition of subsidiary	-	-	-	-	-	-	2.944.258	2.944.258
Issue of shares	4.080.000	6.120.000	(10.200.000)	-	-	-	-	-
(Loss)/profit after tax	-	-	-	-	(7.248.268)	(7.248.268)	51.463	(7.196.805)
Other comprehensive income for the year after taxation	-	-	-	1.814.950	-	1.814.950	28.436	1.843.386
Total comprehensive income for the year	-	-	-	1.814.950	(7.248.268)	(5.433.318)	79.899	(5.353.419)
31 December	**20.673.733**	**44.120.065**	**-**	**5.118.849**	**(25.845.324)**	**44.067.323**	**3.024.157**	**47.091.480**
YEAR 2014								
1 January	56.584.278	24.666.732	20.000.000	3.330.257	(52.113.880)	52.467.387	-	52.467.387
Reduction of capital	(46.657.212)	-	-	-	46.657.212	-	-	-
Issue of share capital	6.666.667	13.333.333	(20.000.000)	-	-	-	-	-
Contribution by parent company	-	-	10.200.000	-	-	10.200.000	-	10.200.000
Loss after tax	-	-	-	-	(13.140.388)	(13.140.388)	-	(13.140.388)
Other comprehensive income for the year after taxation	-	-	-	(26.358)	-	(26.358)	-	(26.358)
Total comprehensive income for the year	-	-	-	(26.358)	(13.140.388)	(13.166.746)	-	(13.166.746)
31 December	16.593.733	38.000.065	10.200.000	3.303.899	(18.597.056)	49.500.641	-	49.500.641

	Note	**2015 €**	2014 €
Net cash flow (used in)/from operating activities	**29**	**(22.470.568)**	31.187.326
Cash flow (used in)/from investing activities			
Purchase of property, equipment and software		**(1.196.059)**	(338.091)
Proceeds from the disposal of property and equipment		**-**	1.063
Purchase of investment property		**(1.127.130)**	-
Purchase of bonds		(139.623.622)	(62.184.941)
Proceeds from the disposal and redemption of bonds		83.213.902	78.911.859
Interest from bonds		5.694.353	5.399.649
Net cash flows (used in)/from investing activities		**(53.038.556)**	21.789.539
Cash flow (used in)/from financing activities			
Proceeds from contribution of the parent company		**-**	10.200.000
Redemption of loan capital		**(10.182.963)**	-
Interest on loan capital		**(436.355)**	(764.082)
Net cash flow (used in)/from financing activities		**(10.619.318)**	9.435.918
Net (decrease)/increase in cash and cash equivalents for the year		**(86.128.442)**	62.412.783
Cash and cash equivalents			
At 1 January		**150.948.350**	88.535.567
Net (decrease)/increase in cash and cash equivalents		**(86.128.442)**	62.412.783
At 31 December	30	**64.819.908**	150.948.350

1. Corporate information

The financial statements of USB Bank Plc (the 'Bank') for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 30 May 2016.

The Bank's main activity during the year continued to be the provision of banking and financial services in Cyprus.

The Bank was incorporated in Cyprus as a limited liability company with registration number 10 in 1925 under the Cyprus Companies Law. The registered office of the Bank is at 83, Digenis Akritas Avenue, 1070 Nicosia.

2. Significant accounting policies

The principal accounting policies adopted 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 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.

The financial statements are presented in Euro (€) and have been prepared on a historical cost basis, except for freehold properties, investment properties and investments available-for-sale which are measured at fair value.

The Bank presents its consolidated statement of financial position in order of liquidity. An analysis regarding the expected recovery or settlement of any asset and liability within 12 months after the reporting date and more than 12 months after the reporting date is presented in Note 26.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Bank's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

2.2. Adoption of new and revised IFRSs

In the current year, the Bank has adopted all the new and revised standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2015. The adoption of these Standards did not have a material effect on the financial statements of the Bank.

2.3. Standards, Interpretations and Amendments that are issued but not yet effective

Up to the date of approval of the financial statements, the International Accounting Standards Board has published certain new standards, interpretations and amendments to existing standards, the adoption of which is not mandatory for the current reporting period and which the Bank has not adopted early, as follows:

2. Significant accounting policies (continued)

2.3. Standards, Interpretations and Amendments that are issued but not yet effective (continued)

a) Standards and interpretations issued by the IASB and adopted by the EU

Standard/ Interpretation	**Effective for annual periods beginning on or after:**
Effective for annual periods beginning on or after:	
Amendments to IAS 1: Disclosure Initiative.	1 January 2016
Annual Improvements to IFRSs 2012-2014 Cycle.	1 January 2016
Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization.	1 January 2016
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Ventures.	1 January 2016
Amendments to IAS 16 and IAS 41: Bearer Plants	1 January 2016
Amendments to IAS 27: Equity Method in Separate Financial Statements	1 January 2016

b) Standards and interpretations issued by the IASB not yet adopted by the EU

Standard/ Interpretation	**Effective for annual periods beginning on or after:**
IFRS 9 "Financial Instruments"	1 January 2018
IFRS 14 "Regulatory Deferral Accounts"	1 January 2016
IFRS 15 "Revenue from Contract with Customers"	1 January 2018
Amendments to IFRS 10, IFRS 12, IAS 28: Investment Entities – Applying the Consolidation Exception	1 January 2016
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred Indefinitely

The Bank is in the process of evaluating the effect that the adoption of the above standards will have on the consolidated financial statements of the Bank, and it does not intend to early adopt any of them. The Bank expects that the most significant impact will result from the below new standards that have been issued but are not yet effective:

- **IFRS 9 "Financial Instruments":**
  IFRS 9 (as revised in 2014) will supersede IAS 39 'Financial Instruments: Recognition and Measurement' in its entirety. The completed IFRS 9 contains the requirements for a) classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting.

- **IFRS 15 "Revenue from Contracts with Customers":**
  IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Its core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 includes far more prescriptive guidance to deal with for specific scenarios and requires extensive disclosures in the financial statements.

2. Significant accounting policies (continued)

2.4. Foreign currency translation

The financial statements are presented in Euro (€), which is the functional and presentation currency of the Bank.

Transactions in foreign currencies are initially recognised by applying the amount of foreign currency at the current exchange rate between the functional currency and the foreign currency at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are shown in 'Foreign exchange income' in the consolidated income statement. Non-monetary items that are measured at historic cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

2.5. Turnover

Turnover consists of interest income, fee and commission income, foreign exchange income and other income.

2.6. Revenue recognition

Revenue is recognised when it is probable that economic benefits will flow to the Bank and the amount of revenue can be reliably measured.

2.7. Interest income and expense

For all financial assets and financial liabilities measured at amortised cost, interest income and expenses are recognised using the effective interest rate method. Interest income is recognised on the recoverable portion of impaired loans using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.8. Fee and commission income and expense

Fee and commission income and expense is recognised on the basis of work done so as to associate the cost of providing the service.

2.9. Dividend income

Dividend income is recognised in consolidated income statement when the Bank's right to receive payment is established.

2.10. Income from the disposal of investment properties

Gains on disposal of these properties is recognised in the consolidated income statement under 'Other income' when the buyer accepts delivery and the transfer of risks and rewards to the buyer is completed.

2. Significant accounting policies (continued)

2.11. Leases

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Bank is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the consolidated income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Bank will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised in 'Other operating expenses' in the consolidated income statement on a straight-line basis over the lease term.

2.12. Retirement benefits

The Bank operates a defined contribution scheme which provides for employer contributions on the employee gross salary and employee contributions of 3%-10% of their gross salary. The Company's contributions are expensed incurred and are included in staff costs. The Company has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

2.13. Financial Instruments

2.13.1. Date of recognition

Purchases or sales of financial assets, where delivery is required within a time frame established by regulations or by market convention, are recognised on the trade date, i.e. the date that the Bank commits to purchase or sell the asset. 'Deposits with Central Bank', 'Amounts due to Banks', 'Customer deposits and other accounts', 'Placements with Banks', and 'Loans and advances to customers' are recognised when cash is received by the Bank or advanced to counterparties.

2.13.2. Initial recognition and measurement of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and liabilities not measured at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

2. Significant accounting policies (continued)

2.13. Financial instruments (continued)

2.13.3. Loans and advances to customers

Loans and advances to customers are financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition, loans and advances to customers are subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. The amortised cost is calculated taking into consideration the difference between the initial amount and the payable amount at maturity and all emoluments that comprise integral part of the effective interest. Amortisation is included in 'Interest Income' in consolidated income statement. The losses arising from impairment are recognised in the consolidated income statement in 'Provisions for impairment of loans and advances'.

Renegotiated loans
A loan that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement made on substantially different terms, or if the terms of an existing agreement are modified, such that the renegotiated loan is substantially a different financial instrument.

Loans subject to collective impairment assessment whose terms have been renegotiated are taken into account in determining the inputs for collective impairment calculation. Loans subject to individual impairment assessment, whose terms have been renegotiated, are subject to ongoing review to determine whether they remain impaired. The carrying amounts of loans that have been classified as renegotiated retain this classification in accordance with the rules of the technical standard of the European Banking Authority (EBA).

2.13.4. Investments

Management determines the appropriate classification of investments at the time of purchase.

2.13.4.1. Investments held-to-maturity

Held-to-maturity investments are those which carry fixed or determinable payments and have fixed maturities, which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method.

Amortised cost is calculated by taking into consideration the difference between the original amount and the amount payable on maturity, and all fees that are an integral part of the effective interest rate. Amortisation is included in 'Interest income' in the consolidated income statement. Losses arising from impairment of such investments are recognised in 'Losses from revaluation, sale and impairment of financial instruments' in the consolidated income statement.

2.13.4.2. Impairment of investments held-to-maturity

For investments classified as held-to-maturity or loans and receivables, the Bank assesses at each reporting date whether there is objective evidence that they have suffered an impairment loss. If there is objective evidence that an impairment loss exists, the amount of the loss is measured as the difference between the book value of the asset and the present value of estimated future cash flows (excluding future credit losses that have occurred). The book value of the asset is reduced and the amount of loss is recognised in the consolidated income statement.

2. Significant accounting policies (continued)

2.13. Financial instruments (continued)

2.13.4.3. Investments available-for-sale

Available-for-sale investments are those which are designated as such or do not qualify to be classified as 'Investments at fair value through profit or loss', 'Investments held-to-maturity' or 'Loans and receivables'. These investments can be sold in response to changes in market risks or liquidity requirements and include equity securities and debt securities.

After initial recognition, available-for-sale investments are measured at fair value. Unrealised gains and losses from changes in fair value are recognised directly in equity in the 'Revaluation reserve of available-for-sale investments'. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the consolidated income statement in 'Net gains on available for sale investments'. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a weighted average cost basis. Interest income from available-for-sale debt securities is recorded as 'Interest income' using the effective interest rate method. Dividend income from available-for-sale equity securities is recognised in the consolidated income statement in 'Other income' when the right to receive payment has been established. Impairment losses on available-for-sale investments are recognised in the consolidated income statement in 'Losses from sale, revaluation and impairment of financial instruments'.

Available for sale investments are measured at fair value, based on market prices for listed securities.

For investments available for sale, the Bank assess at each reporting date whether there is objective evidence that they have suffered an impairment loss.

In case of equity securities classified as available for sale, objective evidence includes a significant or prolonged decline in fair value below cost. Where there is objective evidence that an impairment loss exists, the amount of total loss - measured as the difference between the acquisition cost and current fair value less the impairment loss of investment, previously recognised in profit or loss - is removed from the 'investment revaluation reserve' and recognised in the 'Income from available for sale investments' in the consolidated income statement. Impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment, are recognised in the 'investment revaluation reserve' in equity.

