Bank of Cyprus Group

Mid-Year Financial Report

30 June 2014

BANK OF CYPRUS GROUP
Mid-year Financial Report

for the six months ended 30 June 2014

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

We, the members of the Board of Directors and the Company officials responsible for the drafting of the Interim Condensed Consolidated Financial Statements of Bank of Cyprus Public Company Ltd (the 'Company') for the six months ended 30 June 2014, confirm that, to the best of our knowledge,

(a) the Interim Condensed Consolidated Financial Statements on pages 17 to 104:

(i) have been prepared in accordance with the International Financial Reporting Standard IAS 34 'Interim Financial Reporting' as adopted by the European Union

(ii) give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the interim condensed consolidated financial statements taken as a whole, and

(b) the Interim Management Report on pages 2 to 16 provides a fair overview on information required as per section 6 of article 10 of Law 190(I)/2007.

Christis Hassapis	Chairman
Vladimir Strzhalkovskiy	Vice Chairman
Anjelica Anshakova	Non-executive Director
Dmitry Chichikashvili ⊛	Non-executive Director
Marinos Gialeli	Non-executive Director
Marios Kalochoritis	Non-executive Director
Konstantinos Katsaros	Non-executive Director
Eriskhan Kurazov ⊛	Non-executive Director
Adonis Papaconstantinou	Non-executive Director
Anton Smetanin	Non-executive Director
Xanthos Vrachas	Non-executive Director
Andreas Yiasemides	Non-executive Director
Ioannis Zographakis	Non-executive Director
John Patrick Hourican	Executive Director
Christodoulos Patsalides	Finance Director
Eliza Livadiotou	Group Chief Financial Officer

29 August 2014

⊛ Absent

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

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Eliza Livadiotou	Group Chief Financial Officer

29 August 2014

A. Summary of Financial Results for the six months ended 30 June 2014

Balance Sheet

- The Common Equity Tier 1 capital (CET1) ratio (transitional basis) was improved by 70 basis points to 11,3% at 30 June 2014, compared to 10,6% at 31 March 2014. Taking into account the intended €1 bn capital increase,[1] the pro-forma CET1 ratio (fully loaded basis) rises to 15,1%, which is significantly ahead of most of our European peers.

- At 30 June 2014, gross loans and deposits were €25,3 bn and €13,8 bn respectively, with the net loans to deposits ratio totalling 148% (compared to 151% at 31 March 2014 and to 145% at 31 December 2013).

- Emergency Liquidity Assistance (ELA) has been reduced by €720 mn to €8,78 bn at 30 June 2014, down from €9,51 bn at 31 March 2014 and €9,56 bn at 31 December 2013. European Central Bank (ECB) funding remained at €1,4 bn at 30 June 2014. Post 30 June 2014, ECB funding was reduced by €450 mn and ELA was reduced by a further €100 mn.

- Loans in arrears for more than 90 days (90+ DPD)[2] declined by 1,3% during the second quarter of 2014, totalling €12.591 mn at 30 June 2014 (compared to €12.756 mn at 31 March 2014 and €13.003 mn at 31 December 2013), representing 49,8% of gross loans (90+ DPD ratio). Adjusting for the disposal of the Ukrainian operations and the loans in Serbia, there was an increase of €0,4 bn in 90+ DPD reflecting the recessionary environment in the Group's home market of Cyprus and the lack of relevant legislative tools to enable the Company to engage effectively with borrowers. The provision coverage ratio of 90+ DPD totalled 39%, while taking into account tangible collateral at fair value 90+ DPD are fully covered.

Income Statement

- Net interest income (NII) for the six months ended 30 June 2014 was €546 mn, while the net interest margin (NIM) was 4,12%. NII for the second quarter of 2014 was €279 mn (compared to €267 mn for the first quarter of 2014) and the NIM was 4,26% (compared to 3,99% for the first quarter of 2014).

- Total income for the six months ended 30 June 2014 was €650 mn. Total income for the second quarter of 2014 was €310 mn, compared to €340 mn for the first quarter of 2014. Non-interest income for the second quarter of 2014 was €31 mn compared to €73 mn for the first quarter of 2014. Non-interest income for the second quarter of 2014 was negatively affected by the impairment of Laiki related exposures that were transferred to the Company by application of the decrees issued in March 2013 (totalling €32 mn).

- Total expenses for the six months ended 30 June 2014 were €245 mn and the cost to income ratio was 38%. Total expenses for the second quarter of 2014 were €121 mn (compared to €124 mn for the first quarter of 2014). The cost to income ratio for the second quarter of 2014 was 39% compared to 36% in the first quarter, due to the lower total income for the second quarter.

- Profit before provisions for impairment of customer loans, restructuring costs and discontinued operations for the six months ended 30 June 2014 was €405 mn. Profit before provisions for impairment of customer loans, restructuring costs and discontinued operations for the second quarter of 2014 was €189 mn, compared to €216 mn for the first quarter of 2014.

- Provisions for impairment of customer loans for the six months ended 30 June 2014 were €329 mn, with the provisioning charge accounting for 2,5% of gross loans on an annualised basis. Provisions for impairment of customer loans for the second quarter of 2014 were €183 mn (compared to €146 mn for the first quarter of 2014), with the provisioning charge accounting for 2,8% of gross loans on an annualised basis (compared to 2,2% for the first quarter of 2014).

[1] Subject to the approval of the reduction of the nominal value of the ordinary shares of the Bank by the District Court of Nicosia, which was obtained on 29 August 2014, and the filing of the court approval with the Department of the Registrar of Companies and Official Receiver.
[2] Loans in arrears for more than 90 days (90+ DPD) are defined as loans with a specific provision (i.e. impaired loans) and loans past-due for more than 90 days but not impaired.

A. Summary of Financial Results for the six months ended 30 June 2014 (continued)

Income Statement (continued)

- Profit after tax excluding one-off items (relating to restructuring costs, discontinued operations and net profit from disposal of non-core assets) for the six months ended 30 June 2014 totalled €78 mn. Profit after tax excluding one-off items for the second quarter of 2014 totalled €6 mn, compared to a profit of €72 mn for the first quarter of 2014. The performance of the second quarter was negatively affected by the impairment of Laiki related exposures that were transferred to the Company by application of the decrees issued in March 2013 (totalling €32 mn). Profit after tax excluding one-off items in the Cypriot operations for the six months ended 30 June 2014 totalled €116 mn.

- Restructuring costs for the six months ended 30 June 2014 totalled €21 mn.

- The overall impact from the disposal of non-core assets (i.e. the Ukrainian operations, the investment in Banca Transilvania, the loans in Serbia and the early repayment of a sovereign bond issued by the Republic of Cyprus) during the second quarter of 2014 was a profit of €60 mn.

- Profit after tax attributable to the owners of the Company for the six months ended 30 June 2014 totalled €81 mn. Profit after tax attributable to the owners of the Company for the second quarter of 2014 totalled €50 mn, compared to a profit of €31 mn for the first quarter of 2014.

B. Analysis of Financial Results for the six months ended 30 June 2014

B.1 Balance Sheet Analysis

B.1.1 Capital Base

The Company's shareholders' equity at 30 June 2014 amounted to €2.748 mn, 2% higher compared to 31 March 2014, while the Group's CET1 ratio (transitional basis) increased to 11,3% compared to 10,6% for 31 March 2014. The 70 basis points increase in the CET1 ratio during the second quarter of 2014 was driven by the Group's profitability for the quarter which was positively affected by the profit from disposal of non-core assets (Ukrainian operations, investment in Banca Transilvania, loans in Serbia and early repayment of a sovereign bond issued by the Republic of Cyprus) and by the reduction of risk weighted assets due to the on-going deleverage.

Taking into account the intended capital increase of €1 bn[3], the Company's pro-forma CET 1 ratio (fully loaded basis) rises to 15,1%, placing the Company significantly ahead of its European peers.

As announced on 28 July 2014, the Company completed the first phase of the phased non-pre-emptive share capital increase (the "Capital raising") with the successful private placement (the "Placing") of 4.166.666.667 new ordinary shares at a price per share of €0,24 (the "Placing Price") with total gross proceeds of €1 billion. Phase 1 of the share capital increase was open to qualified investors[4], both new and existing shareholders. The closing of the Placing was subject (among other conditions) to a clawback of up to 20% in favour of the Company's existing shareholders under phase 2 ("Open Offer") of the Capital Raising. The Open Offer closed for acceptances on 21 August 2014 and 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 €103.930.264. The shares subscribed and the gross proceeds of, the Open Offer represent 10,39% of the shares placed in, and the total gross proceeds of €1 billion of the Placing.

Following the results of the Open Offer, allocations of new ordinary shares of the Company to investors in the Placing will be reduced on a pro-rata basis by 10,39% in order to accommodate the shares subscribed for by existing shareholders during the Open Offer.

[3] Subject to the approval of the reduction of the nominal value of the ordinary shares of the Bank by the District Court of Nicosia, which was obtained on 29 August 2014, and the filing of the court approval with the Department of the Registrar of Companies and Official Receiver.
[4] 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.

B. Analysis of Financial Results for the six months ended 30 June 2014 (continued)

B.1 Balance Sheet Analysis (continued)

B.1.1 Capital Base (continued)

The closing of the Placing and Open Offer was approved by the existing shareholders of the Company at the extraordinary general meeting of the shareholders (the "EGM") held on 28 August 2014 and was subject to the approval of the reduction of the nominal value of the ordinary shares of the Company by the District Court of Nicosia, which was obtained on 29 August 2014, and the filing of the court approval with the Department of the Registrar of Companies and Official Receiver.

Additionally, the EGM approved the offer of up €100 mn of new ordinary shares to existing shareholders at €0,24 per share, subject to the EGM approval, following the completion of the Placing and the Open Offer and prior to any listing of the shares on the Cyprus Stock Exchange and the Athens Exchange.

B.1.2 Deposits and Loans

The Group's total deposits were €13,8 bn at 30 June 2014, compared to €14,1 bn at 31 March 2014 and to €15,0 bn at 31 December 2013.

Customer outflows[5] experienced by the Company in its Cypriot operations post-March 2013 have significantly abated during the second half of 2013 and into 2014. The deposits of the Cypriot operations were reduced by just 2% during the second quarter of 2014, compared to a reduction of 6% for the first quarter of 2014.

At 30 June 2014, deposits in Cyprus accounted for 85% of Group deposits, deposits in the United Kingdom for 9% and deposits in Russia for 6%. The Company's deposit market share[6] in Cyprus was 25,5% at June 2014, compared to 26,4% at 31 March 2014 and to 27,5% at 31 December 2013.

Customer deposits remain the primary source of funding and accounted for 48% of assets as at 30 June 2014. Following the disposal of the Ukrainian operations, the sale of the loans in Serbia and the on-going deleverage, the ratio of net loans to deposits totalled 148% at 30 June 2014, compared to 151% at 31 March 2014.

The decisions of the Eurogroup to bail-in depositors significantly dented the trust and confidence of customers towards the Cypriot banking system. As a result, restrictive measures and capital controls with respect to banking and cash transactions were introduced by the authorities in March 2013 to prevent large deposit outflows and to preserve the solvency and liquidity of the credit institutions in Cyprus. These measures included restrictions on cash withdrawals, compulsory renewal of maturing deposits and restrictions on capital movements and are constantly being reviewed and revised. As of 30 May 2014, all domestic restrictive measures have been abolished and the only measures currently in place relate to external capital controls. Despite the full relaxation of domestic restrictive measures, our deposit base is showing stabilising signs and there were requests for the opening of new accounts with the Company.

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

[6] Based on Central Bank of Cyprus data.

B. Analysis of Financial Results for the six months ended 30 June 2014 (continued)

B.1 Balance Sheet Analysis (continued)

B.1.2 Deposits and Loans (continued)

In addition to the restrictive measures applicable for the Cypriot banking system as a whole, additional restrictive measures applicable to the Company's deposits affected by the bail-in[7] were introduced. Out of the €2,8 bn initial amount of blocked deposits, deposits totalling €0,93 bn remained blocked in the form of a 12-month term deposit (beginning 1 August 2013) as at 30 June 2014.[8] On 31 July 2014 the Company released this last tranche of decree deposits, as follows:

- one third of the 12-month decree deposits was immediately released,
- one third was converted into a 3-month time deposit maturing and automatically released on 31 October 2014, and
- one third was converted into a 6-month deposit maturing and automatically released on 31 January 2015.

Following the release of all decree deposits significantly ahead of the Restructuring Plan, as at 29 August 2014 about €0,9 bn term deposits remain blocked and will be automatically released upon maturity as follows: one third of the original 9-month decree deposit maturing on 31 October 2014, one third of the original 12-month decree deposit also maturing on 31 October 2014 and the final one third of the original 12-month decree deposit maturing on 31 January 2015.

It is worth noting that the behaviour of depositors with released funds has been very satisfactory and the retention of released deposits has been at a high level.

Gross loans were €25,3 bn at 30 June 2014 (compared to €26,3 bn at 31 March 2014, €26,7 bn at 31 December 2013, €27,4 bn at 30 September 2013 and €28,3 bn at 30 June 2013), with loans in Cyprus totalling €22,2 bn and accounting for 88% of gross loans. The reduction in gross loans during the second quarter of 2014 reflects the disposal of the Ukrainian operations, the loans in Serbia and the Bank's deleveraging efforts. The gross loans are presented before the deduction of the fair value adjustment on initial recognition relating to Laiki's loans amounting to €1,6 bn.

Following the absorption of Laiki's loan portfolio in Cyprus, the Company is the single largest provider of credit in Cyprus with a market share[9] of 39,5% of loans as at 30 June 2014. Therefore, the Company's future financial performance is interlinked with the Cypriot economy. Loans in Russia (€1,3 bn) and loans in the UK operations (€1,2 bn) accounted for 5% each of total loans.

As part of the restructuring of the Group, management is currently monitoring the loan portfolio of the Group using new business line definitions. An important component of the Group's new operational structure is the establishment of the 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 mn and debt restructuring and debt collection and recovery on delinquent loans across all customers segments.

The Group's customer exposures in accordance with the new business lines are as follows: corporate loans[10] accounted for 20% of gross loans at 30 June 2014, SME[11] loans accounted for 11%, whereas mortgages and consumer loans accounted for 16% and 8%, respectively. The RRD handles 45% of gross loans which are made up of: Mid and Large Corporates 23%, SMEs 6% and loans in Recoveries 16%.

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[7] The *Enforcement of Temporary Restrictive Measures on Transactions of Bank of Cyprus Public Co Ltd in case of Emergency of 2013 issued by the Ministry of Finance on 30 July 2013.* Deposits totalling €2,8 bn (about 37,4% of the uninsured deposits) remained blocked in the form of three equal fixed term deposits with terms of 6, 9, and 12 months respectively, beginning 1 August 2013. The Bank had the right to renew them for an additional equal term at the same interest rates, depending on market conditions. Once these deposits are unblocked, the funds are subject to the general restrictive measures applicable at the time.

[8] On 30 January 2014, the Bank fully released the 6-month decree deposits maturing on 31 January 2014 and totalling about €0,94 bn. On 30 April 2014 the Bank gradually released the 9-month decree deposits amounting to approximately €0,93 bn and maturing on 30 April 2014. One third of the 9-month decree deposits was immediately released, one third was converted into a 3-month time deposit maturing and automatically released on 31 July 2014 and one third was converted into a 6-month deposit maturing and automatically released on 31 October 2014.

[9] Based on Central Bank of Cyprus data.

