



Mid-Year Financial Report

30 June 2015

BANK OF CYPRUS GROUP
Mid-year Financial Report
for the six months ended 30 June 2015

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 Consolidated Income Statement	14
Interim Consolidated Statement of Comprehensive Income	15
Interim Consolidated Balance Sheet	16
Interim Consolidated Statement of Changes in Equity	17
Interim Consolidated Statement of Cash Flows	19
Notes to the Interim Condensed Consolidated Financial Statements	
1. Corporate information	20
2. Operating environment in Cyprus	20
3. Unaudited financial statements	21
4. Basis of preparation	21
5. Accounting policies	22
6. Significant judgements, estimates and assumptions	22
7. Segmental analysis	27
8. Net gains on financial instrument transactions	35
9. Staff costs and other operating expenses	36
10. Impairment of other financial instruments	37
11. Tax	37
12. Earnings per share	37
13. Investments	38
14. Derivative financial instruments	41
15. Fair value measurement	42
16. Loans and advances to customers	47
17. Non-current assets and disposal groups classified as held for sale	48
18. Other assets	50
19. Amounts due to banks	51
20. Funding from central banks	51
21. Customer deposits	51
22. Debt securities in issue	52
23. Other liabilities	53
24. Share capital	58
25. Cash and cash equivalents	59
26. Analysis of assets and liabilities by expected maturity	61
27. Risk management – Credit risk	62
28. Risk management – Liquidity risk and funding	86
29. Risk management – Market risk	89
30. Capital management	89
31. Related party transactions	90
32. Group companies	91
33. Acquisitions and disposals	94
34. Investments in associates and joint venture	95
35. Capital commitments	95
36. Events after the reporting date	96
Report to the Board of Directors of Bank of Cyprus Public Company Ltd on the Review of the Interim Condensed Consolidated Financial Statements	97
Financial Information for the period from 1 January to 30 June 2015	99
Additional Risk and Capital Management Disclosures	112

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 2015, confirm that, to the best of our knowledge,

- (a) the Interim Condensed Consolidated Financial Statements on pages 14 to 96:
 - (i) have been prepared in accordance with the International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as adopted by the European Union
 - (ii) 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, and
- (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.

Josef Ackermann	Chairman
Wilbur L. Ross Jr.	Vice Chairman
Maksim Goldman	Vice Chairman
Arne Berggren	Non-executive Director
Marios Kalochoritis	Non-executive Director
Michalis Spanos	Non-executive Director
Ioannis Zographakis	Non-executive Director
John Patrick Hourican	Executive Director
Christodoulos Patsalides	Executive Director
Eliza Livadiotou	Chief Financial Officer

26 August 2015

A. Summary of Financial Results for the six months ended 30 June 2015

Balance Sheet Highlights

- The CET1 ratio (transitional basis) increased to 14,9%¹ at 30 June 2015, from 13,9% at 31 March 2015, primarily due to the reduction of risk weighted assets and organic capital generation. The fully loaded CET1 ratio totalled 14,4% at 30 June 2015, compared to 13,4% at 31 March 2015.
- The Bank's funding structure is improving, with the L/D ratio² declining to 136% from 138% at 31 March 2015 and customer deposits increasing to 54% of total assets, compared to 51% at 31 March 2015.
- During 2Q2015, the Emergency Liquidity Assistance (ELA) was reduced by €1 bn to €5,9 bn at 30 June 2015. Post quarter-end, ELA was reduced further by €500 mn to €5,4 bn as at 26 August 2015. Overall, ELA funding has been reduced by €2,0 bn year-to-date and by €6,0 bn from its peak of €11,4 bn in April 2013.
- During 2Q2015 the balance sheet was deleveraged by a further €1,3 bn; overall balance sheet was deleveraged by €7,6 bn since 30 June 2013, representing a reduction of 23%.
- Loans in arrears for more than 90 days (90+ DPD)³ were reduced by €143 mn during 2Q2015 and totalled €12.646 mn at 30 June 2015, accounting for 53% of gross loans⁴ (90+ DPD ratio). The 90+ DPD provisioning coverage ratio improved to 43%⁵ at 30 June 2015, while taking into account the unrecognised interest income on nominal customer balances, the provisioning coverage rises to 53%.

Income Statement Highlights⁶

- Net Interest income (NII) for 1H2015 totalled €439 mn and Net Interest Margin (NIM) was 3,88%. NII for 2Q2015 was €214 mn, compared to €225 mn for 1Q2015, reflecting the partial repayment of a bond by the Republic of Cyprus in early June 2015 and the reduction of lending rates in March 2015. The NIM for 2Q2015 was 3,79%, compared to 3,94% for 1Q2015.
- Total Income for 1H2015 was €533 mn. Total Income for 2Q2015 was €261 mn, compared to €272 mn for 1Q2015.
- Total expenses for 1H2015 were €194 mn, and the cost to income ratio was 36%. Total expenses for 2Q2015 were €92 mn, compared to €102 mn for 1Q2015, with the one-off reduction reflecting lower marketing, consultancy and professional expenses. The cost to income ratio for 2Q2015 was 35%, compared to 38% for 1Q2015.
- Profit before provisions and impairments⁷, restructuring costs and discontinued operations for 1H2015 was €339 mn. Profit before provisions and impairments, restructuring costs and discontinued operations for 2Q2015 was €169 mn, compared to €170 mn for 1Q2015.
- Provisions for impairment of customer loans (continuing operations) and gains on derecognition and changes in expected cash flows on acquired loans for 1H2015 totalled €227 mn⁸. Provisions for impairment of customer loans (continuing operations) and gains on derecognition and changes in expected cash flows on acquired loans for 2Q2015 were €122 mn, compared to €105 mn for 1Q2015.
- Profit after tax from continuing operations⁹ for 1H2015 totalled €73 mn. Profit after tax from continuing operations for 2Q2015 was €16 mn, compared to €57 mn for 1Q2015.

¹ Includes independently verified profits for the half-year to 30 June 2015.

² Net loans to deposits ratio includes loans and deposits of discontinued operations/disposal group held for sale. Net loans to deposits ratio excluding loans and deposits of discontinued operations/disposal group held for sale was 139% at 30 June 2015, compared to 140% at 31 March 2015.

³ Loans in arrears for more than 90 days (90+ DPD) are defined as loans with a specific provision (i.e. impaired loans) and loans past-due for more than 90 days, but not impaired.

⁴ Gross loans are reported before the fair value adjustment on initial recognition relating to loans acquired from Laiki Bank (difference between the outstanding contractual amount and the fair value of loans acquired) amounting to €1.351 mn at 30 June 2015 (compared to €1.545 mn at 31 March 2015) and include loans of discontinued operations/disposal group held for sale.

⁵ Provisioning coverage ratio for 90+ DPD is calculated as the sum of accumulated provisions for impairment of customer loans, fair value adjustment on initial recognition and provision for off-balance sheet exposures, over 90+ DPD.

⁶ As from 4Q2014 the Group's operations in Russia are treated as a disposal group held for sale and results have been presented accordingly as discontinued operations according to IFRS 5. Hence comparatives have been represented accordingly. In addition, comparatives for impairment of other financial and non-financial assets and for gains on derecognition and changes in expected cash flows on acquired loans have been reclassified to conform with changes in the presentation of the current period.

⁷ Comprising provisions for impairments of customer loans and impairments of other financial and non-financial assets, net of gains on derecognition and changes in expected cash flows on acquired loans.

⁸ Provisions for impairment of customer loans and gains on derecognition and changes in expected cash flows on acquired loans were €263 mn for 1H2015 and €135 mn for 2Q2015, when including provisions for impairments of discontinued operations.

⁹ Defined as Profit after tax excluding restructuring costs, discontinued operations and net profit on disposal of non-core assets.

A. Summary of Financial Results for the six months ended 30 June 2015 (continued)

Income Statement Highlights (continued)

- Loss from disposal groups held for sale/discontinued operations for 1H2015 was €33 mn, mainly due to the Russian operations. Net profit on disposal of non-core assets for 1H2015 was €41 mn, which related to the disposal of the investment in Marfin Diversified Strategy Fund Plc (MDSF) and the partial repayment of a bond by the Republic of Cyprus during 2Q2015.
- Profit after tax attributable to the owners of the Bank for 1H2015 was €60 mn. Profit after tax attributable to the owners of the Bank for 2Q2015 was €31 mn, compared to €29 mn for 1Q2015.

B. Analysis of Financial Results for the six months ended 30 June 2015

B.1 Balance Sheet Analysis

B.1.1 Capital Base

Group shareholders' equity totalled €3.519 mn at 30 June 2015. The CET1 ratio (transitional basis) totalled 14,9% at 30 June 2015, compared to 13,9% at 31 March 2015 and 14,0% at 31 December 2014. Adjusting for Deferred Tax Assets¹⁰, the CET1 ratio on a fully-loaded basis totalled 14,4% at 30 June 2015, compared to 13,4% at 31 March 2015. The increase in the CET1 ratio was primarily due to the reduction of risk weighted assets by approximately €1,4 bn.

The Bank, as part of its on-going efforts to optimise credit risk management and the allocation of capital to exposures, has initiated a programme with the support of external advisors in order to address the very high level of risk weighted asset (RWAs) intensity in the Bank's balance sheet. The work completed to date included the reassessment of certain exposures classified as high regulatory risk across the Group and a very granular examination and classification of various credit exposures. Along with the in-quarter positive effects of NPEs reduction and balance sheet deleveraging there was a reduction of RWAs of €1,4 bn. Together with organic capital generation, there was an improvement in the CET1 ratio (transitional basis) by 100 basis points to 14,9%. The Bank's strategy is to intensify the effort of RWAs optimisation.

Post 30 June 2015, the Bank has reached an agreement to sell the majority of its Russian operations, including Uniastrum Bank¹¹. The sale is subject to regulatory approvals and is expected to be completed by the end of 3Q2015. The transaction, based on 1H2015 figures, results in an accounting loss of €20 mn, comprising a loss of €28 mn, caused by the technical unwinding of a foreign currency translation reserve, and a profit of €8 mn against the net book value of the assets. The sale allows the Group to de-risk its balance sheet by approximately €600 mn¹² and allows the release of risk weighted assets of approximately €600 mn¹³. The sale improves the Group's regulatory capital position, with a positive impact of approximately 33 basis points¹⁴ on the CET1 ratio.

Going forward, the Group aims to preserve and enhance its capital adequacy by retaining internally generated capital, while the restructuring and disposal of non-core assets will be driven by risk mitigation and capital considerations.

B.1.2 Customer Deposits and Loans

Group customer deposits totalled €13.629 mn at 30 June 2015, compared to €13.611 mn at 31 March 2015 and €13.169 mn at 31 December 2014. Despite the full abolition of capital controls in April 2015, customer deposits in Cyprus remained relatively stable and stood at €11.631 mn at 30 June 2015. Positive customer flows¹⁵ were recorded post quarter end to date, despite the turbulence in Greece, underlining the decoupling of the Cypriot banking system and economy.

¹⁰ The DTA adjustments relate to Deferred Tax Assets totalling €449 mn and recognised on tax losses totalling €3.6 bn and can be set off against future profits of the Bank for a period of 15 years at a tax rate of 12,5%. Furthermore, there are tax losses of approximately €8,1 bn for which no deferred tax asset has been recognised. Recognition of deferred tax asset is supported by management's business forecasts and takes into account the recoverability of the deferred tax assets within their expiry period.

¹¹ See relevant announcement dated 17 July 2015,

http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20150717AgreementSaleofBOCRENG_Final.pdf

¹² Based on the Group financial results for the six months ended 30 June 2015.

¹³ See Note 12.

¹⁴ See Note 12.

¹⁵ Customer flows are defined as the difference between changes in the stock of customer deposits and changes in the stock of gross customer loans.

B. Analysis of Financial Results for the six months ended 30 June 2015 (continued)

B.1 Balance Sheet Analysis (continued)

B.1.2 Customer Deposits and Loans (continued)

At 30 June 2015, customer deposits in Cyprus accounted for 85% of Group customer deposits, the United Kingdom for 10% and Russia for 4%. The Bank's deposit market share¹⁶ in Cyprus reached 25,7% at 30 June 2015, compared to a low of 24,6% at 30 November 2014.

Customer deposits remain the Group's primary source of funding, with their contribution towards the Group's overall funding gradually increasing. Customer deposits accounted for 54% of total assets at 30 June 2015, compared to 51% at 31 March 2015 and a low of 48% at 31 March 2014. The L/D ratio¹⁷ improved to 136% at 30 June 2015, compared to 138% at 31 March 2015 and a high of 151% at 31 March 2014.

Group gross loans¹⁸ totalled €23.926 mn at 30 June 2015, compared to €24.085 mn at 31 March 2015 and €23.772 mn at 31 December 2014. Gross loans in Cyprus totalled €21.191 mn at 30 June 2015, and accounted for 89% of gross loans of the Group. The Bank continues to be the single largest credit provider in Cyprus with a 38,5% loan market share at 30 June 2015, compared to 37,7% at 31 March 2015. Loans in Russia (€1.033 mn) and the UK operations (€1.132 mn) accounted for 9% of total loans.

B.1.3 Eurosystem Funding

The Bank's Eurosystem funding totalled €6,4 bn at 30 June 2015, comprising ELA of €5,9 bn and the European Central Bank (ECB) funding of €500 mn. Customer inflows and the proceeds from deleveraging¹⁹ were used to reduce Eurosystem funding by €1,9 bn during 1H2015. During 2Q2015, ELA was reduced by €1 bn to €5,9 bn at 30 June 2015 and ECB funding was reduced by €300 mn to €500 mn. Post 30 June 2015, ELA funding was reduced further by €500 mn to €5,4 bn as at 26 August 2015. In total, ELA has been reduced by €6,0 bn since its peak of €11,4 bn in April 2013.

B.1.4 Loan Portfolio Quality

Addressing the Group's asset quality remains the Group's key priority. The recent adoption of the foreclosure law and insolvency framework, coupled with the improved fundamentals of the Cypriot economy, are significant steps in enabling the Bank to tackle its delinquent loans in Cyprus and to improve asset quality.

Loans in arrears for more than 90 days (90+ DPD)²⁰ stood at €12.646 mn at 30 June 2015 and accounted for 53% of gross loans (90+ DPD ratio), compared to €12.789 mn a quarter earlier. The provisioning coverage ratio of 90+ DPD²¹ has been steadily rising and stood at 43% at 30 June 2015, compared to 42% at 31 March 2015. 90+ DPD are fully covered, when taking into account tangible collateral at fair value. The provisioning coverage ratio of 90+ DPD, taking into account the unrecognised interest income on nominal customer balances, the calculation of which is in line with local peers, totalled 53% at 30 June 2015, compared to 52% at 31 March 2015.

	30 June 2015		31 March 2015	
	(€mn)	% of gross loans	(€mn)	% of gross loans
90+ DPD (as per financial statements definition)	12.646	53%	12.789	53%
Of which:				
impaired with no arrears	969	4%	1.006	4%
impaired with arrears less than 90 days	212	1%	343	1%

¹⁶ Based on data from the Central Bank of Cyprus.

¹⁷ See Note 2.

¹⁸ See Note 4.

¹⁹ Includes the disposal of the investment in Marfin Diversified Strategy Fund Plc in April 2015, the early partial repayment of a bond held by the Bank by an amount of €750 mn in early June 2015 and the repayment of loans.

²⁰ See Note 3.

²¹ See Note 5.

B. Analysis of Financial Results for the six months ended 30 June 2015 (continued)

B.1 Balance Sheet Analysis (continued)

B.1.4 Loan Portfolio Quality (continued)

Non-performing exposures²² (NPEs) as defined by the European Banking Authority (EBA) declined by €366 mn (2% qoq reduction) to €14.809 mn at 30 June 2015 and accounted for 62% of gross loans (compared to 63% a quarter earlier). The provisioning coverage ratio of NPEs (as defined by EBA) totalled 36% at 30 June 2015, compared to 35% at 31 March 2015.

	30 June 2015		31 March 2015	
	(€mn)	% of gross loans	(€mn)	% of gross loans
Non-performing exposures (NPEs) as per EBA definition	14.809	62%	15.175	63%
Of which:				
NPEs with forbearance measures, no impairments and no arrears	1.338	6%	1.466	6%
NPEs with forbearance measures, no impairments and arrears less than 90 days	527	2%	565	2%

B.1.5 Update on Non-core Operations

As part of its deleveraging strategy, and through specific, deliberate and well-timed actions, the Bank continues to reduce its risk profile, to enhance its liquidity position and to improve its capital position through the disposal of operations that are considered as non-core. During 2Q2015 the Bank disposed of its investment in MDSF²³. Post 30 June 2015, the Bank has reached an agreement to sell the majority of its Russian operations²⁴. The sale follows a similar disposal in Ukraine and completes the disposal of the Group's overseas banking subsidiaries identified for sale.

The non-core overseas operations at 30 June 2015 are as follows:

- Greece: The net exposure comprised (a) net on-balance sheet exposures (excluding foreclosed properties) totalling €56 mn (compared to €76 mn at 31 March 2015), (b) 637 foreclosed properties with a book value of €199 mn (compared to 619 foreclosed properties with a book value of €200 mn at 31 March 2015), (c) off-balance sheet exposures totalling €133 mn (compared to €154 mn at 31 March 2015) and (d) lending exposures to Greek entities in the normal course of business in Cyprus totalling €74 mn (compared to €89 mn at 31 March 2015) and lending exposures in Cyprus with collaterals in Greece totalling €66 mn, at the same level as the previous quarter end.
- Romania: The overall net exposure is €368 mn (compared to €439 mn at 31 March 2015).
- Russia: The overall net exposure is €103 mn (compared to €121 mn at 31 March 2015).

B.2 Income Statement²⁵ Analysis

The Group's net interest income (NII) and net interest margin (NIM) for 1H2015 amounted to €439 mn and 3,88% respectively. Both NII and NIM continue to reflect the current market conditions in the Cypriot banking system and the composition of the Group's funding, with 25% of the Group's balance sheet funded by the Eurosystem (ECB funding and ELA) at 30 June 2015 (compared to 29% at 31 March 2015).

²²In 2014 the European Banking Authority (EBA) published its reporting standards on forbearance and non-performing exposures (NPEs). According to the EBA standards, a loan is considered a non-performing exposure if: (i) the debtor is assessed as unlikely to pay its credit obligations in full without the realisation of the collateral, regardless of the existence of any past due amount or of the number of days past due, for example in case of a write off, a legal action against the borrower, or bankruptcy, or (ii) the exposures are impaired i.e. in cases where there is a specific provision, or (iii) there are material exposures which are more than 90 days past due, or (iv) there are performing forborne exposures under probation for which additional forbearance measures are extended, or (v) there are performing forborne exposures under probation that present more than 30 days past due within the probation period.

²³ See relevant announcement dated 30 April 2015,

http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20150429SaleOfMDSF_ENG_Final.pdf

²⁴ See Note 11.

²⁵ See Note 6.

B. Analysis of Financial Results for the six months ended 30 June 2015 (continued)

B.2 Income Statement Analysis (continued)

NII for 2Q2015 was €214 mn and was 5% lower, compared to €225 mn for 1Q2015. The decrease reflects the partial repayment of a bond by the Republic of Cyprus in early June 2015, and the reduction of lending rates in March 2015²⁶. The NII going forward will be negatively affected by the early repayment of the bond, primarily driven by the upfront recognition of the accounting gain. The impact of the reduction in lending rates is expected to be largely offset over time upon the repricing of deposits at a lower cost.

Non-interest income for 1H2015 was €94 mn, with recurring income comprising net fee and commission income of €79 mn and net insurance income of €21 mn. Non-interest income for 2Q2015 was €47 mn (in line with 1Q2015), with recurring income comprising net fee and commission income of €36 mn and net insurance income of €9 mn. The remaining component of non-interest income (comprising net foreign exchange gains/(losses), net gains/(losses) on other financial instruments, (losses)/gains from revaluation and disposal of investment properties, and other income) for 2Q2015 was a net profit of €2 mn, compared to a net loss of €8 mn for 1Q2015. The losses from revaluation and disposal of investment properties for 2Q2015 of €16 mn mainly relate to the revaluation of investment properties held by the Group in Cyprus and in Greece. Total income for 2Q2015 amounted to €261 mn, compared to €272 mn for 1Q2015.

Total expenses for 1H2015 were €194 mn, of which 61% related to staff costs (€118 mn) and 39% to other operating expenses (€76 mn). The cost to income ratio for 1H2015 was 36%. Total expenses for 2Q2015 were €92 mn, compared to €102 mn for 1Q2015, with the reduction reflecting lower marketing, consultancy and professional expenses. Hence, the cost to income ratio for 2Q2015 was 35%, compared to 38% for 1Q2015.

Provisions for impairment of customer loans (continuing operations) and gains on derecognition and changes in expected cash flows on acquired loans for 1H2015 totalled €227 mn²⁷. Provisions for impairment of customer loans (continuing operations) and gains on derecognition and changes in expected cash flows on acquired loans for 2Q2015 were €122 mn, compared to €105 mn for 1Q2015. These gains on derecognition and changes in expected cash flows relate to a part-reversal of the fair value adjustment on initial recognition relating to loans acquired from Laiki Bank. The reversal is the result of revised expectations of future cash flows compared to the cash flows expected at the time of acquisition. For credit risk monitoring purposes, the fair value adjustment is considered as part of provisions and the Group reviews both of them as a single item.

The annualised provisioning charge for 1H2015 accounted for 2,2%²⁸ of gross loans, compared to 2,1% for 1Q2015. At 30 June 2015, accumulated provisions, including fair value adjustment on initial recognition²⁹, reached €5.381 mn (compared to €5.354 mn at 31 March 2015 and to €5.140 mn at 31 December 2014) and accounted for 22,5% of gross loans (compared to 22,2% at 31 March 2015 and to 21,6% at 31 December 2014).

Impairments of other financial and non-financial assets for 1H2015 totalled €31 mn and primarily relate to further impairments of overseas non-core assets as part of the Bank's de-risking efforts.

Profit after tax for continuing operations for 1H2015 totalled €73 mn. Profit after tax for continuing operations for 2Q2015 totalled €16 mn, compared to a profit of €57 mn for 1Q2015.

Restructuring costs for 1H2015 totalled €21 mn, of which €14 mn related to 2Q2015, mainly due to increased professional and consultancy fees relating to restructuring activity and disposal of non-core assets.

²⁶ Following the decision of the Central Bank of Cyprus (CBC) in February 2015 to reduce the deposit interest rate ceiling from 3% to 2% above Euribor across the rate curve, as determined by the formula for the calculation of additional capital requirements of banks. See relevant announcement dated 16 February 2015, http://www.centralbank.gov.cy/nqcontent.cfm?a_id=14653&lang=en

²⁷ See Note 8.

²⁸ The provisioning charge ratio is calculated as the provisions for impairment of customer loans, including provisions of discontinued operations (totalling €493 mn), net of gains on derecognition and changes in expected cash flows on acquired loans (totalling €230 mn) over average gross loans (as defined in Note 4).

²⁹ Including the fair value adjustment on initial recognition (difference between the outstanding contractual amount and the fair value of loans acquired from Laiki Bank) and provisions for off balance sheet exposures.

B. Analysis of Financial Results for the six months ended 30 June 2015 (continued)

B.2 Income Statement Analysis (continued)

Loss from disposal groups held for sale/discontinued operations for 1H2015 was €33 mn and mainly related to the Russian operations. Net profit on disposal of non-core assets (namely the investment in Marfin Diversified Strategy Fund Plc and the partial repayment of a bond by the Republic of Cyprus) for 2Q2015 was €41 mn.

Profit after tax attributable to the owners of the Bank for 1H2015 was €60 mn. Profit after tax attributable to the owners of the Bank for 2Q2015 was €31 mn, compared to a profit of €29 mn for 1Q2015.

C. Outlook

The Group continues to focus on implementing its restructuring and its strategic objectives aiming to become a stronger, more focused institution capable of supporting the recovery of the Cypriot economy and to deliver appropriate shareholder returns in the medium term.

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

- Arrest and reverse the trend in delinquent loans.
- Further reduce ELA and normalise the funding structure of the Group.
- Focus on core markets in Cyprus by providing credit to promising sectors and exit from non-core markets.
- Achieve a lean operating model, by focusing on enhancing distribution channels in order to reduce operating costs.
- Maintain the capital adequacy of the Group by internally generating capital through profitability, deleveraging and disposing of non-core assets.
- Deliver value to shareholders and other stakeholders.

With the Cypriot operations accounting for 92% and 89% of the Group's loans and customer deposits respectively, after adjusting for the agreement for the disposal of the majority of the Group's Russian operations, the Bank's financial performance is highly correlated to the economic and operating conditions in Cyprus. The Cyprus economy is showing further signs of stabilisation. According to the flash estimate³⁰ published on 14 August 2015, real GDP in the second quarter of 2015 increased by 0,9% over the corresponding quarter of 2014, on a seasonally adjusted basis. This was the second consecutive quarterly increase after fourteen quarters of continuous decline. The European Commission in its sixth review published in July 2015, forecasts real GDP growth for the full year 2015 to be at 0,4%. The Economic Sentiment Indicator increased further in 2Q2015, as a result of confidence improving in all sectors. Tourist arrivals for the first seven months of 2015 reached 1,5 mn, recording an increase of 6,5% compared to a similar period the year before, with the drop in arrivals from Russia being compensated by an increase in arrivals from the UK and other northern European countries.

Going forward, economic performance will be driven by the flexibility of the economy as shown by declining prices and wages, the resilience of specific sectors of the economy (such as tourism and international business services), the strengthening of confidence in the domestic economy and the stabilisation tendencies in the banking sector. Furthermore, the continuing progress of the Cypriot authorities in implementing the economic reform programme agreed with the Troika, including the strong improvement in public finances and the recent adoption of the foreclosure legislation and insolvency framework, are expected to have further positive impact on the domestic economy. The authorities should make all necessary efforts to effectively implement the newly adopted insolvency and foreclosure legal frameworks, while steering public spending toward growth-enhancing activities. Uncertainty about the European economic recovery, the economic crisis in Russia and the political and economic uncertainty in Greece weigh negatively on the 2015 economic outlook. Downside risks relate to the high level of non-performing loans in the banking sector, any unforeseen problems in applying the foreclosure legislation and insolvency framework, and a further deterioration in the Russian economy.

³⁰ Based on the Statistical Service of the Republic of Cyprus.

C. Outlook (continued)

On the upside, following the positive review by the Troika, Cyprus has been granted eligibility for the Quantitative Easing program (QE), the participation in which is expected to positively impact the liquidity conditions in the country. Robust economic growth in the UK and a weakening of the euro against the British Pound could benefit tourism in Cyprus. Reduction in interest rates in Cyprus could support private sector consumption and could stimulate the domestic economy.

Tackling the Bank's loan portfolio quality is of utmost importance and a top priority for the management. The Restructuring and Recoveries Division (RRD) is making progress in managing its delinquent portfolio, despite the lack of the appropriate legislative tools. Following the recently introduced foreclosure legislation and insolvency framework, and subject to no unexpected problems in the implementation of this legislation and the relevant regulations, the RRD is expected to proceed more swiftly in managing the Bank's delinquent loan portfolio. The sooner the Cypriot banks address the high level of problem loans, the faster they will be in a position to finance households and businesses in Cyprus, thus helping to ease domestic credit conditions, supporting the economic recovery. The provisions for impairment of customer loans will be driven by the default rate of borrowers and by any further reductions in collateral values.

