Bank of Cyprus Group

Interim Condensed Consolidated Financial Statements for the nine months ended

30 September 2014

BANK OF CYPRUS GROUP
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for the nine months ended 30 September 2014

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	Notes	Nine months ended 30 September 2014	Nine months ended 30 September 2013 (restated and represented)	Three months ended 30 September 2014	Three months ended 30 September 2013 (restated and represented)
		€000	€000	**€000**	€000
Continuing operations					
Turnover		**1.384.742**	1.472.598	**415.499**	298.399
Interest income		**1.139.117**	1.213.799	**353.073**	379.124
Interest expense		**(348.723)**	(505.126)	**(108.647)**	(89.115)
Net interest income		**790.394**	708.673	**244.426**	290.009
Fee and commission income		**139.703**	142.152	**46.399**	48.283
Fee and commission expense		**(8.955)**	(17.969)	**(3.429)**	(7.738)
Net foreign exchange (losses)/gains		**(17.206)**	(1.279)	**(14.827)**	15.420
Net gains/(losses) on financial instruments transactions	*8*	**169.734**	(16.066)	**9.211**	(6.759)
Insurance income net of claims and commissions		**35.442**	50.785	**10.394**	11.921
Other income/(expenses)	*9*	**5.458**	(24.571)	**(2.144)**	3.547
		1.114.570	841.725	**290.030**	354.683
Staff costs	*9*	**(202.634)**	(371.930)	**(67.236)**	(179.608)
Other operating expenses	*9*	**(196.338)**	(181.414)	**(65.569)**	(61.188)
Profit before impairment of loans and advances to customers		**715.598**	288.381	**157.225**	113.887
Provisions for impairment of loans and advances to customers	*28*	**(492.289)**	(790.413)	**(163.169)**	(257.917)
Profit/(loss) before share of profit/(loss) from associates and joint ventures		**223.309**	(502.032)	**(5.944)**	(144.030)
Share of profit/(loss) from associates and joint ventures		**1.637**	(4.277)	**(2.474)**	(4.630)
Profit/(loss) before tax from continuing operations		**224.946**	(506.309)	**(8.418)**	(148.660)
Tax	*10*	**(14.988)**	3.152	**(5.397)**	663
Profit/(loss) after tax from continuing operations		**209.958**	(503.157)	**(13.815)**	(147.997)
Discontinued operations					
Loss after tax from discontinued operations	*7*	**(150.215)**	(1.456.871)	**-**	(67)
Profit/(loss) for the period		**59.743**	(1.960.028)	**(13.815)**	(148.064)
Attributable to:					
Owners of the Company - continuing operations	*7*	**225.826**	(496.055)	**(5.774)**	(146.237)
Owners of the Company - discontinued operations	*7*	**(150.176)**	(1.456.869)	**-**	(65)
Total profit/(loss) attributable to the owners of the Company		**75.650**	(1.952.924)	**(5.774)**	(146.302)
Non-controlling interests - continuing operations	*7*	**(15.868)**	(7.102)	**(8.041)**	(1.760)
Non-controlling interests - discontinued operations	*7*	**(39)**	(2)	**-**	(2)
Profit/(loss) for the period		**59.743**	(1.960.028)	**(13.815)**	(148.064)
Basic and diluted earnings/(losses) per share (€ cent) – continuing operations	*11*	**4,59**	(15,43)	**(0,11)**	(3,08)
Basic and diluted earnings/(losses) per share (€ cent)	*11*	**1,54**	(60,76)	**(0,11)**	(3,09)

	Nine months ended 30 September		Three months ended 30 September	
	2014	2013 (restated)	**2014**	2013 (restated)
	€000	€000	**€000**	€000
Profit / (loss) for the period	**59.743**	(1.960.028)	**(13.815)**	(148.064)
Other comprehensive income (OCI)				
OCI to be reclassified in the consolidated income statement in subsequent periods				
Foreign currency translation differences				
(Loss)/profit on translation of net investment in overseas subsidiaries and branches	**(3.013)**	(18.751)	**10.978**	(3.186)
Profit on hedging of net investments	**1.774**	22.746	**3.256**	5.314
Reclassified to the consolidated income statement on disposal of foreign operations	**55.800**	19	**-**	19
	54.561	4.014	**14.234**	2.147
Available-for-sale investments				
Gains on revaluation before tax	**10.046**	155	**1.256**	11.788
Transfer to the consolidated income statement on impairment	**1.699**	16.067	**205**	3.746
Transfer to the consolidated income statement on sale	**(49.570)**	1.052	**(1.226)**	723
Tax	**4**	40	**-**	(14)
	(37.821)	17.314	**235**	16.243
	16.740	21.328	**14.469**	18.390
OCI not to be reclassified in the consolidated income statement in subsequent periods				
Property revaluation				
Fair value loss before tax	**-**	(16.372)	**-**	(101)
Tax	**327**	2.715	**6**	26
	327	(13.657)	**6**	(75)
Other comprehensive income after tax	**17.067**	7.671	**14.475**	18.315
Total comprehensive income / (loss) for the period	**76.810**	(1.952.357)	**660**	(129.749)

Attributable to:				
Owners of the Company	**94.138**	(1.942.483)	**9.379**	(127.340)
Non-controlling interests	**(17.328)**	(9.874)	**(8.719)**	(2.409)
Total comprehensive income / (loss) for the period	**76.810**	(1.952.357)	**660**	(129.749)

		30 September 2014	31 December 2013 (restated)
	Notes	**€000**	€000
Assets			
Cash and balances with central banks		**839.936**	1.240.043
Placements with banks		**1.576.836**	1.290.102
Investments	*12*	**1.904.027**	2.759.855
Investments pledged as collateral	*12*	**673.770**	672.809
Derivative financial assets	*13*	**43.502**	28.765
Loans and advances to customers	*15*	**19.352.151**	21.764.338
Life insurance business assets attributable to policyholders		**468.540**	443.579
Property and equipment		**354.817**	414.404
Intangible assets		**134.830**	130.580
Assets held for sale	*16*	**517.401**	-
Other assets	*17*	**1.400.960**	1.401.833
Investments in associates and joint ventures	*36*	**216.100**	203.131
Total assets		**27.482.870**	30.349.439
Liabilities			
Amounts due to banks	*18*	**129.985**	196.422
Funding from central banks	*19*	**8.603.680**	10.956.277
Repurchase agreements		**577.478**	594.004
Derivative financial liabilities	*13*	**71.754**	83.894
Customer deposits	*20*	**13.329.795**	14.971.167
Insurance liabilities		**575.526**	551.829
Debt securities in issue	*21*	**4.715**	1.515
Other liabilities	*22*	**400.134**	251.979
Subordinated loan stock	*23*	**5.178**	4.676
Total liabilities		**23.698.245**	27.611.763
Equity			
Share capital	*24*	**892.238**	4.683.985
Share premium	*24*	**553.373**	-
Capital reduction reserve	*24*	**1.952.486**	-
Shares subject to interim orders	*24*	**297**	58.922
Revaluation and other reserves		**95.531**	72.251
Retained earnings/(accumulated losses)		**233.726**	(2.151.835)
Equity attributable to owners of the Company		**3.727.651**	2.663.323
Non-controlling interests		**56.974**	74.353
Total equity		**3.784.625**	2.737.676
Total liabilities and equity		**27.482.870**	30.349.439

Dr. J. Ackermann	Chairman
Mr. I. Zographakis	Director
Mr. J. P. Hourican	Chief Executive Officer
Dr. Chr. Patsalides	Finance Director
Ms E. Livadiotou	Chief Financial Officer

	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)	Retained earnings/ (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	€000	**€000**	€000	**€000**
1 January 2014	**4.683.985**	**-**	**-**	**58.922**	**(2.152.330)**	**115.958**	**35.863**	**6.059**	**92.297**	**(96.462)**	**(88.051)**	**2.656.241**	**74.353**	**2.730.594**
Finalisation of accounting for Laiki Bank acquisition (Note 35.1)	**-**	**-**	**-**	**-**	**495**	**-**	**6.587**	**-**	**-**	**-**	**-**	**7.082**	**-**	**7.082**
1 January 2014 (restated)	**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	-	-	-	-	75.650	-	-	-	-	-	-	**75.650**	(15.907)	**59.743**
Other comprehensive income/(loss) for the period	-	-	-	-	-	238	(37.787)	-	-	56.037	-	**18.488**	(1.421)	**17.067**
Total comprehensive income/(loss) for the period	-	-	-	-	75.650	238	(37.787)	-	-	56.037	-	**94.138**	(17.328)	**76.810**
Bail-in of deposits and structured products	150	-	-	-	-	-	-	-	-	-	-	**150**	-	**150**
Shares subject to interim orders withdrawn/cancelled	58.625	-	-	(58.625)	-	-	-	-	-	-	-	**-**	-	**-**
Issue of share capital	416.667	583.333	-	-	-	-	-	-	-	-	-	**1.000.000**	-	**1.000.000**
Shares issue costs	-	(29.960)	-	-	-	-	-	-	-	-	-	**(29.960)**	-	**(29.960)**
Reduction in the nominal value of share capital	(4.280.140)	-	1.952.486	-	2.327.654	-	-	-	-	-	-	**-**	-	**-**
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	-	-	-	-	(5.286)	-	-	-	5.286	-	-	**-**	-	**-**
Tax on increase in value of in-force life insurance business	-	-	-	-	586	-	-	-	(586)	-	-	**-**	-	**-**
30 September 2014	**892.238**	**553.373**	**1.952.486**	**297**	**233.726**	**116.288**	**4.663**	**6.059**	**96.997**	**(40.425)**	**(88.051)**	**3.727.651**	**56.974**	**3.784.625**

BANK OF CYPRUS GROUP

Interim Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company														
	Share capital	Shares subject to interim orders	Share premium	Convertible Enhanced Capital Securities (CECS)	Accumulated losses	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Other reserves	Life insurance in-force business reserve	Equity component of convertible subordinated loan stock	Foreign currency translation reserve	Treasury shares	**Total**	Non-controlling interests	**Total equity**
(Restated)	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	**€000**
1 January 2013	**1.795.141**	**-**	**428.271**	**428.835**	**(2.500.530)**	**144.415**	**2.903**	**6.059**	**91.996**	**5.251**	**(105.693)**	**(38.595)**	**258.053**	**77.222**	**335.275**
Loss for the period	-	-	-	-	(1.952.924)	-	-	-	-	-	-	-	**(1.952.924)**	(7.104)	**(1.960.028)**
Other comprehensive (loss)/income for the period	-	-	-	-	-	(13.541)	17.229	-	-	-	6.753	-	**10.441**	(2.770)	**7.671**
Total comprehensive (loss)/income for the period	-	-	-	-	(1.952.924)	(13.541)	17.229	-	-	-	6.753	-	**(1.942.483)**	(9.874)	**(1.952.357)**
Bail-in of deposits and structured products	3.806.581	-	-	-	-	-	-	-	-	-	-	(19.957)	**3.786.624**	-	**3.786.624**
Bail-in of Convertible Bonds 2013/2018, Capital Securities 12/2007 and Convertible Capital Securities	122.541	-	-	-	-	-	-	-	-	-	-	(6)	**122.535**	-	**122.535**
Conversion of CECS into shares	459.399	-	-	(429.580)	-	-	-	-	-	-	-	(29.819)	**-**	-	**-**
Reduction in nominal value of share capital and utilisation of share premium	(2.353.349)	-	(428.271)	-	2.786.871	-	-	-	-	(5.251)	-	-	**-**	-	**-**
Shares subject to interim orders	-	60.182	-	-	-	-	-	-	-	-	-	-	**60.182**	-	**60.182**
Acquisitions	844.014	-	-	-	(413.563)	-	-	-	-	-	-	-	**430.451**	13.467	**443.918**
Exchange difference on CECS	-	-	-	745	(745)	-	-	-	-	-	-	-	**-**	-	**-**
Transfer of realised profits on sale of property	-	-	-	-	15.226	(15.226)	-	-	-	-	-	-	**-**	-	**-**
Increase in value of in-force life insurance business	-	-	-	-	(3.477)	-	-	-	3.477	-	-	-	**-**	-	**-**
Tax on increase in value of in-force life insurance business	-	-	-	-	3.015	-	-	-	(3.015)	-	-	-	**-**	-	**-**
30 September 2013	**4.674.327**	**60.182**	**-**	**-**	**(2.066.127)**	**115.648**	**20.132**	**6.059**	**92.458**	**-**	**(98.940)**	**(88.377)**	**2.715.362**	**80.815**	**2.796.177**

		Nine months ended 30 September	
		2014	2013 (restated and represented)
	Note	**€000**	€000
Net cash flows from operating activities			
Profit/(loss) before tax from continuing operations		**224.946**	(506.309)
Loss before tax from discontinued operations		**(150.869)**	(1.456.777)
Profit/(loss) for the period before tax		**74.077**	(1.963.086)
Share of (profit)/loss from associates and joint ventures		**(1.637)**	4.277
Provisions for impairment of loans and advances		**530.817**	858.356
Loss on disposal of discontinued operations		**114.228**	1.365.624
Depreciation of property and equipment and amortisation of intangible assets		**20.331**	25.257
Increase in value of in-force life insurance policies		**(5.286)**	(3.477)
Impairment of assets held for sale		**4.351**	-
Amortisation of discounts/premiums of debt securities		**(113.504)**	(52.162)
Income from investments and disposals of property, equipment and intangible assets less interest on subordinated loan stock and interest on funding from central banks		**(187.260)**	86.493
		436.117	321.282
Net decrease in loans and advances to customers and other accounts		**1.626.619**	4.581.442
Net decrease in customer deposits and other accounts		**(1.444.400)**	(7.544.796)
		618.336	(2.642.072)
Tax paid		**(10.625)**	(11.931)
Net cash flow from / (used in) operating activities		**607.711**	(2.654.003)
Cash flows from investing activities			
Proceeds on disposal/redemption of investments		**1.066.700**	1.032.383
Interest received from debt securities and treasury bills		**152.850**	156.309
Dividend income from equity securities		**245**	158
Proceeds/(amounts paid) on disposal of subsidiaries and operations		**98.860**	(1.153.000)
Cash consideration paid net of cash acquired		**-**	1.126.302
Purchases of property and equipment		**(7.967)**	(17.537)
Proceeds on disposal of property and equipment		**609**	25.774
Purchases of intangible assets		**(8.410)**	(6.848)
Proceeds on disposal of intangible assets		**1.162**	4.426
Purchases of investment property		**-**	(10.208)
Proceeds on disposals of assets held for sale		**1.720**	-
Proceeds on disposal of investment property		**18.589**	3.046
Net cash flow from investing activities		**1.324.358**	1.160.805
Cash flows from financing activities			
Proceeds from the issue of shares		**894.000**	-
Shares issue costs paid		**(624)**	-
(Net repayment of)/proceeds from funding from central banks		**(2.352.597)**	2.054.522
Proceeds from the issue of debt securities in issue		**3.133**	-
Redemption of debt securities in issue		**-**	(28.877)
Interest on subordinated loan stock		**(63)**	4.293
Interest on debt securities in issue		**-**	(638)
Interest on funding from central banks		**(113.378)**	(118.075)
Net cash flow (used in) / from financing activities		**(1.569.529)**	1.911.225
Net increase in cash and cash equivalents for the period		**362.540**	418.027
Cash and cash equivalents			
1 January		**1.463.243**	1.337.956
Exchange adjustments		**10.568**	33.714
Net increase in cash and cash equivalents for the period		**362.540**	418.027
30 September	*26*	**1.836.351**	1.789.697

	30 September 2014	30 September 2013
Non-cash transactions	**€000**	€000
Bail-in of deposits and structured products	**58.775**	3.806.581
Bail-in of Convertible Bonds 2013/2018, Capital Securities 12/2007 and Convertible Capital Securities	**-**	122.541
Conversion of CECS into shares	**-**	459.399
Acquisitions	**12.951**	430.451
Reduction in the nominal value of share capital	**(4.280.140)**	(2.353.349)
Shares issue costs to be paid	**(29.336)**	-
	(4.237.750)	2.465.623
Deferred proceeds from the disposal of the Group's Ukrainian business (Note 35.4)	**100.000**	-
	(4.137.750)	2.465.623

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. Since 19 March 2013, the shares of the Company have been suspended from trading on the Cyprus and Athens Stock Exchanges.

Interim Condensed Consolidated Financial Statements

The Interim Condensed Consolidated Financial Statements include the financial statements of the Company and its subsidiaries. They were approved and authorised for issue by a resolution of the Board of Directors on 26 November 2014 and announced on 27 November 2014.

2. Cyprus – Eurogroup agreement and the operating environment thereafter

Adversely affected by the international economic crisis, particularly by developments in Greece, and following a series of negative developments including the restructuring of Greek public debt, the government of Cyprus lost access to international markets. As a result, in June 2012 the Cyprus government applied to the European Union (EU) and the International Monetary Fund (IMF) for financial assistance. This led to negotiations with the European Commission, the European Central Bank (ECB) and the IMF (collectively referred to as the 'Troika') for a comprehensive programme of financial assistance. These negotiations led to the signing of the Memorandum of Understanding (MoU) on 2 April 2013 which entailed agreement on a three year Economic Adjustment Programme.

The Cypriot Programme consists of a package of financial assistance of up to €10 billion, conditioned on the implementation of specific measures and reforms addressing short and medium term financial, fiscal and structural changes facing Cyprus. The key objectives of the programme are to restore the soundness of the banking sector, continue the on-going process of fiscal consolidation and restore fiscal sustainability and to implement structural reforms to support competitiveness and growth prospects of the economy.

After a 5,4% contraction in 2013, the recession continued into 2014 with real Gross Domestic Product (GDP) contracting on average by 2,5% in the first 9 months of the year (compared to the same period in 2013). Real GDP for the whole year is expected to contract by 2,8% according to the European Commission's Autumn economic forecasts. The economy is expected to gain traction in 2015-2016 mainly driven by net exports, whilst private consumption will remain weak due mainly to continued deleveraging.

Credit conditions are expected to remain tight and the recovery, initially at least, is expected to be credit-less. Growth is therefore expected to be led by the less leveraged sectors, such as the professional and business services sectors, and by sectors with a more solid turnover, such as tourism. Export growth will be supported by improved competitiveness and a gradual increase in global demand.

Unemployment remains high and is expected to start declining from 2015 onwards. After a considerable slowdown in 2013 and a sharp drop in the beginning of 2014, harmonised inflation started to edge higher in the second half. On average for the year as a whole, harmonised inflation is expected to be around zero to slightly negative.

The current account deficit is expected to be around 1,2% of GDP in 2014, almost unchanged from the previous year. The current account is expected to balance in 2016 according to the European Commission's Autumn economic forecasts, driven by gradually increasing exports, particularly services, given the previous sharp drop in imports.

Following considerable consolidation efforts and prudent budget execution, the general government deficit is expected to drop below 3% of GDP in 2014 from 4,9% the year before. The debt ratio is likely to peak in 2015 and to decline thereafter, dropping to below 100% of GDP by 2016, according to the Ministry of Finance, assuming that buffer amounts of €2 billion in the MoU are not utilised.

2. Cyprus – Eurogroup agreement and the operating environment thereafter (continued)

Cyprus has undergone five programme reviews by the Troika during the last 18 months, meeting most targets and achieving considerable adjustment. The contraction has been significantly less than anticipated and the banking sector has been downsized, recapitalised and restructured.

The fifth programme review took place in July 2014 and whilst progress has been noted on fiscal adjustment and restructuring in the financial sector, the release of the sixth tranche of financial assistance was conditioned on legislating an effective foreclosure framework. In September 2014, a new foreclosure law was approved by the Cypriot Parliament, which is aimed at ensuring that the foreclosure process is effective and that it provides adequate and balanced incentives for borrowers and lenders to restructure loans. Parliament also approved certain supplementary bills intended to provide additional protection to borrowers that could potentially conflict with the main objectives of the foreclosure law. Following referral by the President of the Republic, the Supreme Court held that these supplementary bills were unconstitutional. A further supplementary bill was referred back to Parliament by the President and this has been withdrawn by the Parliament and referred to the ECB for its consideration.

The foreclosure law will need to be complemented by a modernised corporate and personal insolvency legal framework with the objective of facilitating debt restructuring for viable debtors. The new framework will also allow for the speedy liquidation of non-viable companies and for a fresh start for individuals without capacity to pay. The insolvency framework legislation is currently being developed by the government.