[10] Corporate clients for the Cyprus loan portfolio are businesses that have total loans above €6 mn and turnover of above €10 mn. The Corporate sector includes loans booked in the International Business and Wealth Management Divisions

[11] SME clients for the Cyprus loan portfolio are businesses that have total loans less than €6 mn and turnover less than €10 mn.

B. Analysis of Financial Results for the six months ended 30 June 2014 (continued)

B.1 Balance Sheet Analysis (continued)

B.1.2 Deposits and Loans (continued)

In terms of exposures by economic sector, loans in the construction sector and in real estate development accounted for 16% and 14% respectively of gross loans at 30 June 2014.

B.1.3 Eurosystem Funding

Following the absorption of Laiki and its Emergency Liquidity Assistance (ELA) of €9 bn, the Company's ELA amounted to €11,11 bn at 30 June 2013. With the Company becoming an ECB eligible counterparty for monetary policy operations following its exit from Resolution on 30 July 2013, the Company has raised €1,4 bn of funding under monetary policy operations and has reduced its ELA to €8,78 bn at 30 June 2014. Overall, between April 2013 and June 2014, the Company managed to reduce its Eurosystem funding (ECB funding and ELA) from €11,4 bn (comprising solely ELA) to €10,2 bn (comprising ELA of €8,78 bn and ECB of €1,4 bn) and at the same time managed to absorb a significant reduction in its deposit base. Post 30 June 2014, ECB funding and ELA were reduced by further €450 mn and €100 mn, respectively.

B.1.4 Loan portfolio quality

The quality of the Group's loan portfolio continues to be challenged by the on-going recession. The RRD is fully operational and is recording some early successes. Nevertheless, the problem loans have been growing due to the recessionary environment in Cyprus and the lack of the appropriate legislation in the hands of the Company to enable it to engage effectively with borrowers.

Loans past due for more than 90 days (90+ DPD are defined as loans with a specific provision [i.e. impaired loans] and loans past-due for more than 90 days but not impaired) totalled €12.591 mn at 30 June 2014, (compared to €12.756 mn at 31 March 2014 and to €13.003 mn at 31 December 2013) and accounted for 49,8% of gross loans (90+ DPD ratio). Adjusting for the disposal of the Ukrainian operations and the loans in Serbia, there was a €0,4 bn increase in 90+ DPD, mostly in the operations in Cyprus reflecting the recessionary conditions in the domestic economy and the difficult legislative environment.

The provisioning coverage ratio of 90+ DPD[12] totalled 39% at 30 June 2014, at the same level as March 2014, compared to 38% at 31 December 2013. Taking into account tangible collateral at fair value 90+ DPD are fully covered.

Non-performing loans (NPLs) calculated as per the Central Bank of Cyprus (CBC) rules effective from 1 July 2013[13], totalled €14.581 mn at 30 June 2014 (compared to €14.437 mn at 31 March 2014 and to €14.042 mn at 31 December 2013) and accounted for 58% of gross loans. The provisioning coverage ratio of NPLs totalled 33% at 30 June 2014 compared to 35% at 31 March 2014. Taking into account tangible collateral at fair value NPLs are fully covered.

As at 30 June 2014, the difference between NPLs and 90+ DPD totalled €1.990 mn, compared to €1.681 mn at 31 March 2014, reflecting the fact that restructured loans remain classified as NPLs for a longer period. This lengthy curing period for NPLs means that there will be a growing difference between the 90+ DPD and the NPLs going forward. As at 30 June 2014, the NPLs ratio comprises (a) Loans that have been restructured and are less than 90 days past due (9% of gross loans) and (b) Loans more than 90 days past due or Loans that have been restructured and are more than 90 days past due (49% of gross loans).

[12] Defined as accumulated provisions as a percentage of gross loans in arrears for more than 90 days (90+ DPD).

[13] Non-Performing Loans (NPL) as per the Central Bank of Cyprus Directive: In accordance with the directive, a loan is considered as non-performing when it shows arrears of more than 90 days or if it has been restructured and at the time of restructuring presented arrears for a period of more than 60 days, regardless of tangible or other collateral. More specifically a NPL is defined as a loan which has arrears (of interest or capital or any other charges) for a period of more than 90 days, an overdraft in excess of its contractual limit on a continuous basis for a period of more than 90 days and a restructured facility which at the time of restructuring was classified as NPL or has arrears/excesses for a period of more than 60 days. Restructured loans remain as NPLs for 6 months following the commencement of the new repayment schedule of capital instalments or in the case of gradual increasing instalments, six months from the first month from which the higher instalment is due. In case of lump-sum payments at maturity, the loan remains as NPL until its maturity.

B. Analysis of Financial Results for the six months ended 30 June 2014 (continued)

B.1 Balance Sheet Analysis (continued)

B.1.4 Loan portfolio quality (continued)

	30.06.2014		31.03.2014	
Breakdown of non-performing loans (as per CBC rules)	(€ mn)	% of gross loans	(€ mn)	% of gross loans
Loans that have been restructured and are less than 90 days past due	2.357	9%	2.189	8%
Loans more than 90 days past due and Loans that have been restructured and are more than 90 days past due	12.224	49%	12.248	47%
Non-performing loans (as per CBC rules)	**14.581**	**58%**	**14.437**	**55%**
90+ DPD (as per financial statements definition)	**12.591**	**50%**	**12.756**	**49%**

B.2 Income Statement Analysis

B.2.1 Analysis of income and expenses

The Group's net interest income (NII) and net interest margin (NIM) for the six months ended 30 June 2014 were €546 mn and 4,12% respectively. Both NII and NIM continue to be affected by the current situation in Cyprus and the current composition of the Group's funding whereby 36% of the Group's balance sheet was funded by Eurosystem funding (ECB funding and ELA) as at 30 June 2014. NII and NIM for the second quarter of 2014 were €279 mn and 4,26%, respectively (compared to €267 mn and 3,99% for the first quarter of 2014).

Total income for the six months ended 30 June 2014 was €650 mn. Total income from the second quarter of 2014 was €310 mn, compared to €340 mn for the first quarter of 2014. Non-interest income for the second quarter of 2014 was €31 mn compared to €73 mn for the first quarter of 2014. Non-interest income for the second quarter of 2014 was negatively affected by the impairment of Laiki related exposures that were transferred to the Company by application of the decrees issued in March 2013 (totalling €32 mn).

Total expenses for the six months ended 30 June 2014 amounted to €245 mn, of which 55% related to staff costs (€135 mn) and 45% to other operating expenses (€110 mn). The cost to income ratio for the six months ended 30 June 2014 was 38%.

B.2.2 Provisions for impairment of customer loans

The provision charge for the six months ended 30 June 2014 was €329 mn, with the annualised charge for impairment of loans amounting to 2,5% of gross loans, compared to a charge of 3,7% for 2013.[14] As at 30 June 2014, accumulated provisions, including the fair value adjustment on initial recognition of the portfolio acquired from Laiki, reached €4.879 mn (compared to €5.029 mn at 31 March 2014 and to €4.979 mn at 31 December 2013) and amounted to 19,3% of gross loans (compared to 18,6% at 31 December 2013). Accumulated provisions, including the fair value adjustment on initial recognition of the portfolio acquired from Laiki,are reduced due to the disposal of the Ukrainian operations and the loans in Serbia.

[14] The provisioning charge ratios are calculated based on the gross loans before the deduction of the fair value adjustment on initial recognition relating to Laiki's loans amounting to €1,6 bn (compared to €1,8 bn at 31 March 2014 and €1,9 bn at 31 December 2013).

B. Analysis of Financial Results for the six months ended 30 June 2014 (continued)

B.2 Income Statement Analysis (continued)

B.2.3 Profit after tax excluding one-off items

Profit after tax excluding one-off items (relating to restructuring costs, discontinued operations and net profit from disposal of non-core assets) for the six months ended 30 June 2014 totalled €78 mn. Profit after tax excluding one-off items for the second quarter of 2014 totalled €6 mn, compared to a profit of €72 mn for the first quarter of 2014. The performance of the second quarter was negatively affected by the impairment of Laiki related exposures that were transferred to the Company by application of the decrees issued in March 2013 as (totalling €32 mn). Profit after tax excluding one-off items in the Cyprus operations for the six months ended 30 June 2014 totalled €116 mn.

B.2.4 Restructuring costs

Restructuring costs for the six months ended 30 June 2014 totalled €21 mn and primarily relate to external advisors' fees and other expenses, including property transfer fees, relating to the Group's restructuring.

B.2.5 Net profit from disposal of non-core assets

The overall impact from the disposal of non-core assets during the second quarter of 2014 was a profit of €60 mn. This is made up of a loss from the disposal of the Ukrainian operations of €114 mn, profit from the disposal of the investment in Banca Transilvania of €47 mn, profit from the disposal of the loans in Serbia of €27 mn and profit from the early repayment of a sovereign bond issued by the Republic of Cyprus of €100 mn.

B.2.6 Profit after tax

Profit after tax attributable to the owners of the Company for the six months ended 30 June 2014 totalled €81 mn. Profit after tax attributable to the owners of the Company for the second quarter of 2014 totalled €50 mn, compared to a profit of €31 mn for the first quarter of 2014.

C. Outlook

The Group has prepared a Restructuring Plan which has been approved by the Central Bank of Cyprus in November 2013. The Restructuring Plan charts the Group's strategic direction and ensures the restoration of the Group's viability.[15]

The Company appointed HSBC Bank plc in order to assist it to assess the strategic options available to the Group regarding its corporate structure to support the investment case and value proposition. The advisor assessed, among others, the progress of implementing the Restructuring Plan, the funding and capital structure of the Group, identified options that could accelerate the implementation of the restructuring in tandem with the further strengthening of the Group and provided its recommendations to the Board of Directors.

Taking into account, among other considerations, the advisors[16] and the Management's recommendation, the Board of Directors of the Group has initiated the process of a share capital increase of €1 bn.. As announced on 28 July 2014 and 22 August 2014, the Company completed the first two phases of a phased non-pre-emptive capital increase through the issue of 4.166.666.667 new ordinary shares at a price per share of €0,24 with total gross proceeds of €1 bn. About 89,61% of the new shares were placed through a private placement to qualified investors,[17] with the remaining 10,39% of the shares taken up by existing shareholders through an open offer. The shares were allocated to a broad range of institutional investors from Europe, North America and Russia, including a number of international investors introduced by WL Ross & Co LLC and the European Bank for Reconstruction and Development.

[15] Exogenous factors such as the failure to implement the policy reforms requested by Troika that could affect and/or delay the disbursement of the financial assistance to Cyprus, a deeper and prolonged economic recession, further significant increase in unemployment, a sharper reduction in real estate prices, as well as factors that could dent the fragile confidence of customers and delay the return of confidence to the Cyprus banking system, could derail and affect the execution of the Restructuring Plan.
[16] Apart from HSBC Bank Plc's role for advising on strategic options, for the capital issue HSBC and Credit Suisse acted as Lead Placing Agents, with Deutsche Bank and VTB Capital acting as Co-Lead Placing Agents. CISCO was the Local Placing Agent.
[17] 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.

C. Outlook (continued)

Taking into account the intended capital increase of €1 bn,[18] the Company's pro-forma CET 1 ratio (fully loaded basis) rises to 15,1%, placing the Company significantly ahead of most of its peers. In addition to significantly strengthening the Company's capital base, the capital increase provides the following additional strategic benefits: (a) pro-actively increases the Company's ability to confidently meet regulatory tests and withstand potential exogenous shocks, (b) improves stakeholders' confidence in the Company, (c) expedites the implementation of the Group's Restructuring Plan, (d) improves funding options, facilitating the Company's access to capital markets, (e) provides a path to the Company's re-listing of its ordinary shares; and (f) positions the Company to stimulate and benefit from the recovery of the Cypriot economy.

With the Cypriot operations accounting for 88% and 85% of the Group's loans and deposits respectively, the Company's financial performance is highly correlated to the economic and operating conditions in Cyprus. Although the economic situation in Cyprus remains challenging, the economy is proving relatively resilient. Following Troika's fifth review mission there was an announcement by Troika[19] stating that "*…the authorities have continued to meet the fiscal targets with significant margin in the first half of the year, as a result of prudent budget execution. In the financial sector, banks are advancing with their restructuring plans and capital raising while supervisory monitoring of their actions and operational capacity to address non-performing loans has been enhanced. Structural reforms are proceeding: the authorities have implemented a welfare reform providing a guaranteed minimum income for all those in need, have commenced the integration of the revenue administration, and have strengthened the administration's powers to fight tax evasion*" . With these developments suggesting that economic and operating conditions in Cyprus are gradually improving, the continuation of these trends bodes well for the Company's recovery process. It is imperative, however, that all necessary steps are taken in order to reverse the rising trend of non-performing loans. As per the aforementioned statement by the Troika "*…reversing the rising trend of non-performing loans is critical to restoring credit, economic growth, and the creation of jobs. Putting in place without delay an effective legal framework for foreclosure and insolvency is essential to ensuring adequate incentives to borrowers and lenders to collaborate to reduce the level of non-performing loans. Moreover, the debt-restructuring supervisory framework needs to be further strengthened.*". Failure to implement the policy reforms requested by Troika that could affect and/or delay the disbursement of the financial assistance to Cyprus could derail and affect the execution of our restructuring and have adverse effects on the Company and the entire financial sector in Cyprus.

The Company has completed the ex-Laiki integration process. As of early June 2014, there was a seamless unification of the IT banking system. Branches in Cyprus have been reduced to 130 down from 203 units back in May 2013.

Tackling the Company's loan portfolio quality is of utmost importance and is a top priority for the Company's management. The set up of the Restructuring and Recoveries Division (RRD) has brought a major change in the way the Company is managing its delinquent portfolio. The RRD is responsible for the managing of €11,4 bn of large and delinquent loans in Cyprus with a dedicated workforce of close to 500 people. Since it was set up the RRD has put all the mechanisms in place to ensure delinquencies in all portfolios are addressed at the earliest possible stage. However, for the Company to be successful in tackling its loan portfolio quality problem, there has to be the necessary changes in the legislation for foreclosures and insolvency that would prevent strategic defaults and would introduce the appropriate moral hazard in the relationship between the Company and the borrowers.

The provisions for impairment of customer loans are expected to remain elevated and will be driven by the default rate of borrowers and by the likely further reductions in collateral values. With the Cypriot economy expected to contract further during 2014 and with certain sectors of the economy, such as construction and real estate development, continuing to be subdued, the performance of our borrowers will continue to be challenged, putting pressure on the quality of the loan portfolio.

[18] Subject to the approval of the reduction of the nominal value of the ordinary shares of the Bank by the District Court of Nicosia, which was obtained on 29 August 2014, and the filing of the court approval with the Department of the Registrar of Companies and Official Receiver.

[19] See Statement by the European Commission, ECB and IMF on the Fifth Review Mission to Cyprus : http://europa.eu/rapid/press-release_STATEMENT-14-240_en.htm

C. Outlook (continued)

The Company is stepping up its marketing efforts to attract deposits and to improve its funding structure. Taking into account the intended capital raise, these efforts are expected to be aided due to the expected increase of the confidence of depositors and other stakeholders towards the Company. On 31 July 2014 the Company released the last tranche of the decree deposits significantly ahead of the Restructuring Plan. It is worth noting that the behaviour of depositors with released funds has been very satisfactory and the retention of released decree deposits has been at a high level.