In case of debt securities classified as available for sale, the assessment for impairment is based on the same criteria as those applicable to investments held-to maturity carried at amortised cost. If at a later period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the recognition of impairment, the impairment loss previously recognised is reversed in 'Losses from sale, revaluation and impairment of financial instruments' through the consolidated income statement.

2. Significant accounting policies (continued)

2.13. Financial Instruments (continued)

2.13.5. Deposits and loan capital

Deposits and subordinate loan capital are initially measured at the fair value of the consideration received, net of any issue costs. They are subsequently measured at amortised cost using the effective yield method.

Loan capital and convertible bonds are classified as financial liabilities when the Bank is obliged to pay its contractual obligations with cash or other assets other than the exchange of a fixed amount of cash to a specific number of treasure shares. Loan capital and convertible bonds are measured at fair value of consideration received, net of issuance costs. Subsequently, they are measured at amortised cost using the effective interest method. The value of embedded derivative financial instruments is included in the amount of the liabilities in the consolidated statement of financial position. Interest on deposits, loan capital and convertible bonds is included in 'Interest expense' in the consolidated income statement.

2.14. Derecognition of financial assets and financial liabilities

2.14.1. Financial assets

A financial asset is derecognised when: (a) the rights to receive cash flows from the asset have expired, or (b) the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full to a third party and has either (a) transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.14.2. Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

2.15. Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when the Bank has a current legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.16. Share capital

Any difference between the nominal value and the issue price of the share capital is recognised as share premium. Issue costs incurred in the process of share capital increase are deducted from equity.

2.17. Property, equipment and computer software

Owner-occupied property is property used by the Bank for use in the supply of services or for administrative purposes. Owner-occupied property is initially measured at cost and subsequently measured at fair value less accumulated depreciation and impairment. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be using the fair values at the end of each reporting period.

2. Significant accounting policies (continued)

2.17. Property, equipment and computer software (continued)

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extend that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to consolidated income statement to the extend of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extend that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Fixtures, equipment and computer software are stated as historic cost less accumulated depreciation.

Depreciation on leashold improvements, furniture and fittings, equipment, computer software and hardware and motor vehicles is calculated on the basis of cost less estimated residual value on a straight-line basis over the expected useful economic lives of the assets, commencing from the month of acquisition.

The annual depreciation rates for the year were as follows:

	%
Buildings	4
Building held under finance lease	2
Leasehold improvements	10
Furniture and fittings	10
Office equipment	20
Computer hardware	20-33
Computer software	25
Motor Vehicles	20

Land is not depreciated. Improvement to leasehold property is stated at cost less accumulated depreciation.

Leasehold improvements are amortised over a period of 10 years or over the lease period if this period is less than 10 years.

Any profits or losses arising from the disposal of property, plant and equipment are transferred to the consolidated income statement in the year of disposal.

The carrying values of property, equipment and computer software are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If there is such an indication and the carrying value exceeds the recoverable amount, the assets are written down to their recoverable amount through the consolidated income statement.

2. Significant accounting policies (continued)

2.18. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, as at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement. Valuations are carried out by independent qualified valuators on the basis of current market values.

The Bank in its normal course of business, acquires properties in debt satisfaction, which are held directly by the Bank or by special purpose entities for the sole purpose of managing these properties. To reflect the substance of transactions, these are classified as investment properties and are consolidated without the entities being explicitly disclosed as subsidiaries.

2.19. Provisions for pending litigation or claims

Provisions for pending litigation or claims against the Bank are made when: (a) the Bank has a present obligation (legal or constructive) arising from past events, (b) it is probable that the settlement of the obligation is expected to result in an outflow of resources embodying economic benefits, and (c) a reliable estimate of the amount of the obligation can be made.

2.20. Taxation

Taxation on income is provided in accordance with the provisions of the Income Tax Law and is recognised as an expense in the period in which the income arises. Deferred tax is calculated using the liability method.

Deferred income tax liabilities are recognised for all taxable temporary differences between the tax basis of assets and liabilities and their carrying amounts at the balance sheet date for financial reporting purposes, which will result in taxable amounts in future periods.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax assets to be utilised.

Deferred income tax assets and liabilities are measured at the amount expected to be paid to the tax authorities (or recovered from them), using tax rates expected to apply in the period in which the requirement will be realised or the liability will be settled. Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity and relate to the same tax authority and when the legal right to offset exists.

2.21. Cash and cash equivalents

Cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows represents cash, non-obligatory deposits with the Central Bank of Cyprus and placements with banks.

2. Significant accounting policies (continued)

2.22. Financial guarantees

The Bank issues financial guarantees to its customers, consisting mainly of letters of credit for imports/ exports and other letters of guarantee. Financial guarantees are initially recognised in the financial statements at fair value, in 'Other liabilities' in the consolidated statement of financial position. Subsequently, the Bank's liabilities under each financial guarantee is measured at the higher of: (a) the amount initially recognised reduced by the cumulative amortised premium which is periodically recognised in the consolidated income statement in 'Fee and commission income' in accordance with the terms of the guarantee, and (b) the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee.

2.23. Segmental analysis

According to IFRS 8, the analysis per segment is based on the information used for internal reporting to management. The Bank operates in a single segment as it only provides banking services, its activities are provided in Cyprus and information is provided to management on this basis. Therefore, the information provided in the financial statements relates to the overall operations of the Bank.

2.24. Comparatives

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

3. Significant accounting estimates and judgments

The Bank makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1. Going concern

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

In assessing the Bank's ability to continue as a going concern the following conditions were taken into consideration: the risk management as set out in note 31, the capital adequacy as set out in note 32 and the operating environment as set out in note 35.

3.2. Provision for impairment of loans and advances

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

3. Significant accounting estimates and judgments (continued)

3.2. Provision for impairment of loans and advances(continued)

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

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

Assumptions have been made about the future changes in property values, as well as the timing for the realisation of the collateral and for taxes and expenses on the repossession and subsequent sale of the collateral. Indexation has been used to estimate updated market values of properties, while assumptions were made on the basis of a macroeconomic scenario for future changes in property values. In accordance with the Loan Impairment and Provisioning Directives of 2014 and 2015 of the CBC, the cumulative average future change in property values during the year has been capped to zero.

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

For individually significant assets, impairment allowances are calculated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows are taken into account (for example, the business prospects for the customer, the realisable value of collateral, the Bank's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process). The level of the impairment allowance is the difference between the present value of future cash flows (discounted at the loan's original effective interest rate), and its carrying amount. Subjective judgments are made in the calculation of future cash flows.

Furthermore, judgments change with time as new information becomes available or as work-out strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairment charge.

In addition to provisions for impairment on an individual basis, the Bank also makes collective impairment provisions. The Bank adopts a formulaic approach for collective provisions, which includes assigning probabilities of default and loss given default for portfolios of loans. This methodology is subject to estimation uncertainty, partly because it is not practical to identify losses on an individual loan basis because of the large number of loans in each portfolio.

The total amount of the Bank's provision for impairment of loans and advances is inherently uncertain because it is highly sensitive to changes in economic and credit conditions which are influenced by many factors. The methodology and the assumptions used in calculating impairment losses are reviewed regularly. It is possible that the actual results within the next financial year could be different from the assumptions made, resulting in a material adjustment to the carrying amount of loans and advances.

Further details on impairment allowances and related credit information are set out in Note 12 and Note 31.

3. Significant accounting estimates and judgments (continued)

3.3. Tax

The Bank is subject to Cyprus income tax. Significant estimates are required in determining the provision for taxes at the reporting date, and therefore the tax determination is uncertain. Where the final tax is different from the amounts that were initially recorded, such differences will affect the income tax expense, the tax liabilities and deferred tax liabilities of the period in which the final tax is agreed with the tax authorities.

The Bank recognises a deferred tax asset in relation to tax losses, to the extent there may be future taxable profits against which the losses may be utilised. The determination of the amount of deferred tax assets that can be recognised is based on the timing and level of future taxable profits, in combination with future tax planning strategies. These variables are determined based on significant estimates and assumptions, and are by definition uncertain. It is possible that the actual conditions in the future will be different from the assumptions used, resulting in material adjustments to the carrying value of deferred tax assets.

4. Interest income

	2015	2014
	€	€
Loans and advances to customers	31.024.874	35.559.226
Placements with banks and with the Central Bank	206.054	440.686
Investments	5.694.353	5.399.649
	36.925.281	41.399.561

Interest income from loans and advances to customers includes interest on the recoverable amount of the impaired loans and advances amounting to €9.223.245 (2014: €7.547.305).

5. Interest expense

	2015	2014
	€	€
Customer deposits	**10.157.360**	13.133.808
Placements with Central Bank	**54.198**	153
Loan capital (Note 21)	**436.355**	764.082
Other financial instruments	**195.697**	-
	10.843.610	13.898.043

6. Staff costs

	2015	2014
	€	€
Staff salaries and other remuneration	**8.725.818**	8.871.440
Social insurance and other contributions	**1.616.537**	1.389.812
Retirement benefit costs	**750.542**	756.744
	11.092.897	11.017.996

The number of persons employed by the Bank as at 31 December 2015 was 234 (2014: 231).

The Bank operates a defined contribution scheme which provides for employer contributions on the employee gross salary and employee contributions of 3%-10% of their gross salary. The Bank's contributions are expensed as incurred and are included in staff costs. The Bank has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The current collective agreement for the 3 year period from 1 January 2014 to 31 December 2016 amends the employer contributions to the provident fund as follows:

- For period 1 January 2014 to 31 December 2015 the employer contribution was at 9%
- For period 1 January 2016 to 31 December 2016 the employer contribution will be 9,5%
- For period 1 January 2017 onwards the employer contribution will be 11,5%

7. Loss before tax

Loss before tax is stated after charging the following items:

	2015	2014
	€	€
Special tax levy on credit institutions	**899.652**	876.030
Directors' emoluments (Note 33)	**538.622**	450.821
Loss on sale and write-off of fixed assets	**107**	1.994
Operating lease rentals for buildings	**670.077**	658.987

Independent auditors' remuneration for audit and other professional services provided to the Bank:

- Statutory audit of the financial statements of the Bank and its special purpose entities	**98.734**	99.246
- Other assurance services	**16.660**	16.660
- Tax services	**20.266**	3.570
- Other non-audit services	**83.843**	21.615

The above amounts are included in the category "Other operating expenses", except for Directors' emoluments, which is presented in the category "Staff costs".

Special Tax Levy on Credit Institutions

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

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

8. Tax

The total tax charge for the year can be reconciled to the accounting profit as follows:

	2015	2014
	€	€
Loss before tax	**(7.240.010)**	(12.343.658)
Corporation tax based on the applicable rates	**(905.001)**	(1.542.957)
Tax effect of:		
- Not deductible expenses	**623.468**	469.453
- Income not subject to tax	**(164.102)**	(97.806)
- Tax losses for the year	**445.635**	1.171.310
Tax per the consolidated income statement	**-**	-

8. Tax (continued)

Corporation tax is calculated at the rate of 12,5% on taxable income.

On 21 December 2012, the House of Representatives enacted amendments to the Income Tax law, according to which the loss of any tax year shall not be carried forward and shall not be offset against any income of any tax year further than five years from the end of the tax year in which the loss arose. As at 31 December 2015 the Bank's tax losses to be carried forward amounted to €22 million (2014: €24,8 million) in connection with which the Bank recognised a deferred tax asset in the consolidated statement of financial position corresponding to the future utilisation of €2,5 million (2014: €4,1 million) of tax losses.