Furthermore, the two largest domestic systemic banks have passed the European Comprehensive Assessment exercise completed in October 2014, with the third largest bank requiring a relatively modest capital injection.

2.1 Restructuring of the financial sector

The main terms of the MoU for the financial sector were:

- Based on a decision by the Central Bank of Cyprus (CBC) in its capacity as Resolution Authority and in compliance with Cyprus' adopted Bank Resolution Framework, Cyprus Popular Bank Public Co Ltd ('Laiki Bank') was subjected to immediate resolution. Laiki Bank, including mostly uninsured depositors and assets outside Cyprus, is expected to be run down over time. The assets of Laiki Bank in Cyprus, the majority of Laiki Bank liabilities, mainly the insured deposits, €9 billion of Emergency Liquidity Assistance (ELA) funding, and certain assets and liabilities of the UK and Greek operations of Laiki Bank were acquired by the Group. Additional information is presented in Note 35.1.
- The Company was recapitalised through a deposit-to-equity conversion of 47,5% of deposits subject to bail-in, in accordance with the relevant decrees issued by the Resolution Authority (uninsured deposits), with full contribution of equity shareholders and debt holders.
- The Greek branches of the Company, Laiki Bank and Hellenic Bank were acquired by Piraeus Bank Greece, which was selected for this transaction by the Hellenic Financial Stability Fund (HFSF). Piraeus Bank Greece acquired assets of €20 billion and liabilities of €14 billion of these branches.

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

In accordance with the latest revision of the MoU signed between the government and the Troika, a streamlined foreclosure framework must be in place in order to promote payment discipline by borrowers, where capacity exists, and to facilitate problem loan restructurings, where ability to pay is constrained by the downturn. The foreclosure framework provides that assets pledged as collateral can be recovered by the banks within a reasonable time-span. The MoU also provides that this legislation will need to be complemented by a reform of the insolvency framework, to guide the restructuring process for viable borrowers and provide solutions to address the debt of non-viable ones.

At the same time, the CBC must further strengthen the arrears-management framework, ensure that banks enhance their operational capacity, and increase supervisory monitoring of banks' efforts towards achieving long-term debt restructuring solutions.

2. Cyprus – Eurogroup agreement and the operating environment thereafter (continued)

2.2 Tax and other fiscal measures

Pursuant to the implementation of the decisions of the Eurogroup, the House of Representatives of Cyprus voted a number of amending bills regarding direct and indirect taxes, as described in Note 2.2 to the Consolidated Financial Statements for the year ended 31 December 2013.

2.3 Temporary restrictions on money transfers

The Cypriot authorities introduced temporary restrictive measures and capital controls, with respect to banking and cash transactions, as a result of the significant liquidity squeeze in the local market and the risk of an outflow of deposits respectively. The restrictive measures and capital controls included restrictions on cash withdrawals, the cashing of cheques and transfers of funds to other credit institutions in Cyprus and abroad.

Since their introduction, these restrictive measures have been gradually relaxed and the government has published a roadmap for their full abolition, taking into account investor confidence and financial stability indicators. As of May 2014, all restrictive measures within Cyprus have been abolished, while the capital controls with regards to the transferring of funds outside the Republic still remain in force.

2.4 Restructuring of the Group as a result of the programme

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

Sale of the Group's Greek operations to Piraeus Bank Greece
The Resolution Authority decided the sale of the loans, fixed assets and deposits of the banking and leasing operations of the Group in Greece to Piraeus Bank Greece through a Decree issued on 26 March 2013.

Acquisition of certain operations of Laiki Bank
The 'Sale of Certain Operations of Cyprus Popular Bank Public Co Ltd Decree' issued on 29 March 2013, provided for the acquisition of the insured deposits and the majority of assets of Laiki Bank by the Company. The Company serves all Laiki Bank customers in Cyprus based on existing terms and all employees of Laiki Bank in Cyprus have been transferred to the Group.

Pursuant to the provisions of this Decree, the Resolution Authority was required to perform a valuation of the transferred assets and liabilities of Laiki Bank and to determine a fair compensation for Laiki Bank. By a further Decree issued on 30 July 2013, the Resolution Authority required the Company to issue to Laiki Bank a number of Class A shares, to compensate Laiki Bank, with no right of further compensation. These Class A shares were subsequently converted into ordinary shares. The Decree issued by the Resolution Authority required that the shares issued to Laiki Bank should constitute 18,1% of the issued share capital of the Company upon completion of the recapitalisation.

Laiki UK operations
On 1 April 2013, the customer deposits of the UK Branch of Laiki Bank were acquired by Bank of Cyprus UK Ltd, a wholly owned subsidiary of the Group.

Romanian operations
On 25 April 2013, in accordance with a relevant Decree issued by the Resolution Authority, the Company's Romanian Branch transferred to Marfin Bank (Romania) SA assets amounting to €82.000 thousand, which included certain customer loans and related collateral, cash and other liquid assets, as well as customer deposits amounting to €77.000 thousand.

2. Cyprus – Eurogroup agreement and the operating environment thereafter (continued)

2.5 Recapitalisation of the Company

Pursuant to the provisions of the 'Bail-in of Bank of Cyprus Public Company Ltd Decree of 2013' and subsequent amendments to it, the Company has been recapitalised through a bail-in (deposit-to-equity conversion) of uninsured deposits and structured products. The holders of ordinary shares and subordinated loan stock in issue as of 29 March 2013 have contributed to the recapitalisation of the Company through the absorption of losses, by a reduction of the nominal value of shares and the conversion into shares respectively. The debt securities in issue by the Company were also converted into shares. A detailed description of these measures is set out in Note 2.5 to the Consolidated Financial Statements for the year ended 31 December 2013. In addition, the Company has completed the issue of additional share capital of €1 billion. Further details are disclosed in Note 24.

2.6 Release of decree deposits

On 31 January 2014, 30 April 2014 and 31 July 2014 the Company released the six-month, nine-month and twelve-month time decree deposits maturing on 31 January 2014, 30 April 2014 and 31 July 2014 respectively. The six-month time deposits were fully released on 31 January 2014. The nine-month time deposits were released in three equal tranches on 30 April, 31 July and 31 October 2014. The twelve-month time deposits are released in three equal tranches on 31 July 2014, 30 October 2014 and 30 January 2015. These deposits were blocked as per the decrees relating to the recapitalisation of the Company issued in July 2013. The released funds are subject to the general restrictive measures currently applicable in the Cypriot banking system.

2.7 Changes in the regulatory body

The Group's operations in Cyprus and overseas are supervised by the CBC and the ECB as a supervisory body for all the banks in the Eurozone area (referred to as the Single Supervisory Mechanism (SSM)). The ECB fully assumed several supervisory responsibilities on 4 November 2014 (subject to implementation arrangements and measures set forth in article 33(2) of the ECB Regulations).

2.8 Listing of shares and lifting of the trading suspension

The Company has issued a prospectus with respect to the Retail Offer and the applications for the listing and trading of its unlisted ordinary shares and the shares arising from the Retail Offer on the Cyprus Stock Exchange (CSE) and the Athens Exchange (ATHEX).

Also, following the issue of the prospectus and the provision of the relevant information to the investors, the Company anticipates that the Cyprus Securities and Exchange Commission will proceed to the lifting of the trading suspension on the ordinary shares of the Company already listed on the CSE and the ATHEX.

Subject to the regulatory approvals, these are expected to occur in December 2014 (Note 39.6).

3. Unaudited financial statements

The Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2014 have not been audited by the Group's external auditors.

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 nine months ended 30 September 2014 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 audited Consolidated Financial Statements for the year ended 31 December 2013.

4. Basis of preparation (continued)

4.2 Comparative information

Comparatives have been re-presented to reflect the reclassification of the Ukrainian operations disposed of during the period, from continuing to discontinued operations. In addition, comparative information has been restated with respect to the finalisation of the accounting for the Laiki Bank acquisition as described in Note 35.1. Reclassifications to comparative information were made to conform to changes in the presentation in the current period. These reclassifications had no impact on the total loss after tax or equity of the Group.

5. Accounting policies

5.1 New and amended standards and interpretations

The accounting policies adopted for the preparation of the Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2014 are consistent with those followed for the preparation of the annual Consolidated Financial Statements for the year ended 31 December 2013. 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:

- IAS 27 Separate Financial Statements (Revised)
- IAS 28 Investments in Associates and Joint Ventures (Revised)
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Involvement with Other Entities
- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)
- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
- IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

5.2 Impact on finalisation of accounting of Laiki Bank acquisition

In March 2014 the accounting for the Laiki Bank acquisition was completed and the Company recognised final adjustments on the acquisition date fair values amounting to €7.082 thousand on the net assets acquired (Note 35.1).

In addition, as part of the acquisition, the Group acquired 70% of the share capital of Byron Capital Partners Ltd (BCP) and more than 90% of the participating redeemable units of Marfin Diversified Strategy Fund Plc (MDSF). The management of the shares of the MDSF is 100% owned by BCP. 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 has joint control over BCP and MDSF and it should be classified as a joint venture under IFRS 11. The investment was provisionally classified as available-for-sale and was reclassified to investment in associates and joint ventures following information obtained for this investment about facts and circumstances that existed on the acquisition date and it is required to account for the investment in joint venture under the equity method.

5. Accounting policies (continued)

5.2 Impact on finalisation of accounting of Laiki Bank acquisition (continued)

The following adjustments were made to the financial results and position of the Group for the comparative period:

Consolidated Income Statement for the nine months ended 30 September 2013	**€000**
Loss for the period	
Before the change in classification	**(1.953.874)**
Share of loss from associate and joint venture	(6.154)
After the change in classification	**(1.960.028)**

Consolidated Statement of Comprehensive Income for the nine months ended 30 September 2013	**€000**
Available-for-sale investments	
Gain on revaluation before tax	
Before the change in classification	**11.160**
Gains on revaluation before tax	6.154
After the change in classification	**17.314**

Consolidated Balance Sheet as at 31 December 2013	**€000**
Investments	
Before the change in classification	**2.859.584**
Reclassification to investment in associates and joint ventures	(99.729)
After the change in classification	**2.759.855**
Investments in associates and joint ventures	
Before the change in classification	**103.402**
Reclassification from available-for-sale investments	99.729
After the change in classification	**203.131**
Other assets	
Before the adjustments to the provisional amounts	**1.394.751**
Adjustments on the fair values of the identifiable assets acquired from Laiki Bank	7.082
After the adjustments to the provisional amounts	**1.401.833**

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 Consolidated Financial Statements for the year ended 31 December 2013.

The critical judgements, estimates and assumptions are set out below, updated for current developments.

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 nine months ended 30 September 2014 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:

6.1.1 Restructuring Plan

The Group has prepared a Restructuring Plan, which has been approved by the CBC in November 2013. The Restructuring Plan defines the Group's strategy, business model and risk appetite.

The Plan defines the strategic objectives and actions the Group should take to create a safer, smaller, more focused institution capable of supporting the prosperity of the Cypriot economy by:
- Rebuilding trust and confidence of both depositors and investors.
- Preserving the Group's status as the cornerstone of the domestic economy, continuing to support both businesses and households.
- Building a resilient institution, able to effectively manage its portfolio of assets and withstand further external shocks and economic turbulence.
- Smoothly integrating the operations of Laiki Bank, maximising synergies and bottom-line impact for the combined entity through the realisation of synergies.
- Enhancing the capital adequacy of the Group by internally generating capital through profitability, deleveraging and disposal of non-core assets.

The Plan aims to enable the Group to overcome its current difficulties and gradually normalise its performance. The Plan sets specific medium-term financial targets that prioritise the stability and viability of the Group. One of the most important targets is the compliance with the minimum capital adequacy requirements set forth by the CBC throughout the Restructuring Plan period. The Group considers the achievement of a superior Common Equity Tier 1 capital ratio as a very important objective, shielding the Group from further shocks and eventually enabling the Group's credit rating to improve, facilitating access to capital markets for funding in the medium term.

6.1.2 Regulatory capital ratios

The Common Equity Tier 1 (CET1) ratio of the Group at 30 September 2014 stands at 15,4%. The capital position of the Group was enhanced after the €1 billion capital increase completed in September 2014 (Note 24).

6. Significant judgements, estimates and assumptions (continued)

6.1 Going concern (continued)

6.1.2 Regulatory capital ratios (continued)

As from 1 January 2014, the new Capital Requirement Regulations (CRR) and amended Capital Requirement Directive IV (CRD IV) became effective. The CBC determined the extent of phasing-in of the transitional provisions relating to Common Equity Tier 1 deductions and, on 29 May 2014, it set the minimum Common Equity Tier 1 capital ratio at 8%. The Group may also be subject to additional capital requirements for risks which are not covered by the above-mentioned capital requirements, taking also into account the provisions of CRD IV/CRR and the results of the AQR and the EU-wide stress test (Pillar II add-ons).

6.1.3 ECB Comprehensive Assessment

Following the share capital increase of €1 billion in September 2014, the Group passed the 2014 ECB Comprehensive Assessment run prior to the inception of the Single Supervisory Mechanism in November 2014. The Comprehensive Assessment was conducted by the ECB in cooperation with the CBC and it comprised of two pillars, an Asset Quality Review (AQR) and a stress test.

The Comprehensive Assessment was based on a capital benchmark of 8% CET1 ratio, including transitional arrangements of CRR/CRD IV, for both the AQR and the Baseline stress test scenario. For the purposes of the EU-wide stress test, the minimum ratios applied across all participating banks were set at 8% CET1 ratio for the Baseline Scenario and 5,5% CET1 ratio for the Adverse Scenario.

As a result of the application of the AQR and the stress test, the AQR Adjusted CET1 ratio (based on transitional arrangements as of 1.1.2014) of the Group was estimated at 7,28%, the Adjusted CET1 ratio after the Baseline Scenario was estimated at 7,73% and the Adjusted CET1 ratio after the Adverse Scenario was estimated at 1,51%. Based on these estimated capital ratios, the theoretical Aggregated Capital Shortfall of the Comprehensive Assessment was estimated at €919 million. Taking into account the successful capital increase of €1 billion completed on 18 September 2014, the theoretical shortfall is covered leading to a capital surplus of €81 million and, therefore, the Group is not obliged to proceed with any capital enhancing actions. As such, adjusting the above mentioned ratios for the capital increase, the AQR Adjusted CET1 ratio (based on transitional arrangements as of 1.1.2014) rises to 11,53%, the Adjusted CET1 ratio after the Baseline Scenario rises to 11,62% and the Adjusted CET1 ratio after the Adverse Scenario rises to 5,85%.

The total AQR adjustments as at 31 December 2013 amounted to €731 million, of which €277 million related to specific provisions and €454 million related to collective provisions. These adjustments had a negative impact on the prudential Common Equity Tier 1 (CET1) ratio of the Company. The Company considers that the AQR adjustments calculated as part of the Comprehensive Assessment in no way indicate that the Company was not in compliance with International Financial Reporting Standards. Moreover, it is noted that the Company has not been made aware, in the context of the AQR, of any accounting errors or of any of its accounting policies not being in compliance with International Financial Reporting Standards.

Following the Comprehensive Assessment, which was fundamentally a prudential exercise, the SSM has requested the Group to review certain of its accounting estimates relating to provisions in light of the higher degree of conservatism applied in the AQR. If required, any such changes in estimates would be reflected in the Group’s financial statements for year 2014. Further, while the AQR and stress test did not show a capital shortfall for the Group after giving effect to the Capital Raising, in connection with the AQR, the SSM has requested the Company to review certain of its accounting estimates, such those relating to provisions, on a prospective basis. This may adversely affect the Company's capital position and the financial results of the Company going forward.

6. Significant judgements, estimates and assumptions (continued)

6.1 Going concern (continued)

6.1.4 Asset quality

The challenging macroeconomic environment in Cyprus is affecting the Group's asset quality.

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 which 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. As part of the Group's new organisational structure, the Restructuring and Recoveries Division manages arrears across all portfolios. The Division handles all activity relating to exposures greater than €100.000 thousand, debt restructuring and debt collection and recovery of non-performing loans across all customer segments. The creation of this Division is a major step in the Group's recovery path, as swiftly and professionally addressing problem lending is absolutely critical.

6.1.5 Liquidity

The Group currently has relatively limited access to interbank and wholesale markets which, combined with a reduction in deposits in Cyprus, continued to have increased reliance on central bank funding. Following the recent capital increase, however, the Group expects that it will resume issuing debt securities in the capital markets as part of its funding strategy going forward, provided market conditions allow it.

The level of Central Bank funding (ELA and ECB funding) of the Group as at 30 September 2014 amounted to €8,60 billion comprising €920 million of ECB funding and €7,68 billion of ELA funding. The level of Central Bank funding has been further reduced since 30 September 2014 to €8,39 billion, comprising €890 million of ECB funding and €7,50 billion of ELA funding. In addition, the Group's stock of liquid assets in Cyprus has recently improved, providing a further buffer to the Group.

In March 2013, the Cypriot authorities introduced certain temporary restrictive measures and capital controls with respect to banking and cash transactions. These measures included restrictions on cash withdrawals and capital movements. Even though these measures are gradually being lifted, they have allowed the Group some headroom to deal with the significant liquidity squeeze in the local market and the risk of an outflow of deposits. In May 2014, all restrictive measures within Cyprus were lifted, while the capital controls on the transfer of funds outside the Republic still remain in force. Although about €1,2 billion of blocked decree deposits have been released in July and October 2014, the Group has been experiencing positive customer flows during recent months.

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.

6.1.6 Litigation and claims

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

Despite the novelty of the said claims and the uncertainties inherent in a unique situation, on the information available at present and on the basis of the law as it currently stands, the 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 22.1).

6. Significant judgements, estimates and assumptions (continued)

6.1 Going concern (continued)

6.1.7 Uncertainties

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

However, the ability of the Group to continue as a going concern is dependent on:
- The successful management of the high level of non-performing loans.
- The period over which the capital controls are in place.
- The continuing reliance on and availability of the Central Bank liquidity facilities.
- The actual outcome of litigation and claims mainly relating to the bail-in of deposits and the absorption of losses by the holders of equity and debt instruments of the Company.
- The successful management of the Group's exit from overseas non-core assets.

6.1.8 Going concern assessment

The Company's management, taking into consideration the above factors, 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 Company successfully completed a €1 billion equity raise on 18 September 2014. The Company is in the process of a retail offer for raising additional share capital of up to €100 million (Note 39.6).
- The Group has passed the 2014 ECB Comprehensive Assessment Exercise after the €1 billion capital raise.
- The Troika is expected to continue to provide the required financial support to Cyprus as per the MoU.
- The implementation of additional actions as per the Restructuring Plan, which would further improve the capital adequacy and liquidity position of the Group.
- The potential for additional liquidity support from the government, following the approval by the House of Representatives for the issuance of €2,9 billion of government guarantees for bonds/loans issued by the credit institutions under the relevant law. It is expected that the Group will be able to make use of the above guarantees if needed.
- The expectation that the Cyprus government will maintain certain capital controls with respect to the flow of funds outside Cyprus, for as long as required, to ensure the stability of the Cyprus banking system.

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.

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.

6. Significant judgements, estimates and assumptions (continued)

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

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 collections from collateral has been estimated to be 2 years for loans that have been managed by the Recoveries Division for more than 3 years, and 4 years for customers that have been managed by the Recoveries Division for less than 3 years. For all other loans a maximum expected recovery period of 5 years is assumed.

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.

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

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

Following the Comprehensive Assessment, which was fundamentally a prudential exercise, the SSM has requested the Group to review certain of its accounting estimates relating to provisions in light of the higher degree of conservatism applied in the AQR. If required, any such changes in estimates would be reflected in the Group's financial statements for year 2014. Further, while the AQR and stress test did not show a capital shortfall for the Group after giving effect to the Capital Raising, in connection with the AQR, the SSM has requested the Company to review certain of its accounting estimates, such those relating to provisions, on a prospective basis. This may adversely affect the Company's capital position and the financial results of the Company going forward.

6. Significant judgements, estimates and assumptions (continued)

6.3 Tax

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

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

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

The Group's accounting policy for property held for own use, as well as for investment property, requires that it is measured at fair value. In the case of property held for own use valuations are carried out periodically so that the carrying value is not materially different from the fair value, whereas in the case of investment properties the valuation is performed at each reporting date. Valuations are carried out by qualified valuers by applying valuation models recommended by the International Valuation Standards.