In order to normalise its funding structure, the Bank is stepping up its marketing efforts to attract deposits. At the same time, the Bank's significantly strengthened capital position and overall improvement in its financial position enhance its funding options and will facilitate access to the capital markets. Depending on market conditions and investor appetite, the Bank will assess the possibility of raising wholesale funding, with the proceeds of such funding used to reduce ELA. Options to be considered are the market placement of a covered bond (currently in issue but retained and pledged as collateral for ELA purposes) and/or the issue of senior debt. Finally, for prudence, the Bank is currently maintaining a significant liquidity buffer in cognizance of the events related to Greece and the economic challenges in Russia. Once market conditions are normalised, the Bank is expected to use part of its liquidity buffer to further reduce ELA.

Despite the events of March 2013 and their impact on its franchise, the Bank remains the leading financial institution in Cyprus. The significant improvements in its financial and operational position achieved during the last two years allow the Bank to solidify its leading position in the Cypriot banking system and to be a key player in the recovery of the Cypriot economy. The Bank's strengthened capital position and its improving liquidity underline its efforts to provide credit to promising sectors of the domestic economy that will support and diversify further economic activity. The Bank is focusing on diversifying its income streams by further developing its fee-generating activities, such as the international business services and wealth management. Furthermore, the Bank is the leading player in the insurance business in Cyprus, with such businesses providing a recurring income, further diversifying the Bank's income streams.

As part of its deleveraging strategy, and through specific, deliberate and well-timed actions, the Bank has managed to reduce its risk profile, to enhance its liquidity position and to improve its capital position through the disposal of operations that are considered as non-core. Post 30 June 2015, the Bank has reached an agreement for the sale of Uniastrum Bank and certain other Russian assets. Based on 1H2015 figures, the sale results in an improvement in the Common Equity Tier 1 capital ratio of approximately 33 basis points due to the reduction of approximately €600 mn risk weighted assets, and reduces the Group's overall net exposure in Russia to €103 mn, expected to be reduced over time. The sale follows a similar disposal in Ukraine and completes the disposal of the Group's overseas banking subsidiaries identified for sale. The sale is subject to regulatory approvals and is expected to be completed by the end of 3Q2015. Finally, the Bank is actively running down its loan and real estate portfolio in Romania. In addition, the Bank continues its efforts to dispose of its real estate assets in Greece and Cyprus.

The Bank's strengthened capital position and the passing of the ECB Comprehensive Assessment in October 2014 are boosting the confidence of customers and other stakeholders towards the Bank, as evidenced by the customer inflows experienced in the last few quarters. Going forward, the Bank will continue to ensure that appropriate capital levels are maintained taking into account its risk profile, its high level of problem loans, its overseas non-core exposures, the challenges being faced with and the economic and regulatory environment. Furthermore, capital considerations, as well as risk mitigation, will be taken into account for any disposal of non-core assets.

D. Appendix

As from 4Q2014, the Group's operations in Russia are treated as a disposal group held for sale and results have been presented accordingly as discontinued operations. Hence comparatives have been represented. In addition, comparatives for impairment of other financial and non-financial assets and gains on derecognition and changes in expected cash flows on acquired loans have been reclassified to conform with changes in the presentation of the current period.

Consolidated Income Statement

€ mn	1H2015	1H2014 (represented) ³¹	yoy +/-%	2Q2015	1Q2015	qoq +/-%
Net interest income	439	514	-14%	214	225	-5%
Net fee and commission income	79	78	1%	36	43	-17%
Net foreign exchange gains/(losses) and net profits/(losses) on other financial instruments	8	5	53%	12	(4)	-
Insurance income net of insurance claims	21	25	-19%	9	12	-29%
(Losses)/gains from revaluation and disposal of investment properties	(23)	1	-	(16)	(7)	108%
Other income	9	6	55%	6	3	114%
Total income	533	629	-15%	261	272	-4%
Staff costs	(118)	(117)	1%	(59)	(59)	-
Other operating expenses	(76)	(91)	-17%	(33)	(43)	-23%
Total expenses	(194)	(208)	-7%	(92)	(102)	-10%
Profit before provisions and impairments, gains on derecognition and changes in expected cash flows on acquired loans, restructuring costs and discontinued operations	339	421	-19%	169	170	0%
Provisions for impairment of customer loans	(457)	(289)	58%	(309)	(148)	109%
Gains on derecognition and changes in expected cash flows on acquired loans	230	11	-	187	43	335%
Impairments of other financial and non-financial assets	(31)	(34)	-8%	(30)	(1)	-
Share of profit from associates and joint ventures	3	4	-16%	1	2	-
Profit before tax, restructuring costs and discontinued operations	84	113	-26%	18	66	-72%
Tax	(11)	(5)	132%	(2)	(9)	-69%
Loss attributable to non - controlling interests	(0)	(0)	-	(0)	(0)	-
Profit after tax and before restructuring costs, discontinued operations and net profit on disposal of non-core assets	73	108	-32%	16	57	-72%
Restructuring costs	(21)	(21)	3%	(14)	(7)	61%
Loss from disposal groups held for sale/discontinued operations	(33)	(66)	-51%	(12)	(21)	-43%
Net profit on disposal of non-core assets	41	60	-32%	41	-	-
Profit after tax	60	81	-26%	31	29	11%

³¹ See Note 4.2 to the Mid-year Financial Report for the six months ended 30 June 2015, Comparative information.

D. Appendix (continued)

Condensed Consolidated Balance Sheet

€ mn	30.06.2015	31.12.2014 (represented) ³²	+/- %
Cash and balances with Central Banks	1.011	1.139	-11%
Placements with banks	1.425	1.647	-13%
Debt securities, treasury bills and equity investments	1.631	2.541	-36%
Net loans and advances to customers	18.136	18.168	-
Other assets	2.374	2.378	-
Non-current assets and disposal groups classified as held for sale	805	916	-12%
Total assets	25.382	26.789	-5%
Amounts due to banks	201	162	24%
Funding from Central Banks	6.403	8.284	-23%
Repurchase agreements	576	580	-1%
Customer deposits	13.027	12.624	3%
Debt securities in issue	1	1	-
Other liabilities	986	1.046	-6%
Non-current liabilities and disposal groups classified as held for sale	669	611	9%
Total liabilities	21.863	23.308	-6%
Share capital	892	892	-
Capital reduction reserve and share premium	2.505	2.505	-
Revaluation and other reserves	178	147	21%
Accumulated losses	(69)	(79)	-12%
Shareholders' equity	3.506	3.465	1%
Non-controlling interests	13	16	-17%
Total equity	3.519	3.481	1%
Total liabilities and equity	25.382	26.789	-5%

³² See Note 31.

D. Appendix (continued)

Key Balance Sheet figures and ratios

	30.06.2015	31.12.2014	+/- %
Pre classification of Russian operations as a disposal group held for sale			
Gross loans (€ mn)	23.926	23.772	1%
Customer deposits (€ mn)	13.629	13.169	3%
Loans to deposits ratio (net)	136%	141%	-5 p.p.*
90+ DPD ratio	53%	53%	-
90+ DPD provisioning coverage ratio ³³	43%	41%	+2 p.p.*

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

	30.06.2015	31.12.2014	+/- %
Post classification of Russian operations as a disposal group held for sale			
Gross loans (€ mn)	22.997	22.806	1%
Customer deposits (€ mn)	13.027	12.624	3%
Loans to deposits ratio (net)	139%	143%	-4 p.p.*
90+ DPD ratio	53%	53%	-
90+ DPD provisioning coverage ratio ³⁴	41%	39%	+2 p.p.*

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

Capital	30.06.2015	31.12.2014	+/- %
Common Equity Tier 1 capital ratio (CET1) (transitional)	14,9%	14,0%	0,9 p.p.*
Total capital ratio (under CRD IV)	15,0%	14,2%	0,8 p.p.*
Risk weighted assets (under CRD IV) (€ mn)	21.527	22.715	-5%

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

Key performance ratios	2Q2015	1Q2015	qoq +/- %	4Q2014
Net interest margin	3,79%	3,94%	-0,15 p.p.*	3,81%
Cost to income ratio	35%	38%	-3 p.p.*	41%
Return on average assets	0,5%	0,4%	0,10 p.p.*	-5,0%
Return on average equity	3,6%	3,3%	0,30 p.p.*	-37,5%
Basic earnings/(losses) per share (€cent)	0,36	0,32	0,04	(4,15)

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

³³See Note 5.

³⁴See Note 5.

Going concern

The Group's management believes that the Group is taking all necessary measures to maintain its viability and the development of its business in the current economic environment (Note 6.1 of the interim condensed consolidated financial statements).

The Group's management, taking into consideration the factors and uncertainties that existed at the reporting date as described above, is satisfied that the Group has the resources to continue in business for the foreseeable future and, therefore, the going concern principle is appropriate for the following reasons:

- The Group's CET1 ratio at 30 June 2015 stands at 14,9%, improved by 0,9% since 31 December 2014 ratio of 14,0%. The Group's ongoing risk weighted assets (RWA) optimisation in order to address the very high level of RWA intensity in its balance sheet.
- The liquidity position of the Group and the positive customer flows in Cyprus which continued during the second quarter of 2015.
- The ELA funding at 30 June 2015 stands at €5,9 billion, compared to €7,4 billion as at 31 December 2014 and its peak level of €11,4 billion in April 2013. The intention of the Group is to resume issuing debt instruments in the capital markets as part of its funding strategy going forward, provided market conditions allow it.
- The Group's core operations in Cyprus are profitable (Note 7).
- The Group reached an agreement to sell the majority of its Russian operations, thus further deleveraging its consolidated balance sheet and which will have a positive impact on its CET1 ratio.
- The improved ratings of both the Group (Fitch upgrade of Long-term Issuer Default Rating from 'CC' to 'CCC' in April 2015) and the Republic of Cyprus (Fitch upgrade of Country Ceiling from 'B' to 'BB' in April 2015).

Further information relevant to the going concern assessment is provided elsewhere in this Mid-Year Financial Report.

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 (arising from adverse movements in exchange rates, interest rates and security prices), as described in Notes 27 to 29 of the Interim Condensed Financial Statements and the Additional Risk and Capital Management Disclosures. The Group monitors and manages these risks through various control mechanisms. Further information relevant to the risk management is provided elsewhere in this Mid-Year Financial Report.

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 4 of the annual Consolidated Financial Statements for the year ended 31 December 2014 and in Note 6 of these Interim Condensed Consolidated Financial Statements.

Events after the reporting date

On 17 July 2015, the Group has reached an agreement to sell the majority of its Russian operations comprising of (i) its holding of 80% in its Russian banking subsidiary, CB Uniastrum Bank LLC, and its holding of 80% in its Russian leasing subsidiary, Leasing Company Uniastrum Leasing LLC, and (ii) certain other Russian loan exposures.

The transaction results in an accounting loss of €20 million, comprising a loss of €28 million, caused by the technical unwinding of a foreign currency translation reserve, and a profit of €8 million against the net book value of the assets as at 30 June 2015. The sale allows the Group to de-risk its balance sheet and improves the Group's regulatory capital position primarily from the release of risk weighted assets.

The Commission for the Protection of Competition in Cyprus approved the disposal agreement reached by the Group in May 2015, to sell shares which represent 65% in the Aphrodite Hills Resort Ltd and Aphrodite Hills (Lakkos tou Frangou) Ltd, Note 17 of these Interim Condensed Consolidated Financial Statements.

Up to 26 August 2015, the Company repaid €500 million of ELA funding.

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

As at 30 June 2015 and 26 August 2015, the following shareholders held more than 5% of the share capital at the Company:

	30 June 2015	26 August 2015
Cyprus Popular Bank Public Co Ltd	9,62%	9,62%
Lamesa Holding S.A.(affiliate of Renova Group)	6,23%	6,23%
TD Asset Management	5,23%	5,23%
European Bank for Reconstruction and Development	5,02%	5,02%

Dr Josef Ackermann

Chairman

26 August 2015

BANK OF CYPRUS GROUP
Interim Consolidated Income Statement

		Six months ended 30 June		Three months ended 30 June	
		2015	2014 (represented)	2015	2014 (represented)
	Notes	€000	€000	€000	€000
Continuing operations					
Turnover		756.885	880.945	382.809	447.084
Interest income		585.602	711.789	283.178	359.012
Interest expense		(146.087)	(198.281)	(69.073)	(93.787)
Net interest income		439.515	513.508	214.105	265.225
Fee and commission income		83.307	81.574	38.307	38.635
Fee and commission expense		(4.141)	(3.227)	(2.481)	(1.410)
Net foreign exchange gains/(losses)		20.214	(4.036)	23.198	2.215
Net gains on financial instruments transactions	8	258.756	194.567	216.998	174.710
Insurance income net of claims and commissions		20.269	25.048	8.382	11.922
(Losses)/gains from revaluation and disposal of investment properties		(23.384)	1.211	(15.795)	4.277
Other income		9.080	5.863	6.191	2.483
		803.616	814.508	488.905	498.057
Staff costs	9	(117.975)	(117.270)	(58.877)	(59.203)
Other operating expenses	9	(97.355)	(112.046)	(46.217)	(60.508)
Profit before impairment of loans and advances to customers and other impairments		588.286	585.192	383.811	378.346
Provisions for impairment of loans and advances to customers and other customer credit losses		(457.206)	(289.254)	(309.017)	(160.346)
Impairment of other financial instruments	10	(31.168)	(34.000)	(30.355)	(33.713)
Profit before share of profit from associates and joint ventures		99.912	261.938	44.439	184.287
Share of profit from associates and joint ventures		3.438	4.111	1.598	1.976
Profit before tax from continuing operations		103.350	266.049	46.037	186.263
Tax	11	(10.475)	(4.506)	(2.500)	(2.259)
Profit after tax from continuing operations		92.875	261.543	43.537	184.004
Discontinued operations					
Loss after tax from discontinued operations	7	(40.966)	(187.985)	(15.274)	(139.251)
Profit for the period		51.909	73.558	28.263	44.753
Attributable to:					
Owners of the Company - continuing operations	7	92.650	261.360	43.478	183.859
Owners of the Company - discontinued operations	7	(32.430)	(179.936)	(11.782)	(133.744)
Total profit attributable to the owners of the Company		60.220	81.424	31.696	50.115
Non-controlling interests - continuing operations	7	225	183	59	145
Non-controlling interests - discontinued operations	7	(8.536)	(8.049)	(3.492)	(5.507)
Total loss attributable to non-controlling interests		(8.311)	(7.866)	(3.433)	(5.362)
Profit for the period		51.909	73.558	28.263	44.753
Basic and diluted earnings per share (€ cent) attributable to the owners of the Company – continuing operations	12	1,04	5,52	0,49	3,88
Basic and diluted earnings per share (€ cent) attributable to the owners of the Company	12	0,68	1,72	0,36	1,06

BANK OF CYPRUS GROUP
Interim Consolidated Statement of Comprehensive Income

	Six months ended 30 June		Three months ended 30 June	
	2015	2014	2015	2014
	€000	€000	€000	€000
Profit for the period	51.909	73.558	28.263	44.753
Other comprehensive income (OCI)				
<i>OCI to be reclassified in the consolidated income statement in subsequent periods</i>				
Foreign currency translation differences				
(Loss)/profit on translation of net investment in overseas subsidiaries and branches	(12.642)	(13.991)	821	7.902
Profit/(loss) on hedging of net investments	7.771	(1.482)	(5.259)	(9.112)
Transfer to the consolidated income statement on disposal of foreign operations	(10.062)	55.800	(10.062)	55.800
	(14.933)	40.327	(14.500)	54.590
Available-for-sale investments				
(Losses)/gains on revaluation before tax	(1.650)	8.790	(4.696)	(428)
Transfer to the consolidated income statement on impairment	2.252	1.494	1.930	1.279
Transfer to the consolidated income statement on sale	(2.667)	(48.344)	(2.232)	(46.196)
Tax	-	4	-	(3)
	(2.065)	(38.056)	(4.998)	(45.348)
	(16.998)	2.271	(19.498)	9.242
<i>OCI not to be reclassified in the consolidated income statement in subsequent periods</i>				
Property revaluation				
Tax	178	321	178	311
Other comprehensive (loss)/income after tax	(16.820)	2.592	(19.320)	9.553
Total comprehensive income for the period	35.089	76.150	8.943	54.306
Attributable to:				
Owners of the Company	47.415	84.759	11.697	58.797
Non-controlling interests	(12.326)	(8.609)	(2.754)	(4.491)
Total comprehensive income for the period	35.089	76.150	8.943	54.306

BANK OF CYPRUS GROUP
Interim Consolidated Balance Sheet

		30 June 2015	31 December 2014 (represented)
	Notes	€000	€000
Assets			
Cash and balances with central banks	25	1.010.927	1.139.465
Placements with banks	25	1.425.198	1.646.886
Derivative financial assets	14	23.277	62.598
Investments	13	1.001.847	1.871.136
Investments pledged as collateral	13	628.784	669.786
Loans and advances to customers	16	18.136.260	18.168.323
Life insurance business assets attributable to policyholders		481.227	472.992
Other assets	18	321.725	336.262
Property and equipment		308.692	316.101
Investment properties	15	543.355	488.598
Intangible assets		128.235	127.402
Investments in associates and joint ventures	34	119.512	116.776
Deferred tax assets		448.513	456.871
Non-current assets and disposal groups classified as held for sale	17	804.765	916.206
Total assets		25.382.317	26.789.402
Liabilities			
Amounts due to banks	19	201.423	161.896
Funding from central banks	20	6.403.178	8.283.773
Repurchase agreements		576.468	579.682
Derivative financial liabilities	14	64.690	71.967
Customer deposits	21	13.027.310	12.623.558
Insurance liabilities		585.675	576.701
Other liabilities	23	287.517	350.431
Debt securities in issue	22	1.199	1.185
Deferred tax liabilities		47.058	47.963
Non-current liabilities and disposal groups classified as held for sale	17	668.661	611.199
Total liabilities		21.863.179	23.308.355
Equity			
Share capital	24	892.294	892.238
Share premium	24	552.618	552.539
Capital reduction reserve	24	1.952.486	1.952.486
Shares subject to interim orders	24	-	441
Revaluation and other reserves		178.309	146.809
Accumulated losses		(69.410)	(79.021)
Equity attributable to owners of the Company		3.506.297	3.465.492
Non-controlling interests		12.841	15.555
Total equity		3.519.138	3.481.047
Total liabilities and equity		25.382.317	26.789.402

Dr. J. Ackermann
Mr. I. Zographakis
Mr. J. P. Hourican
Dr. Chr. Patsalides
Mrs. E. Livadiotou

Chairman
Director
Chief Executive Officer
Finance Director
Chief Financial Officer

BANK OF CYPRUS GROUP
Interim Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company													Non-controlling interests	Total equity
	Share capital (Note 24)	Share premium (Note 24)	Capital reduction reserve (Note 24)	Shares subject to interim orders (Note 24)	Accumulated losses	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Other reserves	Life insurance in-force business reserve	Foreign currency translation reserve	Treasury shares (Note 24)	Reserve of disposal groups and assets held for sale (Note 17)	Total		
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000		
1 January 2015	892.238	552.539	1.952.486	441	(79.021)	98.211	2.226	6.059	97.698	22.929	(88.051)	7.737	3.465.492	15.555	3.481.047
Reclassification from disposal groups and assets held-for-sale	-	-	-	-	-	17.619	-	-	-	-	-	(17.619)	-	-	-
1 January 2015 (represented)	892.238	552.539	1.952.486	441	(79.021)	115.830	2.226	6.059	97.698	22.929	(88.051)	(9.882)	3.465.492	15.555	3.481.047
Profit/(loss) for the period	-	-	-	-	60.220	-	-	-	-	-	-	-	60.220	(8.311)	51.909
Other comprehensive income/(loss) for the period	-	-	-	-	-	178	(2.124)	-	-	(9.659)	-	(1.200)	(12.805)	(4.015)	(16.820)
Total comprehensive income/(loss) for the period	-	-	-	-	60.220	178	(2.124)	-	-	(9.659)	-	(1.200)	47.415	(12.326)	35.089
Issue of share capital	56	79	-	-	-	-	-	-	-	-	-	-	135	-	135
Transfer of realised profits on sale of property	-	-	-	-	(1.563)	1.641	-	-	-	-	-	(78)	-	-	-
Acquisition of non-controlling interests	-	-	-	-	(68)	-	-	-	-	-	-	-	(68)	68	-
Debt capitalisation for subsidiary-non-controlling interests	-	-	-	-	(9.544)	-	-	-	-	-	-	-	(9.544)	9.544	-
Increase in value of in-force life insurance business	-	-	-	-	(518)	-	-	-	518	-	-	-	-	-	-
Tax on increase in value of in-force life insurance business	-	-	-	-	18	-	-	-	(18)	-	-	-	-	-	-
Disposals of treasury shares	-	-	-	(441)	(38.934)	-	-	-	-	-	42.242	-	2.867	-	2.867
30 June 2015	892.294	552.618	1.952.486	-	(69.410)	117.649	102	6.059	98.198	13.270	(45.809)	(11.160)	3.506.297	12.841	3.519.138

BANK OF CYPRUS GROUP
Interim Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company										Non-controlling interests	Total equity
	Share capital (Note 24)	Shares subject to interim orders (Note 24)	Accumulated losses	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Other reserves	Life insurance in-force business reserve	Foreign currency translation reserve	Treasury shares (Note 24)	Total		
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000		
1 January 2014	4.683.985	58.922	(2.151.835)	115.958	42.450	6.059	92.297	(96.462)	(88.051)	2.663.323	74.353	2.737.676
Profit/(loss) for the period	-	-	81.424	-	-	-	-	-	-	81.424	(7.866)	73.558
Other comprehensive income/(loss) for the period	-	-	-	239	(38.103)	-	-	41.199	-	3.335	(743)	2.592
Total comprehensive income/(loss) for the period	-	-	81.424	239	(38.103)	-	-	41.199	-	84.759	(8.609)	76.150
Bail-in of deposits and structured products	150	-	-	-	-	-	-	-	-	150	-	150
Shares subject to interim orders	58.625	(58.625)	-	-	-	-	-	-	-	-	-	-
Acquisitions	12.951	-	(12.951)	-	-	-	-	-	-	-	-	-
Transfer of realised profits on sale of property	-	-	(92)	92	-	-	-	-	-	-	-	-
Disposal of subsidiary	-	-	-	-	-	-	-	-	-	-	(51)	(51)
Increase in value of in-force life insurance business	-	-	(3.930)	-	-	-	3.930	-	-	-	-	-
Tax on increase in value of in-force life insurance business	-	-	430	-	-	-	(430)	-	-	-	-	-
30 June 2014	4.755.711	297	(2.086.954)	116.289	4.347	6.059	95.797	(55.263)	(88.051)	2.748.232	65.693	2.813.925

BANK OF CYPRUS GROUP
Interim Consolidated Statement of Cash Flows

		Six months ended 30 June	
		2015 €000	2014 (represented) €000
	<i>Notes</i>		
Net cash flows from operating activities			
Profit before tax from continuing operations	7	103.350	266.049
Loss before tax from discontinued operations	7	(40.784)	(183.554)
Profit for the period before tax		62.566	82.495
Share of profit from associates and joint ventures		(3.438)	(4.111)
Gain on disposal of joint venture	8	(10.062)	-
Provisions for impairment of loans and advances to customers and other credit customer losses and changes in expected cash flows on acquired loans		263.351	367.648
Losses on disposal of discontinued operations	33	-	114.228
Depreciation of property and equipment and amortisation of intangible assets		10.256	13.634
Increase in value of in-force life insurance policies		(518)	(3.930)
Impairment upon remeasurement of disposal group at fair value less cost to sell	7	2.215	-
Impairment of other financial instruments	10	31.168	34.000
Amortisation of discounts/premiums and catch-up adjustment of debt securities		(16.458)	(96.715)
Income from investments and disposals of property, equipment and intangible assets less interest on subordinated loan stock and funding from central banks		51.523	(188.946)
		390.603	318.303
Net (increase)/decrease in loans and advances to customers and other accounts		(291.257)	1.416.968
Net increase/(decrease) in customer deposits and other accounts		478.513	(1.010.479)
		577.859	724.792
Tax received/(paid)		100	(8.319)
Net cash flow from operating activities		577.959	716.473
Cash flows from investing activities			
Purchase of bonds, treasury bills and shares		(13.734)	-
Proceeds on disposal/redemption of investments		785.654	113.538
Interest received from debt securities and treasury bills		17.396	20.901
Dividend income from equity securities		273	58
Proceeds on disposal of subsidiaries and operations		-	98.860
Proceeds on disposal of joint venture		83.742	-
Purchases of property and equipment		(4.734)	(5.800)
Proceeds on disposal of property and equipment		250	1.344
Purchases of intangible assets		(5.045)	(6.188)
Proceeds on disposal of investment property		16.365	7.354
Net cash flow from investing activities		880.167	230.067
Cash flows from financing activities			
Proceeds from the issue of shares		135	-
Net repayment of funding from central banks		(1.880.595)	(771.703)
Redemption of debt securities in issue		(1.780)	-
Interest on subordinated loan stock		(22)	(41)
Proceeds from disposal of treasury shares		2.867	-
Interest on funding from central banks		(45.242)	(78.219)
Net cash flow used in financing activities		(1.924.637)	(849.963)
Net (decrease)/increase in cash and cash equivalents for the period		(466.511)	96.577
Cash and cash equivalents			
1 January		2.238.601	1.463.243
Foreign exchange adjustments		(24.116)	(4.489)
Net (decrease)/increase in cash and cash equivalents for the period		(466.511)	96.577
30 June	25	1.747.974	1.555.331
Non-cash transactions			
Share capital – Bail-in of deposits and structured products		-	58.775
Share capital – Additional Shares issued to Laiki Bank for 2013 acquisition		-	12.951
Deferred proceeds from the disposal of the Ukrainian operations		-	100.000
		-	171.726

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

Interim Condensed Consolidated Financial Statements

The Interim Condensed Consolidated Financial Statements include the financial statements of the Company and its subsidiaries. They were approved and authorised for issue by a resolution of the Board of Directors on 26 August 2015.

2. Operating environment in Cyprus

Following three years of recession, economic activity in Cyprus recorded positive growth in the first half of 2015 despite more pessimistic forecasts by the European Commission (European Economic Forecasts, Spring 2015). Specifically, real GDP increased by 0,3% year-on-year in the first quarter and 1,2% in the second quarter making an average half yearly increase of 0,8% (Cyprus Statistical Service, Quarterly National Accounts).

In the labour market, unemployment peaked in 2014 at 16,1% (Cyprus Statistical Service). Consumer inflation dropped by 1,4% in 2014 and continued to drop in the first half of 2015, down by 1,8% year-on-year (Cyprus Statistical Service, Consumer Price Index). In the real economy the decline in the secondary sectors is slowing noticeably, whereas the service sectors are recording positive growth in most cases (Cyprus Statistical Service).