The movement of the deferred tax liability is as follows:

	2015	2014
	€	€
Balance at 1 January	**33.528**	119.245
Reversal to the Consolidated Income Statement	**(43.205)**	(79.300)
Charge/(reversal) to the Statement of Comprehensive Income	**9.677**	(6.417)
Balance at 31 December	**-**	33.528

The balance of net deferred tax liability (Note 20) represents:	**2015**	2014
	€	€
Difference between tax allowances and accounting depreciation	**(26.756)**	176.979
Revaluation of property	**342.932**	374.063
Tax losses utilised	**(316.176)**	(517.514)
	-	33.528

9. Loss per share

	2015	2014
	€	€
Loss attributable to the owners of the Bank	**(7.248.268)**	(13.140.388)
Weighted average number of shares in issue during the year	**190.193.768**	139.088.015
Loss per share (cent)	**(3,8)**	(9,4)

At 31 December 2015, there were no titles convertible to ordinary shares and consequently diluted losses per share are not presented.

10. Cash and balances with the Central Bank

	2015	2014
	€	€
Cash	**6.522.437**	5.932.684
Balances with the Central Bank of Cyprus	**13.636.464**	63.651.827
	20.158.901	69.584.511

Deposits with the Central Bank of Cyprus include obligatory deposits for liquidity purposes which amount to €3.636.547 (2014: €5.789.923).

The analysis of credit ratings for deposits with the Central Bank of Cyprus by independent rating agencies is presented in Note 31.

11. Placements with banks

The analysis of credit ratings of placements with banks by independent rating agencies is presented in Note 31. Placements with banks earn interest which is based on the interbank rate of the relevant term and currency.

12. Loans and advances to customers

	2015	2014
	€	€
Loans and other advances	**458.638.810**	463.691.534
Provision for impairment of loans and advances	**(104.046.447)**	(83.853.947)
	354.592.363	379.837.587

Provision for impairment of loans and advances:

	2015	2014
	€	€
1 January	**83.853.947**	85.694.082
Collections/reversals	**(2.913.605)**	(1.329.534)
Charge for the year	**19.526.950**	25.539.373
Net charge for the year	**16.613.345**	24.209.839
Restriction of interest on impaired loans	**5.679.897**	5.024.004
Write offs	**(2.100.742)**	(31.073.978)
	20.192.500	(1.840.135)
31 December	**104.046.447**	83.853.947

12. Loans and advances to customers (continued)

Forborne exposures according to the European Banking Authority (EBA) technical standards

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

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

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

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

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

Non-performing exposures according to the European Banking Authority (EBA) technical standards

In accordance with the technical standards of the European Banking Authority (EBA) (2014), which was applied by the Bank as of 31 December 2015 Non-performing exposures amounted to €290.135.048. According to the Directive of the CBC to credit institutions on the Definitions of Non-performing and Restructured Credit facilities which was previously applied the Non-performing loans and advances as at 31 December 2015 amounted to €287.413.183 (2014: €259.885.232).

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

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

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

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

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

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

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

12. Loans and advances to customers (continued)

Non-performing exposures according to the European Banking Authority (EBA) technical standard (continued)

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

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

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

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

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

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

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

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

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

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

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

12. Loans and advances to customers (continued)

Non-performing exposures according to the European Banking Authority (EBA) technical standard (continued)

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

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

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

(c) there is not, following the forbearance measures, any past-due amount or concerns regarding the full repayment of the exposure according to the post-forbearance conditions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12. Loans and advances to customers (continued)

Bank's policy for specific and collective provisions

The Bank reviews the collectability of its loans and advances to customers and assesses whether a provision for impairment should be recorded in the consolidated income statement. The procedure followed by the Bank for the provisioning exercise comprises of an individual assessment of the exposures for specific provision and assessment for collective impairment as per the Bank's provisioning policy.

Specific provision

The selection criteria for clients which are individually assessed for specific provision and based on the Bank's policy are as follows:

- All exposures to a borrower and his connected parties that are considered significant. A materiality threshold was determined by the Bank.
- All exposures to related parties of the Bank as defined in the Fit and Proper Criteria of the Members of the Management Body Directive of 2006-2007 and their connected parties.
- Any exposure to a borrower which is classified as high risk because of its total banking exposure or industry.

Exposures which are identified from the above selection criteria are assessed for impairment if a "trigger event" existed. The following trigger events are set by the Bank:

- Exposures that are classified as Non Performing
- Exposures that are Performing but Restructured
- Exposures that are Performing, without irregularities which are overdue for review as per the Banks' credit policy.

For the exposures that are individually assessed for impairment, discounted cash flow (DCF) calculations are performed. The amount of impairment is the difference between the exposure's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The estimated future cash flows include any expected cash flows from the borrowers operations, any other sources of funds and the proceeds from liquidation of collateral where applicable.

Collective provision

All exposures which are assessed on an individual basis but for which no impairment is recognised and also all exposures not individually assessed are included in a pool of exposures with similar characteristics and are assessed for collective impairment using the applicable Probability of Default (PD) and Loss Given Default (LGD) rates that are set in the Bank's provision policy. The PDs and LGDs assigned to each category in the provision methodology are assigned based on Management judgment.

13. Investments available for sale

	2015	2014
	€	€
1 January	**-**	-
Purchases	**-**	-
Sales	**-**	-
Fair value gains	**1.739.272**	-
31 December	**1.739.272**	-

Investments available for sale relates to a single share of VISA Europe Limited. During 2015 VISA Inc. has come to an agreement for the acquisition of 100% of the share capital of Visa Europe Limited. Under this transcation, VISA Europe Limited is valued at €16,5 billion payable in €11,5 billion cash and €5 billion in VISA Inc. preferred stock. The deal also provides for an additional contingent earnout of a maximum of €4,7 billion which shall be disbursed in the future based on the performance of the VISA Europe operations. The Bank has recognised as a fair value gain only its share in the upfront cash consideration of €1.739.272 as calculated and communicated to the Bank by Visa Europe Limited. The Bank's share of preferred stock and the additional contingent earnout, in the absence of reliable fair value data, has not been accounted for.

It is expected that within the first half of 2016 the above transaction will be completed, subject to regulatory approvals, and the amount of €1.739.272 shall be settled in cash.

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below analyses the investment available for sale measured at fair value based on hierarchy level:

	2015	2014
	€	€
	Level 3	Level 3
Investments available for sale	**1.739.272**	-
	1.739.272	-

13. Investments available for sale (continued)

There have been no transfers between different levels during the year.
Reconciliation of Level 3 fair value measurements for investments available for sale:

	2015	2014
	€	€
Opening balance	**-**	-
Total gains or losses:		
-in income statement	**-**	-
-in other comprehensive income	**1.739.272**	-
Additions for the year	**-**	-
Disposals for the year	**-**	-
Closing balance	**1.739.272**	-

14. Investments held-to-maturity

	2015	2014
	€	€
Issuers:		
Cyprus Government	**137.156.451**	82.227.204
Foreign Government	**1.373.108**	-
Foreign banks	**18.729.406**	18.335.934
	157.258.965	100.563.138

	2015	2014
	€	€
Listed in:		
Cyprus stock exchange	**45.999.370**	3.609.198
European stock exchanges	**110.339.888**	96.125.635
Other stock exchanges	**919.707**	828.305
	157.258.965	100.563.138

14. Investments held-to-maturity (continued)

	2015 €	2014 €
1 January	**100.563.138**	114.598.264
Purchase of bonds	**139.623.622**	62.184.941
Sale/maturity of bonds	**(83.213.902)**	(78.911.859)
Effect of changes in exchange rates	**369.309**	729.862
Amortisation	**(83.202)**	1.961.930
31 December	**157.258.965**	100.563.138

The fair value of held-to-maturity investments as at 31 December 2015 was €160.380.016 (2014: €100.161.022).

15. Investment properties

Investment properties consist of properties acquired in settlement of customer debts and are presented at the reporting date at their estimated fair value.

	2015 €	2014 €
1 January	**30.756.000**	27.950.000
Additions for the year:		
-in cash	**1.127.130**	-
acquired in settlement of customer obligations	**16.582.667**	4.380.000
Disposals for the year	**-**	-
Change in fair value	**(1.434.767)**	(1.574.000)
31 December	**47.031.030**	30.756.000

The Bank as part of its normal operations acquires property from customers in settlement of their obligations, which are held directly or through companies controlled by the Bank whose sole business activity is the management of these properties. The properties are recognised in the financial statements of the Bank as investment property and are included without presenting the subsidiary companies separately, reflecting the substance of these transactions.

The fair value of investment properties as at 31 December 2015 has been estimated based on valuations carried out by independent qualified surveyors. The valuation technique mainly applied is the market comparable approach, adjusted for market and property specific conditions. The fair value of investment properties is as at the reporting date and does not represent any expectations about their future value.

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

15. Investment properties (continued)

The table below analyses the investment properties measured at fair value based on hierarchy level:

	2015	2014
	€	€
	Level 3	Level 3
Investment Properties	**47.031.030**	30.756.000
	47.031.030	30.756.000

There have been no transfers between different levels during the year.
Reconciliation of Level 3 fair value measurements for investment properties:

	2015	2014
	€	€
Opening balance	**30.756.000**	27.950.000
Total gains or losses:		
-in income statement	**(1.434.767)**	(1.574.000)
-in other comprehensive income	**-**	-
Additions for the year	**17.709.797**	4.380.000
Disposals for the year	**-**	-
Closing balance	**47.031.030**	30.756.000

The fair value measurements of investment properties which were classified as Level 3 are affected by the adverse economic environment in Cyprus. The liquidation of properties is considered to be problematic and the number of transactions that the valuators can use has been dramatically restricted. The valuations were determined by using transaction prices from similar properties adjusted to reflect the differences between these transactions and the properties under study.

15. Investment properties (continued)

The special purpose entities which are included in the individual accounts of the Bank as at 31 December 2015 are as follows:

Name	Country of incorporation	Participation	Nature of operations
Imagetech Limited	Cyprus	100%	Note (i)
Averrhoa Limited	Cyprus	100%	Note (ii)
Rowington Ventures Limited	Cyprus	100%	Note (ii)
Lardonia Limited	Cyprus	100%	Note (ii)
Sabatia Limited	Cyprus	100%	Note (ii)
Serenoa Limited	Cyprus	100%	Note (ii)
Shortia Limited	Cyprus	100%	Note (ii)
Delaway Limited	Cyprus	100%	Note (i)
Cotidie Ventures Limited	Cyprus	100%	Note (ii)
Olcinia Holdings Limited	Cyprus	100%	Note (i)
Crantenia Ventures Limited	Cyprus	100%	Note (ii)
Osperus Holdings Limited	Cyprus	100%	Note (i)
Kantadia Ventures Limited	Cyprus	100%	Note (ii)
Dusanic Holdings Limited	Cyprus	100%	Note (i)
Macerio Limited	Cyprus	100%	Note (ii)
Perekin Holdings Limited	Cyprus	100%	Note (i)
Azulito Ventures Limited	Cyprus	100%	Note (ii)
Perequito Holdings Limited	Cyprus	100%	Note (i)
Bequelia Ventures Limited	Cyprus	100%	Note (ii)
Serissa Holdings Limited	Cyprus	100%	Note (i)
Tipuana Ventures Limited	Cyprus	100%	Note (ii)
Fantinaco Limited	Cyprus	100%	Note (ii)
Naila Holdings Limited	Cyprus	100%	Note (i)
Snaresbrook Ventures Limited	Cyprus	100%	Note (ii)
Lewisia Holdings Limited	Cyprus	100%	Note (i)
Scaevola Ventures Limited	Cyprus	100%	Note (ii)
Ailanthus Holding Limited	Cyprus	100%	Note (ii)
Conaria Holding Limited	Cyprus	100%	Note (ii)
Pandingmor Limited	Cyprus	75,01%	Note (iii)

i. Intermediate holding company
ii. Property ownership and management
iii. Pandingmor Limited holds a commercial property under a long term lease, part of which is intented to be used by the Bank as its Head office. The specific part of the property which is to be used by the Bank has been classified as 'Property and equipment' (Note 16) whilst the remaining part has been classified as 'Investment property' in the consolidated statement of financial position.