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

Volatility in the global financial system is reflected in commercial real estate markets including the main markets in which the Group retains real estate properties, Cyprus and Greece.

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.

Even though the number of transactions published by the Lands Registry Department has increased in the last few months, 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.

6.5 Impairment of available-for-sale investments

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

6. Significant judgements, estimates and assumptions (continued)

6.5 Impairment of available-for-sale investments (continued)

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

6.6 Investments in associates and joint ventures

The Group's investments in joint venture comprise Byron Capital Partners Ltd (BCP) and Marfin Diversified Strategy Fund Plc (MDSF) acquired by the Group as part of the acquisition of certain operations of Laiki Bank. The management shares of the MDSF are 100% owned by BCP. 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. Significant management judgement is required in interpreting the provisions of this shareholder agreement and concluding whether matters requiring the consent by both shareholders are substantive with respect to directing the relevant activities of the two investee entities or convey rights that are of a protective nature.

7. Segmental analysis

The Group is organised into operating segments based on the geographic location of each unit. On 26 March 2013, through a Decree issued by the Resolution Authority, the Group disposed of the loans, property and equipment, intangible assets and deposits of its banking and leasing operations in Greece to Piraeus Bank. As a result, the majority of the Greek operations which represented the Group's banking and leasing activities are presented as discontinued in the comparative period. In April 2014, the Group's activities in Ukraine were sold to Alfa Group as described in Note 35.4. As a result, the Ukrainian operations are presented as discontinued. Previously, the Group's activities in Ukraine were presented within 'Other countries' due to their size.

The remaining Group's activities in Greece, the United Kingdom and Romania are separate operating segments for which information is provided 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. The Group's activities in Greece include the provision of financial and insurance services, as well as the management of investment property. In the other countries, the Group provides only banking services.

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

Operating segment disclosures are provided as presented to the Chief Executive Officer. Each segment's capital and the related interest income and expense are adjusted in order to be on the same basis as a percentage of the segment's risk weighted assets, as calculated for capital adequacy purposes in accordance with the relevant regulations of the CBC. The Group's total profit as presented in the consolidated income statement is not affected.

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.

	Cyprus	Russia	Other countries	**Total continuing operations**	**Discontinued operations**
Nine months ended 30 September 2014	€000	€000	€000	**€000**	**€000**
Net interest income	703.784	47.553	39.057	**790.394**	**4.064**
Net fee and commission income	111.065	15.183	4.500	**130.748**	**270**
Net foreign exchange (losses)/gains	(19.314)	2.428	(320)	**(17.206)**	**617**
Net gains/(losses) on financial instrument transactions	171.491	(31)	(1.726)	**169.734**	**-**
Insurance income net of claims and commissions	33.197	-	2.245	**35.442**	**-**
Other (expenses)/income	(725)	784	5.399	**5.458**	**1.052**
	999.498	65.917	49.155	**1.114.570**	**6.003**
Staff costs	(165.439)	(26.303)	(10.833)	**(202.575)**	**(1.233)**
Other operating expenses	(113.748)	(29.183)	(21.665)	**(164.596)**	**(2.883)**
Restructuring costs (Note 9)	(25.050)	-	(2.400)	**(27.450)**	**-**
Impairment of assets held for sale	-	-	(4.351)	**(4.351)**	**-**
Profit before impairment of loans and advances to customers	**695.261**	**10.431**	**9.906**	**715.598**	**1.887**
Provisions for impairment of loans and advances to customers	(372.594)	(75.086)	(44.609)	**(492.289)**	**(38.528)**
Loss on disposal of Ukrainian business (Note 35.4)	-	-	-	**-**	**(114.228)**
Share of profit from associates and joint ventures	1.637	-	-	**1.637**	**-**
Profit/(loss) before tax	**324.304**	**(64.655)**	**(34.703)**	**224.946**	**(150.869)**
Tax	(3.630)	(4.953)	(6.405)	**(14.988)**	**654**
Profit/(loss) after tax	**320.674**	**(69.608)**	**(41.108)**	**209.958**	**(150.215)**
Non-controlling interests (profit)/loss	(432)	16.300	-	**15.868**	**39**
Profit/(loss) after tax attributable to the owners of the Company	**320.242**	**(53.308)**	**(41.108)**	**225.826**	**(150.176)**

7. **Segmental analysis** (continued)

	Cyprus	Russia	Other countries	**Total continuing operations**	**Discontinued operations**
Nine months ended 30 September 2013 (restated and represented)	€000	€000	€000	**€000**	**€000**
Net interest income	594.256	74.985	39.432	**708.673**	**63.469**
Net fee and commission income	96.694	21.038	6.451	**124.183**	**12.435**
Net foreign exchange (losses)/gains	(4.647)	4.209	(841)	**(1.279)**	**(14.976)**
Net (losses)/gains on financial instrument transactions	(10.507)	-	(5.559)	**(16.066)**	**5.553**
Insurance income net of claims and commissions	44.710	-	6.075	**50.785**	**-**
Other (expenses)/income	(1.697)	781	(23.655)	**(24.571)**	**(1.344)**
	718.809	101.013	21.903	**841.725**	**65.137**
Staff costs	(199.165)	(39.437)	(12.889)	**(251.491)**	**(27.100)**
Other operating expenses	(108.378)	(35.838)	(15.682)	**(159.898)**	**(61.247)**
Restructuring costs (Note 9)	(141.955)	-	-	**(141.955)**	**-**
Profit / (loss) before impairment of loans and advances to customers	**269.311**	**25.738**	**(6.668)**	**288.381**	**(23.210)**
Provisions for impairment of loans and advances to customers	(697.145)	(51.958)	(41.310)	**(790.413)**	**(67.943)**
Loss on disposal of Greek banking and leasing operations	-	-	-	**-**	**(1.365.624)**
Share of loss from associates and joint ventures	(3.493)	-	(784)	**(4.277)**	**-**
Loss before tax	**(431.327)**	**(26.220)**	**(48.762)**	**(506.309)**	**(1.456.777)**
Tax	3.385	5.175	(5.408)	**3.152**	**(94)**
Loss after tax	**(427.942)**	**(21.045)**	**(54.170)**	**(503.157)**	**(1.456.871)**
Non-controlling interests-loss	1.634	5.468	-	**7.102**	**2**
Loss after tax attributable to the owners of the Company	**(426.308)**	**(15.577)**	**(54.170)**	**(496.055)**	**(1.456.869)**

7. **Segmental analysis** (continued)

Analysis of total revenue

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

	Cyprus	Russia	Other countries	**Total continuing operations**	**Discontinued operations**
Nine months ended 30 September 2014	€000	€000	€000	**€000**	**€000**
Banking and financial services	943.866	80.137	51.746	**1.075.749**	**6.414**
Insurance services	34.377	-	2.303	**36.680**	**-**
Property and hotel business	1.809	-	(79)	**1.730**	**-**
Total revenue from third parties	980.052	80.137	53.970	**1.114.159**	**6.414**
Inter-segment revenue/(expense)	19.446	(14.220)	(4.815)	**411**	**(411)**
Total revenue	**999.498**	**65.917**	**49.155**	**1.114.570**	**6.003**

	Cyprus	Russia	Other countries	**Total continuing operations**	**Discontinued operations**
Nine months ended 30 September 2013 (represented)	€000	€000	€000	**€000**	**€000**
Banking and financial services	656.609	119.139	10.009	**785.757**	**67.909**
Insurance services	45.403	-	6.198	**51.601**	**-**
Property and hotel business	1.595	-	-	**1.595**	**-**
Total revenue from third parties	703.607	119.139	16.207	**838.953**	**67.909**
Inter-segment revenue/(expense)	15.202	(18.126)	5.696	**2.772**	**(2.772)**
Total revenue	**718.809**	**101.013**	**21.903**	**841.725**	**65.137**

Analysis of assets

	Cyprus	Russia	Other countries	**Total**
30 September 2014	€000	€000	€000	**€000**
Assets	25.936.549	1.080.631	1.979.517	28.996.697
Inter-segment assets				(1.513.827)
Total assets				**27.482.870**
31 December 2013 (restated)				
Assets	28.663.107	1.316.068	2.044.721	32.023.896
Inter-segment assets				(1.674.457)
Total assets				**30.349.439**

7. Segmental analysis (continued)

Analysis of liabilities

	Cyprus	Russia	Other countries	**Total**
30 September 2014	€000	€000	€000	**€000**
Liabilities	21.714.102	1.223.152	2.277.003	25.214.257
Inter-segment liabilities				(1.516.012)
Total liabilities				**23.698.245**

31 December 2013				
Liabilities	25.183.780	1.380.412	2.724.213	29.288.405
Inter-segment liabilities				(1.676.642)
Total liabilities				**27.611.763**

8. Net gains/(losses) on financial instruments transactions

	Nine months ended 30 September		**Three months ended 30 September**	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Trading portfolio:				
- equity securities	**1.412**	(232)	**282**	30
- debt securities	**72**	(252)	**3**	(141)
- derivative financial instruments	**5.361**	14.873	**4.262**	(6.576)
Other investments at fair value through profit or loss:				
- debt securities	**1.988**	855	**159**	1.917
Net gains/(losses) on disposal of available-for-sale investments:				
- equity securities	**48.948**	544	**(26)**	530
- debt securities	**2.862**	(10.827)	**236**	(317)
Net gains/(losses) on disposal/repayment of loans and receivables:				
- debt securities	**99.929**	2.642	**87**	(1.004)
Realised gains/(losses) on disposal of loans and deposits	**25.432**	(3.052)	**(1.907)**	1.430
Impairment of debt securities	**(66)**	(17.819)	**-**	(1.890)
Impairment of available-for-sale equity securities	**(1.699)**	(7.328)	**(205)**	(3.909)
(Impairment)/reversal of impairment of placements with banks	**(16.440)**	-	**1.000**	-
Impairment of loans and receivables other than debt securities	**(15.000)**	-	**-**	-
Revaluation of financial instruments designated as fair value hedges:				
- hedging instruments	**(488)**	5.485	**(1.054)**	3.532
- hedged items	**(177)**	(527)	**(33)**	(140)
Loss on dissolution/disposal of subsidiaries	**-**	(220)	**-**	(220)
Other (losses)/gains on financial instruments	**-**	(208)	**55**	(1)
Gains on derecognition of loans and advances to customers	**17.600**	-	**6.352**	-
	169.734	(16.066)	**9.211**	(6.759)

8. Net gains / (losses) on financial instrument transactions (continued)

Gains on disposal of available-for-sale equity securities relate to the profit on disposal of the investment in Banca Transilvania.

Additionally, the gain on disposal of debt securities classified as loans and receivable relates to the gain from the earlier partial repayment of a Cyprus Government Bond than initially expected. The gain on disposal of loans and deposits relates to the profit on disposal of loans extended to Robne Kuce Beograd, a Serbian real estate management company, to Piraeus Bank S.A.

Gain on derecognition of loans and advances to customers arises on settlement of loans acquired during 2013 through the acquisition of Laiki Bank operations (Note 35.1), at an amount which is higher than their carrying amount on settlement date.

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

Other income / (expenses)

	Nine months ended 30 September		Three months ended 30 September	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Dividend income	**245**	147	**187**	46
Gains on sale of stock of property	**105**	51	**134**	51
Losses on sale and write-off of property and equipment and intangible assets	**(2.576)**	(696)	**(1.405)**	(112)
Rental income from investment properties	**2.209**	1.780	**339**	572
Losses from revaluation of investment properties	**(2.942)**	(34.394)	**(4.349)**	(129)
Gains from hotel activities	**1.867**	1.508	**1.492**	1.207
Other income	**6.550**	7.033	**1.458**	1.912
	5.458	(24.571)	**(2.144)**	3.547

Staff costs

	Nine months ended 30 September		Three months ended 30 September	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Salaries	**161.572**	201.660	**53.690**	65.161
Employer's contributions to state social insurance and pension funds	**24.196**	29.210	**7.826**	10.026
Retirement benefit plan costs	**16.807**	20.621	**5.661**	6.325
	202.575	251.491	**67.177**	81.512
Restructuring costs-Voluntary Retirement Schemes	**59**	120.439	**59**	98.096
	202.634	371.930	**67.236**	179.608

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

The number of persons employed by the Group as at 30 September 2014 was 6.639 (31 December 2013: 7.752).

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

Other operating expenses

	Nine months ended 30 September		Three months ended 30 September	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Operating lease rentals for property and equipment	**17.291**	20.938	**5.758**	7.194
Advertising and marketing	**9.507**	10.001	**3.007**	2.101
Repairs and maintenance of property and equipment	**18.696**	15.510	**7.619**	5.132
Other property–related costs	**11.431**	12.171	**4.808**	4.754
Impairment/(reversal of impairment) of property	**-**	412	**-**	(236)
Communication expenses	**9.388**	9.486	**2.803**	3.119
Printing and stationery	**3.647**	3.715	**1.057**	945
Depreciation of property and equipment	**13.325**	15.030	**4.339**	5.469
Amortisation of intangible assets	**6.468**	6.925	**2.359**	2.686
Contributions to depositor protection schemes	**1.981**	2.717	**645**	785
Special levy on deposits of credit institutions	**14.415**	16.182	**4.805**	3.858
Provisions and settlements of litigations or claims	**13.298**	743	**1.379**	(4.814)
Other operating expenses	**45.149**	46.068	**16.017**	21.616
	164.596	159.898	**54.596**	52.609
Restructuring costs	**27.391**	21.516	**6.622**	8.579
Impairment for assets held for sale (Note 16)	**4.351**	-	**4.351**	-
	196.338	181.414	**65.569**	61.188

Restructuring costs comprise mainly costs of external advisors and other expenses, including property transfer fees, relating to the restructuring process.

10. Tax

	Nine months ended 30 September		Three months ended 30 September	
	2014	2013	**2014**	2013
	€000	€000	**€000**	€000
Current tax:				
- Cyprus	**2.468**	1.086	**957**	227
- overseas	**5.237**	3.165	**2.844**	224
Cyprus defence contribution	**105**	80	**25**	47
Deferred tax	**7.278**	(7.531)	**1.654**	(1.129)
Prior year tax adjustments	**(100)**	48	**(83)**	(32)
	14.988	(3.152)	**5.397**	(663)

11. Earnings per share

	Nine months ended 30 September		**Three months ended 30 September**	
	2014	2013 (restated)	**2014**	2013 (restated)
Basic and diluted earnings per share				
Profit/(loss) after tax attributable to the owners of the Company (€ thousand)	**75.650**	(1.952.924)	**(5.774)**	(146.302)
Weighted average number of shares in issue during the period excluding treasury shares (thousand)	**4.918.027**	3.214.090	**5.284.327**	4.741.477
Basic and diluted earnings/(losses) per share (€ cent)	**1,54**	(60,76)	**(0,11)**	(3,09)
Basic and diluted earnings per share – continuing operations				
Profit/(loss) after tax attributable to the owners of the Company – continuing operations (€ thousand)	**225.826**	(496.055)	**(5.774)**	(146.237)
Weighted average number of shares in issue during the period excluding treasury shares- continuing operations (thousand)	**4.918.027**	3.214.090	**5.284.327**	4.741.477
Basic and diluted earnings/(losses) per share – continuing operations (€ cent)	**4,59**	(15,43)	**(0,11)**	(3,08)

12. Investments

	30 September 2014	31 December 2013
Investments	**€000**	€000
Investments at fair value through profit or loss	**30.672**	25.160
Investments available-for-sale	**74.984**	161.258
Investments classified as loans and receivables	**1.798.371**	2.573.437
	1.904.027	2.759.855

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

	30 September 2014	31 December 2013
Investments pledged as collateral	**€000**	€000
Investments available-for-sale	**673.770**	672.809

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

12. 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 September 2014		31 December 2013		Nine months ended 30 September 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	36.802	35.110	38.059	32.204	2.906	-	1,2%-4,4%
Reclassification of available-for-sale investments to:									
- loans and receivables	1 October 2008	163.407	164.412	165.747	164.875	145.171	-	1.335	4,6%-4,7%
- loans and receivables	30 June 2011	164.035	178.228	170.253	176.586	149.088	-	(7.975)	2,8%-6,3%
Reclassification of held-to-maturity investments to:									
- available-for-sale	1 November 2012	87.725	89.195	89.195	90.114	90.114	-	-	0,4%-3,1%

12. Investments (continued)

Reclassification of investments (continued)

	Reclassification date	Carrying and fair value on reclassification date	31 December 2013		31 December 2012		Year 2013		Effective interest rate on reclassification date
			Carrying value	Fair value	Carrying value	Fair value	Additional profit in the income statement had the bonds not been reclassified	Additional loss in other comprehensive income had the bonds not been reclassified	
		€000	€000	€000	€000	€000	€000	€000	
Reclassification of trading investments to:									
- loans and receivables	1 April 2010	34.810	38.059	32.204	39.650	28.105	4.098	-	1,2%-4,4%
Reclassification of available-for-sale investments to:									
- loans and receivables	1 October 2008	163.407	164.875	145.171	167.461	131.292	-	(19.704)	4,6%-4,7%
- loans and receivables	30 June 2011	164.035	185.666	158.170	191.565	121.390	-	(27.496)	2,8%-6,3%
Reclassification of held-to-maturity investments to:									
- available-for-sale	1 November 2012	103.067	105.698	105.698	104.252	104.252	-	-	0,4%-3,1%

13. Derivative financial instruments

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

	30 September 2014			31 December 2013		
	Contract amount	**Fair value**		Contract amount	Fair value	
		Assets	**Liabilities**		Assets	Liabilities
	€000	**€000**	**€000**	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	**145.675**	**2.544**	**331**	139.847	109	2.674
Currency swaps	**1.434.994**	**31.258**	**1.132**	1.723.306	3.778	15.465
Interest rate swaps	**227.781**	**5.736**	**4.348**	517.264	4.203	11.407
Currency options	**856**	**38**	**897**	-	-	-
Equity options	**3.183**	**552**	**349**	4.295	1.591	1.485
Interest rate caps/floors	**6.746**	**10**	**182**	6.574	11	250
GDP warrant securities	**1.207**	**20**	**-**	1.622.997	19.073	-
	1.820.442	**40.158**	**7.239**	4.014.283	28.765	31.281
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	**674.897**	**-**	**64.515**	674.888	-	47.090
Net investment hedges – forward exchange rate contracts	**65.000**	**3.344**	**-**	126.936	-	5.523
	739.897	**3.344**	**64.515**	801.824	-	52.613
Total	**2.560.339**	**43.502**	**71.754**	4.816.107	28.765	83.894

Hedge accounting

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

Changes in the fair value of derivatives designated as fair value hedges and the fair value of the item in relation to the risk being hedged are recognised in the consolidated income statement.

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

13. Derivative financial instruments (continued)

Hedge accounting (continued)

Hedges of net investments
The Group's consolidated balance sheet is affected by exchange differences between the Euro and all non-Euro functional currencies of overseas subsidiaries and branches. The Group hedges its structural currency risk when it considers that the cost of such hedging is within an acceptable range (in relation to the underlying risk). This hedging is effected by financing with borrowings in the same currency as the functional currency of the overseas subsidiaries and branches and forward exchange rate contracts. As at 30 September 2014, deposits and forward exchange rate contracts amounting to €180.075 thousand (31 December 2013: €346.725 thousand) have been designated as hedging instruments and have given rise to a gain of €1.774 thousand (31 December 2013: gain of €25.917 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.

14. Fair value measurement

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

	30 September 2014		31 December 2013	
	Carrying value	**Fair value**	Carrying value	Fair value
	€000	**€000**	€000	€000
Financial assets				
Cash and balances with central banks	**839.936**	**839.936**	1.240.043	1.240.043
Placements with banks	**1.576.836**	**1.557.404**	1.290.102	1.192.513
Investments at fair value through profit or loss	**30.672**	**30.672**	25.160	25.160
Investments available-for-sale	**748.754**	**748.754**	834.067	834.067
Investments classified as loans and receivables	**1.798.371**	**1.911.071**	2.573.437	2.593.941
Derivative financial assets	**43.502**	**43.502**	28.765	28.765
Loans and advances to customers	**19.352.151**	**19.308.153**	21.764.338	20.888.492
Life insurance business assets attributable to policy holders	**455.338**	**455.338**	430.119	430.119
Other assets	**212.297**	**212.297**	113.175	113.175
	25.057.857	**25.107.127**	28.299.206	27.346.275
Financial liabilities				
Funding from central banks and amounts due to banks	**8.733.665**	**8.733.665**	11.152.699	11.152.699
Repurchase agreements	**577.478**	**591.668**	594.004	596.006
Derivative financial liabilities	**71.754**	**71.754**	83.894	83.894
Customer deposits	**13.329.795**	**13.319.803**	14.971.167	14.895.350
Debt securities in issue	**4.715**	**4.703**	1.515	1.515
Subordinated loan stock	**5.178**	**5.000**	4.676	4.101
Other liabilities	**230.026**	**230.026**	66.491	66.491
	22.952.611	**22.956.619**	26.874.446	26.800.056

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.

