



BANK OF CYPRUS GROUP
Mid-year Financial Report
for the six months ended 30 June 2013

Contents	Page
Statement by the Members of the Board of Directors and the Company Officials Responsible for the Drafting of the Interim Condensed Consolidated Financial Statements	1
Interim Management Report	2
Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2013	
Interim Consolidated Income Statement for the six months ended 30 June 2013	14
Interim Consolidated Statement of Comprehensive Income for the six months ended 30 June 2013	15
Interim Consolidated Balance Sheet as at 30 June 2013	16
Interim Consolidated Statement of Changes in Equity for the six months ended 30 June 2013	17
Interim Consolidated Statement of Cash Flows for the six months ended 30 June 2013	19

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Contents

Page

Notes to the Interim Condensed Consolidated Financial Statements

21

1. Corporate information	21
2. Operating environment following the Cyprus-Eurogroup agreement	21
3. Unaudited financial statements	23
4. Basis of preparation	24
5. Accounting policies	24
6. Significant judgements, estimates and assumptions	25
7. Segmental analysis	31
8. Other (expenses)/income, staff costs and other operating expenses	35
9. Impairment of Greek Government Bonds	37
10. Tax	37
11. Earnings per share	38
12. Investments	38
13. Derivative financial instruments	40
14. Fair value of financial instruments	41
15. Loans and advances to customers	45
16. Other assets	45
17. Funding from central banks	46
18. Debt securities in issue	46
19. Other liabilities	48
20. Subordinated loan stock	49
21. Share capital	50
22. Convertible Enhanced Capital Securities	53
23. Cash and cash equivalents	53
24. Analysis of assets and liabilities by expected maturity	54
25. Risk management – Credit risk	55
26. Risk management – Market risk	75
27. Risk management – Liquidity risk and funding	80
28. Risk management – Other risks	83
29. Sovereign exposure	85
30. Capital management	90
31. Related party transactions	92
32. Group companies	95
33. Acquisitions and disposals	97
34. Other information	100
35. Investments in associates	101
36. Events after the reporting date	101

Report to the Board of Directors of Bank of Cyprus Public Company Ltd on the Review of the Interim Condensed Consolidated Financial Statements

103

Financial Information for the period from 1 January to 30 June 2013

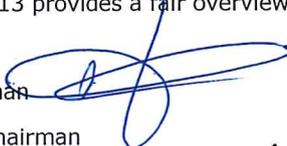
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BANK OF CYPRUS PUBLIC COMPANY LTD
Statement by the Members of the Board of Directors and the Company Officials
Responsible for the Drafting of the Interim Condensed Consolidated Financial Statements
 (in accordance with the provisions of Law 190(I)/2007 on Transparency Requirements)

We, the members of the Board of Directors and the Company officials responsible for the drafting of the Interim Condensed Consolidated Financial Statements of Bank of Cyprus Public Company Ltd (the 'Company') for the six months ended 30 June 2013, the names of which are listed below, confirm that, to the best of our knowledge,

- (a) The Interim Condensed Consolidated Financial Statements on pages 14 to 102:
- (i) Have been prepared in accordance with the International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as adopted by the European Union.
 - (ii) Have been reviewed by the independent auditors of the Company in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Company'.
- The qualification included in the Report to the Board of Directors of the Company on the Review of the Interim Condensed Consolidated Financial Statements relates exclusively to the accounting treatment afforded under IFRS (the 'Accounting Treatment') of the effect of the decrees of the Central Bank of Cyprus ('CBC') in its capacity as Resolution Authority concerning the bail-in of the Company and its taking over of certain assets and liabilities from Cyprus Popular Bank Public Company Ltd (the 'Decrees'), and in particular to the value assigned to the new shares issued pursuant to the Decrees. It is considered appropriate to underline the fact that the value assigned to these shares has no impact on the value of the assets, the liabilities and the shareholders' equity reported in these Interim Condensed Consolidated Financial Statements as further explained and elaborated on in the notes to the Interim Condensed Consolidated Financial Statements and in particular notes 5.2 and 33.2.
- (iii) Give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the Interim Condensed Consolidated Financial Statements taken as a whole, subject to the qualification included in the Report to the Board of Directors of the Company on the Review of the Interim Condensed Consolidated Financial Statements, which as explained above, does not affect the Group's equity and financial position.
- (b) The Interim Management Report on pages 2 to 13 provides a fair overview on information required as per section 6 of article 10 of Law 190(I)/2007.

Christis Hassapis
 Vladimir Strzhalkovskiy *
 Anjelica Anshakova
 Dmitry Chichikashvili
 Marinos Gialelis
 Marios Kalochoritis
 Konstantinos Katsaros
 Erishkan Kurazov **
 Adonis Papaconstantinou
 Anton Smetanin *
 Xanthos Vrachas
 Marios Yiannas
 Andreas Yiasemides
 Ioannis Zographakis
 John Patrick Hourican
 Eliza Livadiotou

Chairman 
 Vice Chairman
 Non-executive Director 
 Non-executive Director 
 Non-executive Director 
 Non-executive Director 
 Non-executive Director 
 Non-executive Director 
 Non-executive Director 
 Executive Director and Group Chief Executive Officer 
 Group Chief Financial Officer 

26 November 2013

* Not available to sign - signature will follow
 ** Not present at the meeting due to travelling

BANK OF CYPRUS PUBLIC COMPANY LTD

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John Patrick Hourican	Executive Director and Group Chief Executive Officer
Eliza Livadiotou	Group Chief Financial Officer

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26 November 2013

Group Financial Result for the six months ended 30 June 2013

Bank of Cyprus' Group CEO Statement:

"The Group's Core Tier 1 capital ratio has been restored to 10,5%. The restructuring plans are underway and the Group is taking decisive steps to deal with non-performing loans, strengthen risk management and defend its deposit franchise.

Although the Group faces some unprecedented challenges, we are clear on what needs to be done. Our priority remains to restore investor and customer confidence in the Bank. This can only be achieved through our focusing on arresting asset quality deterioration, making progress on non-core disposals and maintaining capital ratios so as to build a strong platform for the safe return of depositors to the Bank."

John Patrick Hourican, Group Chief Executive Officer

Note regarding the financial results for the six months ended 30 June 2013:

Following the Eurogroup decisions to recapitalise Bank of Cyprus (Bank) via a bail-in of depositors, the Bank was placed under resolution from 25 March 2013 until 30 July 2013, a period during which it was recapitalised and restructured in accordance with the decrees issued by the Central Bank of Cyprus in its capacity as Resolution Authority.

In this context, the banking and leasing operations of the Bank in Greece were sold to Piraeus Bank A.E. as per the Sale of Greek Operations of Bank of Cyprus Public Company Ltd Decree of 2013. Hence, the financial results of the Greek operations are presented as discontinued operations.

The Bank acquired the operations of Cyprus Popular Bank Public Co Ltd (Laiki Bank) in Cyprus as per the Sale of certain operations of Cyprus Popular Bank Public Co Ltd Decrees of 2013. Hence the financial results of Laiki Bank are fully consolidated as from the date of the transfer, 29 March 2013. It is noted that the fair value of the transferred assets and liabilities for the purposes of accounting for the business combination of the Group is provisional in accordance with IFRSs.

Due to the above transactions, it is not possible to compare figures and financial results of the Group with past financial periods.

A. Summary of financial results for the six months ended 30 June 2013

Balance Sheet

- Following its recapitalisation through a bail-in of depositors, the Bank's core tier 1 capital ratio and its total capital ratio were restored to 10,5% and 10,7% respectively as at 30 June 2013.
- At 30 June 2013, gross loans¹ and deposits were €28,3 bn and €17,0 bn respectively, with a net loans to deposits ratio of 140%. Following the acquisition of certain assets and insured deposits, as well as Emergency Liquidity Assistance (ELA) funding of €9 bn of Cyprus Popular Bank Public Co. Ltd (Laiki), the Group's funding from the ELA reached €11,1 bn at 30 June 2013.
- Loans in arrears for more than 90 days (90+ DPD² ratio) accounted for 38,8% of gross loans compared to 27,4% at 31 December 2012. The provision coverage ratio of 90+ DPD was 42%. Non-performing loans based on the new Directive of the Central Bank of Cyprus³ accounted for 36,0% of gross loans. Loan quality deterioration continues into the second half of 2013 affected by the challenging economic and operating conditions in our primary market, Cyprus.

Income Statement

- Total income for the six months ended 30 June 2013 was €500 mn, with Net Interest Income (NII) at €430 mn and Net Interest Margin (NIM) at 3,17%. Both NII and NIM are affected by the bail-in of depositors which impacted the Bank's deposit base and its cost of deposits. Total income was negatively affected by losses related to foreign exchange and other financial instruments as well as from revaluation losses of investment properties (€34mn).
- Total expenses were €285 mn with staff costs and other operating costs of €173 mn and €112 mn respectively and the cost to income ratio at 57,0%.
- Profit before impairments and restructuring costs was €215 mn.

¹ Gross loans for the purposes of the Interim Management Report are defined as gross loans and advances to customers excluding the Laiki fair value adjustment that arose on the acquisition of Laiki Bank.

² Defined as loans with a specific provision and loans past due for more than 90 days, as per IFRS.

³ These are defined as per the new Directive issued by the Central Bank of Cyprus for the *Definition of Non-performing and Restructured Credit Facilities*, which became effective on 1 July 2013. The directive is available on the website of the Central Bank of Cyprus.

Group Financial Result for the six months ended 30 June 2013 (continued)

A. Summary of financial results for the six months ended 30 June 2013 (continued)

Income Statement (continued)

- Provisions for impairment of loans were €539 mn, with the provisioning charge accounting for 3,9% of gross loans on an annualised basis. The elevated provisioning reflects the continued deterioration of the loan portfolio given the advancing recession and the ongoing reduction in collateral values in Cyprus.
- Loss before restructuring expenses, discontinued operations and the disposal of Greek operations totalled €314 mn.
- Disposal of Greek operations resulted in a loss on disposal of €1,4 bn. For the acquisition of Laiki's operations, the Bank issued shares to Laiki amounting to 18,1% of the Bank's share capital.
- Loss after tax attributable to the owners of the Company totalled €1,8 bn.

B. Analysis of financial results for the six months ended 30 June 2013

B.1 Key developments

The results of the first six months of 2013 reflect the consequences of the Eurogroup decisions. On 25 March 2013, the Cypriot government and the Eurogroup reached an agreement on a financial assistance facility of up to €10 bn to be granted to Cyprus, conditioned upon the implementation of an extensive programme of policy reform. A Memorandum of Understanding (MoU) has been agreed between the Republic of Cyprus and the Troika (European Commission, European Central Bank and the International Monetary Fund) on a package of measures for the years 2013-2016 which includes financial sector reform, fiscal policy and fiscal structural measures, labour market reforms and improvements in goods and services markets.

In its statement on 25 March 2013⁴, the Eurogroup noted that Laiki (second largest bank in Cyprus) would be resolved, that Bank of Cyprus would be recapitalised via a bail-in of its depositors and none of the programme's money would be used for the Bank's recapitalisation.

The Bank was under Resolution from 25 March 2013 until 30 July 2013, a period during which it was recapitalised and restructured in accordance with the decrees issued by the Central Bank of Cyprus in its capacity as Resolution Authority, in accordance with the Resolution of Credit Institutions and Other Institutions Law of 2013.

The recapitalisation was implemented via the bail-in of depositors, through the conversion of 47,5% of uninsured deposits into equity. In addition, the holders of ordinary shares and debt securities issued by the Bank as of 29 March 2013 have contributed to the recapitalisation through the absorption of losses.

During the period under Resolution, the Bank has:

- Disposed loans, property and equipment, intangible assets and deposits of its Greek operations to Piraeus Bank S.A. Piraeus Bank acquired assets of €7,9 bn and liabilities of €7,7 bn. The Group made a cash payment to Piraeus Bank of €1,2 bn, resulting in a loss on disposal of €1,4 bn.
- Acquired from Laiki Bank assets of €15 bn and liabilities of €14,6 bn, mainly insured deposits of €4,2 bn as well as ELA funding of €9 bn.⁵
- Acquired the customer deposits of Laiki Bank's branch operations in the United Kingdom.
- Disposed the majority of deposits and the retail loans of Bank of Cyprus' branch in Romania to Marfin Bank (Romania) SA.

⁴ See link <http://eurozone.europa.eu/newsroom/news/2013/03/eg-statement-cyprus-25-03-13/>

⁵ It is noted that the fair value of the transferred assets and liabilities for the purposes of accounting for the business combination of the Group is provisional in accordance with IFRSs.

Group Financial Result for the six months ended 30 June 2013 (continued)

B. Analysis of financial results for the six months ended 30 June 2013 (continued)

B.1 Key developments (continued)

Following its recapitalisation and exit from Resolution, the Bank took decisive measures for the restructuring of its Cyprus operation and managing of its funding position. Branch rationalisation, staff cost reduction, harmonisation of procedures and integration of ex-Laiki's operations as well as review of end to end credit processes have been the main priorities of the Bank.

B.2 Balance Sheet analysis

B.2.1 Capital base

As per the decisions of Eurogroup, the Bank was recapitalised via a bail-in of depositors. The recapitalisation was implemented through the conversion of 47,5% of uninsured deposits into equity. In addition, the holders of ordinary shares and debt securities in issue by the Bank as of 29 March 2013 have contributed to the recapitalisation of the Bank through the absorption of losses.

As a result, the Group's equity at 30 June 2013 amounted to €2,92 bn and its core tier 1 capital ratio at 10,5% at 30 June 2013. The total capital ratio of the Bank was 10,7%. The Group aims to preserve and enhance its capital adequacy by retaining internally generated capital, while its activity for restructuring and disposal of non-core assets will be driven by risk mitigation and capital considerations.

As per the MoU signed between Cyprus and the Troika, the minimum core tier 1 capital ratio will be set at 9% by 31 December 2013.

B.2.2 Deposits and loans

The Group's total deposits were €17,0 bn at 30 June 2013 compared with €28,4 bn at 31 December 2012. The significant change in the Group's deposits reflects primarily: a) the disposal of €7,7 bn of deposits in Greece, b) the acquisition of €4,5 bn of deposits from Laiki (Cyprus and UK) and c) the conversion of €3,8 bn of deposits to equity as per the Bank's recapitalisation.

As a result, deposits in Cyprus account for 85% of Group deposits, deposits in Russia for 7% and deposits in the United Kingdom for 8%. The Bank's deposit market share in Cyprus was 30% at 30 June 2013.

Customer deposits remain the primary source of funding and accounted for 51% of assets as at 30 June 2013, while the Bank's net loans to deposits ratio totalled 140%. Following the absorption of Laiki, ELA funding as at 30 June 2013 amounted to €11,15 bn. The Bank aims to increase the contribution of deposits towards its funding and to reduce the reliance on funding from the Central Banks, and in particular its reliance on ELA.

The decisions of the Eurogroup have significantly dented the trust and confidence of customers towards the Cypriot banking system in general. As a result, restrictive measures and capital controls with respect to banking and cash transactions were introduced by the authorities in March 2013 to prevent large deposit outflows and to preserve the solvency and liquidity of the credit institutions in Cyprus. These measures include restrictions on cash withdrawals, compulsory renewal of maturing deposits and restrictions on capital movements and are constantly being reviewed and revised.

Group Financial Result for the six months ended 30 June 2013 (continued)

B. Analysis of financial results for the six months ended 30 June 2013 (continued)

B.2 Balance Sheet analysis (continued)

B.2.2 Deposits and loans (continued)

The temporary restrictive measures and capital controls are allowing the Bank some headroom to contain the risk of a significant deposit outflow. In addition to the restrictive measures applicable for the Cypriot banking system as a whole, there are additional restrictive measures applicable to the Bank's deposits affected by the bail-in⁶. About 37,4% of the uninsured deposits⁷ (totalling €3,0 bn) have been converted into three equal new fixed term deposits with a term of 6, 9, and 12 months respectively. These fixed term deposits bear higher interest rates and the Bank is allowed to renew them for a further equal term on the same interest rates, depending on market conditions. Once these deposits are unblocked, the funds will be subject to the general restrictive measures applicable at the time.

Gross loans⁸ reached €28,3 bn at 30 June 2013, with loans in Cyprus totalling €24 bn and accounting for 85% of gross loans. The gross loans are presented before the deduction of the fair value adjustment on initial recognition relating to Laiki's loans amounting to €2 bn. As at 30 June 2013 Laiki's gross loans amounted to €10,4 bn.

Following the absorption of Laiki's loan portfolio in Cyprus, the Bank is the single largest provider of credit in Cyprus with a market share of 37% of loans as at June 2013 and as such, the Bank's future financial performance is interlinked with the Cypriot economy and is highly correlated to the trajectory of economic activity in Cyprus. Loans in Russia (€1,8 bn) accounted for 6% of total loans, while loans in the UK accounted for 5% of total loans.

In terms of type of customer exposure, corporate loans represent 46% of gross loans, SME loans represent 23% of gross loans, whereas mortgages and consumer loans represent 19% and 12% of gross loans respectively. In addition, loans are mainly concentrated in the sectors of construction which represents 15% of gross loans and real estate which represents 16% of gross loans.

B.2.3 Loan portfolio quality

The quality of the Group's loan portfolio continues to deteriorate affected by the sharp increase in unemployment, a significant credit crunch due to shortage of liquidity and the declining property prices which affect the value of collaterals held by the Group. These conditions have led to a significant dislocation of the market during the months following the March 2013 events, thus leading to a sharp increase in loans in arrears. This trend continues and threatens the Bank's recovery.

Loans past due for more than 90 days (including impaired loans which are loans with a specific provision) (90+ DPD ratio), accounted for 38,8% of gross loans as at 30 June 2013 compared to 27,4% at 31 December 2012. The provisioning coverage ratio of 90+ DPD⁹ was 42%.

Non-performing loans calculated based on the new definition of the Central Bank of Cyprus effective from 1 July 2013, amounted to 36,0% as at 30 June 2013.

The ratio of non-performing loans as previously reported based on the previous definition of the Central Bank of Cyprus (loans in arrears for more than three months which are not fully covered by tangible collateral) reached 29,1% at 30 June 2013 compared to 23,7% at 31 December 2012. The difference between the level of new-definition NPLs and the old-definition NPLs of about €1,9 bn as at 30 June 2013 is due to tangible collateral which is not taken into account under the new definition.

⁶ The *Enforcement of Temporary Restrictive Measures on Transactions of Bank of Cyprus Public Co Ltd in case of Emergency of 2013* issued by the Ministry of Finance on 30 July 2013.

⁷ Uninsured deposits are calculated pursuant to the provisions of the *Bailing-in of Bank of Cyprus Public Company Limited Decrees of 2013 up to (No. 3)*, issued by the Central Bank of Cyprus in its capacity as Resolution Authority.

⁸ Gross loans for the purposes of the Interim Management Report are defined as gross loans and advances to customers excluding the Laiki fair value adjustment that arose on the acquisition of Laiki Bank.

⁹ Defined as accumulated provisions as a percentage of gross loans in arrears for more than 90 days.

Group Financial Result for the six months ended 30 June 2013 (continued)

B. Analysis of financial results for the six months ended 30 June 2013 (continued)

B.2 Balance Sheet analysis (continued)

B.2.3 Loan portfolio quality (continued)

New definition of Non-Performing Loans (NPL) as per the Central Bank Directive¹⁰

In accordance with the new directive, a loan is considered as non-performing when it shows arrears of more than 90 days or if it has been restructured and at the time of restructuring presented arrears for a period of more than 60 days, regardless of tangible or other collateral.

More specifically a NPL is defined as a loan which has arrears (of interest or capital or any other charges) for a period of more than 90 days, an overdraft in excess of its contractual limit on a continuous basis for a period of more than 90 days by more than 5% of the contractual limit (threshold of 5% to be withdrawn as from 1/1/2014) and a restructured facility which at the time of restructuring was classified as NPL or has arrears/excesses for a period of more than 60 days. Restructured loans remain as NPLs for 6 months following the commencement of the new repayment schedule of capital instalments or in the case of gradual increasing instalments six months from the date of the higher capital instalment. In case of lump-sum payments at maturity the loan remains as NPL until its maturity.

B.3 Income Statement analysis

B.3.1 Analysis of income and expenses

The Group's Net Interest Income (NII) was €430 mn for the six months ended 30 June 2013. It should be noted that both NII and Net Interest Margin (NIM) of 3,17% continue to be affected by the current situation in Cyprus. Although the Bank's funding cost has benefited from the decrease in the cost of deposits in Cyprus, blocked deposits, amounting to around €3 bn bear higher interest rate, as explained above.

Other income amounted in total, to a net expense of €27 mn, mainly due to losses on the revaluation of investment properties (primarily repossessed assets) of €34 mn.

The Group's operating expenses amounted to €285 mn, of which 61% related to staff costs (€173 mn) and 39% to other operating expenses (€112 mn). Following the absorption of Laiki's operations in Cyprus, the Bank proceeded with a rapid branch rationalisation programme with branch numbers reduced from 203 in May 2013 to 142 as of 26 November 2013. Furthermore, the Group offered a Voluntary Retirement Scheme (VRS) in Cyprus whereby the number of staff was reduced from 5.725 to 4.355 (24% reduction). Following the VRS and the salary cuts, personnel expenses in Cyprus has been significantly reduced by about 35% on an annualised basis.

The cost to income ratio (calculated excluding the restructuring costs and the losses of the disposal and discontinuation of the Greek operations) was 57,0%.

B.3.2 Restructuring expenses

Restructuring costs totalling €35 mn, include the cost of VRS (€22 mn) which was offered in January 2013. The cost of VRS which was offered during the 3rd quarter of 2013 amounted to about €96 mn.

B.3.3 Provisions for the impairment of loans

The increase in loans in arrears is reflected in the provision charge for the impairment of loans of €539 mn for the first half of 2013, with the annualised charge for impairment of loans for the period amounting to 3,9% of gross loans. As at 30 June 2013 accumulated provisions reached €4,6 bn amounting to 16% of gross loans.

The ratio includes the fair value adjustment on initial recognition in relation to the acquired loan book of Laiki Bank of €2 bn.

¹⁰ For more information on the directive, please see

http://www.centralbank.gov.cy/media/pdf/EN_Dir_Non_Performing_Restructured_credit_facilities.pdf

Group Financial Result for the six months ended 30 June 2013 (continued)

C. Prospects for 2013

The Group has prepared a Restructuring Plan which has been approved by the Central Bank of Cyprus in November 2013. As per the MoU, the Bank is required to publish selected features of its Restructuring Plan by year-end, and to identify Key Performance Indicators, that will be monitored on a quarterly basis by the authorities.

The Restructuring plan defines the strategic objectives and actions the Bank should take to create **a safer, smaller, more focused institution capable of supporting the recovery of the Cypriot economy** by:

- **Rebuilding trust and confidence** of both depositors and investors.
- Preserving the Bank's status as **the cornerstone of the domestic economy**, continuing to support both businesses and households.
- Building a **resilient institution**, able to effectively manage its portfolio of assets and withstand further external shocks and economic turbulence.
- **Smoothly integrating ex-Laiki Bank operations**, maximising synergies and bottom-line impact for the combined entity through the realisation of synergies.
- **Enhance the capital adequacy** of the Group by internally generating capital through profitability, deleveraging and disposal of non-core assets.

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

The provisions for the impairment of loans are expected to remain elevated for the remaining of the year, as more borrowers default and collateral values decline further. In order to stabilise and improve its asset base the Bank is taking measures to effectively manage its delinquencies. Targeted measures initiated recently are yielding some results, though it is too early to assess whether these actions are effective. Tackling the Bank's loan portfolio quality is of utmost importance and is a top priority for the Bank's management.

In addition, the Bank is focusing on completing the integration of ex-Laiki Bank operations. The number of branches will be reduced from the current 142 to 135 by year end.

The Bank aims to restore confidence in the Cyprus Banking system in general and in the Bank in particular. Following its exit from Resolution, the Bank was reinstated by the ECB as an eligible counterparty for monetary policy operations. As a result, the Bank has regained access to funding under monetary policy operations at a rate that further supports the Bank's profitability. Hence, the Bank has raised about €1,35 bn of funding under monetary policy operations and has reduced its ELA funding accordingly, the level of which stands today at €9,8 bn. Moreover, the Bank is stepping up its marketing efforts, both locally and internationally, launching new products to attract new deposits.

Group Financial Result for the six months ended 30 June 2013 (continued)

D. Notes to the Financial Results

Following the Eurogroup decisions to recapitalise Bank of Cyprus via a bail-in of depositors, Bank of Cyprus was placed under resolution from 25 March 2013 until 30 July 2013, a period during which it was recapitalised and restructured in accordance with the following decrees issued by the Central Bank of Cyprus in its capacity as Resolution Authority:

- 1) Sale of Greek operations as per the *Sale of the Greek operations of Bank of Cyprus Public Company Ltd Decree of 2013*.
- 2) Acquisition of Laiki's operations as per the *Sale of certain operations of Cyprus Popular Bank Public Co Ltd Decrees of 2013*.
- 3) *Compensation for assets and liabilities acquired from Laiki as per the Bank of Cyprus Share Capital Issue for Compensation of Cyprus Popular Bank Public Co Ltd Decree of 2013*.
- 4) Recapitalisation of Bank of Cyprus as per the *Bailing-in of Bank of Cyprus Public Company Limited Decrees of 2013 up to (No. 3)*. Unsecured deposits are also calculated pursuant to the provisions of the Decrees.
- 5) Acquisition of Laiki's branch operations in the UK as per the *Sale of certain operations in the United Kingdom of Cyprus Popular Bank Public Co Ltd Decree of 2013*.
- 6) Disposal of the Bank's operations in Romania to Marfin Romania as per the *Sale of certain operations in Romania of Bank of Cyprus Public Company Ltd Decree of 2013*.

The Company has not been able to measure the fair value of the shares issued by it pursuant to the bail-in Decree as well as the shares issued as consideration for the acquisition of certain assets and liabilities from Cyprus Popular Bank Public Co Ltd as required by IFRS, due to the specific conditions and significant uncertainties that existed at the date of the transactions. The Group's equity and balance sheet are not affected by the way the Company has accounted for the above transactions.

The independent auditors of the Company have conducted a review of the interim condensed consolidated financial statements, in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. Their review conclusion has been qualified, as a result of the Company's inability to measure, as required by IFRS, the fair value of the shares issued by it.

The Mid-year Financial Report of the Group for the six months ended 30 June 2013 is available at the Bank of Cyprus Public Co Ltd Registered Office at 51 Stassinou Street, Ayia Paraskevi, Strovolos, P.O. Box 24884, 1398 Nicosia, Cyprus. The Report as well as the detailed presentation of the financial results for the 1H2013 has been posted on the Group's website www.bankofcyprus.com.

Group Financial Result for the six months ended 30 June 2013 (continued)

E. Financial information¹¹

Analysis of Group Income Statement

	30 June 2013	30 June 2012	Annual change +/-
	€mn	€mn	%
Net interest income	430	387	+11%
Net fees and commission income	84	88	-4%
Net foreign exchange expense and net losses on other financial instruments	(26)	(8)	+225%
Insurance income net of insurance claims	39	32	+22%
Other (expenses)/income	(27)	3	-
Total income	500	502	-
Staff costs	(173)	(140)	+23%
Other operating expenses	(112)	(108)	+4%
Total expenses	(285)	(248)	+15%
Profit before impairments and restructuring costs	215	254	-15%
Provisions for impairment of loans and advances	(539)	(251)	+115%
Share of profit from associate	3	-	-
(Loss)/profit before tax and impairments and restructuring costs	(321)	3	-
Tax	2	(12)	-120%
Loss attributable to non-controlling interests	5	4	+40%
Loss after tax and before discontinued operations, impairments and restructuring costs	(314)	(5)	-
Restructuring costs	(35)	-	-
Loss from discontinued operations	(90)	(209)	-
Loss on disposal of the Greek operations	(1.366)	-	-
Impairment of GGBs and change in fair value of related hedging instruments including taxation	-	80	-
Loss after tax	(1.805)	(134)	-

Performance Summary

	30 June 2013	30 June 2012	Annual change
Net Interest margin	3,17%	3,17%	-
Cost to income ratio	57,0%	49,4%	+7,6 p.p.*
Provision coverage on 90+ DPD loans ¹²	42%	40%	+2 p.p.*

*p.p. = percentage points, 1 percentage point = 1%

¹¹ Following the Eurogroup decisions to recapitalise Bank of Cyprus via a bail-in of depositors, the Bank was placed under resolution from 25 March 2013 until 30 July 2013, a period during which it was recapitalised and restructured in accordance with the decrees issued by the Central Bank of Cyprus in its capacity as Resolution Authority. Therefore, it is not possible to compare figures and results of the Group with past financial periods.