As per the Troika Statement issued on 27 July 2015, the Cyprus fiscal targets in the first half of 2015 were met with substantial margins. In addition, the authorities are making progress on their structural reform agenda. The state budget was nearly balanced in 2014 (Ministry of Finance, Main Economic Indicators, May 2015) when the cost of recapitalising the credit cooperative sector is excluded from the equation.

The Troika also stated that the financial situation of the banks is gradually improving, and there is tentative evidence that the slow pace of debt restructuring is picking up. They also commented that the authorities' commitment to the programme is bearing results in several areas, with the economic recovery starting in early 2015 and unemployment starting to decline from still-high levels.

Domestic risks remain tilted to the downside and relate mostly to the high level of non-performing loans and worsening external conditions, particularly the recession in Russia and the Greek crisis. Whilst the enactment of the foreclosure and insolvency framework is a positive development, delays in addressing high non-performing loans could prolong the period of tight credit conditions, stalling the recovery of domestic demand. The Troika also commented that the authorities should make all necessary efforts to effectively implement the new insolvency and foreclosure legal frameworks.

Since the beginning of April 2015, there are no longer any restrictive measures or capital controls in Cyprus.

In recognition of the progress achieved on the fiscal front and the economic recovery, as well as the enactment of the foreclosure and insolvency framework, the international credit rating agencies have upgraded the credit ratings for the Cypriot sovereign, paving the way for the sovereign to access the international capital markets. In May 2015, the Cyprus Government issued a €1 billion bond maturing in year 2022, with a coupon rate of 3,875% per annum.

2.1 The insolvency and foreclosure framework

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

2. Operating environment in Cyprus (continued)

2.1 The insolvency and foreclosure framework (continued)

The implementation of the foreclosure law aims to achieve the following:

- Improve the Group's negotiating power against the defaulted customers in order to be more cooperative and reach a viable solution.
- Decrease the recovery period in case of re-possession of an asset from defaulted customers, which will be tested in reality as cases go through the legal system.
- Provide the potential to improve the Group's liquidity risk management as proceeds from an earlier repayment period and/or better repayment of loans should facilitate the Group's management of its assets and liabilities.

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

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

In general, the Group views the new insolvency and foreclosure framework as a useful tool that is likely to assist and enhance the current legal and operational framework that it operates.

3. Unaudited financial statements

The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2015 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 2015 have been prepared in accordance with the International Accounting 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 annual Consolidated Financial Statements for the year ended 31 December 2014.

4.2 Comparative information

Comparatives have been represented to reflect the presentation of the Russian operations in the consolidated income statement as discontinued operations (Note 7) following their classification as a disposal group held for sale. In addition, comparatives have been reclassified to reflect the change in presentation of impairment losses of other financial and non-financial instruments and results from revaluation and disposal of investment properties within the consolidated income statement.

The consolidated balance sheet has been represented to reflect the reclassification of the Kermia Hotel business out of the held for sale category (Note 17). There was no impact on equity from the cessation of the classification of the disposal group as held for sale.

5. Accounting policies

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 2015 are consistent with those followed for the preparation of the annual Consolidated Financial Statements for the year ended 31 December 2014. In addition, the Group has adopted the following new standards, amendments and interpretations, which did not have a material impact on the Interim Condensed Consolidated Financial Statements:

- IFRIC 21 Levies
- Annual Improvements 2011 – 2013 Cycle issued by the IASB which is a collection of amendments to IFRS. These improvements are effective from 1 July 2014 and include:
 - IFRS 3 Business Combinations - Amendments
 - IFRS 13 Fair Value Measurement - Amendments
 - IAS 40 Investment Properties - Amendments

6. Significant judgements, estimates and assumptions

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

The key assumptions concerning the future and other key sources of estimation of uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are described in the annual Consolidated Financial Statements for the year ended 31 December 2014.

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

6.1 Going concern

The management 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 2015 and the developments up to the date of approval of these Interim Condensed Consolidated Financial Statements that have been considered in management's going concern assessment include, amongst others, the macroeconomic environment in Cyprus described in Note 2 and the following considerations.

6.1.1 Regulatory capital ratios and supervisory review process

The Common Equity Tier 1 (CET1) ratio of the Group at 30 June 2015 stands at 14,9% (transitional). The capital position of the Group was strengthened after the €1 billion capital increase completed in September 2014 (Note 24).

The minimum Common Equity Tier 1 ratio under the Capital Requirements Regulation (CRR) and the Capital Requirements Directive IV (CRD IV) was set by the Central Bank of Cyprus (CBC) at 8% on a transitional basis (Pillar I capital requirement). The Group is also subject to additional capital requirements for risks which are not covered by the Pillar I capital requirements (Pillar II add-ons). The Group's capital position at 30 June 2015 exceeds its Pillar I and its Pillar II add-on capital requirements, providing a loss-absorbing buffer to the Group. However, the Group's Pillar II add-on capital requirement is a point in time assessment and therefore is subject to change over time.

6. Significant judgements, estimates and assumptions (continued)

6.1 Going concern (continued)

6.1.1 Regulatory capital ratios and supervisory review process (continued)

The European Central Bank (ECB), as part of its supervisory role under Council Regulation (EU) No 1024/2013, has been conducting the Supervisory Review and Evaluation Process (SREP) and onsite inspections on the Group. SREP is a holistic assessment of, amongst other things: the Group's business model, internal governance and institution-wide control arrangements, risks to capital and adequacy of capital to cover these risks and risks to liquidity and adequacy of liquidity resources to cover these risks. The objective of SREP is for the ECB to form an up-to-date supervisory view of the Group's risks and viability and to form the basis for supervisory measures and dialogue with the Group. The SREP process for 2015 is expected to be completed before the end of the year. Additional capital and other requirements could be imposed on the Group as a result of these supervisory processes, including a revision of the level of Pillar II add-ons as the Pillar II add-on capital requirements are a point-in-time assessment and therefore subject to change over time.

6.1.2 Asset quality

The challenging macroeconomic environment in Cyprus is affecting the Group's asset quality. The Group's loans that are impaired or past due for more than 90 days (90+ DPD) at 30 June 2015 amounting to €12.646 million, remained to similar levels compared to 31 December 2014 of €12.653 million. As at 30 June 2015 90+ DPD loans decreased by €143 million compared to 31 March 2015. The 90+ DPD loans represent 53% of gross loans (Note 27) and the provision coverage ratio stands at 43% (including provisions for off balance sheet exposures). Taking into account tangible collateral at fair value, 90+ DPD loans are fully covered. The Group's non-performing exposures (NPEs) as defined by the European Banking Authority totalled €14.809 million at 30 June 2015 and accounted for 62% of gross loans. The provision coverage ratio of NPEs totalled 36% at 30 June 2015.

The Group's strategy is to address these challenges through the set up of independent, centralised and specialised restructuring and recovery units to manage large or distressed exposures. Through these units, the Group aims to proactively and efficiently manage problem loans in order to contain the provisions for impairment expected to arise from the ongoing economic slowdown.

The enactment of the foreclosure and insolvency framework provides the Company with additional tools and power to address its asset quality challenges (Note 2.1).

Furthermore, the worsening macroeconomic conditions in Russia in 2014 and 2015 continue to pose challenges for the Group. Consequently, additional impairment provisions were recorded in 2014 and 2015, thus further reducing the Group's exposure to Russia. In July 2015 the Group reached an agreement to sell the majority of its Russian operations therefore further deleveraging its consolidated balance sheet (Note 36).

6.1.3 Liquidity

The Group currently has limited access to interbank and wholesale markets which, combined with a reduction in deposits in Cyprus, the deposit bail-in and the acquisition of certain operations of Laiki Bank in March 2013 has resulted in increased reliance on central bank funding. Following the €1 billion share capital increase by the Group in 2014 and the recent enactment of the foreclosure and insolvency legislation, the Group intends to resume issuing debt instruments in the capital markets as part of its funding strategy going forward, provided market conditions allow it.

The level of central bank funding of the Group as at 30 June 2015 amounted to €6,4 billion, comprising €500 million of ECB funding and €5,9 billion of Emergency Liquidity Assistance (ELA) funding (Notes 20 and 28). As at 26 August 2015, the level of central bank funding has been further reduced to €5,9 billion, comprising €500 million of ECB funding and €5,4 billion of ELA funding. The Group intends to continue with further ELA repayments, the pace of which will be dependent on the prevailing market conditions.

The temporary restrictive measures and capital controls with respect to banking and cash transactions introduced by the Cypriot authorities in 2013 were gradually phased out until their full abolition on 6 April 2015.

6. Significant judgements, estimates and assumptions (continued)

6.1 Going concern (continued)

6.1.3 Liquidity (continued)

On 31 January 2015, the Company released the last tranche of the twelve-month time deposits of approximately €300 million out of a total of €2,8 billion that were blocked as per the decrees relating to the recapitalisation of the Company completed in July 2013.

Group customer deposits totalled €13.629 million at 30 June 2015 compared to €13.611 million at 31 March 2015 and €13.169 million at 31 December 2014. Despite the full abolition of capital controls in April 2015, customer deposits in Cyprus remained relatively stable, standing at €11.631 million at 30 June 2015 compared with 31 December 2014 at €11.314 million. Positive customer flows continued to be observed during the second quarter of 2015.

Details on regulatory liquidity ratios are disclosed in Note 28.

Although the Group has received no specific guarantees, the management expects that the Group will continue to have access to the central bank liquidity facilities, in line with applicable rules. In this respect, the House of Representatives approved on 27 January 2014 the issuance of additional government guarantees of up to €2,9 billion, as contingency collateral in case of need.

Furthermore, in November 2014 the maturity of the Group's existing €1 billion government guaranteed bonds was extended for a further three years, until November 2017. It is further noted that the Group's approved Restructuring Plan included ELA funding throughout the Plan period.

6.1.4 Pending litigation and claims

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

Despite the novelty of the said claims and the uncertainties inherent in a unique situation, based on the information available at present and on the basis of the law as it currently stands, the management considers that the said claims seem unlikely to have a material adverse impact on the financial position and capital adequacy of the Group (Note 23.1).

6.1.5 Going concern assessment

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

The Group's management, taking into consideration the factors and uncertainties that existed at the reporting date as described above, is satisfied that the Group has the resources to continue in business for the foreseeable future and, therefore, the going concern principle is appropriate for the following reasons:

- The Group's CET1 ratio at 30 June 2015 stands at 14,9%, improved by 0,9% since 31 December 2014 ratio of 14,0%. The Group's ongoing risk weighted assets (RWA) optimisation in order to address the very high level of RWA intensity in its balance sheet.
- The liquidity position of the Group and the positive customer flows in Cyprus which continued during the second quarter of 2015.
- The ELA funding at 30 June 2015 stands at €5,9 billion, compared to €7,4 billion as at 31 December 2014 and its peak level of €11,4 billion in April 2013. The intention of the Group is to resume issuing debt instruments in the capital markets as part of its funding strategy going forward, provided market conditions allow it.
- The Group's core operations in Cyprus are profitable (Note 7).
- The Group reached an agreement to sell the majority of its Russian operations, thus further deleveraging its consolidated balance sheet and which will have a positive impact on its CET1 ratio.
- The improved ratings of both the Group (Fitch upgrade of Long-term Issuer Default Rating from 'CC' to 'CCC' in April 2015) and the Republic of Cyprus (Fitch upgrade of Country Ceiling from 'B' to 'BB' in April 2015).

6. Significant judgements, estimates and assumptions (continued)**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 and the calculation of the impairment allowance involves the use of judgement. Such estimates are based on assumptions about a number of factors and therefore actual impairment losses may differ.

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

Assumptions have been made about the future changes in property values, as well as the timing for the realisation of the collateral and for taxes and expenses on the repossession and subsequent sale of the collateral. Indexation has been used to estimate updated market values of properties while assumptions were made on the basis of a macroeconomic scenario for future changes in property values. The timing of recovery from mortgages has been estimated to be on average 3 years with the exception for specific cases where a different period has been used based on specific facts and circumstances. In accordance with the Loan Impairment and Provisioning Directives of 2014 and 2015 of the CBC, the cumulative average future change in property values during this period has been capped at 0%.

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

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

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

Impairment assessment also includes off-balance sheet credit exposures represented by guarantees given and by irrevocable commitments to disburse funds. Off-balance sheet credit exposures of the individually assessed assets require assumptions on the probability, timing and amount of cash outflows; otherwise the provision is calculated on a collective basis, taking into account the probability of loss for the portfolio in which the customer is included for on-balance sheet exposures impairment assessment.

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.

6. Significant judgements, estimates and assumptions (continued)

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

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.

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

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.

Further information on movement during the period is disclosed in Note 11.

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 at each reporting date. Valuations are carried out by qualified valuers by applying valuation models recommended by the International Valuation Standards Council.

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.

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 approximately 15% to 45% 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 in the financial and property sectors in particular, make forecasts of the future developments in the real estate market extremely difficult.

In arriving at their estimates of market values, 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.

Further details on movement of investment properties during the period are disclosed in Note 15.

6. Significant judgements, estimates and assumptions (continued)

6.5 Disposal groups held for sale and discontinued operations

In December 2014 and June 2015, the Group determined that its Russian operations meet the criteria for classification as held for sale, for the following reasons: (a) the operations are available for immediate sale in their current condition, and (b) the actions to dispose the operations have been initiated and are expected to be completed within one year from the date of classification. In July 2015, the Group reached an agreement to sell the majority of its Russian operations (Note 36). As a result of the classification as held for sale, the results of the Russian operations are presented as discontinued.

More details on discontinued operations and assets held for sale are presented in Notes 7 and 17.

6.6 Provisions

The accounting policy for provisions is described in Note 3.31 in the annual Consolidated Financial Statements for the year ended 31 December 2014. Judgement is involved in determining whether a present obligation exists and in estimating the probability, timing and amount of any outflows. Provisions for pending litigations, claims or regulatory matters require a higher degree of judgement than other types of provisions.

For a detailed description of the nature of uncertainties and assumptions and the effect on the amount and timing of pending litigation and claims refer to Note 23.1.

7. Segmental analysis

The Group is organised into operating segments based on the geographic location of each unit. Since 31 December 2014 the Group classified its Russian operations as a disposal group held for sale, when an active plan of disposal was initiated (Note 17). As a result, the results of the Russian operations are presented as discontinued.

The remaining Group's activities in Greece, the United Kingdom and Romania 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 include the provision of banking, financial and insurance services, as well as property and hotel business. In the other countries, the Group provides banking services, financial and insurance services, as well as the management of investment property.

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 Executive Committee.

7. Segmental analysis (continued)

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

Continuing operations

	Cyprus	Other countries	Total continuing operations
Six months ended 30 June 2015	€000	€000	€000
Net interest income	410.900	28.615	439.515
Net fee and commission income	75.697	3.469	79.166
Net foreign exchange gains	19.689	525	20.214
Net gains on financial instruments transactions	257.478	1.278	258.756
Insurance income net of claims and commissions	19.939	330	20.269
Losses from revaluation and disposal of investment properties	(4.357)	(19.027)	(23.384)
Other income	3.087	5.993	9.080
	782.433	21.183	803.616
Staff costs	(109.542)	(8.433)	(117.975)
Other operating expenses	(67.865)	(8.037)	(75.902)
Restructuring costs (Note 9)	(18.086)	(3.367)	(21.453)
Profit before impairment of loans and advances to customers and other impairments	586.940	1.346	588.286
Provisions for impairment of loans and advances to customers and other customer credit losses	(409.818)	(47.388)	(457.206)
Impairment of other financial instruments	(20.031)	(11.137)	(31.168)
Share of profit from associates and joint ventures	3.438	-	3.438
Profit/(loss) before tax	160.529	(57.179)	103.350
Tax	(10.995)	520	(10.475)
Profit/(loss) after tax	149.534	(56.659)	92.875
Non-controlling interests - profit	(225)	-	(225)
Profit/(loss) after tax attributable to the owners of the Company	149.309	(56.659)	92.650

7. Segmental analysis (continued)

Discontinued operations

	Russia	Subsidiary acquired with a view to resale	Total discontinued operations
Six months ended 30 June 2015	€000	€000	€000
Net interest income	10.611	-	10.611
Net fee and commission income	5.306	-	5.306
Net foreign exchange gains	4.128	-	4.128
Losses from revaluation and disposal of investment properties	(178)	-	(178)
Other income	693	9.929	10.622
	20.560	9.929	30.489
Staff costs	(12.162)	(3.173)	(15.335)
Other operating expenses	(12.608)	(4.931)	(17.539)
(Loss)/profit before impairment of loans and advances to customers and other impairments	(4.210)	1.825	(2.385)
Provisions for impairment of loans and advances to customers and other customer credit losses	(36.184)	-	(36.184)
Impairment upon remeasurement of disposal group at fair value less cost to sell	(2.215)	-	(2.215)
(Loss)/profit before tax	(42.609)	1.825	(40.784)
Tax	(182)	-	(182)
(Loss)/profit after tax	(42.791)	1.825	(40.966)
Non-controlling interests – loss/(profit)	8.992	(456)	8.536
(Loss)/profit after tax attributable to the owners of the Company	(33.799)	1.369	(32.430)

As part of its management of large exposures, the Group acquired a 75% shareholding in Aphrodite Holdings Ltd and in Aphrodite Hills (Lakkos tou Frangou) Ltd, collectively referred to as 'Aphrodite group', in November 2014. The management has assessed the acquisition of the Aphrodite group and concluded that it met the criteria for a subsidiary acquired exclusively with a view to resale (Note 17), and has therefore presented the operations of the Aphrodite group as discontinued.

7. Segmental analysis (continued)

Continuing operations

	Cyprus	Other countries	Total continuing operations
Six months ended 30 June 2014 (represented)	€000	€000	€000
Net interest income	487.135	26.373	513.508
Net fee and commission income	75.319	3.028	78.347
Net foreign exchange losses	(3.940)	(96)	(4.036)
Net gains on financial instrument transactions	194.431	136	194.567
Insurance income net of claims and commissions	23.412	1.636	25.048
(Losses)/gains from revaluation and disposal of investment properties	(457)	1.668	1.211
Other income	4.531	1.332	5.863
	780.431	34.077	814.508
Staff costs	(110.089)	(7.181)	(117.270)
Other operating expenses	(75.802)	(15.475)	(91.277)
Restructuring costs (Note 9)	(20.769)	-	(20.769)
Profit before impairment of loans and advances to customers and other impairments	573.771	11.421	585.192
Provisions for impairment of loans and advances to customers and other customer credit losses	(272.366)	(16.888)	(289.254)
Impairment of other financial instruments	(34.000)	-	(34.000)
Share of profit from associates and joint ventures	4.111	-	4.111
Profit/(loss) before tax	271.516	(5.467)	266.049
Tax	(2.327)	(2.179)	(4.506)
Profit/(loss) after tax	269.189	(7.646)	261.543
Non-controlling interests - profit	(183)	-	(183)
Profit/(loss) after tax attributable to the owners of the Company	269.006	(7.646)	261.360

7. Segmental analysis (continued)

Discontinued operations

	Russia	Ukraine	Total discontinued operations
Six months ended 30 June 2014 (represented)	€000	€000	€000
Net interest income	32.460	4.064	36.524
Net fee and commission income	9.431	270	9.701
Net foreign exchange gains	1.657	617	2.274
Net losses on financial instrument transactions	(44)	-	(44)
(Losses)/gains from revaluation and disposal of investment properties	(31)	561	530
Other income	559	491	1.050
	44.032	6.003	50.035
Staff costs	(18.128)	(1.233)	(19.361)
Other operating expenses	(18.723)	(2.883)	(21.606)
Profit before impairment of loans and advances to customers and other impairments	7.181	1.887	9.068
Provisions for impairment of loans and advances to customers and other customer credit impairment	(39.866)	(38.528)	(78.394)
Loss on disposal of Ukrainian operations	-	(114.228)	(114.228)
Loss before tax	(32.685)	(150.869)	(183.554)
Tax	(5.085)	654	(4.431)
Loss after tax	(37.770)	(150.215)	(187.985)
Non-controlling interests - loss	8.010	39	8.049
Loss after tax attributable to the owners of the Company	(29.760)	(150.176)	(179.936)

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.

Continuing operations

	Cyprus	Other countries	Total continuing operations
Six months ended 30 June 2015	€000	€000	€000
Banking and financial services	754.023	21.851	775.874
Insurance services	19.312	427	19.739
Property and hotel business	518	(38)	480
Total revenue from third parties	773.853	22.240	796.093
Inter-segment revenue/(expense)	8.580	(1.057)	7.523
Total revenue	782.433	21.183	803.616

Discontinued operations

	Russia	Subsidiary acquired with a view to resale	Total discontinued operations
Six months ended 30 June 2015	€000	€000	€000
Banking and financial services	28.083	-	28.083
Property and hotel business	-	9.929	9.929
Total revenue from third parties	28.083	9.929	38.012
Inter-segment expense	(7.523)	-	(7.523)
Total revenue	20.560	9.929	30.489

Continuing operations

	Cyprus	Other countries	Total continuing operations
Six months ended 30 June 2014 (represented)	€000	€000	€000
Banking and financial services	742.412	35.664	778.076
Insurance services	24.224	1.764	25.988
Property and hotel business	580	(79)	501
Total revenue from third parties	767.216	37.349	804.565
Inter-segment revenue/(expense)	13.215	(3.272)	9.943
Total revenue	780.431	34.077	814.508

7. Segmental analysis (continued)

Analysis of total revenue (continued)

Discontinued operations

	Russia	Ukraine	Total discontinued operations
Six months ended 30 June 2014 (represented)	€000	€000	€000
Banking and financial services from third parties	53.564	6.414	59.978
Inter-segment expense	(9.532)	(411)	(9.943)
Total revenue	44.032	6.003	50.035

Analysis of assets

	Operating segments		Russia-discontinued operations	Total
	Cyprus	Other countries		
30 June 2015	€000	€000	€000	€000
Assets	23.786.074	2.104.298	703.771	26.594.143
Inter-segment assets				(1.211.826)
Total assets				25.382.317
31 December 2014				
Assets	25.164.546	2.112.860	715.428	27.992.834
Inter-segment assets				(1.203.432)
Total assets				26.789.402

Analysis of liabilities

	Operating segments		Russia-discontinued operations	Total
	Cyprus	Other countries		
30 June 2015	€000	€000	€000	€000
Liabilities	19.777.108	2.408.462	890.830	23.076.400
Inter-segment liabilities				(1.213.221)
Total liabilities				21.863.179
31 December 2014				
Liabilities	21.247.697	2.408.893	857.381	24.513.971
Inter-segment liabilities				(1.205.616)
Total liabilities				23.308.355

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

7. Segmental analysis (continued)

By business line

In addition to monitoring operations by geographical location, from 2015 onwards, Group management also monitors the operating results of each business line for the Cyprus segment of the Group, and such disclosures are presented to the Group Executive Committee. No comparative information has been disclosed for the results of the new business lines as their reorganisation was completed in mid 2014.

Income and expenses directly associated with each business line are included in determining the line's performance. Transfer pricing methodologies are applied between the business lines to present their results on an arm's length basis. The business line 'Other' includes group and headquarters functions such as treasury, finance, risk management, compliance, legal, communications and human resources. Headquarter functions provide services to the operating segments.

	Corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	Insurance	Other	Total Cyprus
Six months ended 30 June 2015	€000	€000	€000	€000	€000	€000	€000	€000	€000
Net interest income	33.350	32.484	114.103	166.377	30.185	2.910	366	31.125	410.900
Net fee and commission income/(expense)	3.868	4.550	27.252	7.133	27.090	939	(1.430)	6.295	75.697
Gains on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans	28.597	24.218	50.377	114.649	2.245	1.460	-	7.365	228.911
Total other operating income	333	307	2.208	149	3.478	1.812	20.376	38.262	66.925
	66.148	61.559	193.940	288.308	62.998	7.121	19.312	83.047	782.433
Total other operating expenses	(5.206)	(6.115)	(58.789)	(17.682)	(8.896)	(2.441)	(7.784)	(70.494)	(177.407)
Restructuring costs	-	-	-	-	-	-	-	(18.086)	(18.086)
Profit/(loss) before impairment of loans and advances to customers and other impairments	60.942	55.444	135.151	270.626	54.102	4.680	11.528	(5.533)	586.940
Provisions for impairment of loans and advances and other customer credit losses	(14.614)	599	(4.670)	(392.038)	(16)	(68)	-	989	(409.818)
Impairment of other financial instruments	-	-	-	-	-	-	-	(20.031)	(20.031)
Share of profit from associates and joint ventures	-	-	-	-	-	-	-	3.438	3.438
Profit/(loss) before tax	46.328	56.043	130.481	(121.412)	54.086	4.612	11.528	(21.137)	160.529
Tax	(5.791)	(7.005)	(16.310)	15.177	(6.761)	(576)	(1.503)	11.774	(10.995)
Profit/(loss) after tax	40.537	49.038	114.171	(106.235)	47.325	4.036	10.025	(9.363)	149.534
Non-controlling interests - profit	-	-	-	-	-	-	-	(225)	(225)
Profit/(loss) after tax attributable to the owners of the Company	40.537	49.038	114.171	(106.235)	47.325	4.036	10.025	(9.588)	149.309

Analysis of loans and advances to customers in Cyprus in the above business lines is disclosed in Note 27.

8. Net gains on financial instruments transactions

	For the six months ended 30 June		For the three months ended 30 June	
	2015	2014 (represented)	2015	2014 (represented)
	€000	€000	€000	€000
Trading portfolio:				
- equity securities	676	1.130	(151)	277
- debt securities	11	69	3	(1)
- derivative financial instruments	(13.522)	1.143	(11.975)	(5.312)
Other investments at fair value through profit or loss:				
- debt securities	401	1.829	350	755
- equity securities	(118)	-	(68)	(55)
Net gains/(losses) on disposal of available-for-sale investments:				
- equity securities	944	48.974	944	47.469
- debt securities	(12)	2.626	(1)	-
Net gains on disposal/repayment of loans and receivables:				
- debt securities	30.820	99.842	30.820	99.842
Realised gains on disposal of loans and deposits	-	27.339	99	27.232
Revaluation of financial instruments designated as fair value hedges:				
- hedging instruments	8.603	566	6.893	515
- hedged items	(9.148)	(144)	(7.011)	(78)
Gain on disposal of joint venture	10.062	-	10.062	-
Other losses on financial instruments	-	(55)	-	(55)
Gain on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans	230.039	11.248	187.033	4.121
	258.756	194.567	216.998	174.710

The gain on disposal of debt securities classified as loan and receivable relates to the gain from the earlier than expected partial repayment of a Cyprus Government Bond.

In 2015 and 2014, gain on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans arise on settlement of loans acquired in 2013 through the acquisition of Laiki Bank operations, at an amount which is higher than their carrying amount on settlement date and on changes in expectations of future cash flows on acquired loans compared to the initial expectations.

The gain on disposal of joint venture relates to the disposal of Marfin Diversified Strategy Fund Plc (MDSF) in April 2015 and represents the recycling of the related foreign currency reserves into the consolidated income statement. Further details are disclosed in Note 17.