The Company's significantly strengthened capital position will enhance its funding options and facilitate access to the capital markets. The Company currently has in issue a €1 bn covered bond that is placed as collateral with the Central Bank of Cyprus for accessing ELA. There is growing investor interest for the said covered bond and the Company is considering placing this bond with institutional investors later in the year. Furthermore, depending on market conditions and investor appetite, the Company will assess the possibility of selling senior unsecured bonds to institutional investors by year-end. Proceeds from accessing the debt markets shall contribute to the reduction of ELA. Finally, the ELA is expected to be further reduced by the proceeds from the share capital increase.

As part of its deleveraging strategy, and through specific, deliberate and well-timed actions, the Company has managed to reduce its risk profile, to enhance its liquidity position and to improve its capital position. The Group sold its Ukrainian operations, it has disposed its investment in Romanian Banca Transilvania and its loans in Serbia during the second quarter of 2014. The disposals fall under the Group's strategy of focusing on core businesses and markets and disposing of operations that are considered as non-core and are being implemented at a faster pace than what was anticipated in the Restructuring Plan. During the third quarter of 2014, the Company has signed an agreement for the sale of assets in Romania (related to the owner of the JW Marriott Bucharest Grand Hotel) enhancing its liquidity by €95 mn and achieving a small positive impact to its capital position. In addition to the above, HSBC Bank plc is managing a process on behalf of the Company for the disposal of the excess loan portfolio in the UK inherited from ex-Laiki and largely comprising of residential and commercial real estate-backed facilities. Finally, HSBC Bank plc is running a similar process for the loan portfolio in the Romanian operations.

D. Key Performance Indicators and Restructuring Plan progress report

Following consultation between the Company and the Central Bank of Cyprus, the following Key Performance Indicators (KPIs), including medium-term targets, have been selected reflecting the priorities of the Group: Asset quality, Funding, Capital and Efficiency. These will be published on a quarterly basis in order for the public to assess the progress of the Restructuring Plan and the financial performance of the Group.

D. Key Performance Indicators and Restructuring Plan progress report (continued)

The below table shows the said KPIs, the medium-term target per each KPI (set at December 2017, which is the end of the Restructuring Plan period) and the latest statistics per each KPI.

BOC Group Key Performance Indicators		**Actual Dec-2013**	**Actual Jun-2014**	**Medium-Term Target Dec-2017**
Asset Quality	90+ Days Past Due provision coverage	38%	39%	>50%
	Provisioning charge (Cost of Risk) (ytd)	3,7%	2,5%	<1,5%
	90+ Days Past Due € mn	13.003	12.591	<10.000
Funding	Loans to Deposits ratio (net)	145%	148%	<150%
Capital	Common Equity Tier 1 capital ratio	10,4%*	11,3%	>10%
	Leverage ratio (Assets/Equity)	11,1x	10,1x	<12x
Efficiency	Cost-to-Income ratio (ytd)	47%	38%	<45%
	Net Interest Margin (ytd)	3,54%	4,12%	>2,5%
	Number of Branches in Cyprus	133	130	125
	Group Employees in Cyprus	4.247	4.232	<4.100

* As amended following publication of final transitional provisions by the CBC.

D.1. Commentary about the evolution of Key Performance Indicators

Asset quality
The provisioning coverage of 90+ DPD has increased to 39% at 30 June 2014, up from 38% at 31 December 2013. The annualised provisioning charge for the six months ended 30 June 2014 was 2,5%, compared to a provisioning charge of 3,7% for the year ended 31 December 2013.

Funding
The net Loans to Deposits ratio totalled 148% at 30 June 2014, compared to 145% at 31 December 2013.

Capital
The Common Equity Tier 1 capital ratio (transitional basis) increased to 11,3% at 30 June 2014, compared to 10,4% as adjusted in accordance with CRD IV/CRR on transitional basis for 31 December 2013. Taking into account the intended capital increase of €1 bn, the Company's pro-forma CET1 ratio (fully loaded basis) rises to 15,1%, placing the Company significantly ahead of peers. The Leverage ratio has improved to 10,1x at 30 June 2014, compared to 11,1x at 31 December 2013.

Efficiency
The cost to income ratio for the six months ended 30 June was 38%, compared to a ratio of 47% for the year ended 31 December 2013. The net interest margin for the six months ended 30 June 2014 was 4,12%, compared to 3,54% for the year ended 31 December 2013. Branches in Cyprus have been reduced to 130 units compared to 133 units as at 31 December 2013. The number of Group employees in Cyprus totalled 4.232 as at 30 June 2014, compared to 4.247 employees at 31 December 2013.

D.2. Commentary about the operational progress of the Restructuring Plan

In order to ensure timely and effective implementation of its Restructuring Plan, more than 45 distinct work packages have been identified and are being implemented. The High Importance Packages relating to the Company's strategic pillars, including the progress accomplished so far are set out below:

D. Key Performance Indicators and Restructuring Plan progress report (continued)

D.2. Commentary about the operational progress of the Restructuring Plan (continued)

Restructuring and Recoveries Division (RRD)
The creation of the Restructuring and Recoveries Division (RRD), as part of the new organisational structure, aims to manage arrears across all portfolios. A specialist hired from overseas has been appointed to head this critical function. The RRD is responsible for the managing of €11,4 bn of large and delinquent loans in Cyprus with a dedicated workforce of close to 500 people. Since its set up the RRD has put all the mechanisms in place to ensure delinquencies in all portfolios are addressed at the earliest possible stage. Retail loans are addressed via the Collections Call Centre which applies specific contact strategies and the Retail Arrears Management Unit which provides restructuring solutions to viable customers. Business Support Centres have been set up throughout the island to help address SME delinquent clients whereas the Major Corporate and Mid Corporate units of RRD are focused entirely on the larger customers.

Strengthening risk and corporate governance framework
The Risk Management Division (RMD) has been strengthened with a mandate to define sound policies reflecting the newly approved Risk Appetite of the Group and monitor risks in a proactive manner across the business segments. RMD is structured in such a way to ensure all risks across the Group have ownership, accountability and clear reporting lines.

Integration and lean operating model
The new Group organisational structure has been published together with detailed structures for all divisions. The Cyprus branch network reduction is on track with 73 branches closed. The IT systems migration was successfully completed in early June 2014. Through a Voluntary Retirement Scheme and salary cuts implemented during 2013 personnel numbers in Cyprus have been reduced by 24% and personnel expenses by 35% on an annualised basis.

Restoring trust and strengthening of deposit base
Regarding deposits retention, a monitoring mechanism has been set up. New deposit campaigns have been launched. A new marketing/communication plan across all business lines is being implemented. Customer segmentation criteria within Retail have been approved and they will form the basis of deposit retention and gathering strategies.

Deleverage
The Group has disposed its Ukrainian operations, its investment in Romanian Banca Transilvania and the loans in Serbia. The Group has also recently signed an agreement for the sale of assets in Romania (related to the owner of the JW Marriott Bucharest Grand Hotel), recording a small positive impact to its capital position. HSBC Bank plc is managing a process on behalf of the Company for the disposal of the excess loan portfolio in the UK inherited from ex-Laiki and largely comprising of residential and commercial real estate-backed facilities. HSBC Bank plc is running a similar process for the loan portfolio in the Romanian operations.

E. Appendix

Consolidated Income Statement

€ mn	Six months 2014	Three months ended 30 June 2014	Three months ended 31 March 2014	qoq change +/- %	Three months ended 31 Dec 2013
Net interest income	546	279	267	+4%	268
Net fee and commission income	88	43	45	-6%	43
Net foreign exchange gains/(losses) and net profits/(losses) on other financial instruments	(16)	(30)	14	n/a	23
Insurance income net of insurance claims	25	12	13	-9%	14
Other income/(expenses)	7	6	1	+1.351%	(38)
Total income	650	310	340	-9%	310
Staff costs	(135)	(68)	(67)	+1%	(64)
Other operating expenses	(110)	(53)	(57)	-5%	(62)
Total expenses	(245)	(121)	(124)	-2%	(126)
Profit before provisions for impairment of customer loans, restructuring costs and discontinued operations	405	189	216	-13%	184
Provisions for impairment of customer loans	(329)	(183)	(146)	+25%	(229)
Share of profit from associates	4	2	2	-7%	-
Profit / (loss) before tax, restructuring costs and discontinued operations	**80**	**8**	**72**	**-89%**	**(45)**
Tax	(10)	(8)	(2)	+229%	2
Loss attributable to non - controlling interests	8	6	2	-	5
Profit / (loss) after tax and before restructuring costs, discontinued operations and net profit on disposal of non-core assets	**78**	**6**	**72**	**-91%**	**(38)**
Restructuring costs	(21)	(16)	(5)	-	(15)
Loss from discontinued operations	(36)	-	(36)	-	(50)
Net profit on disposal of non-core assets	60	60	-	-	-
Profit / (loss) after tax	**81**	**50**	**31**	**+60%**	**(103)**

	Six months 2014	Three months ended 30 June 2014	Three months ended 31 March 2014	qoq change +/- %	Three months ended 31 Dec 2013
Net interest margin	4,12%	4,26%	3,99%	+27 b.p.*	3,80%
Cost to income ratio	38%	39%	36%	+3 p.p.*	41%
Return on average assets	0,6%	0,7%	0,4%	-	n/a
Return on average equity	6,0%	7,4%	4,7%	-	n/a
Basic earnings/(losses) per share (cent)	1,7	1,1	0,7	0,4 cent	(3,2)

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

E. Appendix (continued)

Condensed Consolidated Balance Sheet

€ mn	**30.06.2014**	**31.12.2013**	**+/- %**
Cash and balances with Central Banks	859	1.240	-31%
Placements with banks	1.114	1.290	-14%
Debt securities, Treasury bills and equity investments	3.538	3.433	+3%
Net loans and advances to customers	20.063	21.764	-8%
Other assets	2.984	2.622	+14%
Total assets	**28.558**	**30.349**	**-6%**
Amounts due to banks	219	196	+12%
Funding from Central Banks	10.185	10.956	-7%
Repurchase agreements	583	594	-2%
Customer deposits	13.803	14.971	-8%
Debt securities in issue	5	1	+225%
Other liabilities	944	889	+6%
Subordinated loan stock	5	5	-
Total liabilities	**25.744**	**27.612**	**-7%**
Share capital	4.756	4.684	-
Shares subject to interim orders	0	59	-
Revaluation and other reserves	79	72	-
Accumulated losses	(2.087)	(2.152)	-
Shareholders' equity	**2.748**	**2.663**	**+3%**
Non-controlling interests	66	74	-12%
Total equity	**2.814**	**2.737**	**+3%**
Total liabilities and equity	**28.558**	**30.349**	**-6%**

Key Balance Sheet figures and rations

	30.06.2014	**31.12.2013**	**+/- %**
Gross loans (€ bn)	25,3	26,7	-5%
Customer Deposits (€ bn)	13,8	15,0	-8%
Loans to deposits ratio (net)	148%	145%	+3 p.p.*
90+ DPD ratio	49,8%	48,6%	+1 p.p.*
90+ DPD provision coverage ratio (Note 1)	39%	38%	+1 p.p.*
Capital			
Common Equity Tier 1 capital ratio (CET1)	11,3%	10,4%	+0,9 b.p.*
Total capital ratio (as calculated under CRD IV)	11,3%	10,7%	+0,7 b.p.*
Risk weighted assets (as calculated under CRD IV) (€ mn)	22.485	23.530	-4%

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

Note 1: Loan quality and provision coverage ratios are calculated as a percentage of gross loans.

Going concern

The Company's management and Board of Directors, taking into consideration the factors described in Note 6.1 and the measures taken to support the Cyprus economy and the realised and planned actions as detailed in its Restructuring Plan, is satisfied that the Group 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 is in the final stage of completing a €1 billion equity raise. This capital increase was approved by the shareholders at an Extraordinary General Meeting on 28 August 2014.
- 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 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.

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

Related party transactions

Information on related party transactions for the six months ended 30 June 2014 in accordance with IFRSs is set out in Note 33 of the Interim Condensed Consolidated Financial Statements.

Risk management

Like other financial organisations, the Group is exposed to risks, the most significant of which are credit risk, liquidity risk, market risk (arising from adverse movements in exchange rates, interest rates and security prices) and operational risk. The Group monitors and manages these risks through various control mechanisms. Detailed information relating to Group risk management is set out in Notes 28 to 30 of the Interim Condensed Consolidated Financial Statements. The Group's exposure to sovereign debt of countries which have entered the European Support Mechanism or whose Moody's credit rating is below Aa1 and total Group exposure exceeds €100 million is set out in Note 31.

In addition, details of the significant judgements, estimates and assumptions which may have a material impact on the Group's financial performance and position are set out in Note 4 of the Consolidated Financial Statements for the year ended 31 December 2013 and in Note 6 of these Interim Condensed Consolidated Financial Statements.

Share Capital

During the six months ended 30 June 2014 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). Consequently, 12.951 thousand additional shares were issued to Laiki Bank in accordance with the provisions of the decrees.

The Company has been recapitalised through a bail-in (deposit-to-equity conversion) of uninsured deposits in March 2013. The holders of ordinary shares and debt securities as of 29 March 2013 have contributed to the recapitalisation of the Company through the absorption of losses.

The recapitalisation was effected in accordance with the provisions of the 'Bail-in of Bank of Cyprus Public Company Limited Decrees of 2013' issued on 29 March 2013 and amended on 21 April 2013 and 30 July 2013 by the Central Bank of Cyprus in its capacity as Resolution Authority.

Details of the provisions of the decrees relating to the share capital structure of the Group are described in Note 2.5 of the Consolidated Financial Statements for the year ended 31 December 2013.

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

As at 30 June 2014 and 27 August 2014, 18,1% of the share capital of the Company was held by Cyprus Popular Bank Public Co Ltd. The Company was not aware of any other shareholders holding, directly or indirectly, more than 5% of the issued share capital of the Company.

29 August 2014

		Six months ended 30 June		Three months ended 30 June
		2014	2013 (restated and represented)	**2014**
	Notes	**€000**	€000	**€000**
Continuing operations				
Turnover		**969.243**	1.174.199	**489.217**
Interest income		**786.044**	834.675	**393.328**
Interest expense		**(240.076)**	(416.011)	**(114.318)**
Net interest income		**545.968**	418.664	**279.010**
Fee and commission income		**93.304**	93.869	**45.124**
Fee and commission expense		**(5.526)**	(10.231)	**(2.625)**
Net foreign exchange (losses)/gains		**(2.379)**	(16.699)	**3.192**
Net gains/(losses) on financial instruments transactions	*8*	**160.523**	(9.307)	**140.953**
Insurance income net of claims and commissions		**25.048**	38.864	**11.922**
Other income/(expenses)	*9*	**7.602**	(28.118)	**7.111**
		824.540	487.042	**484.687**
Staff costs	*9*	**(135.398)**	(192.322)	**(67.942)**
Other operating expenses	*9*	**(130.769)**	(120.226)	**(69.726)**
Profit before impairment of loans and advances to customers		**558.373**	174.494	**347.019**
Provisions for impairment of loans and advances to customers	*28*	**(329.120)**	(532.496)	**(182.655)**
Profit / (loss) before share of profit from associates and joint ventures		**229.253**	(358.002)	**164.364**
Share of profit from associates and joint ventures		**4.111**	353	**1.976**
Profit / (loss) before tax from continuing operations		**233.364**	(357.649)	**166.340**
Tax	*10*	**(9.591)**	2.489	**(7.359)**
Profit / (loss) after tax from continuing operations		**223.773**	(355.160)	**158.981**
Discontinued operations				
Loss after tax from discontinued operations	*7*	**(150.215)**	(1.456.804)	**(114.228)**
Profit / (loss) for the period		**73.558**	(1.811.964)	**44.753**
Attributable to:				
Owners of the Company - continuing operations	*7*	**231.600**	(349.818)	**164.343**
Owners of the Company - discontinued operations	*7*	**(150.176)**	(1.456.804)	**(114.228)**
Total profit/(loss) attributable to the owners of the Company		**81.424**	(1.806.622)	**50.115**
Non-controlling interests - continuing operations	*7*	**(7.827)**	(5.342)	**(5.362)**
Non-controlling interests - discontinued operations	*7*	**(39)**	-	**-**
Profit / (loss) for the period		**73.558**	(1.811.964)	**44.753**
Basic and diluted earnings / (losses) per share (cent) – continuing operations	*11*	**4,9**	(14,5)	**3,5**
Basic and diluted earnings / (losses) per share (cent)	*11*	**1,7**	(75,0)	**1,1**

No comparative information has been presented for the three months ended 30 June 2014 since, due to the increased level of uncertainty and changes which were prevailing at the time of the Eurogroup events in March 2013, there was no reliable information available about the Group's financial position at 1 April 2013.