¹² Loan quality and provision coverage ratios are calculated as a percentage of gross loans.

Group Financial Result for the six months ended 30 June 2013 (continued)

E. Financial information (continued)

Condensed Balance Sheet

	30 June 2013	31 December 2012	+/-
	€mn	€mn	%
Cash and balances with central banks	1.301	1.272	+2%
Placements with banks	1.711	1.769	-3%
Debt securities, Treasury bills and equity investments	3.413	1.870	+82%
Net loans and advances to customers	23.769	24.375	-2%
Other assets	2.762	1.746	+58%
Total assets	32.956	31.032	+6%
Amounts due to banks	363	341	+7%
Funding from central banks	11.107	-	-
Repurchase agreements	620	608	+2%
Customer deposits	16.970	28.442	-40%
Debt securities in issue	7	45	-84%
Other liabilities	962	1.127	-15%
Subordinated loan stock	7	133	-95%
Total liabilities	30.036	30.696	-2%
Share capital	4.674	1.795	+160%
Shares subject to interim orders	60	-	-
Share premium	-	428	-100%
Convertible Enhanced Capital Securities	-	429	-100%
Revaluation and other reserves	27	106	-75%
Accumulated losses	(1.923)	(2.500)	-22%
Shareholder's equity	2.838	258	+998%
Non-controlling interests	82	78	+7%
Total equity	2.920	336	+770%
Total liabilities and equity	32.956	31.032	+6%

Group Financial Result for the six months ended 30 June 2013 (continued)

E. Financial information (continued)

Balance Sheet Key ratios

	30 June 2013	31 December 2012	Change +/-
Gross customer loans (€ bn)	28,3	28,1	+1%
Customer Deposits (€bn)	17,0	28,4	-40%
Net loans to deposits ratio	140%	86%	+54 p.p.
90+ DPD ratio	38,8%	27,4%	+11,4 p.p.
Capital			
Core Tier 1 ratio	10,5%	-1,9%	+12.4 p.p.
Tier 1 ratio	10,5%	0,6%	+9,9 p.p.
Total capital ratio	10,7%	0,9%	+9,8 p.p.
Risk weighted assets (€ bn)	23.510	21.580	+8,9%

Group Deposits

	30 June 2013	31 December 2012	Change +/-
	€000	€000	%
Cyprus: Non-IBU	9.665	10.741	-10%
Cyprus: IBU	4.752	7.771	-39%
Cyprus –Total	14.417	18.512	-22%
United Kingdom	1.295	1.215	+7%
Russia	1.153	1.254	-8%
Greece	-	7.152	-100%
Other countries	105	309	-66%
Total Deposits	16.970	28.442	-40%
As a percentage of total deposits			
Cyprus: Non-IBU	57,0%	37,8%	-
Cyprus: IBU	28,0%	27,3%	-
Cyprus –Total	85,0%	65,1%	-
United Kingdom	7,6%	4,3%	-
Russia	6,8%	4,4%	-
Greece	-	25,1%	-
Other countries	0,6%	1,1%	-
Total Deposits	100%	100%	-

Going concern

Details of the going concern assessment are set out in Note 6.1 of the Interim Condensed Consolidated Financial Statements. The Company's management and Board of Directors, taking into consideration the measures taken to support the Cyprus economy and the realised and planned actions as detailed in its Restructuring Plan, is satisfied that it has the resources to continue in business for the foreseeable future and therefore the going concern principle is appropriate for the following reasons:

- The Group has been successfully recapitalised.
- The Troika is expected to continue to provide the required financial support to Cyprus as per the signed and recently updated MoU.
- The implementation of additional actions as per the Restructuring Plan which would further improve the capital adequacy and liquidity position of the Group.
- The additional liquidity support, if this is necessary, from the Cyprus government in issuing additional government guaranteed bonds.
- The expectation that the Cyprus government will maintain certain temporary restrictive measures and capital controls with respect to banking and cash transactions for as long as required to ensure the stability of the Cyprus banking system.

Notwithstanding this assessment and the conclusion reached, the Board considers that uncertainties remain (refer to Note 6.1.8) that may cast significant doubt upon the Company's ability to continue as a going concern.

Board of Directors

All members of the Board of Directors as at 29 March 2013 resigned from office on that date.

On 25 March 2013 the Resolution Authority appointed Mr Dinos Christofides as the Special Administrator of the Company. Mr Yiannis Kypri resigned from the position of Group Chief Executive Officer on 29 March 2013.

On 26 April 2013 an interim Board of Directors was appointed by the Resolution Authority. The members of the interim Board of Directors were: Constantinos Damtsas, Lenia Georgiadou, Costas Hadjipapas, Philippos Mannaris, Sophocles Michaelides, Lambros Papadopoulos, Andreas Persianis, Andreas Poetis, Panicos Poulos, Erol Riza, Savvas Savvides, Takis Taoushanis, George Theodorides and Michalis Zannetides. Messrs Sophocles Michaelides and Erol Riza were elected as Chairman and Vice-Chairman of the interim Board respectively. On 10 May 2013 Mr Takis Arapoglou was appointed as member of the interim Board of Directors. He resigned on 2 July 2013.

Mr Christos Sorotos was appointed as interim Group Chief Executive Officer and member of the Board of Directors on 29 May 2013. The interim Board of Directors and interim Group Chief Executive Officer remained in office until the Annual General Meeting of shareholders on 10 September 2013.

The Annual General Meeting of shareholders held on 10 September 2013 elected the new members of the Board of Directors, namely: Christis Hassapis, Vladimir Strzhalkovskiy, Anjelica Anshakova, Dmitry Chichikashvili, Marinos Gialelis, Costas Hadjipapas, Marios Kalochoritis, Konstantinos Katsaros, Erishkan Kurazov, Igor Lojevsky, Adonis Papaconstantinou, Anton Smetanin, Xanthos Vrachas, Marios Yiannas, Andreas Yiasemides and Ioannis Zographakis. Messrs Costas Hadjipapas and Igor Lojevsky resigned on 10 October and 22 October 2013 respectively. Messrs Christis Hassapis and Vladimir Strzhalkovskiy were elected as Chairman and Vice-Chairman of the Board respectively.

On 23 October 2013 the Board of Directors decided to appoint Mr John Patrick Hourican as Group Chief Executive Officer. On 26 November 2013 he was appointed as member of the Board.

Related party transactions

Information on related party transactions for the six months ended 30 June 2013 in accordance with IFRS is set out in Note 31 of the Interim Condensed Consolidated Financial Statements.

Risk management

Like other financial organisations, the Group is exposed to risks, the most significant of which are credit risk, liquidity risk and market risk (that arises from adverse movements in exchange rates, interest rates or security prices) and operational risk. The Group monitors and manages these risks through various control mechanisms. Detailed information relating to Group risk management is set out in Notes 25 to 28 of the Interim Condensed Consolidated Financial Statements. The Group's exposure to sovereign debt of countries which have entered the European Support Mechanism or whose Moody's credit rating is below Aa1 and total Group exposure exceeds €100 million is set out in Note 29.

In addition, details of the significant judgements, estimates and assumptions which may have a material impact on the Group's financial performance and position are set out in Note 3 of the Consolidated Financial Statements for the year ended 31 December 2012 and in Note 6 of these Interim Condensed Consolidated Financial Statements.

Share capital

In March 2013, the holders of ordinary shares issued by the Company have contributed to the recapitalisation of the Company through the absorption of losses. In accordance with Decrees issued by the Resolution Authority, the nominal value of the ordinary shares in issue on 29 March 2013 was reduced from €1,00 per share to €0,01 per share. The total amount from the reduction of the nominal value of the shares was applied for the absorption of losses of the Company. These shares were subsequently consolidated and converted to 17.913 thousand ordinary shares of nominal value €1,00 each.

Also in accordance with Decrees issued by the Resolution Authority, the Convertible Bonds 2013/2018, the Capital Securities 12/2007, the Convertible Capital Securities and the Convertible Enhanced Capital Securities in issue on 29 March 2013 were converted to 581.941 thousand Class D shares of €1,00 each. The nominal value of these shares was reduced to €0,01 per share and the reduction was applied for the absorption of losses of the Company. These shares were subsequently consolidated and converted to 5.819 thousand ordinary shares of nominal value €1,00 each.

The Resolution Authority also issued Decrees for the partial deposit-to-equity conversion of uninsured deposits and other creditors. A percentage of 47,5% of eligible deposits were converted to 3.806.581 thousand Class A shares of €1,00 each. These shares were subsequently converted to ordinary shares. In addition, the Resolution Authority required the Company to issue shares representing 18,1% of the issued share capital of the Company after the above mentioned changes in the share capital, as consideration for the net assets transferred to the Group from Cyprus Popular Bank Public Company Ltd on 29 March 2013. Accordingly, 844.014 thousand shares were issued to Cyprus Popular Bank Public Company Ltd.

Shareholders holding more than 5% of the share capital of the Company

As at the date of this Report, 18,1% of the share capital of the Company was held by Cyprus Popular Bank Public Company Ltd. As at 30 June 2013 and 26 November 2013, the Company was not aware of any other shareholders holding, directly or indirectly, more than 5% of the issued share capital of the Company.

26 November 2013

BANK OF CYPRUS GROUP
Interim Consolidated Income Statement
for the six months ended 30 June 2013

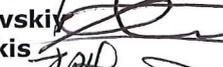
		Six months ended 30 June	
		2013	2012 (re-presented)
	Notes	€000	€000
Continuing operations			
Turnover		1.192.337	970.414
Interest income		851.589	748.408
Interest expense		(421.400)	(360.920)
Net interest income		430.189	387.488
Fee and commission income		94.705	95.749
Fee and commission expense		(10.290)	(8.005)
Net foreign exchange (losses)/gains		(16.875)	18.041
Net losses on financial instrument transactions		(9.165)	(25.729)
Insurance income net of claims and commissions		38.864	31.522
Other (expenses)/income	8	(27.554)	2.458
		499.874	501.524
Staff costs	8	(195.762)	(140.438)
Other operating expenses	8	(124.626)	(107.359)
Profit before impairment of loans and advances		179.486	253.727
Provisions for impairment of loans and advances	25	(538.569)	(250.957)
(Loss)/profit before share of profit of associates		(359.083)	2.770
Share of profit/(loss) of associates		2.368	(87)
(Loss)/profit before tax		(356.715)	2.683
Tax	10	2.371	(11.727)
Loss after tax from continuing operations		(354.344)	(9.044)
Discontinued operations			
Loss after tax from discontinued operations	7	(1.455.604)	(128.561)
Loss for the period		(1.809.948)	(137.605)
Attributable to:			
Owners of the Company (loss) - continuing operations	7	(349.002)	(5.235)
Owners of the Company (loss) – discontinued operations	7	(1.455.604)	(128.561)
Total loss attributable to the owners of the Company		(1.804.606)	(133.796)
Non-controlling interests (loss) – continuing operations		(5.342)	(3.809)
Loss for the period		(1.809.948)	(137.605)
Basic and diluted losses per share (cent) – continuing operations	11	(14,5)	(36,3)
Basic and diluted losses per share (cent)	11	(74,9)	(927,0)

BANK OF CYPRUS GROUP
Interim Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	€000	€000
Loss for the period	(1.809.948)	(137.605)
Other comprehensive income (OCI)		
OCI to be reclassified in the Income Statement in subsequent periods		
Foreign currency translation reserve		
(Loss)/profit on translation of the net investment in overseas subsidiaries and branches	(15.565)	12.264
Profit/(loss) on hedging of net investments	17.432	(7.493)
	1.867	4.771
Available-for-sale investments		
Loss from revaluation before tax	(13.649)	(22.190)
Transfer to the consolidated income statement on impairment	12.321	3.051
Transfer to the consolidated income statement on sale	329	7.005
Tax	54	8.382
	(945)	(3.752)
Net OCI to be reclassified in the Income Statement in subsequent periods	922	1.019
OCI not to be reclassified in the Income Statement in subsequent periods		
Property revaluation		
Fair value loss before tax	(16.271)	-
Tax	2.689	2
OCI not to be reclassified in the Income Statement in subsequent periods	(13.582)	2
Other comprehensive (loss)/income after tax	(12.660)	1.021
Total comprehensive loss for the period	(1.822.608)	(136.584)
Attributable to:		
Owners of the Company (loss)	(1.815.143)	(133.170)
Non-controlling interests (loss)	(7.465)	(3.414)
Total comprehensive loss for the period	(1.822.608)	(136.584)

BANK OF CYPRUS GROUP
Interim Consolidated Balance Sheet
as at 30 June 2013

		30 June 2013	31 December 2012
	<i>Notes</i>	€000	€000
Assets			
Cash and balances with central banks		1.300.665	1.272.424
Placements with banks		1.711.133	1.768.836
Investments	12	2.675.487	1.135.333
Investments pledged as collateral	12	737.385	734.747
Derivative financial assets	13	89.871	26.794
Loans and advances to customers	15	23.769.086	24.374.531
Life insurance business assets attributable to policyholders		435.234	495.756
Property and equipment	34	484.864	483.193
Intangible assets		136.450	123.555
Other assets	16	1.513.791	613.760
Investments in associates	35	102.111	3.107
Total assets		32.956.077	31.032.036
Liabilities			
Amounts due to banks		363.253	341.044
Funding from central banks	17	11.106.784	-
Repurchase agreements		619.914	607.773
Derivative financial liabilities	13	136.025	183.826
Customer deposits		16.970.104	28.442.152
Insurance liabilities		544.431	604.170
Debt securities in issue	18	7.189	44.775
Other liabilities	19	281.750	339.303
Subordinated loan stock	20	7.071	133.294
Total liabilities		30.036.521	30.696.337
Equity			
Share capital	21	4.674.327	1.795.141
Shares subject to interim orders	21	60.182	-
Share premium		-	428.271
Convertible Enhanced Capital Securities	22	-	428.835
Revaluation and other reserves		26.042	106.336
Accumulated losses		(1.923.326)	(2.500.106)
Equity attributable to the owners of the Company		2.837.225	258.477
Non-controlling interests		82.331	77.222
Total equity		2.919.556	335.699
Total liabilities and equity		32.956.077	31.032.036

Chr. Hassapis  Chairman
V. Strzhalkovskiy  Vice-Chairman
I. Zographakis  Director
J. P. Hourican  Group Chief Executive Officer
E. Livadiotou  Group Chief Financial Officer

BANK OF CYPRUS GROUP
Interim Consolidated Statement of Changes in Equity
for the six months ended 30 June 2013

	Attributable to the owners of the Company													Non-controlling interests	Total equity
	Share capital (Note 21)	Shares subject to interim orders (Note 21)	Share premium	Convertible Enhanced Capital Securities (CECS) (Note 22)	Accumulated losses	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Other reserves	Life insurance in-force business reserve	Equity component of convertible subordinated loan stock	Foreign currency translation reserve	Treasury Shares	Total		
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000		
1 January 2013	1.795.141	-	428.271	428.835	(2.500.106)	144.415	2.903	6.059	91.996	5.251	(105.693)	(38.595)	258.477	77.222	335.699
Loss for the period	-	-	-	-	(1.804.606)	-	-	-	-	-	-	-	(1.804.606)	(5.342)	(1.809.948)
Other comprehensive (loss)/income for the period	-	-	-	-	-	(13.487)	(958)	-	-	-	3.908	-	(10.537)	(2.123)	(12.660)
Total comprehensive (loss)/income for the period	-	-	-	-	(1.804.606)	(13.487)	(958)	-	-	-	3.908	-	(1.815.143)	(7.465)	(1.822.608)
Bail-in of deposits and structured products	3.806.581	-	-	-	-	-	-	-	-	-	-	(19.957)	3.786.624	-	3.786.624
Bail-in of Convertible Bonds 2013/2018, Capital Securities 12/2007 and Convertible Capital Securities	122.541	-	-	-	-	-	-	-	-	-	-	(6)	122.535	-	122.535
Conversion of CECS into shares	459.399	-	-	(429.580)	-	-	-	-	-	-	-	(29.819)	-	-	-
Reduction in nominal value of share capital and utilisation of share premium	(2.353.349)	-	(428.271)	-	2.786.871	-	-	-	-	(5.251)	-	-	-	-	-
Shares subject to interim orders	-	60.182	-	-	-	-	-	-	-	-	-	-	60.182	-	60.182
Acquisitions (Note 33)	844.014	-	-	-	(419.464)	-	-	-	-	-	-	-	424.550	12.574	437.124
Exchange difference on CECS	-	-	-	745	(745)	-	-	-	-	-	-	-	-	-	-
Transfer of realised profits on sale of property	-	-	-	-	15.226	(15.226)	-	-	-	-	-	-	-	-	-
Increase in value of in-force life insurance business	-	-	-	-	(3.571)	-	-	-	3.571	-	-	-	-	-	-
Tax on increase in value of in-force life insurance business	-	-	-	-	3.069	-	-	-	(3.069)	-	-	-	-	-	-
30 June 2013	4.674.327	60.182	-	-	(1.923.326)	115.702	1.945	6.059	92.498	-	(101.785)	(88.377)	2.837.225	82.331	2.919.556

BANK OF CYPRUS GROUP
Interim Consolidated Statement of Changes in Equity
for the six months ended 30 June 2012

	Attributable to the owners of the Company												Non-controlling interests	Total equity
	Share capital (Note 21)	Share premium	Convertible Enhanced Capital Securities (CECS) (Note 22)	Accumulated losses	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Other reserves	Life insurance in-force business reserve	Equity component of convertible subordinated loan stock	Foreign currency translation reserve	Treasury Shares	Total		
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000		
1 January 2012	899.528	1.164.903	862.233	(670.988)	161.219	(133.221)	-	88.697	5.251	(112.682)	(6.679)	2.258.261	84.444	2.342.705
Loss for the period	-	-	-	(133.796)	-	-	-	-	-	-	-	(133.796)	(3.809)	(137.605)
Other comprehensive income/(loss) for the period	-	-	-	-	2	(3.751)	-	-	-	4.375	-	626	395	1.021
Total comprehensive (loss)/income for the period	-	-	-	(133.796)	2	(3.751)	-	-	-	4.375	-	(133.170)	(3.414)	(136.584)
Purchase of shares of the Company	-	-	-	-	-	-	-	-	-	-	(38.847)	(38.847)	-	(38.847)
Disposal of shares of the Company	-	-	-	(3.016)	-	-	-	-	-	-	3.815	799	-	799
Capitalisation of reserves of subsidiary company	-	-	-	-	(6.059)	-	6.059	-	-	-	-	-	-	-
Issue of shares	159.683	-	-	-	-	-	-	-	-	-	-	159.683	-	159.683
Issue costs	-	(2.449)	-	-	-	-	-	-	-	-	-	(2.449)	-	(2.449)
Issue of bonus shares	303.743	(303.743)	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of CECS	432.187	-	(432.187)	-	-	-	-	-	-	-	-	-	-	-
Exchange difference on CECS	-	-	210	(210)	-	-	-	-	-	-	-	-	-	-
Increase in value of in-force life insurance business	-	-	-	(2.095)	-	-	-	2.095	-	-	-	-	-	-
Tax on increase in value of in-force life insurance business	-	-	-	196	-	-	-	(196)	-	-	-	-	-	-
30 June 2012	1.795.141	858.711	430.256	(809.909)	155.162	(136.972)	6.059	90.596	5.251	(108.307)	(41.711)	2.244.277	81.030	2.325.307

BANK OF CYPRUS GROUP
Interim Consolidated Statement of Cash Flows
for the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012 (re-presented)
		€000	€000
	<i>Notes</i>		
Net cash flow from operating activities			
(Loss)/ profit before tax from continuing operations		(356.715)	2.683
Loss before tax from discontinued operations		(1.455.604)	(363.213)
Share of (profit)/loss of associates		(2.368)	87
Provisions for impairment of loans and advances		597.477	568.060
Impairment of Greek Government Bonds		-	143.573
Loss on disposal of discontinued operations		1.365.624	-
Depreciation of property and equipment and amortisation of intangible assets		16.506	20.577
Increase in value of in-force life insurance policies		(3.571)	(2.095)
Amortisation of discounts/premiums		(3.554)	(26.421)
Income from investments and disposals of property, equipment and intangible assets, less interest on subordinated loan stock and debt securities in issue		85.131	156.829
		242.926	500.080
Net decrease in loans and advances to customers and other accounts		3.043.357	1.063.706
Net decrease in customer deposits and other accounts		(6.110.181)	(45.238)
		(2.823.898)	1.518.548
Tax paid		(11.388)	(7.767)
Net cash flow (used in)/from operating activities		(2.835.286)	1.510.781
Cash flow from investing activities			
Purchases of investments		-	(1.104.682)
Proceeds on disposal/redemption of investments		974.453	613.444
Interest from investments		95.723	97.015
Dividend income from equity securities		112	119
(Amounts paid on disposal)/proceeds on disposal of subsidiaries		(1.153.000)	105.302
Cash consideration paid net of cash acquired		1.126.302	-
Purchases of property and equipment		(31.045)	(17.459)
Proceeds on disposal of property and equipment		12.849	226
Purchases of intangible assets		(4.320)	(3.963)
Proceeds on disposal of intangible assets		3.685	110
Purchases of investment property		(8.833)	(59.198)
Proceeds on disposal of investment property		2.679	2.103
Net cash flow from/(used in) investing activities		1.018.605	(366.983)
Cash flow from financing activities			
Issue of share capital net of issue costs		-	157.234
Funding from central banks		2.004.256	-
Redemption of debt securities in issue		(22.197)	(15.634)
Interest on subordinated loan stock		4.080	(1.302)
Interest on debt securities in issue		(567)	(850)
Interest on funding from central banks		(65.595)	-
Purchase of own shares		-	(38.847)
Proceeds on disposal of own shares		-	799
Net cash flow from financing activities		1.919.977	101.400
Net increase in cash and cash equivalents for the period		103.296	1.245.198
Cash and cash equivalents			
1 January		1.337.956	2.725.508
Exchange adjustments		9.119	(12.403)
Net increase in cash and cash equivalents for the period		103.296	1.245.198
30 June	23	1.450.371	3.958.303

BANK OF CYPRUS GROUP
Interim Consolidated Statement of Cash Flows
for the six months ended 30 June 2013

	30 June 2013
Non-cash transactions	€000
Bail-in of deposits and structured products	3.806.581
Bail-in of Convertible Bonds 2013/2918, Capital Securities 12/2007 and Convertible Capital Securities	122.541
Conversion of CECS into shares	459.399
Acquisitions (Note 33)	424.550
	<u>4.813.071</u>

1. Corporate information

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

The Company is a limited liability company incorporated in 1930 under the Cyprus Companies Law. The Company has a primary listing on the Cyprus Stock Exchange and a secondary listing on the Athens Exchange. It is also a public company for the purposes of the Cyprus Income Tax Laws. Since 19 March 2013, the shares of the Company have been suspended from trading on the Cyprus and Athens Stock Exchanges.

Interim Condensed Consolidated Financial Statements

The Interim Condensed Consolidated Financial Statements include the financial statements of Bank of Cyprus Public Company Ltd and its subsidiaries and were authorised for issue by a resolution of the Board of Directors on 26 November 2013.

2. Operating environment following the Cyprus-Eurogroup agreement

Following its credit downgrades, the ability of the Republic of Cyprus to borrow from international markets has been significantly affected. As a result, in June 2012 the Cyprus government applied to the European Union and the International Monetary Fund for financial assistance. This led to negotiations with the European Commission, the European Central Bank and the International Monetary Fund (collectively referred to as the 'Troika') for a comprehensive programme of financial assistance.

On 25 March 2013, the Cypriot government and the Eurogroup reached an agreement on the key elements necessary for a future macroeconomic adjustment programme and a financial assistance facility of up to €10 billion. The stability support granted to Cyprus is conditional upon the implementation of an extensive programme of policy reforms. A Memorandum of Understanding ('MoU') has been agreed between Cyprus and the Troika, which includes financial sector reform, fiscal policy and fiscal structural measures, labour market reforms and improvements in goods and services markets. However, the bailout agreement between the Troika and Cyprus is expected to weigh heavily on the real and financial conditions of the Cypriot economy in the next 2-3 years.

Although the economic situation in Cyprus remains challenging, the economic recession has been less pronounced than expected and the economy is proving relatively resilient. The Troika has recently revised its 2013 projection for economic contraction to about 7,7%, 1% less than its original projection. The Troika expects the economy to contract by about 4,8% in 2014 and to recover gradually starting in 2015, driven by non-financial services.

The package of measures included in the MoU aims to restore the soundness of the Cypriot banking sector, to correct the general government deficit, to increase the efficiency of public spending, to improve the functioning of the public sector, to support competitiveness and to restore sustainable and balanced growth and it includes the following measures.

2.1. Restructuring of the financial sector

The main terms of the MoU relating to the financial sector are:

- Based on a decision by the Central Bank of Cyprus in its capacity as Resolution Authority and in compliance with Cyprus' newly adopted Bank Resolution Framework, Cyprus Popular Bank Public Company Ltd ('Laiki Bank') was subjected to immediate resolution. The assets in Cyprus of Laiki Bank, the majority of Laiki Bank liabilities, mainly the insured deposits, €9 billion of Emergency Liquidity Assistance ('ELA') funding and certain assets and liabilities of the UK and Greek operations of Laiki Bank were acquired by the Group. Additional information on the acquired assets and liabilities of Laiki Bank is presented in Note 33.
- The Company has been recapitalised through a deposit-to-equity conversion of 47,5% of deposits subject to bail-in in accordance with the relevant decrees issued by the Resolution Authority ('uninsured deposits') with full contribution of equity shareholders and debt security holders, as presented in Note 21.

2. Operating environment following the Cyprus-Eurogroup agreement (continued)

2.1. Restructuring of the financial sector (continued)

- The Greek branches of the Company, Laiki Bank and Hellenic Bank were acquired by Greece's Piraeus Bank, which was selected for this transaction by the Hellenic Financial Stability Fund. Piraeus Bank acquired assets of €20 billion and liabilities of €14 billion of these branches.

The Eurogroup also commented that the European Central Bank would provide liquidity to the Company in line with applicable rules. The programme financing earmarked for Cyprus of up to €10 billion, would not be used in the recapitalisations of Bank of Cyprus.

The Eurogroup also noted the Cypriot authorities' decision to introduce capital controls for a swift reopening of the domestic banks, noting that these measures would be temporary, proportionate, non-discriminatory and subject to strict monitoring in terms of scope and duration in line with the European Treaty.

2.2 Tax and other fiscal measures

Pursuant to the implementation of the decisions of the Eurogroup, the House of Representatives of Cyprus voted a number of bills regarding direct and indirect taxes, the most important of which are set out below.

Increase of corporation tax rate

The corporate tax rate was increased from 10% to 12,5% as of 1 January 2013.

Carry forward of tax losses

As from 25 March 2013, in case of transfer of operations, assets, rights or obligations from one credit institution to another, under The Credit Institutions' Resolution Law, any accumulated losses of the transferring credit institution at the time of the transfer, are transferred to the acquiring credit institution and may be used by it for a period of up to fifteen years from the end of the year during which the transfer took place.

Increase in special defence contribution on interest

The special defence contribution rate on interest was increased from 15% to 30% as of 29 April 2013. The special defence contribution on interest is payable only by tax residents of Cyprus and applies to physical persons as well as legal persons which receive interest which is not associated with the ordinary activities of the company.

Assessment and Collection of Taxes Law

The law has been amended in order to define the books and records which need to be maintained by a taxable person to enable him to prepare and file tax returns. In addition, supporting documentation should be maintained. Similar amendments were introduced in the Companies Law.

Immovable property taxes

The immovable property tax rates were increased for year 2013 (legislation passed in April 2013) at rates which range from 0,6% to 1,9% of the value of the property as at 1 January 1980.

Levy on bank deposits

The special levy paid by banking institutions on deposits was increased from 0,11% to 0,15% as of 1 January 2013 (Note 8).

2.3 Temporary restrictions on money transfers

The Cypriot authorities have introduced temporary restrictive measures, with respect to banking and cash transactions as a result of the significant liquidity squeeze in the local market and the risk of an outflow of deposits. These measures include restrictions on cash withdrawals, the cashing of cheques and transfers of funds to other credit institutions in Cyprus and abroad. They also provide for the compulsory partial renewal of maturing deposits.

2. Operating environment following the Cyprus-Eurogroup agreement (continued)

2.4 Restructuring of the Group

The Group underwent significant restructuring in order to meet the conditions for the implementation of the MoU, as summarised below.