9. Staff costs and other operating expenses

Staff costs

	For the six months ended 30 June		For the three months ended 30 June	
	2015	2014 (represented)	2015	2014 (represented)
	€000	€000	€000	€000
Salaries	93.711	93.264	47.005	47.320
Employer's contributions to state social insurance and pension funds	12.581	12.860	6.107	6.187
Retirement benefit plan costs	11.683	11.146	5.765	5.696
	117.975	117.270	58.877	59.203

The number of persons employed by the Group as at 30 June 2015 was 6.668 (31 December 2014: 6.726, 30 June 2014: 6.837).

Other operating expenses

	For the six months ended 30 June		For the three months ended 30 June	
	2015	2014 (represented)	2015	2014 (represented)
	€000	€000	€000	€000
Operating lease rentals for property and equipment	5.216	5.920	2.771	3.022
Advertising and marketing	2.994	5.866	(314)	3.828
Repairs and maintenance of property and equipment	10.548	8.708	4.470	4.377
Other property-related costs	5.297	5.363	2.972	3.038
Insurance expenses	7.263	6.762	3.840	3.517
Communication expenses	3.513	4.898	1.905	2.729
Printing and stationery	1.956	2.452	936	1.586
Depreciation of property and equipment	6.159	6.953	3.128	3.359
Amortisation of intangible assets	3.426	3.363	1.735	1.891
Contributions to depositor protection schemes	245	40	141	15
Special levy on deposits on credit institutions in Cyprus	8.508	9.610	4.254	4.805
Provisions and settlements of litigations or claims	2.004	11.700	1.910	700
Consultancy and other professional services fees	7.514	4.824	3.052	2.698
Local cash transfer expenses	1.323	-	656	(348)
Other operating expenses	9.936	14.818	1.528	9.111
	75.902	91.277	32.984	44.328
Advisory and other restructuring costs	21.453	20.769	13.233	16.180
	97.355	112.046	46.217	60.508

Restructuring costs comprise mainly costs of external advisors and other expenses and costs incurred in closing down branches. In 2014, such expenses included also property transfer fees relating to the restructuring process.

10. Impairment of other financial instruments

	For the six months ended 30 June		For the three months ended 30 June	
	2015	2014 (represented)	2015	2014 (represented)
	€000	€000	€000	€000
Available-for-sale debt securities	-	66		(6)
Available-for-sale equity securities	2.023	1.494	1.178	1.279
Loans and receivables debt securities	(167)	-	2	-
Placements with banks	13.470	17.440	13.470	17.440
Other receivables (Note 18)	15.842	15.000	15.705	15.000
	31.168	34.000	30.355	33.713

11. Tax

	For the six months ended 30 June		For the three months ended 30 June	
	2015	2014 (represented)	2015	2014 (represented)
	€000	€000	€000	€000
Current tax:				
- Cyprus	1.355	1.511	720	721
- overseas	757	2.393	36	987
Cyprus defence contribution	90	77	75	48
Deferred tax	7.461	543	1.503	414
Prior year tax adjustments	812	(18)	166	89
	10.475	4.506	2.500	2.259

12. Earnings per share

	For the six months ended 30 June		For the three months ended 30 June	
	2015	2014 (represented)	2015	2014 (represented)
	€000	€000	€000	€000
Basic and diluted earnings per share attributable to the owners of the Company				
Profit for the period attributable to the owners of the Company (€ thousand)	60.220	81.424	31.696	50.115
Weighted average number of shares in issue during the period, excluding treasury shares (thousand)	8.905.652	4.734.944	8.905.652	4.734.944
Basic and diluted earnings per share (€ cent)	0,68	1,72	0,36	1,06

Basic and diluted earnings per share attributable to the owners of the Company – continuing operations				
Profit after tax attributable to the owners of the Company – continuing operations (€ thousand)	92.650	261.360	43.478	183.859
Weighted average number of shares in issue during the period, excluding treasury shares (thousand)	8.905.652	4.734.944	8.905.652	4.734.944
Basic and diluted earnings per share – continuing operations (€ cent)	1,04	5,52	0,49	3,88

12. Earnings per share (continued)

	For the six months ended 30 June		For the three months ended 30 June	
	2015	2014 (represented)	2015	2014 (represented)
Basic and diluted losses per share attributable to the owners of the Company – discontinued operations				
Loss after tax attributable to the owners of the Company – discontinued operations (€ thousand)	(32.430)	(179.936)	(11.782)	(133.744)
Weighted average number of shares in issue during the period, excluding treasury shares (thousand)	8.905.652	4.734.944	8.905.652	4.734.944
Basic and diluted losses per share – discontinued operations (€ cent)	(0,36)	(3,80)	(0,13)	(2,82)

13. Investments

	30 June 2015	31 December 2014
	€000	€000
Investments		
Investments at fair value through profit or loss	36.686	34.347
Investments available-for-sale	50.516	53.480
Investments classified as loans and receivables	914.645	1.783.309
	1.001.847	1.871.136

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

	30 June 2015	31 December 2014
	€000	€000
Investments pledged as collateral		
Investments available-for-sale	628.784	669.786

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

Loans and receivables at 30 June 2015 include €172.049 thousand (31 December 2014: €169.365 thousand) of debt securities issued by the Cyprus government and listed on the Cyprus Stock Exchange which have been determined to be individually impaired, in prior years.

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

13. Investments (continued)

Reclassification of investments

The tables below present the debt securities reclassified by the Group, by date of reclassification.

	Reclassification date	Carrying and fair value on reclassification date	30 June 2015		31 December 2014		Six months ended 30 June 2015		Effective interest rate on reclassification date
			Carrying value	Fair value	Carrying value	Fair value	Additional profit in the income statement had the debt securities not been reclassified	Additional income/(loss) in other comprehensive income had the debt securities not been reclassified	
			€000	€000	€000	€000	€000	€000	
Reclassification of trading investments to:									
- loans and receivables	1 April 2010	34.810	36.015	35.478	36.722	35.056	422	-	1,2%-4,4%
Reclassification of available-for-sale investments to:									
- loans and receivables	1 October 2008	129.497	131.004	140.482	130.500	130.520	-	9.478	4,6%-4,7%
- loans and receivables	30 June 2011	151.967	166.841	162.244	166.724	157.918	-	(4.597)	2,8%-6,3%
Reclassification of held-to-maturity investments to:									
- available-for-sale	1 November 2012	42.151	41.909	41.909	43.358	43.358	-	-	0,4%-3,1%

13. Investments (continued)

Reclassification of investments (continued)

	Reclassification date	Carrying and fair value on reclassification date	30 June 2014		31 December 2013		Six months ended 30 June 2014		Effective interest rate on reclassification date
			Carrying value	Fair value	Carrying value	Fair value	Additional profit in the income statement had the debt securities not been reclassified	Additional income/(loss) in other comprehensive income had the debt securities not been reclassified	
		€000	€000	€000	€000	€000	€000	€000	
Reclassification of trading investments to:									
- loans and receivables	1 April 2010	34.810	37.513	35.254	38.059	32.204	3.050	-	1,2% - 4,4%
Reclassification of available-for-sale investments to:									
- loans and receivables	1 October 2008	163.407	167.061	167.788	164.875	145.171	-	727	4,6% - 4,7%
- loans and receivables	30 June 2011	164.035	186.270	177.085	185.666	158.170	-	(9.185)	2,8% - 6,3%
Reclassification of held-to-maturity investments to:									
- available-for-sale	1 November 2012	87.725	89.326	89.326	90.114	90.114	-	-	0,4% - 3,1%

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

14. Derivative financial instruments

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

	30 June 2015			31 December 2014		
	Contract amount	Fair value		Contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
€000	€000	€000	€000	€000	€000	
Trading derivatives						
Forward exchange rate contracts	129.561	16.676	210	108.599	18.927	433
Currency swaps	1.267.915	3.783	8.810	1.268.923	22.623	7.196
Interest rate swaps	73.087	350	2.766	205.661	11.930	3.773
Currency options	66	5	61	995	76	919
Equity options	3.183	730	479	3.113	580	346
Interest rate caps/floors	7.030	-	107	5.194	-	153
GDP warrant securities	-	-	-	1.208	13	-
	1.480.842	21.544	12.433	1.593.693	54.149	12.820
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	705.236	1.733	48.038	674.883	-	59.147
Net investments – forward exchange rate contracts	195.205	-	4.219	60.616	8.449	-
	900.441	1.733	52.257	735.499	8.449	59.147
Total	2.381.283	23.277	64.690	2.329.192	62.598	71.967

14. Derivative financial instruments (continued)

Hedge accounting

Hedges of net investments

The Group's consolidated balance sheet is affected by foreign exchange differences between the Euro and all non-Euro functional currencies of overseas subsidiaries and branches and other foreign operations. The Group hedges its structural currency risk when it considers that the cost of such hedging is within an acceptable range (in relation to the underlying risk). This hedging is effected by financing with borrowings in the same currency as the functional currency of the overseas subsidiaries and branches, as well as overseas associates and joint ventures and forward exchange rate contracts. As at 30 June 2015, deposits and forward exchange rate contracts amounting to €179.531 thousand and €195.205 thousand respectively (31 December 2014: €249.967 thousand and €60.616 thousand respectively) have been designated as hedging instruments and have given rise to a gain of €7.771 thousand (31 December 2014: gain of €2.580 thousand) which was recognised in the 'Foreign currency translation reserve' in the consolidated statement of comprehensive income, against the profit or loss from the retranslation of the net assets of the overseas subsidiaries and branches and other foreign operations.

15. Fair value measurement

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

	30 June 2015		31 December 2014	
	Carrying value	Fair value	Carrying value	Fair value
	€000	€000	€000	€000
Financial assets				
Cash and balances with central banks	1.010.927	1.010.927	1.139.465	1.139.465
Placements with banks	1.425.198	1.428.523	1.646.886	1.620.413
Investments at fair value through profit or loss	36.686	36.686	34.347	34.347
Investments available-for-sale	679.300	679.300	723.266	723.266
Investments classified as loans and receivables	914.645	954.444	1.783.309	1.861.909
Derivative financial assets	23.277	23.277	62.598	62.598
Loans and advances to customers	18.136.260	18.578.972	18.168.323	18.365.310
Life insurance business assets attributable to policyholders	468.647	468.647	459.912	459.912
Financial assets included in disposal groups held for sale	614.106	607.212	673.104	624.961
Other assets – financial assets	187.550	187.550	151.155	151.155
	23.496.596	23.975.538	24.842.365	25.043.336
Financial liabilities				
Obligations to central banks and amounts due to banks	6.604.601	6.604.601	8.445.669	8.445.669
Repurchase agreements	576.468	584.144	579.682	592.113
Derivative financial liabilities	64.690	64.690	71.967	71.967
Customer deposits	13.027.310	13.041.772	12.623.558	12.609.522
Debt securities in issue	1.199	1.199	1.185	1.185
Financial liabilities included in disposal groups held for sale	631.903	632.694	579.930	578.666
Other liabilities – financial liabilities	76.682	76.682	128.785	128.785
	20.982.853	21.005.782	22.430.776	22.427.907

15. Fair value measurement (continued)

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

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

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

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

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

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

Derivative financial instruments

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

Credit Valuation adjustments and Debit Valuation adjustments

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

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

The expected exposure of derivatives is calculated as per the CRR and takes into account the netting agreements where they exist. A standard loss given default (LGD) assumption in line with industry norms is adopted.

Alternative LGD assumptions may be adopted when both the nature of the exposure and the available data support this.

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

Investments available-for-sale and other investments at fair value through profit or loss

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

Loans and advances to customers

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

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

15. Fair value measurement (continued)

Customer deposits

The fair value of customer deposits is determined by calculating the present value of future cash flows. The discount rate takes into account current market rates and the credit profile of the Company. The fair value of a deposit repayable on demand is approximated by its carrying value.

Repurchase agreements

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

Placements with banks

Placements with maturity over one year are discounted using an appropriate risk free rate plus the government's credit spread, or plus the credit spread of each counterparty. For short-term nature of lending (i.e. overnight deposits) there is a minimal difference between the fair value and the carrying value.

Deposits by banks

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

Model inputs for valuation

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

Analysis of financial instruments recorded at fair value by level of the fair value hierarchy

	Level 1	Level 2	Level 3	Total
30 June 2015	€000	€000	€000	€000
Financial assets				
<i>Trading derivatives</i>				
Forward exchange rate contracts	-	16.676	-	16.676
Currency swaps	-	3.783	-	3.783
Interest rate swaps	-	350	-	350
Currency options	-	5	-	5
Equity options	-	730	-	730
	-	21.544	-	21.544
<i>Derivatives designated as fair value hedges</i>				
Interest rate swaps	-	1.733	-	1.733
<i>Investments at fair value through profit or loss</i>				
Trading investments	15.108	-	339	15.447
Other investments at fair value through profit or loss	3.235	17.845	159	21.239
	18.343	17.845	498	36.686
<i>Investments available-for-sale</i>	676.945	39	2.316	679.300
	695.288	41.161	2.814	739.263

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

15. Fair value measurement (continued)

Analysis of financial instruments recorded at fair value by level of the fair value hierarchy (continued)

	Level 1	Level 2	Level 3	Total
30 June 2015	€000	€000	€000	€000
Financial liabilities				
<i>Trading derivatives</i>				
Forward exchange rate contracts	-	210	-	210
Currency swaps	-	8.810	-	8.810
Interest rate swaps	-	2.766	-	2.766
Currency options	-	61	-	61
Equity options	-	479	-	479
Interest rate caps/floors	-	107	-	107
	-	12.433	-	12.433
<i>Derivatives designated as fair value hedges</i>				
Interest rate swaps	-	48.038	-	48.038
<i>Derivatives designated as net investment hedges</i>				
Forward exchange rate contracts	-	4.219	-	4.219
	-	64.690	-	64.690

31 December 2014				
Financial assets				
<i>Trading derivatives</i>				
Forward exchange rate contracts	-	18.927	-	18.927
Currency swaps	-	22.623	-	22.623
Interest rate swaps	-	11.930	-	11.930
Currency options	-	76	-	76
Equity options	-	580	-	580
GDP warrant securities	-	13	-	13
	-	54.149	-	54.149
<i>Derivatives designated as net investment hedges</i>				
Forward exchange rate contracts	-	8.449	-	8.449
<i>Investments at fair value through profit or loss</i>				
Trading investments	16.205	-	-	16.205
Other investments at fair value through profit or loss	431	17.711	-	18.142
	16.636	17.711	-	34.347
<i>Investments available-for-sale</i>	719.373	205	3.688	723.266
	736.009	80.514	3.688	820.211

15. Fair value measurement (continued)

Analysis of financial instruments recorded at fair value by level of the fair value hierarchy (continued)

	Level 1	Level 2	Level 3	Total
31 December 2014	€000	€000	€000	€000
Financial liabilities				
<i>Trading derivatives</i>				
Forward exchange rate contracts	-	433	-	433
Currency swaps	-	7.196	-	7.196
Interest rate swaps	-	3.773	-	3.773
Currency options	-	919	-	919
Equity options	-	346	-	346
Interest rate caps/floors	-	153	-	153
	-	12.820	-	12.820
<i>Derivatives designated as fair value hedges</i>				
Interest rate swaps	-	59.147	-	59.147
	-	71.967	-	71.967

During the six months ended 30 June 2015 and during the year 2014 there were no transfers between Level 1 and Level 2.

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

	30 June 2015	31 December 2014
	€000	€000
1 January	3.688	4.308
Disposals	(45)	(855)
Unrealised (losses)/gains recognised in the consolidated statement of comprehensive income	(1.017)	416
Impairment charge – continuing operations	-	(181)
Transfers from level 1 and 2	171	-
Foreign exchange adjustments	17	-
30 June 2015/31 December 2014	2.814	3.688

15. Fair value measurement (continued)

Non-financial instruments (investment properties) recorded at fair value

	30 June 2015	31 December 2014
	€000	€000
1 January	488.598	495.658
Additions	91.690	117.257
Disposals	(13.188)	(19.531)
Disposal of Ukrainian operations	-	(34.395)
Transfer from own use properties to investment properties	6.792	19.847
Transfer to non-current assets and disposal groups held for sale	(8.682)	(46.841)
Transfer from investment properties to inventories	-	(893)
Transfer to equipment	-	(277)
Revaluation losses – continuing operations	(22.549)	(11.771)
Revaluation gains – discontinued operations	-	949
Foreign exchange adjustments	694	(31.405)
30 June 2015/31 December 2014	543.355	488.598

16. Loans and advances to customers

	30 June 2015	31 December 2014
	€000	€000
Gross loans and advances to customers	21.646.548	21.240.277
Provisions for impairment of loans and advances to customers (Note 27)	(3.510.288)	(3.071.954)
	18.136.260	18.168.323

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

17. Non-current assets and disposal groups classified as held for sale

	30 June 2015	31 December 2014 (represented)
	€000	€000
Disposal groups classified as held for sale	666.520	715.428
Subsidiary acquired with a view to resale	124.517	115.965
Non-current assets classified as held for sale:		
- investment properties	13.728	11.130
- investment in joint venture	-	73.683
	804.765	916.206

Non-current liabilities of disposal groups classified as held for sale

	30 June 2015	31 December 2014 (represented)
	€000	€000
Disposal groups held for sale	640.068	586.001
Subsidiary acquired with a view to resale	28.593	25.198
	668.661	611.199

The following non-current assets and disposal groups were classified as held for sale as at 30 June 2015 and 31 December 2014:

Investment properties

The investment properties classified as held for sale are properties which management is committed to sell and has proceeded with an active programme to complete this plan. The disposals are expected to take place within 12 months from the date of classification. Investment properties classified as held for sale are measured at fair value. The results of the fair value change are presented on the income statement and are within the Cyprus operating segment for investment properties in Cyprus and in other segments for Greek and Romanian investment properties.

Investment in joint venture

The Group's investment in joint venture comprises MDSF acquired by the Group as part of the acquisition of certain operations of Laiki Bank. The Group held approximately 90% of the units of the fund.

A plan to dispose of MDSF was in progress, and as at 31 December 2014 the investment was classified as held for sale. In 2014, upon measurement at fair value less costs to sell, an impairment loss of €29.757 thousand was recognised. On 30 April 2015, the Group disposed of its investment in MDSF. The sale consideration was approximately €84 million and the accounting profit was approximately €10 million (Note 8).

Subsidiaries acquired with a view to resale

The subsidiaries acquired with a view to resale relate to the Aphrodite group (Note 7), which the Group acquired in November 2014, as part of its strategy in managing large borrower exposures and which the Group is in the process of disposing and has therefore classified as a subsidiary acquired with a view to resale upon initial recognition. Upon initial recognition, the Aphrodite group was measured at fair value less costs to sell.

In May 2015, the Group reached an agreement to sell shares representing 65% in the Aphrodite Hills Resort Ltd and Aphrodite Hills (Lakkos tou Frangou) Ltd, to an investment structure managed by a foreign institutional investment management firm. The transaction also includes the restructuring of the debt held by the Company. The transaction was approved by the Commission for the Protection of Competition in Cyprus post 30 June 2015.

17. Non-current assets and disposal groups classified as held for sale (continued)

Disposal groups classified as held for sale

The disposal group classified as held for sale as at 30 June 2015 and 31 December 2014 relates to the Russian operations of the Group for which a plan to dispose of was initiated in 2014 and management has assessed that a disposal within 12 months from classification is highly probable. For the sale agreement signed in July 2015 refer to Note 36.1.

The major classes of assets and liabilities of the disposal groups classified as held for sale at 30 June 2015 and 31 December 2014 are set out below:

	Russian operations	
	30 June 2015	31 December 2014
	€000	€000
Assets		
Cash and balances with central banks	62.705	85.952
Placements with banks	59.301	35.994
Derivative financial assets	3	-
Investments	480	348
Loans and advances to customers	491.617	549.830
Investment properties	37.803	33.436
Other assets	14.611	9.868
	666.520	715.428
Liabilities		
Amounts due to banks	27.324	29.650
Customer deposits	601.774	545.620
Derivative financial liabilities	17	589
Debt securities in issue	161	1.770
Subordinated loan stock	2.627	2.301
Other liabilities	8.165	6.071
	640.068	586.001
	26.452	129.427

Immediately before classification of the Group's Russian operations as a disposal group held for sale, the recoverable amount of property and equipment and intangible assets was estimated and an impairment loss of €526 thousand was identified in 2014. Loans and advances to customers are measured at amortised cost and are stated net of impairment provisions. Investment properties are measured at fair value.

Following the classification of the Russian operations as a disposal group held for sale and measurement of the disposal group at fair value less costs to sell, an impairment loss of €84.098 thousand was recognised during 2014, to reduce the carrying amount of the scoped-in non-current assets (namely the property and equipment, intangible and other non-financial assets) of the disposal group to fair value less costs to sell, based on management's expectations. During the six months ended 30 June 2015 additional impairment of €2.215 thousand was recognised. As a result, the carrying value of the scoped-in non-current assets at each balance sheet date has been reduced to zero.

In accordance with the Group's accounting policy, any excess loss, being the difference of the fair value less costs to sell the disposal group and the carrying amount of the scoped-in non-current assets, is not recognised until disposal.

17. Non-current assets and disposal groups classified as held for sale (continued)

Disposal groups classified as held for sale (continued)

The results of the Russian operations and the results of the Aphrodite group which are presented as discontinued operations are disclosed in Note 7.

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

	Six months ended 30 June	
	2015	2014
	€000	€000
Operating	(6.359)	-
Investing	(541)	-
Net cash outflow for the period	(6.900)	-

Cumulative amounts of the consolidated other comprehensive items regarding the non-current assets and disposal groups classified as held for sale are presented below:

	30 June 2015	31 December 2014 (represented)
	€000	€000
Revaluation reserve of available-for-sale investments	1.015	973
Property revaluation reserve	7.075	7.153
Foreign currency translation reserve	(19.250)	(18.008)
Reserve of disposal groups classified as held for sale	(11.160)	(9.882)

During the six months ended 30 June 2015, the subsidiary of the Group, Kermia Hotels Ltd ceased meeting IFRS 5 classification criteria and as a result classification of items out of the held for sale category has been applied retrospectively. There was no profit/loss impact from the classification out of the held for sale category.

18. Other assets

	30 June 2015	31 December 2014 (represented)
	€000	€000
Debtors	25.653	21.279
Stock of property held for sale	13.088	13.430
Taxes refundable	37.799	48.607
Retirement benefit plan assets	286	42
Reinsurers' share of insurance contract liabilities	69.004	66.177
Prepaid expenses	1.196	1.279
Receivable relating to disposals of operations	83.532	101.550
Other assets	91.167	83.898
	321.725	336.262

As at 30 June 2015 the receivable relating to disposals of operations relates to the disposal of the Ukrainian operations.

During the six months ended 30 June 2015, an impairment loss of €15.842 thousand was recognised in relation to the above other assets (Note 10).

19. Amounts due to banks

Amounts due to banks represent interbank takings and bear interest based on the interbank rate of the relevant term and currency.

20. Funding from central banks

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

	30 June 2015	31 December 2014
	€000	€000
Emergency Liquidity Assistance (ELA)	5.902.770	7.403.741
Monetary policy operations	-	380.001
Targeted Long Term Refinancing Operations (TLTRO)	500.408	500.031
	6.403.178	8.283.773

The funding under monetary policy operations bears interest at the ruling main refinancing operations (MRO) rate of the Eurosystem and it was fully repaid during the second quarter of 2015.

In 2014 the Group participated in the targeted-long term refinancing operations (TLTRO) of the ECB. The interest rate on the TLTRO is fixed over its life at 15 bps (being a fixed spread of 10 bps over the MRO level prevailing at the time of allotment). The TLTRO matures in 2018.

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.

Details on encumbered assets related to the above funding facilities are disclosed in Note 28.

21. Customer deposits

	30 June 2015	31 December 2014
	€000	€000
By type of deposit		
Demand	4.355.589	4.237.590
Savings	1.024.647	955.556
Time or notice	7.647.074	7.430.412
	13.027.310	12.623.558
By geographical area		
Cyprus	11.630.583	11.314.137
United Kingdom	1.390.963	1.304.844
Romania	5.764	4.577
	13.027.310	12.623.558

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

The Russian operations are classified as a disposal group held for sale as at 30 June 2015 and 31 December 2014, hence Russian deposits are included in the liabilities of the disposal group held for sale in Note 17.

22. Debt securities in issue

	Contractual interest rate	30 June 2015 €000	31 December 2014 €000
Medium term senior debt			
€2 million 2010/2016	DJ EUROSTOXX 50 index	531	531
USD 2 million 2010/2016	S&P 500 index	176	162
		707	693
Other debt securities in issue			
Interest-free loan from the European Development Bank	-	492	492
		1.199	1.185

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.

Medium term senior debt

The Company maintains a Euro Medium Term Note (EMTN) Programme under which debt securities with an aggregate nominal amount up to €4.000 million (31 December 2014: €4.000 million) may be issued.

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 2014: €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.

Covered Bonds

The Company maintains a Covered Bonds Programme with an aggregate nominal amount up to €5.000 million set up under the Cyprus Covered Bonds legislation and the Covered Bonds Directive of the CBC.

Under the Programme, the Company issued in December 2011 covered bonds of €1.000 million. The covered bonds issued had a maturity of 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 Luxembourg Bourse. The terms of the €1.000 million covered bond secured by residential mortgage loans originated in Cyprus were amended and its revised maturity date is 12 June 2017. The covered bonds bear annual interest rate at the three month Euribor plus 3,25% on a quarterly basis.

Loans and advances pledged as collateral for covered bonds are disclosed in Note 28.

No liability from the issue of covered bonds is presented in debt securities in issue in the consolidated balance sheet as all the bonds issued are held by the Company.

Bonds guaranteed by the Republic of Cyprus

The Company maintains the rights and obligations as issuer of two bonds guaranteed by the Republic of Cyprus of €500 million each. In November 2014, the maturity of the bonds was extended for a period of 3 years. The bonds bear annual fixed interest rate at 5%. The bonds are guaranteed by the Republic of Cyprus 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'. No liability from the issue of these bonds is presented in debt securities in issue in the consolidated balance sheet as all the bonds are held by the Company. The bonds are pledged as collateral for obtaining funding from central banks. The bonds are listed on the Cyprus Stock Exchange.

23. Other liabilities

Other liabilities at 30 June 2015 include retirement benefit plan liabilities of €16.138 thousand (31 December 2014: €16.201 thousand).

23.1 Pending litigation and claims

Other liabilities at 30 June 2015 include provisions for pending litigation or claims of €29.372 thousand (31 December 2014: €27.329 thousand).

The recognition of provisions for litigation and claims is determined in accordance with the accounting policies set out in Note 3.31.1 of the annual Consolidated Financial Statements for the year ended 31 December 2014.

The Group faces legal and regulatory challenges, many of which are beyond its control. The extent of the impact of these matters, in which the Group is or may in the future become involved, cannot always be predicted with certainty but may materially impact its reputation, operations, financial results, condition and prospects. At the same time, most cases and matters relate to the period prior to the issue of the Resolution Decrees and to the problems brought about as a result of the said Decrees. In most cases, the Group believes that it has viable defences which it will advance in the course of the relevant proceedings.