14. Fair value measurement (continued)

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

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

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

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

The following 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.

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 cash flows. The expected cash flows have been based on the expected loss rates, therefore adjusting for expectations on the credit quality of the borrowers.

Customer deposits
The fair value of customer deposits is determined by discounting the present value of future cash flows. The discount rate takes into account current market rates and the credit profile of the Company.

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.

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.

The non-observable inputs to the models for the valuation of unquoted equity include assumptions regarding liquidity and other instrument related discounts.

14. Fair value measurement (continued)

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

	Level 1	Level 2	Level 3	**Total**
30 September 2014	€000	€000	€000	**€000**
Financial assets				
Trading derivatives				
Forward exchange rate contracts	-	2.544	-	**2.544**
Currency swaps	-	31.258	-	**31.258**
Interest rate swaps	-	5.736	-	**5.736**
Currency options	-	38	-	**38**
Equity options	-	552	-	**552**
Interest rate caps/floors	-	10	-	**10**
GDP warrant securities	-	20	-	**20**
	-	40.158	-	**40.158**
Derivatives designated as net investment hedges				
Forward exchange rate contracts	-	3.344	-	**3.344**
Investments at fair value through profit or loss				
Trading investments	13.247	106	-	**13.353**
Other investments at fair value through profit or loss	-	17.319	-	**17.319**
	13.247	17.425	-	**30.672**
Investments available-for-sale	744.874	212	3.668	**748.754**
	758.121	61.139	3.668	**822.928**

30 September 2014				
Financial liabilities				
Trading derivatives				
Forward exchange rate contracts	-	331	-	**331**
Currency swaps	-	1.132	-	**1.132**
Interest rate swaps	-	4.348	-	**4.348**
Currency options	-	897	-	**897**
Equity options	-	349	-	**349**
Interest rate caps/floors	-	182	-	**182**
	-	7.239	-	**7.239**
Derivatives designated as fair value hedges				
Interest rate swaps	-	64.515	-	**64.515**
	-	71.754	-	**71.754**

14. **Fair value measurement** (continued)

	Level 1	Level 2	Level 3	**Total**
31 December 2013	€000	€000	€000	**€000**
Financial assets				
Trading derivatives				
Forward exchange rate contracts	-	109	-	**109**
Currency swaps	-	3.778	-	**3.778**
Interest rate swaps	-	4.203	-	**4.203**
Equity options	-	1.591	-	**1.591**
Interest rate caps/floors	-	11	-	**11**
GDP warrant securities	-	19.073	-	**19.073**
	-	28.765	-	**28.765**
Investments at fair value through profit or loss				
Trading investments	2.941	6.670	-	**9.611**
Other investments at fair value through profit or loss	136	15.413	-	**15.549**
	3.077	22.083	-	**25.160**
Investments available-for-sale	827.045	2.714	4.308	**834.067**
	830.122	53.562	4.308	**887.992**

31 December 2013				
Financial liabilities				
Trading derivatives				
Forward exchange rate contracts	-	2.674	-	**2.674**
Currency swaps	-	15.465	-	**15.465**
Interest rate swaps	-	11.407	-	**11.407**
Equity options	-	1.485	-	**1.485**
Interest rate caps/floors	-	250	-	**250**
	-	31.281	-	**31.281**
Derivatives designated as fair value hedges				
Interest rate swaps	-	47.090	-	**47.090**
Derivatives designated as net investment hedges				
Forward exchange rate contracts	-	5.523	-	**5.523**
	-	52.613	-	**52.613**
	-	83.894	-	**83.894**

14. Fair value measurement (continued)

During the nine months ended 30 September 2014 and during the year 2013 there were no significant transfers from Level 1 to Level 2.

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

	30 September 2014	31 December 2013
	€000	€000
1 January	**4.308**	496
Acquired through business combinations	**-**	5.314
Disposals	**(1.019)**	(104)
Unrealised gains/(losses) recognised in the consolidated statement of comprehensive income	**379**	(603)
Realised losses recognised in the consolidated income statement	**-**	(795)
30 September 2014/31 December 2013	**3.668**	4.308

Financial instruments
The valuation policy for Level 3 financial instruments is defined by the Group Assets and Liabilities Committee (ALCO).

15. Loans and advances to customers

	30 September 2014	31 December 2013
	€000	€000
Loans and advances to customers	**22.074.155**	24.294.680
Hire purchase and finance lease debtors	**426.804**	545.928
Gross loans and advances to customers	**22.500.959**	24.840.608
Provisions for impairment of loans and advances to customers (Note 28)	**(3.148.808)**	(3.076.270)
	19.352.151	21.764.338

Further analyses with respect to the credit risk of loans and advances to customers and provisions for impairment are presented in Note 28.

At 31 December 2013 loans and advances to customers include loans of a carrying amount of €305.507 thousand which were part of the Ukrainian operations of the Group classified as a disposal group held for sale.

16. Assets held for sale

	30 September 2014	31 December 2013
	€000	€000
Disposal groups held for sale	**322.513**	-
Non-current assets held for sale:		
- investment property	**11.825**	-
- loans and advances to customers	**183.063**	-
	517.401	-

The following assets and disposal groups were held for sale as at 30 September 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 the next 12 months.

Loans and advances to customers
Loans and advances to customers held for sale relate to a portfolio of loans of the UK banking operations of the Group. Information on these loans is disclosed under Risk management-Credit risk (Note 28).

Disposal groups held for sale
The disposal groups held for sale as at 30 September 2014 relate to the hotel business of the Group and the Romanian banking operations of the Group (including the loan portfolio and investment properties) for which a plan to dispose has been initiated.

The carrying value of major classes of assets and liabilities of the disposal groups as at 30 September 2014 is set out below:

	30 September 2014	31 December 2013
	€000	€000
Investment properties	**63.841**	-
Loans and advances to customers	**258.672**	-
	322.513	-

Immediately before classification of the Group's Romanian banking operations as a disposal group held for sale, the recoverable amount of property and equipment and intangible assets was estimated and no impairment loss was identified. Loans and advances to customers were measured at amortised cost and are stated net of impairment provisions. Investment properties are measured at fair value.

Following the classification of the disposal group as held for sale, an impairment of €4.351 thousand was recognised, to reduce the carrying amount of the scoped-in non-current assets, namely the property and equipment of the disposal group to fair value less costs to sell, based on management's expectations.

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

17. Other assets

	30 September 2014	31 December 2013
	€000	€000
Debtors	**22.078**	22.956
Stock of property held for sale	**13.168**	14.110
Investment property	**452.508**	495.658
Taxes refundable	**51.434**	48.544
Deferred tax asset	**470.275**	479.060
Retirement benefit plan assets	**1.684**	1.319
Reinsurers' share of insurance contract liabilities	**69.541**	68.387
Prepaid expenses	**4.351**	2.840
Receivable relating to disposals of operations in Greece and Ukraine	**190.219**	90.219
Other assets	**125.702**	178.740
	1.400.960	1.401.833

At 31 December 2013, investment property included property amounting to €49.430 thousand which were part of the Ukrainian operations of the Group, classified as a disposal group held for sale.

18. Amounts due to banks

	30 September 2014	31 December 2013
	€000	€000
Amounts due to banks	**129.985**	196.422

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

19. 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 September 2014	31 December 2013
	€000	€000
Emergency Liquidity Assistance	**7.683.605**	9.556.035
Monetary policy operations	**920.075**	1.400.242
	8.603.680	10.956.277

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

20. Customer deposits

	30 September 2014	31 December 2013
	€000	€000
By type of deposit		
Demand	**3.959.393**	3.492.789
Savings	**837.276**	925.549
Time or notice	**8.533.126**	10.552.829
	13.329.795	14.971.167
By geographical area		
Cyprus	**11.242.495**	12.705.254
Russia	**794.473**	918.491
United Kingdom	**1.288.652**	1.244.186
Romania	**4.175**	30.055
Ukraine	**-**	73.181
	13.329.795	14.971.167

At 31 December 2013, customer deposits included deposits amounting to €73.462 thousand, which were part of the Ukrainian operations of the Group, classified as a disposal group held for sale.

On 31 July 2014, the Company released the twelve-month time deposits of approximately €927 million that were blocked as per the decrees relating to the recapitalisation of the Bank in July 2013 and matured on 31 July 2014. The release of the twelve-month time deposits was as follows:

- one third of the twelve-month time deposits was immediately released and became available in customers' current accounts;
- one third of the twelve-month time deposits was converted into a three-month time deposit maturing and automatically released at 30 October 2014;
- one third of the twelve-month time deposits was converted into a six-month time deposit maturing and automatically released at 30 January 2015.

On 31 July 2014, the Company also released the second equal tranche out of three, of the nine-month time deposits that were blocked as per the decrees relating to the recapitalisation of the Bank in July 2013.

The released funds are subject to the restrictive measures relating to overseas transfers currently applicable in the Cypriot banking system.

21. Debt securities in issue

	Contractual interest rate	30 September 2014	31 December 2013
		€000	€000
Medium term senior debt			
€2 million 2010/2016	DJ EUROSTOXX 50 index	**531**	531
USD 2 million 2010/2016	S&P 500 index	**156**	143
		687	674
Other debt securities in issue			
RUB Certificates of Deposit and Promissory Notes	11%	**3.536**	349
Interest-free loan from the European Development Bank	-	**492**	492
		4.028	841
		4.715	1.515

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 with an aggregate nominal amount up to €4.000 million (31 December 2013: €4.000 million).

During the recapitalisation process of the Company in 2013, eligible debt securities in issue by the Company were bailed in and were thus converted into ordinary shares. The debt securities in issue outstanding at the balance sheet date represent the residual holding of the products following the bail-in, as described under the Establishment and Operation of an Investor Compensation Fund for Clients of Banks Regulations of 2004 to 2007.

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 2013: €1.000 million). According to the terms of the Programme, the Commercial Paper is issued in various currencies at a discount and pays no interest. Each issue has a maturity period up to 364 days and is unlisted. No commercial paper is currently in issue.

Other debt securities in issue

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

Covered Bonds

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 Luxemburg Bourse. The terms of the €1.000 million covered bond secured by residential mortgage loans originated in Cyprus were amended and its maturity date is 12 June 2017 and bears 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 29.

21. Debt securities in issue (continued)

Covered Bonds (continued)

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.

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

Bonds guaranteed by the Cyprus Government

In accordance with the terms of the decrees issued by the Resolution Authority for the acquisition of Laiki Bank, the Company assumed the rights and obligations of Laiki Bank in its role as issuer of two bonds guaranteed by the Cyprus Government of €500 million each. The bonds were issued by Laiki Bank on 14 November and 27 November 2012 respectively and had a maturity of 364 days. The maturity of the bonds was extended in November 2013 for a further period of one year. In November 2014, the maturity of the bonds was extended for a further period of 3 years. The bonds bear annual fixed interest rate at 5%. The bonds are guaranteed by the Cyprus Government and are issued in accordance with the relevant legislation and decrees on the 'Granting of Government Guarantees for the Conclusion of Loans and/or the Issue of Bonds by Credit Institutions Law'. No liability from the issue of these bonds is presented in debt securities in issue in the consolidated balance sheet as all the bonds issued 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.

22. Other liabilities

Other liabilities at 30 September 2014 include deferred tax liabilities of €45.984 thousand (31 December 2013: €49.937 thousand) and retirement benefit plan liabilities of €9.870 thousand (31 December 2013: €9.139 thousand).

In addition, a negative amount of €297 thousand representing shares subject to interim orders (31 December 2013: negative amount of €58.922 thousand) is included within other liabilities.

22.1 Pending litigation and claims

Other liabilities at 30 September 2014 include provisions for pending litigation or claims of €64.784 thousand (31 December 2013: €52.312 thousand).

The recognition of provisions for litigation and claims is determined in accordance with the accounting policies set out in Note 3.33 of the Consolidated Financial Statements for the year ended 31 December 2013.

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 Company 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 September 2014. It is not practicable to provide an aggregate estimate of potential liability for the Company's legal procedures and regulatory matters.

22. Other liabilities (continued)

22.1 Pending litigation and claims (continued)

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 (including all institutional investors and those purchasers who had received investment advice from independent investment advisors before proceeding with the purchase), 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 holders. 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. Whilst there can be no assurance that the Company will be successful in defending all the relevant claims, it is not considered that such claims will have a material impact on the financial position of the Group.

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 (the "Supreme Court"), against the CBC's ruling and its imposition of a fine.

Hellenic Capital Market Commission investigation (HCMC)

The Company is currently under investigation in Greece by the HCMC in relation to the issue of Convertible Capital Securities (CCS) in 2009 and CECS in 2011. The HCMC is investigating whether the Company 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 Article 25 of Greek law 3606/2007 (transposing Directive 2004/39/EC on Markets in Financial Instruments) and the implementing regulation.

The HCMC may impose a fine of up to €3.000 thousand or an amount equal to double the amount of any benefit accrued to the Company. If the HCMC imposes a fine on the Company, the Company has the right to judicial review in the administrative courts in Greece. An adverse outcome may facilitate civil actions against the Company. However, the Group does not expect that the final outcome will have a material adverse effect on the financial condition or the reputation of the Group. While the decision of the HCMC in this matter will not be binding on the Greek or Cypriot courts, it may be put before the court by the complainants in any proceedings against the Company.

Overall, though much litigation may be expected, it is not believed that such litigation, when concluded, will have a material impact upon the financial position of the Group.

Cyprus Securities and Exchange Commission (CySEC) investigations

On 2 August 2013, CySEC published its conclusions regarding an investigation it had conducted into the Company concerning the failure 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. On 14 August 2013, the Company filed a recourse before the Supreme Court challenging CySEC's decision published on 2 August 2013. On 8 January 2014, the Company filed a recourse before the Supreme Court challenging CySEC's decision (as far as concerns the Company) of 27 November 2013.

22. **Other liabilities** (continued)

22.1 **Pending litigation and claims** (continued)

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

CySEC has 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 as 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.

Recently, 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 certain matters in its financial statements for 2010 and 2011 relating to certain disclosures for assumptions used in goodwill impairment testing. No fine was imposed and no reprimand was administered.

In addition to the above, CySEC is currently in the process of investigating:
- The increase of the share capital of CB Uniastrum Bank LLC in 2008.
- The level of goodwill impairment of CB Uniastrum Bank LLC recognised in the 2012 interim financial statements.
- Matters concerning the Company's investment in Banca Transilvania.
- A possible violation of Article 11(1)(a) of Law 116(I)/2005, as in force, regarding the non-disclosure of inside information in relation to the funding through the ELA.
- A possible violation of Article 11(1)(a) of Law 116 (I)/2005, as in force, regarding the non-disclosure of inside information in relation to a request by the Company to the Ministry of Finance for granting additional state guarantees worth €3 billion, for bonds that the Company intends to issue for liquidity purposes.
- The adequacy of provisions for impairment of loans and advances recognised by the Company in the years 2011 and 2012.
- The level of impairment of Greek Government bonds in 2011.

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, one must bring fresh proceedings 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 ground 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 most of the interim orders. In parallel, the Company is defending the actions of depositors vigorously. Resolution of disputes through the courts in Cyprus can take five years or more, and accordingly, the Company believes that the substantive proceedings before the District Courts will take up a significant period of time.

22. **Other liabilities** (continued)

22.1 **Pending litigation and claims** (continued)

Bail-in related litigation (continued)

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. Final adjudication of these claims through the courts in Cyprus could take a number of years.

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. Such proceedings will take a long time before a final outcome is reached and it is not thought that they will have a material impact on the financial position of the Company.

Laiki Bank Depositors and Shareholders
The Company has been joined as a defendant with regard 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. Again, the legal process will be long. The Company will continue defending such proceedings vigorously.

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). All such claims are being vigorously disputed by the Company, in close consultation with the appropriate state and governmental authorities.

The position of the Company 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 its 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 (the Company owns 75% of the shares in JCC since March 2013, previously 45%) together with the conduct of other banks, violates competition law in various aspects. Both the Bank 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 intends to file a defence in the matter.

A fine, if any, could be imposed as a percentage of the turnover of the Company. The above investigation is in progress and therefore it is not practical at this stage for the Company to estimate reliably any possible liability that might arise.

22. Other liabilities (continued)

22.1 Pending litigation and claims (continued)

CNP Arbitration

CNP Cyprus Insurance Holdings Ltd (a company in which the Group has a 49,9% shareholding, acquired after as part of the Laiki Bank transaction) had certain exclusive arrangements with the Cyprus Popular Bank Public Co Ltd (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. Sums of €105 million and €75 million are claimed by CNP against the Company. The Company takes the view 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 will take place some time in May 2016.

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 of €38.950 thousand has been recognised, following a court judgement. The case is now pending before the Supreme Court.

Romanian Proceedings
In the past few years, two officers of the Company at the time, have been accused of and charged with offences relating to the manipulation of the market in Romania (in respect of the purchase of a holding in Banca Transilvania). These officers were acquitted twice in the past, but the Romanian Prosecution Authority filed a final appeal before the High Court of Justice, namely the highest judicial tier in Romania, before which "new evidence" was placed. In a decision issued on 2 July 2014, the High Court confirmed the previous acquittals and dismissed all charges against the accused.

Provident Fund Cases
Twenty three claims are pending before the Labour Disputes Tribunal by former employees with respect to their retirement benefits. 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 will be in the region of €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 of the Company 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. In all probability, they will be dismissed. The Company has asked the Attorney-General to discontinue the proceedings (nolle prosequi).

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.

23. Subordinated loan stock

	Contractual interest rate	30 September 2014	31 December 2013
		€000	€000
Subordinated Bonds in USD 2014/2015	2,50%	**5.178**	4.676

The subordinated bonds were issued by CB Uniastrum Bank LLC and are denominated in USD.

The Company maintains a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €4.000 million (31 December 2013: €4.000 million). As at 30 September 2014, the Company does not have any subordinated loan stock in issue under the EMTN Programme.

24. Share capital

	30 September 2014		31 December 2013	
	Number of shares (thousand)	€000	Number of shares (thousand)	€000
Issued				
1 January	**4.683.985**	**4.683.985**	1.795.141	1.795.141
Bail-in of deposits and structured products	**150**	**150**	3.814.495	3.814.495
Shares subject to interim orders withdrawn/cancelled	**58.625**	**58.625**	-	-
Bail-in of Convertible Bonds 2013/2018, Capital Securities 12/2007 and Convertible Capital Securities	-	-	122.541	122.541
Conversion of CECS into shares	-	-	459.399	459.399
Acquisitions	**12.951**	**12.951**	845.758	845.758
Reduction in nominal value of share capital	-	**(4.280.140)**	(2.353.349)	(2.353.349)
Issue of shares	**4.166.667**	**416.667**	-	-
30 September 2014/31 December 2013	**8.922.378**	**892.238**	4.683.985	4.683.985

Issued share capital

During the nine months ended 30 September 2014 the Company reduced the nominal value of its issued ordinary shares from €1,00 each to €0,10 each as described below.

During the nine months ended 30 September 2014 the issued share capital increased by 4.166.667 thousand shares as a result of the Capital Raising which is described below. Additionally, the issued share capital increased by 58.625 thousand shares as a result of the cancellation of interim orders prohibiting the Company from converting deposits to shares as a result of the bail-in (Note 22.1). 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.

24. **Share capital** (continued)

Reduction in nominal value of ordinary shares and additional share capital of €1 billion

On 4 July 2014, the Board of Directors of the Company decided to proceed with exploring investor interest for a potential capital increase.

On 15 July 2014, the Company announced its intention to explore investor interest for a potential share capital increase via a phased non-pre-emptive issue of ordinary shares (the 'Capital Raising'). The first phase of the transaction involved a private placement to certain institutional investors.

On 28 July 2014 the Company announced the successful private placement of 4.166.666.667 new ordinary shares at a price per share of €0,24 with total gross proceeds of €1 billion.