Sale of the Group's Greek operations to Piraeus Bank

The Resolution Authority decided the sale of the loans, fixed assets and deposits of the banking and leasing operations of the Group in Greece to Piraeus Bank through a Decree issued on 26 March 2013. The impact of this disposal on the Group is presented in Note 33.

Acquisition of certain operations of Cyprus Popular Bank Public Company Ltd by the Group

The 'Sale of Certain Operations Cyprus Popular Bank Public Company Ltd Decree' issued on 29 March 2013, provided for the acquisition of the insured deposits and the majority of assets and loans of Laiki Bank by the Company. The Company services all Laiki Bank customers in Cyprus based on existing terms and all employees of Laiki Bank in Cyprus have been transferred to the Group. Details of the acquired assets and liabilities are presented in Note 33.

2.5 Recapitalisation of the Company

Pursuant to the provisions of the 'Bail-in of Bank of Cyprus Public Company Limited Decree' of 2013 and its amendments, the Company has been recapitalised through a bail-in (deposit-to-equity conversion) of uninsured deposits and structured products. The holders of ordinary shares and subordinated loan stock in issue as of 29 March 2013 have contributed to the recapitalisation of the Company through the conversion into shares and absorption of losses by a reduction of the nominal value of shares. Additional information is presented in Notes 20 to 22.

The debt securities in issue by the Company were also bailed-in via conversion into shares. Additional information is disclosed in Note 18.

2.6 Exit from Resolution

Following the completion of the recapitalisation of the Company, the Central Bank of Cyprus in its capacity as Resolution Authority announced that as of 30 July 2013, the Company was no longer under resolution.

The duties of the Board of Directors were exercised by the members of the interim Board of Directors until the Annual General Meeting of shareholders held on 10 September 2013 when the new Board of Directors was elected.

3. Unaudited financial statements

The Interim Condensed Consolidated Financial Statements of the Group for the six months ended 30 June 2013 have not been audited by the Group's external auditors.

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

4. Basis of preparation

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

4.1 Statement of compliance

The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2013 have been prepared in accordance with the International Financial Reporting Standard applicable to interim financial reporting as adopted by the European Union ("IAS 34").

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required for the annual financial statements and should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2012.

5. Accounting policies

5.1 New and amended standards and interpretations

The accounting policies adopted for the preparation of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2013 are consistent with those followed for the preparation of the Consolidated Financial Statements for the year ended 31 December 2012. In addition, the Group has adopted the following new standards, amendments and interpretations, which did not have a material impact on the Group's Interim Condensed Consolidated Financial Statements:

- IAS 19 'Employee Benefits' (Amended)
- IAS 1 'Financial Statement Presentation' (Amended) - Presentation of Items of Other Comprehensive Income
- IFRS 7 'Financial Instruments: Disclosures' (Amended) - Offsetting Financial Assets and Financial Liabilities
- IFRS 13 'Fair Value Measurement'
- IAS 34 'Interim Financial Reporting and segment information for total assets and liabilities' (Amendment)

Comparatives have been re-presented to reflect the reclassification of the Greek operations disposed during the period, from continuing to discontinued operations. In addition reclassifications to comparative information were made to conform to changes in the presentation in the current period. These reclassifications had no impact on the total loss after tax or equity of the Group.

5.2 Accounting policy for the recapitalisation of the Company through a bail-in of uninsured deposits and debt securities

As described in Note 21, during the period the Company has been recapitalised partly through a bail-in of uninsured deposits and debt securities in accordance with the provisions of the relevant decrees and enforced by the Resolution Authority. Up to the date of this transaction, the Company did not have an accounting policy with respect to the accounting treatment of such transactions.

In accordance with IFRS (more specifically IAS 39 'Financial Instruments: Recognition and Measurement' and related interpretation IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'), the difference between the carrying amount of a financial liability (uninsured deposits) extinguished and the consideration paid (shares issued in this case), including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

Due to the specific conditions under which this transaction took place, i.e. the fact that the shares of the Company had been suspended from trading since 15 March 2013, the significant uncertainties present on and around the date of extinguishment as the discussions and negotiations with the Troika were on-going, the non-availability of up to date financial information as at the date of extinguishment due to the continuing developments and uncertainties, the Company is not able to establish a reliable measure of the fair value of the shares issued at the date of this transaction. Similarly, the fair value of the deposits and debt securities, due to the same uncertainties described above, cannot be reliably measured either.

5. Accounting policies (continued)

5.2 Accounting policy for the recapitalisation of the Company through a bail-in of uninsured deposits and debt securities (continued)

The Company has therefore accounted for this transaction by reference to the carrying value of deposits and debt securities extinguished and has set the value of shares issued to equal to the carrying amount of the liabilities derecognised.

As a result of the above accounting treatment, no profit or loss arises from this transaction. Had the Group been able to determine a fair value for the shares, any difference would be recognised in profit or loss. Therefore the Group's total equity is unaffected by the way this transaction is accounted for.

6. Significant judgements, estimates and assumptions

The preparation of the financial statements requires the Group's management to make judgements, estimates and assumptions that can have a material impact on the amounts recognised in the financial statements. The accounting policies that are deemed significant to the Group's results and financial position in terms of the materiality of the items to which the policy is applied, and which involve a high degree of judgement including the use of estimates and assumptions, are set out in the Consolidated Financial Statements for the year ended 31 December 2012. The critical judgements, estimates and assumptions are set out below, updated for current developments.

6.1 Going concern

The Company's Board of Directors has made an assessment of the Company's and Group's ability to continue as a going concern.

The conditions that existed during the six months ended 30 June 2013 (Note 2) and the developments up to the date of approval of these interim financial statements (Note 36) that have been considered in management's going concern assessment, include amongst others, the following:

6.1.1 Restructuring plan

The Group has prepared a restructuring plan which has been approved by the Central Bank of Cyprus ('CBC') in November 2013. The Restructuring Plan defines the Group's strategy, business model and risk appetite.

The Plan defines the strategic objectives and actions the Group should take to create a safer, smaller, more focused institution capable of supporting the prosperity of the Cypriot economy by:

- Rebuilding trust and confidence of both depositors and investors.
- Preserving the Group's status as the cornerstone of the domestic economy, continuing to support both businesses and households.
- Building a resilient institution, able to effectively manage its portfolio of assets and withstand further external shocks and economic turbulence.
- Smoothly integrating the operations of Laiki, maximising synergies and bottom-line impact for the combined entity through the realisation of synergies.
- Enhance the capital adequacy of the Group by internally generating capital through profitability, deleveraging and disposal of non-core assets.

The Restructuring Plan aims to enable the Group to overcome its current difficulties and gradually normalise its performance. The Plan sets specific mid-term financial targets that prioritise the stability and viability of the Group:

- Complying with minimum capital adequacy requirements set forth by the CBC, with core tier 1 remaining above the CBC's target of 9% throughout the Restructuring Plan period. Maintaining a high capital buffer would enable the Group's credit rating to improve, facilitating access to capital markets for funding in the medium term.
- Returning to profitability as the macroeconomic situation stabilises and the Group recovers, but pursue only a modest target return of equity, considering profitability as a secondary priority to capital adequacy.

6. Significant judgements, estimates and assumptions (continued)

6.1 Going concern (continued)

6.1.2 Macroeconomic environment in Cyprus

As the Company is the largest financial institution in Cyprus and given its very high credit exposure to the Cypriot businesses and households, the Company's future financial performance is interlinked with the Cypriot economy and is highly correlated with the trajectory of economic activity in Cyprus.

Although the economic situation remains challenging, the economic recession has been less pronounced than expected and the economy is proving relatively resilient. The Troika has recently revised its 2013 projection for economic contraction to about 7,7%, about 1% less than its original projection. Going forward, the Troika expects the economy to contract by about 4,8% in 2014 and to recover gradually starting in 2015, driven by non-financial services.

The Troika has recently concluded the second quarterly review of Cyprus' economic programme. The Troika commented that the Cyprus programme is on track. All fiscal targets have been met with considerable margins, reflecting the ambitious fiscal consolidation underway, prudent budget execution, and a less severe deterioration of economic activity than originally projected. Structural reforms are also advancing. Furthermore, since the last review, there has been significant progress toward the recapitalisation and restructuring of the financial sector. This has allowed further relaxation of payment restrictions since July, in line with the government's milestone-based roadmap. The Troika noted that the authorities have made important strides with the recapitalisation and restructuring of the financial sector.

6.1.3 Regulatory capital ratios

During the six months ended 30 June 2013, the Group has suffered significant losses due to the disposal of its Greek operations and the increased provisions for impairment of loans and advances.

As part of the agreement reached between the Troika and the Cyprus government in March 2013, the Group was recapitalised through a bail-in of uninsured depositors (a deposit-to-equity conversion) which was completed in July 2013 and the absorption of accumulated losses by the holders of ordinary shares and debt securities as of 29 March 2013. The Group, as also confirmed by the Resolution Authority, has been capitalised to a level which can sustain expected losses on its loans portfolio.

The Core Tier 1 ratio of the Group at 30 June 2013 stands at 10,5%.

6.1.4 Liquidity

The Group currently has limited access to interbank and wholesale markets which, combined with a reduction in deposits in Cyprus, has resulted in increased reliance on central bank funding. The transfer of certain operations of Laiki Bank to the Group resulted in an amount of €9 billion of ELA funding at the acquisition date to be transferred to the Group.

As at 30 June 2013, the Company had €11,1 billion of ELA funding and had been suspended by the European Central Bank ('ECB') from participation in monetary policy operations.

Since August 2013, the Company has been reinstated by the ECB as an eligible counterparty for monetary policy operations. The combination of the restoration of counterparty status and the approval at the beginning of July 2013 for the use of bonds issued or guaranteed by the Republic of Cyprus resulted in a reduction in funding from ELA, as the Company has access to funding from the ECB under monetary policy operations. Furthermore, ECB funding is provided at a rate that further supports the Company's profitability.

The level of central bank funding (ELA and ECB funding) of the Group as at 26 November 2013 amounts to €11,15 billion, comprising €1,35 billion of ECB funding and €9,8 billion of ELA funding.

Although the Group has received no specific guarantees, the Board of Directors expects that the Group will continue to have access to the central bank liquidity facilities in line with applicable rules.

6. Significant judgements, estimates and assumptions (continued)

6.1 Going concern (continued)

6.1.4 Liquidity (continued)

The Cypriot authorities in March 2013 have introduced certain temporary restrictive measures and capital controls with respect to banking and cash transactions. These measures are allowing the Group some headroom to deal with the significant liquidity squeeze in the local market and the risk of an outflow of deposits. These measures include restrictions on cash withdrawals, compulsory renewal of maturing deposits and restrictions on capital movements.

Following the second quarterly review in November 2013, the Troika has stated that 'payment restrictions will need to continue to be relaxed in line with the published milestone-based roadmap, while safeguarding financial stability'.

6.1.5 Exposure to Greece

The continuing severe recession in Greece led to significant impairment losses on loans and advances and on Greek government bonds since 2011. The sale of the Group's banking and leasing operations in Greece to Piraeus Bank in March 2013, in line with the provisions of the Cyprus-Eurogroup agreement, largely eliminated the Group's exposure to the prevailing uncertainties of the Greek economy.

As a result, the Group does not expect any material impact on its capital or liquidity position from continued adverse economic conditions or any further deterioration of the economic environment in Greece.

6.1.6 Litigation and claims

The Board and management have also considered the impact of litigation and claims against the Group relating mainly to the bail-in of depositors and the absorption of losses by the holders of equity and debt instruments of the Company. The Group has obtained legal advice in respect of these claims.

Despite the novelty of the said claims and the uncertainties inherent in a unique situation, on the information available at present and on the basis of the law as it currently stands, the Board and management consider that the said claims seem unlikely to have a material adverse impact on the financial position and capital adequacy of the Group.

6.1.7 Profitability

The difficult operating environment in Cyprus (Note 2) is affecting the Group's profitability.

Cyprus continues to be in recession and economic conditions are expected to deteriorate further. The environment is expected to improve as from 2015, posting moderate real GDP growth driven by non-financial services and a decline in unemployment levels. In addition to the increased taxes and other fiscal austerity measures, banks are deleveraging and this will continue to constrain growth. The restrictive measures and capital controls imposed in March 2013 are also constraining private sector activity. More borrowers are expected to default, while collateral values are expected to fall even further, leading to increased levels of non-performing loans and provisions for impairment.

The Group's Restructuring Plan provides for the set up of independent, centralised and specialised delinquency and recovery units and a special projects division to manage selected top exposures, through which the Company aims to proactively and efficiently manage delinquencies and problem loans recoveries in order to contain the increase of problem loans and provisions for impairment expected to arise from the ongoing economic slowdown.

In addition to loan impairment losses, there may be additional valuation adjustments to the carrying amount of other assets, like government and other bonds, investments in subsidiaries and own use property and investment properties.

The Group expects that the Cyprus government will honour all payments related to its public debt and hence will not have a material adverse impact on its capital position from its investments in Cyprus Government bonds.

6. Significant judgements, estimates and assumptions (continued)

6.1 Going concern (continued)

6.1.8 Uncertainties

The Company's management and Board of Directors believe that the Group is taking all the necessary measures to maintain its viability and the development of its business in the current economic environment.

However, the ability of the Group to continue as a going concern is dependent on:

- The successful implementation of the Group's restructuring plan and the realisation of the macroeconomic scenario which formed the basis of its preparation.
- The period over which the restrictive measures and capital controls are in place.
- The continuing reliance on and availability of the central bank liquidity facilities.
- The actual outcome of litigation and claims mainly relating to the bail-in of deposits and the absorption of losses by the holders of equity and debt instruments of the Company.

6.1.9 Going concern assessment

The Company's management and Board of Directors, taking into consideration the measures taken to support the Cyprus economy and the realised and planned actions as detailed in its Restructuring Plan, is satisfied that the Group had the resources to continue in business for the foreseeable future and therefore the going concern principle is appropriate for the following reasons:

- The Group has been successfully recapitalised.
- The Troika is expected to continue to provide the required financial support to Cyprus as per the signed and recently updated MoU.
- The implementation of additional actions as per the Restructuring Plan which would further improve the capital adequacy and liquidity position of the Group.
- The additional liquidity support, if this is necessary, from the Cyprus government in issuing additional government guaranteed bonds.
- The expectation that the Cyprus government will maintain certain temporary restrictive measures and capital controls with respect to banking and cash transactions for as long as required to ensure the stability of the Cyprus banking system.

Notwithstanding this assessment and the conclusion reached, the Board considers that material uncertainties remain that may cast significant doubt upon the Company's ability to continue as a going concern.

6.2 Provision for impairment of loans and advances to customers

The Group reviews its loans and advances to customers to assess whether a provision for impairment should be recorded in the consolidated income statement. In particular, management is required to estimate the amount and timing of future cash flows in order to determine the amount of provision required. Such estimates are based on assumptions about a number of factors and therefore actual impairment losses may differ. A very important factor for the estimation of provisions is the timing and net recoverable amount from foreclosure of collaterals which mainly comprise land and buildings. Any changes in these estimates or difference between estimates made and actual results could result in significant changes in the amount of required provisions for impairment of loans and advances. The assumptions made for the calculation of the provisions in the period are set out in Note 25.

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

6. Significant judgements, estimates and assumptions (continued)

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

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

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

6.3 Tax

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

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

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

The Group's accounting policy for property held for own use as well as for investment property requires that it is measured at fair value. In the case of property held for own use valuations are carried out periodically so that the carrying value is not materially different from the fair value, whereas in the case of investment properties the valuation is performed on an annual basis. Valuations are carried out by independent qualified valuers on the basis of current market values, using current prices and recent market transactions.

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

Volatility in the global financial system is reflected in commercial real estate markets including the main markets in which the Group operates, Cyprus and Greece. Following the disposal of the Greek banking and leasing operations during the period, Greece is no longer a main market for the Group.

6. Significant judgements, estimates and assumptions (continued)

6.4 Fair value of properties held for own use and investment properties (continued)

Since the acceleration of the economic crisis in Cyprus in 2010, transaction activity in both commercial and residential properties has recorded a significant decrease and according to local published indices, prices have declined by 15% to 35% since 2011 (depending on the location and type of property). Forced sales activity is expected to accelerate as a result of pressures on the banks to enforce security on property collaterals. The high prevailing uncertainty over the economic developments in Cyprus and the financial and property sectors in particular, make forecasts of the future developments in the real estate market extremely difficult (also refer to Note 2).

The Greek economic crisis has had a significant impact on the real estate market. In 2012 and 2013, supply and demand were substantially lower than in the pre-2010 period, with a consequential impact on sale prices, rent values and real estate returns which continued to decline for a fifth consecutive year. There can be no assurance of the successful implementation of the adjustment programme in Greece which makes forecasts for the future developments in the Greek real estate market extremely uncertain.

In arriving at their estimates of market values as at 30 June 2013, the valuers used their market knowledge and professional judgement and did not rely solely on historical transactional comparables, taking into consideration that there is a greater degree of uncertainty than that which exists in a more active market, in estimating the market value of property.

6.5 Impairment of available-for-sale investments

Available-for-sale investments in equity securities are impaired when there has been a significant or prolonged decline in their fair value below cost. In such a case, the total loss previously recognised in equity is recycled in the consolidated income statement. The determination of what is significant or prolonged requires judgement by management. The factors which are evaluated include the expected volatility in share prices. In addition, impairment may be appropriate when there is evidence that significant adverse changes have taken place in the technological, market, economic or legal environment in which the investee operates.

Available-for-sale investments in debt securities are impaired when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the investment and the loss event (or events) has an impact on the estimated future cash flows of the investment. The Group's policy in place requires that a review for potential impairment is carried out for individual debt securities when their fair value at the balance sheet date falls below 90% of the instrument's amortised cost. Such impairment review takes into account a number of factors such as the financial condition of the issuer, any breach of contract, the probability that the issuer will enter bankruptcy or other financial reorganisation, and consequently involves a high degree of judgement.

7. Segmental analysis

The Group is organised into operating segments based on the geographic location of each unit. On 26 March 2013, through a Decree issued by the Resolution Authority, the Group disposed of the loans, property and equipment, intangible assets and deposits of its banking and leasing operations in Greece to Piraeus Bank. As a result, the majority of the Greek operations which represented the Group's banking and leasing activities are presented as discontinued. The remaining operations in Greece which have not been sold to Piraeus Bank are presented within 'Other Countries' due to their size. The Group's activities in the United Kingdom, Romania and Ukraine are separate operating segments for which information is provided to management but, due to their size, have been aggregated for disclosure purposes into one segment, namely 'Other countries'.

The Group's activities in Cyprus cover the provision of banking, financial and insurance services as well as property and hotel business. The Group's activities in Greece following the disposal of operations to Piraeus Bank include the provision of financial and insurance services as well as management of investment property. In the other countries, the Group provides only banking services.

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

Operating segment disclosures are provided as presented to the Group's Executive Committee. Each segment's capital and the related interest income and expense are adjusted in order to be on the same basis as a percentage of the segment's risk weighted assets, as calculated for capital adequacy purposes in accordance with the relevant regulations of the Central Bank of Cyprus. The results of each segment are also adjusted to reflect the liquidity surplus/shortfall of each segment. The Group's total profit as presented in the consolidated income statement is not affected.

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

BANK OF CYPRUS GROUP
Notes to the Interim Consolidated Financial Statements

7. Segmental analysis (continued)

	Cyprus	Russia	Other countries	Total continuing operations	Discontinued operations
Six months ended 30 June 2013	€000	€000	€000	€000	€000
Net interest income	339.502	51.619	39.068	430.189	46.279
Net fee and commission income	65.335	14.374	4.706	84.415	11.217
Net foreign exchange (losses)/gains	(19.869)	3.225	(231)	(16.875)	(14.667)
Net (losses)/gains on financial instrument transactions	(5.750)	-	(3.415)	(9.165)	5.411
Insurance income net of claims and commissions	34.296	-	4.568	38.864	-
Other (expenses)/income	(4.835)	521	(23.240)	(27.554)	(2.070)
	408.679	69.739	21.456	499.874	46.170
Staff costs	(133.454)	(27.512)	(12.453)	(173.419)	(22.241)
Other operating expenses	(70.656)	(25.002)	(16.031)	(111.689)	(55.001)
Restructuring costs (Note 8)	(35.280)	-	-	(35.280)	-
Profit/(loss) before impairment of loans and advances	169.289	17.225	(7.028)	179.486	(31.072)
Provisions for impairment of loans and advances	(456.856)	(35.412)	(46.301)	(538.569)	(58.908)
Loss on disposal of Greek banking and leasing operations (Note 33)	-	-	-	-	(1.365.624)
Share of profit/(loss) of associates	2.911	-	(543)	2.368	-
Loss before tax	(284.656)	(18.187)	(53.872)	(356.715)	(1.455.604)
Tax	4.762	4.104	(6.495)	2.371	-
Loss after tax	(279.894)	(14.083)	(60.367)	(354.344)	(1.455.604)
Non-controlling interests (loss)	1.448	3.894	-	5.342	-
Loss after tax attributable to the owners of the Company	(278.446)	(10.189)	(60.367)	(349.002)	(1.455.604)

7. Segmental analysis (continued)

	Cyprus	Russia	Other countries	Total continuing operations	Discontinued operations
Six months ended 30 June 2012 (re-presented)	€000	€000	€000	€000	€000
Net interest income	291.330	58.917	37.241	387.488	170.928
Net fee and commission income	66.881	16.237	4.626	87.744	24.624
Net foreign exchange gains	14.394	2.622	1.025	18.041	1.955
Net (losses)/gains on financial instrument transactions	(26.311)	-	582	(25.729)	(11.225)
Insurance income net of claims and commissions	26.297	-	5.225	31.522	-
Other income/(expenses)	2.188	775	(505)	2.458	937
	374.779	78.551	48.194	501.524	187.219
Staff costs	(94.561)	(31.630)	(14.247)	(140.438)	(53.200)
Other operating expenses	(68.043)	(25.842)	(13.474)	(107.359)	(36.556)
Profit before impairment of loans and advances	212.175	21.079	20.473	253.727	97.463
Provisions for impairment of loans and advances	(207.561)	(25.359)	(18.037)	(250.957)	(317.103)
Share of loss of associates	(87)	-	-	(87)	-
Profit/(loss) before tax	4.527	(4.280)	2.436	2.683	(219.640)
Tax	(9.453)	(764)	(1.510)	(11.727)	10.945
(Loss)/profit after tax	(4.926)	(5.044)	926	(9.044)	(208.695)
Non-controlling interests (loss)	1.451	2.358	-	3.809	-
(Loss)/profit before impairment of GGBs	(3.475)	(2.686)	926	(5.235)	(208.695)
Impairment of GGBs and change in fair value of related hedging derivatives after tax				-	80.134
Loss after tax attributable to the owners of the Company				(5.235)	(128.561)

The Group Executive Committee does not consider the impairment of GGBs and change in fair value of related hedging derivatives to be part of each segment's operating results, and the related amounts are therefore not distributed to segments in the above analysis.

7. Segmental analysis (continued)

Analysis of total revenue

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

	Cyprus	Russia	Other countries	Total continuing operations	Discontinued operations
Six months ended 30 June 2013	€000	€000	€000	€000	€000
Banking and financial services	355.518	82.534	21.073	459.125	47.152
Insurance services	34.725	-	4.651	39.376	-
Property and hotel business	392	-	(1)	391	-
Total revenue from third parties	390.635	82.534	25.723	498.892	47.152
Inter-segment revenue/(expense)	18.044	(12.795)	(4.267)	982	(982)
Total revenue	408.679	69.739	21.456	499.874	46.170
Six months ended 30 June 2012 (re-presented)					
Banking and financial services	322.740	91.252	46.589	460.581	194.635
Insurance services	27.606	-	5.237	32.843	-
Property and hotel business	690	-	(6)	684	-
Total revenue from third parties	351.036	91.252	51.820	494.108	194.635
Inter-segment revenue/(expense)	23.743	(12.701)	(3.626)	7.416	(7.416)
Total revenue	374.779	78.551	48.194	501.524	187.219

Analysis of assets

	Cyprus	Russia	Other countries	Total
30 June 2013	€000	€000	€000	€000
Assets	33.753.445	1.802.332	3.496.869	39.052.646
Inter-segment assets				(6.096.569)
Total assets				32.956.077

31 December 2012 (re-presented)				
Assets	23.500.888	2.193.129	10.976.690	36.670.707
Inter-segment assets				(5.638.671)
Total assets				31.032.036

7. Segmental analysis (continued)

Analysis of liabilities

	Cyprus	Russia	Other countries	Total
30 June 2013	€000	€000	€000	€000
Liabilities	27.493.168	1.828.249	6.813.858	36.135.275
Inter-segment liabilities				(6.098.754)
Total liabilities				30.036.521

31 December 2012				
Liabilities	20.569.930	2.194.056	13.573.207	36.337.193
Inter-segment liabilities				(5.640.856)
Total liabilities				30.696.337

Other countries include assets and liabilities of the Greek operations.

8. Other (expenses)/income, staff costs and other operating expenses

Other (expenses)/income

	Six months ended 30 June	
	2013	2012
	€000	€000
Dividend income	101	119
Profit on sale of stock of property held for sale	81	409
Losses on sale and write-off of property and equipment and intangible assets	(584)	(340)
Rental income from investment properties	1.334	523
(Losses)/gains from revaluation of investment properties (Note 34)	(34.265)	36
Income from hotel activities	301	481
Other income	5.478	1.230
	(27.554)	2.458

Staff costs

	Six months ended 30 June	
	2013	2012
	€000	€000
Salaries	116.632	124.870
Employer's contributions to state social insurance and pension funds	20.148	20.348
Retirement benefit plan costs	36.639	(4.780)
	173.419	140.438
Restructuring costs - Voluntary Retirement Scheme	22.343	-
	195.762	140.438

8. Other (expenses)/income, staff costs and other operating expenses (continued)

Staff costs (continued)

The number of persons employed by the Group as at 30 June 2013 was 9.822 (31 December 2012: 10.772).

In January 2013 the Group proceeded with a Voluntary Retirement Scheme (VRS) for its employees in Cyprus, the cost of which is included in staff costs.

The number of Group employees in Cyprus after the acquisition of Laiki Bank was 5.725. In July-August 2013, the Group offered a VRS through which the number of staff in Cyprus was reduced to 4.355 (24% reduction). The cost of this VRS amounted to about €96 million and was not included in the results for the six months ended 30 June 2013 (Note 36).

Other operating expenses

	Six months ended 30 June	
	2013	2012
	€000	€000
Operating lease rentals for property and equipment	14.940	14.445
Repairs and maintenance of property and equipment	10.378	9.380
Depreciation of property and equipment	9.981	8.236
Other property-related costs	7.848	7.033
Impairment of property	648	487
Advertising and marketing	7.957	8.895
Communication expenses	6.560	6.373
Printing and stationery	2.770	2.320
Amortisation of intangible assets	4.221	6.420
Contributions to depositor protection schemes	2.139	5.021
Special levy on credit institutions	12.324	9.077
Provisions and settlements of litigation or claims	5.557	(201)
Other operating expenses	26.366	29.873
	111.689	107.359
Advisory and other restructuring costs	12.937	-
	124.626	107.359

The special levy on deposits imposed on credit institutions was increased from 0,11% to 0,15% as of 1 January 2013. In accordance with the existing legislation, the levy is imposed on deposits as at the end of the previous year and is payable in equal quarterly instalments. In order to take into account the significant decrease in bank deposits, specifically for the year 2013, the levy will be imposed on deposits as at the end of the previous quarter at the rate of 0,0375% per quarter.

9. Impairment of Greek Government Bonds

The Group has participated in the exchange offer for Greek Government Bonds (GGBs) which was completed in March/April 2012, on the basis of the terms set out below:

- Write-off of 53,5% of the nominal value of the existing GGBs.
- Receipt of new GGBs with nominal value of 31,5% of the exchanged GGBs, in an amortising structure, from 11 to 30 years (final maturity in 2042). The coupon of the new bonds was set at 2,00% for years 2013-2015, 3,00% for years 2016-2020, 3,65% for year 2021 and 4,30% thereafter (2022-2042).
- Immediate repayment of 15% of the nominal value of exchanged GGBs with short term securities issued by the European Financial Stability Facility (EFSF) with a 1-2 year maturity and bearing market interest rates.
- The payment of accrued interest through EFSF securities with a six-month maturity and bearing market interest rates.
- Receipt of detachable GDP-linked securities with a notional amount equal to the new GGBs of each holder. The securities provide for annual payments of up to 1% of their notional amount, commencing in 2015, in the event that Greek GDP growth exceeds certain thresholds.