	Six months ended 30 June		Three months ended 30 June
	2014	2013 (restated)	**2014**
	€000	€000	**€000**
Profit / (loss) for the period	**73.558**	(1.811.964)	**44.753**
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	**(13.991)**	(15.565)	**7.902**
(Loss)/profit on hedging of net investments	**(1.482)**	17.432	**(9.112)**
Reclassified to the consolidated income statement on disposal of foreign operations	**55.800**	-	**55.800**
	40.327	1.867	**54.590**
Available-for-sale investments			
Gains/(losses) on revaluation before tax	**8.790**	(11.633)	**(428)**
Transfer to the consolidated income statement on impairment	**1.494**	12.321	**1.279**
Transfer to the consolidated income statement on sale	**(48.344)**	329	**(46.196)**
Tax	**4**	54	**(3)**
	(38.056)	1.071	**(45.348)**
	2.271	2.938	**9.242**
OCI not to be reclassified in the consolidated income statement in subsequent periods			
Property revaluation			
Fair value loss before tax	**-**	(16.271)	**-**
Tax	**321**	2.689	**311**
	321	(13.582)	**311**
Other comprehensive income / (loss) after tax	**2.592**	(10.644)	**9.553**
Total comprehensive income / (loss) for the period	**76.150**	(1.822.608)	**54.306**

Attributable to:			
Owners of the Company	**84.759**	(1.815.143)	**58.797**
Non-controlling interests	**(8.609)**	(7.465)	**(4.491)**
Total comprehensive income / (loss) for the period	**76.150**	(1.822.608)	**54.306**

No comparative information has been presented for the three months ended 30 June 2014 since, due to the increased level of uncertainty and changes which were prevailing at the time of the Eurogroup events in March 2013, there was no reliable information available about the Group's financial position at 1 April 2013.

	Notes	**30 June 2014** €000	31 December 2013 (restated) €000
Assets			
Cash and balances with central banks		**859.438**	1.240.043
Placements with banks		**1.114.448**	1.290.102
Investments	*12*	**2.866.059**	2.759.855
Investments pledged as collateral	*12*	**671.984**	672.809
Derivative financial assets	*13*	**5.949**	28.765
Loans and advances to customers	*15*	**20.063.034**	21.764.338
Life insurance business assets attributable to policyholders		**460.366**	443.579
Property and equipment		**366.385**	414.404
Intangible assets		**135.107**	130.580
Assets held for sale	*16*	**391.783**	-
Other assets	*17*	**1.414.672**	1.401.833
Investments in associates and joint ventures	*36*	**208.939**	203.131
Total assets		**28.558.164**	30.349.439
Liabilities			
Amounts due to banks	*18*	**219.186**	196.422
Funding from central banks	*19*	**10.184.574**	10.956.277
Repurchase agreements		**582.646**	594.004
Derivative financial liabilities	*13*	**82.496**	83.894
Customer deposits	*20*	**13.802.750**	14.971.167
Insurance liabilities		**574.966**	551.829
Debt securities in issue	*21*	**4.919**	1.515
Other liabilities	*22*	**287.984**	251.979
Subordinated loan stock	*23*	**4.718**	4.676
Total liabilities		**25.744.239**	27.611.763
Equity			
Share capital	*24*	**4.755.711**	4.683.985
Shares subject to interim orders	*24*	**297**	58.922
Revaluation and other reserves		**79.178**	72.251
Accumulated losses		**(2.086.954)**	(2.151.835)
Equity attributable to owners of the Company		**2.748.232**	2.663.323
Non-controlling interests		**65.693**	74.353
Total equity		**2.813.925**	2.737.676
Total liabilities and equity		**28.558.164**	30.349.439

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

	Notes	30 June 2014 €000	31 December 2013 (restated) €000
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Funding from central banks	*19*	**10.184.574**	10.956.277
Repurchase agreements		**582.646**	594.004
Derivative financial liabilities	*13*	**82.496**	83.894
Customer deposits	*20*	**13.802.750**	14.971.167
Insurance liabilities		**574.966**	551.829
Debt securities in issue	*21*	**4.919**	1.515
Other liabilities	*22*	**287.984**	251.979
Subordinated loan stock	*23*	**4.718**	4.676
Total liabilities		**25.744.239**	27.611.763
Equity			
Share capital	*24*	**4.755.711**	4.683.985
Shares subject to interim orders	*24*	**297**	58.922
Revaluation and other reserves		**79.178**	72.251
Accumulated losses		**(2.086.954)**	(2.151.835)
Equity attributable to owners of the Company		**2.748.232**	2.663.323
Non-controlling interests		**65.693**	74.353
Total equity		**2.813.925**	2.737.676
Total liabilities and equity		**28.558.164**	30.349.439

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

	Attributable to the owners of the Company											
	Share capital (Note 24)	Shares subject to interim orders (Note 24)	Accumulated losses	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Other reserves	Life insurance in-force business reserve	Foreign currency translation reserve	Treasury Shares	**Total**	Non-controlling interest	**Total equity**
	€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	-	-	81.424	-	-	-	-	-	-	**81.424**	(7.866)	**73.558**
Other comprehensive income/(loss) for the period	-	-	-	239	(38.103)	-	-	41.199	-	**3.335**	(743)	**2.592**
Total comprehensive income/(loss) for the period	-	-	81.424	239	(38.103)	-	-	41.199	-	**84.759**	(8.609)	**76.150**
Bail-in of deposits and structured products	150	-	-	-	-	-	-	-	-	**150**	-	**150**
Shares subject to interim orders withdrawn/cancelled	58.625	(58.625)	-	-	-	-	-	-	-	**-**	-	**-**
Acquisitions (Note 35.1)	12.951	-	(12.951)	-	-	-	-	-	-	**-**	-	**-**
Transfer of realised profits on sale of property	-	-	(92)	92	-	-	-	-	-	**-**	-	**-**
Disposal of subsidiary	-	-	-	-	-	-	-	-	-	**-**	(51)	**(51)**
Increase in value of in-force life insurance business	-	-	(3.930)	-	-	-	3.930	-	-	**-**	-	**-**
Tax on increase in value of in-force life insurance business	-	-	430	-	-	-	(430)	-	-	**-**	-	**-**
30 June 2014	**4.755.711**	**297**	**(2.086.954)**	**116.289**	**4.347**	**6.059**	**95.797**	**(55.263)**	**(88.051)**	**2.748.232**	**65.693**	**2.813.925**

	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**
	€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	-	-	-	-	(1.806.622)	-	-	-	-	-	-	-	**(1.806.622)**	(5.342)	**(1.811.964)**
Other comprehensive (loss)/income for the period	-	-	-	-	-	(13.487)	1.058	-	-	-	3.908	-	**(8.521)**	(2.123)	**(10.644)**
Total comprehensive (loss)/income for the period	-	-	-	-	(1.806.622)	(13.487)	1.058	-	-	-	3.908	-	**(1.815.143)**	(7.465)	**(1.822.608)**
Bail-in of deposits and structured products	3.806.581	-	-	-	-	-	-	-	-	-	-	(19.957)	**3.786.624**	-	**3.786.624**
Bail-in of Convertible Bonds 2013/2018, Capital Securities 12/2007 and Convertible Capital Securities	122.541	-	-	-	-	-	-	-	-	-	-	(6)	**122.535**	-	**122.535**
Conversion of CECS into shares	459.399	-	-	(429.580)	-	-	-	-	-	-	-	(29.819)	**-**	-	**-**
Reduction in nominal value of share capital and utilisation of share premium	(2.353.349)	-	(428.271)	-	2.786.871	-	-	-	-	(5.251)	-	-	**-**	-	**-**
Shares subject to interim orders	-	60.182	-	-	-	-	-	-	-	-	-	-	**60.182**	-	**60.182**
Acquisitions (Note 35.1)	844.014	-	-	-	(394.127)	-	-	-	-	-	-	-	**449.887**	12.575	**462.462**
Exchange difference on CECS	-	-	-	745	(745)	-	-	-	-	-	-	-	**-**	-	**-**
Transfer of realised profits on sale of property	-	-	-	-	15.226	(15.226)	-	-	-	-	-	-	**-**	-	**-**
Increase in value of in-force life insurance business	-	-	-	-	(3.571)	-	-	-	3.571	-	-	-	**-**	-	**-**
Tax on increase in value of in-force life insurance business	-	-	-	-	3.069	-	-	-	(3.069)	-	-	-	**-**	-	**-**
30 June 2013	**4.674.327**	**60.182**	**-**	**-**	**(1.900.429)**	**115.702**	**3.961**	**6.059**	**92.498**	**-**	**(101.785)**	**(88.377)**	**2.862.138**	**82.332**	**2.944.470**

		Six months ended 30 June	
		2014	2013 (restated and represented)
	Note	**€000**	€000
Net cash flows from operating activities			
Profit/(loss) before tax from continuing operations		**233.364**	(357.649)
Loss before tax from discontinued operations		**(150.869)**	(1.456.685)
Profit/(loss) for the period before tax		**82.495**	(1.814.334)
Share of profit from associates and joint ventures		**(4.111)**	(353)
Provisions for impairment of loans and advances		**367.648**	597.477
Loss on disposal of discontinued operations		**114.228**	1.365.624
Depreciation of property and equipment and amortisation of intangible assets		**13.634**	16.506
Increase in value of in-force life insurance policies		**(3.930)**	(3.571)
Amortisation of discounts/premiums of debt securities		**(95.155)**	(3.554)
Income from investments and disposals of property, equipment and intangible assets less interest on subordinated loan stock and interest on funding from central banks		**(188.946)**	85.131
		285.863	242.926
Net decrease in loans and advances to customers and other accounts		**1.449.408**	3.043.357
Net decrease in customer deposits and other accounts		**(1.010.479)**	(6.110.181)
		724.792	(2.823.898)
Tax paid		**(8.319)**	(11.388)
Net cash flow from / (used in) operating activities		**716.473**	(2.835.286)
Cash flows from investing activities			
Proceeds on disposal/redemption of investments		**113.538**	974.453
Interest received from debt securities and treasury bills		**20.901**	95.723
Dividend income from equity securities		**58**	112
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		**(5.800)**	(31.045)
Proceeds on disposal of property and equipment		**1.344**	12.849
Purchases of intangible assets		**(6.188)**	(4.320)
Proceeds on disposal of intangible assets		**-**	3.685
Purchase of investment property		**-**	(8.833)
Proceeds on disposal of investment property		**7.354**	2.679
Net cash flow from investing activities		**230.067**	1.018.605
Cash flows from financing activities			
(Repayment of)/proceed from funding from central banks		**(771.703)**	2.004.256
Redemption of debt securities in issue		**-**	(22.197)
Interest on subordinated loan stock		**(41)**	4.080
Interest on debt securities in issue		**-**	(567)
Interest on funding from central banks		**(78.219)**	(65.595)
Net cash flow (used in) / from financing activities		**(849.963)**	1.919.977
Net increase in cash and cash equivalents for the period		**96.577**	103.296
Cash and cash equivalents			
1 January		**1.463.243**	1.337.956
Exchange adjustments		**(4.489)**	9.119
Net increase in cash and cash equivalents for the period		**96.577**	103.296
30 June	*26*	**1.555.331**	1.450.371

	30 June 2014	30 June 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 (Note 35.1)	**12.951**	424.550
	71.726	4.813.071
Deferred proceeds from the disposal of the Group’s Ukrainian business (Note 35.4)	**100.000**	-
	171.726	4.813.071

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 and were authorised for issue by a resolution of the Board of Directors on 29 August 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 debt, the government of Cyprus lost access to international markets. As a result, in June 2012 the Cyprus government applied to the European Union and the International Monetary Fund for financial assistance. This led to negotiations with the European Commission, the European Central Bank (ECB) and the International Monetary Fund (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 on 2 April 2013 which entailed agreement on a three year Economic Adjustment Programme. The Programme was agreed by the euro area Member States on 24 April 2013 and by the IMF Board on 15 May 2013.

The Cypriot Programme consists of a loan 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.

After four successive reviews targets are met and the adjustment is occurring through both quantities and prices. The recession in 2013 has been deep but milder than initially anticipated with real GDP contracting by 5,4% versus a programme estimate of an 8,7% contraction. There are signs of stabilisation in the banking sector and all domestic capital restrictions have been abolished. Programme implementation remains on track and fiscal targets have been met with considerable margins.

The fifth review took place between 14 and 25 July 2014. Whilst progress has been noted on fiscal adjustment and restructuring in the financial sector, the completion of the review and the release of the sixth tranche of financial assistance is conditioned on legislating an effective foreclosure framework.

The macroeconomic outlook in Cyprus remains broadly unchanged. Gross Domestic Product in 2014 is expected to contract by 4,2%, with growth in the tourism sector cushioning weak activity in other sectors. Unemployment remains very high, although signs of stabilisation are emerging. Growth in 2015 is projected at 0,4%, with the recovery constrained by the high level of private sector debt. Risks remain significant, related to constraints to the supply of credit, as well as to the ongoing crisis in Ukraine.

Reversing the rising trend of non-performing loans is critical to restoring credit, economic growth, and the creation of jobs. Putting in place an effective legal framework for foreclosure and insolvency is essential to ensuring adequate incentives to borrowers and lenders to collaborate to reduce the level of non-performing loans. Moreover, the debt-restructuring supervisory framework needs to be further strengthened. Ongoing efforts by banks to proactively raise capital in the private markets are welcome. Such efforts will also be conducive to a smooth transition to the Single Supervisory Mechanism following the completion of the pan-European comprehensive assessment and should therefore help to strengthen the banks' resilience to shocks and ability to revive lending.

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

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 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 put 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 will provide that assets pledged as collateral can be recovered by the banks within a reasonable time-span. This proposed legislation is currently being debated by the House of Parliament. Further to that, 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 toward achieving long-term debt restructuring solutions.

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, with respect to banking and cash transactions as a result of the significant liquidity squeeze in the local market and the risk of an outflow of deposits. These measures 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 restrictions with regards to the transferring of funds outside the Republic still remain in force.

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

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

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.

2.5 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 is currently in the process of completing the issue of additional share capital of €1 billion. Further details are disclosed in Note 38.2.

2.6 Release of six-month, nine-month and twelve-month time 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 will be released in three equal tranches on 30 April, 31 July and 31 October 2014. The twelve-month time deposits will be 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.