16. Property and equipment

Year 2015	Freehold property	Leasehold property	Leasehold improvements	Equipment	Total
	€	€	€	€	€
Cost or estimated fair value					
1 January	4.311.748	-	3.257.480	5.499.866	**13.069.094**
Additions	-	4.190.307	69.267	527.357	**4.786.931**
Disposals/write-offs	-	-	-	(226.289)	**(226.289)**
Revaluation	-	113.791	-	-	**113.791**
Reversal of depreciation due to revaluation	-	(55.763)	-	-	**(55.763)**
31 December	4.311.748	4.248.335	3.326.747	5.800.934	**17.687.764**
Depreciation					
1 January	494.122	-	2.409.954	4.894.032	**7.798.108**
Charge for the year	155.652	55.763	149.357	217.879	**578.651**
Disposals/write-offs	-	-	-	(226.182)	**(226.182)**
Reversal of depreciation due to revaluation	-	(55.763)	-	-	**(55.763)**
31 December	649.774	-	2.559.311	4.885.729	**8.094.814**
Net Book Value	3.661.974	4.248.335	767.436	915.205	**9.592.95**

Year 2014	Freehold property	Leasehold property	Leasehold improvements	Equipment	Total
	€	€	€	€	€
Cost or estimated fair value					
1 January	4.553.318	-	3.246.910	5.464.515	**13.264.743**
Additions	-	-	12.401	110.065	**122.466**
Disposals/write-offs	(9.570)	-	(1.831)	(74.714)	**(86.115)**
Revaluation	(32.775)	-	-	-	**(32.775)**
Reversal of depreciation due to revaluation	(199.225)	-	-	-	**(199.225)**
31 December	4.311.748	-	3.257.480	5.499.866	**13.069.094**
Depreciation					
1 January	539.415	-	2.259.482	4.759.918	**7.558.815**
Charge for the year	161.986	-	150.762	208.828	**521.576**
Disposals/write-offs	(8.054)	-	(290)	(74.714)	**(83.058)**
Reversal of depreciation due to revaluation	(199.225)	-	-	-	**(199.225)**
31 December	494.122	-	2.409.954	4.894.032	**7.798.108**
Net Book Value	3.817.626	-	847.526	605.834	**5.270.986**

Freehold properties are presented at fair value based on valuations carried out in December 2014 by independent qualified surveyors less subsequent depreciation charge. The valuation technique mainly applied is the market comparable approach, adjusted for market and property specific conditions. The fair value of freehold properties is as at 31 December 2014 and does not represent any expectations about their future value.

The net book value of own properties at 31 December 2015 based on cost less accumulated depreciation is €1.726.675 (2014: €1.910.426). Land is not depreciated and its book value at 31 December 2015 was €1.349.818 (2014: €1.349.818).

16. Property and equipment (continued)

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below analyses the immovable property measured at fair value based on hierarchy level:

	2015 **€** **Level 3**	2014 € Level 3
Freehold Property	**4.311.748**	4.311.748
Leasehold Property	**4.248.335**	-
	8.560.083	4.311.748

There have been no transfers between different levels during the year.

Reconciliation of Level 3 fair value measurements:

	2015 **€** **Level 3**	2014 € Level 3
Opening balance	**4.311.748**	4.553.318
Total gains on losses:		
-in income statement	**-**	-
-in other comprehensive income	**57.965**	(232.000)
Additions for the year	**4.190.370**	-
Disposals for the year	**-**	(9.570)
Closing balance	**8.560.083**	4.311.748

The fair value measurements of properties were classified as Level 3 due to the absence of an active market in Cyprus. The liquidation of properties is considered to be problematic and the number of transactions that the valuators can use has been dramatically restricted. The valuations were determined by using transaction prices from similar properties adjusted to reflect the differences between these transactions and the properties under study.

17. Intangible assets

	2015 € Computer software	2014 € Computer software
Cost		
1 January	**5.541.006**	5.395.068
Additions	**273.116**	215.625
Disposals/Write-offs	**-**	(69.687)
31 December	**5.814.122**	5.541.006
Amortisation		
1 January	**4.962.101**	4.767.325
Charge for the year	**299.175**	264.463
Disposals	**-**	(69.687)
31 December	**5.261.276**	4.962.101
Net Book Value	**552.846**	578.905

18. Other assets

	2015 €	2014 €
Sundry debtors and other assets	**1.792.153**	1.852.483
Collateral amount with Visa International	**1.098.882**	986.920
	2.891.035	2.839.403

The collateral amount with Visa International represents a blocked deposit account of the Bank in US dollars which is placed as security for the purposes of its cooperation with the organisation. Other assets include prepaid interest on customer deposits outstanding at year end.

19. Customer deposits

	2015 €	2014 €
Demand deposits	**128.710.078**	138.279.864
Notice deposits	**75.303.677**	75.452.986
Term deposits	**378.710.151**	392.573.938
	582.723.906	606.306.788

20. Other liabilities

	2015	2014
	€	€
Sundry creditors	**218.875**	348.455
Deferred Income	**84.909**	96.735
Net deferred tax liability (Note 8)	**-**	33.528
Bills payable	**5.132.809**	7.021.123
Finance lease liability (Note 28)	**3.993.365**	-
Other liabilities	**1.171.599**	1.599.162
Accrued expenses	**1.247.651**	836.518
Special defence contribution	**450.322**	658.379
	12.299.530	10.593.900

21. Loan capital

	2015	2014
	€	€
Tier 1 capital		
Capital securities	**-**	973.903
Tier 2 capital		
Non-convertible bonds	**-**	8.000.000
Convertible bonds	**-**	1.209.060
	-	9.209.060
	-	10.182.963

In an Extraordinary General Meeting ("EGM") held on the 28th May 2015 it was decided that the Bank would proceed immediately with the redemption of the Capital securities, the Non-convertible bonds and the Convertible bonds. On 30 June 2015, with the relevant approval of the Central Bank of Cyprus, the Bank has completed the redemption of the Capital Securities of €973.903 issued on the 1st January 2006, the Convertible Bonds (USBCB) of €1.209.060 issued on the 14th June 2010 and the Non-Convertible Bonds (USBSB) of €8.000.000 issued on the 30th December 2009, in accordance with their respective terms and conditions in cash at their nominal value together with any earned interest of the current period.

22. Share capital and share premium reserve

	Year 2015			Year 2014		
	Number of shares	**Share capital**	**Share premium**	**Number of shares**	**Share capital**	**Share premium**
	€	**€**	**€**	**€**	**€**	**€**
Authorised						
Ordinary shares of €0,10 each	**855.000.000**	**85.500.000**	-	855.000.000	85.500.000	-
Issued and fully paid						
1 January	**165.937.330**	**16.593.733**	**38.000.065**	99.270.663	56.584.278	24.666.732
Reduction of Capital	-	-	-	-	(46.657.212)	-
Share issue	**40.800.000**	**4.080.000**	**6.120.000**	66.666.667	6.666.667	13.333.333
31 December	**206.737.330**	**20.673.733**	**44.120.065**	165.937.330	16.593.733	38.000.065

In an Extraordinary General Meeting ("EGM") held on the 28th May 2015 a special resolution was passed whereby the Bank was authorised to proceed with the issue and allotment of 40.800.000 new ordinary shares of nominal value of €0,10 to BLC Bank SAL at the issue price of €0,25 per share (the "Issue"). With the successful Issue and allotment of 40.800.000 new ordinary shares to BLC Bank SAL the issued share capital of the Bank amounts to €20.673.733 divided into 206.737.330 ordinary shares of nominal value €0,10 per share. The new 40.800.000 ordinary shares rank pari passu with the existing shares of the Bank.

23. Revaluation reserves

Year 2015	Investments revaluation reserve €	Property revaluation reserve €	Total €
1 January	-	3.303.899	**3.303.899**
Revaluation of available for sale investments	1.739.272	-	**1.739.272**
Revaluation of property	-	113.791	**113.791**
Deferred tax	-	(9.677)	**(9.677)**
31 December	1.739.272	3.408.013	**5.147.285**
Attributable to:			
Owners of the Bank	1.739.272	3.379.577	**5.118.849**
Non-controlling interests	-	28.436	**28.436**
	1.739.272	3.408.013	**5.147.285**

Year 2014	Investments revaluation reserve €	Property revaluation reserve €	Total €
1 January	-	3.330.257	3.330.257
Revaluation of property	-	(32.775)	(32.775)
Deferred tax	-	6.417	6.417
31 December	-	3.303.899	3.303.899
Attributable to:			
Owners of the Bank	-	3.303.899	3.303.899
Non-controlling interests		-	-
	-	3.303.899	3.303.899

24. Accumulated losses

The only reserves available for distribution as dividend are retained earnings. In 2015 and 2014 no dividends were paid nor declared to be paid since the Bank had accumulated losses.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Bank for the account of the shareholders.

The Bank incurred losses in year 2013 and as a result no special defence contribution in relation to deemed dividend distribution was payable in the year.

25. Contingent liabilities and commitments

	2015	2014
	€	€
Contingent liabilities		
Acceptances and endorsements	**71.532**	-
Guarantees	**12.508.484**	21.025.437
	12.580.016	21.025.437
Commitments		
Documentary credits and certified export credits	**1.506.108**	835.486
Unutilised limits	**36.040.365**	35.462.804
	37.546.473	36.298.290

Unutilised limits are commitments for the provision of facilities to customers. The limits are provided for a fixed period and are cancellable by the Bank after specific notice to the client.

Capital commitments

There were no commitments for contracted capital expenditure of the Bank as at 31 December 2015 and as at 31 December 2014.

Litigation

As at 31 December 2015, with the exception of the case mentioned below the Bank in the ordinary course of business is involved in lawsuits, which the Management of the Bank does not expect to have a significant effect on the financial position and operations of the Bank. At the same time, there are no other pending claims or/and assessments against the Bank, the outcome of which would have a material effect on the Bank's financial position or operations.

Commission for the Protection of Compensation Investigation

Following an investigation, which began in 2010, the Cypriot Commission for the Protection of Competition ("CPC") in April 2014 issued its statement of objections, alleging possible violations of Cypriot and EU competition law relating to the activities and/or omissions in respect of card payment transactions by, among others, the Bank. The CPC has investigated the possibility that the market conduct of JCC Payment Systems Ltd ("JCC"), a card-processing business owned by its shareholder banks, together with the conduct of other banks, violates competition law at both a national and European union level.