The impairment of GGBs and the change in fair value of related hedging instruments recorded in the consolidated income statement is as follows:

	Six months ended 30 June	
	2013	2012
	€000	€000
Loss on initial recognition of new GGBs	-	109.308
Change in fair value of related hedging instruments	-	34.265
	-	143.573

During the period ended 30 June 2012 the Group recognised a deferred tax asset of €223.707 thousand relating to the loss on initial recognition of the new GGBs and their subsequent revaluation. This credit has been reversed as at 31 December 2012 since it was no longer expected to be recovered.

The related hedging derivatives have been terminated during 2012.

In December 2012 the Group participated in the voluntary repurchase of new GGBs by the Greek Republic. As a result, the Group disposed of all its GGBs and realised a gain of €96.515 thousand during 2012.

10. Tax

	Six months ended 30 June	
	2013	2012
	€000	€000
Current tax:		
- Cyprus	859	10.592
- overseas	3.036	3.313
Cyprus defence contribution	33	108
Deferred tax	(6.379)	(3.145)
Prior year tax adjustments	80	859
	(2.371)	11.727

11. Earnings per share

	Six months ended 30 June	
	2013	2012 (re-presented)
Basic and diluted earnings per share		
Loss after tax attributable to the owners of the Company (€ thousand)	(1.804.606)	(133.796)
Weighted average number of shares in issue during the period, excluding treasury shares (thousand)	2.408.885	14.434
Basic and diluted losses per share (cent)	(74,9)	(927,0)
Basic and diluted earnings per share – continuing operations		
Loss after tax attributable to the owners of the Company – continuing (€ thousand)	(349.002)	(5.235)
Weighted average number of shares in issue during the period, excluding treasury shares (thousand)	2.408.885	14.434
Basic and diluted losses per share – continuing (cent)	(14,5)	(36,3)

The weighted average number of shares in issue during the period ended 30 June 2012 was adjusted to reflect the action implemented (share consolidation) by the decrees issued by the Resolution Authority in 2013 in respect to existing shareholders as at 29 March 2013 (Note 21).

The Convertible Bonds 2013/2018, the Convertible Capital Securities, the Convertible Enhanced Capital Securities and the Share Options 2008/2010 in issue at 30 June 2012 did not constitute potentially dilutive ordinary shares for the purposes of calculating the diluted earnings per share, for the six months ended 30 June 2012, as their conversion into ordinary shares would reduce losses per share.

12. Investments

	30 June 2013	31 December 2012
	€000	€000
Investments		
Investments at fair value through profit or loss	22.629	21.818
Investments available-for-sale	301.869	402.547
Investments classified as loans and receivables	2.350.989	710.968
	2.675.487	1.135.333

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

	30 June 2013	31 December 2012
	€000	€000
Investments pledged as collateral		
Investments available-for-sale	677.251	694.287
Investments classified as loans and receivables	60.134	40.460
	737.385	734.747

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

BANK OF CYPRUS GROUP
Notes to the Interim Condensed Consolidated Financial Statements

12. Investments (continued)

Reclassification of investments

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

	Reclassification date	Carrying and fair value on reclassification date	30 June 2013		31 December 2012		Six months ended 30 June 2013		Effective interest rate on reclassification date
			Carrying value	Fair value	Carrying value	Fair value	Additional loss in the income statement had the bonds not been reclassified	Additional loss in other comprehensive income had the bonds not been reclassified	
		€000	€000	€000	€000	€000	€000	€000	
Reclassification of trading investments to:									
- loans and receivables	1 April 2010	34.810	38.632	26.110	39.650	28.105	(1.995)	-	1,2%-4,4%
Reclassification of available-for-sale investments to:									
- loans and receivables	1 October 2008	163.407	165.578	126.507	167.493	131.305	-	(39.071)	4,6%-4,7%
- loans and receivables	30 June 2011	238.781	266.768	202.931	267.963	192.898	-	(68.837)	2,8%-6,3%
Reclassification of held to maturity investments to:									
- available-for-sale	1 November 2012	106.877	108.192	108.192	108.107	108.107	-	-	0,4%-3,1%

13. Derivative financial instruments

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

	30 June 2013			31 December 2012		
	Contract amount	Fair value		Contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	€000	€000	€000	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	252.643	1.874	3.653	865.684	3.310	5.127
Currency swaps	2.728.579	34.764	15.494	4.989.311	11.128	27.350
Interest rate swaps	715.628	9.019	35.130	285.430	1.299	30.310
Currency options	142.909	8.434	69	40.408	363	363
Equity options	80.731	9.160	9.113	74.118	7.275	7.240
Interest rate caps/floors	13.874	13	316	15.040	3	405
GDP-linked warrants	1.632.382	15.650	-	-	-	-
Commodity-linked derivatives	1.179.822 tonnes	5.772	-	-	-	-
		84.686	63.775	6.269.991	23.378	70.795
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	718.779	3.664	60.463	786.663	3.416	90.310
Fair value of net investments - forward exchange rate contracts	244.615	1.521	11.787	226.072	-	22.721
		5.185	72.250	1.012.735	3.416	113.031
Total		89.871	136.025	7.282.726	26.794	183.826

Hedge accounting

The Group applies fair value hedge accounting using derivatives when the required criteria for hedge accounting are met. The Group also uses derivatives for economic hedging (hedging the changes in interest rates or exchange rates) which do not meet the criteria for hedge accounting. As a result, these derivatives are accounted for as trading derivatives and the gains or losses arising from revaluation are recognised in the consolidated income statement.

Changes in the fair value of derivatives designated as fair value hedges, are recognised in the consolidated income statement.

Fair value hedges

The Group uses interest rate swaps to hedge the interest rate risk arising as a result of the possible adverse movement in the fair value of fixed rate available-for-sale debt securities and fixed rate customer loans and deposits.

13. Derivative financial instruments (continued)

Hedge accounting (continued)

Hedges of net investments

The Group's consolidated balance sheet is affected by exchange differences between the Euro and all non-Euro functional currencies of overseas subsidiaries and branches. The Group hedges its structural currency risk when it considers that the cost of such hedging is within an acceptable range (in relation to the underlying risk). This hedging is effected by financing with borrowings in the same currency as the functional currency of the overseas subsidiaries and branches and forward exchange contracts. As at 30 June 2013, deposits and forward exchange rate contracts amounting to €390.568 thousand (31 December 2012: €385.882 thousand) have been designated as hedging instruments and have given rise to a loss of €17.432 thousand (31 December 2012: €12.063 thousand) which was recognised in the 'Foreign currency translation reserve' in equity, against the profit or loss from the retranslation of the net assets of the overseas subsidiaries and branches.

14. Fair value of financial instruments

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

	30 June 2013		31 December 2012	
	Carrying value	Fair value	Carrying value	Fair value
	€000	€000	€000	€000
Financial assets				
Cash and balances with central banks	1.300.665	1.300.665	1.272.424	1.272.424
Placements with banks	1.711.133	1.711.133	1.768.836	1.768.836
Investments at fair value through profit or loss	22.629	22.629	21.818	21.818
Investments available-for-sale	979.120	979.120	1.096.834	1.096.834
Investments classified as loans and receivables	2.411.123	2.105.140	751.428	590.192
Derivative financial assets	89.871	89.871	26.794	26.794
Loans and advances to customers	23.769.086	23.539.520	24.374.531	24.374.531
Life insurance business assets attributable to policy holders	421.584	421.584	483.106	483.106
Other assets	280.845	280.845	53.275	53.275
Total financial assets	30.986.056	30.450.507	29.849.046	29.687.810
Financial liabilities				
Funding from central banks and amounts due to banks	11.470.037	11.470.037	341.044	341.044
Repurchase agreements	619.914	619.914	607.773	607.773
Derivative financial liabilities	136.025	136.025	183.826	183.826
Customer deposits	16.970.104	16.653.979	28.442.152	28.442.152
Debt securities in issue	7.189	7.189	44.775	43.914
Subordinated loan stock	7.071	6.323	133.294	49.511
Other liabilities	89.393	89.393	168.840	168.840
Total financial liabilities	29.299.733	28.982.860	29.921.704	29.837.060

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

The fair value of loans and advances to customers is based on present value of expected cash flows. The expected cash flows are adjusted for expectations on the credit quality of the borrowers.

The fair value of insured deposits is equivalent to their carrying value. For the remaining deposits the fair value was determined by discounting the present value of future cash flows. The discount rate takes into account current market rates and the credit profile of the Company.

BANK OF CYPRUS GROUP
Notes to the Interim Condensed Consolidated Financial Statements

14. Fair value of financial instruments (continued)

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

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

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

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

The following table presents an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
30 June 2013	€000	€000	€000	€000
Financial assets				
<i>Trading derivatives</i>				
Forward exchange rate contracts	-	1.874	-	1.874
Currency swaps	-	34.764	-	34.764
Interest rate swaps	-	9.019	-	9.019
Currency options	-	8.434	-	8.434
Equity options	-	9.160	-	9.160
Interest rate caps/floors	-	13	-	13
GDP-linked warrants	-	15.650	-	15.650
Commodity-linked derivatives	-	5.772	-	5.772
<i>Derivatives designated as fair value hedges</i>				
Interest rate swaps	-	3.664	-	3.664
<i>Derivatives for fair value of net investments</i>				
Forward exchange rate contracts	-	1.521	-	1.521
<i>Investments at fair value through profit or loss</i>				
Trading investments	8.071	1.389	-	9.460
Other investments at fair value through profit or loss	128	13.041	-	13.169
Investments available-for-sale	794.895	52.610	131.615	979.120
	803.094	156.911	131.615	1.091.620

14. Fair value of financial instruments (continued)

	Level 1	Level 2	Level 3	Total
30 June 2013	€000	€000	€000	€000
Financial liabilities				
<i>Trading derivatives</i>				
Forward exchange rate contracts	263	3.390	-	3.653
Currency swaps	-	15.494	-	15.494
Interest rate swaps	-	35.130	-	35.130
Currency options	-	69	-	69
Equity options	-	9.113	-	9.113
Interest rate caps/floors	-	316	-	316
<i>Derivatives designated as fair value hedges</i>				
Interest rate swaps	-	60.463	-	60.463
<i>Derivatives for fair value of net investment</i>				
Forward exchange rate contracts	-	11.787	-	11.787
	263	135.762	-	136.025

	Level 1	Level 2	Level 3	Total
31 December 2012	€000	€000	€000	€000
Financial assets				
<i>Trading derivatives</i>				
Forward exchange rate contracts	-	3.310	-	3.310
Currency swaps	-	11.128	-	11.128
Interest rate swaps	-	1.299	-	1.299
Currency options	-	363	-	363
Equity options	-	7.275	-	7.275
Interest rate caps/floors	-	3	-	3
<i>Derivatives designated as fair value hedges</i>				
Interest rate swaps	-	3.416	-	3.416
<i>Investments at fair value through profit or loss</i>				
Trading investments	7.863	-	-	7.863
Other investments at fair value through profit or loss	449	13.506	-	13.955
<i>Investments available-for-sale</i>	1.068.688	27.650	496	1.096.834
	1.077.000	67.950	496	1.145.446

14. Fair value of financial instruments (continued)

	Level 1	Level 2	Level 3	Total
31 December 2012	€000	€000	€000	€000
Financial liabilities				
<i>Trading derivatives</i>				
Forward exchange rate contracts	-	5.127	-	5.127
Currency swaps	-	27.350	-	27.350
Interest rate swaps	-	30.310	-	30.310
Currency options	-	363	-	363
Equity options	-	7.240	-	7.240
Interest rate caps/floors	-	405	-	405
<i>Derivatives designated as fair value hedges</i>				
Interest rate swaps	-	90.310	-	90.310
<i>Derivatives for fair value of net investment</i>				
Forward exchange rate contracts	-	22.721	-	22.721
	-	183.826	-	183.826

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

	Other investments at fair value through profit or loss	Available-for-sale investments	Trading derivatives	
			Assets	Liabilities
2013	€000	€000	€000	€000
1 January	-	496	-	-
Acquired through business combinations	-	145.768	-	-
Disposals	-	(8.913)	-	-
Unrealised losses recognised in the consolidated statement of other comprehensive income	-	(4.875)	-	-
Realised losses recognised in the consolidated income statement	-	(861)	-	-
30 June	-	131.615	-	-

2012				
1 January	85	496	156	(1.432)
Realised (losses)/gains recognised in the consolidated income statement	(85)	-	(156)	726
Disposals	-	-	-	706
31 December	-	496	-	-

14. Fair value of financial instruments (continued)

During 2012 and during the six months ended 30 June 2013 there were no significant transfers from Level 1 to Level 2.

15. Loans and advances to customers

	30 June 2013	31 December 2012
	€000	€000
Loans and advances to customers	25.847.279	26.520.517
Hire purchase and finance lease debtors	536.513	1.530.070
Gross loans and advances to customers	26.383.792	28.050.587
Provisions for impairment of loans and advances	(2.614.706)	(3.676.056)
	23.769.086	24.374.531

Further analyses with respect to credit risk of loans and advances to customers and provisions for impairment are presented in Note 25.

16. Other assets

	30 June 2013	31 December 2012
	€000	€000
Debtors	30.094	26.400
Stock of property held for sale	12.324	11.624
Investment properties	456.876	316.378
Taxes refundable	49.413	41.459
Deferred tax assets	478.529	50.829
Retirement benefit plans assets	1.610	1.610
Reinsurers' share of insurance contract liabilities	66.373	65.927
Prepaid expenses	7.126	5.004
Receivable relating to acquisitions and disposals of operations	243.264	-
Other assets	168.182	94.529
	1.513.791	613.760

The increase in the deferred tax assets relates mainly to the Laiki tax losses transferred to the Company as a result of the acquisition. The deferred tax assets of €417.000 thousand arises from tax losses carried forward and can be set off against the future profits of the Company for a period of 15 years at a tax rate of 12,5%. The deferred tax asset of €40.687 thousand relates to tax losses expiring within 5 years. The remaining (€20.842 thousand) relates to tax losses expiring indefinitely.

17. Funding from central banks

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

	30 June 2013	31 December 2012
	€000	€000
Emergency Liquidity Assistance	11.106.784	-
Monetary policy operations of the ECB	-	-
	11.106.784	-

As at 31 December 2012 the Group had no funding under the ELA and the Company had, as at that date, been suspended by the ECB from participation in monetary policy operations.

The amount of ELA funding as at 30 June 2013 includes €9,1 billion ELA funding which was acquired as part of the transferred assets and liabilities of Laiki Bank as at 29 March 2013 following a decision by the Resolution Authority (Note 33). This ELA funding of Laiki Bank of €9,1 billion was effectively lower by €1,2 billion (Note 33) as Laiki Bank had advanced to the Company on 26 March 2013 an amount of €1,2 billion to finance the sale of the Group's Greek operations.

Since August 2013, the Company has been reinstated by the ECB as an eligible counterparty for monetary policy operations. This enables the Company to resort to monetary policy operations which may be used for ELA repayment.

The funding under monetary policy operations bears interest at the ruling main refinancing operations (MRO) rate of the Eurosystem. The Company's ELA funding bears interest at the rate equal to the ruling marginal lending facility rate (MLF rate) of the Eurosystem, plus a margin.

18. Debt securities in issue

	Contractual interest rate	30 June 2013	31 December 2012
		€000	€000
Medium term senior debt			
SEK 100 million 2010/2014	Return of specific shares	-	11.990
€2 million 2010/2016	DJ EUROSTOXX 50 index	-	1.897
USD 2 million 2010/2016	S&P 500 index	-	1.502
		-	15.389
Other debt securities in issue			
RUB Certificates of Deposit and Promissory Notes	11%	6.697	28.894
Interest-free loan from the European Development Bank	-	492	492
		7.189	29.386
		7.189	44.775

18. Debt securities in issue (continued)

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

During the recapitalisation process of the Company in 2013, eligible debt securities in issue by the Company were bailed in and were thus converted into ordinary shares. Additional information is presented in Note 21.

Medium term senior debt

The Company maintains a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €4.000 million (31 December 2012: €4.000 million). No bonds are currently in issue under the EMTN Programme.

Short term commercial paper

The Company maintains a Euro Commercial Paper (ECP) Programme with an aggregate nominal amount up to €1.000 million (31 December 2012: €1.000 million). According to the terms of the Programme, the Commercial Paper is issued in various currencies at a discount and pays no interest. Each issue has a maturity period up to 364 days and is unlisted. No commercial paper is currently in issue.

Other debt securities in issue

The RUB Certificates of Deposits and Promissory Notes which were issued by CB Uniastrum Bank LLC at par, are unlisted and have maturities up to one year.

Covered Bonds

During 2011, a €5.000 million Covered Bonds Programme was set up under the Cyprus Covered Bonds legislation and the Covered Bonds Directive of the Central Bank of Cyprus.

Under the Programme, the Company issued in July and December 2011 covered bonds of €700 million and €1.000 million, respectively. The covered bonds issued had a maturity of 3 years with a potential extension of their repayment by one year, bore interest at the three month Euribor plus 1,25% annually and were traded on the Luxemburg Bourse.

On 29 June 2012 and 25 March 2013, covered bonds of €150 million and €550 million respectively issued in July 2011 were cancelled.

The liability from the issue of covered bonds is not presented in debt securities in issue in the consolidated balance sheet as all the bonds issued are held by the Company.

Additional information relating to the covered bonds issued by the Company is available on the Group's website under Investors Relations/Debt Securities.

Bonds guaranteed by the Cyprus Government

In accordance with the terms of the decrees issued by the Resolution Authority for the acquisition of Laiki Bank, the Company assumed the rights and obligations of Laiki Bank in its role as issuer of two Government Guaranteed Bonds of €500 million each. The bonds were issued by Laiki Bank on 14 November and 27 November 2012 respectively and had a maturity of 364 days. The maturity of the bonds was extended in November 2013 for a further period of one year. The bonds bear annual fixed interest rate at 5%. The bonds are guaranteed by the Cyprus Government and are issued in accordance with the relevant legislation and decrees on the Granting of Government Guarantees for the Conclusion of Loans and/or the Issue of Bonds by Credit Institutions Law. The liability from the issue of these bonds is not presented within debt securities in issue in the consolidated balance sheet as the bonds are held by the Company. The bonds are pledged as collateral for obtaining funding. The bonds are listed on the Cyprus Stock Exchange.

19. Other liabilities

Other liabilities at 30 June 2013 include deferred tax liabilities of €48.484 thousand (31 December 2012: €45.232 thousand) and retirement benefit plan liabilities of €32.596 thousand (31 December 2012: €38.270 thousand).

In addition, a negative amount of €60.182 thousand representing shares subject to interim orders (Note 21) is included within other liabilities.

19.1 Pending litigation and claims

Other liabilities at 30 June 2013 include provisions for pending litigation or claims of €50.763 thousand (31 December 2012: €10.042 thousand).

A number of customers have filed actions against the Company alleging that they were misled into purchasing bonds and capital securities and claim various remedies including the return of the money they have paid. The Company is contesting the said claims, which are pending before the Court. In another development, the Central Bank of Cyprus has conducted an investigation and found that the Company breached certain regulatory requirements concerning the 2009 issue of Convertible Capital Securities, but not any regulatory requirements concerning the 2011 issue of CECS. The Central Bank imposed upon the Company a fine of €4 thousand. The Company has filed a recourse before the Supreme Court against the ruling and the imposition of a fine by the Central Bank.

The Cyprus Securities and Exchange Commission has conducted an investigation against the Company concerning alleged non-disclosure of important information. It was held that the Company was in breach of the law and the Commission has imposed an administrative fine upon the Company of €160 thousand. It has also imposed fines upon certain of the then members of the Board of Directors. The Company has filed a recourse before the Supreme Court against the fine imposed upon it.

Following the issue of the Decrees in respect of the bailed-in depositors, a number of the affected depositors filed claims against the Company and other parties (Central Bank of Cyprus, Ministry of Finance, etc) on the ground, *inter alia*, that the 'Resolution of Credit and Other Institutions Law of 2013' and the various Decrees issued by virtue of the Law to implement the bail-in, were in conflict with the Constitution of the Republic and the European Convention of Human Rights. Actions on the part of affected depositors are filed before the District Courts and their objective is to obtain damages for the loss allegedly sustained by the depositors as a result of the Law and the Decrees issued thereafter. In some of the actions interim orders were issued prohibiting the Company from treating the deposits of the applicants in question as bailed-in, i.e. converted into shares. The Company is taking active steps to obtain the discharge and cancellation of the said interim orders and is defending the actions of depositors vigorously. The said actions are being contested by the Company and are pending before the District Courts.

The position of the Company is that the Resolution Law and the Decrees take precedence over all other Laws and management assesses that it is probable that the interim orders issued will be lifted and the said deposits will be eventually converted into equity.

There are also numerous claims filed by shareholders and holders of debt securities as of 29 March 2013 whose shares were applied for the absorption of losses of the Company. Such proceedings have been filed before the Supreme Court of Cyprus. The objective of these proceedings before the Supreme Court is to obtain the annulment (i.e. cancellation and setting aside) of the Decrees of the Resolution Authority as unconstitutional and/or unlawful and/or irregular. These proceedings are still at an early stage. The Company is appearing in these proceedings as an interested party. Both the Government of the Republic and the Resolution Authority are taking the view that the relevant Law and Decrees are lawful and constitutional. As matters now stand, both the Resolution Law and the Decrees issued thereunder are constitutional and lawful, in that they were properly enacted and have not so far been annulled by a Court of Law.

19. Other liabilities (continued)

19.1 Pending litigation and claims (continued)

In May 2013, a bailed-in depositor had assigned his rights arising from the deposit he held with the Company to a third party, which filed a claim in the Commercial Court of Kiev against the Company and its subsidiary in Ukraine. A judgement was issued against the Company and its subsidiary in Ukraine by the Court of first instance for the amount of €11 million. The Group filed an Appeal against this judgement, which however has been rejected and dismissed.

During October 2013, the Group filed an application to the General Prosecutor's Office requesting the Prosecutor's Office to enter into court proceedings by means of filing a cessation complaint on behalf of the Company and PJSB Bank of Cyprus. By filing this application, the Group has ensured the suspension over the enforcement of the judgement by the Supreme Commercial Court of Ukraine.

The Cyprus Securities and Exchange Commission is carrying out investigations in respect of:

- The Group's exposure to GGBs.
- Information provided on the amount of the capital shortfall as determined by the European Banking Authority and the amount of requested state aid in June 2012.
- The circumstances which led the Group to the need to apply for state support.
- The fact that the Group has not published its Annual Financial Statements for the year 2012 within the legally prescribed time limits.

The above investigations are in progress and therefore their final outcome cannot be currently assessed.

20. Subordinated loan stock

	Contractual interest rate	30 June 2013	31 December 2012
		€000	€000
Subordinated Bonds in USD 2013/2014/2015	2,50%	7.071	6.922
Convertible Bonds 2013/2018 (€573 million)	Six-month Euribor plus 1,00%	-	27.103
Convertible Capital Securities (€645 million)	5,50%	-	76.775
Capital Securities 12/2007 (€126 million)	Three-month Euribor plus 1,25%	-	22.494
		7.071	133.294

The subordinated loan stock is not secured and the rights and claims of their holders are subordinated to the claims of depositors and other creditors of the Company, but have priority over those of other shareholders of the Company.

The Convertible Bonds, the Convertible Capital Securities and the Capital Securities have contributed in the recapitalisation of the Company in 2013 through their conversion into ordinary shares in accordance with a series of decrees issued by the Central Bank of Cyprus under its capacity as Resolution Authority and pursuant to the provisions of the Resolution of Credit and Other Institutions Law, 2013. Additional information is presented in Note 21.

20. Subordinated loan stock (continued)

Subordinated Bonds

The Company maintains a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €4.000 million (31 December 2012: €4.000 million). The Company does not have any subordinated loan stock in issue under the EMTN Programme.

The Subordinated Bonds in USD 2013/2014/2015 were issued by CB Uniastrum Bank LLC and mature as follows: USD 2 million on 31 December 2013, USD 2,5 million on 31 December 2014 and USD 2 million on 31 December 2015. The interest rate can be changed unilaterally by the issuer at any time until maturity.

21. Share capital

Issued share capital

Issued	30 June 2013		31 December 2012	
	Shares (thousand)	€000	Shares (thousand)	€000
1 January	1.795.141	1.795.141	899.528	899.528
Issue of shares	-	-	159.683	159.683
Bonus issue	-	-	303.743	303.743
Conversion of Convertible Enhanced Capital Securities	-	-	432.187	432.187
Bail-in of deposits	3.806.581	3.806.581	-	-
Bail-in of Convertible Bonds 2013/2018, Capital Securities 12/2007 and Convertible Capital Securities	122.541	122.541	-	-
Conversion of CECS into shares	459.399	459.399	-	-
Reduction in nominal value of share capital	(2.353.349)	(2.353.349)	-	-
Acquisitions (Note 33)	844.014	844.014	-	-
	4.674.327	4.674.327	1.795.141	1.795.141

The nominal value of each share is €1,00.

Pursuant to the Cyprus-Eurogroup agreement (Note 2), the Company has been recapitalised through a bail-in (deposit-to-equity conversion) of uninsured deposits and a conversion of debt securities into ordinary shares. The holders of ordinary shares and debt securities as of 29 March 2013 have contributed to the recapitalisation of the Company through a reduction of the nominal value of shares issued which was used for the absorption of losses.

The recapitalisation was effected in accordance with the provisions of the Bail-in of Bank of Cyprus Public Company Limited Decree of 2013 (the 'Decree') issued on 29 March 2013, the Bail-in of Bank of Cyprus Public Company Limited Amended Decree of 2013 (the 'Amended Decree') issued on 21 April 2013 and the Bail-in of Bank of Cyprus Public Company Limited Amended (No. 2 and 3) Decrees of 2013 (the 'Amended Decrees No. 2 and 3') issued on 30 July 2013 by the Central Bank of Cyprus in its capacity as Resolution Authority (collectively the 'Bail-in Decrees').

Pursuant to Article 6(4) of the Resolution of Credit and Other Institutions Law of 2013, the implementation of resolution measures under the Bail-in Decrees shall not activate any contractual clause or statutory provision that would be activated in case of bankruptcy or insolvency or upon the occurrence of another event which may be considered as a credit event or an event equivalent to insolvency.

21. Share capital (continued)

Issued share capital (continued)

Bail-in of depositors as of 26 March 2013

As per the provisions of the Decree, 37,5% of the uninsured deposits at the Company as of 26 March 2013 were converted to Class A shares of the Company, 22,5% remained frozen and were subject to partial or total conversion to Class A shares of the Company, and 30% remained frozen and were subject to partial or total conversion to a time deposit.

On 30 July 2013, the Central Bank of Cyprus in its capacity as Resolution Authority, issued a decision whereby an additional 10% of the eligible uninsured deposits was converted to equity, revising the total percentage of eligible deposits converted to equity to 47,5%. The debt securities in issue by the Company (Note 18) were also bailed-in via conversion into shares, pursuant to Amended Decrees No. 2 and 3. As a result of the bail-in, the Company issued 3.806.581 thousand new Class A shares of €1,00 each. These shares were subsequently converted to ordinary shares.

According to the Amended Decrees No. 2 and No. 3 each Class A share of nominal value €1 was split into 100 Class A shares of a nominal value €0,01 each and each resulting Class A share was subsequently converted into 1 ordinary share of a nominal value €0,01 each.

Holders of debt securities as of 29 March 2013

The Bail-in Decrees provide that the subordinated debt and claims of the Company include subordinated debt and claims up to Tier 2 capital, including Tier 1 capital. In this respect, the following securities were included:

- Convertible Bonds 2013/2018 (Note 20)
- Capital Securities 12/2007 (Note 20)
- Convertible Capital Securities (Note 20)
- Convertible Enhanced Capital Securities (Note 22)

According to the Decrees:

- The subordinated debt and claims have been converted to Class D shares at a conversion rate of 1 Class D share of €1,00 nominal value, for each €1,00 of principal amount of such subordinated debt and claims.
- The subordinated debt and claims issued in foreign currency and in particular the Convertible Enhanced Capital Securities issued in US Dollars have been converted to Class D shares at a conversion rate of €1,00 nominal value shares for each equivalent of €1,00 principal amount of Convertible Enhanced Capital Securities calculated based on the exchange rate €:\$ 1:1,2861 as contained in the reference exchange rates published by the European Central Bank on 26 March 2013.