The private placement completed phase 1 of the Capital Raising, which was open to qualified investors (as defined in the EU Prospectus Directive and in Article 2 of the Cyprus Public Offer and Prospectus Law), and similarly qualified institutional investors in other jurisdictions, both new investors and existing shareholders.

In the second phase of the Capital Raising, existing shareholders were able to apply to purchase up to 20% in aggregate of the total number of shares offered to qualified investors in the first phase and at the same price as in phase 1 (the 'clawback'). The minimum purchase per investor in the clawback was €100 thousand and all existing shareholders were eligible to participate. Shares in the clawback were allocated among participating shareholders pro rata based on their shareholdings at the time of allocation, excluding any shares acquired in phase 1. On 22 August 2014, the Company announced the completion of phase 2 of the Capital Raising which involved the clawback of up to 20% of the private placement shares. The Company has received valid acceptances in respect of 433.042.768 new ordinary shares of the Company in aggregate at a price of €0,24 per share with total gross proceeds of €103.930 thousand. The shares subscribed during, and the gross proceeds of, phase 2 represent 10,39% of the shares placed in, and the total gross proceeds of €1 billion of the private placement (phase 1).

Following the results of Phase 2, allocations of new ordinary shares of the Company to investors in the private placement (phase 1) were reduced on a pro-rata basis by 10,39% in order to accommodate the shares subscribed for by existing shareholders during phase 2.

On 28 August 2014, an Extraordinary General Meeting of the Company's shareholders was convened to approve the waiving of the pre-emption rights and the reduction of the nominal value of the ordinary shares. The Company had also proposed to eliminate the mandatory retirement age of 75 for directors.

The shareholders' EGM approved the €1 billion share capital increase through the Placing and the Open Offer.

The Company's shareholders also approved all other resolutions that were put forward at the EGM, including the Retail Offer of new ordinary shares of the Company at a subscription price of €0,24 per share for raising of up to €100 million and the lifting of the age limit for Board Directors.

Particularly, the EGM approved the following regarding the reduction in the nominal value of each ordinary share:

- The reduction of the authorised share capital of the Company from €4.767.759 thousand divided into 4.767.759.272 ordinary shares with a nominal value of €1,00 each, to €476.776 thousand divided into 4.767.759.272 ordinary shares with a nominal value of €0,10 each;
- The reduction of the issued share capital of the Bank from €4.755.711 thousand divided into 4.755.710.678 fully paid ordinary shares with a nominal value of €1,00 each, to €475.571 thousand divided into 4.755.710.678 fully paid ordinary shares with a nominal value of €0,10 each through the reduction of the nominal value of each of the ordinary shares comprising the authorised and issued share capital of the Company from €1,00 to €0,10.
- The application from the amount of €4.280.140 thousand corresponding to the amount cancelled from Company's paid up share capital, an amount of €2.327.654 thousand for writing off accumulated losses of the Company and an amount of €1.952.486 thousand for the creation of a capital reduction reserve, in accordance with paragraph (e) of subsection (1) of section 64 of the Companies Law.

24. Share capital (continued)

Reduction in nominal value of ordinary shares and additional share capital of €1 billion (continued)

- The increase of the authorised share capital of the Company from €476.776 thousand divided into 4.767.759.272 ordinary shares with a nominal value of €0,10 each to €4.767.759 thousand divided into 47.677.592.720 ordinary shares of €0,10 each, through the creation of 42.909.833.448 new (but unissued) ordinary shares with a nominal value of €0,10 each which shall rank pari passu in all respects with each other and with all other ordinary shares of the Company.
- The authorisation of the Board of Directors, (or a duly authorised committee of the Board) to apply for, and take all actions necessary to obtain, such approval by the District Court of Nicosia in order for the above mentioned resolutions to become effective.

The above resolutions were approved by the shareholders representing 87,25% of the existing shares voted at the EGM.

The EGM also approved the relevant resolutions regarding the issue and allotment of ordinary shares under the placing and the open offer:

- The issue and allotment of ordinary shares in the Company up to an aggregate nominal amount of €416.667 thousand (equivalent to 4.166.666.667 ordinary shares of €0,10 each in the share capital of the Company) in connection with and/or for the implementation of the Capital Raising at a subscription price per ordinary share of €0,24.
- The irrevocable and unconditional waiving of the pre-emptive rights the Company's shareholders have by operation of law and/or pursuant to the Articles of Association of the Company and/or otherwise in connection with the authority conferred on the Board of Directors for the issue and allotment of shares in the Company as contemplated in the resolutions.

The above resolutions were approved by the shareholders representing 87,49% of the existing ordinary shares voted at the EGM.

The District Court of Nicosia issued a court order approving the nominal value reduction on 29 August 2014 and application of amount cancelled of €4.280.140 thousand to writing off accumulated losses of an amount of €2.327.654 thousand and creation of a capital reduction reserve for an amount of €1.952.486 thousand. The Court Order was filed with the Department of the Registrar of Companies and Official Receiver on 1 September 2014.

The first two phases were completed on 18 September 2014.

As a result of the phase 1 and phase 2 of the Capital Raising described above, 4.166.666.667 ordinary shares of a nominal value €0,10 each were issued at a subscription price of €0,24 and the Company's share capital and share premium increased by €416.667 thousand and €583.333 thousand respectively.

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 are being contested by the Company and are pending before the District Courts.

The shares which as per the bail-in Decree correspond to the deposits which are subject to these interim orders are included in equity in the consolidated balance sheet as 'Shares subject to interim orders', with an equivalent debit balance included in 'Other liabilities' within total liabilities. During the nine months ended 30 September 2014 58.625 thousand ordinary shares of a nominal value of €1,00 each were transferred from the 'Shares subject to interim orders' to the share capital account. The value of the ordinary shares which are subject to interim orders as at the balance sheet date amounted to €297 thousand.

24. **Share capital** (continued)

Treasury shares of the Company

Shares of the Company held by entities controlled by the Company and by associates are deducted from equity on the purchase, sale, issue or cancellation of such shares. No gain or loss is recognised in the consolidated income statement. The number of these shares at 30 September 2014 was 20.767 thousand of a nominal value €0,10 each (31 December 2013: 20.767 thousand of a nominal value €1,00 each). Treasury shares include 298 thousand shares which resulted from the conversion of CECS of nominal value of €29.825 thousand, which were held by the Group. The total cost of acquisition of treasury shares was €88.051 thousand (31 December 2013: €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 in accordance with the provisions of Company Law, these shares must be sold within one year from their acquisition.

In addition, the life insurance subsidiary of the Group held, as at 30 September 2014, a total of 16.031 thousand of a nominal value €0,10 each (31 December 2013: 16.031 thousand of a nominal value €1,00 each) 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 2013: €21.463 thousand).

25. Convertible Enhanced Capital Securities

	30 September 2014	31 December 2013
	€000	€000
1 January	**-**	428.835
Conversion into shares	**-**	(429.580)
Exchange difference	**-**	745
30 September 2014/31 December 2013	**-**	-

The CECS contributed to the recapitalisation of the Company in 2013 through their conversion into ordinary shares in accordance with a series of decrees issued by the CBC under its capacity as Resolution Authority and pursuant to the provisions of the Resolution of Credit and Other Institutions Law, 2013.

26. Cash and cash equivalents

	30 September 2014	30 September 2013
	€000	€000
Cash and non-obligatory balances with central banks	**432.262**	883.192
Treasury bills repayable within three months	**179.305**	199.407
Placements with banks with maturity less than three months from origination	**1.224.784**	707.098
	1.836.351	1.789.697

27. Analysis of assets and liabilities by expected maturity

	30 September 2014			31 December 2013		
	Less than one year	**Over one year**	**Total**	Less than one year	Over one year	Total
	€000	**€000**	**€000**	€000	€000	€000
Assets						
Cash and balances with central banks	**649.764**	**190.172**	**839.936**	784.128	455.915	1.240.043
Placements with banks	**1.175.304**	**401.532**	**1.576.836**	734.578	555.524	1.290.102
Investments	**368.031**	**2.209.766**	**2.577.797**	261.731	3.170.933	3.432.664
Derivative financial instruments	**37.035**	**6.467**	**43.502**	25.045	3.720	28.765
Life insurance business assets attributable to policyholders	**17.572**	**450.968**	**468.540**	17.323	426.256	443.579
Loans and advances to customers	**3.421.650**	**15.930.501**	**19.352.151**	6.006.000	15.758.338	21.764.338
Property, equipment and intangible assets	**2.731**	**486.916**	**489.647**	1.025	543.959	544.984
Assets held for sale	**517.401**	**-**	**517.401**	-	-	-
Other assets	**311.538**	**1.089.422**	**1.400.960**	390.346	1.011.487	1.401.833
Investments in associates and joint ventures	**-**	**216.100**	**216.100**	-	203.131	203.131
	6.501.026	**20.981.844**	**27.482.870**	8.220.176	22.129.263	30.349.439
Liabilities						
Amounts due to banks	**73.014**	**56.971**	**129.985**	117.219	79.203	196.422
Funding from central banks	**2.469.144**	**6.134.536**	**8.603.680**	157.000	10.799.277	10.956.277
Repurchase agreements	**228.310**	**349.168**	**577.478**	13.928	580.076	594.004
Derivative financial instruments	**6.091**	**65.663**	**71.754**	16.027	67.867	83.894
Customer deposits	**5.187.435**	**8.142.360**	**13.329.795**	5.579.459	9.391.708	14.971.167
Insurance liabilities	**94.026**	**481.500**	**575.526**	97.394	454.435	551.829
Debt securities in issue	**4.028**	**687**	**4.715**	841	674	1.515
Other liabilities	**349.516**	**50.618**	**400.134**	144.539	107.440	251.979
Subordinated loan stock	**2.877**	**2.301**	**5.178**	2.598	2.078	4.676
	8.414.441	**15.283.804**	**23.698.245**	6.129.005	21.482.758	27.611.763

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 column, since it is expected that it will continue to be required and available. It is noted, however, that the contractual maturity is under one year.

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

The liquid bonds used as collateral for the ECB funding are also placed in the over one year time band, since their encumbrance will be terminated once the ECB funding is repaid.

Investments have been classified in the relevant time band based on expectations as to their realisation, taking into consideration whether investments are pledged as collateral and other conditions.

Loans and advances to customers in Cyprus are classified based on the contractual repayment schedule with the exception of the overdraft accounts, which are classified in the over one year time band. The impaired loans not provided for, net of collective provisions, are classified in the over one year time band.

A percentage of customer deposits in Cyprus maturing within one year was transferred in the over one year time band, based on the observed actual customer behaviour.

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

28. Risk management – Credit risk

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

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

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

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

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

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

The Group's policy regarding the definition of impaired loans and advances and the determination of the level of provisions for impairment is described in Note 3 of the Consolidated Financial Statements for year ended 31 December 2013.

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

28. 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 September 2014	31 December 2013
	€000	€000
Balances with central banks	**712.569**	1.084.830
Placements with banks	**1.576.836**	1.290.102
Trading investments - debt securities	**23**	103
Debt securities at fair value through profit or loss	**17.319**	15.549
Debt securities classified as available-for-sale and loans and receivables	**2.526.313**	3.207.366
Derivative financial instruments	**43.502**	28.765
Loans and advances to customers	**19.352.151**	21.764.338
Assets held for sale	**441.735**	-
Debtors (Note 17)	**22.078**	22.956
Reinsurers' share of insurance contract liabilities (Note 17)	**69.541**	68.387
Other assets	**315.921**	268.959
On-balance sheet total	**25.077.988**	27.751.355
Contingent liabilities		
Acceptances and endorsements	**11.480**	20.467
Guarantees	**999.557**	1.207.501
Commitments		
Documentary credits	**15.572**	10.919
Undrawn formal standby facilities, credit lines and other commitments to lend	**2.498.497**	2.903.714
Off-balance sheet total	**3.525.106**	4.142.601
Total credit risk exposure	**28.603.094**	31.893.956

28. 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 September 2014	31 December 2013
On-balance sheet	**€000**	€000
Cyprus	**21.888.242**	23.345.633
Greece	**231.562**	253.996
Russia	**969.505**	1.259.494
United Kingdom	**1.724.957**	1.936.330
Romania	**263.722**	619.311
Ukraine	**-**	336.591
	25.077.988	27.751.355

Off-balance sheet		
Cyprus	**3.156.164**	3.629.580
Greece	**227.801**	335.073
Russia	**115.726**	154.901
United Kingdom	**20.329**	18.995
Romania	**5.086**	3.466
Ukraine	**-**	586
	3.525.106	4.142.601

Total on and off balance sheet		
Cyprus	**25.044.406**	26.975.213
Greece	**459.363**	589.069
Russia	**1.085.231**	1.414.395
United Kingdom	**1.745.286**	1.955.325
Romania	**268.808**	622.777
Ukraine	**-**	337.177
	28.603.094	31.893.956

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.

28. Risk management – Credit risk (continued)

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

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

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

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

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

The Group has chosen the ISDA Master Agreement for documenting its derivatives activity. It provides the contractual framework within which dealing activity across a full range of over-the-counter (OTC) products is conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement, if either party defaults. In 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, the banks are prohibited from lending more than 25% of the shareholders' equity to a single customer group.

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

Classification of loans and advances to customers by customer sector

As part of the restructuring of the Group, management is currently monitoring the loan portfolio of the Group using new sector definitions. An important component of the Group's new operational structure is the establishment of the Restructuring and Recovery Division (RRD) for the purposes of centralising and streamlining the management of its delinquent loans. The RRD is responsible for the management of all activity relating to corporate exposures greater than €100 million, debt restructuring and debt collection and recovery on delinquent loans across all customer segments and all corporate exposures of more than €6 million and/or corporate clients with a minimum annual credit turnover of €10 million which are, in each case, more than 60 days past due. The RRD was recently established and therefore no comparative information is available for the new operational structure.

28. 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	Russia	United Kingdom	Romania	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
30 September 2014	€000	€000	€000	€000	€000	**€000**	**€000**	**€000**
By economic activity								
Trade	2.423.272	-	225.999	35.280	-	**2.684.551**	**(193.756)**	**2.490.795**
Manufacturing	836.146	-	86.871	15.744	-	**938.761**	**(57.075)**	**881.686**
Hotels and catering	1.492.408	-	-	92.129	-	**1.584.537**	**(98.417)**	**1.486.120**
Construction	3.934.114	-	55.727	47.576	-	**4.037.417**	**(365.212)**	**3.672.205**
Real estate	2.423.222	44.068	129.118	600.606	60.073	**3.257.087**	**(171.958)**	**3.085.129**
Private individuals	7.576.063	238	330.877	39.020	-	**7.946.198**	**(336.142)**	**7.610.056**
Professional and other services	1.771.455	-	355.310	53.868	-	**2.180.633**	**(134.756)**	**2.045.877**
Other sectors	1.259.388	129.082	24.361	893	26.718	**1.440.442**	**(211.351)**	**1.229.091**
	21.716.068	**173.388**	**1.208.263**	**885.116**	**86.791**	**24.069.626**	**(1.568.667)**	**22.500.959**
By customer sector								
Corporate	2.234.343	173.150	648.717	361.970	86.791	**3.504.971**	**(177.363)**	**3.327.608**
Small and medium-sized enterprises (SMEs)	1.781.412	-	228.668	489.362	-	**2.499.442**	**(84.841)**	**2.414.601**
Retail								
- housing	3.833.093	-	35.514	24.657	-	**3.893.264**	**(57.178)**	**3.836.086**
- credit cards	131.150	-	98.871	-	-	**230.021**	**(16.674)**	**213.347**
- consumer and other	1.456.002	238	196.493	9.127	-	**1.661.860**	**(70.987)**	**1.590.873**
Restructuring and recovery								
- corporate	5.554.686	-	-	-	-	**5.554.686**	**(352.815)**	**5.201.871**
- SMEs	1.483.217	-	-	-	-	**1.483.217**	**(137.430)**	**1.345.787**
- recoveries	4.356.789	-	-	-	-	**4.356.789**	**(625.617)**	**3.731.172**
International banking services	814.305	-	-	-	-	**814.305**	**(35.994)**	**778.311**
Wealth management	71.071	-	-	-	-	**71.071**	**(9.768)**	**61.303**
	21.716.068	**173.388**	**1.208.263**	**885.116**	**86.791**	**24.069.626**	**(1.568.667)**	**22.500.959**

28. Risk management – Credit risk (continued)

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

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
31 December 2013	€000	€000	€000	€000	€000	€000	**€000**	**€000**	**€000**
By economic activity									
Trade	2.471.968	-	261.518	48.816	16.239	34.571	**2.833.112**	**(187.369)**	**2.645.743**
Manufacturing	829.327	-	99.790	33.608	22.701	13.631	**999.057**	**(63.157)**	**935.900**
Hotels and catering	1.610.289	-	-	165.499	105.434	6.610	**1.887.832**	**(112.051)**	**1.775.781**
Construction	4.101.528	-	64.096	44.746	26.252	12.028	**4.248.650**	**(383.290)**	**3.865.360**
Real estate	2.846.007	-	172.732	802.346	217.191	162.905	**4.201.181**	**(350.743)**	**3.850.438**
Private individuals	8.030.587	542	399.116	43.476	3.809	61.585	**8.539.115**	**(392.344)**	**8.146.771**
Professional and other services	1.675.402	-	404.403	56.638	70.692	99.628	**2.306.763**	**(179.998)**	**2.126.765**
Other sectors	1.399.096	171.465	27.506	88.620	30.665	10.257	**1.727.609**	**(233.759)**	**1.493.850**
	22.964.204	**172.007**	**1.429.161**	**1.283.749**	**492.983**	**401.215**	**26.743.319**	**(1.902.711)**	**24.840.608**
By customer sector									
Corporate	9.882.891	171.465	773.340	634.572	448.642	330.703	**12.241.613**	**(1.033.886)**	**11.207.727**
Small and medium-sized enterprises (SMEs)	5.201.416	-	256.705	592.048	40.695	24.838	**6.115.702**	**(517.716)**	**5.597.986**
Retail									
- housing	5.281.389	-	41.792	34.809	1.767	14.909	**5.374.666**	**(121.036)**	**5.253.630**
- credit cards	170.552	-	102.025	-	-	11	**272.588**	**(21.281)**	**251.307**
- consumer and other	2.427.956	542	255.299	22.320	1.879	30.754	**2.738.750**	**(208.792)**	**2.529.958**
	22.964.204	**172.007**	**1.429.161**	**1.283.749**	**492.983**	**401.215**	**26.743.319**	**(1.902.711)**	**24.840.608**

28. Risk management – Credit risk (continued)

Credit risk concentration of loans and advances held for sale

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

30 September 2014	United Kingdom	Romania	Total	Fair value adjustment on initial recognition	Gross loans after fair value adjustment on initial recognition
By economic activity	€000	€000	**€000**	**€000**	**€000**
Trade	252	13.875	**14.127**	**(3.308)**	**10.819**
Manufacturing	361	8.280	**8.641**	**(588)**	**8.053**
Hotels and catering	13.394	7.357	**20.751**	**(844)**	**19.907**
Construction	1.441	56.613	**58.054**	**(11.277)**	**46.777**
Real estate	147.850	186.660	**334.510**	**(12.931)**	**321.579**
Private individuals	-	8.890	**8.890**	**(3.203)**	**5.687**
Professional and other sectors	63.076	74.189	**137.265**	**(5.520)**	**131.745**
Other sectors	51	90.062	**90.113**	**(14)**	**90.099**
	226.425	**445.926**	**672.351**	**(37.685)**	**634.666**

30 September 2014	United Kingdom	Romania	Total	Fair value adjustment on initial recognition	Gross loans after fair value adjustment on initial recognition
By customer sector	€000	€000	**€000**	**€000**	**€000**
Corporate	118.594	359.825	**478.419**	**(4.892)**	**473.527**
Small and medium-sized enterprises (SMEs)	96.597	30.251	**126.848**	**(7.823)**	**119.025**
Retail					
- housing	1.256	1.647	**2.903**	**-**	**2.903**
- consumer and other	9.978	1.715	**11.693**	**(584)**	**11.109**
Restructuring and recovery					
- corporate	-	313	**313**	**(14)**	**299**
- SMEs	-	593	**593**	**(186)**	**407**
- recoveries	-	51.582	**51.582**	**(24.186)**	**27.396**
	226.425	**445.926**	**672.351**	**(37.685)**	**634.666**

The table above includes, within the disposal group in Romania, certain loans and advances to customers of a gross amount of €164.461 thousand, which, for segmental and other financial instruments disclosures, are reported in Cyprus.