The Bank vigorously defended the relevant proceedings but the CPC has concluded, by its decision of 24th June 2015, that the Bank (in common with other banks and institutions, namely JCC) has breached both national and European applicable law for the protection of competition. The CPC on 16th October 2015 invited the Bank to supply further representations regarding the size of the administrative penalty to be imposed upon the Bank. The Bank has put before the CPC on 13th November 2015 certain views and proposals, in an effort to mitigate the fine (though the CPC has the power to impose a fine as a percentage (with a maximum of up to 10%) of the Bank's turnover). For the time being, the proceedings before the CPC are not progressing, probably owing to another unrelated Supreme Court decision of 29th January 2016, pursuant to which the composition of the CPC was held to be contrary to law. In any event, the Bank intends to file an appeal before the Supreme Court of Cyprus for the annulment of the CPC's decision upon the notification of the fine. At this stage it is not possible to predict the amount of the fine that may be imposed upon the Bank, though the Bank does not believe that such fine will have a material impact on the financial position of the Bank.

26. Analysis of assets and liabilities by expected maturity

	Year 2015			Year 2014		
	Less than one year	Over one year	Total	Less than one year	Over one year	Total
	€	€	€	€	€	€
Assets						
Cash and deposits with the Central Bank	**9.202.808**	**10.956.093**	**20.158.901**	58.832.398	10.752.113	69.584.511
Placements with banks	**48.297.554**	**-**	**48.297.554**	87.153.762	-	87.153.762
Loans and advances to customers	**38.360.287**	**316.232.076**	**354.592.363**	46.027.917	333.809.670	379.837.587
Investments held-to-maturity	**60.166.356**	**97.092.609**	**157.258.965**	51.446.034	49.117.104	100.563.138
Investments available for sale	**1.739.272**	**-**	**1.739.272**	-	-	-
Investment properties	**5.000.000**	**42.031.030**	**47.031.030**	-	30.756.000	30.756.000
Property, equipment and intangible assets	**-**	**10.145.797**	**10.145.797**	-	5.849.891	5.849.891
Other assets	**1.792.152**	**1.098.882**	**2.891.034**	1.852.483	986.920	2.839.403
	164.558.429	**477.556.487**	**642.114.916**	245.312.594	431.271.598	676.584.292
Liabilities						
Customer deposits	**34.919.261**	**547.804.645**	**582.723.906**	68.701.144	537.605.644	606.306.788
Other liabilities	**8.475.772**	**3.823.758**	**12.299.530**	10.558.141	35.759	10.593.900
Loan capital	**-**	**-**	**-**	10.182.963	-	10.182.963
	43.395.033	**551.628.403**	**595.023.436**	89.442.248	537.641.403	627.083.651

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

- Loans and advances to customers are classified based on their expected repayment schedule and the expected collectability.
- Customer deposits and other accounts are classified based on historical behavioural data.
- Other assets and liabilities are classified based on their contractual maturity date.
- Investment properties are classified based on the expected disposal strategy.

27. Operating leases

Commitments under non-cancellable operating leases are as follows:

	2015	2014
	€	€
Within one year	**568.409**	315.661
Between two and five years	**197.048**	366.195
Over five years	**-**	-
	765.457	681.856

The Bank's commitments for leases of buildings depend on the provisions of the relevant operating lease agreements. These agreements contain provisions for future adjustments on the lease payments, and allow the renewal of the agreements upon expiry by the Bank.

28. Finance leases

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Year 2015		Year 2014	
	Minimum payments	**Present value of payments**	**Minimum payments**	**Present value of payments**
	€	**€**	€	€
Within one year	**200.000**	**191.874**	-	-
Between two and five years	**836.725**	**672.598**	-	-
Over five years	**20.044.954**	**3.128.893**	-	-
Total minimum lease payments	**21.081.679**	**3.993.365**	-	-
Less amounts representing finance charges	**(17.088.314)**	**-**	-	-
	3.993.365	**3.993.365**	-	-

29. Net cash flow (used in)/from operating activities

	2015 €	2014 €
Loss before tax	**(7.240.010)**	(13.219.688)
Adjustments:		
Provision for impairment of loans and advances	**16.613.345**	24.209.839
Depreciation of property and equipment and amortisation of intangible assets	**877.826**	786.039
Loss on disposal of property and equipment	**107**	1.994
Loss on revaluation of investment property	**1.434.767**	1.574.000
Interest on investments	**(5.694.353)**	(5.399.649)
Interest on loan capital	**436.355**	764.082
	6.428.037	8.716.617
(Increase)/decrease in operating assets:		
Obligatory deposits with the Central Bank	**2.153.376**	(27.817)
Investments in bonds	**(286.107)**	(2.691.792)
Loans and advances to customers	**7.712.149**	7.596.627
Investment properties	**(16.582.667)**	(4.380.000)
Other assets	**(51.632)**	(1.084.789)
	(7.054.881)	(587.771)
Increase/(decrease) in operating liabilities:		
Customer deposits	**(23.582.882)**	16.629.585
Other liabilities and other accounts	**1.739.158**	6.428.895
	(21.843.724)	23.058.480
Net cash flow (used in)/from operating activities	**(22.470.568)**	31.187.326

30. Cash and cash equivalents

	2015 €	2014 €
Cash and balances with the Central Bank (Note 10)	**20.158.901**	69.584.511
Placements with banks (Note 11)	**48.297.554**	87.153.762
	68.456.455	156.738.273
Less obligatory deposits with the Central Bank (Note 10)	**(3.636.547)**	(5.789.923)
	64.819.908	150.948.350

31. Risk management

In the ordinary course of the business, the Bank is exposed to various risks, which are managed and monitored through a continuous process of identification, measurement, and monitoring to prevent undue risk concentrations. The Bank's management considers risk management to be a major process and a major factor in ensuring sustainable return to its shareholders. Each manager is responsible for the risks arising from their daily duties. A description of the nature of those risks and the way they are managed is provided below:

Credit risk

Credit risk is the risk created primarily from credit facilities, trading and treasury management if one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Credit Risk Management Department has the responsibility to evaluate and assess the credit risk of the Bank and the responsibility to manage and control credit risk through various mechanisms on the basis of the strategic goals as determined by the Board of Directors. It recommends establishing and developing credit policies and procedures based on Central Bank of Cyprus directives and adjusts when appropriate, in consultation with the General Management, the lending delegation limits for the various Approval Authorities.

The Credit Risk Management Department evaluates the granting of credit facilities to customers of the Bank under the credit policy and procedures, limits and principles of financing and also assesses the new banking products and new banking activities of the Bank.

The approval process of credit facilities aims in minimising credit risk by evaluating the creditworthiness of the counterparty, the collateral offered and the type of credit facility. Credit risks from connected customer accounts are consolidated and monitored on a single customer group basis.

Loan Origination and Renewal Processes

In September 2013, the Central Bank of Cyprus issued a Directive on Loan Origination and Processes of Reviewing Existing Loans. The provisions of this Directive are applicable to all Authorised Credit Institutions ("ACI") and credit institutions that operate in the Republic under Section 10A of the Business of Credit Institutions Laws of 1997 to 2015.

The basic principle when assessing or reviewing a Loan is that the value of collateral is not a decisive factor in the ACI's assessment of a loan application. Collateral could only serve as a secondary source of repayment, and as such it shall be assessed.

The decisive/overriding criterion for granting a Credit Facility is the Borrower's ability to repay the Credit Facility within the approved time limit. It is noted that when assessing the Borrower's repayment ability, any recourse to collateral or to Guarantors' income shall not be taken into account, except for specific cases that are evaluated on a case by case basis and mostly concerning cash collateral lending.

In this respect the Bank has proceeded with all necessary changes and improvements in the IT systems and staff training through circulars so as to facilitate the implementation of this Directive, as well as to re-train all personnel involved in loan appraisal and reviewing of existing loans, with special emphasis on how to assess repayment ability.

31. Risk management (continued)

Monitoring of the lending portfolio

The Bank's portfolio is continuously monitored in order to avoid undertaking high risks when granting credit facilities and in their subsequent duration. When granting loans and advances to customers, the Bank uses an internal evaluation and grading system based on the clients' historical payment records and their overall relationship with the Bank and also a Rating System for corporate customers. In the case of governments and financial institutions, the evaluation is made based on the ratings of international credit rating agencies. The Bank uses Internal Rating Systems so as the customer's rating is representative of the credit risk involved. The evaluation process is supported by periodic audits by the Internal Audit Department.

The Bank's policy regarding the identification of impaired loans and advances and the methodology employed to determining the impairment provisions is set out in the notes 3.2 and 12.

The Bank prepares all reports relating to the control of credit risk at fixed intervals, and sends them to the Board of Directors and the Regulatory & Banking Supervision Department of the Central Bank of Cyprus. On individual cases where there is a breach of the supervisory limits, the Central Bank of Cyprus is informed accordingly and the Bank takes all appropriate measures to eliminate them in compliance with the directives of the Central Bank of Cyprus.

Arrears Management Process

In April 2015, the Central Bank of Cyprus issued the revised "Directive on Arrears Management of 2015" and the "Code of Conduct on the Handling of Borrowers in Financial Difficulties" which set out the framework that all Banks must use when dealing with customers in excesses/arrears or in pre-arrears. It requires Authorised Credit Institutions ("ACIs") to handle all such cases with the objective of helping people to meet their loan obligations, where possible. The Code is intended to support and facilitate a meaningful interaction between ACIs and borrowers, with the ultimate goal of achieving a fair and sustainable restructuring, where possible. The code of conduct applies to all borrowers, physical and legal persons, and for any kind of borrowing and the framework on arrears aims to support and find solution for the Bank's customers who are in arrears, or are at risk of going into arrears. To this effect, the Code clearly outlines, inter alia, the responsibilities of the ACIs in the arrears management process. It, also, makes a clear distinction between cooperative and non-cooperative borrowers with the focus on a consensual and voluntary restructuring.

According to the Directive, ACIs shall lay down effective processes and mechanisms in order to enable timely reaction in the event that the restructuring conditions and/or milestones are not being met and/or the financial situation of the borrower has materially changed. ACIs shall cascade the processes including legal and other measures to be undertaken for cases where sustainable viability cannot be achieved or the borrower is no longer cooperating.

In this respect the Bank has established two independent centralized units which are in distinct from the Debt Recovery Unit which typically deals with borrowers where legal actions have been initiated. The Arrears Management Unit which monitors arrears and excesses of customer facilities up to 90 days past dues and a Non Performing Monitoring Unit with in order to handle non-performing exposures which include defaulted and impaired exposures.

The Bank has developed and implemented suitable restructuring framework of credit facilities in order to provide viable borrowers with restructuring solutions that are robust and sustainable in the long term and thus enhance the safeguarding of the assets of the Bank.

A comprehensive set of Restructuring Options of Credit Facilities is essential to enable the Bank to provide relevant, appropriate and sustainable solutions to troubled borrowers. These options shall provide for an array of short-, medium- and long-term solutions as applicable to the specificities of each troubled borrower.

31. Risk management (continued)

Credit risk (continued)

The facilities that are considered restructured as at the year end, are analysed below as per their facility sector:

	2015	2014
	€	€
Trade and manufacturing	**4.993.091**	6.379.725
Tourism	**11.646.171**	16.847.947
Property and construction	**38.924.167**	40.501.299
Personal and professional	**23.375.797**	38.422.829
Other sectors	**721.393**	461.270
	79.660.619	102.613.070

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk, without taking into account any collateral held as well as other credit enhancements.