According to the Amended Decrees No. 2 and 3, the following have been effected:

- Reduction of the nominal value of all Class D shares from €1,00 each to Class D shares of nominal value of €0,01 each.
- The total amount of the reduction in the capital from the reduction of the nominal value of the issued Class D shares was utilised for the absorption of accumulated losses of the Company.
- Each Class D share of nominal value of €0,01 was converted to an Ordinary Share of €0,01 each.

As a result of the above, the Convertible Bonds 2013/2018, the Capital Securities 12/2007, the Convertible Capital Securities and the Convertible Enhanced Capital Securities in issue as of 29 March 2013 were converted to 581.941 thousand Class D shares of €1,00 nominal value each. The nominal value of these shares was reduced to €0,01 per share and the reduction was applied for the absorption of losses of the Company. These shares were subsequently consolidated and converted to 5.819 thousand ordinary shares of nominal value €1,00 each.

21. Share capital (continued)

Issued share capital (continued)

All Ordinary Shares resulting from the above corporate actions would comprise the sole class of shares of the Company and each share ranks *pari passu* and has the same voting and dividend rights with the other Ordinary Shares.

Holders of ordinary shares as of 29 March 2013

According to the Decree, all shareholder rights in relation to the ordinary shares were suspended from the entry into force of the relevant Decree until the Class D reconversion date.

According to the Amended Decrees No. 2 and No. 3 the nominal value of each ordinary share was reduced from €1 each to €0,01 each. The total amount of the reduction in the capital from the reduction of the nominal value of the issued ordinary shares has been utilised for the absorption of accumulated losses of the Company. As a result of the above amendments, the number of ordinary shares in issue as at 29 March 2013 was adjusted to 17.913 thousand.

Following the conversion of Class A, Class B, Class C and Class D shares to Ordinary Shares as described in the Amended Decrees No. 2 and 3, every 100 Ordinary Shares of nominal value €0,01 each registered to the same shareholder were consolidated and converted to one Ordinary Share of nominal value of €1,00 each. Any remaining Ordinary Shares of nominal value of €0,01 not consolidated (being any number of shares below 100 which may be falling short in reference to each shareholder) were cancelled and the total amount of the nominal value of the shares which was cancelled was utilised for the absorption of the accumulated losses of the Company.

Issue of shares on acquisition of Laiki Bank

The Resolution Authority, pursuant to Decrees issued, required the Company to issue shares to Laiki Bank equal to 18,056371% of the total issued share capital of the Company, representing consideration for the assets and liabilities acquired by the Group on 29 March 2013 (Note 33). Accordingly, 844.014 thousand ordinary shares of €1,00 nominal value each, were issued to Laiki Bank.

Following the above-mentioned changes in the Company's share capital, the issued share capital of the Company as at the reporting date and the date of approval of these financial statements amounts to €4.674.327 thousand divided into 4.674.327 thousand ordinary shares of a nominal value of €1,00 each.

All issued ordinary shares carry the same rights.

Shares subject to interim orders

Following the issue of the Bail-in Decrees, a number of the affected depositors have filed claims against the Company and other parties (Central Bank of Cyprus, Ministry of Finance, etc) on the ground, *inter alia*, that the 'Resolution of Credit and Other Institutions Law of 2013' and the various Decrees issued by virtue of the Law to implement the bail-in, were in conflict with the Constitution of the Republic and the European Convention of Human Rights. In some of the actions, interim orders were issued prohibiting the Company from treating the deposits of the applicants in question as bailed-in, i.e. converted into shares. The said actions are being contested by the Company and are pending before the District Courts.

The shares which as per the bail-in Decree correspond to the deposits which are subject to these interim orders amount to 60.182 thousand ordinary shares of a nominal value €1,00 each. These shares are included in equity in the consolidated balance sheet as 'Shares subject to interim orders', with an equivalent debit balance included in 'Other liabilities within total liabilities'.

21. Share capital (continued)

Treasury shares of the Company

Shares of the Company held by entities controlled by the Group and by associates are deducted from equity on the purchase, sale, issue or cancellation of such shares. No gain or loss is recognised in the consolidated income statement. The number of these shares at 30 June 2013 was 21.004 thousand (31 December 2012: 73.331 thousand). In addition, treasury shares include 2.983 shares resulted from the conversion of CECS of a nominal value of €29.794 thousand, which were held by the Group. The total cost of acquisition of treasury shares was €91.396 thousand (31 December 2012: €40.865 thousand).

Part of these shares held by entities controlled by the Group resulted from the bail-in of deposits that these entities maintained with the Company and in accordance with the provisions of Company Law, these shares must be sold within one year from their acquisition.

In addition, the life insurance subsidiary of the Group held, as at 30 June 2013, a total of 2.776 thousand (31 December 2012: 16.031 thousand) shares of the Company, as part of its financial assets which are invested for the benefit of insurance policyholders. The cost of acquisition of these shares was €2.817 thousand (31 December 2012: €21.463 thousand).

Share premium reserve

Pursuant to the Decrees issued by the Resolution Authority in 2013, the balance of the share premium reserve was reduced to zero and the reduction was applied to write off accumulated losses of the Company.

22. Convertible Enhanced Capital Securities

	30 June 2013	31 December 2012
	€000	€000
1 January	428.835	862.233
Conversion into shares	(429.580)	(432.187)
Exchange difference	745	(1.211)
30 June 2013/31 December 2012	-	428.835

The CECS have contributed to the recapitalisation of the Company in 2013 through their conversion into ordinary shares in accordance with a series of decrees issued by the Central Bank of Cyprus under its capacity as Resolution Authority and pursuant to the provisions of the Resolution of Credit and Other Institutions Law, 2013. Additional information is presented in Note 21.

The Company proceeded with a mandatory coupon cancellation for the period since 31 December 2011.

23. Cash and cash equivalents

	30 June 2013	30 June 2012
	€000	€000
Cash and non obligatory balances with central banks	336.001	1.856.591
Treasury bills repayable within three months	99.396	49.732
Placements with banks with original maturity less than three months	1.014.974	2.051.980
	1.450.371	3.958.303

BANK OF CYPRUS GROUP
Notes to the Interim Condensed Consolidated Financial Statements

24. Analysis of assets and liabilities by expected maturity

	30 June 2013			31 December 2012		
	Less than one year	Over one year	Total	Less than one year	Over one year	Total
	€000	€000	€000	€000	€000	€000
Assets						
Cash and balances with central banks	964.460	336.205	1.300.665	753.454	518.970	1.272.424
Placements with banks	983.889	727.244	1.711.133	1.546.727	222.109	1.768.836
Investments	226.940	3.185.932	3.412.872	390.226	1.479.854	1.870.080
Derivative financial instruments	65.105	24.766	89.871	16.041	10.753	26.794
Life insurance business assets attributable to policyholders	16.092	419.142	435.234	18.901	476.855	495.756
Loans and advances to customers	2.836.243	20.932.843	23.769.086	5.770.991	18.603.540	24.374.531
Property, equipment and intangible assets	5.824	615.490	621.314	5.973	600.775	606.748
Other assets	546.561	967.230	1.513.791	230.844	382.916	613.760
Investments in associates	-	102.111	102.111	-	3.107	3.107
	5.645.114	27.310.963	32.956.077	8.733.157	22.298.879	31.032.036
Liabilities						
Amounts due to banks	293.922	69.331	363.253	260.695	80.349	341.044
Funding from central banks	-	11.106.784	11.106.784	-	-	-
Repurchase agreements	37.228	582.686	619.914	31.813	575.960	607.773
Derivative financial instruments	45.480	90.545	136.025	65.043	118.783	183.826
Customer deposits	5.383.403	11.586.701	16.970.104	11.126.769	17.315.383	28.442.152
Insurance liabilities	97.805	446.626	544.431	101.322	502.848	604.170
Debt securities in issue	7.189	-	7.189	29.386	15.389	44.775
Other liabilities	159.045	122.705	281.750	293.771	45.532	339.303
Subordinated loan stock	2.176	4.895	7.071	-	133.294	133.294
	6.026.248	24.010.273	30.036.521	11.908.799	18.787.538	30.696.337

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

Loans and advances to customers in Cyprus are classified based on the contractual repayment schedule with the exception of the overdrafts accounts and the impaired loans net of provisions, which are classified in the over one year time band.

For customer deposits the analysis has assumed that the Company will exercise its option to renew the frozen deposits for a further equal term. A percentage of customer deposits in Cyprus maturing within one year was transferred in the over one year band, based on the observed actual customer behaviour given the restrictive measures.

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

Loans and advances to customers and customer deposits in Russia are classified based on historic behavioural data, with the exception of demand deposits which are classified in the less than one year time band. In the United Kingdom, Romania, Ukraine and Channel Islands they are classified on the basis of contractual maturities.

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

The expected maturity of all other assets and liabilities is the same as their contractual maturity.

25. Risk management – Credit risk

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

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

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

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

The loan portfolio is analysed on the basis of assessments about the customers' creditworthiness, their economic sector of activity and the country in which they operate. The portfolio is regularly reviewed by a specialist unit of Group Internal Audit.

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

The Group's policy regarding the definition of impaired loans and advances and the determination of the level of provisions for impairment is described in Note 2 of the consolidated financial statements for year 2012.

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

Following the March 2013 events relating to the Group's recapitalisation and restructuring, the Group has applied stricter lending criteria and has significantly reduced the approval limits of the various credit authorities.

BANK OF CYPRUS GROUP
Notes to the Interim Condensed Consolidated Financial Statements

25. Risk management – Credit risk (continued)

Maximum exposure to credit risk

The table below presents the maximum exposure to credit risk, the tangible and measurable collateral and credit enhancements held and the net exposure to credit risk. Personal guarantees are an additional form of collateral but are not included in the information below since it is impracticable to estimate their fair value.

30 June 2013	Fair value of collateral and credit enhancements held by the Group								
	Maximum exposure to credit risk	Cash	Securities	Letters of credit/guarantee	Property	Other	Surplus collateral	Net collateral	Net exposure to credit risk
	€000	€000	€000	€000	€000	€000	€000	€000	€000
Balances with central banks	1.117.197	-	-	-	-	-	-	-	1.117.197
Placements with banks	1.711.133	1.819	-	-	-	-	-	1.819	1.709.314
Trading investments - debt securities	204	-	-	-	-	-	-	-	204
Debt securities at fair value through profit or loss	13.169	-	-	-	-	-	-	-	13.169
Debt securities classified as available-for-sale, and loans and receivables	3.187.362	-	-	-	-	-	-	-	3.187.362
Derivative financial instruments	89.871	-	-	-	-	-	-	-	89.871
Loans and advances to customers	23.769.086	1.449.414	285.557	418.697	26.934.715	2.157.155	(8.549.556)	22.695.982	1.073.104
Debtors	30.094	-	-	-	-	-	-	-	30.094
Reinsurers' share of insurance contract liabilities	66.373	-	-	-	-	-	-	-	66.373
Other assets	411.446	-	-	-	3.342	134	-	3.476	407.970
On-balance sheet total	30.395.935	1.451.233	285.557	418.697	26.938.057	2.157.289	(8.549.556)	22.701.277	7.694.658
<i>Contingent liabilities</i>									
Acceptances and endorsements	21.830	1.394	-	2.955	11.290	7.458	(10.715)	12.382	9.448
Guarantees	1.649.574	21.482	153	19.605	336.174	76.160	(169.929)	283.645	1.365.929
<i>Commitments</i>									
Documentary credits	13.073	-	-	-	-	-	-	-	13.073
Undrawn formal standby facilities, credit lines and other commitments to lend	1.774.734	-	-	-	-	-	-	-	1.774.734
Off-balance sheet total	3.459.211	22.876	153	22.560	347.464	83.618	(180.644)	296.027	3.163.184
Total credit risk exposure	33.855.146	1.474.109	285.710	441.257	27.285.521	2.240.907	(8.730.200)	22.997.304	10.857.842

BANK OF CYPRUS GROUP
Notes to the Interim Condensed Consolidated Financial Statements

25. Risk management – Credit risk (continued)

Maximum exposure to credit risk (continued)

31 December 2012	Fair value of collateral and credit enhancements held by the Group								
	Maximum exposure to credit risk	Cash	Securities	Letters of credit / guarantee	Property	Other	Surplus collateral	Net collateral	Net exposure to credit risk
	€000	€000	€000	€000	€000	€000	€000	€000	€000
Balances with central banks	1.008.653	-	-	-	-	-	-	-	1.008.653
Placements with banks	1.768.836	-	-	-	-	-	-	-	1.768.836
Trading investments - debt securities	96	-	-	-	-	-	-	-	96
Debt securities at fair value through profit or loss	13.955	-	-	-	-	-	-	-	13.955
Debt securities classified as available-for-sale, and loans and receivables	1.783.730	-	-	-	-	-	-	-	1.783.730
Derivative financial instruments	26.794	1.310	-	-	-	-	-	1.310	25.484
Loans and advances to customers	24.374.531	1.820.535	363.821	294.388	24.544.975	3.270.589	(7.741.127)	22.553.181	1.821.350
Debtors	26.400	-	-	-	-	-	-	-	26.400
Reinsurers' share of insurance contract liabilities	65.927	-	-	-	-	-	-	-	65.927
Other assets	94.529	-	-	-	-	-	-	-	94.529
On-balance sheet total	29.163.451	1.821.845	363.821	294.388	24.544.975	3.270.589	(7.741.127)	22.554.491	6.608.960
<i>Contingent liabilities</i>									
Acceptances and endorsements	12.971	27	-	-	5.029	-	(3.037)	2.019	10.952
Guarantees	1.546.572	688.503	3.199	17.546	128.019	12.318	(68.517)	781.068	765.504
<i>Commitments</i>									
Documentary credits	15.879	-	-	-	-	-	-	-	15.879
Undrawn formal standby facilities, credit lines and other commitments to lend	2.723.837	1.026	-	-	31.899	-	(18.475)	14.450	2.709.387
Off-balance sheet total	4.299.259	689.556	3.199	17.546	164.947	12.318	(90.029)	797.537	3.501.722
Total credit risk exposure	33.462.710	2.511.401	367.020	311.934	24.709.922	3.282.907	(7.831.156)	23.352.028	10.110.682

25. Risk management – Credit risk (continued)

Maximum exposure to credit risk (continued)

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

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

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

	30 June 2013	31 December 2012
On-balance sheet	€000	€000
Cyprus	26.227.387	16.620.681
Greece	239.353	8.324.201
Russia	1.729.746	2.008.588
United Kingdom	1.466.998	1.326.359
Romania	429.512	560.007
Ukraine	302.939	323.615
	30.395.935	29.163.451
Off-balance sheet		
Cyprus	2.569.394	2.484.945
Greece	676.050	1.567.365
Russia	161.637	199.749
United Kingdom	21.351	23.428
Romania	30.265	23.349
Ukraine	514	423
	3.459.211	4.299.259

Credit risk concentration

There are restrictions on loan concentrations which are imposed by the Banking Law in Cyprus and the relevant Directive of the Central Bank of Cyprus. According to these restrictions, banks are prohibited from lending more than 25% of the shareholders' equity to a single customer group.

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

25. Risk management – Credit risk (continued)

Collateral and other credit enhancements

Loans and advances to customers

The Group Credit Risk Management Unit determines the amount and type of collateral and other credit enhancements required for the granting of new loans to customers.

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

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

Other financial instruments

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

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

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

25. Risk management – Credit risk (continued)

Credit quality of loans and advances to customers

	30 June 2013			31 December 2012
	Gross loans before fair value on initial recognition	Fair value adjustment on initial recognition	Gross loans after fair value on initial recognition	Gross loans
	€000	€000	€000	€000
Neither past due nor impaired	13.477.878	(200.939)	13.276.939	17.402.119
Past due but not impaired	7.292.223	(458.960)	6.833.263	5.752.371
Impaired	7.578.517	(1.304.927)	6.273.590	4.896.097
	28.348.618	(1.964.826)	26.383.792	28.050.587

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

Fair value adjustment on initial recognition relates to the loans and advances to customers acquired as part of the Laiki Bank acquisition (Note 33). In accordance with the provisions of IFRS 3, this adjustment has decreased the gross balance of loans and advances to customers. However, for IFRS 7 disclosure purposes as well as for credit risk monitoring, the aforementioned adjustment is not presented within the gross balances of loans and advances.

Loans and advances to customers that are neither past due nor impaired

The credit quality of loans and advances to customers that were neither past due nor impaired is monitored by the Group using internal systems. The table below presents the credit risk quality of loans and advances to customers that were neither past due nor impaired.

	Grade 1	Grade 2	Grade 3	Total
30 June 2013	€000	€000	€000	€000
Cyprus	6.034.293	2.753.897	2.044.064	10.832.254
Greece	706	-	-	706
Russia	969.487	285.736	-	1.255.223
United Kingdom	722.648	191.044	132.942	1.046.634
Romania	79.877	120.602	38.375	238.854
Ukraine	54.207	1.358	48.642	104.207
	7.861.218	3.352.637	2.264.023	13.477.878

25. Risk management – Credit risk (continued)

Credit quality of loans and advances to customers (continued)

Loans and advances to customers that are neither past due nor impaired (continued)

	Grade 1	Grade 2	Grade 3	Total
31 December 2012	€000	€000	€000	€000
Cyprus	7.249.180	993.674	1.109.151	9.352.005
Greece	3.534.245	89.121	1.680.195	5.303.561
Russia	1.124.666	389.162	-	1.513.828
United Kingdom	602.863	60.638	25.716	689.217
Romania	418.337	3.523	-	421.860
Ukraine	88.494	5.136	28.018	121.648
	13.017.785	1.541.254	2.843.080	17.402.119

Loans and advances to customers that were neither past due nor in excess of their limit during the last twelve months, are classified as Grade 1.

Loans and advances to customers that were past due or in excess of their limit for up to 30 consecutive days during the first half of the year, or for up to 15 consecutive days during the second half of the year, are classified as Grade 2.

Loans and advances to customers that were past due or in excess of their limit for more than 30 consecutive days during the first half of year or for more than 15 consecutive days during the second half of the year, are classified as Grade 3.

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

	30 June 2013	31 December 2012
	€000	€000
Past due:		
- up to 30 days	1.502.363	1.102.785
- 31 to 90 days	2.357.895	1.854.459
- 91 to 180 days	1.590.251	873.830
- 181 to 365 days	965.533	798.306
- over one year	876.181	1.122.991
	7.292.223	5.752.371

The fair value of the collateral that the Group holds (to the extent that they mitigate credit risk) in respect of loans and advances to customers that are past due but not impaired as at 30 June 2013 is €5.911.233 thousand (31 December 2012: €4.601.146 thousand).

25. Risk management – Credit risk (continued)

Credit quality of loans and advances to customers (continued)

Impaired loans and advances to customers on an individual basis

	30 June 2013		31 December 2012	
	Loans and advances	Fair value of collateral	Loans and advances	Fair value of collateral
	€000	€000	€000	€000
Cyprus	6.993.377	4.399.907	2.877.827	1.822.899
Greece	50	-	1.519.603	753.377
Russia	276.515	181.624	279.518	178.137
United Kingdom	81.481	27.935	57.351	30.229
Romania	137.794	169.606	76.480	51.570
Ukraine	89.300	71.737	85.318	61.996
	7.578.517	4.850.809	4.896.097	2.898.208

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

Forbearance

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

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

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

Rescheduled credit facilities are those facilities for which the Group has modified the repayment programme (extension of the grace period, suspension of the obligation to repay one or more instalments, reduction in the instalment amount and/or elimination of overdue instalments relating to capital or interest) and current accounts/overdrafts for which the credit limit has been increased with the sole purpose of covering an excess. Loans repaid by monthly instalments for which the elimination or suspension of maximum two monthly instalments per year is part of the original loan terms or is part of the documented policies of the Group, and accordingly no specific approval is required for the said elimination or suspension, but is up to the borrower's discretion to exercise this right, are not considered as rescheduled loan facilities.

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

Rescheduled loans are monitored by the Credit Risk Department. For example, the trends of re-default are closely monitored and analysed in order to identify the drivers for the re-defaults.

Rescheduled loans are assessed as a separate group within each portfolio for the purposes of impairment calculation.

BANK OF CYPRUS GROUP
Notes to the Interim Condensed Consolidated Financial Statements

25. Risk management – Credit risk (continued)

Forbearance (continued)

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

Rescheduled loans and advances to customers

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	Total
	€000	€000	€000	€000	€000	€000	€000
30 June 2013							
1 January	3.394.783	1.657.988	113.217	58.264	63.039	64.336	5.351.627
Disposal of Greek operations	-	(1.302.984)	-	-	-	-	(1.302.984)
New loans and advances rescheduled in the period	1.089.250	-	103.039	11.448	4.201	21.678	1.229.616
Assets no longer rescheduled (including repayments)	(581.180)	(355.004)	(25.817)	(3.331)	(13.045)	(28.419)	(1.006.796)
Applied in writing off rescheduled loans and advances	(11)	-	-	-	-	-	(11)
Interest accrued on rescheduled loans and advances	90.553	-	5.552	1.300	417	1.546	99.368
Exchange adjustments	(6.719)	-	(10.540)	(2.914)	(9.862)	(42)	(30.077)
30 June	3.986.676	-	185.451	64.767	44.750	59.099	4.340.743
31 December 2012							
1 January	1.843.527	1.099.737	54.266	94.855	66.609	58.875	3.217.869
New loans and advances rescheduled in the year	1.895.156	1.497.983	107.045	1.335	26.174	21.341	3.549.034
Assets no longer rescheduled (including repayments)	(540.332)	(945.395)	(53.312)	(37.989)	(32.611)	(15.523)	(1.625.162)
Applied in writing off rescheduled loans and advances	-	-	-	(5.022)	-	-	(5.022)
Interest accrued on rescheduled loans and advances	197.500	3.912	3.025	2.428	3.360	1.476	211.701
Exchange adjustments	(1.068)	1.751	2.193	2.657	(493)	(1.833)	3.207
31 December	3.394.783	1.657.988	113.217	58.264	63.039	64.336	5.351.627

In addition to the above, the loans acquired from Laiki include €1.916.734 thousand of rescheduled loans.

BANK OF CYPRUS GROUP
Notes to the Interim Condensed Consolidated Financial Statements

25. Risk management – Credit risk (continued)

Forbearance (continued)

Analysis of rescheduled loans and advances to customers

	Cyprus	Russia	United Kingdom	Romania	Ukraine	Total
30 June 2013	€000	€000	€000	€000	€000	€000
By economic activity						
Trade	295.757	40.432	821	2.312	1.814	341.136
Manufacturing	84.941	5.240	57	240	908	91.386
Hotels and catering	313.044	-	8.797	-	6.834	328.675
Construction	984.586	10.103	11.095	5.910	9.730	1.021.424
Real estate	656.531	-	37.580	13.722	24.377	732.210
Private individuals	1.109.521	-	1.106	2	8.920	1.119.549
Professional and other services	323.243	129.676	5.311	21.115	5.476	484.821
Other sectors	219.053	-	-	1.449	1.040	221.542
	3.986.676	185.451	64.767	44.750	59.099	4.340.743
By customer sector						
Corporate	2.248.634	171.150	34.589	33.603	49.140	2.537.116
Small and medium-sized enterprises (SMEs)	643.299	12.123	30.090	11.145	6.949	703.606
Retail						
- housing	862.690	2.078	65	-	172	865.005
- credit cards	278	-	-	-	-	278
- consumer and other	231.775	100	23	2	2.838	234.738
	3.986.676	185.451	64.767	44.750	59.099	4.340.743

BANK OF CYPRUS GROUP
Notes to the Interim Condensed Consolidated Financial Statements

25. Risk management – Credit risk (continued)

Forbearance (continued)

Analysis of rescheduled loans and advances to customers (continued)

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	Total
31 December 2012	€000	€000	€000	€000	€000	€000	€000
By economic activity							
Trade	263.551	113.294	17.901	369	210	10.462	405.787
Manufacturing	63.668	89.909	7.219	75	1.488	379	162.738
Hotels and catering	239.384	296.273	-	11.229	971	4.951	552.808
Construction	937.094	205.160	10.282	12.144	3.966	10.560	1.179.206
Real estate	615.446	154.365	-	27.975	18.821	24.394	841.001
Private individuals	839.420	530.828	-	1.117	1.823	8.492	1.381.680
Professional and other services	249.147	128.241	77.815	5.355	26.867	3.868	491.293
Other sectors	187.073	139.918	-	-	8.893	1.230	337.114
	3.394.783	1.657.988	113.217	58.264	63.039	64.336	5.351.627
By customer sector							
Corporate	1.995.147	603.348	97.686	35.832	50.413	55.865	2.838.291
Small and medium-sized enterprises (SMEs)	589.460	499.786	12.986	22.357	10.803	5.802	1.141.194
Retail							
- housing	635.409	396.576	2.322	71	881	172	1.035.431
- credit cards	327	-	-	-	-	-	327
- consumer and other	174.440	158.278	223	4	942	2.497	336.384
	3.394.783	1.657.988	113.217	58.264	63.039	64.336	5.351.627

BANK OF CYPRUS GROUP
Notes to the Interim Condensed Consolidated Financial Statements

25. Risk management – Credit risk (continued)

Forbearance (continued)

Credit quality of rescheduled loans and advances to customers

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	Total
30 June 2013	€000	€000	€000	€000	€000	€000	€000
Neither past due nor impaired	2.039.209	-	140.543	43.382	10.997	11.170	2.245.301
Past due but not impaired	1.057.193	-	15.483	9.926	29.945	16.673	1.129.220
Impaired	890.274	-	29.425	11.459	3.808	31.256	966.222
	3.986.676	-	185.451	64.767	44.750	59.099	4.340.743
31 December 2012							
Neither past due nor impaired	2.200.463	871.475	97.446	40.642	25.694	19.390	3.255.110
Past due but not impaired	773.395	672.857	3.939	5.086	34.796	16.268	1.506.341
Impaired	420.925	113.656	11.832	12.536	2.549	28.678	590.176
	3.394.783	1.657.988	113.217	58.264	63.039	64.336	5.351.627

BANK OF CYPRUS GROUP
Notes to the Interim Condensed Consolidated Financial Statements

25. Risk management – Credit risk (continued)

Forbearance (continued)

Fair value of collateral held for rescheduled loans and advances to customers

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	Total
30 June 2013	€000	€000	€000	€000	€000	€000	€000
Neither past due nor impaired	1.789.731	-	116.737	43.361	4.453	11.170	1.965.452
Past due but not impaired	897.327	-	13.677	9.794	3.502	15.081	939.381
Impaired	706.516	-	28.172	8.806	3.369	19.715	766.578
	3.393.574	-	158.586	61.961	11.324	45.966	3.671.411
31 December 2012							
Neither past due nor impaired	1.837.569	619.427	40.263	40.504	9.183	19.389	2.566.335
Past due but not impaired	642.094	552.064	3.580	5.086	8.047	14.675	1.225.546
Impaired	303.889	78.111	8.162	9.365	2.282	18.774	420.583
	2.783.552	1.249.602	52.005	54.955	19.512	52.838	4.212.464

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

25. Risk management – Credit risk (continued)

Forbearance (continued)

Provision for impairment of rescheduled loans and advances to customers

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	Total
30 June 2013	€000	€000	€000	€000	€000	€000	€000
Individual impairment	362.853	-	2.608	2.806	1.113	12.819	382.199
Collective impairment	164.695	-	11.832	-	-	-	176.527
	527.548	-	14.440	2.806	1.113	12.819	558.726
31 December 2012							
Individual impairment	280.682	57.344	3.324	3.170	541	11.097	356.158
Collective impairment	98.965	-	3.457	50	277	-	102.749
	379.647	57.344	6.781	3.220	818	11.097	458.907

BANK OF CYPRUS GROUP
Notes to the Interim Condensed Consolidated Financial Statements

25. Risk management – Credit risk (continued)

Provision for impairment of loans and advances to customers

The movement of provisions for impairment of loans and advances to customers is as follows:

	Cyprus	Greece	Russia	Other countries	Total
2013	€000	€000	€000	€000	€000
1 January	1.779.343	1.528.224	238.472	130.017	3.676.056
Disposal of Greek operations	-	(1.572.528)	-	-	(1.572.528)
Exchange adjustments	335	-	(12.157)	(388)	(12.210)
Applied in writing off impaired loans and advances	(1.830)	(7.781)	(4.361)	(1.833)	(15.805)
Interest accrued on impaired loans and advances	(49.444)	(6.634)	(271)	(2.174)	(58.523)
Collection of loans and advances previously written off	206	-	-	33	239
Charge relating to discontinued operations	-	58.908	-	-	58.908
Charge for the period	472.342	-	35.412	30.815	538.569
30 June	2.200.952	189	257.095	156.470	2.614.706
Individual impairment	1.618.231	189	126.526	139.368	1.884.314
Collective impairment	582.721	-	130.569	17.102	730.392
2012					
1 January	649.025	632.012	148.430	76.045	1.505.512
Exchange adjustments	835	-	1.163	1.110	3.108
Applied in writing off impaired loans and advances	(7.005)	(1.417)	-	(8.266)	(16.688)
Interest accrued on impaired loans and advances	(16.618)	(12.200)	(1.392)	(2.868)	(33.078)
Collection of loans and advances previously written off	1.135	-	-	-	1.135
Charge relating to discontinued operations	-	317.103	-	-	317.103
Charge for the period	207.561	-	25.359	18.037	250.957
30 June	834.933	935.498	173.560	84.058	2.028.049
Individual impairment	620.024	640.615	88.118	73.646	1.422.403
Collective impairment	214.909	294.883	85.442	10.412	605.646

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

25. Risk management – Credit risk (continued)

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

Assumptions have been made about the future changes in property values, as well as the timing for the realisation of the collateral and for taxes and expenses on the repossession and subsequent sale of the collateral. For example, it has been assumed that the market value of residential property in Cyprus is expected to decline by a further 12% in the next two years. In the case of commercial property and stock of land for real estate development in Cyprus, the decline in market value is expected to be about 26%. The timing of collection from collateral has been estimated to be 2,5 years for loans that have been managed by the Recoveries Division for more than 2 years, 4,5 years for loans that have been managed by the Recoveries Division for less than 2 years and 5 years for all other loans.