3. Unaudited financial statements

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

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

4. Basis of preparation

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

4.1 Statement of compliance

The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 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.

4.2 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 accounting for 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 six months ended 30 June 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. Accounting policies (continued)

5.2 Impact on finalisation of accounting of Laiki acquisition

In March 2014 the accounting for the Laiki 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.

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

Consolidated Income Statement for the six months ended 30 June 2013	**€000**
Loss for the period	
Before the change in classification	**(1.809.948)**
Share of loss from associate and joint venture	(2.016)
After the change in classification	**(1.811.964)**

Consolidated Statement of Comprehensive Income for the six months ended 30 June 2013	**€000**
Available-for-sale investments	
Loss on revaluation before tax	
Before the change in classification	**(945)**
Loss on revaluation before tax	2.016
After the change in classification	**1.071**

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

The conditions that existed during the six months ended 30 June 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 following:

6.1.1 Restructuring Plan

The Group has prepared a Restructuring Plan ('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 Core 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 Macroeconomic environment in Cyprus

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

6. Significant judgements, estimates and assumptions (continued)

6.1 Going concern (continued)

6.1.2 Macroeconomic environment in Cyprus (continued)

The economy entered into recession in the second half of 2011 which only intensified in 2012 and 2013. In March 2013 the government entered into an agreement with the Troika for a bailout programme of up to €10 billion. Financial assistance was conditional on a programme of economic adjustment. Resolute measures were taken upfront and the economy performed considerably better in 2013 than was initially anticipated. The banking system has been recapitalised and there are strong signs of stabilisation. In combination with a successful implementation of the programme, the government succeeded in June with a placement of a five year bond in international markets.

The Troika, in its consultation following the fifth programme review that ended in July notes the significant progress achieved since the beginning of the programme and brings attention to the challenges that still lie ahead. Most importantly the Troika in its consultation highlights the urgent need to address the rise in non-performing loans, boosting capital buffers and advancing the restructuring process in the banking sector. Addressing the problem of rising non-performing loans is required in order to strengthen the banks' balance sheet and reduce private sector indebtedness. In this context the need for an efficient and effective foreclosure framework is very strong. Draft legislation for the streamlining of the foreclosure framework in order to promote payment discipline by borrowers and to facilitate problem loan restructurings is currently being debated by the House of Parliament.

The Troika has also noted that the macroeconomic outlook remains broadly unchanged compared to the fourth review. Gross Domestic Product in 2014 is expected to contract by 4,2%, with growth in the tourism sector cushioning weak activity in other sectors. Unemployment remains very high, although signs of stabilisation are emerging. Growth in 2015 is projected at 0,4%, with the recovery constrained by the high level of private sector debt. Risks remain significant, related to constraints to the supply of credit, as well as to the ongoing crisis in Ukraine.

6.1.3 Regulatory capital ratios

The Common Equity Tier 1 ratio of the Group at 30 June 2014 stands at 11,3%. The capital position of the Group is expected to be enhanced after the anticipated €1 billion capital increase (Note 38.2). Going forward, the Group aims to preserve its capital adequacy by retaining internally-generated capital, while the restructuring and disposal of non-core assets will be driven by risk mitigation and capital considerations.

As from 1 January 2014, the new Capital Requirement Regulations (CRR) and amended Capital Requirement Directive IV (CRD IV) became effective. The CBC has determined the extent of phasing-in of the transitional provisions relating to Common Equity Tier 1 deductions and on 29 May 2014 set the minimum Common Equity Tier 1 capital ratio at 8%. The CBC may also impose 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 any additional capital requirements which may arise upon the finalisation of the Asset Quality Review (AQR) and the EU-wide stress test (Pillar II add-ons).

6.1.4 ECB Comprehensive Assessment

The Group is one of the institutions participating in the ECB's Asset Quality Review, run as part of the ECB's comprehensive assessment prior to inception of the Single Supervisory Mechanism. As a result, it is also subject to the ECB's stress testing process. This comprehensive assessment aims to enhance the transparency of the balance sheets of significant banks in the Euro area, and in so doing, to trigger balance sheet repair where necessary, as well as to strengthen confidence. Disclosure of the results of these exercises by the European authorities is planned for October 2014.

6. Significant judgements, estimates and assumptions (continued)

6.1 Going concern (continued)

6.1.4 ECB Comprehensive Assessment (continued)

The results of these exercises may determine that the capital requirements for the Group should be increased and if the Group is not able to strengthen its capital adequacy by raising capital through capital increases or other capital enhancement measures, it may need to seek additional funding by means of state support. Loss of confidence in the banking sector following the announcement of stress tests regarding the Group or the Cypriot banking system as a whole, or a market perception that any such tests are not rigorous enough, could also have a negative effect on the Group's cost of funding.

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. The transfer of certain operations of Laiki Bank to the Group resulted in an amount of €9,1 billion of ELA funding at the acquisition date to be transferred to the Group.

Since August 2013, the Company has been reinstated by the ECB as an eligible counterparty for monetary policy operations. The combination of the restoration of counterparty status and the approval for the use of bonds issued or guaranteed by the Republic of Cyprus resulted in a reduction in funding from ELA, which is provided at a higher interest rate than ECB funding.

The level of Central Bank funding (ELA and ECB funding) of the Group as at 30 June 2014 amounted to €10,18 billion comprising of €1,40 billion of ECB funding and €8,78 billion of ELA funding. The level of Central Bank funding has been further reduced since 30 June 2014 to €9,63 billion, comprising €950 million of ECB funding and €8,68 billion of ELA funding.

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 restrictions on the transfer of funds outside the Republic still remain in force.

Although the Group has received no specific guarantees, the Board of Directors expects that the Group will continue to have access to the central bank liquidity facilities in line with applicable rules. 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 Board and management have also considered the impact of litigation and claims against the Group relating mainly to the bail-in of depositors and the absorption of losses by the holders of equity and debt instruments of the Company. The Group has obtained legal advice in respect of these claims.

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

6.1.7 Profitability

The challenging macroeconomic environment in Cyprus is affecting the Group’s profitability. Cyprus is expected to continue to be in recession during 2014, with moderate real GDP growth driven by non-financial services and a decline in unemployment levels expected for 2015. Borrowers are expected to continue facing challenges, while property prices may fall even further.

6. Significant judgements, estimates and assumptions (continued)

6.1 Going concern (continued)

6.1.7 Profitability (continued)

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.

6.1.8 Uncertainties

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

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

- The outcome of the ECB's comprehensive assessment, which may reveal additional capital requirements for the Group.
- The successful completion of the capital raising of the Company.
- The successful implementation of the Group's Restructuring Plan and the realisation of the macroeconomic scenario which formed the basis of its preparation.
- The period over which the restrictive measures and capital controls are in place.
- The continuing reliance on and availability of the Central Bank liquidity facilities.
- The actual outcome of litigation and claims mainly relating to the bail-in of deposits and the absorption of losses by the holders of equity and debt instruments of the Company.

6.1.9 Going concern assessment

The Company's management and Board of Directors, taking into consideration the above factors and the measures taken to support the Cyprus economy and the realised and planned actions as detailed in its Restructuring Plan, is satisfied that the Group 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 is in the final stages of completing a €1 billion equity raise. This capital increase was approved by the shareholders at an Extraordinary General Meeting on 28 August 2014.
- 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 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.

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

6. Significant judgements, estimates and assumptions (continued)

6.2 Provision for impairment of loans and advances to customers

The Group reviews its loans and advances to customers to assess whether a provision for impairment should be recorded in the consolidated income statement. In particular, management is required to estimate the amount and timing of future cash flows in order to determine the amount of provision required and the calculation of the impairment allowance involves the use of judgement. Such estimates are based on assumptions about a number of factors and therefore actual impairment losses may differ. A very important factor for the estimation of provisions is the timing and net recoverable amount from foreclosure of collaterals which mainly comprise land and buildings.

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 reach 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.

6. Significant judgements, estimates and assumptions (continued)

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

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

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. Significant judgements, estimates and assumptions (continued)

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.

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.

7. **Segmental analysis** (continued)

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.

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**
Six months ended 30 June 2014	€000	€000	€000	**€000**	**€000**
Net interest income	487.135	34.343	24.490	**545.968**	**4.064**
Net fee and commission income	75.319	9.611	2.848	**87.778**	**270**
Net foreign exchange (losses)/gains	(3.940)	1.657	(96)	**(2.379)**	**617**
Net gains/(losses) on financial instrument transactions	160.431	(44)	136	**160.523**	**-**
Insurance income net of claims and commissions	23.412	-	1.636	**25.048**	**-**
Other income	4.074	526	3.002	**7.602**	**1.052**
	746.431	46.093	32.016	**824.540**	**6.003**
Staff costs	(110.089)	(18.128)	(7.181)	**(135.398)**	**(1.233)**
Other operating expenses	(75.802)	(18.763)	(15.435)	**(110.000)**	**(2.883)**
Restructuring costs (Note 9)	(20.769)	-	-	**(20.769)**	**-**
Profit before impairment of loans and advances to customers	539.771	9.202	9.400	**558.373**	**1.887**
Provisions for impairment of loans and advances to customers	(272.366)	(26.802)	(29.952)	**(329.120)**	**(38.528)**
Loss on disposal of Ukrainian business (Note 35.4)	-	-	-	**-**	**(114.228)**
Share of profit from associates and joint ventures	4.111	-	-	**4.111**	**-**
Profit / (loss) before tax	**271.516**	**(17.600)**	**(20.552)**	**233.364**	**(150.869)**
Tax	(2.327)	(5.083)	(2.181)	**(9.591)**	**654**
Profit / (loss) after tax	**269.189**	**(22.683)**	**(22.733)**	**223.773**	**(150.215)**
Non-controlling interests (profit)/loss	(183)	8.010	-	**7.827**	**39**
Profit / (loss) after tax attributable to the owners of the Company	**269.006**	**(14.673)**	**(22.733)**	**231.600**	**(150.176)**

7. Segmental analysis (continued)

	Cyprus	Russia	Other countries	**Total continuing operations**	**Discontinued operations**
Six months ended 30 June 2013 (restated and represented)	€000	€000	€000	**€000**	**€000**
Net interest income	339.502	51.619	27.543	**418.664**	**57.804**
Net fee and commission income	65.335	14.374	3.929	**83.638**	**11.994**
Net foreign exchange (losses)/gains	(19.869)	3.225	(55)	**(16.699)**	**(14.843)**
Net (losses)/gains on financial instrument transactions	(5.750)	-	(3.557)	**(9.307)**	**5.553**
Insurance income net of claims and commissions	34.296	-	4.568	**38.864**	**-**
Other (expenses)/income	(4.835)	521	(23.804)	**(28.118)**	**(1.506)**
	408.679	**69.739**	**8.624**	**487.042**	**59.002**
Staff costs	(133.454)	(27.512)	(9.013)	**(169.979)**	**(25.681)**
Other operating expenses	(70.656)	(25.002)	(11.631)	**(107.289)**	**(59.401)**
Restructuring costs (Note 9)	(35.280)	-	-	**(35.280)**	**-**
Profit / (loss) before impairment of loans and advances to customers	**169.289**	**17.225**	**(12.020)**	**174.494**	**(26.080)**
Provisions for impairment of loans and advances to customers	(456.856)	(35.412)	(40.228)	**(532.496)**	**(64.981)**
Loss on disposal of Greek banking and leasing operations	-	-	-	**-**	**(1.365.624)**
Share of profit/(loss) of associates and joint ventures	896	-	(543)	**353**	**-**
Loss before tax	**(286.671)**	**(18.187)**	**(52.791)**	**(357.649)**	**(1.456.685)**
Tax	4.762	4.104	(6.377)	**2.489**	**(119)**
Loss after tax	**(281.909)**	**(14.083)**	**(59.168)**	**(355.160)**	**(1.456.804)**
Non-controlling interests (loss)	1.448	3.894	-	**5.342**	**-**
Loss after tax attributable to the owners of the Company	**(280.461)**	**(10.189)**	**(59.168)**	**(349.818)**	**(1.456.804)**

7. Segmental analysis (continued)

Analysis of total revenue

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

	Cyprus	Russia	Other countries	**Total continuing operations**	**Discontinued operations**
Six months ended 30 June 2014	€000	€000	€000	**€000**	**€000**
Banking and financial services	534.445	55.625	207.570	**797.640**	**6.414**
Insurance services	24.224	-	1.764	**25.988**	**-**
Property and hotel business	580	-	(79)	**501**	**-**
Total revenue from third parties	559.249	55.625	209.255	**824.129**	**6.414**
Inter-segment revenue/(expense)	13.215	(9.532)	(3.272)	**411**	**(411)**
Total revenue	**572.464**	**46.093**	**205.983**	**824.540**	**6.003**

	Cyprus	Russia	Other countries	**Total continuing operations**	**Discontinued operations**
Six months ended 30 June 2013 (represented)	€000	€000	€000	**€000**	**€000**
Banking and financial services	355.518	82.534	7.566	**445.618**	**60.659**
Insurance services	34.725	-	4.651	**39.376**	**-**
Property and hotel business	392	-	(1)	**391**	**-**
Total revenue from third parties	390.635	82.534	12.216	**485.385**	**60.659**
Inter-segment revenue/(expense)	18.044	(12.795)	(3.592)	**1.657**	**(1.657)**
Total revenue	**408.679**	**69.739**	**8.624**	**487.042**	**59.002**

Analysis of assets

	Cyprus	Russia	Other countries	**Total**
30 June 2014	€000	€000	€000	**€000**
Assets	26.798.180	1.189.924	1.971.039	29.959.143
Inter-segment assets				(1.400.979)
Total assets				**28.558.164**
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 June 2014	€000	€000	€000	**€000**
Liabilities	23.615.755	1.281.424	2.250.224	27.147.403
Inter-segment liabilities				(1.403.164)
Total liabilities				**25.744.239**
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**

	For the six months ended 30 June	
	2014	2013
	€000	€000
Trading portfolio:		
- equity securities	**1.130**	(262)
- debt securities	**69**	(111)
- derivative financial instruments	**1.099**	21.449
Other investments at fair value through profit or loss:		
- debt securities	**1.829**	(1.062)
Net gains/(losses) on disposal of available-for-sale investments:		
- equity securities	**48.974**	14
- debt securities	**2.626**	(10.510)
Net gains on disposal/repayment of loans and receivables:		
- debt securities	**99.842**	3.646
Realised gains/(losses) on disposal of loans and deposits	**27.339**	(4.482)
Impairment of debt securities	**(66)**	(15.929)
Impairment of available-for-sale equity securities	**(1.494)**	(3.419)
Impairment of placements with banks	**(17.440)**	-
Impairment of loans and receivables other than debt securities	**(15.000)**	-
Revaluation of financial instruments designated as fair value hedges:		
- hedging instruments	**566**	1.953
- hedged items	**(144)**	(387)
Other losses on financial instruments	**(55)**	(207)
Gains on derecognition of loans and advances to customers	**11.248**	-
	160.523	(9.307)

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

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

Additionally, the gain on disposal of debt securities classified as loans and receivable relates to the gain from the expected early repayment of the Cyprus Government Bond. The gain on disposal of loans and deposits relates to the profit on disposal of loans extended to Robne Kuce Beorgrad, 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)

	For the six months ended 30 June	
	2014	2013
	€000	€000
Dividend income	**58**	101
Losses on sale of stock of property	**(29)**	-
Losses on sale and write-off of property and equipment and intangible assets	**(1.171)**	(584)
Rental income from investment properties	**1.870**	1.208
Gains/(losses) from revaluation of investment properties	**1.407**	(34.265)
Gains from hotel activities	**375**	301
Other income	**5.092**	5.121
	7.602	(28.118)

Staff costs

	For the six months ended 30 June	
	2014	2013
	€000	€000
Salaries	**107.882**	136.499
Employer's contributions to state social insurance and pension funds	**16.370**	19.184
Retirement benefit plan costs	**11.146**	14.296
	135.398	169.979
Restructuring costs-Voluntary Retirement Schemes	**-**	22.343
	135.398	192.322

The number of persons employed by the Group as at 30 June 2014 was 6.747 (31 December 2013: 7.752).