28. Risk management – Credit risk (continued)

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 September 2014			31 December 2013		
	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	**10.187.396**	**(192.246)**	**9.995.150**	11.855.363	(226.207)	11.629.156
Past due but not impaired	**5.104.526**	**(116.083)**	**4.988.443**	6.732.583	(417.169)	6.315.414
Impaired	**8.777.704**	**(1.260.338)**	**7.517.366**	8.155.373	(1.259.335)	6.896.038
	24.069.626	**(1.568.667)**	**22.500.959**	26.743.319	(1.902.711)	24.840.608

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

Fair value adjustment on initial recognition relates to the loans and advances to customers acquired as part of the Laiki Bank acquisition in 2013 (Note 35.1). In accordance with the provisions of IFRS 3, this adjustment has decreased the gross balance of loans and advances to customers. However, for IFRS 7 disclosure purposes as well as for credit risk monitoring, the aforementioned adjustment is not presented within the gross balances of loans and advances.

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

	30 September 2014	31 December 2013
	€000	€000
Past due:		
- up to 30 days	**735.537**	822.037
- 31 to 90 days	**706.424**	1.063.243
- 91 to 180 days	**711.612**	1.316.042
- 181 to 365 days	**1.034.597**	2.099.424
- over one year	**1.916.356**	1.431.837
	5.104.526	6.732.583

The fair value of the collaterals that the Group held (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 September 2014 was €4.172.563 thousand (31 December 2013: €5.133.851 thousand).

28. Risk management – Credit risk (continued)

Credit quality of loans and advances to customers (continued)

Impaired loans and advances to customers on a geographical basis

	30 September 2014		31 December 2013	
	Gross loans and advances	**Fair value of collateral**	Gross loans and advances	Fair value of collateral
	€000	**€000**	€000	€000
Cyprus	**8.206.635**	**6.105.948**	7.110.927	4.111.343
Greece	**173.150**	**20.588**	171.465	-
Russia	**355.745**	**177.475**	284.869	191.672
United Kingdom	**42.174**	**137.233**	163.979	128.734
Romania	**-**	**153.315**	256.612	126.046
Ukraine	**-**	**-**	167.521	132.015
	8.777.704	**6.594.559**	8.155.373	4.689.810

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

Interest income from loans and advances to customers includes interest on the recoverable amount of impaired loans and advances to customers amounting to €197.087 thousand (corresponding period of 2013: €116.263 thousand).

Credit quality of loans and advances to customers held for sale

	30 September 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**
	€000	**€000**	**€000**
Neither past due nor impaired	**110.643**	**(45)**	**110.598**
Past due but not impaired:			
- up to 30 days	**14.891**	**-**	**14.891**
- 31 to 90 days	**9.436**	**(14)**	**9.422**
- 91 to 180 days	**6.030**	**-**	**6.030**
- 181 to 365 days	**23.785**	**-**	**23.785**
- over one year	**63.787**	**(1.126)**	**62.661**
Impaired	**443.779**	**(36.500)**	**407.279**
	672.351	**(37.685)**	**634.666**

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 September 2014 amounted to €281.841 thousand and €101.604 thousand respectively.

28. Risk management – Credit risk (continued)

Provisions for impairment of loans and advances to customers and loans and advances to customers held for sale

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

	Cyprus	Greece	Russia	Other countries	**Total**
2014	€000	€000	€000	€000	**€000**
1 January	2.574.670	189	286.366	215.045	**3.076.270**
Disposal of Ukraine operations	-	-	-	(108.342)	**(108.342)**
Exchange adjustments	24.453	-	(17.463)	(7.106)	**(116)**
Applied in writing off impaired loans and advances	(19.163)	(12)	(198)	(46)	**(19.419)**
Interest accrued on impaired loans and advances	(135.817)	(546)	(250)	(1.981)	**(138.594)**
Collection of loans and advances previously written off	120	-	-	1.003	**1.123**
Charge for the period – continuing operations	372.594	14.082	75.086	30.527	**492.289**
Charge for the period – discontinued operations	-	-	-	38.528	**38.528**
30 September	**2.816.857**	**13.713**	**343.541**	**167.628**	**3.341.739**
Individual impairment	**2.064.870**	**13.713**	**181.898**	**156.339**	**2.416.820**
Collective impairment	**751.987**	**-**	**161.643**	**11.289**	**924.919**

The balance of provisions for impairment of loans and advances to customers at 30 September 2014 include €192.931 thousand for loans and advances to customers classified as held for sale.

	Cyprus	Greece	Russia	Other countries	**Total**
2013	€000	€000	€000	€000	**€000**
1 January	1.779.343	1.528.224	238.472	130.017	**3.676.056**
Disposal of Greek operations	-	(1.572.528)	-	-	**(1.572.528)**
Exchange adjustments	4.347	-	(17.895)	(1.951)	**(15.499)**
Applied in writing off impaired loans and advances	(1.701)	(7.781)	(4.266)	(8.822)	**(22.570)**
Interest accrued on impaired loans and advances	(53.293)	(6.634)	(420)	(2.816)	**(63.163)**
Collection of loans and advances previously written off	304	-	-	1.209	**1.513**
Charge for the period – continuing operations	711.879	-	51.958	26.576	**790.413**
Charge for the period – discontinued operations	-	58.908	-	9.035	**67.943**
30 September	**2.440.879**	**189**	**267.849**	**153.248**	**2.862.165**
Individual impairment	**1.847.027**	**189**	**127.771**	**135.526**	**2.110.513**
Collective impairment	**593.852**	**-**	**140.078**	**17.722**	**751.652**

28. Risk management – Credit risk (continued)

Provisions for impairment of loans and advances to customers and loans and advances to customers 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, irrespective of the outcome of foreclosure.

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 collections from collateral has been estimated to be 2 years for loans that have been managed by Recoveries Division for more than 3 years, and 4 years for customers that have been managed by Recoveries Division for less than 3 years. For all other loans a maximum expected recovery period of 5 years is assumed.

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

Indicatively, if the actual recoverable amount of impaired loans from collateral in Cyprus portfolio is lower than the amount estimated as at 30 September 2014 by 5% and 10%, then provisions for impairment of loans and advances would increase by €216.980 thousand and €443.188 thousand respectively. Alternatively, if the collateral value in Cyprus increased by 5% and 10%, then the provisions for impairment of loans and advances would decrease by €199.522 thousand and €388.966 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 (extension of the grace period, suspension of the obligation to repay one or more instalments, reduction in the instalment amount and/or elimination of overdue instalments relating to capital or interest) and current accounts/overdrafts for which the credit limit has been increased with the sole purpose of covering an excess. Loans repaid by monthly instalments for which the elimination or suspension of maximum two monthly instalments per year is part of the original loan terms or is part of the documented policies of the Group, and accordingly no specific approval is required for the said elimination or suspension, but is up to the borrower’s discretion to exercise this right, are not considered as rescheduled loan facilities.

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

28. Risk management – Credit risk (continued)

Forbearance (continued)

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

Restructuring options may be of a short or long-term nature or combination thereof.

Short-term restructuring solutions are defined as restructured repayment solutions of duration of less than 5 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.

The below table presents 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.

28. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	**Total**
2014	€000	€000	€000	€000	€000	€000	**€000**
1 January	5.135.646	-	187.031	107.624	124.312	62.051	**5.616.664**
Disposal of Ukraine operations	-	-	-	-	-	(78.708)	**(78.708)**
New loans and advances rescheduled in the period	1.206.247	70.048	39.908	77.073	26.282	4.481	**1.424.039**
Assets no longer rescheduled (including repayments)	(1.302.232)	-	(38.045)	(49.431)	(23.850)	(3.975)	**(1.417.533)**
Interest accrued on rescheduled loans and advances	203.763	780	3.689	2.272	2.049	2.460	**215.013**
Exchange adjustments	3.859	-	(17.343)	8.845	1.515	13.691	**10.567**
30 September	**5.247.283**	**70.828**	**175.240**	**146.383**	**130.308**	**-**	**5.770.042**
2013							
1 January	3.394.783	1.657.988	113.217	58.264	63.039	64.336	**5.351.627**
Disposal of Greek operations	-	(1.302.984)	-	-	-	-	**(1.302.984)**
New loans and advances rescheduled in the period	2.559.281	-	194.574	15.140	32.581	21.152	**2.822.728**
Assets no longer rescheduled (including repayments)	(1.152.847)	(355.004)	(28.242)	(3.373)	(17.274)	(28.124)	**(1.584.864)**
Applied in writing off rescheduled loans and advances	(11)	-	-	-	-	-	**(11)**
Interest accrued on rescheduled loans and advances	157.060	-	15.743	2.035	1.998	2.553	**179.389**
Exchange adjustments	158	-	(17.428)	(1.139)	(399)	(2.051)	**(20.859)**
30 September	**4.958.424**	**-**	**277.864**	**70.927**	**79.945**	**57.866**	**5.445.026**

In addition to the above, the loans acquired from Laiki Bank include rescheduled loans and advances to customers of a gross amount of €698.418 thousand as at 30 September 2014, which had been rescheduled prior to the acquisition date (29 March 2013).

Rescheduled loans and advances to customers shown above include UK (€4.578 thousand) and Romania (€70.533 thousand), rescheduled loans and advances classified as held for sale as at 30 September 2014.

28. **Risk management – Credit risk** (continued)

Rescheduled loans and advances to customers (continued)

Credit quality

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	**Total**
30 September 2014	€000	€000	€000	€000	€000	€000	**€000**
Neither past due nor impaired	2.697.790	-	107.852	126.481	73.502	-	**3.005.625**
Past due but not impaired	1.472.276	-	14.109	16.038	1.506	-	**1.503.929**
Impaired	1.077.217	70.828	53.279	3.864	55.300	-	**1.260.488**
	5.247.283	**70.828**	**175.240**	**146.383**	**130.308**	**-**	**5.770.042**
31 December 2013							
Neither past due nor impaired	2.659.066	-	154.721	89.549	16.586	6.128	**2.926.050**
Past due but not impaired	1.428.549	-	18.529	10.425	22.598	22.221	**1.502.322**
Impaired	1.048.031	-	13.781	7.650	85.128	33.702	**1.188.292**
	5.135.646	**-**	**187.031**	**107.624**	**124.312**	**62.051**	**5.616.664**

Rescheduled loans and advances to customers as at 30 September 2014 above include UK and Romanian loans and advances to customers classified as held for sale, as shown below:

	United Kingdom	Romania	**Total**
30 September 2014	€000	€000	**€000**
Neither past due nor impaired	3.653	13.428	**17.081**
Past due but not impaired	755	1.805	**2.560**
Impaired	170	55.300	**55.470**
	4.578	70.533	**75.111**

28. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Fair value of collateral

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	**Total**
30 September 2014	€000	€000	€000	€000	€000	€000	**€000**
Neither past due nor impaired	2.337.489	-	96.807	118.865	73.304	-	**2.626.465**
Past due but not impaired	1.297.829	-	13.354	12.893	1.329	-	**1.325.405**
Impaired	984.654	-	41.063	2.285	40.725	-	**1.068.727**
	4.619.972	**-**	**151.224**	**134.043**	**115.358**	**-**	**5.020.597**
31 December 2013							
Neither past due nor impaired	2.290.950	-	151.815	89.444	14.052	6.127	**2.552.388**
Past due but not impaired	1.218.052	-	18.206	12.236	16.544	20.699	**1.285.737**
Impaired	789.767	-	9.509	5.639	57.430	20.369	**882.714**
	4.298.769	**-**	**179.530**	**107.319**	**88.026**	**47.195**	**4.720.839**

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 the collateral as at 30 September 2014 in the table above includes fair value of collateral for rescheduled loans and advances to customers in UK and Romania classified as held for sale, as shown below:

	United Kingdom	Romania	**Total**
30 September 2014	€000	€000	**€000**
Neither past due nor impaired	3.653	13.231	**16.884**
Past due but not impaired	755	1.636	**2.391**
Impaired	170	40.725	**40.895**
	4.578	**55.592**	**60.170**

28. **Risk management – Credit risk** (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration

	Cyprus	Greece	Russia	United Kingdom	Romania	**Total**
30 September 2014	€000	€000	€000	€000	€000	**€000**
By economic activity						
Trade	480.588	-	35.617	905	3.243	**520.353**
Manufacturing	219.705	-	6.999	10.599	521	**237.824**
Hotels and catering	438.613	-	-	12.411	6.233	**457.257**
Construction	971.763	-	8.193	19.113	11.025	**1.010.094**
Real estate	696.681	-	-	84.034	86.127	**866.842**
Private individuals	1.808.897	-	-	2.364	60	**1.811.321**
Professional and other services	411.031	-	124.431	15.601	21.971	**573.034**
Other sectors	220.005	70.828	-	1.356	1.128	**293.317**
	5.247.283	**70.828**	**175.240**	**146.383**	**130.308**	**5.770.042**
By customer sector						
Corporate	648.180	70.828	152.690	104.653	116.872	**1.093.223**
Small and medium-sized enterprises (SMEs)	495.326	-	19.017	41.153	13.376	**568.872**
Retail						
- housing	1.273.298	-	48	130	-	**1.273.476**
- credit cards	150	-	712	-	-	**862**
- consumer and other	346.466	-	2.773	447	60	**349.746**
Restructuring and recovery						
- corporate	1.994.604	-	-	-	-	**1.994.604**
- SMEs	349.658	-	-	-	-	**349.658**
- recoveries	100.602	-	-	-	-	**100.602**
International banking services	26.723	-	-	-	-	**26.723**
Wealth management	12.276	-	-	-	-	**12.276**
	5.247.283	**70.828**	**175.240**	**146.383**	**130.308**	**5.770.042**

28. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

	Cyprus	Russia	United Kingdom	Romania	Ukraine	**Total**
31 December 2013	€000	€000	€000	€000	€000	**€000**
By economic activity						
Trade	454.872	46.834	593	8.062	4.721	**515.082**
Manufacturing	186.322	4.417	1.204	1.348	994	**194.285**
Hotels and catering	371.577	-	11.410	6.314	6.232	**395.533**
Construction	993.812	9.773	16.124	17.512	10.738	**1.047.959**
Real estate	700.093	-	70.691	68.019	25.398	**864.201**
Private individuals	1.815.870	-	1.693	119	8.665	**1.826.347**
Professional and other services	379.664	126.007	5.909	21.644	4.740	**537.964**
Other sectors	233.436	-	-	1.294	563	**235.293**
	5.135.646	**187.031**	**107.624**	**124.312**	**62.051**	**5.616.664**
By customer sector						
Corporate	2.428.050	165.286	58.069	101.904	53.553	**2.806.862**
Small and medium-sized enterprises (SMEs)	937.341	18.592	49.310	22.289	5.501	**1.033.033**
Retail						
- housing	1.396.739	2.340	64	110	263	**1.399.516**
- credit cards	382	153	-	-	-	**535**
- consumer and other	373.134	660	181	9	2.734	**376.718**
	5.135.646	**187.031**	**107.624**	**124.312**	**62.051**	**5.616.664**

28. **Risk management – Credit risk** (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

Rescheduled loans and advances to customers as at 30 September 2014 above include UK and Romanian loans and advances to customers classified as held for sale as shown below:

	United Kingdom	Romania	**Total**
30 September 2014	€000	€000	**€000**
By economic activity			
Trade	-	3.243	**3.243**
Manufacturing	3.408	521	**3.929**
Hotels and catering	93	6.233	**6.326**
Construction	-	11.025	**11.025**
Real estate	220	26.054	**26.274**
Private individuals	-	60	**60**
Professional and other services	107	21.970	**22.077**
Other sectors	750	1.427	**2.177**
	4.578	**70.533**	**75.111**
By customer sector			
Corporate	3.989	56.798	**60.787**
Small and medium-sized enterprises (SMEs)	531	13.376	**13.907**
Retail			
- consumer and other	58	60	**118**
Restructuring and recovery			
- corporate	-	299	**299**
	4.578	**70.533**	**75.111**

28. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Provisions for impairment

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	**Total**
30 September 2014	€000	€000	€000	€000	€000	€000	**€000**
Individual impairment	276.533	18.348	14.447	1.836	21.752	-	**332.916**
Collective impairment	183.468	-	8.771	14	2.313	-	**194.566**
	460.001	**18.348**	**23.218**	**1.850**	**24.065**	**-**	**527.482**
31 December 2013							
Individual impairment	410.690	-	2.628	2.893	17.938	14.577	**448.726**
Collective impairment	176.223	-	11.465	-	3.044	-	**190.732**
	586.913	**-**	**14.093**	**2.893**	**20.982**	**14.577**	**639.458**

Provisions for impairment for rescheduled loans and advances to customers as at 30 September 2014 above include UK and Romanian provisions for impairment for rescheduled loans and advances to customers which are classified as held for sale, as shown below:

	United Kingdom	Romania	**Total**
30 September 2014	€000	€000	**€000**
Individual impairment	3	2.143	**2.146**
Collective impairment	24	21.752	**21.776**
	27	**23.895**	**23.922**

29. 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 a higher cost or sell assets at a discount.

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

To limit this risk, management aims to achieve diversified funding sources in addition to 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 centres at each country 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 Management ('MRM'). MRM 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 the limits set by the regulatory authorities in the countries where the Group operates. MRM reports to ALCO the regulatory liquidity position of the various units and of the Group, at least monthly. It also provides the results of various stress tests to the ALCO.

The ALCO of each unit is responsible for monitoring the liquidity position of its unit and ensuring compliance with the approved policies. The Group ALCO is responsible for setting the policies for the effective management and monitoring of liquidity across the Group. It also monitors the liquidity position of its major banking units at least monthly. The Group ALCO monitors mostly the stock of liquid assets and the cash inflows/outflows of the bank in Cyprus, since these are considered 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.

Restriction on withdrawal of deposits

Given the continuing stabilisation of the financial sector, the majority of restrictions on withdrawal of deposits imposed by the Ministry of Finance in March 2013 have been abolished, in line with the Ministry of Finance roadmap for the abolition of Restrictive Measures. Currently, the restrictive measures in force, restrict the movement of funds outside the Republic (subject to exceptions), whilst restrictions for the flow of funds within the Republic have been abolished.

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

Monitoring process

Daily
Due to the economic crisis, it is more important to monitor cash flows and highly liquid assets rather than the supervisory liquidity ratios, because these will ensure the uninterrupted operation of the Group's activities. MRM prepares a report for submission to the CBC indicating the cash inflows and outflows observed in customer balances and other balances, as well as the opening and closing balances of cash. This information is also sent to members of the Group ALCO. Also, Group Treasury monitors daily the inflows and outflows in the main currencies used by the Group.

Weekly
Currently MRM prepares a weekly report of Euro and foreign currency liquidity mismatch which is submitted to the CBC. Group Treasury prepares and submits a liquidity report to the Board of Directors and the Executive Committee on a weekly basis.

Monthly
MRM prepares tables indicating compliance with internal and regulatory liquidity ratios, for all banking units and for the Group and submits them to the Group ALCO. It also calculates the expected flows under a stress scenario and compares them with the projected available liquidity buffer. Group Treasury prepares projections of expected inflows and outflows covering a two month period. The fixed deposit renewal rates and deposits by tenor are also calculated and presented to the Group ALCO.

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

As from 4 November 2014 reports are sent not only to the CBC but also to the ECB/SSM.

Liquidity ratios

The ratio of liquid assets to total deposits and other liabilities falling due in the next twelve months is prepared monthly by MRM and monitored by Group 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 September 2014	31 December 2013
	%	%
30 September 2014/31 December 2013	**16,43**	12,28
Average ratio	**13,91**	11,16
Highest ratio	**16,43**	14,42
Lowest ratio	**12,11**	8,69

The above ratios are calculated for the period from the beginning of the year to the last quarter end (30 September 2014).

The minimum liquidity ratios for Cyprus operations as set by the CBC are 20% for Euro and 70% for foreign currencies.

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

Liquidity ratios (continued)

The liquidity ratios remained at low levels due to the continued economic crisis in Cyprus, the bail-in and the outflow of deposits. The regulatory liquidity ratios of Cyprus were below the minimum required by the CBC.

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

	30 September 2014	31 December 2013
	%	%
30 September 2014/31 December 2013	**148,24**	145,38
Average ratio	**148,13**	128,84
Highest quarter ratio	**150,96**	145,95
Lowest quarter ratio	**145,38**	85,70

Sources of funding

Currently and following the bail-in of the Group's long term debt securities, the Group's main sources of liquidity are its deposit base and central bank funding, either through the Eurosystem monetary policy operations or through Emergency Liquidity Assistance ('ELA').