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

Indicatively, if the actual recoverable amount of impaired loans from collateral in Cyprus portfolio is lower than the amount estimated as at 30 June 2013 by 5% and 10%, then provisions for impairment of loans and advances would increase by €94.646 thousand and €194.278 thousand respectively. Alternatively, if the collateral value in Cyprus increased by 5% and 10% then the provisions for impairment of loans and advances would decrease by €88.597 thousand and €173.299 thousand respectively.

Collateral and other credit enhancements obtained

The total carrying value of the assets obtained by taking possession of collateral held as security for customer loans and advances and held by the Group as at 30 June 2013 amounted to €449.452 thousand (31 December 2012: €280.065 thousand). Included in assets acquired from Laiki Bank (Note 33) are assets amounting to €151.199 thousand which relates to collateral repossessed by Laiki Bank prior to the acquisition by the Group.

The majority of the repossessed assets are subsequently disposed of and the net proceeds are used to recover the balance due from the customer. Any excess proceeds are either returned to the customer or are credited to the consolidated income statement, depending on the underlying agreement with the customers.

BANK OF CYPRUS GROUP
Notes to the Interim Condensed Consolidated Financial Statements

25. Risk management – Credit risk (continued)

Analysis of loans and advances to customers

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	Gross loans before fair value on initial recognition	Fair value adjustment on initial recognition	Gross loans after fair value on initial recognition
30 June 2013	€000	€000	€000	€000	€000	€000	€000	€000	€000
By economic activity									
Trade	2.704.856	-	322.418	54.863	22.124	19.524	3.123.785	(220.754)	2.903.031
Manufacturing	885.451	-	147.255	39.619	24.798	14.758	1.111.881	(65.961)	1.045.920
Hotels and catering	1.642.064	-	-	171.145	107.313	7.316	1.927.838	(112.963)	1.814.875
Construction	3.973.894	-	69.966	61.853	26.046	15.761	4.147.520	(333.896)	3.813.624
Real estate	3.125.349	-	186.862	984.073	220.853	92.680	4.609.817	(417.148)	4.192.669
Private individuals	8.103.371	836	504.220	47.583	4.314	68.336	8.728.660	(384.040)	8.344.620
Professional and other services	2.026.664	-	519.503	62.391	73.184	101.834	2.783.576	(189.078)	2.594.498
Other sectors	1.757.503	-	43.538	105.170	5.963	3.367	1.915.541	(240.986)	1.674.555
	24.219.152	836	1.793.762	1.526.697	484.595	323.576	28.348.618	(1.964.826)	26.383.792
By customer sector									
Corporate	10.546.712	-	1.048.949	828.203	434.450	243.596	13.101.910	(1.039.274)	12.062.636
Small and medium-sized enterprises (SMEs)	5.353.258	-	304.324	637.625	46.007	28.272	6.369.486	(558.930)	5.810.556
Retail									
- housing	5.330.469	-	49.251	37.275	2.084	17.463	5.436.542	(127.186)	5.309.356
- credit cards	178.229	-	102.919	1.578	-	7	282.733	(23.866)	258.867
- consumer and other	2.810.484	836	288.319	22.016	2.054	34.238	3.157.947	(215.570)	2.942.377
	24.219.152	836	1.793.762	1.526.697	484.595	323.576	28.348.618	(1.964.826)	26.383.792

BANK OF CYPRUS GROUP
Notes to the Interim Condensed Consolidated Financial Statements

25. Risk management – Credit risk (continued)

Analysis of loans and advances to customers (continued)

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	Total
31 December 2012	€000	€000	€000	€000	€000	€000	€000
By economic activity							
Trade	1.621.879	1.337.611	398.902	55.489	27.278	21.462	3.462.621
Manufacturing	518.754	1.197.493	179.067	15.525	28.226	12.956	1.952.021
Hotels and catering	914.486	1.130.222	-	115.327	108.375	8.534	2.276.944
Construction	2.420.212	1.013.129	78.885	56.583	25.504	15.538	3.609.851
Real estate	1.715.884	651.750	183.669	484.948	223.221	91.777	3.351.249
Private individuals	5.323.545	2.611.578	521.945	53.594	42.515	78.660	8.631.837
Professional and other services	1.425.792	503.640	614.806	51.883	81.185	98.938	2.776.244
Other sectors	932.384	992.254	47.250	657	13.850	3.425	1.989.820
	14.872.936	9.437.677	2.024.524	834.006	550.154	331.290	28.050.587
By customer sector							
Corporate	7.082.512	3.470.307	1.199.608	321.927	453.600	242.810	12.770.764
Small and medium-sized enterprises (SMEs)	2.276.659	2.739.550	366.649	472.642	53.292	29.558	5.938.350
Retail							
- housing	3.740.856	1.634.263	58.976	33.584	18.739	20.792	5.507.210
- credit cards	120.658	155.727	102.966	-	-	7	379.358
- consumer and other	1.652.251	1.437.830	296.325	5.853	24.523	38.123	3.454.905
	14.872.936	9.437.677	2.024.524	834.006	550.154	331.290	28.050.587

As at 31 December 2012 in Greece, the 'corporate' sector and 'other sectors' include loans to government-controlled businesses amounting to €252.588 thousand which according to the European Banking Authority are classified as sovereign debt (Note 29).

25. Risk management – Credit risk (continued)**Analysis by rating agency designation**

Balances with central banks and placements with banks

Balances with central banks and placements with banks are analysed by Moody's rating as follows:

	30 June 2013	31 December 2012
	€000	€000
Aaa – Aa3	1.011.033	1.102.312
A1 – A3	590.753	786.184
Baa1 – Baa3	200.061	190.429
Ba1 – Ba3	1.187	10.495
B1 – B3	6.304	373.186
Caa – C	474.208	84.882
Unrated	426.354	179.054
Other receivables from banks	118.430	50.947
	2.828.330	2.777.489

Band Caa-C above includes an amount of €292.458 thousand which mainly relates to obligatory deposits for liquidity purposes with the Central Bank of Cyprus (31 December 2012:€363.170 thousand included within Band B1-B3). Band Caa-C included amounts of €82.459 thousand at 31 December 2012 with the Bank of Greece.

25. Risk management – Credit risk (continued)

Analysis by rating agency designation (continued)

Debt securities

Investments in debt securities are analysed by Moody's rating, their issuer and classification, as follows:

	30 June 2013	31 December 2012
	€000	€000
Aaa – Aa3	623.875	893.381
A1 – A3	20.824	26.639
Baa1 – Baa3	53.797	58.385
Ba1 – Ba3	47.987	51.064
B1 – B3	-	764.395
Caa – C	2.427.372	1.133
Unrated	26.880	2.784
	3.200.735	1.797.781
<i>Issued by:</i>		
- Cyprus government	2.403.396	764.157
- other governments	680.635	704.290
- banks and other corporations	116.234	328.887
- local authorities	470	447
	3.200.735	1.797.781
<i>Classified as:</i>		
- trading investments	204	96
- investments at fair value through profit or loss	13.169	13.955
- available-for-sale investments	776.239	1.032.302
- investments classified as loans and receivables	2.411.123	751.428
	3.200.735	1.797.781

26. Risk management – Market risk

Market risk is the risk of loss from adverse changes in market prices – namely from changes in interest rates, exchange rates and security prices. The Group Market Risk Management Unit is responsible for monitoring compliance with the various market risk policies and procedures.

Interest rate risk

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

Interest rate risk is measured using interest rate sensitivity gap analysis where the difference between assets and liabilities repricing in each time band is calculated, separately for each currency. This difference is then multiplied with the assumed change in interest rates for the period from the repricing date until twelve months from the date of the analysis, in order to calculate the annual impact on net interest income of any changes in interest rates for every currency.

The interest rate risk is managed through maximum loss limits from interest rate mis-matches which are set for each banking unit of the Group. There are different limits for the Euro and for foreign currencies. The maximum loss limits apply for each of the first three years. These limits are set as a percentage of Group capital and as a percentage of net interest income and are allocated to the various banking units of the Group based on their contribution to net interest income. Small limits for open interest rate positions for periods of more than three years are also in place.

Sensitivity analysis

The table below sets out the impact on the Group's net interest income, over a one-year period, from reasonably possible changes in the interest rates of the main currencies:

	Euro	US Dollars	British Pounds	Other currencies	Total
<i>Change in interest rates</i>	€000	€000	€000	€000	€000
30 June 2013					
+1% for all currencies	(19.337)	5.255	(721)	496	(18.357)
-0,25% for US Dollars, Japanese Yen, Euro, -0,1% for Swiss Franc and -0,5% for all other currencies	4.834	(1.314)	361	(80)	4.691
31 December 2012					
+1% for all currencies	(11.197)	23.276	4.876	(833)	27.699
-0,25% for US Dollars, Japanese Yen, Euro, -0,1% for Swiss Franc and -0,5% for all other currencies	7.640	(2.905)	(1.281)	280	7.576

26. Risk management – Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis (continued)

The total change in net interest income differs from the sum of the changes for each individual currency as it has been calculated using the actual correlation coefficients between the interest rates of the various currencies.

In addition to the above fluctuations in net interest income, the Group results are also affected by changes in interest rates which result in fluctuations in the fair value of investments at fair value through profit or loss (including investments held for trading) and in the fair value of derivative financial instruments.

The equity of the Group is also affected by changes in market interest rates. The impact on the Group's equity arises from changes in the fair value of fixed rate debt securities classified as available-for-sale (unless impaired) as well as from changes in the fair value of derivative financial instruments including investments which are hedging instruments in effective cash flow hedge relationships.

The sensitivity analysis is based on the assumption of a parallel shift of the yield curve. The table below sets out the impact on the Group's profit before tax and equity (excluding the effect on equity from the impact on profit) as a result of reasonably possible changes in the interest rates of the major currencies.

	Impact on profit before tax	Impact on equity
<i>Change in interest rates</i>	€000	€000
30 June 2013		
+1% for all currencies	10.155	(1.758)
-0,25% for US Dollars, Japanese Yen and Euro, -0,1% for Swiss Franc and -0,5% for all other currencies	(2.576)	451
31 December 2012		
+1% for all currencies	15.024	(3.455)
-0,25% for US Dollars, Japanese Yen and Euro, -0,1% for Swiss Franc and -0,5% for all other currencies	(3.802)	878

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.

In order to manage currency risk, the Group Assets and Liabilities Committee ('ALCO') has approved open position limits for the total foreign exchange position limits. There are larger limits for intra-day positions and lower limits for overnight positions. The foreign exchange position limits are lower than those prescribed by the Central Bank of Cyprus. These limits are monitored daily by market risk officers in all the banking units of the Group, who report the overnight foreign currency position of each unit to Group Market Risk Management daily.

The Group does not maintain a currency trading book.

26. Risk management – Market risk (continued)**Currency risk (continued)**

The table below sets out the Group's foreign exchange risk resulting from its open foreign exchange positions. The analysis assumes reasonably possible changes in the exchange rates of major currencies against the Euro based mainly on historical price fluctuations. The impact on profit after tax and on equity includes the change in net interest income that arise from the change of currency rate and also the impact on results from the open currency position.

	Change in exchange rate	Impact on profit after tax and equity
	%	€000
30 June 2013		
US Dollar	+8	(38.306)
Russian Rouble	+8	2.222
Romanian Lei	+8	(1.100)
Ukrainian Hryvnia	+5	537
Swiss Franc	+8	2.169
British Pounds	+8	(1.525)
Australian Dollar and Japanese Yen	+10	15.618
Other currencies	+8	4.209
US Dollar	-8	32.631
Russian Rouble	-8	(1.892)
Romanian Lei	-8	1.064
Ukrainian Hryvnia	-20	(1.701)
Swiss Franc	-8	(1.848)
British Pounds	-8	1.299
Australian Dollar and Japanese Yen	-10	(12.779)
Other currencies	-8	(3.586)
31 December 2012		
US Dollar	+8	1.787
Russian Rouble	+8	(3.603)
Romanian Lei	+8	(2.126)
Ukrainian Hryvnia	+5	2.671
Swiss Franc	+8	2.616
British Pounds	+8	713
Australian Dollar and Japanese Yen	+10	375
Other currencies	+8	2.493

26. Risk management – Market risk (continued)

Currency risk (continued)

	Change in exchange rate	Impact on profit after tax and equity
	%	€000
2012		
US Dollar	-8	(1.522)
Russian Rouble	-8	3.068
Romanian Lei	-8	1.811
Ukrainian Hryvnia	-20	(8.459)
Swiss Franc	-8	(2.228)
British Pounds	-8	(607)
Australian Dollar and Japanese Yen	-10	(307)
Other currencies	-8	(2.121)

Price risk

Equity securities price risk

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

In order to control the risk of loss from changes in the price of equities, there are maximum limits for the amounts that can be invested in equity shares in the trading book and other restrictions, such as maximum amount invested in a specific issuer, specific industry, etc.

Changes in the prices of equity securities that are classified as investments at fair value through profit or loss, affect the profit of the Group, whereas changes in the value of equity securities classified as available-for-sale affect the equity of the Group (if not impaired). The table below shows the impact on the profit before tax and equity (excluding the effect on equity from the impact on profit) of the Group from a change in the price of the equity securities held, as a result of reasonably possible changes in the relevant stock exchange indices.

	Change in index	Impact on profit before tax	Impact on equity
	%	€000	€000
30 June 2013			
Cyprus Stock Exchange	+50	2.044	4.903
Athens Exchange	+30	-	2.402
Moscow Exchange	+20	-	109
Bucharest Stock Exchange	+20	-	10.498
Bulgarian Stock Exchange	+20	-	61
Other stock exchanges	+25	87	37.526

26. Risk management – Market risk (continued)

Price risk (continued)

Equity securities price risk (continued)

	Change in index	Impact on profit before tax	Impact on equity
	%	€000	€000
Cyprus Stock Exchange	-50	(5.061)	(1.886)
Athens Exchange	-30	(137)	(2.283)
Moscow Exchange	-20	-	(109)
Bucharest Stock Exchange	-20	(10.498)	-
Bulgarian Stock Exchange	-20	-	(61)
Other stock exchanges	-25	(87)	(37.526)

31 December 2012			
Cyprus Stock Exchange	+50	2.671	3.931
Athens Exchange	+30	-	301
Moscow Exchange	+20	-	140
Bucharest Stock Exchange	+20	-	10.885
Other stock exchanges	+15	421	-

Cyprus Stock Exchange	-50	(6.171)	(430)
Athens Exchange	-30	-	(301)
Moscow Exchange	-20	-	(140)
Bucharest Stock Exchange	-20	(10.885)	-
Other stock exchanges	-15	(421)	-

Debt securities price risk

Debt securities price risk is the risk of loss as a result of adverse changes in the prices of debt securities held by the Group. Debt security prices change as the credit risk of the issuers changes. The Group invests a significant part of its liquid assets in debt securities issued mostly by governments and banks. The average Moody's rating of the debt securities portfolio of the Group as at 30 June 2013 was B3 (31 December 2012: Baa1).

Changes in the prices of debt securities classified as investments at fair value through profit or loss, affect the profit of the Group, whereas changes in the value of debt securities classified as available-for-sale affect the equity of the Group (if not impaired). The table below indicates how the profit before tax and shareholders equity of the Group will be affected from reasonably possible changes in the price of the debt securities held, based on observations of changes in credit risk over the past years.

26. Risk management – Market risk (continued)

Price risk (continued)

Debt securities price risk (continued)

	Impact on profit before tax	Impact on equity
	€000	€000
<i>Change in market prices</i>		
30 June 2013		
+8%	926	59.738
-8%	(926)	(59.738)
31 December 2012		
+7%	885	71.501
-7%	(885)	(71.501)

27. Risk management – Liquidity risk and funding

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

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.

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

Management structure

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

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

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

Management structure (continued)

The ALCO of each unit is responsible for monitoring the liquidity position of its unit and ensuring compliance with the approved policies. The ALCO is responsible for setting the policies for the effective management and monitoring of liquidity across the Group. It also monitors the liquidity position of its major banking units (stock of liquid assets, maturity gap between assets and liabilities and funding requirement) using a number of assumptions, including conditions that may have an adverse impact on the Group's liquidity, at least monthly. After the March 2013 events, the ALCO monitors mostly the stock of liquid assets and the cash outflows of the bank in Cyprus, since this is what is of utmost importance.

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

Monitoring process

It should be noted that, following the bail-in, various capital controls have been put in place, that prohibit customers from withdrawing their deposits, even if placed in instant access accounts. There are limits on the maximum cash that can be withdrawn per day. There are also limits on the maximum amount that can be transferred to banks abroad and to other local banks. These limits apply per month and are different for physical and legal persons. Moreover, on the maturity of a fixed deposit, there are limits as to the amount that can be transferred to an instant access account.

Daily

Due to the economic crisis, it is more important to monitor cash flows and highly liquid assets rather than the supervisory liquidity ratios, because those will ensure the uninterrupted operation of the Company's activities. Twice a day GMRM prepares the report for submission to the Central Bank of Cyprus, indicating the cash inflows and outflows observed in customer balances and other balances, as well as the opening and closing balances of cash (both banknote balances, nostro balances and any overnight money market balances). This information is also sent to members of the ALCO and since September 2013 to members of the Board. Also, Group Treasury monitors daily the inflows and outflows in the main currencies used by the Group.

Weekly

The Group Market Risk Management prepares a weekly report of expected outflows for the current and next quarter as well as of highly liquid assets held during the reported periods. This report is submitted to the Central Bank of Cyprus and then to the European Banking Authority (EBA). This report was prepared until March 2013. Group Treasury prepares projections of expected inflows and outflows covering a two months period.

Monthly

GMRM prepares tables indicating compliance with internal and regulatory liquidity ratios, for all banking units and for the Group and submits them to the ALCO.

Quarterly

Until March 2013, the Board of Directors was informed of compliance with internal and regulatory liquidity ratios for each banking unit and for the Group on at least a quarterly basis. From May 2013 onwards, the Board is informed about the liquidity position of the Group on a more frequent basis.

Periodic

The liquidity position is assessed under various scenarios, including simulation of Group-specific crisis and market-wide crisis.

The stress scenarios are applied to both on-balance sheet and off-balance sheet commitments, to provide a complete picture of potential cash outflows.

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

Monitoring process (continued)

Periodic (continued)

Moreover, stress testing is carried out every six months for all banking units of the Group, based on four scenarios defined jointly by the Central Bank of Cyprus and the International Monetary Fund. These scenarios include assumptions about:

- significant withdrawals of Euro and/or foreign currency deposits,
- significant withdrawals of undrawn and committed credit lines,
- significant haircut on liquid assets,
- unavailability of wholesale (interbank) funding, and
- significant reduction in assets eligible as collateral in the refinancing operations of the Central Bank of Cyprus and the Eurosystem.

As part of the Group's procedures for monitoring and managing liquidity risk, there is a Group funding crisis contingency plan, for handling liquidity difficulties. The plan details the steps to be taken, in the event that liquidity problems arise, which escalate to a meeting of the Funding Crisis Committee. The plan sets out the members of this Committee and a series of the possible actions that can be taken. This plan, as well as the Group's Liquidity Policy, are reviewed by the ALCO. The latter submits the updated policy with its recommendations to the Board Risk Committee for approval. The approved policy is notified to the Central Bank of Cyprus.

Liquidity ratios

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

The Group's liquidity ratio was as follows:

	30 June 2013	31 December 2012
	%	%
30 June 2013/31 December 2012	10,92	8,79
Average ratio	10,78	14,99
Highest ratio	14,42	23,93
Lowest ratio	7,08	7,08

During the six months ended 30 June 2013, the liquidity ratio deteriorated due to the accelerating economic crisis in Cyprus which resulted in the decrease in the value of Cyprus government bonds and the outflow of customer deposits.

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

	30 June 2013	31 December 2012
	%	%
30 June 2013/31 December 2012	140,11	85,70
Average ratio	117,67	91,65
Highest quarter ratio	140,11	93,85
Lowest quarter ratio	85,70	85,70

Currently and following the bail-in of the Group's long term debt securities, the Group's main sources of liquidity are its deposit base and central bank funding, either directly from the ECB or through Emergency Liquidity Assistance by the Central Bank of Cyprus (ELA).

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

Monitoring process (continued)

Liquidity ratios (continued)

As a result of further deterioration in the economic conditions at the beginning of 2013 and increased customer deposit outflows, the Group obtained funding from the Central Bank of Cyprus in March 2013.

The acquisition of certain operations of Laiki Bank to the Group as a result of the agreement between Cyprus and the Eurogroup of 25 March 2013 resulted in an amount of approximately €9,1 billion ELA funding as at the date of acquisition to be assumed by the Group. The Group currently has limited access to interbank and wholesale markets which combined with a reduction in deposits in Cyprus has resulted in increased reliance on central bank funding. As at 30 June 2013, the funding from the ELA amounted to €11,1 billion (Note 17).

The carrying value of Group's encumbered assets as at 30 June 2013 and 31 December 2012 respectively are summarised below:

	30 June 2013	31 December 2012
Asset type pledged as collateral:	€000	€000
- cash and other liquid assets	669.676	707.749
- other investment securities	3.000.209	853.617
- loans and advances	15.332.509	1.830.000
- property	90.587	-
Total encumbered assets	19.092.981	3.391.366

Cash is mainly used to cover collateral required for (i) derivatives and repurchase transactions under CSA and repurchase agreements, and (ii) for trade finance transactions and guarantees issued.

Securities are mainly used as collateral for repurchase transactions as well as for covered bonds while loans are mainly used as collateral for Eurosystem transactions and covered bonds.

Cash and other liquid assets cash equivalents include independent amounts as per the ISDA definition of €292.510 thousand (31 December 2012: €388.817 thousand) which are not immediately available for use by the Group but are released once the transactions are terminated.

28. Risk management – Other risks

Other business risks include insurances risks, relating to the occurrence of an insured event under an insurance contract and to the uncertainty of the amount and the timing of the resulting claim, operational risks, regulatory risks associated with the increasing regulatory obligations imposed on the Group, risks associated with intensive competition, litigation and political risks. Operational risk is analysed below.

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, (including deliberate negligence or internal fraud), systems and external events (including external fraud and natural disasters). The definition also includes legal risk. This does not include strategic or reputational risk or other risks leading to indirect losses/opportunity costs. These risks are, however, taken into serious consideration in the various Group procedures, such as risk assessment and loss collection, due to the potentially significant impact on the Group.

28. Risk management – Other risks (continued)

Operational risk (continued)

The Group recognises that the control of operational risk is concerned fundamentally with good management practices. To that effect, the overall Group strategy is geared towards risk prevention rather than relying on the adequacy of capital charges. The Group's operational risk policy aims primarily at managing operational risk in an effective and proactive manner and secondly at assessing and quantifying this risk.

The main objectives of operational risk management within the Group are: (i) the development of operational risk awareness and culture, (ii) the provision of adequate information to the Group's management at all levels in relation to the operational risk profile on Group, entity and activity level so as to facilitate decision making for risk control activities, and (iii) the avoidance of operational losses which will have a negative impact on the Group's profitability and corporate objectives.

The operational risk management framework adopted by the Group is based on three lines of defence, governance and risk ownership structure through which risk ownership is dispersed throughout the organisation. The first line of defence comprises management and staff who have immediate responsibility of day-to-day operational risk management. The second line of defence comprises the risk management function whose role is to provide operational risk oversight and independent and objective challenge to the first line of defence. The third line of defence comprises the internal audit function and the Audit Committee of the Board of Directors which provide independent assurance over the integrity and effectiveness of the risk management framework throughout the Group.

Year 2013 is extremely challenging from an operational risk management perspective due to the occurrence of several events which gave rise to a number of important operational risk drivers. These risk drivers impinged upon a wide spectrum of the Group's operations.

More specifically, following the Eurogroup decisions in March 2013, IT-related operational risks emerged due to the complexity and tight deadlines faced in the process of the timely and effective application of IT systems in relation to the Decrees issued by the Resolution Authority for the bail-in of deposits and the capital controls. The risks concerned increased due to the need for rapid software development, without being supported by business analysis. Also, several operational risks have emerged on the day-to-day operations of the Group due to the absorption of the Laiki Bank operations in Cyprus and in relation to the process of integrating the IT systems and procedures of the Group with those of Laiki Bank.

Furthermore, there was a significant rise in litigation against the Group by stakeholders who were affected by the adverse consequences of the Eurogroup decisions on the Group's operations.

Additionally, the implementation of a number of regulatory changes during the year which affected procedures, systems and demanded staff training also contributed to a rise in operational risks.

Finally, risks relating to the potential loss of significant human capital and valuable executives of the Company arose due to the process of downsizing of the Group and the Voluntary Retirement Scheme that had been offered to employees, which was completed in August 2013. Physical downsizing of operations involving the sale of the Greek operations and branch closures in Cyprus in such a short time span also gives rise to a number of potential operational risks.

Group Operational Risk Management is using various best practice methodologies and tools, which are continuously adapted by the Group to effectively identify, measure, assess and when possible proactively manage operational risks.

Operational risk loss events are classified and recorded in the Group's internal loss database to enable risk identification, corrective action and statistical analysis. In the period January to June 2013, 231 loss events with potential loss over €1.000 were recorded. For the corresponding period in 2012, 256 loss events were recorded.

The Group uses risk self assessment methodology to identify key operational risk drivers and important risks on a departmental level. These assessments are done on a regular or ad hoc basis. Key risk indicators are utilised to monitor trends on operational risk exposures and to serve as warning signals to trigger action.

28. Risk management – Other risks (continued)

Operational risk (continued)

Action plans for managing the major operational risks identified are formulated so as to control/mitigate, transfer, avoid or retain the risks. Decision making on the treatment of each risk is made by the appropriate level of management.

Escalation procedures are in place for the timely internal reporting of risks and incidents to the appropriate level of management so as to facilitate decision making for the necessary risk control activities.

The internal audit and compliance functions of the Group also provide assurance in relation to Group-wide operational risk management and the effectiveness of the Group's internal control system through continuous monitoring of activities and reporting.

According to the Group's established procedures, the operational risk management unit is involved in the introduction of new products, the evaluation of new and amended procedures, group policies, new technology systems, new services with the objective of assisting in the identification and assessment on arising risks and recommendations on their treatment. Also, the operational risk management unit is responsible to understanding the operational risks associated with the outsourcing agreements the Group is engaged with and ensures that effective risk management policies and practices are in place to manage the risk of outsourcing activities.

The Group aims to increase awareness of its employees on operational risk issues through ongoing staff training.

The Group also has insurance policies to cover unexpected operational losses through a number of insurers and reinsurers.

Business Continuity Plans and Disaster Recovery Plans are being developed for all markets in which the Group operates to ensure continuity and timely recovery after a catastrophic event.

29. Sovereign exposure

The Group's sovereign exposure and non-sovereign exposure in countries which have entered or have applied to the European Support Mechanism or whose Moody's credit rating is below Aa1 and the total Group exposure exceeds €100 million, is presented below. These countries are: Cyprus, Greece, Ireland, Italy, Russia, Romania, Ukraine, Portugal and Spain.