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

Other operating expenses

	For the six months ended 30 June	
	2014	2013
	€000	€000
Operating lease rentals for property and equipment	**11.533**	13.744
Advertising and marketing	**6.500**	7.900
Repairs and maintenance of property and equipment	**11.077**	10.378
Other property–related costs	**6.623**	7.417
Impairment of property	**-**	648
Communication expenses	**6.585**	6.367
Printing and stationery	**2.590**	2.770
Depreciation of property and equipment	**8.986**	9.561
Amortisation of intangible assets	**4.109**	4.239
Contributions to depositor protection schemes	**1.336**	1.932
Special levy on deposits of credit institutions	**9.610**	12.324
Provisions and settlements of litigations or claims	**11.919**	5.557
Other operating expenses	**29.132**	24.452
	110.000	107.289
Restructuring costs	**20.769**	12.937
	130.769	120.226

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

10. Tax

	For the six months ended 30 June	
	2014	2013
	€000	€000
Current tax:		
- Cyprus	**1.511**	859
- overseas	**2.393**	2.941
Cyprus defence contribution	**80**	33
Deferred tax	**5.624**	(6.402)
Prior year tax adjustments	**(17)**	80
	9.591	(2.489)

11. Earnings per share

	For the six months ended 30 June		For the three months ended 30 June
	2014	2013 (restated)	**2014**
Basic and diluted earnings per share			
Profit/(loss) after tax attributable to the owners of the Company (€ thousand)	**81.424**	(1.806.622)	**50.115**
Weighted average number of shares in issue during the period excluding treasury shares (thousand)	**4.734.944**	2.408.885	**4.734.944**
Basic and diluted earnings/(losses) per share (€ cent)	**1,7**	(75,0)	**1,1**
Basic and diluted earnings per share – continuing operations			
Profit/(loss) after tax attributable to the owners of the Company – continuing operations (€ thousand)	**231.600**	(349.818)	**164.343**
Weighted average number of shares in issue during the period excluding treasury shares-continuing operations (thousand)	**4.734.944**	2.408.885	**4.734.944**
Basic and diluted earnings/(losses) per share – continuing operations (€ cent)	**4,9**	(14,5)	**3,5**

12. Investments

	30 June 2014	31 December 2013
Investments	**€000**	€000
Investments at fair value through profit or loss	**30.087**	25.160
Investments available-for-sale	**78.615**	161.258
Investments classified as loans and receivables	**2.757.357**	2.573.437
	2.866.059	2.759.855

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

	30 June 2014	31 December 2013
Investments pledged as collateral	**€000**	€000
Investments available-for-sale	**671.984**	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 June 2014		31 December 2013		Six months ended 30 June 2014		Effective interest rate on reclassification date
			Carrying value	Fair value	Carrying value	Fair value	Additional profit in the income statement had the debt securities not been reclassified	Additional income/(loss) in other comprehensive income had the debt securities not been reclassified	
		€000	€000	€000	€000	€000	€000	€000	
Reclassification of trading investments to:									
- loans and receivables	1 April 2010	34.810	37.513	35.254	38.059	32.204	3.050	-	1,2%-4,4%
Reclassification of available-for-sale investments to:									
- loans and receivables	1 October 2008	163.407	167.061	167.788	164.875	145.171	-	727	4,6%-4,7%
- loans and receivables	30 June 2011	164.035	186.270	177.085	185.666	158.170	-	(9.185)	2,8%-6,3%
Reclassification of held-to-maturity investments to:									
- available-for-sale	1 November 2012	87.725	89.326	89.326	90.114	90.114	-	-	0,4%-3,1%

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 June 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	**141.871**	**129**	**934**	139.847	109	2.674
Currency swaps	**1.787.333**	**1.821**	**13.604**	1.723.306	3.778	15.465
Interest rate swaps	**233.332**	**3.348**	**4.325**	517.264	4.203	11.407
Currency options	**1.292**	**-**	**932**	-	-	-
Equity options	**3.183**	**523**	**337**	4.295	1.591	1.485
Interest rate caps/floors	**6.642**	**47**	**199**	6.574	11	250
GDP warrant securities	**1.207**	**21**	**-**	1.622.997	19.073	-
	2.174.860	**5.889**	**20.331**	4.014.283	28.765	31.281
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	**674.897**	**-**	**61.818**	674.888	-	47.090
Net investment hedges – forward exchange rate contracts	**78.476**	**60**	**347**	126.936	-	5.523
	753.373	**60**	**62.165**	801.824	-	52.613
Total	**2.928.233**	**5.949**	**82.496**	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 contracts. As at 30 June 2014, deposits and forward exchange rate contracts amounting to €206.102 thousand (31 December 2013: €346.725 thousand) have been designated as hedging instruments and have given rise to a loss of €1.482 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 June 2014		31 December 2013	
	Carrying value	**Fair value**	Carrying value	Fair value
	€000	**€000**	€000	€000
Financial assets				
Cash and balances with central banks	**859.438**	**859.438**	1.240.043	1.240.043
Placements with banks	**1.114.448**	**1.077.666**	1.290.102	1.192.513
Investments at fair value through profit or loss	**30.087**	**30.087**	25.160	25.160
Investments available-for-sale	**750.599**	**750.599**	834.067	834.067
Investments classified as loans and receivables	**2.757.357**	**2.888.823**	2.573.437	2.593.941
Derivative financial assets	**5.949**	**5.949**	28.765	28.765
Loans and advances to customers	**20.063.034**	**20.032.960**	21.764.338	20.888.492
Life insurance business assets attributable to policy holders	**447.166**	**447.166**	430.119	430.119
Assets held for sale	**357.923**	**332.415**	-	-
Other assets	**243.758**	**243.758**	113.175	113.175
	26.629.759	**26.668.861**	28.299.206	27.346.275
Financial liabilities				
Funding from central banks and amounts due to banks	**10.403.760**	**10.403.760**	11.152.699	11.152.699
Repurchase agreements	**582.646**	**594.727**	594.004	596.006
Derivative financial liabilities	**82.496**	**82.496**	83.894	83.894
Customer deposits	**13.802.750**	**13.797.807**	14.971.167	14.895.350
Debt securities in issue	**4.919**	**4.919**	1.515	1.515
Subordinated loan stock	**4.718**	**4.718**	4.676	4.101
Other liabilities	**123.153**	**123.153**	66.491	66.491
	25.004.442	**25.011.580**	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 June 2014	€000	€000	€000	**€000**
Financial assets				
Trading derivatives				
Forward exchange rate contracts	-	129	-	**129**
Currency swaps	-	1.821	-	**1.821**
Interest rate swaps	-	3.348	-	**3.348**
Equity options	-	523	-	**523**
Interest rate caps/floors	-	47	-	**47**
GDP warrant securities	-	21	-	**21**
	-	5.889	-	**5.889**
Derivatives for fair value of net investments				
Forward exchange rate contracts	-	60	-	**60**
Investments at fair value through profit or loss				
Trading investments	3.973	8.871	-	**12.844**
Other investments at fair value through profit or loss	-	17.243	-	**17.243**
	3.973	26.114	-	**30.087**
Investments available-for-sale	745.444	1.520	3.635	**750.599**
	749.417	33.583	3.635	**786.635**

30 June 2014				
Financial liabilities				
Trading derivatives				
Forward exchange rate contracts	-	934	-	**934**
Currency swaps	-	13.604	-	**13.604**
Interest rate swaps	-	4.325	-	**4.325**
Currency options	-	932	-	**932**
Equity options	-	337	-	**337**
Interest rate caps/floors	-	199	-	**199**
	-	20.331	-	**20.331**
Derivatives designated as fair value hedges				
Interest rate swaps	-	61.818	-	**61.818**
Derivatives for fair value of net investments				
Forward exchange rate contracts	-	347	-	**347**
	-	82.496	-	**82.496**

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 for fair value of net investments				
Forward exchange rate contracts	-	5.523	-	**5.523**
	-	52.613	-	**52.613**
	-	83.894	-	**83.894**

During the six months ended 30 June 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 June 2014	31 December 2013
	€000	€000
1 January	**4.308**	496
Acquired through business combinations	**-**	5.314
Disposals	**(899)**	(104)
Unrealised gains/(losses) recognised in the consolidated statement of comprehensive income	**226**	(603)
Realised losses recognised in the consolidated income statement	**-**	(795)
30 June 2014/31 December 2013	**3.635**	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 June 2014	31 December 2013
	€000	€000
Loans and advances to customers	**22.835.450**	24.294.680
Hire purchase and finance lease debtors	**449.129**	545.928
Gross loans and advances to customers	**23.284.579**	24.840.608
Provisions for impairment of loans and advances to customers (Note 28)	**(3.221.545)**	(3.076.270)
	20.063.034	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 June 2014	31 December 2013
	€000	€000
Disposal group held for sale	**26.580**	-
Non-current assets held for sale:		
- investment property	**7.280**	-
- loans and advances to customers	**357.923**	-
	391.783	-

The following assets and disposal group were held for sale as at 30 June 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 and Romanian banking operations of the Group. Information on these loans is disclosed under Risk management-Credit risk (Note 28).

Disposal group held for sale

The disposal group held for sale as at 30 June 2014 relates to the hotel business of the Group, for which a plan to dispose has been initiated.

17. Other assets

	30 June 2014	31 December 2013
	€000	€000
Debtors	**25.814**	22.956
Stock of property held for sale	**13.134**	14.110
Investment property	**451.823**	495.658
Taxes refundable	**51.534**	48.544
Deferred tax asset	**472.227**	479.060
Retirement benefit plan assets	**1.674**	1.319
Reinsurers' share of insurance contract liabilities	**75.983**	68.387
Prepaid expenses	**4.166**	2.840
Receivable relating to disposals of operations in Greece and Ukraine	**190.219**	90.219
Other assets	**128.098**	178.740
	1.414.672	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 June 2014	31 December 2013
	€000	€000
Amounts due to banks	**219.186**	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 June 2014	31 December 2013
	€000	€000
Emergency Liquidity Assistance	**8.784.439**	9.556.035
Monetary policy operations	**1.400.135**	1.400.242
	10.184.574	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 June 2014	31 December 2013
	€000	€000
By type of deposit		
Demand	**3.718.326**	3.492.789
Savings	**948.634**	925.549
Time or notice	**9.135.790**	10.552.829
	13.802.750	14.971.167
By geographical area		
Cyprus	**11.687.404**	12.705.254
Russia	**845.472**	918.491
United Kingdom	**1.251.630**	1.244.186
Romania	**18.244**	30.055
Ukraine	**-**	73.181
	13.802.750	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.

21. Debt securities in issue

	Contractual interest rate	30 June 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	**144**	143
		675	674
Other debt securities in issue			
RUB Certificates of Deposit and Promissory Notes	11%	**3.752**	349
Interest-free loan from the European Development Bank	-	**492**	492
		4.244	841
		4.919	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. 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 June 2014 include deferred tax liabilities of €45.685 thousand (31 December 2013: €49.937 thousand) and retirement benefit plan liabilities of €9.586 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 June 2014 include provisions for pending litigation or claims of €63.847 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 June 2014. It is not practicable to provide an aggregate estimate of potential liability for our legal proceedings and regulatory matters.

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.

22. Other liabilities (continued)

22.1 Pending litigation and claims (continued)

Investigations and litigation on securities issued by the Company (continued)

The Company observes that such claims vary considerably between themselves. 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. 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 in 2011. 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.

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 to disclose material information to investors in June 2012, concerning 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 Law on Insider Dealing and Market Manipulation and on 27 November 2013 imposed an administrative fine on the Company of €70 thousand. CySEC also imposed administrative fines on certain of the then members of the Board of Directors. The Company filed a recourse before the Supreme Court challenging CySEC's decision against the Company.

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

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. The Company intends to file a recourse before the Supreme Court in respect of the reprimand administered to it.

22. Other liabilities (continued)

22.1 Pending litigation and claims (continued)

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

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 goodwill impairment of CB Uniastrum Bank LLC.
- The assets pledged by the Company for central bank funding (comprising ECB funding for monetary operations and ELA).
- 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 is not binding on the courts. If a person wishes to claim damages or any other remedy against the Company, he 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, were in conflict with the Constitution of the Republic of Cyprus and the European Convention of Human Rights. Actions on the part of 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 some of these 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 of the Company). The Company took active steps and obtained the discharge and cancellation of most of the interim orders. 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.

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 is to obtain the annulment (i.e. cancellation and setting aside) of the Decrees as unconstitutional and/or unlawful and/or irregular. These proceedings are now before the full bench of the Supreme Court, which is considering whether the cases should be dealt with in the context of public or private law (before the District Courts). The Company is appearing 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. 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.

22. **Other liabilities** (continued)

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

Bail-in related litigation (continued)

Laiki Bank depositors and shareholders

The Company has been joined as a defendant with 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 a Court of Law.

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 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.

The competition cases are still at an early stage. 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.

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.

22. Other liabilities (continued)

22.1 Pending litigation and claims (continued)

Other litigation
The Group is involved in a number of other litigation proceedings involving cases against the Group arising in the course of its normal operating activities, mainly in Cyprus and Greece. For one of these cases relating to the discontinued operations in Greece, a provision of €38.300 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 has confirmed the previous acquittals and dismissed all charges against the accused, thus bringing to an end this long and complex case.

Provident Fund Cases
23 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.

23. Subordinated loan stock

	Contractual interest rate	**30 June 2014**	31 December 2013
		€000	€000
Subordinated Bonds in USD 2014/2015	2,50%	**4.718**	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 June 2014, the Company does not have any subordinated loan stock in issue under the EMTN Programme.

24. Share capital

	30 June 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
Reduction in nominal value of share capital	**-**	**-**	(2.353.349)	(2.353.349)
Acquisitions (Note 35.1)	**12.951**	**12.951**	845.758	845.758
30 June 2014/31 December 2013	**4.755.711**	**4.755.711**	4.683.985	4.683.985

Issued share capital

During the six months ended 30 June 2014 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.

The Company has been recapitalised through a bail-in (deposit-to-equity conversion) of uninsured deposits in March 2013. The holders of ordinary shares and debt securities as of 29 March 2013 have contributed to the recapitalisation of the Company through the absorption of losses.

The recapitalisation was effected in accordance with the provisions of the 'Bail-in of Bank of Cyprus Public Company Limited Decrees of 2013' issued on 29 March 2013 and amended on 21 April 2013 and 30 July 2013 by the Central Bank of Cyprus in its capacity as Resolution Authority.

Details of the provisions of the decrees relating to the share capital structure of the Group are described in Note 2.5 of the Consolidated Financial Statements for the year ended 31 December 2013.

All issued ordinary shares carry the same rights.

In addition, the Company is currently in the process of completing the issue of additional share capital of €1 billion. Further details are disclosed in Note 38.2.

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.