	2015	2014
	€	€
Balances with the Central Bank (Note 10)	**13.636.464**	63.651.827
Placements with banks (Note 11)	**48.297.554**	87.153.762
Loans and advances to customers (Note 12)	**354.592.363**	379.837.587
Investments available for sale (Note 13)	**1.739.272**	-
Investments held-to-maturity (Note 14)	**157.258.965**	100.563.138
Other assets (Note 18)	**2.891.035**	2.839.403
Total on balance sheet	**578.415.653**	634.045.717
Contingent liabilities (Note 25)	**12.580.016**	21.025.437
Commitments (Note 25)	**37.546.473**	36.298.290
Total off balance sheet	**50.126.489**	57.623.727
Total credit exposure	**628.542.142**	691.669.444

31. Risk management (continued)

Credit risk concentration

There are restrictions on credit risk concentrations which are imposed by the Banking Law and the relevant Directive of the Central Bank of Cyprus. According to these restrictions, banks are prohibited from lending more than 25% of their capital base to a single customer group after taking into account the effect of credit risk reduction techniques as they are defined in the Capital Requirements Regulation (EU) No 575/2013. Also, the Banking law provides for limitations and prohibitions in relation to transactions involving members of the Board of Directors and main shareholders of the Bank.

The Bank is in total compliance with all the regulatory limits above with the exception of one client where the exposure represents 28,77% of the Bank's capital base instead of 25%. This excess in absolute terms is translated to €1,6 million. It should be noted that the exposure of the client is mainly covered with a mortgage over property. However, the mortgaged property cannot be considered as credit risk mitigation for the calculation of large exposures, because it is directly linked with the repayment of the facilities.

The Banks' exposure to credit risk arising from customer groups, who have credit facilities amounting to more than 10% of the Bank's capital base as at 31 December 2015, was €178,4 million (2014: €156,8 million), before any provision and credit risk reduction techniques.

The allocation of loans and advances relating to the clients' sector in the economy is as follows:

	2015	2014
	€	€
Trade and manufacturing	**89.171.335**	87.750.471
Tourism	**64.613.828**	52.261.001
Property and construction	**133.971.013**	114.488.558
Personal and professional	**155.427.098**	182.975.858
Other sectors	**15.455.536**	26.215.646
	458.638.810	463.691.534

Collateral and other credit enhancements

Loans and advances to customers
The main types of collateral obtained by the Bank are mortgages of properties, cash collaterals, bank guarantees, pledges of equity securities, fixed and floating charges over corporate assets, assignment of life insurance policies, assignment of rights on certain contracts and personal and corporate guarantees.

Other financial instruments other than loans and advances to customers
Collateral held as security for financial assets other than loans and advances to customers is determined by the nature of the instrument. Debt securities, treasury bills and other eligible bills are generally unsecured.

31. Risk management (continued)

Credit quality of loans and advances to customers

	2015	2014
	€	€
Performing		
Neither past due nor impaired	**139.089.479**	157.326.462
Past due but not impaired:		
-Up to 30 days	**12.647.178**	21.906.994
-31 to 60 days	**10.535.643**	11.069.706
-61 to 90 days	**6.231.462**	13.503.140
	168.503.762	203.806.302
Non-Performing		
Neither past due nor impaired	**3.044.564**	7.396.932
Past due but not impaired:		
-Up to 30 days	**123.530**	489.459
-31 to 60 days	**173.435**	477.964
-61 to 90 days	**2.844.664**	6.604.422
-91 to 180 days	**5.861.282**	3.109.467
-181 to 365 days	**2.931.256**	5.302.452
-Over one year	**13.046.288**	10.876.794
Impaired	**262.110.029**	225.627.742
	290.135.048	259.885.232
Total Performing and non-performing		
Neither past due nor impaired	**142.134.043**	164.723.394
Past due but not impaired:		
-Up to 30 days	**12.770.708**	22.396.453
-31 to 60 days	**10.709.078**	11.547.670
-61 to 90 days	**9.076.126**	20.107.562
-91 to 180 days	**5.861.282**	3.109.467
-181 to 365 days	**2.931.256**	5.302.452
-Over one year	**13.046.288**	10.876.794
Impaired	**262.110.029**	225.627.742
	458.638.810	463.691.534

31. Risk management (continued)

Credit risk (continued)

Neither past due nor impaired performing loans and advances to customers

The credit quality of perfoming loans and advances to customers that were neither past due nor impaired is managed by the Bank using internal credit ratings.

The table below shows the credit quality of performing loans and advances to customers that were neither past due nor impaired based on this credit rating system.

	2015	2014
	€	€
Grade 1	**112.721.022**	119.949.538
Grade 2	**14.700.408**	31.934.120
Grade 3	**11.668.049**	5.442.804
	139.089.479	157.326.462

Grade 1:
This rating is applicable for loans and advances to customers that do not display any negative indications.

Grade 2:
This rating is applicable for loans and advances that even though are not yet problematic, are in need of monitoring to avoid possible future problems.

Grade 3:
This rating is applicable for loans and advances that are problematic and for which there might be doubts as to their collection by the Bank. Moreover, there is a possibility for improvement and repayment of the debt after close handling and monitoring from the Bank through a successful restructuring of their facilities.

Collateral on past due but not impaired loans and advances
The fair value of collateral held by the Bank in respect of past due but not impaired loans and advances to customers as at 31 December 2015 amounted to €84,5 million (2014: €106,4 million).

Collateral on impaired loans and advances
The fair value of collateral held by the Bank in relation to impaired loans and advances as at 31 December 2015 amounted to €162 million (2014: €141,9 million).

Credit ratings from independent rating agencies
Balances with the Central Bank of Cyprus and placements with banks are analysed in accordance with their Moody's rating as follows:

	2015	2014
	€	€
Items in the course of collection	**2.691.937**	7.974.919
Aaa – Aa3	**4.630.175**	21.348.247
A1 – A3	**4.776.272**	18.341.530
Baa1 – Baa3	**28.630**	456.539
B1 - B3	**13.636.464**	63.651.827
Caa1 – Caa3	**428**	13.187
Unrated	**36.170.112**	39.019.340
	61.934.018	150.805.589

31. Risk management (continued)

Credit risk (continued)

Government and other bonds are analysed in accordance with their Moody's rating as follows:

	2015 €	2014 €
Aaa – Aa3	**1.373.108**	2.004.951
A1 – A3	**14.504.873**	6.323.096
Baa1 – Baa3	**4.224.533**	10.007.886
B1 – B3	**137.156.451**	82.227.205
	157.258.965	100.563.138
Issued by:		
Cyprus government	**137.156.451**	82.227.205
Foreign banks	**20.102.514**	18.335.933
	157.258.965	100.563.138
Classified as:		
Investments held to maturity	**157.258.965**	100.563.138
	157.258.965	100.563.138

Interest rate risk

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

Interest rate risk is measured, monitored and controlled using interest rate sensitivity gap analysis estimating the difference between assets and liabilities for which interest rates are repriced in each time band, separately for each currency. This difference is multiplied by the respective assumed change in interest rates for the period from the repricing date until twelve months from the date of the analysis, in order to estimate the impact on annual revenues of any changes in interest rates for the next twelve months for each currency.

31. Risk management (continued)

Sensitivity analysis

The table below indicates the effect on the Bank's net interest income and profit before tax, for one-year period, from reasonably possible changes in the interest rate of the main currencies:

Change in interest rates

2015	Euro	US Dollars	Japanese Yen	Other currencies	Total
	€	€	€	€	€
+0,5% for all currencies	380.047	38.808	580	30.739	450.174
-0,25% for US Dollars and -0,5% for all other currencies	(375.282)	(19.404)	(580)	(30.739)	(426.005)

2014	Euro	US Dollars	Japanese Yen	Other currencies	Total
	€	€	€	€	€
+0,5% for all currencies	576.537	68.836	568	44.459	690.400
-0,25% for US Dollars and -0,5% for all other currencies	(571.310)	(34.418)	(568)	(44.459)	(650.755)

Currency risk

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

The Assets and Liabilities Committee (ALCO) has approved open position limits for each currency and for total foreign exchange position limits. These limits are monitored by the Operational Risk Management Unit. The Bank uses foreign exchange swaps for foreign exchange risk hedging, for which it does not apply hedge accounting.

As a result, there are no materially open positions in any currency, and consequently the impact on net loss and equity of reasonably possible changes in exchange rates is not expected to be significant.

Liquidity Risk

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

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

The Bank has developed internal control processes and contingency plans for managing liquidity risk. These incorporate an assessment of expected cash flows and the availability of collateral which could be used to secure additional funding if required.

31. Risk management (continued)

Liquidity Risk (continued)

The Bank`s Treasury department is responsible for managing liquidity and to ensure compliance with internal and regulatory liquidity policies and provide direction as to the actions to be taken regarding liquidity availability. The Assets and Liability Committee (ALCO) reviews the liquidity position on a weekly basis and takes the necessary actions to enhance the Bank's liquidity position.

Monitoring Process

Daily
The daily monitoring of cash flows and highly liquid assets is important to safeguard and ensure the uninterrupted operations of the Bank's activities. Regulatory reporting department prepares a report for submission to the CBC, indicating the cash inflows and outflows observed in customer balances and other balances, as well as the opening and closing balances of cash. Also, Treasury department monitors daily and intraday the inflows and outflows in the main currencies used by the Bank.

Weekly
Regulatory reporting department prepares a weekly report of Euro and foreign currency liquidity mismatch which is submitted to the CBC.

Monthly
Regulatory reporting department prepares reports indicating compliance with internal and regulatory liquidity ratios and submits them to the ALCO, which subsequently reports to Board Risk Committee any incidents of violation. It also calculates the expected flows under a stress scenario and compares them with the projected available liquidity buffer.

Regulatory reporting department reports the Liquidity Coverage Ratio (LCR) to the CBC monthly.

Annually
The Bank has completed in 2015 its Internal Liquidity Adequacy Assessment Process (ILAAP). Treasury department coordinated the preparation of the report, which was discussed at the ALCO, evaluated by the Board Risk Committee, approved by the Board of Directors and submitted to the CBC.

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

31. Risk management (continued)

Liquidity Risk (continued)

Analysis of financial liabilities by remaining contractual maturity:

	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	Total
	€	€	€	€	€	€
Year 2015						
Customer deposits	264.749.105	111.252.989	202.791.655	5.953.062	574.557	585.321.368
Other liabilities	6.547.571	-	210.957	836.725	20.044.954	27.640.207
	271.296.676	111.252.989	203.002.612	6.789.787	20.619.511	612.961.575
Year 2014						
Customer deposits	273.808.965	178.245.788	133.452.105	24.130.579	597.946	610.235.383
Other liabilities	8.342.708	-	6.649	-	-	8.349.357
Loan capital	-	-	10.621.383	-	-	10.621.383
	282.151.673	178.245.788	144.080.137	24.130.579	597.946	629.206.123

The table above presents the Bank's financial liabilities based on undiscounted cash flows, analysed in time bands according to the number of days remaining from 31 December until the contractual maturity date. Repayments for which notice should be given, have been placed in the relevant time bands, as if notice had been given on 31 December. The amounts in this table may not be equal to the amounts in the consolidated statement of financial position since the table above presents all cash flows (including interest) on an undiscounted basis.

The calculation of protective liquidity in euro and other currencies for supervisory purposes is submitted to the Central Bank of Cyprus every quarter, while additional information in relation to liquidity is submitted on a weekly basis. These statements are monitored by Management. The minimum percentage of liquid assets is 20% of total euro deposits while the respective percentage for foreign currencies is 70%. During the year, the Bank has utilised the relevant provision of the directive which allows transfer of Euro Liquidity Assets in order to cover any deficiency in the foreign currency liquidity in order to meet the minimum ratio of 70%.