Apart from what is described below, the Group considers that none of these matters are material, either individually or in aggregate. Where an individual provision is material, the fact that a provision has been made is stated and quantified. Any provision recognised does not constitute an admission of wrongdoing or legal liability.

While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of legal proceedings and regulatory matters as at 30 June 2015 and hence it is not believed that such litigation, when concluded, will have a material impact upon the financial position of the Group. It is not practicable to provide an aggregate estimate of potential liability for the Company's legal procedures and regulatory matters as a class of contingent liabilities.

Investigations and litigation on securities issued by the Company

A number of customers have filed actions against the Company alleging that the Company is guilty of mis-selling in relation to securities issued by the Company and have claimed various remedies, including the return of the money they have paid. The Company is contesting these claims, which are pending before the courts in Cyprus and in Greece.

The Company observes that such claims vary between themselves considerably. In the case of many of them the Company believes that it has a number of viable legal defences, which it will advance in the course of proceedings, particularly with respect to institutional investors and those purchasers who had received investment advice from independent investment advisors before proceeding with the purchase. In the case of retail investors, particularly where it can be documented that the relevant Company officers 'persuaded' them to proceed with the purchase and/or purported to offer 'investment advice', the Company may face more significant challenges. In any event, the resolution of the claims brought in the courts of Cyprus and Greece could take a number of years.

In addition, the CBC has conducted an investigation into the Company's issue of capital securities and concluded that the Company breached certain regulatory requirements concerning the issue of Convertible Capital Securities in 2009, but not in relation to the Convertible Enhanced Capital Securities. The CBC imposed upon the Company a fine of €4 thousand. The Company has filed a recourse before the Supreme Court of Cyprus against the CBC's ruling and fine.

23. Other liabilities (continued)

23.1 Pending litigation and claims (continued)

Hellenic Capital Market Commission investigation (HCMC)

In 2014, the Company was under investigation in Greece by the HCMC in relation to the issue of Convertible Capital Securities (CCS) in 2009 and Convertible Enhanced Capital Securities (CECS) in 2011 and more specifically, whether the Company had violated certain provisions of Greek law by providing investment advice without having entered into the required client agreements or having conducted the required fitness test pursuant to the Greek law which transposes the EU Directive on Markets in Financial Instruments and the implementing regulation.

The HCMC investigation was concluded at the end of 2014. According to its decision issued in February 2015, the Company provided accurate and sufficient information to potential investors through the prospectuses for the CCS and CECS regarding the characteristics and particularities of such securities and the risk factors for an investment thereof. However, the HCMC also held that the Company provided investment advice to potential investors when promoting such securities and omitted to comply with its obligation to perform a suitability assessment for such investors, according to the provisions of the law and related regulations. For this violation, a fine of €10 thousand was imposed upon the Company. In April 2015 the Company filed a petition before the competent Administrative Court challenging HCMC's decision.

In addition to the above, the HCMC is currently in the process of investigating matters concerning the Group's investment in GGBs.

Cyprus Securities and Exchange Commission (CySEC) investigations

On 2 August 2013, CySEC published its conclusions regarding an investigation into the failure by the Company in June 2012 to disclose material information to investors concerning the amount of a capital shortfall to meet the requirements of the European Banking Authority (EBA). CySEC came to the conclusion that the Company was in breach of the 'Insider Dealing and Market Manipulation (Market Abuse) Law of 2005' and on 27 November 2013 imposed an administrative fine on the Company of €70 thousand. CySEC also imposed administrative fines on certain of the then members of the Board of Directors. The Company has filed recourses before the Supreme Court challenging CySEC's decision.

CySEC has also concluded (in two stages) during 2013 and 2014 its investigation in respect of the Group's exposure to Greek Government bonds, related non-disclosure of material information and other corporate governance deficiencies. In this respect, CySEC has issued two decisions, coming to the conclusion that the Company was in breach of certain laws regarding disclosure of information and has imposed administrative fines upon the Company of a total sum of €1.110 thousand. It has also imposed fines upon certain of the then members of the Board of Directors and management of the Company. The Company has filed recourses before the Supreme Court regarding the decisions of CySEC and the fines imposed upon it. CySEC has meanwhile filed legal actions against the Company for the non-payment of the fines imposed.

During 2014, CySEC issued its decision regarding the Group's failure to publish its 2012 annual financial statements within the legally prescribed time limits. No fine was imposed, but a reprimand has been administered.

In October 2014, CySEC issued certain 'observations' to the Company in relation to additional disclosures in its financial statements for years 2010 and 2011 with respect to certain assumptions used in goodwill impairment testing. No fine was imposed and no reprimand was administered.

23. Other liabilities (continued)

23.1 Pending litigation and claims (continued)

Cyprus Securities and Exchange Commission (CySEC) investigations (continued)

CySEC has also conducted an investigation in relation to the level of goodwill of CB Uniastrum Bank LLC in the interim financial statements of the Group in 2012. In October 2014, the Company and certain of its former officers and members of the Board were invited to submit written addresses in respect of this investigation which have since been submitted. The matter is now before the CySEC Committee.

In November 2014, CySEC reprimanded the Company for the non timely publication of mid-year financial report for the six months ended 30 June 2013. The Company has filed a recourse to the Supreme Court.

In addition to the above, CySEC is currently in the process of investigating:

- Matters concerning the Bank's investment in Banca Transylvania.
- The non-disclosure of certain terms and conditions of the Group's ELA funding.
- The non-disclosure of the Company's request to the Ministry of Finance for granting additional government guarantees of up to €3 billion, for bonds that the Company could issue to enhance its liquidity position.
- The adequacy of provisions for impairment of loans and advances in years 2011 and 2012.
- The reclassification of Greek Government bonds on 1 April 2010.
- The adequacy of provisions for impairment of loans and advances in year 2013 in light of the results of the AQR.

A decision of CySEC will not be binding on the courts. If a person wishes to claim damages or any other remedy against the Company, fresh proceedings must be brought against the Company before the competent Courts of the Republic of Cyprus.

The above investigations are in progress and therefore it is not practical at this stage for the Company to estimate reliably any possible liability that might arise.

Bail-in related litigation

Depositors

A number of the affected depositors filed claims against the Company and other parties (such as the CBC and the Ministry of Finance of Cyprus) on the grounds that, inter alia, the 'Resolution of Credit and Other Institutions Law of 2013' and the various Decrees issued by virtue of the Law to implement the bail-in, are in conflict with the Constitution of the Republic of Cyprus and the European Convention of Human Rights. Actions on the part of the affected depositors have been filed before the District Courts and their objective is to obtain damages for the loss allegedly sustained by them as a result of the bail-in of their deposits effected by the relevant Decrees. In a number of those actions, interim orders were issued prohibiting the Company from treating the deposits of the applicants in question as converted into shares of the Company. The Company took active steps and obtained the discharge and cancellation of the interim orders. In parallel, the Company is defending the actions of depositors vigorously.

Shareholders

There are also numerous claims filed by shareholders against the Government and the CBC before the Supreme Court in relation to the dilution of their shareholding as a result of the recapitalisation pursuant to the Resolution Law and the Decrees issued thereunder. The objective of these proceedings before the Supreme Court was to obtain the annulment (i.e. cancellation and setting aside) of the Decrees as unconstitutional and/or unlawful and/or irregular. The Company appeared in these proceedings as an interested party and has supported the position that, as with depositors, the cases should be adjudicated upon in the context of private law. As of the present date, both the Resolution Law and the Decrees have not been annulled by a court of law and thus remain legally valid and in effect. In October 2014 the Supreme Court ruled that the proceedings fall within private and public law (before the District Courts), and accordingly, all recourses instituted before the Supreme Court (in its revisional jurisdiction) were dismissed. It is expected that actions for damages will be instituted in due course before the District Courts.

Claims based on set-off

Certain claims have been filed by customers against the Company. These claims allege that the implementation of the bail-in under the Bail-in Decrees was not carried out correctly in relation to them and, in particular, that their rights of set-off were not properly respected.

23. Other liabilities (continued)

23.1 Pending litigation and claims (continued)

Bail-in related litigation (continued)

Laiki Bank depositors and shareholders

The Company has been joined as a defendant with regards to certain claims which have been brought against Laiki Bank by its depositors, shareholders and holders of debt securities. These claims have been brought on grounds similar to the claims brought by the Company's bailed-in depositors and shareholders as described above.

Implementation of Decrees

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

Legal position of the Group

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

Commission for the Protection of Competition Investigation

Following an investigation, which began in 2010, the Cypriot Commission for the Protection of Competition (CPC) in April 2014 issued a statement of objections, alleging violations of Cypriot and EU competition law relating to the activities and/or omissions in respect of card payment transactions by, among others, the Company. The CPC has alleged that the market conduct of JCC Payment Systems Ltd (JCC), a card-processing business, owned and controlled by its shareholder banks, which includes the Company (a 75% shareholder of JCC since March 2013, previously 45%) together with the conduct of other banks, violates competition law in various aspects. Both the Company and JCC are contesting the allegations and charges.

There is also an allegation concerning the Company's arrangements with American Express, namely that such exclusive arrangements violate competition law. The Company contests such allegations and has filed a defence in the matter.

If the Commission concludes against the Company, a fine could be imposed as a percentage of the turnover of the Company. Judgement has been reserved for both allegations.

CNP Arbitration

CNP Cyprus Insurance Holdings Ltd (a company in which the Group has a 49,9% shareholding, acquired as part of the Laiki Bank acquisition) had certain exclusive arrangements with Laiki Bank with respect to insurance products offered in Cyprus through the formation of a local company (CNP Cyprus). CNP France held 50,1% of the shares of CNP Cyprus and Laiki Bank held 49,9% of the shares. In the context of the total arrangement between the parties, two agreements were in place between CNP and Laiki Bank, a Shareholding Agreement and a Distribution Agreement. As regards the Shareholding Agreement, the Company (pursuant to the Resolution Law and the Decrees made thereunder) has succeeded to the shareholding of Laiki Bank, thus becoming a 49,9% shareholder of CNP Cyprus.

Following the resolution of Laiki Bank, CNP has instituted arbitration proceedings in London under the auspices of the International Chamber of Commerce, alleging that the Company is a successor to Laiki Bank in respect of both agreements and that the said agreements (particularly the Distribution Agreement) have been violated. The claims of CNP amount to approximately €240 million (including interest and grossed-up for tax). The Company considers that it has viable defences in respect of both proceedings which it intends to contest vigorously. One of the defences raised by the Company is that of frustration, namely that as a result of the very significant changes of March 2013, the agreements as concluded between CNP and Laiki Bank cannot possibly operate in the context of the new realities. The hearing of the Arbitration is planned to take place in May 2016.

23. Other liabilities (continued)

23.1 Pending litigation and claims (continued)

Other litigation

The Group is involved in a number of other litigation proceedings involving cases against the Group arising in the course of its normal operating activities, mainly in Cyprus and Greece.

For one of these cases relating to the discontinued operations in Greece, a provision was formed in previous periods (30 June 2014: €38.000 thousand) following a court judgement. This provision was reversed as at 31 December 2014 following the dismissal of the said judgement by the Supreme Court in March 2015. The case may be sent for retrial. The Company has indemnified Piraeus Bank SA (the acquirer of its Greek operations in March 2013) through a letter of guarantee, for any claim brought against it in connection with this case.

Provident fund cases

Twenty three claims are pending before the Labour Disputes Tribunal by former employees with respect to their retirement benefits; judgement has been reserved. These employees retired and/or departed in 1999 and claim that the Company and/or the Company's provident fund did not calculate their benefits correctly. In the event that the claims succeed, the total amount of the claim will be approximately €24 million. A provision has been made based on management's best estimate of probable outflows.

Private criminal prosecutions

Six private criminal prosecutions have been instituted by certain customers against the Company and certain of its Directors and officers advancing their own grievances and complaints. These are proceedings instituted by individuals and not the State. Two of these concern allegations of failure to restructure loan obligations of clients, another two concern alleged misrepresentations in the financial statements, one concerns alleged conspiracy with respect to a claim under a guarantee and one refers to the registration of mortgages under false pretences. The Company expects that these prosecutions will be dismissed. The Company has asked the Attorney-General to discontinue the proceedings (*nolle prosequi*) but such request has been rejected.

General criminal investigations

As part of the investigations and inquiries following and relating to the financial crisis which culminated in March 2013, the Attorney-General and the Police are conducting various investigations (confidentially). The Company is fully cooperating with the authorities of the Republic of Cyprus and is providing all information requested of it. Based on the currently available information, the Company is of the view that any further investigations or claims resulting from these investigations will not have a material impact on the financial position of the Company.

The Attorney-General has filed a criminal case against the Company and five former members of the Board of Directors for alleged breach of Article 302 (conspiracy to defraud) of the criminal code and Article 19 of the Manipulation of Insider Information and Market Manipulation (Market Abuse) Law. The case is pending before the Assize Court.

23.2 Other contingent liabilities

The Group as part of its disposal process of certain of its operations has provided various representations and warranties to the buyers. These relate to, among other things, the ownership of the loans, the validity of the liens and other matters agreed with the buyers. In the event of a breach of its representations and warranties, the Group may be obliged to repurchase the loans with identified defects and/or to indemnify the buyers.

24. Share capital

	30 June 2015		31 December 2014	
	Shares (thousand)	€000	Shares (thousand)	€000
<i>Authorised</i>				
Ordinary shares of €0,10 each	47.677.593	4.767.759	47.677.593	4.767.759
<i>Issued</i>				
1 January	8.922.378	892.238	4.683.985	4.683.985
Bail-in of deposits and structured products	-	-	150	150
Shares subject to interim orders withdrawn/cancelled	-	-	58.625	58.625
Additional shares issued to Laiki Bank for 2013 acquisition	-	-	12.951	12.951
Reduction of nominal value of share capital	-	-	-	(4.280.140)
Issue of share capital	567	56	4.166.667	416.667
30 June 2015/31 December 2014	8.922.945	892.294	8.922.378	892.238

Issued share capital

2015

During the six months ended 30 June 2015 the issued share capital was increased by 567 thousand shares of a nominal value of €0,10 each as a result of the Retail Offer, the third and the last phase of the Capital Raising. Phase 3 was completed on 9 January 2015 and the new ordinary shares were issued on 14 January 2015.

2014

During 2014 the Company reduced the nominal value of its authorised capital from €1,00 each to €0,10 each share.

During August 2014, the nominal value of the ordinary shares in issue, was reduced from €1 each to €0,10 each. Additionally, in September 2014 the Company completed a €1 billion Capital Raising, which comprised a private placement to qualified institutional investors and an offer to existing shareholders to acquire up to 20% of the issue. As a result the issued share capital was increased by 4.166.667 thousand shares of a nominal value of €0,10 leading to an increase of the Company's share capital by €416.667 thousand. The shares issued had a subscription price of €0,24 each. Additionally, the issued share capital increased by 58.625 thousand shares as a result of the cancellation and withdrawal in 2014 of interim orders prohibiting the Company from converting deposits to shares as a result of the bail-in in 2013. Consequently, 12.951 thousand shares were issued to Laiki Bank in accordance with the provisions of the decrees.

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 (CBC, 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 were being contested by the Company and were pending before the District Courts.

The shares which as per the bail-in Decrees corresponded to the deposits which were subject to these interim orders were 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. As at 30 June 2015 there were no shares subject to interim orders (31 December 2014: €441 thousand).

24. Share capital (continued)

Share premium

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

During the six months ended 30 June 2015, as a result of the issuance of 567 thousand shares of a nominal value of €0,10 each at a subscription price of €0,24 each, the Company's share premium increased by €79 thousand.

In 2014, as a result of the issuance of 4.166.667 thousand shares of a nominal value of €0,10 each at a subscription price of €0,24 each, the Company's share premium increased by €583.333 thousand. Transaction costs of €30.794 thousand associated with the issue of new shares were deducted from share premium.

Capital reduction reserve

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

Treasury shares of the Company

Shares of the Company held by entities controlled by the Group are deducted from equity on the purchase, sale, issue or cancellation of such shares. No gain or loss is recognised in the consolidated income statement. The number of these shares at 30 June 2015 was 5.627 thousand of a nominal value of €0,10 each (31 December 2014: 20.751 thousand of a nominal value of €0,10 each). The total cost of acquisition of treasury shares was €45.809 thousand (31 December 2014: €88.051 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 will be disposed of in the near future.

In addition, the life insurance subsidiary of the Group held, as at 30 June 2015, a total of 2.889 thousand (31 December 2014: 3.043 thousand) shares of the Company, as part of their financial assets which are invested for the benefit of insurance policyholders. The cost of acquisition of these shares was €21.463 thousand (31 December 2014: €21.463 thousand).

25. Cash and cash equivalents

Cash and cash equivalents in the Consolidated Statement of Cash Flows comprise:

	30 June 2015	30 June 2014
	€000	€000
Cash and non-obligatory balances with central banks	482.946	663.023
Treasury bills repayable within three months	23.463	199.085
Placements with banks with maturity of less than three months	1.134.643	693.223
Cash and balances with central banks and placements with banks with maturity less than three months classified as held for sale	106.922	-
	1.747.974	1.555.331

25. Cash and cash equivalents (continued)*Analysis of cash and balances with central banks and placements with banks*

	30 June 2015	31 December 2014
	€000	€000
Cash and non-obligatory balances with central banks	482.946	655.263
Obligatory balances with central banks	527.981	484.202
Total cash and balances with central banks	1.010.927	1.139.465
Placements with banks with original maturity less than three months	1.134.643	1.304.358
Other restricted placements with banks	103.620	70.771
Other placements with banks	186.935	271.757
Total placements with banks	1.425.198	1.646.886

Other restricted placements with banks relate to collateral under derivative transactions of €103.620 thousand (31 December 2014: €70.771 thousand) which are not immediately available for use by the Group, but are released once the transactions are terminated.

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

26. Analysis of assets and liabilities by expected maturity

	30 June 2015			31 December 2014		
	Less than one year	Over one year	Total	Less than one year	Over one year	Total
Assets	€000	€000	€000	€000	€000	€000
Cash and balances with central banks	484.643	526.284	1.010.927	660.104	479.361	1.139.465
Placements with banks	1.291.716	133.482	1.425.198	1.522.315	124.571	1.646.886
Derivative financial assets	21.176	2.101	23.277	61.896	702	62.598
Investments	461.396	1.169.235	1.630.631	571.863	1.969.059	2.540.922
Loans and advances to customers	4.685.384	13.450.876	18.136.260	4.487.855	13.680.468	18.168.323
Life insurance business assets attributable to policyholders	20.761	460.466	481.227	20.906	452.086	472.992
Other assets	295.209	26.516	321.725	236.469	99.793	336.262
Property, equipment and intangible assets	58.959	377.968	436.927	8.086	435.417	443.503
Investment properties	-	543.355	543.355	-	488.598	488.598
Investments in associates and joint venture	-	119.512	119.512	-	116.776	116.776
Deferred tax assets	17.433	431.080	448.513	9.905	446.966	456.871
Non-current assets and disposal groups held for sale	804.765	-	804.765	916.206	-	916.206
	8.141.442	17.240.875	25.382.317	8.495.605	18.293.797	26.789.402
Liabilities						
Amounts due to banks	152.511	48.912	201.423	113.651	48.245	161.896
Funding from central banks	1.421.216	4.981.962	6.403.178	1.554.000	6.729.773	8.283.773
Repurchase agreements	266.455	310.013	576.468	230.305	349.377	579.682
Derivative financial liabilities	23.183	41.507	64.690	13.371	58.596	71.967
Customer deposits	4.643.506	8.383.804	13.027.310	4.416.865	8.206.693	12.623.558
Insurance liabilities	96.231	489.444	585.675	93.837	482.864	576.701
Other liabilities	267.480	20.037	287.517	317.664	32.767	350.431
Debt securities in issue	492	707	1.199	492	693	1.185
Deferred tax liabilities	-	47.058	47.058	565	47.398	47.963
Non-current liabilities and disposal groups held for sale	668.661	-	668.661	611.199	-	611.199
	7.539.735	14.323.444	21.863.179	7.351.949	15.956.406	23.308.355

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

In accordance with the Group's approved restructuring plan, most of the funding from central banks has been included in the over one year time band, since it is expected that it will continue to be required and available. It is noted, however, that funding under ELA has a contractual maturity of less than one year whereas funding under TLTRO has a contractual maturity of more than one year.

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

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

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

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

27. Risk management – Credit risk

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

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

The Credit Risk department sets the Group's credit disbursement policies and monitors compliance with credit risk policy applicable to each business line and 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 Credit Risk department determines the prohibitive/dangerous sectors of the economy and sets out stricter policy rules for these sectors, according to their degree of riskiness.

The Group's policy regarding the definition of impaired loans and advances and the determination of the level of provisions for impairment is described in Note 3 'Summary of accounting policies' of the annual Consolidated Financial Statements for the year ended 31 December 2014.

The Market Risk department 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 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.

27. Risk management – Credit risk (continued)

Maximum exposure to credit risk and collateral and other credit enhancements

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

	30 June 2015	31 December 2014
	€000	€000
Balances with central banks	854.846	954.412
Placements with banks	1.425.198	1.646.886
Trading investments - debt securities	1	1
Debt securities at fair value through profit or loss	17.370	17.151
Debt securities classified as available-for-sale and loans and receivables	1.583.517	2.491.167
Derivative financial instruments (Note 14)	23.277	62.598
Loans and advances to customers (Note 16)	18.136.260	18.168.323
Assets held for sale (Note 17)	588.112	625.207
Debtors (Note 18)	25.653	21.279
Reinsurers' share of insurance contract liabilities (Note 18)	69.004	66.177
Other assets	161.897	129.876
On-balance sheet total	22.885.135	24.183.077
<i>Contingent liabilities</i>		
Acceptances and endorsements	8.477	9.227
Guarantees	882.842	972.673
Guarantees related to the disposal group held for sale	2.717	8.547
<i>Commitments</i>		
Documentary credits	15.786	16.217
Undrawn formal stand-by facilities, credit lines and other commitments to lend	2.119.412	2.273.433
Undrawn formal stand-by facilities other credit lines and commitments to lend for disposal group held for sale	66.738	71.379
Off-balance sheet total	3.095.972	3.351.476
Total credit risk exposure	25.981.107	27.534.553

27. Risk management – Credit risk (continued)**Maximum exposure to credit risk and collateral and other credit enhancements (continued)**

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

	30 June 2015	31 December 2014
On-balance sheet	€000	€000
Cyprus	20.266.193	21.443.313
Greece	90.187	110.459
Russia	626.946	625.207
United Kingdom	1.574.980	1.525.666
Romania	326.829	478.432
	22.885.135	24.183.077
Off-balance sheet		
Cyprus	2.870.729	3.067.737
Greece	133.291	185.271
Russia	69.455	79.926
United Kingdom	22.184	18.225
Romania	313	317
	3.095.972	3.351.476
Total on and off balance sheet		
Cyprus	23.136.922	24.511.050
Greece	223.478	295.730
Russia	696.401	705.133
United Kingdom	1.597.164	1.543.891
Romania	327.142	478.749
	25.981.107	27.534.553

27. Risk management – Credit risk (continued)

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

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

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

Loans and advances to customers

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

The main types of collateral obtained by the Group are 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 the changes in the market value of the collateral and, where necessary, requests the pledging of additional collateral in accordance with the relevant agreement.

Other financial instruments

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

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

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

Credit risk concentration of loans and advances to customers

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

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

Fair value adjustment on initial recognition

The fair value adjustment on initial recognition relates to the loans and advances to customers acquired as part of the Laiki Bank acquisition in 2013. 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.

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

27. Risk management – Credit risk (continued)

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

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

	Cyprus	Greece	United Kingdom	Romania	Russia	Total	Fair value adjustment on initial recognition	Gross loans after fair value adjustment on initial recognition
30 June 2015	€000	€000	€000	€000	€000	€000	€000	€000
By economic activity								
Trade	2.288.636	-	25.198	12.576	-	2.326.410	(126.778)	2.199.632
Manufacturing	829.997	-	11.631	7.687	-	849.315	(34.665)	814.650
Hotels and catering	1.542.933	-	94.805	6.360	-	1.644.098	(83.863)	1.560.235
Construction	4.044.944	-	28.695	65.900	-	4.139.539	(369.627)	3.769.912
Real estate	1.963.346	44.953	853.520	262.859	27.356	3.152.034	(150.395)	3.001.639
Private individuals	7.492.147	219	48.873	6.007	63.073	7.610.319	(283.077)	7.327.242
Professional and other services	1.614.915	-	56.674	39.292	13.697	1.724.578	(106.244)	1.618.334
Other sectors	1.414.067	95.054	13.043	29.020	-	1.551.184	(196.280)	1.354.904
	21.190.985	140.226	1.132.439	429.701	104.126	22.997.477	(1.350.929)	21.646.548
By customer sector								
Corporate	9.445.330	140.007	825.437	399.969	104.126	10.914.869	(777.290)	10.137.579
Small and medium-sized enterprises (SMEs)	4.522.222	-	264.029	26.668	-	4.812.919	(280.146)	4.532.773
Retail								
- housing	4.340.140	-	20.726	1.376	-	4.362.242	(112.705)	4.249.537
- consumer, credit cards and other	2.267.831	219	22.247	1.688	-	2.291.985	(164.918)	2.127.067
International banking services	551.981	-	-	-	-	551.981	(8.450)	543.531
Wealth management	63.481	-	-	-	-	63.481	(7.420)	56.061
	21.190.985	140.226	1.132.439	429.701	104.126	22.997.477	(1.350.929)	21.646.548

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

27. Risk management – Credit risk (continued)

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

	Cyprus	Greece	United Kingdom	Romania	Russia	Total	Fair value adjustment on initial recognition	Gross loans after fair value adjustment on initial recognition
30 June 2015	€000	€000	€000	€000	€000	€000	€000	€000
By business line								
Corporate	2.087.376	140.007	825.437	316.329	104.126	3.473.275	(143.030)	3.330.245
Small and medium-sized enterprises (SMEs)	1.674.572	-	264.029	26.668	-	1.965.269	(55.418)	1.909.851
Retail								
- housing	3.749.406	-	20.726	1.376	-	3.771.508	(48.935)	3.722.573
- consumer, credit cards and other	1.558.438	219	22.247	1.688	-	1.582.592	(47.250)	1.535.342
Restructuring								
- corporate	5.161.934	-	-	35.764	-	5.197.698	(294.650)	4.903.048
- SMEs	1.375.521	-	-	-	-	1.375.521	(77.529)	1.297.992
Recoveries								
- corporate	2.196.020	-	-	47.876	-	2.243.896	(339.610)	1.904.286
- SMEs	1.472.129	-	-	-	-	1.472.129	(147.199)	1.324.930
- retail housing	590.734	-	-	-	-	590.734	(63.770)	526.964
- retail other	709.393	-	-	-	-	709.393	(117.668)	591.725
International banking services	551.981	-	-	-	-	551.981	(8.450)	543.531
Wealth management	63.481	-	-	-	-	63.481	(7.420)	56.061
	21.190.985	140.226	1.132.439	429.701	104.126	22.997.477	(1.350.929)	21.646.548

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

27. Risk management – Credit risk (continued)

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

	Cyprus	Greece	United Kingdom	Romania	Total	Fair value adjustment on initial recognition	Gross loans after fair value adjustment on initial recognition
31 December 2014	€000	€000	€000	€000	€000	€000	€000
By economic activity							
Trade	2.280.096	-	22.058	12.904	2.315.058	(169.687)	2.145.371
Manufacturing	819.309	-	10.079	7.620	837.008	(46.564)	790.444
Hotels and catering	1.411.823	-	87.487	6.379	1.505.689	(94.943)	1.410.746
Construction	3.839.921	-	46.487	47.164	3.933.572	(407.901)	3.525.671
Real estate	2.030.507	44.274	645.641	279.266	2.999.688	(170.448)	2.829.240
Private individuals	7.447.640	234	37.733	8.767	7.494.374	(336.364)	7.158.010
Professional and other services	1.503.453	-	51.446	39.342	1.594.241	(122.444)	1.471.797
Other sectors	1.867.190	129.632	13.183	116.753	2.126.758	(217.760)	1.908.998
	21.199.939	174.140	914.114	518.195	22.806.388	(1.566.111)	21.240.277
By customer sector							
Corporate	9.435.472	173.906	488.868	486.900	10.585.146	(868.788)	9.716.358
Small and medium-sized enterprises (SMEs)	4.504.394	-	392.422	27.992	4.924.808	(339.515)	4.585.293
Retail							
- housing	4.358.366	-	24.327	1.577	4.384.270	(125.294)	4.258.976
- consumer, credit cards and other	2.228.198	234	8.497	1.726	2.238.655	(210.372)	2.028.283
International banking services	603.557	-	-	-	603.557	(12.472)	591.085
Wealth management	69.952	-	-	-	69.952	(9.670)	60.282
	21.199.939	174.140	914.114	518.195	22.806.388	(1.566.111)	21.240.277

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

27. Risk management – Credit risk (continued)

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

	Cyprus	Greece	United Kingdom	Romania	Total	Fair value adjustment on initial recognition	Gross loans after fair value adjustment on initial recognition
31 December 2014	€000	€000	€000	€000	€000	€000	€000
By business line							
Corporate	2.028.081	173.906	488.868	400.806	3.091.661	(168.703)	2.922.958
Small and medium-sized enterprises (SMEs)	1.715.930	-	392.422	27.992	2.136.344	(77.973)	2.058.371
Retail							
- housing	3.795.958	-	24.327	1.577	3.821.862	(56.086)	3.765.776
- consumer, credit cards and other	1.538.872	234	8.497	1.726	1.549.329	(83.560)	1.465.769
Restructuring							
- corporate	5.317.892	-	-	35.609	5.353.501	(348.013)	5.005.488
- SMEs	1.401.022	-	-	-	1.401.022	(110.044)	1.290.978
Recoveries							
- corporate	2.089.499	-	-	50.485	2.139.984	(352.072)	1.787.912
- SMEs	1.387.442	-	-	-	1.387.442	(151.498)	1.235.944
- retail housing	562.408	-	-	-	562.408	(69.208)	493.200
- retail other	689.326	-	-	-	689.326	(126.812)	562.514
International banking services	603.557	-	-	-	603.557	(12.472)	591.085
Wealth management	69.952	-	-	-	69.952	(9.670)	60.282
	21.199.939	174.140	914.114	518.195	22.806.388	(1.566.111)	21.240.277

The customer loans and advances in Cyprus include lending exposures to Greek entities granted by the Company in Cyprus in its normal course of business with a carrying value of €74.261 thousand (31 December 2014: €94.703 thousand) and lending exposures in Cyprus with collaterals in Greece with a carrying value of €65.915 thousand (31 December 2014: €71.473 thousand).