24. **Share capital** (continued)

Shares subject to interim orders (continued)

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 six months ended 30 June 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 ordinary shares which are subject to interim orders as at the balance sheet date amount to 297 thousand ordinary shares of a nominal value of €1,00 each.

Treasury shares of the Company

Shares of the Company held by entities controlled by the Group and by associates are deducted from equity on the purchase, sale, issue or cancellation of such shares. No gain or loss is recognised in the consolidated income statement. The number of these shares at 30 June 2014 was 20.767 thousand (31 December 2013: 20.767 thousand). 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 June 2014, a total of 16.031 thousand (31 December 2013: 16.031 thousand) shares of the Company, as part of their financial assets which are invested for the benefit of insurance policyholders. The cost of acquisition of these shares was €21.463 thousand (31 December 2013: €21.463 thousand).

25. Convertible Enhanced Capital Securities

	30 June 2014	31 December 2013
	€000	€000
1 January	**-**	428.835
Conversion into shares	**-**	(429.580)
Exchange difference	**-**	745
30 June 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 June 2014	30 June 2013
	€000	€000
Cash and non-obligatory balances with central banks	**663.023**	336.001
Treasury bills repayable within three months	**199.085**	99.396
Placements with banks with maturity less than three months	**693.223**	1.014.974
	1.555.331	1.450.371

27. Analysis of assets and liabilities by expected maturity

	30 June 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	**697.862**	**161.576**	**859.438**	784.128	455.915	1.240.043
Placements with banks	**615.072**	**499.376**	**1.114.448**	734.578	555.524	1.290.102
Investments	**1.073.833**	**2.464.210**	**3.538.043**	261.731	3.170.933	3.432.664
Derivative financial instruments	**3.022**	**2.927**	**5.949**	25.045	3.720	28.765
Life insurance business assets attributable to policyholders	**17.655**	**442.711**	**460.366**	17.323	426.256	443.579
Loans and advances to customers	**4.350.255**	**15.712.779**	**20.063.034**	6.006.000	15.758.338	21.764.338
Property, equipment and intangible assets	**2.775**	**498.717**	**501.492**	1.025	543.959	544.984
Assets held for sale	**391.783**	**-**	**391.783**	-	-	-
Other assets	**382.131**	**1.032.541**	**1.414.672**	390.346	1.011.487	1.401.833
Investments in associates and joint ventures	**-**	**208.939**	**208.939**	-	203.131	203.131
	7.534.388	**21.023.776**	**28.558.164**	8.220.176	22.129.263	30.349.439
Liabilities						
Amounts due to banks	**145.620**	**73.566**	**219.186**	117.219	79.203	196.422
Funding from central banks	**879.000**	**9.305.574**	**10.184.574**	157.000	10.799.277	10.956.277
Repurchase agreements	**29.005**	**553.641**	**582.646**	13.928	580.076	594.004
Derivative financial instruments	**15.030**	**67.466**	**82.496**	16.027	67.867	83.894
Customer deposits	**5.277.578**	**8.525.172**	**13.802.750**	5.579.459	9.391.708	14.971.167
Insurance liabilities	**102.427**	**472.539**	**574.966**	97.394	454.435	551.829
Debt securities in issue	**4.244**	**675**	**4.919**	841	674	1.515
Other liabilities	**237.019**	**50.965**	**287.984**	144.539	107.440	251.979
Subordinated loan stock	**2.621**	**2.097**	**4.718**	2.598	2.078	4.676
	6.692.544	**19.051.695**	**25.744.239**	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.

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

	30 June 2014	31 December 2013
On-balance sheet	**€000**	€000
Cyprus	**22.705.539**	23.345.633
Greece	**249.137**	253.996
Russia	**1.074.884**	1.259.494
United Kingdom	**1.777.740**	1.936.330
Romania	**367.597**	619.311
Ukraine	**-**	336.591
	26.174.897	27.751.355

Off-balance sheet		
Cyprus	**3.278.731**	3.629.580
Greece	**245.717**	335.073
Russia	**132.943**	154.901
United Kingdom	**21.272**	18.995
Romania	**1.074**	3.466
Ukraine	**-**	586
	3.679.737	4.142.601

Total on and off balance sheet		
Cyprus	**25.984.270**	26.975.213
Greece	**494.854**	589.069
Russia	**1.207.827**	1.414.395
United Kingdom	**1.799.012**	1.955.325
Romania	**368.671**	622.777
Ukraine	**-**	337.177
	29.854.634	31.893.956

28. Risk management – Credit risk (continued)

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

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

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

Loans and advances to customers

The 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.

28. Risk management – Credit risk (continued)

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

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

	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held by the Group							Net exposure to credit risk
		Cash	Securities	Letters of credit/ guarantee	Property	Other	Surplus collateral	Net collateral	
30 June 2014	**€000**	€000	€000	€000	€000	€000	€000	€000	**€000**
Balances with central banks	**709.030**	-	-	-	-	-	-	-	**709.030**
Placements with banks	**1.114.448**	1.432	-	-	-	-	-	1.432	**1.113.016**
Trading investments - debt securities	**42**	-	-	-	-	-	-	-	**42**
Debt securities at fair value through profit or loss	**17.243**	-	-	-	-	-	-	-	**17.243**
Debt securities classified as available-for-sale and loans and receivables	**3.487.114**	-	-	-	-	-	-	-	**3.487.114**
Derivative financial instruments	**5.949**	-	-	-	-	-	-	-	**5.949**
Loans and advances to customers	**20.063.034**	754.335	425.861	1.427.373	26.384.228	373.377	(10.083.449)	19.281.725	**781.309**
Assets held for sale	**357.923**	253	-	262	279.564	115.450	(37.740)	357.789	**134**
Debtors	**25.814**	-	-	-	-	-	-	-	**25.814**
Reinsurers' share of insurance contract liabilities	**75.983**	-	-	-	-	-	-	-	**75.983**
Other assets	**318.317**	-	-	-	-	-	-	-	**318.317**
On-balance sheet total	**26.174.897**	**756.020**	**425.861**	**1.427.635**	**26.663.792**	**488.827**	**(10.121.189)**	**19.640.946**	**6.533.951**
Contingent liabilities									
Acceptances and endorsements	**11.875**	-	-	3.351	-	-	-	3.351	**8.524**
Guarantees	**1.064.361**	94.825	1.377	16.583	751.801	8.240	(37.045)	835.781	**228.580**
Commitments									
Documentary credits	**18.568**	-	-	16.965	-	-	-	16.965	**1.603**
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**2.584.933**	-	-	-	-	-	-	-	**2.584.933**
Off-balance sheet total	**3.679.737**	**94.825**	**1.377**	**36.899**	**751.801**	**8.240**	**(37.045)**	**856.097**	**2.823.640**
Total credit risk exposure	**29.854.634**	**850.845**	**427.238**	**1.464.534**	**27.415.593**	**497.067**	**(10.158.234)**	**20.497.043**	**9.357.591**

28. Risk management – Credit risk (continued)

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

	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held by the Group							Net exposure to credit risk
		Cash	Securities	Letters of credit/ guarantee	Property	Other	Surplus collateral	Net collateral	
31 December 2013	**€000**	€000	€000	€000	€000	€000	€000	€000	**€000**
Balances with central banks	**1.084.830**	-	-	-	-	-	-	-	**1.084.830**
Placements with banks	**1.290.102**	915	-	-	-	-	-	915	**1.289.187**
Trading investments - debt securities	**103**	-	-	-	-	-	-	-	**103**
Debt securities at fair value through profit or loss	**15.549**	-	-	-	-	-	-	-	**15.549**
Debt securities classified as available-for-sale and loans and receivables	**3.207.366**	-	-	-	-	-	-	-	**3.207.366**
Derivative financial instruments	**28.765**	10.291	-	-	-	-	-	10.291	**18.474**
Loans and advances to customers	**21.764.338**	816.977	699.086	1.129.167	26.555.058	778.019	(10.141.702)	19.836.605	**1.927.733**
Debtors	**22.956**	-	-	-	-	-	-	-	**22.956**
Reinsurers' share of insurance contract liabilities	**68.387**	-	-	-	-	-	-	-	**68.387**
Other assets	**268.959**	-	-	-	-	-	-	-	**268.959**
On-balance sheet total	**27.751.355**	**828.183**	**699.086**	**1.129.167**	**26.555.058**	**778.019**	**(10.141.702)**	**19.847.811**	**7.903.544**
Contingent liabilities									
Acceptances and endorsements	**20.467**	1.094	80	3.760	11.225	1.011	(5.805)	11.365	**9.102**
Guarantees	**1.207.501**	22.324	1.929	9.321	384.327	16.982	(167.442)	267.441	**940.060**
Commitments									
Documentary credits	**10.919**	27	-	-	-	-	-	27	**10.892**
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**2.903.714**	-	-	14.440	-	-	-	14.440	**2.889.274**
Off-balance sheet total	**4.142.601**	**23.445**	**2.009**	**27.521**	**395.552**	**17.993**	**(173.247)**	**293.273**	**3.849.328**
Total credit risk exposure	**31.893.956**	**851.628**	**701.095**	**1.156.688**	**26.950.610**	**796.012**	**(10.314.949)**	**20.141.084**	**11.752.872**

28. Risk management – Credit risk (continued)

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 customers 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 June 2014	€000	€000	€000	€000	€000	**€000**	**€000**	**€000**
By economic activity								
Trade	2.444.121	-	242.594	37.107	12.460	**2.736.282**	**(197.105)**	**2.539.177**
Manufacturing	846.820	-	95.600	14.720	7.457	**964.597**	**(58.075)**	**906.522**
Hotels and catering	1.590.735	-	-	94.499	7.485	**1.692.719**	**(102.758)**	**1.589.961**
Construction	3.995.930	-	59.149	45.121	26.922	**4.127.122**	**(378.764)**	**3.748.358**
Real estate	2.449.756	43.481	143.687	556.246	211.956	**3.405.126**	**(171.172)**	**3.233.954**
Private individuals	7.644.430	245	361.172	42.737	3.546	**8.052.130**	**(337.381)**	**7.714.749**
Professional and other services	1.866.862	-	376.619	57.196	71.367	**2.372.044**	**(142.556)**	**2.229.488**
Other sectors	1.346.204	129.010	24.937	997	29.722	**1.530.870**	**(208.500)**	**1.322.370**
	22.184.858	**172.736**	**1.303.758**	**848.623**	**370.915**	**24.880.890**	**(1.596.311)**	**23.284.579**
By customer sector								
Corporate	2.493.105	172.491	697.240	371.121	333.080	**4.067.037**	**(203.596)**	**3.863.441**
Small and medium-sized enterprises (SMEs)	1.874.105	-	245.347	443.766	34.419	**2.597.637**	**(87.810)**	**2.509.827**
Retail								
- housing	3.874.359	-	38.265	25.597	1.660	**3.939.881**	**(58.150)**	**3.881.731**
- credit cards	126.214	-	103.467	-	-	**229.681**	**(15.211)**	**214.470**
- consumer and other	1.542.361	245	219.439	8.139	1.756	**1.771.940**	**(73.293)**	**1.698.647**
Restructuring and recovery								
- corporate	5.841.386	-	-	-	-	**5.841.386**	**(358.969)**	**5.482.417**
- SMEs	1.501.329	-	-	-	-	**1.501.329**	**(140.679)**	**1.360.650**
- recoveries	4.059.525	-	-	-	-	**4.059.525**	**(612.856)**	**3.446.669**
International banking services	809.012	-	-	-	-	**809.012**	**(36.413)**	**772.599**
Wealth management	63.462	-	-	-	-	**63.462**	**(9.334)**	**54.128**
	22.184.858	**172.736**	**1.303.758**	**848.623**	**370.915**	**24.880.890**	**(1.596.311)**	**23.284.579**

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 June 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	1.147	-	**1.147**	**(745)**	**402**
Manufacturing	514	-	**514**	**-**	**514**
Hotels and catering	29.675	95.644	**125.319**	**(836)**	**124.483**
Construction	2.203	-	**2.203**	**-**	**2.203**
Real estate	221.609	-	**221.609**	**(11.635)**	**209.974**
Professional and other sectors	24.912	-	**24.912**	**(5.009)**	**19.903**
Other sectors	42.954	-	**42.954**	**(32)**	**42.922**
	323.014	**95.644**	**418.658**	**(18.257)**	**400.401**

30 June 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	174.444	95.644	**270.088**	**(5.694)**	**264.394**
Small and medium-sized enterprises	136.069	-	**136.069**	**(11.948)**	**124.121**
Retail					
- housing	1.263	-	**1.263**	**-**	**1.263**
- consumer and other	11.238	-	**11.238**	**(615)**	**10.623**
	323.014	**95.644**	**418.658**	**(18.257)**	**400.401**

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 June 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	**10.791.155**	**(193.109)**	**10.598.046**	11.855.363	(226.207)	11.629.156
Past due but not impaired	**5.215.567**	**(150.086)**	**5.065.481**	6.732.583	(417.169)	6.315.414
Impaired	**8.874.168**	**(1.253.116)**	**7.621.052**	8.155.373	(1.259.335)	6.896.038
	24.880.890	**(1.596.311)**	**23.284.579**	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 June 2014	31 December 2013
	€000	€000
Past due:		
- up to 30 days	**885.937**	822.037
- 31 to 90 days	**813.351**	1.063.243
- 91 to 180 days	**655.658**	1.316.042
- 181 to 365 days	**1.143.673**	2.099.424
- over one year	**1.716.948**	1.431.837
	5.215.567	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 June 2014 was €4.198.020 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 June 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	**8.212.549**	**6.049.619**	7.110.927	4.111.343
Greece	**76.710**	**-**	171.465	-
Russia	**311.683**	**176.218**	284.869	191.672
United Kingdom	**39.330**	**37.237**	163.979	128.734
Romania	**233.896**	**147.806**	256.612	126.046
Ukraine	**-**	**-**	167.521	132.015
	8.874.168	**6.410.880**	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.

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

	30 June 2014		
	Gross loans before fair value on initial recognition	**Fair value adjustment on initial recognition**	**Gross loans after fair value on initial recognition**
	€000	**€000**	**€000**
Neither past due nor impaired	**172.700**	**(2)**	**172.698**
Past due but not impaired:			
- up to 30 days	**32.338**	**-**	**32.338**
- 31 to 90 days	**12.667**	**-**	**12.667**
- 91 to 180 days	**18.434**	**-**	**18.434**
- 181 to 365 days	**1.723**	**-**	**1.723**
- over one year	**4.011**	**(56)**	**3.955**
Impaired	**176.785**	**(18.199)**	**158.586**
	418.658	**(18.257)**	**400.401**

The fair value of the collateral for the impaired loans and advances classified as held for sale at 30 June 2014 amounted to €158.586 thousand.