The liquidity ratio in Euro was as follows:

	2015	2014
	%	%
31 December	**23,20**	32,93
Average for the year	**26,98**	28,45
Highest ratio for the year	**29,93**	32,97
Lowest ratio for the year	**23,20**	25,21

31. Risk management (continued)

Liquidity Risk (continued)

The liquidity ratio in Foreign Currencies was as follows:

	2015	2014
	%	%
31 December	**70,00**	72,68
Average for the year	**70,00**	72,08
Highest ratio for the year	**70,00**	75,62
Lowest ratio for the year	**70,00**	70,00

The foreign currency liquidity ratio is calculated using data denominated in foreign currencies other than the euro.

Other liquidity ratio requirements

In accordance with the requirements set forth by Pillar 1 of Basel III Framework known as Capital Requirement Regulation ("CRR") No 575/2013 / Capital Requirement Directive IV ("CRD IV"), the Bank has to comply with Liquidity Coverage requirement ratio (LCR) calculated as the sum of the values which cover the liquidity outflows less the liquidity inflows under stressed conditions so as to ensure that institutions maintain levels of liquidity buffers which are adequate to face any possible imbalance between liquidity inflows and outflows under stressed conditions over a period of thirty days. During times of stress, institutions may use their liquid assets to cover their net liquidity outflows.

Recent developments

Cyprus has exited its economic adjustment programme in March 2016. The credit ratings of the Republic of Cyprus by the main credit rating agencies continue to be below investment grade, albeit on a rising trend. As a result, the ECB is no longer able to include Cypriot Government Bonds in its asset purchase programme, or as eligible collateral for Eurosystem monetary operations, as was the case when the waiver for collateral eligibility due to the country being under an economic adjustment programme existed. Any weakening of the commitment to fiscal discipline and reform in the future might add to market pressures. The Bank has proactively reduced its dependence on Cypriot Government Bonds in anticipation of the above risk materialising.

As a result of the above and taking into consideration the ineligibility of the Cyprus Government Bonds, the liquidity ratios on 4th of April 2016 were adjusted downwards to 16,56% from 27,64% for Euro and 59,16% from 70,00% for Foreign Currency. Following the transfer of the €23m to facilitate the issue of additional share capital as indicated in note 32, the Bank will comply with the minimum regulatory ratios for both Euro and Foreign Currency.

Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. The Bank manages operational risk through procedures and controls it implements and also through a dedicated system for recording loss events and findings of the Risk Control Self-Assessment by the various departments/branches of the Bank. Controls include segregation of duties, controllable access, reconciliation of accounts and balances. In addition, the Bank's Internal Audit department performs periodic reviews and evaluates the efficiency of these controls and procedures. Additionally, an insurance coverage exists in order to cover unanticipated operating losses.

31. Risk management (continued)

Regulatory Risk

The Bank's operations are supervised by the Central Bank of Cyprus. In carrying out its regulatory duties, the Central Bank of Cyprus follows, inter alia by the European Union's underlying legal framework, as well as the regulatory framework of Central Bank of Cyprus. Future changes in the legal or regulatory duties as a result of arrangements either by European Union or Central Bank of Cyprus, may impact the Bank's operations.

Intensity of competition

The operational environment of the Bank is highly competitive. Competition arises from commercial banks, cooperative credit institutions, and international banking units. Any intensification of competition as a result of more competitive interest rates being offered on deposits and advances compared to those offered by the Bank, may create pressure on the Bank's profitability.

Litigation risk

The Bank may, from time to time, become involved in legal or arbitration proceedings which may affect its operations and results. Litigation risk arises from pending or potential legal proceedings against the Bank in the event that legal issues are not properly dealt with by the Bank, resulting in the cancellation of contracts with customers thus exposing the Bank to legal actions against it.

Political risk

External factors which are beyond the control of the Bank, such as political developments and government actions in Cyprus may adversely affect the operations of the Bank, its strategy and prospects. Political risk factors include social developments in Cyprus, political developments in the Eurozone which might lead to a Euro exit of a Eurozone member state, the ongoing unresolved political issue of the Turkish occupied areas, and political and social unrest and political instability or military conflict in neighbouring countries and/or other overseas areas.

Given the above, the Bank recognises that unforeseen political events can have negative effects on the fulfilment of contractual relationships and obligations of its customers and other counterparties which may result in a negative impact on Bank's activities, operating results and position.

32. Capital management

The main regulator that sets and monitors capital requirements for the Bank is the Central Bank of Cyprus ("CBC").

As from 1 January 2014, the new Basel III Framework known as Capital Requirement Regulation ("CRR") No 575/2013 / Capital Requirement Directive IV ("CRD IV") dated 26 June 2013 became effective. CRR establishes the prudential requirements for capital, liquidity and leverage that entities need to abide by. CRD IV governs access to deposit-taking activities, internal governance arrangements including remuneration, board composition and transparency. CRR introduces significant changes in the prudential regulatory regime applicable to banks including amended minimum capital ratios, changes to the definition of capital and the calculation of risk weighted assets and the introduction of new measures relating to leverage, liquidity and funding. CRR permits a transitional period for certain of the enhanced capital requirements and certain other measures, such as the leverage ratio, which are not expected to be fully implemented until 2018.

The CBC has determined the extent of phasing-in of the transitional provisions relating to Common Equity Tier 1 deductions and on 29 May 2014 set the minimum Common Equity Tier 1 capital ratio at 8% (from 9% which applied until then). However, the CBC may also impose additional capital requirements for risks not recognised by Pillar 1 known also as Pillar 2 add-ons

Basel III Framework comprises of three Pillars:

- Pillar 1 – Minimum capital requirements
- Pillar 2 – Supervisory review process
- Pillar 3 – Market discipline

Pillar 1 – Minimum capital requirements

Pillar 1 sets forth the guidelines for calculating the minimum capital requirements to cover the credit risk, the market risk and the operational risk.

The Bank has adopted the Standardised Approach for the calculation of the minimum capital against credit risk. Under this approach, exposures are classified in specified classes and are weighed using specific weights, depending on the class the exposures belong to and their credit rating. According to the directive, there are two methods for the recognition of collateral, the Simple Approach and the Comprehensive Approach. The Bank has applied the Comprehensive Approach, as this enables the fairer recognition and more accurate estimation of the Bank's capital.

Regarding market risk, the Bank has adopted the Standardised Approach, according to which the minimum capital requirement is estimated by adding together the interest rate, equity and debt securities position, foreign exchange and price risk on derivatives using predefined models.

The Bank uses the Basic Indicator Approach for the calculation of the capital requirements for operational risk, based on which the operational risk capital requirement is estimated using a specific percentage on the average sum of gross income on a three year basis.

32. Capital management (continued)

Pillar 2 – Supervisory review process

Pillar 2 includes rules to ensure that adequate capital is in place to support any risk exposures of the Bank and requires appropriate risk management, reporting and governance policies. The Bank applied the Minimum Capital Approach to determine the additional capital required to cover credit risks which are not sufficiently covered by Pillar 1 requirements, such as Residual Risk, as well as risks not recognised by Pillar 1, such as Credit Concentration Risk, Interest Rate Risk in the Banking Book and any external factors affecting the Bank.

Banks are assessing their capital needs relative to their risks with their Internal Capital Adequacy Assessment Process ("ICAAP"), while at the same time maintaining communication with supervisors on a continuous basis. This procedure is monitored and evaluated by the CBC.

Pillar 3 – Market discipline

Pillar 3 sets out required disclosures to allow market participants to assess key pieces of information relevant to the capital structure, risk exposures, risk assessment processes and hence the capital adequacy of the Bank.

Based on the Central Bank Directive, disclosures by banks include information relating to their risk management objectives and policies, the composition of own funds and original and supplementary funds, their compliance with minimum capital requirements and the internal capital adequacy assessment process.

The Bank closely monitors its capital adequacy both for compliance with the requirements of the supervisory authority as well as to maintain a base to support and develop its activities and safeguard the interests of its shareholders and all other stakeholders.

Supervisory Review and Evaluation Process (SREP)

The Central Bank of Cyprus ("CBC"), as part of its supervisory role under Directive 2013/36 of the European Parliament and of the Council, has conducted during 2015 its annual Supervisory Review and Evaluation Process. SREP is a holistic assessment of, amongst other things: the Bank's business model, internal governance and institution-wide control arrangements, risks to capital and adequacy of capital to cover these risks and risks to liquidity and adequacy of liquidity resources to cover these risks. The objective of SREP is for the CBC to form an up-to-date supervisory view of the Bank's risks and viability and to form the basis for supervisory measures and dialogue with the Bank.

Capital position

The minimum Pillar 1 Capital Requirements amounts to 8% based on the Capital Requirement Regulation ("CRR") No 575/2013 / Capital Requirement Directive IV ("CRD IV").

The Bank is also subject to additional capital requirements for risks which are not covered by the Pillar 1 capital requirements (Pillar 2 add-ons and macroprudential buffers).

Based on the provisions of the Macroprudential Oversight of Institutions Law of 2015 which came into force on 1 January 2016, the CBC is the designated Authority responsible for setting the macroprudential buffers that derive from the CRD IV. In accordance with the provisions of this law, the CBC sets, the Countercyclical Capital buffer level on a quarterly basis. The Countercyclical Capital buffer has been set at 0% for the first two quarters of 2016.

The Capital Conservation buffer level is set by the CBC in accordance with the Business of Credit Institutions Law of 1997 to 2016. The Capital Conservation buffer has been set at 2,5% over the minimum CET 1 ratio.

Following the completion of the Supervisory Review and Evaluation Process ("SREP") of the Bank by CBC, the Pillar 2 Capital Requirements amounts to 4% resulting in a Total Supervisory Capital Requirements of 14,5% based on the 31st December 2014 figures which give rise to an injection of €23m additional capital. Furthermore, the Total Supervisory Capital Requirements shall always be maintained above 12,25% in the future.

32. Capital management (continued)

Capital position (continued)

The parent of the Bank, BLC Bank SAL, has made an irrevocable commitment to fully cover the required increase of capital of the Bank, by blocking €23m in an escrow account to facilitate the issue of additional share capital not later than 30 September 2016 as per CBC requirement.

The Bank closely monitors its capital adequacy both for compliance with the requirements of the supervisory authority as well as to maintain a base to support and develop its activities and safeguard the interests of its shareholders.

The information presented below represents the Bank's capital position under the CRR/CRD IV, including the application of the transitional arrangements as set by the CBC.

At 31 December 2015 the Common Equity Tier 1 ratio was 8,54% (2014: 9,63%), the Tier 1 ratio was 8,54% (2014: 9,63%) and the Total Capital ratio was 8,98% (2014: 10,19%). With the injection of the €23m capital the Common Equity Tier 1 ratio would be 13,44% and the Total Capital ratio would be 13,87%.

	31 December 2015	31 December 2014
	€	€
Regulatory capital		
Transitional Common Equity Tier 1 capital (CET1)	**40.135**	45.618
Transitional Additional Tier 1 capital (AT1)	**-**	-
Transitional Tier 1 capital (T1)	**40.135**	45.618
Transitional Tier 2 capital (T2)	**2.028**	2.643
Total transitional regulatory capital	**42.163**	48.261
Risk weighted assets - credit risk	**417.897**	425.974
Risk weighted assets - operational risk	**51.813**	47.764
Risk weighted assets - market risk	**-**	-
Total risk weighted assets	**469.710**	473.738
Transitional Common Equity Tier 1 ratio	**8,54%**	9,63%
Transitional Tier 1 ratio	**8,54%**	9,63%
Transitional Total Capital Ratio	**8,98%**	10,19%

Leverage Ratio
According to CRR Article 429, the leverage ratio is expressed as a percentage and calculated as an institution's capital measure divided by the institution's total exposure measure using two capital measures:

(a) Tier 1 capital: fully phased-in definition
(b) Tier 1 capital: transitional definition.