27. Risk management – Credit risk (continued)

Credit risk concentration of loans and advances to customers classified as held for sale

The geographical and industry concentrations of loans and advances to customers which are classified as held for sale are presented below:

	Russia	
	30 June 2015	31 December 2014
By economic activity	€000	€000
Trade	172.903	160.632
Manufacturing	65.482	59.466
Construction	53.496	43.932
Real estate	46.164	131.943
Private individuals	249.709	294.733
Professional and other sectors	341.011	275.018
	928.765	965.724

By customer sector		
Corporate	503.905	507.838
Small and medium-sized enterprises (SMEs)	175.150	163.152
Retail		
- housing	28.578	25.999
- consumer, credit cards and other	221.132	204.867
International banking services	-	63.868
	928.765	965.724

By business line		
Corporate	503.905	507.838
Small and medium-sized enterprises (SMEs)	175.150	163.152
Retail		
- housing	28.578	25.999
- consumer, credit cards and other	221.132	204.867
International banking services	-	63.868
	928.765	965.724

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

27. Risk management – Credit risk (continued)

Currency concentration of loans and advances to customers

	Cyprus	Greece	United Kingdom	Romania	Russia	Total	Fair value adjustment on initial recognition	Gross loans after fair value adjustment on initial recognition
30 June 2015	€000	€000	€000	€000	€000	€000	€000	€000
Euro	19.622.345	140.226	29.692	428.341	98.028	20.318.632	(1.264.835)	19.053.797
US Dollar	283.293	-	858	22	6.098	290.271	(11.614)	278.657
British Pound	59.497	-	1.073.228	98	-	1.132.823	(12.699)	1.120.124
Russian Rouble	152	-	-	-	-	152	(2)	150
Romanian Lei	1	-	-	1.240	-	1.241	-	1.241
Swiss Franc	1.151.920	-	14.123	-	-	1.166.043	(57.496)	1.108.547
Other currencies	73.777	-	14.538	-	-	88.315	(4.283)	84.032
	21.190.985	140.226	1.132.439	429.701	104.126	22.997.477	(1.350.929)	21.646.548
31 December 2014								
Euro	19.692.806	172.587	41.166	516.875	-	20.423.434	(1.453.728)	18.969.706
US Dollar	279.609	-	866	21	-	280.496	(12.212)	268.284
British Pound	56.206	-	854.962	95	-	911.263	(16.359)	894.904
Russian Rouble	555	-	-	-	-	555	(2)	553
Romanian Lei	1	-	-	1.204	-	1.205	-	1.205
Swiss Franc	1.078.751	1.553	12.326	-	-	1.092.630	(77.424)	1.015.206
Other currencies	92.011	-	4.794	-	-	96.805	(6.386)	90.419
	21.199.939	174.140	914.114	518.195	-	22.806.388	(1.566.111)	21.240.277

27. Risk management – Credit risk (continued)

Currency concentration of loans and advances to customers classified as held for sale

	Russia	
	30 June 2015	31 December 2014
	€000	€000
Euro	5.050	98.575
US Dollar	200.835	193.991
Russian Rouble	722.880	673.158
	928.765	965.724

Credit quality of loans and advances to customers

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

	30 June 2015			31 December 2014		
	Gross loans before fair value adjustment on initial recognition	Fair value adjustment on initial recognition	Gross loans after fair value adjustment on initial recognition	Gross loans before fair value adjustment on initial recognition	Fair value adjustment on initial recognition	Gross loans after fair value adjustment on initial recognition
	€000	€000	€000	€000	€000	€000
Neither past due nor impaired	9.801.514	(149.854)	9.651.660	9.629.157	(181.393)	9.447.764
Past due but not impaired	3.933.795	(94.822)	3.838.973	4.281.050	(106.020)	4.175.030
Impaired	9.262.168	(1.106.253)	8.155.915	8.896.181	(1.278.698)	7.617.483
	22.997.477	(1.350.929)	21.646.548	22.806.388	(1.566.111)	21.240.277

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.

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

	30 June 2015	31 December 2014
	€000	€000
Past due:		
- up to 30 days	650.864	550.070
- 31 to 90 days	421.573	480.961
- 91 to 180 days	220.928	432.947
- 181 to 365 days	511.559	908.614
- over one year	2.128.871	1.908.458
	3.933.795	4.281.050

27. Risk management – Credit risk (continued)

Credit quality of loans and advances to customers (continued)

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

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 2015 is €3.150.458 thousand (31 December 2014: €3.459.628 thousand).

Impaired loans and advances to customers

	30 June 2015		31 December 2014	
	Gross loans and advances	Fair value of collateral	Gross loans and advances	Fair value of collateral
	€000	€000	€000	€000
Cyprus	8.638.164	5.886.873	8.265.182	6.045.030
Greece	140.196	18.271	173.906	19.950
Russia	82.868	10.680	-	-
United Kingdom	69.395	11.634	81.840	50.198
Romania	331.545	192.726	375.253	219.462
	9.262.168	6.120.184	8.896.181	6.334.640

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

	30 June 2015	31 December 2014
	€000	€000
Impaired:		
- no arrears	922.023	1.045.979
- up to 30 days	74.638	83.946
- 31 to 90 days	120.132	133.984
- 91 to 180 days	155.040	136.512
- 181 to 365 days	404.265	671.093
- over one year	7.586.070	6.824.667
	9.262.168	8.896.181

Interest income on impaired loans

Interest income from loans and advances to customers includes interest on the recoverable amount of impaired loans and advances to customers amounting to €116.435 thousand (corresponding period of 2014: €123.459 thousand).

27. Risk management – Credit risk (continued)

Credit quality of loans and advances to customers classified as held for sale

	Russia	
	30 June 2015	31 December 2014
	€000	€000
Neither past due nor impaired	376.042	435.912
Past due but not impaired:		
- up to 30 days	17.545	12.655
- 31 to 90 days	12.310	10.178
- 91 to 180 days	6.854	7.166
- 181 to 365 days	17.008	17.246
- over one year	117.119	84.663
	170.836	131.908
Impaired:		
- no arrears	46.969	106.624
- up to 30 days	16.821	65.538
- 31 to 90 days	500	8.049
- 91 to 180 days	12.567	6.463
- 181 to 365 days	84.493	14.385
- over one year	220.537	196.845
	381.887	397.904
	928.765	965.724

The fair value of the collateral for the impaired and past due but not impaired loans and advances to customers classified as held for sale at 30 June 2015 amounted to €177.110 thousand and €18.734 thousand respectively (31 December 2014: €154.543 thousand and €15.192 thousand respectively).

27. Risk management – Credit risk (continued)**Provisions for impairment of loans and advances to customers, including loans and advances held for sale**

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

	Cyprus	Greece	Russia	Other countries	Total
30 June 2015	€000	€000	€000	€000	€000
1 January	2.887.343	9.275	415.894	175.336	3.487.848
Foreign exchange adjustments	71.625	-	50.294	3.815	125.734
Transfer between geographical areas	(83.378)	6.329	-	77.049	-
Applied in writing off impaired loans and advances	(13.412)	-	(194)	(48.755)	(62.361)
Interest accrued on impaired loans and advances	(101.325)	(685)	(527)	-	(102.537)
Collection of loans and advances previously written off	2.172	-	-	6	2.178
Charge for the period – continuing operations	416.501	7.494	792	35.603	460.390
Charge for the period – discontinued operations	-	-	36.184	-	36.184
30 June	3.179.526	22.413	502.443	243.054	3.947.436
Individual impairment	2.486.630	22.413	335.778	235.789	3.080.610
Collective impairment	692.896	-	166.665	7.265	866.826

The balance of provisions for impairment of loans and advances to customers at 30 June 2015 includes €437.148 thousand (31 December 2014: €415.894 thousand) for loans and advances to customers classified as held for sale. The above table does not include the impairment on financial guarantees and commitments which is part of 'Other liabilities'.

	Cyprus	Greece	Russia	Other countries	Total
30 June 2014	€000	€000	€000	€000	€000
1 January	2.554.672	189	286.366	235.043	3.076.270
Disposal of Ukrainian operations	-	-	-	(108.342)	(108.342)
Foreign exchange adjustments	8.654	6.329	(2.543)	(8.803)	3.637
Applied in writing off impaired loans and advances	(12.760)	(12)	(45)	(46)	(12.863)
Interest accrued on impaired loans and advances	(61.314)	(123)	(179)	(1.603)	(63.219)
Collection of loans and advances previously written off	87	-	-	805	892
Charge for the period – continuing operations	272.366	3.595	(13.064)	26.357	289.254
Charge for the period – discontinued operations	-	-	39.866	38.528	78.394
30 June	2.761.705	9.978	310.401	181.939	3.264.023
Individual impairment	2.001.675	9.978	153.166	171.465	2.336.284
Collective impairment	760.030	-	157.235	10.474	927.739

27. Risk management – Credit risk (continued)

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

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.

Assumptions have been made about the future changes in property values, as well as the timing for the realisation of the collateral and for taxes and expenses on the repossession and subsequent sale of the collateral. Indexation has been used to estimate updated market values of properties, while assumptions were made on the basis of a macroeconomic scenario for future changes in property values. The timing of recovery from mortgages has been estimated to be on average 3 years with the exception for specific cases where a different period has been used, based on specific facts and circumstances. In accordance with the Loan Impairment and Provisioning Directives of 2014 and 2015 of the CBC, the cumulative average future change in property values during this period has been capped at 0%.

Any changes in these assumptions or differences 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 from collateral of impaired loans in Cyprus is lower than the amount estimated as at 30 June 2015 by 5% and 10%, then the provisions for impairment of loans and advances would increase by €160.543 thousand and €328.436 thousand respectively. Alternatively, if the collateral values in Cyprus increased by 5% and 10%, then the provisions for impairment of loans and advances would decrease by €154.019 thousand and €297.774 thousand respectively.

Forbearance

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

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

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

Rescheduled loans and advances are those facilities for which the Group has modified the repayment programme (provision of 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.

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

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

27. Risk management – Credit risk (continued)

Forbearance (continued)

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

Short-term restructuring solutions are defined as restructured repayment solutions of duration of less than five years. In the case of loans for the construction of commercial property and project finance, a short-term solution may not exceed 3 years.

Short-term restructuring solutions can include the following:

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

Long-term restructuring solutions can include the following:

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

Rescheduled loans and advances to customers

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

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

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	Total
30 June 2015	€000	€000	€000	€000	€000	€000	€000
1 January	7.024.847	75.778	234.659	136.421	184.585	-	7.656.290
New loans and advances rescheduled in the period	1.416.277	-	71.197	16.516	-	-	1.503.990
Assets no longer classified as rescheduled (including repayments)	(296.308)	(33.568)	(11.027)	(35.879)	(27.439)	-	(404.221)
Applied in writing off rescheduled loans and advances	(460)	-	-	-	(33.888)	-	(34.348)
Interest accrued on rescheduled loans and advances	179.252	544	6.531	418	203	-	186.948
Foreign exchange adjustments	70.453	-	38.227	12.455	198	-	121.333
30 June	8.394.061	42.754	339.587	129.931	123.659	-	9.029.992
30 June 2014							
1 January	7.070.764	-	187.031	107.624	127.308	62.051	7.554.778
Disposal of Ukrainian operations	-	-	-	-	-	(78.708)	(78.708)
New loans and advances rescheduled in the period	853.273	70.422	27.801	67.443	122.385	4.481	1.145.805
Assets no longer classified as rescheduled (including repayments)	(1.798.863)	-	(32.241)	(27.295)	(22.495)	(3.975)	(1.884.869)
Interest accrued on rescheduled loans and advances	158.266	413	1.911	3.335	1.407	2.460	167.792
Foreign exchange adjustments	2.420	-	(5.056)	5.007	3.601	13.691	19.663
30 June	6.285.860	70.835	179.446	156.114	232.206	-	6.924.461

As from 31 December 2014, the rescheduled loans and advances to customers in Russia are classified as held for sale.

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

27. Risk management – Credit risk (continued)
Rescheduled loans and advances to customers (continued)

Credit quality

	Cyprus	Greece	Russia	United Kingdom	Romania	Total
30 June 2015	€000	€000	€000	€000	€000	€000
Neither past due nor impaired	3.254.404	-	107.336	105.418	64.929	3.532.087
Past due but not impaired	1.909.960	-	11.322	20.056	431	1.941.769
Impaired	3.229.697	42.754	220.929	4.457	58.299	3.556.136
	8.394.061	42.754	339.587	129.931	123.659	9.029.992
31 December 2014						
Neither past due nor impaired	2.546.020	-	61.677	109.269	70.899	2.787.865
Past due but not impaired	1.764.528	-	16.468	21.814	3.247	1.806.057
Impaired	2.714.299	75.778	156.514	5.338	110.439	3.062.368
	7.024.847	75.778	234.659	136.421	184.585	7.656.290

At 30 June 2015 and 31 December 2014, the rescheduled loans and advances to customers in Russia are classified as held for sale.

The comparatives above include rescheduled loans and advances to customers acquired from Laiki Bank which had been rescheduled prior to the acquisition date (29 March 2013), previously disclosed separately.

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Fair value of collateral

	Cyprus	Russia	United Kingdom	Romania	Total
30 June 2015	€000	€000	€000	€000	€000
Neither past due nor impaired	2.859.839	100.932	105.391	64.942	3.131.104
Past due but not impaired	1.598.530	9.679	20.056	431	1.628.696
Impaired	2.735.769	82.038	3.355	41.272	2.862.434
	7.194.138	192.649	128.802	106.645	7.622.234
31 December 2014					
Neither past due nor impaired	2.241.882	58.144	108.699	70.899	2.479.624
Past due but not impaired	1.534.072	15.764	21.579	3.150	1.574.565
Impaired	2.556.664	86.725	3.267	50.943	2.697.599
	6.332.618	160.633	133.545	124.992	6.751.788

The fair value of the collateral presented above has been computed based on the extent that the collateral mitigates credit risk. The fair value of collateral as at 30 June 2015 and 31 December 2014 includes fair value of collateral for rescheduled loans and advances to customers classified as held for sale.

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

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration

	Cyprus	Greece	Russia	United Kingdom	Romania	Total
30 June 2015	€000	€000	€000	€000	€000	€000
By economic activity						
Trade	698.308	-	65.735	-	2.985	767.028
Manufacturing	293.637	-	32.206	3.983	1.262	331.088
Hotels and catering	677.713	-	-	6.692	6.200	690.605
Construction	2.083.744	-	38.283	15.901	2.452	2.140.380
Real estate	961.047	-	-	81.962	87.593	1.130.602
Private individuals	2.610.011	-	-	3.236	117	2.613.364
Professional and other services	608.841	-	203.363	18.157	22.115	852.476
Other sectors	460.760	42.754	-	-	935	504.449
	8.394.061	42.754	339.587	129.931	123.659	9.029.992
By customer sector						
Corporate	4.291.708	42.754	285.416	104.221	120.750	4.844.849
Small and medium-sized enterprises (SMEs)	1.741.905	-	45.107	22.779	2.791	1.812.582
Retail						
- housing	1.725.569	-	2.082	-	-	1.727.651
- consumer, credit cards and other	582.734	-	6.982	2.931	118	592.765
International banking services	36.346	-	-	-	-	36.346
Wealth management	15.799	-	-	-	-	15.799
	8.394.061	42.754	339.587	129.931	123.659	9.029.992

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

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

	Cyprus	Greece	Russia	United Kingdom	Romania	Total
30 June 2015	€000	€000	€000	€000	€000	€000
By business line						
Corporate	677.289	42.754	285.416	104.221	119.983	1.229.663
Small and medium-sized enterprises (SMEs)	681.919	-	45.107	22.779	2.791	752.596
Retail						
- housing	1.625.249	-	2.082	-	-	1.627.331
- consumer, credit cards and other	495.124	-	6.982	2.931	117	505.154
Restructuring						
- corporate	3.008.776	-	-	-	649	3.009.425
- SMEs	730.250	-	-	-	-	730.250
Recoveries						
- corporate	605.643	-	-	-	119	605.762
- SMEs	329.736	-	-	-	-	329.736
- retail housing	100.320	-	-	-	-	100.320
- retail other	87.610	-	-	-	-	87.610
International banking services	36.346	-	-	-	-	36.346
Wealth management	15.799	-	-	-	-	15.799
	8.394.061	42.754	339.587	129.931	123.659	9.029.992

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

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

	Cyprus	Greece	Russia	United Kingdom	Romania	Total
31 December 2014	€000	€000	€000	€000	€000	€000
By economic activity						
Trade	530.047	-	49.794	645	2.935	583.421
Manufacturing	226.724	-	23.934	3.630	523	254.811
Hotels and catering	550.447	-	-	9.467	6.213	566.127
Construction	1.867.156	-	29.411	18.239	1.088	1.915.894
Real estate	849.667	-	-	83.656	89.933	1.023.256
Private individuals	2.121.324	-	-	2.411	63	2.123.798
Professional and other services	355.101	-	131.520	17.798	21.366	525.785
Other sectors	524.381	75.778	-	575	62.464	663.198
	7.024.847	75.778	234.659	136.421	184.585	7.656.290
By customer sector						
Corporate	3.590.159	75.778	210.689	75.085	180.885	4.132.596
Small and medium-sized enterprises (SMEs)	1.490.020	-	17.733	60.756	3.636	1.572.145
Retail						
- housing	1.405.686	-	1.463	62	-	1.407.211
- consumer, credit cards and other	492.791	-	4.774	518	64	498.147
International banking services	32.355	-	-	-	-	32.355
Wealth management	13.836	-	-	-	-	13.836
	7.024.847	75.778	234.659	136.421	184.585	7.656.290

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

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

	Cyprus	Greece	Russia	United Kingdom	Romania	Total
31 December 2014	€000	€000	€000	€000	€000	€000
By business line						
Corporate	412.853	75.778	210.689	75.085	180.069	954.474
Small and medium-sized enterprises (SMEs)	564.493	-	17.733	60.756	3.636	646.618
Retail						
- housing	1.316.481	-	1.463	62	-	1.318.006
- consumer, credit cards and other	409.038	-	4.774	518	64	414.394
Restructuring						
- corporate	2.613.905	-	-	-	699	2.614.604
- SMEs	629.956	-	-	-	-	629.956
Recoveries						
- corporate	563.401	-	-	-	117	563.518
- SMEs	295.571	-	-	-	-	295.571
- retail housing	89.205	-	-	-	-	89.205
- retail other	83.753	-	-	-	-	83.753
International banking services	32.355	-	-	-	-	32.355
Wealth management	13.836	-	-	-	-	13.836
	7.024.847	75.778	234.659	136.421	184.585	7.656.290

At 30 June 2015 and 31 December 2014, the rescheduled loans and advances to customers in Russia are classified as held for sale.

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Provisions for impairment

	Cyprus	Greece	Russia	United Kingdom	Romania	Total
30 June 2015	€000	€000	€000	€000	€000	€000
Individual impairment	876.619	17.054	136.222	2.091	32.742	1.064.728
Collective impairment	338.624	-	14.042	522	2.248	355.436
	1.215.243	17.054	150.264	2.613	34.990	1.420.164
31 December 2014						
Individual impairment	732.657	15.310	103.704	1.836	60.385	913.892
Collective impairment	203.113	-	10.133	12	1.671	214.929
	935.770	15.310	113.837	1.848	62.056	1.128.821

Provisions for impairment for rescheduled loans and advances to customers as at 30 June 2015 and 31 December 2014 above, include provisions for impairment for rescheduled loans and advances to customers which are classified as held for sale.

28. 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 to fully and promptly satisfy its obligations.

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

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

Management structure

Local Treasury departments 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 country 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 informs ALCO at regular time intervals, about the adequacy of the liquid assets and takes the necessary actions to enhance the Group's liquidity position.

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

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

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.

Temporary restrictions on withdrawal of deposits

Since the beginning of April 2015 there are no longer any restrictive measures or capital controls in Cyprus.

Monitoring process*Daily*

Due to the deposit bail-in, imbalances in the banking sector and the resulting low liquidity position, the daily monitoring of cash flows and highly liquid assets has become important to safeguard and ensure the uninterrupted operations of the Group's activities. Market Risk prepares a report for submission to the CBC and ECB/Single Supervision Mechanism (SSM), indicating the cash inflows and outflows observed in customer balances and other balances, as well as the opening and closing balances of cash. Also, Group Treasury monitors daily the inflows and outflows in the main currencies used by the Group.

Weekly

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

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

Monitoring process (continued)

Monthly

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

Group Treasury prepares and submits a liquidity report to the ALCO and the Executive Committee on a monthly basis that indicates the liquidity position of the Group, as well as summary information on inflows and outflows. Moreover, in this report, Group Treasury indicates projections of expected inflows and outflows covering a two month period.

Quarterly

Market risk perform stress testing for three scenarios: Bank specific, Market wide and Combined.

Annually

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

The Company has recently completed its Internal Liquidity Adequacy Assessment Process (ILAAP). Market Risk co-ordinated the preparation of the report, which was discussed at the ALCO and approved by the Board through its Risk Committee and submitted to the CBC/ECB.

As from 4 November 2014 reports are sent not only to the CBC, but also to the ECB/SSM due to the assumption of its role as supervisor of the Group.

Liquidity ratios

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

The Group's liquidity ratio was as follows:

	30 June 2015	31 December 2014
	%	%
30 June 2015/31 December 2014	16,59	20,97
Average ratio	19,42	15,27
Highest ratio	21,62	20,97
Lowest ratio	16,59	12,11

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

As at 30 June 2015 and 31 December 2014 the other banking units of the Group comply with their liquidity regulatory ratios, with the exception of Romania.

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

Liquidity ratios (continued)

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

	30 June 2015	31 December 2014
	%	%
30 June 2015/31 December 2014	136,07	141,48
Average ratio	138,39	146,85
Highest quarter ratio	141,48	150,96
Lowest quarter ratio	136,07	141,71

Sources of funding

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

The Group currently has limited access to interbank and wholesale markets which, combined with a reduction in deposits in Cyprus, the deposit bail-in and the acquisition of certain operations of Laiki Bank in March 2013, has resulted in increased reliance on central bank funding. As at 30 June 2015, the funding from the ELA amounted to €5.902.770 thousand (31 December 2014: €7.403.741 thousand) (Note 20).

The liquidity received from central banks is subject to the relevant regulations and requires qualifying assets as collateral. In 2014 the Group participated in the targeted-long term refinancing operation (TLTRO) of the ECB (Note 20).

The funding provided to the Group through ELA is short term (usually 2-3 weeks), covering the period until the next scheduled meeting of the ECB Governing Council. The funding via Eurosystem monetary ruling operations ranges from short term to long term.

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

Any new funding to subsidiaries requires approval from the CBC.

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

Collateral requirements

The carrying values of the Group's encumbered assets as at 30 June 2015 and 31 December 2014 are summarised below:

	30 June 2015	31 December 2014
	€000	€000
Cash and other liquid assets	179.220	191.968
Investments	1.576.308	2.435.766
Loans and advances	13.308.475	13.531.026
Non-current assets and disposal groups classified as held for sale	28.256	54.536
Property	98.161	99.468
	15.190.420	16.312.764

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

Collateral requirements (continued)

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

Investments are mainly used as collateral for repurchase transactions with the ECB and other commercial banks as well as supplementary assets for covered bonds, while loans are mainly used as collateral for funding from the CBC and for covered bonds.

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

In addition, bonds guaranteed by the Cyprus government amounting to €1.000 million are pledged as collateral for obtaining funding from CBC (Note 22). Finally, the Company has a €1 billion Covered Bond in issue which is also used as collateral for obtaining funding from the CBC. The assets used as collateral for the Covered Bond are already included in the table above.