The Group currently has limited access to interbank and wholesale markets which, combined with a reduction in deposits in Cyprus has resulted in increased reliance on central bank funding. As at 30 September 2014, the funding from the ELA amounted to €7,68 billion (31 December 2013: €9,56 billion) (Note 19).

The liquidity received from central banks is subject to the relevant regulations and requires qualifying assets as collateral. The funding through ELA is short term (usually 2-3 weeks), covering the period until the next schedules meeting of the Directors of the ECB.

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 repayment. The subsidiaries of the Company, Bank of Cyprus UK Ltd and Bank of Cyprus Channel Islands Ltd, cannot place funds with the Group in excess of maximum limits set by the local regulator.

The subsidiaries can 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.

The carrying value of the Group's encumbered assets as at 30 September 2014 and 31 December 2013 is summarised below:

	30 September 2014	31 December 2013
	€000	€000
Cash and other liquid assets	**220.399**	367.080
Other investments	**2.466.560**	3.289.810
Loans and advances to customers	**13.770.738**	15.136.002
Assets held for sale	**215.022**	-
Property	**88.183**	90.181
	16.760.902	18.883.073

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

Sources of funding (continued)

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

Securities are mainly used as collateral for repurchase transactions as well as supplementary assets for covered bonds, while loans are mainly used as collateral for funding from the CBC and for covered bonds. Loans and advances indicated as encumbered as at 30 September 2014 and 31 December 2013 are mainly used as collateral for funding from the CBC.

In addition, bonds guaranteed by the Cyprus government amounting to €1 billion are pledged as collateral for obtaining funding from CBC (Note 21). Finally, the Company has a €1 billion Covered Bond in issue which is also used as collateral for obtaining funding from the CBC. It should be noted that the assets used as collateral for the Covered Bond are already included in the table above.

30. Risk management – Other risks

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

Market risk

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

Interest rate risk
Interest rate risk is the risk that the fair value 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. 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 2013, as presented in Note 44 of the Consolidated Financial Statements for the year 2013.

Operational risk

Operational risk is defined as the risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and systems or external events, including legal risk.

30. Risk management – Other risks (continued)

Operational risk (continued)

The Group recognises that the control of operational risk is directly related to effective and efficient management practices and high standards of corporate governance. To that effect, the management of operational risk is geared towards maintaining a strong internal control governance framework and managing operational risk exposures through a consistent set of management processes that drive risk identification, assessment, control and monitoring.
The main objectives of operational risk management within the Group are: (i) the development of operational risk awareness and culture, (ii) the provision of adequate information to the Group's management at all levels in relation to the operational risk profile on Group entity and activity level, so as to facilitate decision making for risk control activities, and (iii) the control of operational risk to ensure that operational losses do not cause material damage to the Group's franchise and have minimal impact on the Group's profitability and corporate objectives.

Operational risks can arise from all business lines and from all activities carried out by the Group and are thus diverse in nature. To enable effective management of all material operational risks, the operational risk management framework adopted by the Group is based on the three lines of defence model, through which risk ownership is dispersed throughout the organisation. The first line of defence comprises management and staff who have immediate responsibility of day-to-day operational risk management. Each business unit owner is responsible for identifying and managing all the risks that arise from the unit's activities as an integral part of their first line responsibilities. The second line of defence comprises the risk management function whose role is to provide operational risk oversight and independent and objective challenge to the first line of defence supported by other specialist control and support functions such as Compliance, Legal, Information Technology, Information Security and Corporate Security, Health and Safety Functions. The third line of defence comprises the Internal Audit function and the Audit Committee of the Board of Directors, which provide independent assurance over the integrity and effectiveness of the risk management framework throughout the Group.

The project of integrating the IT systems and data and migrating all customer and account data of Laiki Bank to the Company's information technology systems has been successfully completed in June 2014. No risks have materialised in operational loss incident from this process.

During the past nine months, a number of regulatory changes were put in effect. From these new regulations emanate demands for new software and procedures that give rise to operational risks related to data integrity, data aggregation as well as non-compliance with the new regulatory provisions. Group Operational Risk is involved in the management of these risks as a matter of priority in collaboration with other control functions, such as Group Compliance.

Operational risk loss events are classified and recorded in the Group's internal loss database to enable risk identification, corrective action and statistical analysis. During the nine months ended 30 September 2014, 336 loss events with gross loss over €1.000 each were recorded (corresponding period 2013: 377).

The Group strives to continuously enhance its risk control culture and increase awareness of its employees on operational risk issues through ongoing staff training.

The Group also has adequate insurance policies to cover unexpected operational losses.

The Group's Business Continuity and Disaster Recovery Plans are currently in the process of being updated, following the acquisition of certain assets and liabilities of Laiki Bank and the completion of the IT systems migration. The Group places significant importance on continuously enhancing the continuity arrangements for all markets in which the Group operate, to ensure timely recovery after events that may cause major disruptions to the business operations.

30. Risk management – Other risks (continued)

Regulatory risk

The Group's operations in Cyprus and overseas, are supervised by the CBC and the ECB as a supervisory role for all the banks in the Eurozone area (referred to as the SSM). The ECB fully assumed several supervisory responsibilities on 4 November 2014 (subject to implementation arrangements and measures set forth in article 33(2) of the Regulation (EU) No 1024/2013. In carrying out its supervisory duties, the CBC follows, inter alia, the European Union's underlying legal framework as well as closely observing and monitoring ongoing developments and emerging risks and appropriately adjusting its monitoring and regulatory procedures and operations. The overseas subsidiaries and branches of the Group are similarly supervised by the corresponding regulatory authorities in the countries where they operate.

The continuing and increasing regulatory obligations imposed on the Group may have both a positive as well as an adverse impact on its operations. Basel III has been adopted by the EU through the revised Directive for Capital Requirements (CRD IV). The revised Directive has come into effect on 1 January 2014 and provides for a phasing period, during which the new rules will be gradually applied.

The operations of Cyprus insurance companies are supervised by the Insurance Companies Control Service (Ministry of Finance). Solvency II, the updated set of regulatory requirements for insurance companies that operate in the EU, is expected to come into effect on 1 January 2016 and establishes a revised set of market consistent EU-wide capital requirements and risk management standards. Solvency II requirements are expected to have an impact on the capital requirements of the Group's insurance undertakings and their implementation involves more complex calculations of factor-based formulas, stress testing and financial models.

The investment banking and the mutual fund management companies of the Group are supervised by the relevant capital market commissions, in the countries in which they operate.

31. Sovereign exposure

The Group's sovereign exposure and non-sovereign exposure in countries which have entered or have applied to the European Support Mechanism or whose Moody's credit rating is below Aa1 and the total Group exposure exceeds €100.000 thousand, is presented below. These countries are: Cyprus, Greece, Italy, Russia, Romania, Belgium and Ukraine.

The sovereign exposure to the above countries was not considered to be impaired as at 30 September 2014 and 31 December 2013, despite the financial difficulties of these countries, as the situation is not severe enough to impact the future cash flows of these countries' sovereign securities, except in relation to exchanged Cyprus government bonds as described below.

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

Cyprus Government Bonds (CyGBs)

In June 2013, the Republic of Cyprus offered to exchange a number of existing government bonds with a total nominal value of €1 billion, which matured during the economic adjustment programme period (March 2013 - March 2016), with five new bonds with corresponding equal coupon rates (on a series-by-series basis) and 6-10 years maturity. The Group accepted the above offer and participated in the exchange with bonds of total nominal value of €180.000 thousand. The exchange constituted a modification of terms, rather than resulting in the derecognition of the CyGBs being exchanged.

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

31. Sovereign exposure (continued)

Cyprus Government Bonds (CyGBs) (continued)

The CyGBs held by the Group that were not subject to the offer for exchange of June 2013 are not considered as impaired as at 30 September 2014, for the following reasons:

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

During the nine months ended 30 September 2014 the Group considers that no additional impairment is required.

31. Sovereign exposure (continued)

Credit risk

The Group's exposure in the countries mentioned above, is analysed below:

	Cyprus	Greece	Italy	Russia	Romania	Belgium
30 September 2014	€000	€000	€000	€000	€000	€000
Deposits with central banks	190.323	-	-	38.458	1.853	-
Placements with banks	69.462	17.485	68.124	74.704	206.814	80.060
Investments in sovereign debt securities						
- available-for-sale	211	-	53.362	-	-	-
- loans and receivables	1.798.065	-	-	-	-	-
- fair value through profit or loss	17.311	-	-	-	-	-
Investments in debt securities of banks and other corporations						
- available-for-sale	1.152	-	-	-	-	41.578
- loans and receivables	306	-	-	-	-	-
- fair value through profit or loss	23	-	-	-	-	-
Derivative financial assets	-	-	170	-	-	-
Loans and advances to customers (before provisions)	20.242.490	98.505	-	1.208.263	77.348	-
Assets held for sale (before provisions)	-	-	-	-	419.809	-
Total on balance sheet	**22.319.343**	**115.990**	**121.656**	**1.321.425**	**705.824**	**121.638**
Contingent liabilities	766.119	227.801	-	12.385	21	-
Commitments	2.390.045	-	-	103.341	5.065	-
Total off balance sheet	**3.156.164**	**227.801**	**-**	**115.726**	**5.086**	**-**
Total exposure to credit risk	**25.475.507**	**343.791**	**121.656**	**1.437.151**	**710.910**	**121.638**

31. Sovereign exposure (continued)

Credit risk (continued)

	Cyprus	Greece	Italy	Russia	Romania	Ukraine
31 December 2013	€000	€000	€000	€000	€000	€000
Deposits with central banks	456.069	-	-	51.593	5.695	9.969
Placements with banks	51.374	19.799	428	103.976	222.417	9.458
Investments in sovereign debt securities						
- available-for-sale	1.423	-	52.211	2.051	-	-
- loans and receivables	2.572.940	-	-	-	-	-
- fair value through profit or loss	15.413	-	-	-	-	-
Investments in debt securities of banks and other corporations						
- available-for-sale	6.148	290	-	-	-	1
- loans and receivables	497	-	-	-	-	-
- fair value through profit or loss	103	-	-	-	-	-
Loans and advances to customers (before provisions)	21.173.769	97.124	-	1.429.161	483.541	395.051
Total on balance sheet	**24.277.736**	**117.213**	**52.639**	**1.586.781**	**711.653**	**414.479**
Contingent liabilities	880.984	335.073	-	7.206	100	50
Commitments	2.748.596	-	-	147.695	3.366	536
Total off balance sheet	**3.629.580**	**335.073**	**-**	**154.901**	**3.466**	**586**
Total exposure to credit risk	**27.907.316**	**452.286**	**52.639**	**1.741.682**	**715.119**	**415.065**

Loans and advances to customers in Cyprus are presented net of the fair value adjustment on loans and advances acquired from Laiki Bank.

On 30 September 2014 the revaluation reserve of available-for-sale investments includes losses amounting to €5.470 thousand (31 December 2013: €5.851 thousand) relating to the above sovereign debt securities and gains amounting to €129 thousand (31 December 2013: losses of €142 thousand) relating to debt securities of banks and other corporations.

31. Sovereign exposure (continued)

Credit risk (continued)

The analysis of loans and advances to customers for the countries above is set out in Note 28.

In Cyprus, loans and advances to customers include loans to local authorities, semi-governmental organisations and government controlled businesses of €142.729 thousand (31 December 2013: €139.733 thousand). In addition, contingent liabilities and commitments include an amount of €14.904 thousand for these entities (31 December 2013: €56.389 thousand).

Liquidity risk

The table below presents the Group's exposure to sovereign debt securities to countries which were or still are in EU-IMF Economic Adjustment Programmes, in this case Cyprus, based on the remaining contractual maturity of the financial assets.

	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	**Total**
30 September 2014	€000	€000	€000	€000	€000	**€000**
Cyprus						
- available-for-sale	-	-	177	-	34	**211**
- loans and receivables	-	219.818	998.712	284.893	294.642	**1.798.065**
- fair value through profit or loss	-	158	-	17.153	-	**17.311**
	-	**219.976**	**998.889**	**302.046**	**294.676**	**1.815.587**

31 December 2013						
Cyprus						
- available-for-sale	-	-	-	1.423	-	**1.423**
- loans and receivables	-	199.003	1.749.757	327.267	296.913	**2.572.940**
- fair value through profit or loss	-	-	-	15.413	-	**15.413**
	-	**199.003**	**1.749.757**	**344.103**	**296.913**	**2.589.776**

The Cyprus Government Bond of a nominal value of €1.987 million was due on 1 July 2014 and the government had an unilateral roll-over option up to July 2017. On 1 July 2014 the Cyprus Government has repaid €950 million of this bond and has rolled over the remaining amount for one year.

As at 30 September 2014 and 31 December 2013, the Group had no sovereign debt security exposure to Spain, Portugal or Greece.

32. 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 minimum capital adequacy ratios for the year 2013 until 30 December 2013 were: Core Tier 1 ratio of 8,7%, Tier 1 ratio of 10,2% and total capital ratio of 12,2%. On 31 December 2013, the CBC increased the minimum Core Tier 1 capital ratio to 9%.

As from 1 January 2014, the new Capital Requirements Regulations ('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, internal governance arrangements including remuneration, board composition and transparency. Unlike the CRR, CRD IV needs to be transposed into national laws, which allows national regulators to impose additional capital buffer requirements. CRR introduces 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 on 29 May 2014 it set the minimum Common Equity Tier 1 capital ratio at 8%. The Group may also be subject to additional capital requirements for risks which are not covered by the above-mentioned capital requirements, taking also into account the provisions of CRD IV/CRR and the results of the AQR and the EU-wide stress test (Pillar II add-ons).

Following the Comprehensive Assessment, which was fundamentally a prudential exercise, the SSM has requested the Group to review certain of its accounting estimates relating to provisions in light of the higher degree of conservatism applied in the AQR. If required, any such changes in estimates would be reflected in the Group's financial statements for year 2014. Further, while the AQR and stress test did not show a capital shortfall for the Group after giving effect to the Capital Raising, in connection with the AQR, the SSM has requested the Company to review certain of its accounting estimates, such those relating to provisions, on a prospective basis. This may adversely affect the Company's capital position and the financial results of the Company going forward.

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.

32. **Capital management** (continued)

Capital position under CRD IV

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

The Group's capital position on a CRD IV and CRR basis is presented below. The position at 31 December 2013 is shown on a pro forma basis by applying the new rules including the transitional arrangements that have been in place from 1 January 2014.

	30 September 2014	31 December 2013 (pro forma)
Regulatory capital	**€000**	€000
Transitional Common Equity Tier 1 (CET1)	**3.512.254**	2.449.878
Transitional Additional Tier 1 capital (AT1)	**-**	-
Tier 2 capital (T2)	**39.258**	45.204
Transitional total regulatory capital	**3.551.512**	2.495.082
Risk weighted assets – credit risk	**20.834.379**	21.468.518
Risk weighted assets – market risk	**5.150**	3.398
Risk weighted assets – operational risk	**2.023.138**	2.057.687
Total risk weighted assets	**22.862.667**	23.529.603
	%	%
Transitional Common Equity Tier 1 (CET1) ratio	**15,4**	10,4
Transitional total capital ratio	**15,5**	10,6

The Group continued to strengthen its capital position with the CET1 ratio increasing to 15,4% primarily driven by the share capital increase of €1bn, by the reduction of risk weighted assets due to the on-going deleveraging and disposal of loans, and by the increase on earnings, including the gains/losses from disposal of assets.

The Group continues to be in excess of the minimum capital requirements.

The regulatory capital as at 30 September 2014 included 'Shares subject to interim orders' (Note 24) which amounted to €297 thousand (31 December 2013: €58.922 thousand).

32. **Capital management** (continued)

Capital position on prevailing rules as at 31 December 2013

The Group's capital position applying the rules which were prevailing as at 31 December 2013 is set out below.

	31 December 2013
Regulatory capital	€000
Core original own funds (Core Tier 1)	2.281.513
Original own funds (Tier 1)	2.281.513
Additional own funds (Tier 2)	75.581
Total regulatory capital	2.357.094
Risk weighted assets – credit risk	20.380.360
Risk weighted assets – market risk	3.398
Risk weighted assets – operational risk	2.057.687
Total risk weighted assets	22.441.445
	%
Core Tier 1 ratio	10,2
Tier 1 ratio	10,2
Tier 2 ratio	0,3
Total capital ratio	10,5

Minimum ratios per the CBC Directive	
Core Tier 1 ratio	9,0
Tier 1 ratio	n/a
Total capital ratio	n/a

33. Related party transactions

	30 September 2014	31 December 2013
	€000	€000
Loans and advances:		
- members of the Board of Directors and other key management personnel	**3.646**	3.224
- connected persons	**740**	526
	4.386	3.750
Deposits:		
- members of the Board of Directors and other key management personnel	**15.425**	1.881
- connected persons	**11.799**	36.536
	27.224	38.417

The above table does not include period or year end balances i.e. 30 September 2014 and 31 December 2013 respectively, for members of the Board of Directors who resigned during the period or year and for their connected persons.

Interest income and expense from related parties for the nine months ended 30 September 2014 amounted to €110 thousand and €321 thousand respectively (corresponding period of 2013: €418 thousand and €453 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 €118 thousand (31 December 2013: €231 thousand). There were also contingent liabilities and commitments to other key management personnel and their connected persons amounting to €709 thousand (31 December 2013: €743 thousand).

The total unsecured amount of the loans and advances and of the contingent liabilities and commitments to members of the Board of Directors, other key management personnel and their connected persons (using forced-sale values for tangible collaterals and assigning no value to other types of collateral, calculated based on the rules described in the relevant Directive of the CBC) at 30 September 2014 amounted to €1.961 thousand (31 December 2013: €1.439 thousand).

Transactions with connected persons of the Directors during the nine months ended 30 September 2014
During the nine months ended 30 September 2014 the Group paid €96 thousand relating to insurance transactions to Universal Insurance Agency Ltd in which Mr Xanthos Vrachas is the CFO (corresponding period of 2013: €9 thousand).

Transactions with connected persons of the Directors who resigned during the nine months ended 30 September 2013
During the nine months ended 30 September 2013 the Group also had the following transactions with connected persons: reinsurance premiums amounting to €56 thousand paid to companies of the Commercial General Insurance Group in which Mr Andreas Artemis holds an indirect interest; purchases of equipment and services amounting to €1 thousand from Pylones SA Hellas and Unicars Ltd in which Mrs Anna Diogenous holds an indirect interest; purchases of equipment amounting to €89 thousand from Mellon Cyprus Ltd which is significantly influenced by a person connected to Mrs Anna Diogenous; insurance commissions amounting to €29 thousand to D. Severis and Sons Ltd which is owned by Mr Costas Z. Severis; and rent amounting to €71 thousand paid by Tseriotis Group in which Mrs Anna Diogenous holds an indirect interest. The total amount of professional fees paid to the law office Andreas Neocleous and Co LLC, in which the Director Mr Elias Neocleous is a partner amounted to €14 thousand. In addition the Group during the nine months ended 30 September 2013 had the following transactions with connected persons in their capacity as members of the interim board: legal fees amounting to €10 thousand paid to A. Poetis & Sons in which Mr Andreas Poetis is a partner and actuarial fees amounting to €48 thousand paid to AON Hewitt Cyprus Ltd in which Mr Philippos Mannaris is a partner.

33. Related party transactions (continued)

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

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

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

	Nine months ended 30 September	Nine months ended 30 September
	2014	2013
Director emoluments	**€000**	€000
Executives		
Salaries and other short term benefits	**633**	311
Termination benefits	**-**	84
Employer's contributions	**34**	20
Retirement benefit plan costs	**83**	12
	750	427
Non-executives		
Fees	**336**	232
Emoluments of a non-executive director who was also an employee of the Company	**-**	107
Total directors' emoluments	**1.086**	766
Other key management personnel emoluments		
Salaries and other short term benefits	**1.646**	448
Termination benefits	**-**	216
Employer's contributions	**120**	37
Retirement benefit plan costs	**159**	54
Total other key management personnel emoluments	**1.925**	755
Total	**3.011**	1.521

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 Chief Executive Officer.