The Group had no exposure to Greek government bonds at 30 June 2013 or 31 December 2012. The sovereign exposures to the other countries other than Cyprus were not considered to be impaired at 30 June 2013 and 31 December 2012, despite the financial difficulties of these countries, as the situation is not severe enough to impact the future cash flows of these countries' sovereign securities, except in relation to exchanged Cyprus government bonds as described below.

Cyprus Government Bonds (CyGBs)

In June 2013, the Republic of Cyprus offered to exchange a number of existing government bonds with a total nominal value of €1 billion, which matured during the economic adjustment programme period (2013-March 2016), with five new bonds with corresponding equal coupon rates (on a series-by-series basis) and 5-10 year maturities. The Group accepted the above offer and participated in the exchange with bonds of total nominal value of €180 million. The exchange constituted a modification of terms, rather than resulting in the derecognition of the CyGBs being exchanged.

For the CyGBs offered for exchange, there is objective evidence of impairment, as in addition to other indicators (i.e. financial difficulties of the issuer, downgrades and decline in the fair value), there is a decrease in the estimated future cash flows due to the maturity extension using current market yields instead of the original effective interest rate. As a result, during the six months ended 30 June 2013, the Group has recognised impairment losses of €6.927 thousand relating to the exchanged bonds.

29. Sovereign exposure (continued)

Cyprus Government Bonds (continued)

The CyGBs held by the Group that were not subject to the offer for exchange as at 30 June 2013 are not considered as impaired as at 30 June 2013, for the following reasons:

- There has not been any breach of contract or delinquency in interest of principal payments.
- Although the issuer has financial difficulties, this is sufficiently mitigated by the fact that Cyprus has entered into an economic adjustment programme.
- The economic adjustment programme is progressing as planned and the terms of the MoU are being fulfilled.
- Cyprus is expected to be able to return to markets and raise necessary financing by the end of the economic adjustment programme.

BANK OF CYPRUS GROUP
Notes to the Interim Condensed Consolidated Financial Statements

29. Sovereign exposure (continued)

Credit risk

The Group's sovereign exposure includes government bonds and other assets owed by governmental, semi-governmental, local authorities and other organisations in which the state holds more than 50%.

The Group's exposure to sovereign debt securities and other assets in the countries above, is analysed below:

	Cyprus	Greece	Ireland	Italy	Russia	Romania	Ukraine	Spain
30 June 2013	€000	€000	€000	€000	€000	€000	€000	€000
Deposits with central banks	424.620	-	-	-	63.482	10.857	5.823	-
Placements with banks	62.881	145.132	-	19.124	101.417	221.999	6.853	699
Investments in sovereign debt securities								
- available-for-sale investments	1.148	-	47.987	51.436	2.116	-	-	-
- loans and receivables	2.390.277	-	-	-	-	-	-	-
- fair value through profit or loss	11.971	-	-	-	-	-	-	-
Investments in debt securities of banks and other corporations								
- available-for-sale investments	1.127	73	-	-	-	-	1	-
- loans and receivables	1.347	-	-	11.563	-	-	-	-
- fair value through profit or loss	204	128	-	-	-	-	1.070	-
Loans and advances to customers (before provisions)	22.254.326	836	-	-	1.793.762	484.595	323.576	-
Derivative financial assets	-	935	-	-	-	-	-	-
Total on balance sheet	25.147.901	147.104	47.987	82.123	1.960.777	717.451	337.323	699
Contingent liabilities	976.816	676.050	-	-	13.016	1.179	39	-
Commitments	1.592.578	-	-	-	148.621	29.086	476	-
Total off balance sheet	2.569.394	676.050	-	-	161.637	30.265	515	-
Total exposure to credit risk	27.717.295	823.154	47.987	82.123	2.122.414	747.716	337.838	699

Loans and advances to customers for Cyprus are presented net of the fair value adjustment on loans and advances acquired from Laiki Bank (Note 25). On 30 June 2013 the revaluation reserve of available-for-sale investments includes losses amounting to €7.413 thousand (31 December 2012: €10.822 thousand) relating to the above sovereign debt securities and losses amounting €250 thousand (31 December 2012: €359 thousand) relating to debt securities of banks and other corporations.

BANK OF CYPRUS GROUP
Notes to the Interim Condensed Consolidated Financial Statements

29. Sovereign exposure (continued)

Credit risk (continued)

	Cyprus	Greece	Ireland	Italy	Russia	Romania	Ukraine
31 December 2012	€000	€000	€000	€000	€000	€000	€000
Deposits with central banks	363.170	82.459	-	-	122.669	23.855	6.595
Placements with banks	60.500	5.538	-	7.071	144.825	35.039	3.450
Investments in sovereign debt securities							
- available-for-sale investments	1.134	-	47.602	51.536	2.197	6.603	-
- loans and receivables	749.981	-	-	-	-	-	-
- fair value through profit or loss	13.042	-	-	-	-	-	-
Investments in debt securities in banks and other corporations							
- available-for-sale investments	985	-	-	-	-	-	3
- loans and receivables	1.447	-	-	-	-	-	-
- fair value through profit or loss	96	-	-	-	-	-	464
Loans and advances to customers (before provisions)	14.872.936	9.437.677	-	-	2.024.524	550.154	331.290
Derivative financial assets	259	-	-	-	-	-	-
Total on balance sheet	16.063.550	9.525.674	47.602	58.607	2.294.215	615.651	341.802
Contingent liabilities	779.089	757.992	-	-	15.685	2.033	33
Commitments	1.705.856	809.373	-	-	184.064	21.316	390
Total off balance sheet	2.484.945	1.567.365	-	-	199.749	23.349	423
Total exposure to credit risk	18.548.495	11.093.039	47.602	58.607	2.493.964	639.000	342.225

29. Sovereign exposure (continued)

Credit risk (continued)

The analysis of loans and advances to customers for the countries above is set out in Note 25.

In Cyprus, loans and advances to customers include loans to local authorities, semi-governmental organisations and government controlled businesses of €189.610 thousand (31 December 2012: €118.000 thousand). In addition, contingent liabilities and commitments include an amount of €13.762 thousand for these entities (31 December 2012: €25.502 thousand). At 31 December 2012 loans and advances to customers in Greece included loans of €118.025 thousand which were secured by Greek Government guarantees. There were no loans secured by Greek Government guarantees at 30 June 2013.

Liquidity risk

The table below presents the Group's sovereign debt securities exposure to countries which have entered or have applied to the European Support Mechanism (Greece, Ireland, Portugal, Spain and Cyprus) based on the remaining contractual maturity of the financial assets.

	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
30 June 2013	€000	€000	€000	€000	€000	€000
Cyprus						
- available-for-sale	-	-	1.148	-	-	1.148
- loans and receivables	-	99.396	76.123	2.085.514	129.244	2.390.277
- fair value through profit or loss	-	-	-	11.971	-	11.971
	-	99.396	77.271	2.097.485	129.244	2.403.396

Ireland						
- available for sale	-	-	15.570	32.417	-	47.987

	€000	€000	€000	€000	€000	€000
31 December 2012						
Cyprus						
- available-for-sale	1.009	-	-	125	-	1.134
- loans and receivables	-	99.377	12.607	510.974	127.023	749.981
- fair value through profit or loss	-	-	-	13.042	-	13.042
	1.009	99.377	12.607	524.141	127.023	764.157

Ireland						
- available for sale	-	-	-	-	47.602	47.602

Irish Government bonds have been valued under Level 1 and Cyprus Government Bonds under Level 2.

In June 2013, Cyprus Government Bonds with notional amount of €180 million and maturities between one and five years, were exchanged with Cyprus Government Bonds maturing over five years.

As at 30 June 2013 and 31 December 2012 the Group had no sovereign debt security exposure to Spain, Portugal and Greece.

30. Capital management

The capital adequacy regulations which govern the Group's operations are established by the Central Bank of Cyprus through its Directive for the Calculation of the Capital Requirements and Large Exposures.

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

In July 2011, the Central Bank of Cyprus amended its Directive for capital requirements, introducing a new ratio for core tier 1 capital. The minimum level of the new ratio was set at 8% for the period until 30 December 2012. After that date, the minimum level of the ratio increases gradually based on the percentage of Group assets over the gross domestic product of the Republic of Cyprus.

The Directive also sets the minimum level of tier 1 capital as the minimum level of core tier 1 ratio plus 1,5%. In addition, it sets the minimum total capital ratio as the tier 1 ratio plus 2,0%. As a result, the minimum required ratios for tier 1 and total capital as at 31 December 2012 and 30 June 2013 were 10,2% and 12,2%, respectively.

The MoU, signed between the Cyprus government and the Troika in 2013 provides that the Central Bank of Cyprus will increase the minimum core tier 1 capital ratio to 9% by 31 December 2013.

In addition, the Central Bank of Cyprus may impose additional capital requirements for risks which are not covered by the provisions of Pillar I.

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

30. Capital management (continued)

The capital adequacy ratios of the Group at 30 June 2013 are presented below:

	30 June 2013	31 December 2012
Regulatory capital	€000	€000
Core original own funds (core tier 1)	2.477.661	(407.284)
Original own funds (tier 1)	2.477.661	119.695
Additional own funds (tier 2)	42.431	248.892
Carrying value of insurance companies	-	(171.680)
Total regulatory capital	2.520.092	196.907
Risk weighted assets – credit risk	21.120.412	19.318.362
Risk weighted assets – market risk	549.519	3.014
Risk weighted assets – operational risk	1.840.026	2.258.476
Total risk weighted assets	23.509.957	21.579.852
	%	%
Core tier 1 ratio	10,5	(1,9)
Tier 1 ratio	10,5	0,6
Tier 2 ratio	0,2	1,2
Total capital ratio	10,7	0,9
Minimum ratios per the Central Bank of Cyprus Directive		
Core tier 1 ratio	8,7	8,7
Tier 1 ratio	10,2	10,2
Total capital ratio	12,2	12,2

On 25 March 2013, the Cypriot government and the Eurogroup reached an agreement for a financial assistance facility of up to €10 billion, which is conditional upon the implementation of an extensive programme of policy reforms. The Eurogroup agreement provided that the Group would be recapitalised through a bail-in of its uninsured depositors and the absorption of losses by its shareholders and bondholders.

The Company was under resolution from 25 March 2013 until 30 July 2013, a period during which it was recapitalised and restructured in accordance with the decrees issued by the Central Bank of Cyprus in its capacity as Resolution Authority, in accordance with the Resolution of Credit Institutions and Other Institutions Law of 2013.

The total regulatory capital during the six months ended 30 June 2013 has been positively affected by the issue of shares by the Company (Note 21) and negatively affected by the losses for the period. The recapitalisation was implemented via the bail-in of uninsured depositors (through the conversion of 47,5% of uninsured deposits and structured products into equity) and the contribution of debt security holders.

The Group's Core Tier 1 and Tier 1 ratios at 30 June 2013 comply with the minimum ratios required by the Central Bank of Cyprus. The total capital ratio does not comply with the minimum ratio set by the Central Bank of Cyprus.

The regulatory capital as at 30 June 2013 includes 'Shares subject to interim orders' (Note 21) which amounted to €60.182 thousand.

31. Related party transactions

	30 June 2013	31 December 2012
	€000	€000
Loans and advances:		
- members of the Board of Directors and key management personnel	1.526	5.028
- connected persons	1.747	29.053
	3.273	34.081
Deposits:		
- members of the Board of Directors and key management personnel	533	19.260
- connected persons	687	21.948
	1.220	41.208
Debt securities in issue, subordinated loan stock and CECS:		
- members of the Board of Directors and key management personnel	-	56
- connected persons	-	2
	-	58

The above table does not include balances for members of the Board of Directors and their connected persons who resigned during the period.

Interest income and expense from related parties for the six months ended 30 June 2013 amounted to €22 thousand and €34 thousand (corresponding period of 2012: €6.084 thousand and €1.991 thousand) respectively.

In addition to loans and advances, there were contingent liabilities and commitments in respect of members of the Board of Directors and their connected persons, mainly in the form of documentary credits, guarantees and commitments to lend amounting to €1.809 thousand (31 December 2012: €16.124 thousand). There were no contingent liabilities and commitments to other key management personnel and their connected persons (31 December 2012: €77 thousand).

The total unsecured amount of the loans and advances and of the contingent liabilities and commitments to members of the Board of Directors, key management personnel and other connected persons (using forced-sale values for tangible collaterals and assigning no value to other types of collateral) at 30 June 2013 amounted to €2.797 thousand (31 December 2012: €4.191 thousand).

31. Related party transactions (continued)

During the six months ended 30 June 2013 the Group also had the following transactions with connected persons: reinsurance premiums amounting to €56 thousand (corresponding period of 2012: €86 thousand) paid to companies of the Commercial General Insurance Group in which Mr Andreas Artemis holds an indirect interest; purchases of equipment and services amounting to €1 thousand (corresponding period of 2012: €269 thousand) from Pylones SA Hellas and Unicars Ltd in which Mrs Anna Diogenous holds an indirect interest; purchases of equipment amounting to €89 thousand (corresponding period of 2012: €319 thousand) from Mellon Cyprus Ltd which is significantly influenced by a person connected to Mrs Anna Diogenous; insurance commissions amounting to €29 thousand (corresponding period of 2012: €64 thousand) to D. Severis and Sons Ltd which is owned by Mr Costas Z. Severis; and rent amounting to €71 thousand (corresponding period of 2012: nil) paid by Tseriotis Group in which Mrs Anna Diogenous holds an indirect interest. The total amount of professional fees paid to the law office Andreas Neocleous and Co LLC, in which the Director Mr Elias Neocleous is a partner amounted to €14 thousand (corresponding period of 2012: €67 thousand). In addition the Group had the following transactions with connected persons in their capacity as members of the interim board: legal fees amounting to €3 thousand paid to A. Poetis & Sons in which Mr Andreas Poetis is partner and actuarial fees amounting to €16 thousand paid to AON Hewitt Cyprus Ltd in which Mr Philippos Mannaris is a partner.

During the six months ended 30 June 2012 immovable property amounting to €185 thousand was acquired by a company that is being influenced by connected persons of Mr Vassilis G. Rologis.

There are no material related party transactions and balances which took place after the reporting period for both of the members of the interim board of Directors and the members of the new Board who were elected at the Annual General Meeting.

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

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

31. Related party transactions (continued)

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

	Six months ended 30 June	
	2013	2012
	€000	€000
Director emoluments		
<i>Executives</i>		
Salaries and other short term benefits	271	766
Termination benefits	84	-
Employer's contributions	17	44
Retirement benefit plan costs	12	89
	384	899
<i>Non-executives</i>		
Fees	86	330
Emoluments of a non-executive director who is also an employee of the Company	82	90
Total directors' emoluments	552	1,319
Other key management personnel emoluments		
Salaries and other short term benefits	196	303
Termination benefits	216	-
Employer's contributions	18	25
Retirement benefit plan costs	19	34
Total other key management personnel emoluments	449	362
Total	1,001	1,681

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

The Executive directors' emoluments include the two executive directors up to 29 March 2013, the Special Administrator (25 March to 21 June 2013) and the interim Group Chief Executive Officer (from 29 May 2013).

The other key management personnel emoluments include the emoluments of the Senior Group Executive Management up to 29 March 2013 and the remuneration of the Executive Committee since the date of their appointment as members of the Executive Committee.

The termination benefits relate to payments to an executive director and to the Senior Group General Manager who left the Group on 29 March 2013. The termination benefits include notice period paid in accordance with their employment contracts.

32. Group companies

The main companies and branches included in the consolidated financial statements of the Group, their country of incorporation, their activities and the percentage held by the Company (directly or indirectly) as at 30 June 2013 are:

Company	Country	Activities	Percentage holding (%)
Bank of Cyprus Public Company Ltd	Cyprus	Commercial bank	N/A
The Cyprus Investment and Securities Corporation Ltd (CISCO)	Cyprus	Investment banking	100
General Insurance of Cyprus Ltd	Cyprus	General insurance	100
EuroLife Ltd	Cyprus	Life insurance	100
Kermia Ltd	Cyprus	Property trading and development	100
Kermia Properties & Investments Ltd	Cyprus	Property trading and development	100
Kermia Hotels Ltd	Cyprus	Hotel business	100
BOC Ventures Ltd	Cyprus	Management of venture capital investments	100
Tefkros Investments Ltd	Cyprus	Investment fund	100
Bank of Cyprus Mutual Funds Ltd	Cyprus	Inactive	100
Cytrustees Investment Public Company Ltd	Cyprus	Closed-end investment company	50
Diners Club (Cyprus) Ltd	Cyprus	Club credit card facilities	100
BOC Russia (Holdings) Ltd	Cyprus	Intermediate holding company	80
Finerose Properties Ltd	Cyprus	Financing services	100
Hydrobius Ltd	Cyprus	Special purpose entity	-
Laiki Capital Public Co Ltd	Cyprus	Holding Company	67
Laiki Financial Services Ltd	Cyprus	Management of portfolio investment and brokerage services	67
Laiki Factors Ltd	Cyprus	Factoring and invoice discounting	100
Paneuropean Ltd	Cyprus	Investment Company	100
Philiki Ltd	Cyprus	Investment Company	100
Cyprialife Ltd	Cyprus	Investment Company	100
Bank of Cyprus Public Company Ltd (branch of the Company)	Greece	Commercial bank	N/A
Kyprou Leasing SA	Greece	Leasing	100
Kyprou Commercial SA	Greece	Financing of motor vehicles and other consumer products	100
Kyprou Securities SA	Greece	Investment banking	100
Kyprou Asset Management AEDAK	Greece	Management of funds	100
Kyprou Properties SA	Greece	Property management	100
Kyprou Zois (branch of EuroLife Ltd)	Greece	Life insurance	100
Kyprou Asfalistiki (branch of General Insurance of Cyprus Ltd)	Greece	General insurance	100
Bank of Cyprus UK Ltd (formerly BOC Advances Ltd)	United Kingdom	Commercial bank	100
BOC Financial Services Ltd	United Kingdom	Financial advice on investment products and life insurance	100
Misthosis Funding Plc	United Kingdom	Special purpose entity	-
Misthosis Funding (Holding) Ltd	United Kingdom	Special purpose entity	-
Bank of Cyprus (Channel Islands) Ltd	Channel Islands	Commercial bank	100

32. Group companies (continued)

Company	Country	Activities	Percentage holding (%)
Tefkros Investments (CI) Ltd	Channel Islands	Investment fund	100
Bank of Cyprus Romania (branch of the Company)	Romania	Commercial bank	N/A
Cyprus Leasing Romania IFN SA	Romania	Leasing	100
S.C. ONT Carpati S.A.	Romania	Hotel business	94
CB Uniastrum Bank LLC	Russia	Commercial bank	80
Leasing Company Uniastrum Leasing	Russia	Leasing	80
MC Investment Assets Management LLC	Russia	Special purpose entity	-
PJSB Bank of Cyprus	Ukraine	Commercial bank	100
LLC Ikos Finance	Ukraine	Financing services	100
Kyprou Finance (NL) B.V.	Netherlands	Financing services	100

In addition to the above companies at 30 June 2013, the Company held 100% shareholding in the companies below. The main activity of these companies is the ownership and management of immovable property and other assets.

Cyprus: Timeland Properties Ltd, Cobhan Properties Ltd, Bramwell Properties Ltd, Elswick Properties Ltd, Birkdale Properties Ltd, Newington Properties Ltd, Innerwick Properties Ltd, Lameland Properties Ltd, Longtail Properties Ltd, Limestone Properties Ltd, Samarinda Navigation Co. Ltd, Turnmill Properties Ltd, Fairford Properties Ltd, Inverness Properties Ltd, Dinmont Properties Ltd, Lendrick Properties Ltd, Sunnybridge Properties Ltd, Caraway Properties Ltd, Citlali Properties Ltd, Ender Properties Ltd, Ramendi Properties Ltd, Ligisimo Properties Ltd, Thames Properties Ltd, Ikosia Properties Ltd, Moonland Properties Ltd, Polkima Properties Ltd, Nalmosa Properties Ltd, Smooland Properties Ltd, Emovera Properties Ltd, Estaga Properties Ltd, Skellom Properties Ltd, Blodar Properties Ltd, Spaceglowing Properties Ltd, Threefield Properties Ltd, Guarded Path Properties Ltd, Lepidoland Properties Ltd, Drysdale Properties Ltd, Snowfield Properties Ltd, Medaland Properties Ltd, Stamoland Properties Ltd, Ecnaland Properties Ltd, Tebane Properties Ltd, Cranmer Properties Ltd, Calomland Properties Ltd, Vieman Ltd, Les Coraux Estates Ltd, Natakou Company Ltd, Karmazi (Apartments) Ltd, Kermia Palace Enterprises Ltd, Oceania Ltd, Dominion Industries Ltd, Ledra Estates Ltd, Eurolife Properties Ltd, Elias Houry Estates Ltd, Auction Yard Ltd, Laiki Bank (Nominees) Ltd, Laiki Lefkothea Center Ltd, Labancor Ltd, Imperial Life Assurance Ltd, Philiki Management Services Ltd, Laiki EDAK Ltd, Nelcon Transport Co. Ltd, Steparco Ltd, Joberco Ltd, Zecomex Ltd, Domita Estates Ltd, Memdes Estates Ltd, Obafemi Holdings Ltd and Pamaco Platres Complex Ltd.

Romania: Otherland Properties Dorobanti SRL, Pittsburg Properties SRL, Battersee Real Estate SRL, Trecoda Real Estate SRL, Green Hills Properties SRL, Bocaland Properties SRL, Buchuland Properties SRL, Commonland Properties SRL, Romaland Properties SRL, Janoland Properties SRL, Blindingqueen Properties SRL, Fledgego Properties SRL, Threerich Real Estates SRL, Loneland Properties SRL, Unknownplan Properties SRL and Frozenport Properties SRL.

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

Cyprus: Otherland Properties Ltd, Pittsburg Properties Ltd, Battersee Properties Ltd, Trecoda Properties Ltd, Bonayia Properties Ltd, Bocaland Properties Ltd, Buchuland Properties Ltd, Commonland Properties Ltd, Romaland Properties Ltd, BC Romanoland Properties Ltd, Blindingqueen Properties Ltd, Fledgego Properties Ltd, Janoland Properties Ltd, Threerich Properties Ltd, Loneland Properties Ltd, Unknownplan Properties Ltd, Frozenport Properties Ltd, Gosman Properties Ltd and Salecom Ltd.

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

32. Group companies (continued)

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

Although the holding in the company Cytrustees Investment Public Company Ltd is 49,8% the Group considers that it exercises control over it, and this company is therefore fully consolidated.

33. Acquisitions and disposals

33.1 Disposal of Greek operations

As per the MoU for the financial sector and through a Decree issued on 26 March 2013, the banking and leasing operations of the Group in Greece were sold to Piraeus Bank S.A., which was selected for this transaction by the Hellenic Financial Stability Fund.

The results from the Greek operations until the date of the disposal are presented as discontinued operations (Note 7). The loss on disposal of the Greek operations is presented in the table below.

	€000
Assets	
Property and equipment and intangible assets	97.231
Loans and advances	7.769.075
	7.866.306
Liabilities	
Customer deposits	7.653.682
Net assets disposed	212.624
Cash paid	1.153.000
Loss on disposal	1.365.624

33.2 Acquisition of certain operations of Cyprus Popular Bank Public Company Ltd

As part of the agreement with Eurogroup, the Company acquired all of the insured deposits and the majority of the loans and assets of Laiki Bank. All employees of Laiki Bank in Cyprus have been transferred to the Company. This was effected through the 'Sale of Certain Operations of Cyprus Popular Bank Public Company Ltd' Decree issued on 29 March 2013 and subsequent decrees which provided for the acquisition of assets and liabilities, mainly insured deposits and ELA funding of the Cyprus Popular Bank Public Co Ltd ('Laiki Bank') by the Company. These assets included all assets of Laiki Bank in Cyprus, the loans of the Laiki Bank in UK and selected assets of Laiki Bank in Greece. The results of Laiki Bank are fully consolidated from the date of acquisition.

As prescribed by the Decree issued on 29 March 2013, the Resolution Authority was required to perform a valuation of the assets and liabilities transferred from Laiki Bank to the Company and to determine a fair compensation for Laiki Bank with no right of further compensation. The Resolution Authority appointed an independent international firm to carry out a valuation of assets and liabilities transferred by Laiki Bank to the Company. The consideration transferred for this transaction (being shares of the Company) was determined and enforced by the Resolution Authority pursuant to the Decree for the 'Issue of Bank of Cyprus Share Capital to compensate Laiki Bank' issued on 30 July 2013. In accordance with the above Decree, this was set at 18.1% of the total share capital of the Bank with no further right for additional compensation. Accordingly, 844.014 thousand shares were issued to Laiki Bank.

33. Acquisitions and disposals (continued)

33.2 Acquisition of certain operations of Cyprus Popular Bank Public Company Ltd (continued)

In accordance with the Company's accounting policy, business combinations are accounted for using the acquisition method.

Consideration transferred

In accordance with IFRS 3 'Business Combinations', the cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. Due to the specific conditions under which this transaction took place, i.e. the shares of the Company had been suspended from trading since 15 March 2013, the significant uncertainties present on and around the date of acquisition the ongoing discussions and negotiations with the Troika and the non-availability of up to date financial information as at the date of acquisition due to the continuing developments and uncertainties, the Company is not able to establish a reliable measure of the fair value of the shares issued at the date of this transaction.

IFRS 3 does not provide any guidance for cases where the fair value of the consideration cannot be reliably measured. Hence the Company has referred to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', which provides that in the absence of an IFRS that specifically applies to a transaction, event or condition, management shall use its judgement in developing and applying an accounting policy.

By analogy to other standards that deal with the exchange of assets, the Company has concluded that it is appropriate to determine the fair value of the consideration transferred by reference to the fair value of the individually identifiable assets and liabilities acquired for which a reliable fair value could be established.

As a result of applying the above accounting treatment, no goodwill or bargain purchase arises on this transaction.

Fair value of identifiable assets and liabilities

For the determination of the fair value of the identifiable assets and liabilities and contingent liabilities, which is currently in progress, the Company is using the services of an independent international firm.

Provisional accounting for the business combination

As of the date of approval of these interim condensed financial statements, the Company was still in the process of obtaining all the information necessary to identify and measure all of the various components of the business combination as of the acquisition date in accordance with the standard. Therefore, at the date of these financial statements, the Company has included provisional amounts and any adjustments arising will later be recognised retrospectively as if the accounting recognition of the business combination was completed on the acquisition date.

33. Acquisitions and disposals (continued)**33.2 Acquisition of certain operations of Cyprus Popular Bank Public Company Ltd (continued)***Provisional fair values acquired*

The table below sets out the provisional fair values of the identifiable assets and liabilities acquired from Laiki Bank.

Provisional fair values recognised on acquisition	€000
Assets	
Cash and balances with central banks	406.531
Placements with banks	1.296.840
Amount receivable from the Company	1.153.000
Investments	2.569.096
Loans and advances to customers	8.644.912
Property, plant and equipment and intangible assets	118.072
Deferred tax asset	417.000
Investments in associates	106.865
Other assets	352.230
Total assets	15.064.546
Liabilities	
Amounts due to banks	1.233.564
Funding from central banks	9.102.528
Customer deposits	4.178.406
Other liabilities	125.498
Total liabilities	14.639.996
Total identifiable net assets at fair value	424.550
Fair value of consideration transferred (comprising 844.014 thousand shares of nominal value €1,00 each)	424.550
Analysis of cash flows on acquisition	
Total cash flows acquired of which:	2.856.371
Cash and cash equivalents	1.126.302
Consideration paid in cash	-

33. Acquisitions and disposals (continued)

33.3 Acquisition of certain assets and liabilities of Laiki (UK Branch) by Bank of Cyprus UK Ltd

On 1 April 2013, in accordance with a Decree issued by the Resolution Authority, the customer deposits of the Laiki UK Branch amounting to €325.209 thousand and certain liquid assets were acquired by Bank of Cyprus UK Ltd, a wholly owned subsidiary of the Group.

33.4 Disposal of certain assets and liabilities of Bank of Cyprus Romania

On 25 April 2013, in accordance with a decree issued by the Resolution Authority, the Company's Romanian Branch disposed to Marfin Bank (Romania) SA assets amounting to €82 million which include certain customer loans and related collateral, cash and other liquid assets and customer deposits amounting to €77 million. The loss on disposal amounts to €4.482 thousand and is included in net losses on financial instrument transactions, in the consolidated income state.

33.5 Step acquisition

Following the acquisition of certain operations of Cyprus Popular Bank Public Company Ltd, the Company's holding in JCC Payment Systems Ltd ('JCC') which provides cards processing transaction services has increased from 45% to 75%. As a result, the Company fully consolidates JCC from 29 March 2013. Up to the date of becoming a subsidiary, the Company used proportional consolidation to account for JCC.