Based on the fully phased-in definition, as at 31 December 2015 the Leverage Ratio of the Bank was 5,25% compared to 5,83% as at 31 December 2014 and based on the transitional definition as at 31 December 2015 the Leverage Ratio of the Bank was 5,25% compared to 5,83% as at 31 December 2014.

33. Related party transactions

The Bank is a subsidiary of BLC Bank SAL through its 98,83% shareholding, which is incorporated in Lebanon. The ultimate controlling party of the Bank is Fransabank SAL through its 68,58% shareholding in BLC Bank SAL.

	2015	2014	2015 €	2014 €
	Number of Directors of the Bank			
Loans and advances:				
To members of the Board of Directors and their related parties:				
Less than 1% of net assets per Director	11	15	**327.502**	375.978
	11	15	**327.502**	375.978
To Senior Management and their related parties			**1.068.172**	1.330.951
Total loans and other advances			**1.395.674**	1.706.929
Tangible securities			**2.639.151**	3.456.003
Interest income			**51.503**	126.143
Deposits:				
- members of the Board of Directors and their related parties			**1.176.474**	672.895
- Senior Management and their related parties			**697.825**	1.239.245
			1.874.299	1.912.140
Interest expense			**28.367**	46.653
Loan capital issued to shareholder who owns more than 20% of the share capital			**-**	282.350
Interest expense on loan capital			**10.095**	20.470

In addition, there were unutilised limits to the members of the Board of Directors, Senior Management and their connected persons amounting to €304.317 (2014: €328.238), of which €118.084 (2014: €97.510) relate to Directors and their connected persons.

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

33. Related party transactions (continued)

All transactions with non-executive members of the Board of Directors, the Bank's shareholders and their connected persons are made on normal business terms as for comparable transactions with customers of a similar credit standing. A number of credit facilities have been extended to Senior Management and their connected persons on the same terms as those applicable to the rest of the Bank's employees.

Furthermore, on 31 December 2015 there were interbank deposits amounting to €561.422 (2014: €8.843.816) to the parent company BLC Bank SAL and €35.032.257 (2014: €15.006.000) to a group company Fransabank France SAL, as part of the ordinary operations of the Bank while there was no interbank lending from BLC Bank SAL or any other group company.

Fees and emoluments of Directors and Senior Management

	2015	2014
	€	€
Directors' emoluments		
Member Fees:		
Non executives	**218.685**	156.790
Executives	**-**	-
Total member fees	**218.685**	156.790
Executive directors' emoluments:		
Salaries and other short-term benefits	**265.189**	243.155
Employer's contributions	**31.270**	29.429
Retirement benefit plan costs	**23.478**	21.447
Total executive directors' emoluments	**319.937**	294.031
Total Board of Directors emoluments	**538.622**	450.821
Senior Management emoluments:		
Salaries and other short-term benefits	**854.482**	925.830
Employer's contributions	**114.725**	123.027
Retirement benefit plan costs	**70.892**	76.784
Total Senior Management emoluments	**1.040.099**	1.125.641
Total emoluments	**1.578.721**	1.576.462

34. Agreements with a major shareholder

Except for the disclosures in Note 33, at the reporting date and at the approval date of the financial statements there were no other agreements between the Bank and its major shareholder who owns more than 20% of the share capital.

35. Operating environment

The Cypriot economy returned to positive growth rates in 2015 and based on seasonally and working data, GDP growth rate in real terms is estimated at +1,6% for 2015. The growth was mainly driven by tourism, business services and financial and insurance services on the supply side. On the expenditure side the driver for growth was mainly investments in buildings, metals and machinery and transport equipment. The growth was also supported by the depreciation of the euro and the drop in oil price.

The outlook for the medium term remains positive according to the European Commission and the International Monetary Fund. Real GDP is expected to grow by about 2% per annum in 2016-2017. Downside risks to the outlook relate to the high level of non-performing loans and to a worsening of the external environment.

A deteriorating external environment would pose a risk for an open economy like Cyprus. This might include a worsening of conditions in Greece, a continuing downturn in Russia and further Rouble weakness, weaker growth in the euro area and in the UK or a worsening of credit conditions in world bond markets. Conversely, upside risks to the economic outlook relate to a longer period of low oil prices, improving conditions in Greece and an improvement in foreign investment climate.

The unemployment rate in 2015 averaged 15,6% as per Eurostat and is expected to decline further in the medium term, to reach 13,3% by 2017 according to the European Commission. Consumer prices declined each year from 2013, onwards dropping by 1,4% and 2,1% in 2014 and 2015 (Cyprus Statistical Service) respectively. Thus economic adjustment entailed both a decline in quantities and prices, which explains why nominal GDP declined at a faster pace than real GDP. However, this was part of internal devaluation which was one of the objectives of the economic adjustment programme. Falling consumer prices also reflect the decline in commodity prices and specifically oil. Consumer prices are expected to turn moderately higher in 2016 according to the European Commission.

In the area of public finances Cyprus has achieved considerable consolidation over the period of the programme. Per the Cyprus Statistical Service, the budget deficit has almost been eliminated dropping to near zero in 2014 from 5,7% of GDP in 2011. This constitutes an adjustment of over €1 billion in an economy which is a little more than €17 billion. The budget is expected to swing into surplus in 2016-2017, albeit marginally, according to the European Commission.

The International Monetary Fund completed a ninth review of Cyprus' economic adjustment programme in January 2016 and approved the disbursement of €126 million, bringing total disbursements under the adjustment programme to about €1 billion. Total disbursements from the European Stability Mechanism (ESM) amount to €6,3 billion to date, out of a total committed of €9 billion. That is, about 30% of the funding under the adjustment programme envelope remains unutilised. The eighth review of the European Commission has not been completed because a last prior action under the last review, has not been fulfilled.

The ESM Macroeconomic Adjustment Programme ended on 31st March 2016 and the government has decided to exit without a successor arrangement. In March 2016 the Eurogroup has issued a statement where it is highlighting the need for further reform to strengthen the resilience of the Cyprus economy. In recognition of the progress achieved on the fiscal front and on economic recovery as well as the adoption in April 2015 of a comprehensive reform framework for corporate and personal insolvency, the international credit rating agencies have upgraded the credit ratings for the Cypriot sovereign opening the way for the sovereign to access the international capital markets.

35. Operating environment (continued)

The insolvency and foreclosure framework

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

- An improvement in the Group's negotiating power with defaulted customers.
- A reduction in the recovery period in case of repossession of an asset from defaulted customers.
- A likely improvement in the Group's liquidity risk management as proceeds from an earlier repayment period and/or better repayment of loans should facilitate the Group's management of its assets and liabilities.

The main objectives of the insolvency framework are to modernise and increase the efficiency of liquidation and bankruptcy proceedings for individuals and companies and to create appropriate incentives for debt repayment, thereby contributing to the reduction of non-performing loans, while at the same time provide certain protections and benefits to debtors including the following:

- Protecting the primary residence of debtors based upon strict eligibility criteria.
- Providing for the economic rehabilitation of bankrupt individuals where possible.
- Providing incentives for the preservation and rehabilitation of companies.
- Introducing a new mechanism for the relief of individual debtors with no income or assets and low total debt.

36. Events after the reporting date

Other than the share capital related issues stated in Note 32 of these financial statements, there were no other significant events after the end of the financial year which have a bearing on the understanding of the financial statements.

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Independent Auditor's Report

To the Members of USB BANK PLC

Report on the financial statements

We have audited the accompanying consolidated financial statements of **USB BANK PLC** (the "Bank") and its subsidiaries (together with the Bank, the "Group") on pages 33 to 91, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.

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

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Independent Auditor's Report (continued)

To the Members of USB BANK PLC

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group 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.

Report on other legal requirements

Pursuant to the 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.
- 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 Bank's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 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.

Alexis Agathocleous
Certified Public Accountant and Registered Auditor
for and on behalf of

Deloitte Limited
Certified Public Accountants and Registered Auditors

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Credit risk

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

The Directive requires certain disclosures in relation to the loan portfolio quality, provisioning policy and levels of provision. In addition to the disclosures presented in Notes 12 and 31 to the financial statements and as per the circular issued on 17 February 2015 by CBC, the following tables are also disclosed.

TABLE A: Analysis of the loan portfolio according to performance status for balances as at 31 December 2015

	Gross carrying amount of loans and advances				Accumulated provision for impairment			
			Of which exposures with forbearance measures				Of which exposures with forbearance measures	
		Of which non-performing exposures		Of which non performing exposures		Of which non-performing exposures		Of which non performing exposures
	€000	€000	€000	€000	€000	€000	€000	€000
General governments	-	-	-	-	-	-	-	-
Other financial corporations	1.243	95	-	-	69	53	-	-
Non-financial corporations	314.260	206.004	59.729	55.788	67.781	67.027	12.239	12.225
Of which: Small and Medium-sized Enterprises	288.009	198.723	59.474	55.788	65.140	64.710	12.239	12.225
Of which: Commercial real estate	44.786	22.215	2.506	1.155	4.144	4.086	487	481
By sector								
Construction	111.594	96.577			29.110			
Wholesale and retail trade	62.830	32.264			15.509			
Real estate activities	44.871	36.050			9.688			
Accomodation and food service activities	33.772	16.324			3.653			
Transportation and storage	16.798	6.613			2.769			
Other sectors	44.395	18.176			7.052			
Households	143.135	84.036	19.931	16.152	36.196	35.651	2.571	2.428
Of which: Residential mortgage loans	67.482	34.967	7.821	6.683	14.671	14.620	1.161	1.142
Of which: Credit for consumption	45.573	29.261	6.115	4.994	11.527	11.311	556	530

Credit risk (continued)

TABLE B: Analysis of the loan portfolio on the basis of their origination date for balances as at 31 December 2015

Total loans granted	Gross carrying amount of total loans			Loans to non-financial corporations			Loans to other financial corporations			Loans to households		
	Total	Non per-forming loans	Accumulated impairment	Total	Non performing loans	Accumulated impairment	Total	Non performing loans	Accumulated impairment	Total	Non performing loans	Accumulated impairment
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Within 1 year	26.590	6.231	(1.939)	16.864	2.658	(1.250)	-	-	-	9.726	3.573	(689)
1 - 2 years	55.897	41.224	(8.253)	42.604	32.449	(7.494)	-	-	-	13.293	8.775	(759)
2 - 3 years	44.664	28.200	(4.408)	32.085	24.024	(3.806)	-	-	-	12.579	4.176	(602)
3 - 5 years	141.804	90.372	(29.197)	102.773	69.498	(19.292)	48	-	-	38.983	20.874	(9.905)
5 - 7 years	77.562	57.055	(21.848)	52.030	41.145	(14.523)	-	-	-	25.532	15.910	(7.325)
7 - 10 years	51.499	31.704	(18.233)	34.111	20.184	(13.175)	31	30	(8)	17.357	11.490	(5.050)
More than 10 years	60.623	35.350	(18.854)	33.791	16.045	(7.488)	1.164	65	(45)	25.668	19.240	(11.321)
Total	**458.639**	**290.136**	**(102.732)**	**314.258**	**206.003**	**(67.028)**	**1.243**	**95**	**(53)**	**143.138**	**84.038**	**(35.651)**

*The origination date of new or restructured credit facilities is defined as the date of loan agreement i.e. contract date.

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