The termination benefits for the nine months ended 30 September 2013 related to payments to an executive director and to the Senior Group General Manager who left the Group on 29 March 2013. The termination benefits included notice period paid in accordance with their employment contracts.

34. Group companies

The main 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 September 2014 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
BOC Ventures Ltd	Cyprus	Inactive	100
Tefkros Investments Ltd	Cyprus	Inactive	100
Bank of Cyprus Mutual Funds Ltd	Cyprus	Inactive	100
Cytrustees Investment Public Company Ltd	Cyprus	Closed-end investment company	53
Diners Club (Cyprus) Ltd	Cyprus	Inactive	100
BOC Russia (Holdings) Ltd	Cyprus	Intermediate holding company	80
Finerose Properties Ltd	Cyprus	Financing services	100
Hydrobius Ltd	Cyprus	Special purpose entity	-
Laiki Capital Public Co Ltd	Cyprus	Holding company	67
Laiki Financial Services Ltd	Cyprus	Investment banking, asset management and brokerage	67
Paneuropean Ltd	Cyprus	Investment company	100
Philiki Ltd	Cyprus	Investment company	100
Cyprialife Ltd	Cyprus	Investment company	100
JCC Payment Systems Ltd	Cyprus	Card processing transaction services	75
Bank of Cyprus Public Company Ltd (branch of the Company)	Greece	Administration of guarantees and holding of real estate properties	N/A
Kyprou Leasing SA	Greece	Leasing	100
Kyprou Commercial SA	Greece	Financing of motor vehicles and other consumer products	100
Kyprou Properties SA	Greece	Property management	100

34. Group companies (continued)

Company	**Country**	**Activities**	**Percentage holding (%)**
Kyprou Zois (branch of EuroLife Ltd)	Greece	Life insurance	100
Kyprou Asfalistiki (branch of General Insurance of Cyprus Ltd)	Greece	General insurance	100
Bank of Cyprus UK Ltd	United Kingdom	Commercial bank	100
BOC Financial Services Ltd	United Kingdom	Financial advice on investment products and life insurance	100
Misthosis Funding Plc	United Kingdom	Inactive	-
Misthosis Funding (Holding) Ltd	United Kingdom	Inactive	-
Bank of Cyprus (Channel Islands) Ltd	Channel Islands	Commercial bank	100
Tefkros Investments (CI) Ltd	Channel Islands	Inactive	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	Russia	Leasing	80
MC Investment Assets Management LLC	Russia	Special purpose entity	-
Kyprou Finance (NL) B.V.	Netherlands	Financing services	100

In addition to the above companies, at 30 September 2014 the Company had 100% shareholding in the companies below. The main activity of these companies is the ownership and management of immovable property and other assets.

Cyprus: Timeland Properties Ltd, Cobhan Properties Ltd, Bramwell Properties Ltd, Elswick Properties Ltd, Birkdale Properties Ltd, Newington Properties Ltd, Innerwick Properties Ltd, Lameland Properties Ltd, Longtail Properties Ltd, 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, Guarded Path Properties Ltd, Lepidoland Properties Ltd, Stamoland Properties Ltd, Ecunaland Properties Ltd, Tebane Properties Ltd, Cranmer Properties Ltd, Calomland Properies Ltd, Vieman Ltd, Les Coraux Estates Ltd, Natakon Company Ltd, Karmazi (Apartments) Ltd, Kermia Palace Enterprises Ltd, Oceania Ltd, Dominion Industries Ltd, Ledra Estates Ltd, Eurolife Properties Ltd, Elias Houry Estates Ltd, Auction Yard Ltd, Laiki Bank (Nominees) Ltd, Laiki Lefkothea Center Ltd, Labancor Ltd, Imperial Life Assurance Ltd, Philiki Management Services Ltd, Laiki EDAK Ltd, Nelcon Transport Co. Ltd, Steparco Ltd, Joberco Ltd, Zecomex Ltd, Domita Estates Ltd, Memdes Estates Ltd, Obafemi Holdings Ltd, 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, Salecom Ltd, Melsolia Properties Ltd, Nimoland Properties Ltd, Lozzaria Properties Ltd, Danoma Properties Ltd, Kimrar Properties Ltd, Jobelis Properties Ltd, Rimokin Properties Ltd, Tavoni Properties Ltd, Pekiro Properties Ltd, Limestone Properties Ltd, Turnmill Properties Ltd, Fairford Properties Ltd and Metin Properties Ltd.

34. 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 and Frozenport Properties SRL.

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

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

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

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

In 2014, the Group decided the transfer of the operations and the assets and liabilities of the Group subsidiary company Laiki Factors Ltd to Bank of Cyprus Public Company Ltd, with the parallel dissolution, without receivership, of the subsidiary. This process was completed on 31 May 2014.

Dissolution of subsidiaries

As at 30 September 2014 the following subsidiaries were in the process of dissolution: Samarinda Navigation Co. Ltd and Kyprou Securities S.A.

35. Acquisitions and disposals

35.1 Acquisition of certain operations of Laiki Bank

In March 2013 as part of the agreement with Eurogroup, the Company acquired all of the insured deposits, ELA funding and the majority of the loans and assets of Laiki Bank. These assets included all assets of Laiki Bank in Cyprus, the loans and selected assets of Laiki Bank in the UK and selected assets of Laiki Bank in Greece. The results of Laiki Bank are fully consolidated from the date of acquisition.

As prescribed by the Decree issued on 29 March 2013, the Resolution Authority was required to perform a valuation of the assets and liabilities transferred from Laiki Bank to the Company and to determine a fair compensation for Laiki Bank with no right of further compensation. The Resolution Authority appointed an independent international firm to carry out a valuation of assets and liabilities transferred by Laiki Bank to the Company. The consideration transferred for this transaction (being shares of the Company) was determined and enforced by the Resolution Authority pursuant to the Decree for the 'Issue of Bank of Cyprus Share Capital to compensate Laiki Bank' issued on 30 July 2013. In accordance with the above Decree, this was set at 18,1% of the total share capital of the Company with no further right for additional compensation. Accordingly, 858.709 thousand shares were issued to Laiki Bank with nominal value €1,00 each. Following the reduction in the nominal value of ordinary shares to €0,10 per share and following the Capital Raising of €1 billion (Note 24) the holding of Laiki Bank stood at 9,6% of the ordinary shares in issue of the Company at 30 September 2014.

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

35. Acquisitions and disposals (continued)

35.1 Acquisition of certain operations of Laiki Bank (continued)

Consideration transferred

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

Accounting for the business combination

The net assets acquired were recognised in the 2013 financial statements and were based on a provisional assessment of their fair values. In March 2014 the accounting for the business combination was completed and the Company recognised final adjustments on the acquisition date fair values, amounting to €7.082 thousand on the assets and liabilities acquired.

In addition an investment provisionally classified as available-for-sale was reclassified to investment in associates and joint ventures (Note 36), following information obtained for this investment about facts and circumstances that existed on the acquisition date.

The 2013 comparative information was restated to reflect the adjustments to the provisional amounts (Note 5.2).

Fair values of the identifiable assets and liabilities acquired

The table below sets out the final fair values of the identifiable assets and liabilities acquired from Laiki Bank and its subsidiaries that are incorporated as at the date of the acquisition in the Republic of Cyprus and have been transferred to the Company through the Decree issued on 29 March 2013.

35. Acquisitions and disposals (continued)

35.1 Acquisition of certain operations of Laiki Bank (continued)

Fair values of the identifiable assets and liabilities acquired (continued)

Fair values recognised on acquisition	**€000**
Assets	
Cash and balances with central banks	**406.685**
Placements with banks	**1.294.458**
Amount receivable from the Company	**1.153.000**
Investments	**2.430.044**
Loans and advances to customers	**8.659.000**
Property, plant and equipment and intangible assets	**129.779**
Deferred tax asset	**417.002**
Investments in associates and joint ventures	**236.977**
Other assets	**374.083**
Total assets	**15.101.028**
Liabilities	
Amounts due to banks	**1.233.564**
Funding from central banks	**9.102.528**
Customer deposits	**4.177.445**
Other liabilities	**127.149**
Deferred tax liability	**5.131**
Total liabilities	**14.645.817**
Non-controlling interests	**5.324**
Total identifiable net assets at fair value	**449.887**
Fair value of consideration transferred (comprising of 858.709 thousand shares of nominal value €0,10 each following the reduction in the nominal value of shares, Note 24)	**449.887**

Analysis of cash flows on acquisition	
Total cash flows acquired of which:	**2.854.143**
Cash and cash equivalents	**1.126.302**
Consideration paid in cash	**-**

The fair value of loans and advances to customers amounted to €8.659.000 thousand. The gross amount of loans and advances to customers before fair value adjustment on initial recognition was €10.688.905 thousand. Of the total gross amount, €3.902.593 thousand were considered to be impaired as at the acquisition date. The fair value of these impaired loans amounted to €2.420.380 thousand.

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

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

35.3 Step acquisition

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

35. Acquisitions and disposals (continued)

35.4 Disposal of the Group's Ukrainian business

In line with the Group's strategy of focusing on core businesses and markets, and disposing operations that are considered as non-core, the Company on 18 April 2014, sold its Ukrainian business, 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. The accounting loss from the sale was €114.228 thousand and represents the difference of the consideration and the net book value of the assets and liabilities disposed, as well as the unwinding of the related foreign currency reserve of €56.000 thousand as at the disposal date. The impact of this disposal on the Group's capital was €24.211 thousand or 0,11 percentage points negative on the Group's capital ratios.

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

	€000
Net interest income	4.064
Fee and commission income	270
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 business	(114.228)
Loss after tax from discontinued operations	**(150.215)**
Basic and diluted losses per share (€ cent) – discontinued operations	**(3,05)**

The assets and liabilities of the Group's Ukrainian business 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)**

35. Acquisitions and disposals (continued)

35.4 Disposal of the Group's Ukrainian business (continued)

The net cash flows of the Group's Ukrainian business are presented below:

	2014
	€000
Net cash flow used in operating activities	**(999)**
Net cash flow used in investing activities	**-**
Net cash flow used in financing activities	**-**
Net decrease in cash and cash equivalents	**(999)**

35.5 Sale of assets in Romania

On 11 September 2014, as part of its strategy of focusing on core business, the Group completed the sale of its assets related to Grand Hotel Enterprises Society Ltd (GHES), a limited liability company incorporated in Romania and owner of the JW Marriott Bucharest Grand Hotel to STRABAG SE, an Austrian stock company. The assets comprised (i) a facility agreement between GHES, as borrower, and Bank of Cyprus Romania (branch of the Company), as lender, (ii) 1,474,482 shares issued by GHES to an affiliate of the Bank, representing 35,292% of the issued share capital of GHES, and (iii) a subordinated loan agreement between GHES, as borrower, and an associate of the Company, as lender.

The sale consideration was €95 million and the accounting loss from the transaction was €1.424 thousand.

36. Investments in associates and joint ventures

Carrying value of the investment

	30 September 2014	31 December 2013
	€000	€000
CNP Cyprus Insurance Holdings Ltd	**106.264**	98.324
Marfin Diversified Strategy Fund Plc	**101.553**	94.407
Byron Capital Partners Ltd	**5.322**	5.322
Interfund Investments Plc	**2.961**	3.000
Aris Capital Management LLC	**-**	2.078
Rosequeens Properties SRL	**-**	-
Grand Hotel Enterprises Society Ltd	**-**	-
	216.100	203.131

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%) and Rosequeens Properties SRL (shareholding of 33,33%). The carrying value of 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 (Note 35.5).

36. Investments in associates and joint ventures (continued)

Carrying value of the investment (continued)

The Group's investments in joint ventures comprise of Byron Capital Partners Ltd (BCP) and Marfin Diversified Strategy Fund Plc (MDSF) acquired by the Group as part of the acquisition of certain operations of Laiki Bank (Note 35.1). The management shares of MDSF is 100% owned by BCP. 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%) and MDSF (shareholding of approximately 90% of the units of the fund).

37. Capital commitments

The total capital expenditure of the Group for the nine months ended 30 September 2014 amounted to €16.377 thousand (corresponding period of 2013: €24.385 thousand).

38. Other information

As at 30 September 2014 and 26 November 2014 9,62%, 5,46%, 5,23% and 5,02% of the share capital of the Company was held by Cyprus Popular Bank Public Co Ltd, Renova Group, TD Asset Management and European Bank for Reconstruction and Development, respectively.

39. Events after the reporting date

39.1 ECB Comprehensive Assessment

Following the share capital increase of €1 billion in September 2014, the Group passed the 2014 ECB Comprehensive Assessment run prior to the inception of the Single Supervisory Mechanism in November 2014. The Comprehensive Assessment was conducted by the ECB in cooperation with the CBC and it comprised of two pillars, an Asset Quality Review (AQR) and a stress test.

The Comprehensive Assessment was based on a capital benchmark of 8% CET1 ratio, including transitional arrangements of CRR/CRD IV, for both the AQR and the Baseline stress test scenario. For the purposes of the EU-wide stress test, the minimum ratios applied across all participating banks were set at 8% CET1 ratio for the baseline scenario and 5,5% CET1 ratio for the adverse scenario.

As a result of the application of the AQR and the stress test, the AQR Adjusted CET1 ratio (based on transitional arrangements as of 1.1.2014) of the Group was estimated at 7,28%, the Adjusted CET1 ratio after the Baseline Scenario was estimated at 7,73% and the Adjusted CET1 ratio after the Adverse Scenario was estimated at 1,51%. Based on these estimated capital ratios, the theoretical Aggregated Capital Shortfall of the Comprehensive Assessment was estimated at €919 million. Taking into account the successful capital increase of €1 billion completed on 18 September 2014, the theoretical shortfall is covered leading to a capital surplus of €81 million and, therefore, the Group is not obliged to proceed with any capital enhancing actions. As such, adjusting the above mentioned ratios for the capital increase, the AQR Adjusted CET1 ratio (based on transitional arrangements as of 1.1.2014) rises to 11,53%, the Adjusted CET1 ratio after the Baseline Scenario rises to 11,62% and the Adjusted CET1 ratio after the Adverse Scenario rises to 5,85%.

The total AQR adjustments as at 31 December 2013 amounted to €731 million, of which €277 million related to specific provisions and €454 million related to collective provisions. These adjustments had a negative impact on the prudential Common Equity Tier 1 (CET1) ratio of the Company. The Company considers that the AQR adjustments calculated as part of the Comprehensive Assessment in no way indicate that the Company was not in compliance with International Financial Reporting Standards. Moreover, it is noted that the Company has not been made aware, in the context of the AQR, of any accounting errors or of any of its accounting policies not being in compliance with International Financial Reporting Standards.

39. Events after the reporting date (continued)

39.1 ECB Comprehensive Assessment (continued)

Following the Comprehensive Assessment, which was fundamentally a prudential exercise, the SSM has requested the Group to review certain of its accounting estimates relating to provisions in light of the higher degree of conservatism applied in the AQR. If required, any such changes in estimates would be reflected in the Group's financial statements for year 2014. Further, while the AQR and stress test did not show a capital shortfall for the Group after giving effect to the Capital Raising, in connection with the AQR, the SSM has requested the Company to review certain of its accounting estimates, such those relating to provisions, on a prospective basis. This may adversely affect the Company's capital position and the financial results of the Company going forward.

39.2 Resolutions of Annual General Meeting

The shareholders at the Annual General Meeting (AGM) held on 20 November 2014 considered and approved all the special resolutions included in the Notice convening the AGM for the amendment of the Company's Articles of Association.

Following the AGM, the Board of Directors convened a meeting in which Dr. Josef Ackermann was elected as Chairman and Messrs Wilbur Ross and Vladimir Strzhalkovskiy were elected as Vice–Chairmen.

The composition of the Board of Directors, following the above, is as follows: Dr. Josef Ackermann (Chairman), Mr. Wilbur Ross (Vice Chairman), Mr. Vladimir Strzhalkovskiy (Vice Chairman), Mr. Arne Berggren, Mr. Maxim Goldman, Mr. John Patrick Hourican, Mr. Marios Kalochoritis, Dr. Christodoulos Patsalides, Mr. Michalis Spanos, Mr. Ioannis Zographakis.

39.3 Agreement for the sale of a loan portfolio in the UK

On 31 October 2014 the Company completed the sale of a UK loan portfolio owned by the Group and largely composed of residential and commercial real estate-backed facilities (the 'Loan Portfolio') to Mars Capital Finance Limited, which is a mortgage lender and administrator, regulated by the Financial Conduct Authority of the UK, and to Camael Mortgages Limited, which were selected as the successful bidders through a competitive process. The nominal value of the Loan Portfolio, as at the cut-off date for this transaction was £289 million.

The Loan Portfolio is not related to the Group's wholly-owned subsidiary, Bank of Cyprus UK Ltd, but is part of the wider UK loan portfolio transferred to the Group following the acquisition of certain operations of Laiki Bank in March 2013, pursuant to the relevant decrees issued by the Central Bank of Cyprus.

The transaction enhanced the Group's liquidity, with a small positive impact on the Group's Common Equity Tier 1 capital due to the release of risk weighted assets.

39.4 Change in terms of issue of Guaranteed Bonds

In November 2014, the maturity of the Bonds Guaranteed by the Cyprus Government of nominal value €1 billion was extended from November 2014 to November 2017.

39.5 Aphrodite Hills acquisition

As part of the Company's management of its large exposures, in November 2014, the Company acquired through its 100% subsidiary, Iperi Properties Ltd, 75% shareholding of the below companies, from RREEF G.O. II Malta Limited:

- Aphrodite Holdings Limited, a private limited liability company incorporated and registered under the laws of Malta and
- Aphrodite Hills (Lakkos tou Frangou) Limited, a private limited liability company incorporated and registered under the laws of Cyprus.

The acquisition has been approved by the Commission for the Protection of Competition of Cyprus. The subsidiaries have been acquired with a view to sale in the foreseeable future.

39. Events after the reporting date (continued)

39.6 Listing of shares and lifting of the trading suspension

The Company has issued a prospectus with respect to the Retail Offer and the applications for the listing and trading of its issued unlisted ordinary shares and the shares arising from the Retail Offer on the Cyprus Stock Exchange (CSE) and the Athens Exchange (ATHEX).

Also, following the issue of the prospectus and the provision of the relevant information to the investors, the Company anticipates that the Cyprus Securities and Exchange Commission will proceed to the lifting of the trading suspension on the ordinary shares of the Company already listed on the CSE and the ATHEX.

Subject to the regulatory approvals, these are expected to occur in December 2014.

39.6.1 Application for admission and listing on CSE and ATHEX of issued unlisted shares

The Company expects to file the application for admission to listing and trading on the CSE and ATHEX of the issued, unlisted shares of the Company, which comprise:

- 3.873.269.066 ordinary shares issued to bailed in holders of uninsured deposits and other products of the Company in accordance with the Bail-in Decrees;
- 5.781.443 ordinary shares issued to bailed in holders of subordinated debt securities of the Company in accordance with the Bail-in Decrees;
- 858.708.764 ordinary shares issued to Laiki Bank pursuant to the Laiki Transfer Decrees; and
- 4.166.666.667 new ordinary shares issued pursuant to the Placing and Open Offer. The Placing and Open Offer constitute phases 1 and 2 of the Company's share capital increase which was approved at the Extraordinary General Meeting held on 28 August 2014.

The listing of the above issued unlisted ordinary shares is expected to take place on or around 16 December 2014, following the commencement of the registration for the Retail Offer, which is expected to take place on 15 December 2014.

39.6.2 Retail offer

The Retail Offer comprises the third and final phase of the Share Capital Increase which, if subscribed in full, will result in the Company raising gross proceeds of €100 million and account for 4,46% of the enlarged share capital of the Company following the completion of the Retail Offer.

Subject to the terms and conditions set out in the prospectus, each qualifying shareholder is being invited to subscribe for up to a maximum of 416,666,667 Retail Shares at the subscription price of €0,24 per Retail Share.

The record date for the purposes of the Retail Offer is 21 November 2014. The Retail Shares will be fully fungible and rank pari passu with each other and with all other ordinary shares. Qualifying shareholders must submit their application forms within the subscription period commencing on 15 December 2014 up to 9 January 2015. Assuming there are Retail Shares which are validly subscribed under the Retail Offer, the Company expects to file the Retail Shares Application with the CSE and ATHEX on or around 14 January 2015. It is expected that any admission of the Retail Shares to listing and trading on the CSE and ATHEX will become effective, and that dealings in the Retail Shares will commence, on or about 28 January 2015.