33.6 Dissolution and liquidation of subsidiaries

In 2012 the subsidiaries Katoikia I Holdings Ltd, Katoikia I Mortgage Finance Plc and Kyprou Insurance Services Ltd were dissolved. The net profit from the process of dissolution amounted to €45 thousand.

On 20 December 2012 the relevant procedures started for the liquidation of S.C. ONT Carpati S.A. and the dissolution was completed in 2013.

33.7 Transfer of banking business of subsidiary

On 25 June 2012 the banking business carried out by the UK branch (Bank of Cyprus UK) was transferred to a wholly owned banking subsidiary of the Group, Bank of Cyprus UK Ltd. Bank of Cyprus UK Ltd is registered in the UK.

34. Other information

- The total capital expenditure of the Group for the six months ended 30 June 2013 amounted to €35.365 thousand (corresponding period of 2012: €21.422 thousand).
- The Group's policy is to revalue its properties periodically (between 3 to 5 years). The prevailing economic conditions in Cyprus during 2013 were indications that the fair value of properties in Cyprus could be materially different to their carrying amounts as at the year end. As a result, property revaluations were performed as at 30 June 2013. The result of these revaluations was a net loss on revaluation of €16.271 thousand which was recognised in the consolidated statement of comprehensive income and an impairment loss of €648 thousand which was recognised in the consolidated income statement for owned properties, as well as a revaluation loss of €34.265 thousand for investment properties recognised in the consolidated income statement. The valuations were carried out by independent qualified valuers, on the basis of market values using observable prices and/or recent market transactions depending on the type and location of the property.

35. Investments in associates

Carrying value of the investment

	30 June 2013	31 December 2012
	€000	€000
CNP Laiki Insurance Holdings Ltd	97.446	-
Interfund Investments Plc	2.587	2.917
Aris Capital Management LLC	2.078	-
Rosequeens Properties SRL	-	190
Grand Hotel Enterprises Society Ltd	-	-
	102.111	3.107

The Group's investments in associates comprise of CNP Laiki Insurance Holdings Ltd and Aris Capital Management LLC (shareholding 49,9% and 30% respectively, transferred to the Group following the acquisition of certain operations of Laiki Bank), Interfund Investments Plc (shareholding of 23%), Grand Hotel Enterprises Society Ltd (shareholding of 30%) and Rosequeens Properties SRL (shareholding 33%). The carrying value of Rosequeens Properties SRL and Grand Hotel Enterprises Society Ltd is restricted to zero.

36. Events after the reporting date

36.1 Sale of subsidiaries

On 18 July 2013, the Group agreed the sale of its subsidiary Kyprou Asset Management AEDAK to Alpha Trust Mutual Fund Management S.A., subject to the approval of the relevant regulatory authorities. The transaction was completed on 7 October 2013 and the loss on the transaction will not have any significant impact on the Group results.

On 29 August 2013, the Group appointed Blackstone Group International Partners LLP as its financial advisor to explore and review strategic alternatives available for the Group's shareholding in its Ukrainian subsidiary, PJSC Bank of Cyprus. The Group currently holds a 99,7% stake in the share capital of PJSC Bank of Cyprus, which it acquired in 2008.

36.2 Exit from resolution

Following the completion of the recapitalisation of the Company, the Central Bank of Cyprus, in its capacity as the Resolution Authority, announced that as of 30 July 2013, the Company was no longer under resolution.

The duties of the Board of Directors were exercised by the members of the interim Board of Directors until the Annual General Meeting of shareholders held on 10 September 2013 when the new Board of Directors was elected.

Since August 2013, the Company has been reinstated by the ECB as an eligible counterparty for monetary policy operations. The combination of the restoration of counterparty status and the approval at the beginning of July 2013 for the use of bonds issued or guaranteed by the Republic of Cyprus resulted in a reduction in funding from ELA, as the Company has access to funding from the ECB under monetary policy operations. Furthermore, ECB funding is provided at a rate that further supports the Company's profitability.

36. Events after the reporting date (continued)

36.3 Voluntary retirement scheme

On 2 August 2013 the application process for the voluntary retirement scheme, launched on 8 July 2013, was completed. Following the scheme, 1,370 employees have accepted the terms of the scheme and have left the service of the Group. The Group staff in Cyprus was reduced by 24% to 4,355 employees. The cost of this VRS amounted to about €96 million and will be included in the results for the nine months ended 30 September 2013.

Report to the Board of Directors of Bank of Cyprus Public Company Ltd on the Review of the Interim Condensed Consolidated Financial Statements

Introduction

We have reviewed the interim condensed consolidated financial statements of Bank of Cyprus Public Company Ltd (the 'Company') and its subsidiaries (together with the Company the 'Group') on pages 14 to 102, which comprise the interim consolidated balance sheet as at 30 June 2013, the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standards applicable to interim financial reporting as adopted by the European Union ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Basis for qualified conclusion

As discussed in note 5.2 to the interim condensed consolidated financial statements, in consideration of a bail-in of uninsured deposits and debt securities pursuant to the provisions of the relevant Decrees issued and enforced by the Resolution Authority, the Company when accounting for its recapitalisation was not able to measure the shares issued at their fair value as required by International Financial Reporting Standards ('IFRS') relating to extinguishment of financial liabilities due to the specific conditions and uncertainties that existed at the time of the transaction. Had the Company been able to apply the requirements of IFRS and measure the shares issued at their fair value it would recognise any difference with the carrying amount of the liabilities extinguished in profit or loss.

Furthermore, as described in note 33.2 to the interim condensed consolidated financial statements relating to the acquisition of certain assets and liabilities of Cyprus Popular Bank Public Company Ltd ('Laiki Bank'), pursuant to the provisions of the relevant Decree issued and enforced by the Resolution Authority, the Company was not able to establish a reliable fair value of the shares issued and has therefore determined the value of the consideration transferred by reference to the fair value of the individually identifiable assets and liabilities acquired, for which a reliable fair value could be established.

Due to the nature of the above mentioned transactions and the circumstances that existed at the date these transactions took place, we were unable to obtain sufficient and appropriate audit evidence to conclude on the reliability of the measurement of the value of the shares issued at the time of these transactions and on any adjustments to the Group's consolidated income statement that could have been determined to be necessary because of the adopted treatments. The Group's equity and financial position is not affected by the above accounting treatments.

Qualified conclusion

Based on our review, except for the matter described in the first paragraph under the “Basis for qualified conclusion” above and any adjustments that could have been determined to be necessary had we been able to satisfy ourselves as to the fair value of the shares issued for the Group’s recapitalisation through a bail-in of uninsured deposits and debt securities and for the consideration transferred for the Laiki Bank acquisition, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 ‘Interim Financial Reporting’.

Emphasis of matter

We draw your attention to note 6.1 ‘Going concern’ to the interim condensed consolidated financial statements which indicates the significant judgments, estimates and assumptions used in the preparation of the interim condensed consolidated financial statements and describes the material uncertainties that may cast significant doubt about the ability of the Group to continue as a going concern. Our conclusion is not qualified in respect of this matter.

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
26 November 2013

Financial Information for the Period from 1 January 2013 to 30 June 2013

as stipulated by Decision 4/507/28.04.2009 of
the Board of Directors of the Greek Capital Markets Commission

The financial information presented below is aiming to provide a general awareness about the financial position and results of the Bank of Cyprus Group (the 'Group') and the holding company Bank of Cyprus Public Company Ltd (the 'Company'). We recommend to the reader, before any investment decision or transaction is performed with the Group, to visit the Group's website where the financial statements prepared in accordance with International Financial Reporting Standards are available, together with the independent auditors' report, and the detailed explanatory statement of results. These documents are also available at the Registered Office of the Company (51 Stassinou Street, Ayia Paraskevi, Strovolos, P.O. Box 24884, CY-1398 Nicosia, Cyprus, Telephone: +357 22 122128, Fax: +357 22 378422).

Website: www.bankofcyprus.com - Investor Relations/Financial Information.

Date of approval of the interim financial statements for the period ended 30 June 2013 by the Board of Directors: 26 November 2013.

Independent auditors: Ernst & Young Cyprus Ltd

Type of review report: Qualified conclusion for a departure from IFRS, limitation of scope and emphasis of matter

BANK OF CYPRUS GROUP

Extracts from the Interim Consolidated Income Statement
and Statement of Comprehensive Income

for the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012 (re-presented)
	€000	€000
Continuing operations		
Net interest income	430.189	387.488
Net fee and commission income	84.415	87.744
Net foreign exchange (losses)/gains	(16.875)	18.041
Net losses on financial instrument transactions	(9.165)	(25.729)
Insurance income net of claims and commissions	38.864	31.522
Other (expenses)/income	(27.554)	2.458
	499.874	501.524
Staff costs	(195.762)	(140.438)
Other operating expenses	(124.626)	(107.359)
Profit before impairment of loans and advances	179.486	253.727
Provisions for impairment of loans and advances	(538.569)	(250.957)
(Loss)/profit before share of profit of associates	(359.083)	2.770
Share of profit/(loss) of associates	2.368	(87)
(Loss)/profit before tax	(356.715)	2.683
Tax	2.371	(11.727)
Loss after tax from continuing operations	(354.344)	(9.044)
Discontinued operations		
Loss after tax from discontinued operations	(1.455.604)	(128.561)
Loss for the period	(1.809.948)	(137.605)
Attributable to:		
Owners of the Company (loss) - continuing operations	(349.002)	(5.235)
Owners of the Company (loss) – discontinued operations	(1.455.604)	(128.561)
Total loss attributable to the owners of the Company	(1.804.606)	(133.796)
Non-controlling interests (loss) – continuing operations	(5.342)	(3.809)
Loss for the period	(1.809.948)	(137.605)
Basic and diluted losses per share (€) – continuing operations	(0,1427)	(0,9270)
Basic and diluted losses per share (€)	(0,7491)	(0,9270)
Loss for the period	(1.809.948)	(137.605)
Other comprehensive (loss)/income after tax	(12.660)	1.021
Total comprehensive loss for the period	(1.822.608)	(136.584)
Attributable to:		
Owners of the Company (loss)	(1.815.143)	(133.170)
Non-controlling interests (loss)	(7.465)	(3.414)
Total comprehensive loss for the period	(1.822.608)	(136.584)

BANK OF CYPRUS GROUP

Extracts from the Interim Consolidated Balance Sheet

as at 30 June 2013

		30 June 2013	31 December 2012
	<i>Notes</i>	€000	€000
Assets			
Cash and balances with central banks		1.300.665	1.272.424
Placements with banks		1.711.133	1.768.836
Investments	3	2.675.487	1.135.333
Investments pledged as collateral	3	737.385	734.747
Derivative financial assets		89.871	26.794
Loans and advances to customers		23.769.086	24.374.531
Life insurance business assets attributable to policyholders		435.234	495.756
Property and equipment		484.864	483.193
Intangible assets		136.450	123.555
Other assets		1.513.791	613.760
Investments in associates		102.111	3.107
Total assets		32.956.077	31.032.036
Liabilities			
Amounts due to banks		363.253	341.044
Funding from central banks		11.106.784	-
Repurchase agreements		619.914	607.773
Derivative financial liabilities		136.025	183.826
Customer deposits		16.970.104	28.442.152
Insurance liabilities		544.431	604.170
Debt securities in issue		7.189	44.775
Other liabilities	4	281.750	339.303
Subordinated loan stock		7.071	133.294
Total liabilities		30.036.521	30.696.337
Equity			
Share capital		4.674.327	1.795.141
Shares subject to interim orders		60.182	-
Share premium		-	428.271
Convertible Enhanced Capital Securities		-	428.835
Revaluation and other reserves		26.042	106.336
Accumulated losses		(1.923.326)	(2.500.106)
Equity attributable to the owners of the Company		2.837.225	258.477
Non-controlling interests		82.331	77.222
Total equity		2.919.556	335.699
Total liabilities and equity		32.956.077	31.032.036

BANK OF CYPRUS GROUP

Extracts from the Interim Consolidated Statement of Changes in Equity

for the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012 (re- presented)
	€000	€000
Total equity at 1 January	335.699	2.429.079
Change of accounting policy	-	(86.374)
Total equity at 1 January (restated)	355.699	2.342.705
Loss for the period	(1.809.948)	(137.605)
Other comprehensive (loss)/income after tax	(12.660)	1.021
Purchase of shares of the Company	-	(38.847)
Disposal of shares of the Company	-	799
Bail-in of deposits and structured products	3.786.624	-
Bail-in of Convertible Bonds 2013/2018, Capital Securities 12/2007 and Convertible Capital Securities	122.535	-
Shares subject to interim orders	60.182	-
Acquisitions	437.124	-
Issue of shares	-	159.683
Issue costs	-	(2.449)
Total equity at 30 June	2.919.556	2.325.307

BANK OF CYPRUS GROUP
 Extracts from the Interim Consolidated Statement of
 Comprehensive Income
 for the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	€000	€000
Loss after tax	(1.809.948)	(137.605)
Foreign currency translation reserve	1.867	4.771
Available-for-sale investments	(945)	(3.752)
Property revaluation	(13.582)	2
Total comprehensive loss for the period	(1.822.608)	(136.584)

BANK OF CYPRUS GROUP

Extracts from the Interim Consolidated Statement of Cash Flows

for the six months ended 30 June 2013

	Six months ended 30 June	
	2012	2012 (re-presented)
	€000	€000
Net cash flow (used in)/from operating activities	(2.835.286)	1.510.781
Net cash flow from/(used in) investing activities	1.018.605	(366.983)
Net cash flow from financing activities	1.919.977	101.400
Net increase in cash and cash equivalents for the period	103.296	1.245.198
Exchange adjustments	9.119	(12.403)
Total cash inflow for the period	112.415	1.232.795
Cash and cash equivalents at 1 January	1.337.956	2.725.508
Cash and cash equivalents at 30 June	1.450.371	3.958.303

BANK OF CYPRUS PUBLIC COMPANY LTD
Extracts from the Interim Income Statement
and Statement of Comprehensive Income
for the six months ended 30 June 2013

	Six months ended 30 June	
	2012	2012 (re-presented)
	€000	€000
Continuing operations		
Net interest income	375.432	328.355
Net fee and commission income	61.477	68.037
Net foreign exchange (losses)/gains	(23.913)	14.694
Dividend from subsidiaries and joint ventures	-	21.400
Net losses on financial instrument transactions	(8.704)	(23.830)
Other (expenses)/income	(7.680)	1.140
	396.612	409.796
Staff costs	(145.031)	(94.711)
Other operating expenses	(83.115)	(58.553)
Profit before impairment of loans and advances	168.466	256.532
Provisions for impairment of loans and advances	(487.311)	(220.862)
(Loss)/profit before tax	(318.845)	35.670
Tax	5.072	(19.072)
(Loss)/profit after tax from continuing operations	(313.773)	16.598
Discontinued operations		
Loss after tax from discontinued operations	(1.323.514)	(15.187)
(Loss)/profit for the period	(1.637.287)	1.411
Basic (losses)/earnings per share (€)	(0,6928)	0,0976
Basic (losses)/earnings per share-continuing (€)	(0,1306)	0,0976
(Loss)/profit for the period	(1.637.287)	1.411
Other comprehensive loss for the period	(199.493)	(135.912)
Total comprehensive loss for the period	(1.836.780)	(134.501)

BANK OF CYPRUS PUBLIC COMPANY LTD
Extracts from the Interim Balance Sheet
as at 30 June 2013

		30 June 2013	31 December 2012
	<i>Notes</i>	€000	€000
Assets			
Cash and balances with central banks		544.008	655.254
Placements with banks		1.386.280	1.553.587
Investments	3	2.637.812	1.093.961
Investments pledged as collateral	3	737.385	734.747
Derivative financial assets		89.834	26.785
Loans and advances to customers		21.466.137	20.873.053
Bank accounts of Group Companies		1.101.313	2.033.776
Investments in Group Companies and joint ventures		749.413	864.930
Investments in associates		106.975	8.009
Property and equipment		276.453	287.169
Intangible assets		23.758	16.339
Other assets		1.056.959	185.606
Total assets		30.176.327	28.333.216
Liabilities			
Amounts due to banks		282.654	256.831
Funding from central banks		11.106.784	-
Repurchase agreements		619.914	607.773
Derivative financial liabilities		136.124	183.802
Customer deposits		14.460.422	25.880.056
Bank accounts of Group Companies		592.022	759.467
Debt securities in issue		-	15.389
Other liabilities	4	141.932	244.081
Subordinated loan stock		-	126.372
Total liabilities		27.339.852	28.073.771
Equity			
Share capital		4.674.327	1.795.141
Shares subject to interim orders		60.182	-
Share premium		-	428.271
Convertible Enhanced Capital Securities		-	428.835
Revaluation and other reserves		(102.514)	147.719
Accumulated losses		(1.795.520)	(2.540.521)
Total equity		2.836.475	259.445
Total liabilities and equity		30.176.327	28.333.216

BANK OF CYPRUS PUBLIC COMPANY LTD
 Extracts from the Interim Statement of Changes in Equity
 for the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012 (restated)
	€000	€000
Total equity at 1 January	259.445	2.343.458
Change of accounting policy	-	(86.154)
Total equity at 1 January (restated)	259.445	2.257.304
(Loss)/profit for the period	(1.637.287)	1.411
Other comprehensive loss for the period	(199.493)	(135.912)
Purchase of shares of the Company	-	(37.123)
Bail-in of deposits and structured products	3.806.144	-
Bail-in of Convertible Bonds 2013/2018, Capital Securities 12/2007 and Convertible Capital Securities	122.535	-
Shares subject to interim orders	60.182	-
Acquisitions	424.949	-
Issue of shares	-	159.683
Issue costs	-	(2.449)
Total equity at 30 June	2.836.475	2.242.914

BANK OF CYPRUS PUBLIC COMPANY LTD
 Extracts from the Interim Statement of Comprehensive Income
 for the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012 (re-presented)
	€000	€000
(Loss)/Profit after tax	(1.637.287)	1.411
Foreign currency translation reserve	1.234	3.405
Available-for-sale investments	(368)	(3.068)
Investments in Group Companies	(189.588)	(136.249)
Property revaluation	(10.771)	-
Total comprehensive loss for the period	(1.836.780)	(134.501)

BANK OF CYPRUS PUBLIC COMPANY LTD
 Extracts from the Interim Statement of Cash Flows
 for the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012 (re-presented)
	€000	€000
Net cash flow (used in)/from operating activities	(1.904.778)	1.011.657
Net cash flow used in investing activities	(154.079)	(326.646)
Net cash flow from financing activities	2.008.398	27.414
Net (decrease)/increase in cash and cash equivalents for the period	(50.459)	712.425
Exchange adjustments	26.769	(257)
Total cash (outflow)/inflow for the period	(23.690)	712.168
Cash and cash equivalents at 1 January	993.410	2.899.119
Cash and cash equivalents at 30 June	969.720	3.611.287

1. The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2013 have been prepared in accordance with the International Financial Reporting Standard applicable to interim financial reporting as adopted by the European Union ("IAS 34").
2. The accounting policies adopted for the preparation of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2013 are consistent with those followed for the preparation of the Consolidated Financial Statements for the year ended 31 December 2012. In addition, the Group has adopted the following new standards, amendments and interpretations, which did not have a material impact on the Group's Interim Condensed Consolidated Financial Statements:
 - IAS 19 'Employee Benefits' (Amended)
 - IAS 1 'Financial Statement Presentation' (Amended) - Presentation of Items of Other Comprehensive Income
 - IFRS 7 'Financial Instruments: Disclosures' (Amended) - Offsetting Financial Assets and Financial Liabilities
 - IFRS 13 'Fair Value Measurement'
 - IAS 34 'Interim Financial Reporting and segment information for total assets and liabilities' (Amendment)

Comparatives have been re-presented to reflect the reclassification of the Greek operations disposed during the period, from continuing to discontinued operations. In addition reclassifications to comparative information were made to conform to changes in the presentation in the current period. These reclassifications had no impact on the total loss after tax or equity of the Group.

3. Investments of the Group and the Company are analysed as follows:

	30 June 2013	31 December 2012
Group	€000	€000
Investments		
Investments at fair value through profit or loss	22.629	21.818
Investments available-for-sale	301.869	402.547
Investments classified as loans and receivables	2.350.989	710.968
	2.675.487	1.135.333
Investments pledged as collateral		
Investments available-for-sale	677.251	694.287
Investments classified as loans and receivables	60.134	40.460
	737.385	734.747
	3.412.872	1.870.080

	30 June 2013	31 December 2012
Company	€000	€000
Investments		
Investments at fair value through profit or loss	13.257	14.423
Investments available-for-sale	273.747	368.742
Investments classified as loans and receivables	2.350.808	710.796
	2.637.812	1.093.961
Investments pledged as collateral		
Investments available-for-sale	677.251	694.287
Investments classified as loans and receivables	60.134	40.460
	737.385	734.747
	3.375.197	1.828.708

4. Other liabilities at 30 June 2013 include provisions for pending litigation or claims of €50.763 thousand for the Group and €43.728 thousand for the Company and other provisions of €16.542 thousand for the Group and €14.874 thousand for the Company. The Group's provision for pending litigation or claims at 30 June 2013 is set out in Note 39 of the consolidated financial statements.
5. The number of persons employed by the Group at 30 June 2013 was 9.822 (30 June 2012: 11.183) and by the Company was 5.487 (30 June 2012: 6.428).
6. Shares of the Company held by entities controlled by the Group and by associates (including shares that are held by life insurance subsidiary which holds the shares as part of financial assets that are invested for the benefit of insurance policyholders) at 30 June 2013 were 23.780 thousand and their cost of acquisition was €94.213 thousand.
7. The Group subsidiaries, branches, associates and joint venture as at 30 June 2013 and the method of consolidation used are set out in Note 32 of Consolidated Financial Statements.

8. Related party transactions:

- (a) Loans and other advances to members of the Board of Directors and key management personnel: €1.526 thousand for the Group and the Company.
- (b) Loans and other advances to other connected persons: €1.747 thousand for the Group and €1.103.060 thousand for the Company.
- (c) Contingent liabilities and commitments (mainly documentary credits, guarantees and commitments to lend): €1.809 thousand for the Group and the Company.
- (d) Deposits by members of the Board of Directors and key management personnel: €533 thousand for the Group and the Company.
- (e) Deposits by other connected persons: €687 thousand for the Group and €592.709 thousand for the Company.
- (f) Interest income: €22 thousand for the Group and €28.356 thousand for the Company.
- (g) Interest expense: €34 thousand for the Group and €4.167 thousand for the Company.
- (h) Remuneration and other transactions of members of the Board of Directors, key management personnel and connected persons: €1.280 thousand for the Group and €1.186 thousand for the Company.

9. Other information

Pending litigation and claims

Other liabilities at 30 June 2013 include provisions for pending litigation or claims of €50.763 thousand (31 December 2012: €10.042 thousand).

A number of customers have filed actions against the Company alleging that they were misled into purchasing bonds and capital securities and claim various remedies including the return of the money they have paid. The Company is contesting the said claims, which are pending before the Court. In another development, the Central Bank of Cyprus has conducted an investigation and found that the Company breached certain regulatory requirements concerning the 2009 issue of Convertible Capital Securities, but not any regulatory requirements concerning the 2011 issue of CECS. The Central Bank imposed upon the Company a fine of €4 thousand. The Company has filed a recourse before the Supreme Court against the ruling and the imposition of a fine by the Central Bank.

The Cyprus Securities and Exchange Commission has conducted an investigation against the Company concerning alleged non-disclosure of important information. It was held that the Company was in breach of the law and the Commission has imposed an administrative fine upon the Company of €160 thousand. It has also imposed fines upon certain of the then members of the Board of Directors. The Company has filed a recourse before the Supreme Court against the fine imposed upon it.

Following the issue of the Decrees in respect of the bailed-in depositors, a number of the affected depositors filed claims against the Company and other parties (Central Bank of Cyprus, Ministry of Finance, etc) on the ground, inter alia, that the 'Resolution of Credit and Other Institutions Law of 2013' and the various Decrees issued by virtue of the Law to implement the bail-in, were in conflict with the Constitution of the Republic and the European Convention of Human Rights. Actions on the part of affected depositors are filed before the District Courts and their objective is to obtain damages for the loss allegedly sustained by the depositors as a result of the Law and the Decrees issued thereafter. In some of the actions interim orders were issued prohibiting the Company from treating the deposits of the applicants in question as bailed-in, i.e. converted into shares. The Company is taking active steps to obtain the discharge and cancellation of the said interim orders and is defending the actions of depositors vigorously. The said actions are being contested by the Company and are pending before the District Courts.

The position of the Company is that the Resolution Law and the Decrees take precedence over all other Laws and management assesses that it is probable that the interim orders issued will be lifted and the said deposits will be eventually converted into equity.

9. Other information (continued)

There are also numerous claims filed by shareholders and holders of debt securities as of 29 March 2013 whose shares were applied for the absorption of losses of the Company. Such proceedings have been filed before the Supreme Court of Cyprus. The objective of these proceedings before the Supreme Court is to obtain the annulment (i.e. cancellation and setting aside) of the Decrees of the Resolution Authority as unconstitutional and/or unlawful and/or irregular. These proceedings are still at an early stage. The Company is appearing in these proceedings as an interested party. Both the Government of the Republic and the Resolution Authority are taking the view that the relevant Law and Decrees are lawful and constitutional. As matters now stand, both the Resolution Law and the Decrees issued thereunder are constitutional and lawful, in that they were properly enacted and have not so far been annulled by a Court of Law.

In May 2013, a bailed-in depositor had assigned his rights arising from the deposit he held with the Company to a third party, which filed a claim in the Commercial Court of Kiev against the Company and its subsidiary in Ukraine. A judgement was issued against the Company and its subsidiary in Ukraine by the Court of first instance for the amount of €11 million. The Group filed an Appeal against this judgement, which however has been rejected and dismissed.

During October 2013, the Group filed an application to the General Prosecutor's Office requesting the Prosecutor's Office to enter into court proceedings by means of filing a cessation complaint on behalf of the Company and PJSB Bank of Cyprus. By filing this application, the Group has ensured the suspension over the enforcement of the judgement by the Supreme Commercial Court of Ukraine.

The Cyprus Securities and Exchange Commission is carrying out investigations in respect of:

- The Group's exposure to GGBs.
- Information provided on the amount of the capital shortfall as determined by the European Banking Authority and the amount of requested state aid in June 2012.
- The circumstances which led the Group to the need to apply for state support.
- The fact that the Group has not published its Annual Financial Statements for the year 2012 within the legally prescribed time limits.

The above investigations are in progress and therefore their final outcome cannot be currently assessed.

10. Events after the balance sheet date

Sale of subsidiaries

On 18 July 2013, the Group agreed the sale of its subsidiary Kyprou Asset Management AEDAK to Alpha Trust Mutual Fund Management S.A., subject to the approval of the relevant regulatory authorities. The transaction was completed on 7 October 2013 and the loss on the transaction will not have any significant impact on the Group results.

On 29 August 2013, the Group appointed Blackstone Group International Partners LLP as its financial advisor to explore and review strategic alternatives available for the Group's shareholding in its Ukrainian subsidiary, PJSC Bank of Cyprus. The Group currently holds a 99,7% stake in the share capital of PJSC Bank of Cyprus, which it acquired in 2008.

Exit from resolution

Following the completion of the recapitalisation of the Company, the Central Bank of Cyprus, in its capacity as the Resolution Authority, announced that as of 30 July 2013, the Company was no longer under resolution.

The duties of the Board of Directors were exercised by the members of the interim Board of Directors until the Annual General Meeting of shareholders held on 10 September 2013 when the new Board of Directors was elected.

Since August 2013, the Company has been reinstated by the ECB as an eligible counterparty for monetary policy operations. The combination of the restoration of counterparty status and the approval at the beginning of July 2013 for the use of bonds issued or guaranteed by the Republic of Cyprus resulted in a reduction in funding from ELA, as the Company has access to funding from the ECB under monetary policy operations. Furthermore, ECB funding is provided at a rate that further supports the Company's profitability.

10. Events after the balance sheet date (continued)

Voluntary retirement scheme

On 2 August 2013 the application process for the voluntary retirement scheme, launched on 8 July 2013, was completed. Following the scheme, 1.370 employees have accepted the terms of the scheme and have left the service of the Group. The Group staff in Cyprus was reduced by 24% to 4.341 employees. The cost of this VRS amounted to about €96 million and will be included in the results for the nine months ended 30 September 2013.