29. Risk management – Market risk

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

Currency risk

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

Price risk

Equity securities price risk

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

Debt securities price risk

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

The Group considers that the profile of its market risk has remained similar to the one prevailing at 31 December 2014, as presented in Note 47 of the annual Consolidated Financial Statements for the year 2014.

30. Capital management

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

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

The Group has complied with the minimum capital requirements during the six months ended 30 June 2015.

30. Capital management (continued)

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

Additional disclosures with respect to capital management are provided on pages 121 to 122 in Part 4 of the Additional Risk Disclosures and Capital Management section of the Mid-Year Financial Report. This information has not been reviewed by the Group's external auditors.

31. Related party transactions

	30 June 2015	31 December 2014
	€000	€000
Loans and advances:		
- members of the Board of Directors and other key management personnel	3.580	3.615
- connected persons	930	1.084
	4.510	4.699
Deposits:		
- members of the Board of Directors and other key management personnel	3.815	18.368
- connected persons	6.592	11.206
	10.407	29.574

The above table does not include period/year-end balances i.e. 30 June 2015 and 31 December 2014 respectively, for members of the Board of Directors and their connected persons who resigned/were removed during the period/year.

Interest income and expense from related parties for the six months ended 30 June 2015 amounted to €69 thousand and €139 thousand respectively (corresponding period of 2014: €71 thousand and €245 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 €142 thousand (31 December 2014: €175 thousand). There were also contingent liabilities and commitments to other key management personnel and their connected persons amounting to €874 thousand (31 December 2014: €689 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 their connected persons (using forced-sale values for tangible collaterals and assigning no value to other types of collateral), at 30 June 2015 amounted to €1.295 thousand (31 December 2014: €1.586 thousand).

There were no transactions during the six months ended 30 June 2015 with connected persons of the current members of the Board of Directors. During the six months ended 30 June 2014, the Group paid €67 thousand relating to insurance transactions to Universal Insurance Agency Ltd, in which Mr Xanthos Vrachas is the CFO.

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

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

31. Related party transactions (continued)

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

	Six months ended 30 June	
	2015 €000	2014 €000
Director emoluments		
<i>Executives</i>		
Salaries and other short term benefits	488	422
Employer's contributions	30	23
Retirement benefit plan costs	64	55
	582	500
<i>Non-executives</i>		
Fees	132	228
Total directors' emoluments	714	728
Other key management personnel emoluments		
Salaries and other short term benefits	1.891	1.086
Employer's contributions	77	80
Retirement benefit plan costs	93	105
Total other key management personnel emoluments	2.061	1.271
Total	2.775	1.999

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 other key management personnel emoluments include the remuneration of the members of the Executive Committee since the date of their appointment to the Committee and other Directors who report directly to the Board of Directors.

32. Group companies

The main subsidiary companies and branches included in the Interim Condensed 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 2015 are:

Company	Country	Activities	Percentage holding (%)
Bank of Cyprus Public Company Ltd	Cyprus	Commercial bank	N/A
The Cyprus Investment and Securities Corporation Ltd (CISCO)	Cyprus	Investment banking, asset management and brokerage	100
General Insurance of Cyprus Ltd	Cyprus	General insurance	100
EuroLife Ltd	Cyprus	Life insurance	100
Kermia Ltd	Cyprus	Property trading and development	100
Kermia Properties & Investments Ltd	Cyprus	Property trading and development	100
Kermia Hotels Ltd	Cyprus	Hotel business	100
Cytrustees Investment Public Company Ltd	Cyprus	Closed-end investment company	53
BOC Russia (Holdings) Ltd	Cyprus	Intermediate holding company	80
Finerose Properties Ltd	Cyprus	Financing services	100
Hydrobius Ltd	Cyprus	Special purpose entity	-
LCP Holdings and Investments Public Ltd (former Laiki Capital Public Co Ltd)	Cyprus	Holding company	67
Laiki Financial Services Ltd	Cyprus	Investment banking, asset management and brokerage	100

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

32. Group companies (continued)

Company	Country	Activities	Percentage holding (%)
JCC Payment Systems Ltd	Cyprus	Card processing transaction services	75
CLR Investment Fund Public Ltd	Cyprus	Investment banking asset management and brokerage	20
Auction Yard Ltd	Cyprus	Auction company	100
Bank of Cyprus Public Company Ltd (branch of the Company)	Greece	Administration of guarantees and holding of real estate properties	N/A
Kyprou Commercial SA	Greece	Financing of motor vehicles and other consumer products	100
Kyprou Properties SA	Greece	Property management	100
Kyprou Zois (branch of EuroLife Ltd)	Greece	Life insurance	N/A
Kyprou Asfaltiki (branch of General Insurance of Cyprus Ltd)	Greece	General insurance	N/A
Bank of Cyprus UK Ltd	United Kingdom	Commercial bank	100
BOC Financial Services Ltd	United Kingdom	Financial advisory services	100
Bank of Cyprus (Channel Islands) Ltd	Channel Islands	Commercial bank	100
Bank of Cyprus Romania (branch of the Company)	Romania	Commercial bank	N/A
Cyprus Leasing Romania IFN SA	Romania	Leasing	100
CB Uniastrum Bank LLC	Russia	Commercial bank	80
Leasing Company Uniastrum Leasing LLC	Russia	Leasing	80
MC Investment Assets Management LLC	Russia	Problem asset management	-
Kyprou Finance (NL) B.V.	Netherlands	Financing services	100

In addition to the above companies, at 30 June 2015 the Company had 100% shareholding in the companies listed below, whose main activity 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, Fairford Properties Ltd, Citlali Properties Ltd, Endar Properties Ltd, Ramendi Properties Ltd, Ligisimo Properties Ltd, Thames Properties Ltd, Moonland Properties Ltd, Polkima Properties Ltd, Nalmosa Properties Ltd, Smooland Properties Ltd, Emovera Properties Ltd, Estaga Properties Ltd, Skellom Properties Ltd, Blodar Properties Ltd, Spaceglowing Properties Ltd, Threefield Properties Ltd, Lepidoland Properties Ltd, Stamoland Properties Ltd, Ecunaland 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, Laiki Lefkothea Center Ltd, Labancor Ltd, Paneuropean Ltd, Philiki Ltd, Cyprialife Ltd, Imperial Life Assurance Ltd, Philiki Management Services Ltd, Nelcon Transport Co. Ltd, Steparco Ltd, Joberco Ltd, Zecomex Ltd, Domita Estates Ltd, Memdes Estates Ltd, Obafemi Holdings Ltd, Pamaco Platres Complex Ltd, Gosman Properties Ltd, Odaina Properties Ltd, Vameron Properties Ltd, Thryan Properties Ltd, Icecastle Properties Ltd, Otoba Properties Ltd, Edoric Properties Ltd, Belvesi Properties Ltd, Ingane Properties Ltd, Indene Properties Ltd, Canosa Properties Ltd, Silen Properties Ltd, Kernland Properties Ltd, Unduma Properties Ltd, Iperi Properties Ltd, Warmbaths Properties Ltd, Danoma Properties Ltd, Kimrar Properties Ltd, Jobelis Properties Ltd, Tavoni Properties Ltd, Metin Properties Ltd, Pekiro Properties Ltd, Melsolia Properties Ltd, Nimoland Properties Ltd, Lozzaria Properties Ltd, Koralmmon Properties Ltd, Petrassimo Properties Ltd, Kedonian Properties Ltd, Lasteno Properties Ltd and Armozio Properties Ltd.

32. Group companies (continued)

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

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

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

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

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

Cyprus: Bank of Cyprus Mutual Funds Ltd, Laiki Bank (Nominees) Ltd and Laiki EDAK Ltd.

In addition, the Company holds 75% of the following companies, which were acquired as part of the Aphrodite group, which owns and manages a tourist resort and owns, develops and manages real estate properties in Cyprus.

Malta: Aphrodite Holdings Ltd and Thalassa Holdings Ltd.

Cyprus: Aphrodite Hills (Lakkos tou Frangou) Ltd, Aphrodite Hills Resort Ltd, Aphrodite Hotels Ltd, Aphrodite Hills Property Management Ltd, The Aphrodite Tennis And Spa Ltd and Aphrodite Hills Services Ltd.

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

Disposal groups and subsidiaries classified as held for sale

As at 30 June 2015, the Russian operations of the Group, executed through the Russian subsidiaries of the Group, and the hotel business of Aphrodite group were classified as held for sale (Note 17).

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

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

Dissolution of subsidiaries

As at 30 June 2015, the following subsidiaries were in the process of dissolution: Samarinda Navigation Co Ltd, Kyprou Securities SA, BOC Ventures Ltd, Tefkros Investments Ltd, Tefkros Investments (CI) Ltd, Salecom Ltd, Longtail Properties Ltd, Turnmill Properties Ltd, Limestone Holdings Ltd, Guarded Path Properties Ltd and Diners Club (Cyprus) Ltd.

Misthosis Funding Plc and Misthosis Funding (Holding) Ltd, were dissolved on 13 June and 30 June 2015 respectively.

33. Acquisitions and disposals

33.1 Acquisition during 2015

Acquisition of shares of Laiki Financial Services Ltd

On 30 January 2015, the AGM of the shareholders of Laiki Financial Services Ltd approved the disposal of the shares of Laiki Financial Services Ltd to the Company for a consideration of €3 million. Previously, Laiki Financial Services Ltd, was owned 100% by LCP Holdings and Investments Public Ltd, a subsidiary of the Company. As a result, the increase of the Company's holding from 67% to 100% is accounted for as an equity transaction.

33.2 Disposal during 2015

Disposal of Kyprou Leasing SA

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

33.3 Disposals during 2014

Disposal of the Group's Ukrainian operations

In April 2014, the Group completed the disposal of its Ukrainian operations, comprising (i) its holding of 99,77% in its subsidiary bank in Ukraine, PJSC Bank of Cyprus, (ii) the funding provided by the Company to PJSC Bank of Cyprus, and (iii) its loans with Ukrainian exposures, to Alfa group. The sale consideration was €198.860 thousand, comprising €98.860 thousand received and €100.000 thousand deferred up to 31 March 2015. In 2015 the settlement terms of the deferred consideration and the related interest rate were amended. The deferred consideration will be paid to the Group under a repayment programme which extends until 1 June 2019.

The accounting loss from the sale was €114.228 thousand and represented the difference of the consideration and the carrying value of the assets and liabilities disposed, as well as the unwinding of the related foreign currency reserve of €55.796 thousand as at the disposal date.

The results of the Group's Ukrainian operations from 1 January 2014 until the date of its disposal are presented below:

	€000
Net interest income	4.064
Fee and commission income	270
Net other income	1.669
	6.003
Staff costs	(1.233)
Other operating expenses	(2.883)
Profit before provisions	1.887
Provisions for impairment of loans and advances	(38.528)
Loss before tax	(36.641)
Tax	654
Loss after tax	(35.987)
Loss on disposal of the Group's Ukrainian operations	(114.228)
Loss after tax from discontinued operations	(150.215)

33. Acquisitions and disposals (continued)

33.3 Disposals during 2014 (continued)

Disposal of the Group's Ukrainian operations (continued)

The assets and liabilities of the Group's Ukrainian operations at the date of its disposal are presented below:

	€000
Cash and balances with central banks	10.181
Placements with banks	15.924
Loans and advances to customers	250.076
Investment properties	34.395
Other assets	1.168
Customer deposits	(47.235)

34. Investments in associates and joint venture

Carrying value of the investments in associates and joint venture

	30 June 2015	31 December 2014
	€000	€000
CNP Cyprus Insurance Holdings Ltd	111.842	108.467
Byron Capital Partners Ltd	5.322	5.322
Interfund Investments Plc	2.348	2.987
Aris Capital Management LLC	-	-
Rosequeens Properties Limited	-	-
Rosequeens Properties SRL	-	-
	119.512	116.776

The Group's investments in associates comprise of CNP Cyprus Insurance Holdings Ltd (shareholding of 49,90%), Aris Capital Management LLC (shareholding of 30,00%), Interfund Investments Plc (shareholding of 23,12%), Rosequeens Properties Limited (effective shareholding of 33,33%) and Rosequeens Properties SRL (effective shareholding of 33,33%). The carrying value of Rosequeens Properties Limited, Rosequeens Properties SRL and Aris Capital Management LLC is restricted to zero. In September 2014, the Group sold its holding of 35,292% in its associate Grand Hotel Enterprises Society Ltd, which also had a zero carrying value as at the date of the disposal.

The Group's investment in joint venture comprises of Byron Capital Partners Ltd (BCP) acquired by the Group as part of the acquisition of certain operations of Laiki Bank. BCP managed 100% of the shares of MDSF (Note 17). The Group is a party to a shareholder agreement with the other shareholder of BCP and this agreement stipulates a number of matters which require consent by both shareholders. The Group considers that it jointly controls BCP (shareholding of 70%).

35. Capital commitments

Capital commitments for the acquisition of property, equipment and intangible assets as at 30 June 2015 amount to €5.873 thousand (31 December 2014: €5.203 thousand).

36. Events after the reporting date

36.1 Sale of investment in CB Uniastrum Bank LLC and other Russian assets

On 17 July 2015, the Group has reached an agreement to sell the majority of its Russian operations comprising of (i) its holding of 80% in its Russian banking subsidiary, CB Uniastrum Bank LLC, and its holding of 80% in its Russian leasing subsidiary, Leasing Company Uniastrum Leasing LLC, and (ii) certain other Russian loan exposures.

The transaction results in an accounting loss of €20 million, comprising a loss of €28 million, caused by the technical unwinding of a foreign currency translation reserve, and a profit of €8 million against the net book value of the assets as at 30 June 2015. The sale allows the Group to de-risk its balance sheet and improves the Group's regulatory capital position primarily from the release of risk weighted assets.

36.2 Sale of Aphrodite group

The Commission for the Protection of Competition in Cyprus approved the disposal agreement reached by the Group in May 2015, to sell shares which represent 65% in the Aphrodite Hills Resort Ltd and Aphrodite Hills (Lakkos tou Frangou) Ltd (Note 17).

36.3 Repayment of ELA

Up to 26 August 2015, the Company repaid €500 million of ELA funding.

Report of the statutory auditor to the Board of Directors of Bank of Cyprus Public Company Ltd on the review of the interim condensed consolidated financial statements as of 30 June 2015 and for the six-month period then ended

Introduction

We have reviewed the interim condensed consolidated financial statements of Bank of Cyprus Public Company Ltd (the 'Company') and its subsidiaries (together with the Company the 'Group') on pages 14 to 96, which comprise the interim consolidated balance sheet as at 30 June 2015, the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, the interim consolidated statements of income and comprehensive income for the three-month period then ended and explanatory notes. These statements show a consolidated balance sheet total with total equity of €3.519 million and with total assets of €25.382 million as at 30 June 2015 and a consolidated net profit for the six-month period then ended of €51.909 thousand. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance International Financial Reporting Standards applicable to interim financial reporting, IAS 34 Interim Financial Reporting ("IAS 34") as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

Emphasis of matter

We draw your attention to note 6 to the interim condensed consolidated financial statements which discusses the significant judgments, estimates and assumptions used in the preparation of the interim condensed financial statements on a going concern basis and the ongoing regulatory reviews of the ECB which could affect the future capital requirements of the Group. Our conclusion is not qualified in respect of this matter.

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

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
26 August 2015

Financial Information for the period from 1 January 2015 to 30 June 2015

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 Results.

Members of the Board of Directors: Josef Ackermann (Chairman), Wilbur L. Ross Jr. (Vice Chairman), Maksim Goldman, (Vice Chairman), Arne Berggren, Marios Kalochoritis, Christodoulos Patsalides, Michalis Spanos, Ioannis Zographakis and John Patrick Hourican.

Date of approval of the interim consolidated financial statements for the period ended 30 June 2015 by the Board of Directors: 26 August 2015.

Independent auditors: Ernst & Young Cyprus Ltd.

Type of auditor's report: Unqualified opinion and emphasis of matter.

BANK OF CYPRUS GROUP

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

	Six months ended 30 June		Three months ended 30 June	
	2015	2014 (represented)	2015	2014 (represented)
	€000	€000	€000	€000
Continuing operations				
Net interest income	439.515	513.508	214.105	265.225
Net fee and commission income	79.166	78.347	35.826	37.225
Net foreign exchange gains/(losses)	20.214	(4.036)	23.198	2.215
Net gains on financial instruments transactions	258.756	194.567	216.998	174.710
Insurance income net of claims and commissions	20.269	25.048	8.382	11.922
(Losses)/gains from revaluation and disposal of investment properties	(23.384)	1.211	(15.795)	4.277
Other income	9.080	5.863	6.191	2.483
	803.616	814.508	488.905	498.057
Staff costs	(117.975)	(117.270)	(58.877)	(59.203)
Other operating expenses	(97.355)	(112.046)	(46.217)	(60.508)
Profit before impairment of loans and advances to customers and other impairments	588.286	585.192	383.811	378.346
Provisions for impairment of loans and advances to customers and other customer credit losses	(457.206)	(289.254)	(309.017)	(160.346)
Impairment of other financial instruments	(31.168)	(34.000)	(30.355)	(33.713)
Profit before share of profit from associates and joint ventures	99.912	261.938	44.439	184.287
Share of profit from associates and joint ventures	3.438	4.111	1.598	1.976
Profit before tax from continuing operations	103.350	266.049	46.037	186.263
Tax	(10.475)	(4.506)	(2.500)	(2.259)
Profit after tax from continuing operations	92.875	261.543	43.537	184.004
Discontinued operations				
Loss after tax from discontinued operations	(40.966)	(187.985)	(15.274)	(139.251)
Profit for the period	51.909	73.558	28.263	44.753

Attributable to:				
Owners of the Company - continuing operations	92.650	261.360	43.478	183.859
Owners of the Company - discontinued operations	(32.430)	(179.936)	(11.782)	(133.744)
Total profit attributable to the owners of the Company	60.220	81.424	31.696	50.115
Non-controlling interests - continuing operations	225	183	59	145
Non-controlling interests - discontinued operations	(8.536)	(8.049)	(3.492)	(5.507)
Total loss attributable to non-controlling interests	(8.311)	(7.866)	(3.433)	(5.362)
Profit for the period	51.909	73.558	28.263	44.753

Basic and diluted earnings per share (€) attributable to the owners of the Company – continuing operations	0,0104	0,0552	0,0049	0,0388
Basic and diluted earnings per share (€) attributable to the owners of the Company	0,0068	0,0172	0,0036	0,0106

Profit for the period	51.909	73.558	28.263	44.753
Other comprehensive (loss)/income after tax	(16.820)	2.592	(19.320)	9.553
Total comprehensive income for the period	35.089	76.150	8.943	54.306

Attributable to:				
Owners of the Company	47.415	84.759	11.697	58.797
Non-controlling interests	(12.326)	(8.609)	(2.754)	(4.491)
Total comprehensive income for the period	35.089	76.150	8.943	54.306

BANK OF CYPRUS GROUP
Extracts from the Interim Consolidated Balance Sheet

		30 June 2015	31 December 2014 (represented)
	<i>Notes</i>	€000	€000
Assets			
Cash and balances with central banks		1.010.927	1.139.465
Placements with banks		1.425.198	1.646.886
Derivative financial assets		23.277	62.598
Investments	3	1.001.847	1.871.136
Investments pledged as collateral	3	628.784	669.786
Loans and advances to customers		18.136.260	18.168.323
Life insurance business assets attributable to policyholders		481.227	472.992
Other assets		321.725	336.262
Property and equipment		308.692	316.101
Investment properties		543.355	488.598
Intangible assets		128.235	127.402
Investments in associates and joint ventures		119.512	116.776
Deferred tax assets		448.513	456.871
Non-current assets and disposal groups classified as held for sale		804.765	916.206
Total assets		25.382.317	26.789.402
Liabilities			
Amounts due to banks		201.423	161.896
Funding from central banks		6.403.178	8.283.773
Repurchase agreements		576.468	579.682
Derivative financial liabilities		64.690	71.967
Customer deposits		13.027.310	12.623.558
Insurance liabilities		585.675	576.701
Other liabilities	4	287.517	350.431
Debt securities in issue		1.199	1.185
Deferred tax liabilities		47.058	47.963
Non-current liabilities and disposal groups classified as held for sale		668.661	611.199
Total Liabilities		21.863.179	23.308.355
Equity			
Share capital		892.294	892.238
Share premium		552.618	552.539
Capital reduction reserve		1.952.486	1.952.486
Shares subject to interim orders		-	441
Revaluation and other reserves		178.309	146.809
Accumulated losses		(69.410)	(79.021)
Equity attributable to owners of the Company		3.506.297	3.465.492
Non-controlling interests		12.841	15.555
Total equity		3.519.138	3.481.047
Total liabilities and equity		25.382.317	26.789.402

BANK OF CYPRUS GROUP

Extracts from the Interim Consolidated Statement of Changes in Equity

	Six months ended 30 June	
	2015	2014
	€000	€000
Total equity at 1 January	3.481.047	2.737.676
Profit for the period	51.909	73.558
Other comprehensive (loss)/income for the period	(16.820)	2.592
Bail-in of deposits and structured products	-	150
Issue of share capital	135	-
Disposal of treasury shares	2.867	-
Disposal of subsidiary	-	(51)
Total equity at 30 June	3.519.138	2.813.925

BANK OF CYPRUS GROUP

Extracts from the Interim Consolidated Statement of Comprehensive Income

	Six months ended 30 June		Three months ended 30 June	
	2015	2014 (represented)	2015	2014 (represented)
	€000	€000	€000	€000
Profit for the period	51.909	73.558	28.263	44.753
Foreign currency translation differences	(14.933)	40.327	(14.500)	54.590
Available-for-sale investments	(2.065)	(38.056)	(4.998)	(45.348)
Property revaluation	178	321	178	311
Total comprehensive income for the period	35.089	76.150	8.943	54.306

BANK OF CYPRUS GROUP

Extracts from the Interim Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2015	2014 (represented)
	€000	€000
Net cash flow from operating activities	577.959	716.473
Net cash flow from investing activities	880.167	230.067
Net cash flow used in financing activities	(1.924.637)	(849.963)
Net (decrease)/increase in cash and cash equivalents for the period	(466.511)	96.577
Foreign exchange adjustments	(24.116)	(4.489)
Total cash (outflow)/inflow for the period	(490.627)	92.088
Cash and cash equivalents at 1 January	2.238.601	1.463.243
Cash and cash equivalents at 30 June	1.747.974	1.555.331

BANK OF CYPRUS PUBLIC COMPANY LTD
Extracts from the Interim Income Statement
and Statement of Comprehensive Income

	Six months ended 30 June		Three months ended 30 June	
	2015	2014 (represented)	2015	2014 (represented)
	€000	€000	€000	€000
Continuing operations				
Net interest income	425.499	526.462	206.545	284.691
Net fee and commission income	71.545	70.156	31.895	32.206
Net foreign exchange gains/(losses)	6.001	(3.247)	19.162	3.204
Net gains on financial instruments transactions	258.057	158.865	217.162	139.563
Losses from revaluation and disposal of investment properties	(23.017)	(10.229)	(15.335)	(6.961)
Other income	8.290	2.404	6.865	1.478
	746.375	744.411	466.294	454.181
Staff costs	(102.402)	(102.173)	(51.012)	(51.427)
Other operating expenses	(83.604)	(95.277)	(39.392)	(54.542)
Profit before impairment of loans and advances to customers and other impairments	560.369	546.961	375.890	348.212
Provisions for impairment of loans and advances to customers and other customer credit losses	(458.564)	(284.816)	(311.870)	(160.977)
Impairment of other financial instruments	(42.000)	(33.736)	(41.187)	(33.736)
Profit before tax from continuing operations	59.805	228.409	22.833	153.499
Tax	(8.534)	(1.001)	(1.354)	(1)
Profit for the period from continuing operations	51.271	227.408	21.479	153.498
Discontinued operations				
Loss after tax from discontinued operations	-	(16.863)	-	-
Profit for the period	51.271	210.545	21.479	153.498
Basic and diluted earnings per share (€) – continuing operations	0,0057	0,0478	0,0024	0,0323
Basic and diluted earnings per share (€)	0,0057	0,0443	0,0024	0,0323
Profit for the period	51.271	210.545	21.479	153.498
Other comprehensive income/(losses) after tax	9.978	(37.307)	(4.756)	(51.373)
Total comprehensive income for the period	61.249	173.238	16.723	102.125

BANK OF CYPRUS PUBLIC COMPANY LTD
Extracts from the Interim Balance Sheet

		30 June 2015	31 December 2014
	Notes	€000	€000
Assets			
Cash and balances with central banks		683.336	668.292
Placements with banks		1.247.369	1.462.824
Derivative financial assets		23.274	62.585
Investments	3	958.047	1.831.297
Investments pledged as collateral	3	628.784	669.786
Loans and advances to customers		17.020.812	17.329.208
Balances with group companies		881.797	809.959
Other assets		164.991	182.574
Property and equipment		216.628	221.106
Investment properties		312.617	250.888
Intangible assets		12.928	13.105
Investments in associates and joint ventures		102.615	102.615
Investments in Group companies		239.369	236.369
Deferred tax assets		447.951	456.479
Non-current assets held for sale		5.168	114.060
Total assets		22.945.686	24.411.147
Liabilities			
Amounts due to banks		199.028	159.765
Funding from central banks		6.403.178	8.283.773
Repurchase agreements		576.468	579.682
Derivative financial liabilities		64.467	71.761
Customer deposits		11.646.788	11.329.157
Balances with Group companies		601.562	550.683
Other liabilities	4	240.206	283.735
Debt securities in issue		707	693
Deferred tax liabilities		23.219	23.219
Total liabilities		19.755.623	21.282.468
Equity			
Share capital		892.294	892.238
Share premium		551.369	551.289
Capital reduction reserve		1.952.486	1.952.486
Shares subject to interim orders		-	441
Revaluation and other reserves		41.488	5.506
Accumulated losses		(247.574)	(273.281)
Total Equity		3.190.063	3.128.679
Total liabilities and equity		22.945.686	24.411.147

BANK OF CYPRUS PUBLIC COMPANY LTD
 Extracts from the Interim Statement of Changes in Equity

	Six months ended 30 June	
	2015	2014
	€000	€000
Total equity at 1 January	3.128.679	2.451.752
Finalisation of accounting for Laiki Bank acquisition	-	7.082
Profit for the period	51.271	210.545
Other comprehensive income/(loss) for the period	9.978	(37.307)
Issue of share capital	135	-
Bail-in of deposits and structured products	-	150
Total equity at 30 June	3.190.063	2.632.222

BANK OF CYPRUS PUBLIC COMPANY LTD
 Extracts from the Interim Statement of Comprehensive Income

	Six months ended 30 June		Three months ended 30 June	
	2015	2014 (represented)	2015	2014 (represented)
	€000	€000	€000	€000
Profit for the period	51.271	210.545	21.479	153.498
Foreign currency translation differences	11.326	1.371	(1.372)	(6.308)
Available-for-sale investments	(1.348)	(38.678)	(3.384)	(45.065)
Total comprehensive income for the period	61.249	173.238	16.723	102.125

BANK OF CYPRUS PUBLIC COMPANY LTD
 Extracts from the Interim Statement of Cash Flows

	Six months ended 30 June	
	2015	2014
	€000	€000
Net cash flow from operating activities	699.290	525.693
Net cash flow from investing activities	874.401	277.211
Net cash flow used in financing activities	(1.925.702)	(849.922)
Net decrease in cash and cash equivalents for the period	(352.011)	(47.018)
Foreign exchange adjustments	10.775	(90.248)
Total cash outflow for the period	(341.236)	(137.266)
Cash and cash equivalents at 1 January	1.486.608	900.181
Cash and cash equivalents at 30 June	1.145.372	762.915

1. The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2015 have been prepared in accordance with the International Accounting 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 2015 are consistent with those followed for the preparation of the annual Consolidated Financial Statements for the year ended 31 December 2014. In addition, the Group has adopted the following new standards, amendments and interpretations, which did not have a material impact on the Interim Condensed Consolidated Financial Statements:
 - IFRIC 21 Levies
 - Annual Improvements 2011 – 2013 Cycle issued by the IASB which is a collection of amendments to IFRS. These improvements are effective from 1 July 2014 and include:
 - IFRS 3 Business Combinations - Amendments
 - IFRS 13 Fair Value Measurement - Amendments
 - IAS 40 Investment Properties - Amendments
3. Investments of the Group and the Company are analysed as follows:

	30 June 2015	31 December 2014
Group	€000	€000
Investments		
Investments at fair value through profit or loss	36.686	34.347
Investments available-for-sale	50.516	53.480
Investments classified as loans and receivables	914.645	1.783.309
	1.001.847	1.871.136
Investments pledged as collateral		
Investments available-for-sale	628.784	669.786
	1.630.631	2.540.922

	30 June 2015	31 December 2014
Company	€000	€000
Investments		
Investments at fair value through profit or loss	19.585	19.168
Investments available-for-sale	23.817	28.820
Investments classified as loans and receivables	914.645	1.783.309
	958.047	1.831.297
Investments pledged as collateral		
Investments available-for-sale	628.784	669.786
	1.586.831	2.501.083

4. Other liabilities at 30 June 2015 include provisions for pending litigation or claims of €29.372 thousand for the Group and €28.461 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 2015 is set out in Note 23 of the Interim Condensed Consolidated Financial Statements. There are no other significant pending litigation, claims or assessments against the Group, the outcome of which would have a material effect on the Group's financial position or operations.

5. The number of persons employed by the Group at 30 June 2015 was 6.668 (30 June 2014: 6.837) and by the Company was 4.027 (30 June 2014: 4.037).
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 2015 were 8.516 thousand and their cost of acquisition was €67.272 thousand.
7. The Group subsidiaries, branches and associates as at 30 June 2015 and the method of consolidation used are set out in Note 32 of the Interim Condensed Consolidated Financial Statements.
8. **Related party transactions:**
 - (a) Loans and other advances to members of the Board of Directors and key management personnel: €3.580 thousand for the Group and the Company.
 - (b) Loans and other advances to other connected persons: €930 thousand for the Group and €882.727 thousand for the Company.
 - (c) Contingent liabilities and commitments (mainly documentary credits, guarantees and commitments to lend): €1.016 thousand for the Group and the Company.
 - (d) Deposits by members of the Board of Directors and key management personnel: €3.815 thousand for the Group and the Company.
 - (e) Deposits by other connected persons: €6.592 thousand for the Group and €608.154 thousand for the Company.
 - (f) Interest income: €69 thousand for the Group and €14.446 thousand for the Company.
 - (g) Interest expense: €139 thousand for the Group and €4.946 thousand for the Company.
 - (h) Remuneration and other transactions of members of the Board of Directors, key management personnel and connected persons: €2.775 thousand for the Group and €2.622 thousand for the Company.

9. Events after the reporting date

Sale of investment in CB Uniastrum Bank LLC and other Russian assets

On 17 July 2015, the Group has reached an agreement to sell the majority of its Russian operations comprising of (i) its holding of 80% in its Russian banking subsidiary, CB Uniastrum Bank LLC, and its holding of 80% in its Russian leasing subsidiary, Leasing Company Uniastrum Leasing LLC, and (ii) certain other Russian loan exposures.

The transaction results in an accounting loss of €20 million, comprising a loss of €28 million, caused by the technical unwinding of a foreign currency translation reserve, and a profit of €8 million against the net book value of the assets as at 30 June 2015. The sale allows the Group to de-risk its balance sheet and improves the Group's regulatory capital position primarily from the release of risk weighted assets.

Sale of Aphrodite group

The Commission for the Protection of Competition in Cyprus approved the disposal agreement reached by the Group in May 2015, to sell shares which represent 65% in the Aphrodite Hills Resort Ltd and Aphrodite Hills (Lakkos tou Frangou) Ltd (Note 17).

Repayment of ELA

Up to 26 August 2015, the Company repaid €500 million of ELA funding.

Additional Risk and Capital Management Disclosures

30 June 2015

Bank of Cyprus Group



1. Credit risk

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

The Directive requires certain disclosures in relation to the loan portfolio quality, provisioning policy and levels of provision. The disclosures required by the Directive, in addition to those presented in notes 3 and 46 of the consolidated financial statements for the year ended 31 December 2014 and on note 27 of the interim condensed consolidated financial statements for the six months ended 30 June 2015 are set out in the following tables. The tables disclose non performing exposures (NPEs) based on the definitions of the European Banking Authority (EBA) standards.

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

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

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

The following materiality criteria are applied:

- When the problematic exposures of a customer, that fulfil the NPEs criteria stated above, is greater than 20% of the gross carrying amount of all on balance sheet exposures of the customer, then total customer's exposure is classified as non-performing. Otherwise only the problematic exposure is classified as non-performing.
- Material arrear/excess is defined as follows:
 - Retail exposures:
 - Loans: Arrear amount is greater than €500 or number of instalments in arrear is greater than one.
 - Overdrafts: Excess amount is greater than €500 or greater than 10% of the approved limit
 - Exposures other than retail: Total customer arrear/excess is greater than €1.000 or greater than 10% of total customer funded balances.

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

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

BANK OF CYPRUS GROUP
Additional Risk and Capital Management Disclosures
(Unaudited)

Mid-Year Financial Report 30 June 2015

1. Credit risk (continued)

The tables¹ below present loans analysis based on EBA standards.

30 June 2015	Gross loans and advances to customers				Provision for impairment and fair value adjustment on initial recognition			
	Group gross customer loans and advances ²	Of which NPEs	Of which exposures with forbearance measures		Total provision for impairment and fair value adjustment on initial recognition	Of which NPEs	Of which exposures with forbearance measures	
			Total exposures with forbearance measures	Of which on non-performing exposures			Total exposures with forbearance measures	Of which on non-performing exposures
	€000	€000	€000	€000	€000	€000	€000	€000
General governments	126.727	18.431	5.463	5.463	2.479	1.821	1.959	1.959
Other financial corporations	819.536	565.180	372.104	312.682	275.080	258.994	134.816	132.971
Non-financial corporations	14.175.795	9.760.171	6.267.968	4.946.797	3.690.795	3.528.678	1.584.907	1.512.936
Of which: small and Medium sized Enterprises ⁴	7.595.748	5.282.509	2.760.775	2.231.946	1.874.815	1.806.589	600.071	577.289
Of which: Commercial real estate ^{3, 4}	11.332.426	8.183.132	5.646.617	4.473.716	2.660.009	2.544.450	1.314.842	1.258.483
Non-financial corporations by sector								
Construction	4.152.698	3.628.422			1.220.314			
Wholesale and retail trade	2.424.428	1.357.344			530.091			
Accommodation and food service activities	1.561.222	990.305			317.122			
Real estate activities	2.822.626	1.713.206			656.352			
Manufacturing	892.465	550.649			214.222			
Other sectors	2.322.356	1.520.245			752.694			
Households⁴	8.804.184	4.464.721	2.995.720	2.064.290	1.330.011	1.252.494	306.606	288.965
Of which: Residential mortgage loans ^{3, 4}	5.679.281	2.866.718	2.218.907	1.551.656	468.275	429.258	151.692	142.409
Of which: Credit for consumption ⁴	1.370.967	796.985	325.174	266.662	452.987	427.280	75.366	71.496
Total on-balance sheet	23.926.242	14.808.503	9.641.255	7.329.232	5.298.365	5.041.987	2.028.288	1.936.831

¹ The tables include loans and related provisions of portfolio classified as a disposal group held for sale.

² Excluding loans and advances to central banks and credit institutions.

³ The balances are not comparable with the respective lines of the 31 December 2014 table, as the basis of preparation has changed, following a clarification received from EBA Q&As in May 2015.

⁴ The analysis shown in lines 'non financial corporations' and 'households' are non-additive across categories as certain customers could be in both categories.

BANK OF CYPRUS GROUP
Additional Risk and Capital Management Disclosures
(Unaudited)

Mid-Year Financial Report 30 June 2015

1. Credit risk (continued)

31 December 2014	Gross loans and advances to customers				Provision for impairment and fair value adjustment on initial recognition			
	Group gross customer loans and advances	Of which NPEs	Of which exposures with forbearance measures		Total provision for impairment and fair value adjustment on initial recognition	Of which NPEs	Of which exposures with forbearance measures	
			Total exposures with forbearance measures	Of which on non-performing exposures			Total exposures with forbearance measures	Of which on non-performing exposures
€000	€000	€000	€000	€000	€000	€000	€000	€000
General governments	130.052	17.896	5.788	5.394	5.408	4.102	2.310	2.244
Other financial corporations	1.377.624	1.054.461	568.797	535.887	413.685	400.633	211.585	211.303
Non-financial corporations	13.564.570	9.638.812	5.258.556	4.633.644	3.345.574	3.201.810	1.302.186	1.276.545
Of which: small and Medium sized Enterprises	7.905.810	5.218.681	2.354.251	2.021.543	1.872.104	1.774.187	542.122	532.449
Of which: Commercial real estate	5.559.541	3.829.988	2.413.147	1.991.612	1.068.189	995.537	472.554	456.664
Non-financial corporations by sector								
Construction	3.915.975	3.420.501			1.099.188			
Wholesale and retail trade	2.398.645	1.432.267			503.531			
Accommodation and food service activities	1.417.618	1.051.113			295.932			
Real estate activities	2.793.045	1.818.300			535.422			
Manufacturing	871.240	541.328			214.513			
Other sectors	2.168.047	1.375.303			696.988			
Households	8.699.866	4.249.680	2.480.680	1.745.329	1.289.292	1.191.582	271.687	257.169
Of which: Residential mortgage loans	4.885.223	2.260.731	1.619.643	1.146.121	346.303	313.663	114.654	106.877
Of which: Credit for consumption	1.351.911	740.501	278.255	223.496	426.934	384.774	59.024	56.558
Total on-balance sheet	23.772.112	14.960.849	8.313.821	6.920.254	5.053.959	4.798.127	1.787.768	1.747.261

2. Liquidity risk and funding

2.1 Encumbered and unencumbered assets

The table below presents an analysis of the Group's encumbered and unencumbered assets and the extent to which these assets are currently pledged for funding or other purposes.

An asset is classified as encumbered if it has been pledged as collateral against secured funding and other collateralised obligations and as a result is no longer available to the Group for further collateral or liquidity requirements. In the case of the Emergency Liquidity Assistance (ELA), however, as collateral is, in general, not released upon repayment of funding, there may be an inherent buffer which could be utilised for further funding if required. The total encumbered assets of the Group amounted to €15,190,420 thousand as at 30 June 2015 (31 December 2014: €16,312,764 thousand). These primarily consist of loans and advances to customers, investments in debt securities, primarily Cyprus Government bonds, and property. These are mainly pledged for the CBC funding facilities under Eurosystem monetary policy operations and Emergency Liquidity Assistance (Note 20 of the interim condensed consolidated financial statements) and for covered bonds. Investments in debt securities are also used as collateral for repurchase transactions with the ECB and other commercial banks as well as for covered bonds (Note 22 of the interim condensed consolidated financial statements). Encumbered assets include cash and other liquid assets placed with banks as collateral under ISDA/GMRA agreements which are not immediately available for use by the Group but are released once the transactions are terminated. 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.

In addition, bonds guaranteed by the Cyprus government amounting to €1,000,000 thousand (fair value 30 June 2015: €1,040,014 thousand and 31 December 2014: €1,007,446 thousand) are pledged as collateral for obtaining funding from the CBC (Note 22 of the interim condensed consolidated financial statements).

An asset is categorised as unencumbered if it has not been pledged against secured funding and other collateralised obligations. Unencumbered assets are further analysed into those that are available and can be pledged and those that are not readily available to be pledged.

As at 30 June 2015, the Group held €3,969,611 thousand (31 December 2014: €4,009,476 thousand) of unencumbered assets that can be pledged and can be used to support potential liquidity funding needs. Such assets include Cyprus loans and advances which are less than 90 days past due as well as loans of overseas subsidiaries and branches which are not pledged. Customer loans of overseas subsidiaries and branches cannot be pledged with the CBC as collateral for Emergency Liquidity Assistance. Moreover, for some of the overseas subsidiaries and branches, these assets are only available to be pledged for other purposes for the needs of the particular subsidiary/branch and not to provide liquidity to any other party of the Group. Balances with central banks are reported as unencumbered which can be pledged, to the extent that there is excess available over the minimum reserve requirement. The minimum reserve requirement is reported as unencumbered asset not readily available as collateral.

As at 30 June 2015, the Group held €4,673,856 thousand (31 December 2014: €4,867,271 thousand) of unencumbered assets, that are not readily available to be pledged for funding requirements as per their current form. These primarily consist of loans and advances which are prohibited by contract or law to be encumbered or are over 90 days past due or for which there are pending litigations or other legal actions against the customer, a proportion of which would be suitable for use in secured funding structures but are conservatively classified as not readily available for collateral. Properties whose legal title has not been transferred to the name of the Company or the subsidiary, are not considered to be readily available as collateral.

Insurance assets held by Group insurance subsidiaries are not included in the table below as are primarily due to the policyholders.

2. Liquidity risk and funding (continued)

2.1 Encumbered and unencumbered assets (continued)

The carrying value of encumbered and unencumbered assets of the Group is summarised below:

30 June 2015	Encumbered	Unencumbered		Total
	Pledged as collateral	which can be pledged	which are not readily available to be pledged	
	€000	€000	€000	€000
Cash and bank placements	179.220	1.700.372	556.533	2.436.125
Investments	1.576.308	18.352	35.971	1.630.631
Loans and advances to customers	13.308.475	1.687.720	3.140.065	18.136.260
Non-current assets and disposal group classified as held for sale	28.256	4.261	772.248	804.765
Property	98.161	558.906	169.039	826.106
Total on-balance sheet	15.190.420	3.969.611	4.673.856	23.833.887
Bonds guaranteed by the Cyprus government	1.000.000	-	-	1.000.000
Total	16.190.420	3.969.611	4.673.856	24.833.887

31 December 2014 (represented) ⁵				
Cash and bank placements	191.968	1.996.612	597.771	2.786.351
Investments	2.435.766	81.656	23.500	2.540.922
Loans and advances to customers	13.531.026	1.383.094	3.254.203	18.168.323
Non-current assets and disposal group classified as held for sale	54.536	10.070	851.600	916.206
Property	99.468	538.044	140.197	777.709
Total on-balance sheet	16.312.764	4.009.476	4.867.271	25.189.511
Bonds guaranteed by the Cyprus government	1.000.000	-	-	1.000.000
Total	17.312.764	4.009.476	4.867.271	26.189.511

⁵ Comparatives for unencumbered assets have been represented to reflect the following:

- Reclassification of the Kermia Hotel business out of the held for sale category (Note 17 of the interim condensed consolidated financial statements).
- The assets and disposal group classified as held for sale, following the agreements reached for the sale of such assets.

2. Liquidity risk and funding (continued)

2.1 Encumbered and unencumbered assets (continued)

The carrying and fair value of encumbered and unencumbered investments of the Group as at 30 June 2015 and 31 December 2014 are as follows:

	Carrying value of encumbered investments	Fair value of encumbered investments	Carrying value of unencumbered investments	Fair value of unencumbered investments
30 June 2015	€000	€000	€000	€000
Equity securities	894	894	28.849	28.849
Debt securities	1.575.414	1.615.213	25.474	25.474
Total investments	1.576.308	1.616.107	54.323	54.323

31 December 2014				
Equity securities	-	-	32.603	32.603
Debt securities	2.435.766	2.447.482	72.553	139.437
Total investments	2.435.766	2.447.482	105.156	172.040

2.2 Liquidity reserves

Composition of the liquidity reserves	30 June 2015		31 December 2014	
	Liquidity reserves	Liquidity reserves of which Basel 3 LCR eligible Level 1	Liquidity reserves	Liquidity reserves of which Basel 3 LCR eligible Level 1
	€000	€000	€000	€000
Cash and balances with central banks	1.073.490	662.021	1.225.145	587.657
Nostro and overnight placements with banks	691.065	-	602.963	-
Other placements with banks	362.765	-	555.472	-
Liquid investments	164.104	148.699	472.319	472.319
Other investments	6.792	-	10.777	-
Total	2.298.216	810.720	2.866.676	1.059.976

Liquidity reserves include available cash and cash equivalents, unencumbered highly liquid securities and other unencumbered securities that can be sold in the market or used for secured funding purposes. Minimum reserve amount is included in the balances with central banks under 'Liquidity Reserves' but excluded under LCR Liquidity Reserve.

Investments are shown at market value net of haircut in order to reflect actual liquidity value that can be obtained. The Group only holds LCR Level 1 eligible assets.

The Liquidity Reserves are managed by Group Treasury. Liquid asset investments are acquired within limits and parameters specified in the Liquid Assets Investment Policy approved by the Board.

2. Liquidity risk and funding (continued)

2.2 Liquidity reserves (continued)

The Council of Ministers and the Committee on Financial and Budgetary Affairs of the House of Representatives, have approved the issuance of €2,9 billion of guarantees for bonds/loans issued by credit institutions under the 'Granting of Government Guarantees for Loans and/or issuance of Bonds by Credit Institutions Law of 2012'. It is expected that the Group will be able to make use of the above guarantees if the need arises.

3. Minimum required own funds for credit, market and operational risk

The CBC has determined the extent of phasing-in of the transitional provisions relating to Common Equity Tier 1 deductions and in 2014 it set the minimum Common Equity Tier 1 capital ratio at 8%. The Group is also subject to additional capital requirements (Pillar II add-ons).

3.1 Credit risk

The Standardised Approach has been used to calculate the minimum capital requirement in accordance with the requirements laid down in Article 92 of the Capital Requirements Regulation (CRR):

Exposure class	30 June 2015	31 December 2014
	€000	€000
Central governments or central banks	1.871	1.585
Claims in the form of Collective Investment Undertakings (CIU)	9	63
Corporates	216.665	235.982
Equity exposures	28.104	28.404
Exposures in default	513.542	488.018
Institutions	34.116	28.157
Items associated with particularly high risk	353.159	467.331
Other items	137.311	142.245
Regional governments or local authorities	103	126
Retail	126.514	130.476
Secured by mortgages on immovable property	139.414	121.110
Total capital requirement for credit risk	1.550.808	1.643.497

During the six months ended 30 June 2015, the credit risk Risk-Weighted Assets (RWAs) decreased by €1.159 million, from €20.544 million in December 2014 to €19.385 million in June 2015. The changes resulted mainly from the RWAs arising from loans and advances to customers: (a) decrease in NPEs, (b) decrease in balance sheet exposures, (c) movement from regulatory high risk exposure classes to other exposure classes following improvements in the data systems to provide granularity in broader product classes in relation to the classification of regulatory high risk exposures, (d) improvement in the trade services system to provide granularity into broader product classes, and, (e) improvement in the collateral system to provide greater granularity.

3. Minimum required own funds for credit, market and operational risk (continued)

3.2 Market risk

The minimum capital requirement calculated in accordance with 'Title IV: Own funds requirements for market risk' of the CRR is as follows:

Portfolio transactions	30 June 2015	31 December 2014
	€000	€000
Risk type		
Position risk	1.264	402
Total capital requirement for market risk	1.264	402

3.3 Operational risk

The Group uses the Standardised Approach for the operational risk capital calculation. Nonetheless, certain Group companies (mainly operations in Russia) for which an approval has been granted by the CBC, follow the Basic Indicator Approach for the calculation of the operational risk capital requirements until the necessary mechanisms are in place to adopt the Standardised Approach in these operations as well.

The minimum capital requirement in relation to operational risk is calculated in accordance with the Standardised Approach and Basic Indicator Approach. As at 30 June 2015 and 31 December 2014 amounted to €166.800 thousand.

Capital breakdown to business lines	Standardised approach	Basic indicator approach	Total
	€000	€000	€000
Corporate finance	136	-	136
Trading and sales	3.665	-	3.665
Retail brokerage	163	-	163
Commercial banking	112.184	14.960	127.144
Retail banking	27.188	-	27.188
Payment and settlement	7.914	-	7.914
Agency services	274	-	274
Asset management	316	-	316
Total capital requirement for operational risk	151.840	14.960	166.800

3.4 Credit valuation adjustment risk (CVA)

CVA captures the credit risk of derivative counterparties not already included in counterparty credit risk (i.e. the potential loss on derivatives due to increase in the credit spread of the counterparty).

CVA capital requirement	30 June 2015	31 December 2014
	€000	€000
	3.279	6.464

4. Capital management

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

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

As from 1 January 2014, the new Capital Requirements Regulation (CRR) and amended Capital Requirements Directive IV (CRD IV) became effective, comprising the European regulatory package designed to transpose the new capital, liquidity and leverage standards of Basel III into the European Union's legal framework. CRR establishes the prudential requirements for capital, liquidity and leverage that entities need to abide by. It is immediately binding on all EU member states. CRD IV governs access to deposit-taking activities and internal governance arrangements including remuneration, board composition and transparency. Unlike the CRR, CRD IV needs to be transposed into national laws, and allows national regulators to impose additional capital buffer requirements. CRR introduced significant changes in the prudential regulatory regime applicable to banks including amended minimum capital adequacy ratios, changes to the definition of capital and the calculation of risk weighted assets and the introduction of new measures relating to leverage, liquidity and funding. CRR permits a transitional period for certain of the enhanced capital requirements and certain other measures, such as the leverage ratio, which are not expected to be fully implemented until 2018.

The CBC has determined the extent of phasing-in of the transitional provisions relating to Common Equity Tier 1 deductions and in 2014 set the minimum Common Equity Tier 1 capital ratio at 8% on a transitional basis (Pillar I capital requirements). The Group is also subject to additional capital requirements for risks which are not covered by the above-mentioned capital requirements (Pillar II add-ons). However, the Group's Pillar II add-on capital requirement is a point in time assessment and therefore is subject to change over time (section 6).

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.

4.1 Capital position

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

	30 June 2015	31 December 2014
	€000	€000
Regulatory capital		
Transitional Common Equity Tier 1 (CET1) ⁶	3.205.374	3.190.955
Transitional Additional Tier 1 capital (AT1)	-	-
Tier 2 capital (T2)	31.373	42.146
Transitional total regulatory capital	3.236.747	3.233.101
Risk weighted assets – credit risk ⁷	19.426.088	20.624.507
Risk weighted assets – market risk	15.800	5.025
Risk weighted assets – operational risk	2.085.000	2.085.000
Total risk weighted assets	21.526.888	22.714.532
	%	%
Transitional Common Equity Tier 1 ratio	14,9	14,0
Transitional total capital ratio	15,0	14,2

⁶ Includes independently verified profits for the half-year to 30 June 2015. CET1 includes regulatory deductions, primarily deferred tax assets and intangible assets, amounting to €28.545 thousand and €68.468 thousand as at 30 June 2015 and 31 December 2014 respectively.

⁷ Includes CVA (note 3.4).

4. Capital management (continued)

4.1 Capital position (continued)

The Group's capital position as at 30 June 2015 exceeds its Pillar I and Pillar II add-on capital requirements, providing a loss-absorbing buffer to the Group.

On 20 February 2015, the European Central Bank (ECB) notified the Group of its final decision with respect to the minimum required capital ratios to be complied with, on an ongoing basis. The required Pillar I CET1 ratio is 8% and the required Pillar II CET1 add-on capital requirement was set by the ECB at 6,4% as at 31 December 2013, reducing to the extent of losses recognised through the Income Statement after that date of up to €919 million (up to a CET1 ratio of 8%). Therefore the CET1 Pillar II add-on capital requirement is dynamic and is subject to changes according to the performance of the Group.

Taking into account the losses recognised in the Income Statement of the Group for year 2014 of €261 million, the CET1 Pillar II add-on capital requirement at 30 June 2015 is calculated at 5,2% and it may be further reduced by future losses of up to €658 million (of the total of €919 million), up to a CET1 ratio of 8%.

During the first six months of 2015, the Group's CET1 ratio was positively affected by the profits of the period and the decrease of risk weighted assets (section 3.1) but was negatively affected by the phasing-in of transitional adjustments (mainly deferred tax) as from 1 January 2015.

5. Leverage ratio

According to CRR, Article 429, the leverage ratio, expressed as a percentage, is calculated as the capital measure divided by the total exposure measure of the Group.

The leverage ratio of the Group is presented below:

	30 June 2015	31 December 2014
	€000	€000
Transitional basis		
Capital measure (Tier 1)	3.205.374	3.190.955
Total exposure measure	24.927.181	26.668.508
Leverage ratio (%)	12,86	11,97
Fully loaded basis		
Capital measure (Tier 1)	3.091.180	3.055.016
Total exposure measure	24.825.675	26.532.569
Leverage ratio (%)	12,45	11,51

6. Internal Capital Adequacy Assessment Process (ICAAP), Pillar II and supervisory review process

According to the resolution measures, the Group was required to prepare a restructuring plan for the period 2013 to 2017 aiming to ensure its viability and the reduction of its dependence on central bank funding. The CBC has assessed the Group's restructuring plan to ensure it is based on a robust and coherent strategy and is supported by a set of prudent financial projections. The restructuring plan was approved by the CBC on 26 November 2013. Based on the above, the CBC did not require the Group to submit an ICAAP report in 2014.

In early February 2015, the ECB requested the preparation and submission of both an ICAAP and Internal Liquidity Adequacy Assessment Process (ILAAP) report, as at December 2014, to the Joint Supervisory Team (JST) by mid May 2015. The Group fully complied with this requirement by submitting these reports which have been approved by the Board of Directors.

6. Internal Capital Adequacy Assessment Process (ICAAP), Pillar II and supervisory review process (continued)

The ECB, as part of its supervisory role under Council Regulation (EU) No 1024/2013, has been conducting the Supervisory Review and Evaluation Process (SREP) and onsite inspections on the Group. SREP is a holistic assessment of, amongst other things: the Group's business model, internal governance and institution-wide control arrangements, risks to capital and adequacy of capital to cover these risks and risks to liquidity and adequacy of liquidity resources to cover these risks. The objective of SREP is for the ECB to form an up-to-date supervisory view of the Group's risks and viability and to form the basis for supervisory measures and dialogue with the Group. The SREP process for 2015 is expected to be completed before the end of the year. Additional capital and other requirements could be imposed on the Group as a result of these supervisory processes, including a revision of the level of Pillar II add-ons as the Pillar II add-on capital requirements are a point-in-time assessment and therefore subject to change over time.