28. Risk management – Credit risk (continued)

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

The movement of provisions for impairment of loans and advances to customers and loans and advances 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	10.256	6.329	(2.543)	(10.405)	**3.637**
Applied in writing off impaired loans and advances	(12.760)	(12)	(45)	(46)	**(12.863)**
Interest accrued on impaired loans and advances	(61.314)	(123)	(179)	(1.603)	**(63.219)**
Collection of loans and advances previously written off	87	-	-	805	**892**
Charge for the period – continuing operations	302.874	3.595	26.802	(4.151)	**329.120**
Charge for the period – discontinued operations	-	-	-	38.528	**38.528**
30 June	**2.813.813**	**9.978**	**310.401**	**129.831**	**3.264.023**
Individual impairment	**2.052.030**	**9.978**	**153.166**	**121.110**	**2.336.284**
Collective impairment	**761.783**	**-**	**157.235**	**8.721**	**927.739**

The balance of provisions for impairment of loans and advances at 30 June 2014 include €42.478 thousand for loans and advances 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	335	-	(12.157)	(388)	**(12.210)**
Applied in writing off impaired loans and advances	(1.830)	(7.781)	(4.361)	(1.833)	**(15.805)**
Interest accrued on impaired loans and advances	(49.444)	(6.634)	(271)	(2.174)	**(58.523)**
Collection of loans and advances previously written off	206	-	-	33	**239**
Charge for the period – continuing operations	472.342	-	35.412	24.742	**532.496**
Charge for the period – discontinued operations	-	58.908	-	6.073	**64.981**
30 June	**2.200.952**	**189**	**257.095**	**156.470**	**2.614.706**
Individual impairment	**1.618.231**	**189**	**126.526**	**139.368**	**1.884.314**
Collective impairment	**582.721**	**-**	**130.569**	**17.102**	**730.392**

28. Risk management – Credit risk (continued)

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

The impairment loss is measured as the difference between the carrying amount of a loan and the present value of the estimated future cash flows including the cash flows which may arise from guarantees and tangible collateral, 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 reach 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 June 2014 by 5% and 10%, then provisions for impairment of loans and advances would increase by €214.678 thousand and €442.582 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 €201.186 thousand and €392.298 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 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	853.273	70.422	27.801	67.443	122.385	4.481	**1.145.805**
Assets no longer rescheduled (including repayments)	(595.747)	-	(32.241)	(27.295)	(22.495)	(3.975)	**(681.753)**
Interest accrued on rescheduled loans and advances	139.660	413	1.911	3.335	1.407	2.460	**149.186**
Exchange adjustments	2.420	-	(5.056)	5.007	3.601	13.691	**19.663**
30 June	**5.535.252**	**70.835**	**179.446**	**156.114**	**229.210**	**-**	**6.170.857**
2013							
1 January	3.394.783	1.657.988	113.217	58.264	63.039	64.336	**5.351.627**
Disposal of Greek operations	-	(1.302.984)	-	-	-	-	**(1.302.984)**
New loans and advances rescheduled in the period	1.089.250	-	103.039	11.448	4.201	21.678	**1.229.616**
Assets no longer rescheduled (including repayments)	(581.180)	(355.004)	(25.817)	(3.331)	(13.045)	(28.419)	**(1.006.796)**
Applied in writing off rescheduled loans and advances	(11)	-	-	-	-	-	**(11)**
Interest accrued on rescheduled loans and advances	90.553	-	5.552	1.300	417	1.546	**99.368**
Exchange adjustments	(6.719)	-	(10.540)	(2.914)	(9.862)	(42)	**(30.077)**
30 June	**3.986.676**	**-**	**185.451**	**64.767**	**44.750**	**59.099**	**4.340.743**

In addition to the above, the loans acquired from Laiki Bank include rescheduled loans and advances to customers of a gross amount of €753.604 thousand as at 30 June 2014, which had been rescheduled prior to the acquisition date (29 March 2013).

Rescheduled loans and advances to customers shown above include UK rescheduled loans and advances classified as held for sale of a gross amount of €3.900 thousand as at 30 June 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 June 2014	€000	€000	€000	€000	€000	€000	**€000**
Neither past due nor impaired	2.828.822	-	106.448	122.444	172.083	-	**3.229.797**
Past due but not impaired	1.593.626	-	19.134	29.566	904	-	**1.643.230**
Impaired	1.112.804	70.835	53.864	4.104	56.223	-	**1.297.830**
	5.535.252	**70.835**	**179.446**	**156.114**	**229.210**	**-**	**6.170.857**
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 June 2014 above include UK loans and advances classified as held for sale of €3.900 thousand, which mainly relate to neither past due nor impaired loans.

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 June 2014	€000	€000	€000	€000	€000	€000	**€000**
Neither past due nor impaired	2.485.649	-	102.808	115.595	170.828	-	**2.874.880**
Past due but not impaired	1.440.819	-	18.567	28.388	904	-	**1.488.678**
Impaired	892.963	-	39.093	2.687	47.760	-	**982.503**
	4.819.431	**-**	**160.468**	**146.670**	**219.492**	**-**	**5.346.061**
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 June 2014 includes collateral for rescheduled UK loans and advances classified as held for sale of €3.900 thousand, which mainly relate to neither past due nor impaired loans.

28. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	**Total**
30 June 2014	€000	€000	€000	€000	€000	€000	**€000**
By economic activity							
Trade	504.118	-	32.730	838	7.348	-	**545.034**
Manufacturing	211.976	-	8.349	10.799	959	-	**232.083**
Hotels and catering	478.774	-	-	22.391	101.901	-	**603.066**
Construction	1.034.991	-	8.642	18.530	9.562	-	**1.071.725**
Real estate	731.736	-	-	84.610	86.518	-	**902.864**
Private individuals	1.883.555	-	-	3.371	61	-	**1.886.987**
Professional and other services	367.032	-	129.725	14.268	21.781	-	**532.806**
Other sectors	323.070	70.835	-	1.307	1.080	-	**396.292**
	5.535.252	**70.835**	**179.446**	**156.114**	**229.210**	**-**	**6.170.857**
By customer sector							
Corporate	734.441	70.835	155.703	87.310	212.580	-	**1.260.869**
Small and medium-sized enterprises (SMEs)	553.538	-	20.654	68.294	16.569	-	**659.055**
Retail							
- housing	1.314.709	-	74	62	-	-	**1.314.845**
- credit cards	195	-	590	-	-	-	**785**
- consumer and other	369.690	-	2.425	448	61	-	**372.624**
Restructuring and recovery							
- corporate	2.062.387	-	-	-	-	-	**2.062.387**
- SMEs	365.487	-	-	-	-	-	**365.487**
- recoveries	101.953	-	-	-	-	-	**101.953**
International banking services	25.953	-	-	-	-	-	**25.953**
Wealth management	6.899	-	-	-	-	-	**6.899**
	5.535.252	**70.835**	**179.446**	**156.114**	**229.210**	**-**	**6.170.857**

The UK rescheduled loans and advances classified as held for sale of €3.900 thousand included above, mainly relate to corporate loans and advances in the hotels and catering industry.

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)

Provisions for impairment

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	**Total**
30 June 2014	€000	€000	€000	€000	€000	€000	**€000**
Individual impairment	434.218	9.045	13.711	4.910	8.636	-	**470.520**
Collective impairment	191.689	-	8.240	32	1.709	-	**201.670**
	625.907	**9.045**	**21.951**	**4.942**	**10.345**	**-**	**672.190**
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**

There are no provisions for impairment for rescheduled loans and advances which are classified as held for sale as at 30 June 2014.

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 banking unit are responsible for managing liquidity in their respective unit. Group Treasury is responsible for liquidity management at Group level and for overseeing the operations of each banking unit, to ensure compliance with internal and regulatory liquidity policies and provide direction as to the actions to be taken regarding liquidity availability. Every unit targets to finance its own needs in the medium term. Group Treasury assesses on a continuous basis, and 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 (both banknote balances, nostro balances and any overnight money market balances). 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.

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 June 2014	31 December 2013
	%	%
30 June 2014/31 December 2013	**12,52**	12,28
Average ratio	**12,85**	11,16
Highest ratio	**14,24**	14,42
Lowest ratio	**12,11**	8,69

Average ratios are calculated as the average of opening balance and closing balance on a quarterly.basis.

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

The liquidity ratios remained at low levels due to the continued economic crisis in Cyprus, the bail-in and the outflow of deposits.

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

Liquidity ratios (continued)

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

	30 June 2014	31 December 2013
	%	%
30 June 2014/31 December 2013	**148,00**	145,38
Average ratio	**148,11**	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 June 2014, the funding from the ELA amounted to €8,78 billion (31 December 2013: €9,56 billion) (Note 19).

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 regulators.

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 June 2014 and 31 December 2013 is summarised below:

	30 June 2014	31 December 2013
	€000	€000
Cash and other liquid assets	**246.483**	367.080
Other investments	**3.475.516**	3.289.810
Loans and advances to customers	**14.135.929**	15.136.002
Loans and advances held for sale	**239.850**	-
Property	**88.933**	90.181
	18.186.711	18.883.073

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 Central Bank of Cyprus and for covered bonds.

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

Sources of funding (continued)

Cash and other liquid assets include amounts placed with banks as collateral under ISDA agreements of €150.384 thousand (31 December 2013: €221.255 thousand) which are not immediately available for use by the Group, but are released once the transactions are terminated.

Loans and advances indicated as encumbered as at 30 June 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 €1.000.000 thousand 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 or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. It arises as a result of timing differences on the repricing of assets and liabilities.

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.

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.

30. Risk management – Other risks (continued)

Operational risk (continued)

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. 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 Physical & 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.

Due to the occurrence of several events following the Eurogroup decisions in March 2013, a number of challenges were created from an operational risk management perspective, which gave rise to a number of important operational risk drivers. These risk drivers impacted a wide spectrum of the Company's operations. During the first six months of 2014, the major task was the full absorption of the operations of Laiki Bank in Cyprus and the final integration of the information technology systems and data of the Company with those of Laiki Bank.

The day-to-day operational issues arising from the merging, are being addressed by the business lines in consultation and close cooperation with the Operational Risk department and other control functions. Operational Risk Management is monitoring and assessing the potential risks and measures are taken to control and mitigate them. No risks have materialised in loss incidents for the Company from this process. The project of integrating the IT systems and data and migrating all customer and account data has been successfully completed in June 2014.

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 six months ended 30 June 2014, 263 loss events with gross loss over €1.000 each were recorded (corresponding period 2013: 231).

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.

Business Continuity Plans and Disaster Recovery Plans are in place and are being continuously enhanced for all markets in which the Group operates to ensure continuity and 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. 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 and Ukraine.

The sovereign exposure to the above countries was not considered to be impaired as at 30 June 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.

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 5-10 year maturities. 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.

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 June 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 six months ended 30 June 2014 the Group considers that no additional impairment is required.

31. Sovereign exposure (continued)

Credit risk

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

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

	Cyprus	Greece	Italy	Russia	Romania
30 June 2014	€000	€000	€000	€000	€000
Deposits with central banks	168.831	-	-	35.593	3.426
Placements with banks	68.076	19.056	33.629	70.290	206.219
Investments in sovereign debt securities					
- available-for-sale	204	-	53.308	1.997	-
- loans and receivables	2.756.854	-	-	-	-
- fair value through profit or loss	17.235	-	-	-	-
Investments in debt securities of banks and other corporations					
- available-for-sale	3.438	-	-	-	-
- loans and receivables	503	-	-	-	-
- fair value through profit or loss	42	-	-	-	-
Loans and advances to customers (before provisions)	20.677.144	97.853	-	1.303.758	361.472
Assets held for sale	-	-	-	-	95.644
Total on balance sheet	**23.692.327**	**116.909**	**86.937**	**1.411.638**	**666.761**
Contingent liabilities	823.634	245.717	-	2.556	21
Commitments	2.455.097	-	-	130.387	1.053
Total off balance sheet	**3.278.731**	**245.717**	**-**	**132.943**	**1.074**
Total exposure to credit risk	**26.971.058**	**362.626**	**86.937**	**1.544.581**	**667.835**

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 June 2014 the revaluation reserve of available-for-sale investments includes losses amounting to €5.774 thousand (31 December 2013: €5.851 thousand) relating to the above sovereign debt securities and gains amounting to €501 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 €142.937 thousand (31 December 2013: €139.733 thousand). In addition, contingent liabilities and commitments include an amount of €7.492 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 have been 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 June 2014	€000	€000	€000	€000	€000	€000
Cyprus						
- available-for-sale	-	-	171	-	33	**204**
- loans and receivables	1.896.468	199.085	76.180	285.236	299.885	**2.756.854**
- fair value through profit or loss	-	-	147	17.088	-	**17.235**
	1.896.468	**199.085**	**76.498**	**302.324**	**299.918**	**2.774.293**
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 June 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, the directive 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 ratios, changes to the definition of capital and the calculation of risk weighted assets and the introduction of new measures relating to leverage, liquidity and funding. CRR permits a transitional period for certain of the enhanced capital requirements and certain other measures, such as the leverage ratio, which are not expected to be fully implemented until 2018.

The CBC has determined the extent of phasing-in of the transitional provisions relating to Common Equity Tier 1 deductions and on 29 May 2014 set the minimum Common Equity Tier 1 capital ratio at 8%. The CBC will also impose 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 any additional capital requirements which may arise upon the finalisation of the AQR and the EU-wide stress test (Pillar II add-ons).

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/CRR, including the application of the transitional arrangements as set by the CBC.

The Group's capital position on a CRD IV/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 June 2014	31 December 2013 (pro forma)
Regulatory capital	**€000**	€000
Transitional Common Equity Tier 1 (CET1)	**2.546.647**	2.449.878
Transitional Additional Tier capital (AT1)	**-**	-
Tier 2 capital (T2)	**3.287**	45.204
Transitional total regulatory capital	**2.549.934**	2.495.082
Risk weighted assets – credit risk	**20.457.100**	21.468.518
Risk weighted assets – market risk	**5.000**	3.398
Risk weighted assets – operational risk	**2.023.100**	2.057.687
Total risk weighted assets	**22.485.200**	23.529.603
	%	%
Transitional Common Equity Tier 1 (CET1) ratio	**11,3**	10,4
Transitional total capital ratio	**11,3**	10,6

The Group continued to strengthen its capital position with the CET1 ratio increasing to 11,3% primarily driven 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 June 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 June 2014	31 December 2013
	€000	€000
Loans and advances:		
- members of the Board of Directors and other key management personnel	**3.702**	3.224
- connected persons	**707**	526
	4.409	3.750
Deposits:		
- members of the Board of Directors and other key management personnel	**2.862**	1.881
- connected persons	**30.524**	36.536
	33.386	38.417

The above table does not include period or year end balances 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 six months ended 30 June 2014 amounted to €71 thousand and €245 thousand respectively (corresponding period of 2013: €22 thousand and €34 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 €121 thousand (31 December 2013: €231 thousand). There were also contingent liabilities and commitments to other key management personnel and their connected persons amounting to €702 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 June 2014 amounted to €1.616 thousand (31 December 2013: €1.439 thousand).

Transactions with connected persons of the current members of the Board of Directors
During the six months ended 30 June 2014 the Group paid €67 thousand relating to insurance transactions to Universal Insurance Agency Ltd in which Mr Xanthos Vrachas is the CFO (corresponding period of 2013: nil).

Transactions with connected persons of the Directors who resigned during the six months ended 2013
During the six months ended 30 June 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 six months ended 30 June 2013 had the following transactions with connected persons in their capacity as members of the interim board: legal fees amounting to €3 thousand paid to A. Poetis & Sons in which Mr Andreas Poetis is a partner and actuarial fees amounting to €16 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

	Six months ended 30 June	Six months ended 30 June
	2014	2013
Director emoluments	**€000**	€000
Executives		
Salaries and other short term benefits	**422**	271
Termination benefits	**-**	84
Employer's contributions	**23**	17
Retirement benefit plan costs	**55**	12
	500	384
Non-executives		
Fees	**228**	86
Emoluments of a non-executive director who is also an employee of the Company	**-**	82
Total directors' emoluments	**728**	552
Other key management personnel emoluments		
Salaries and other short term benefits	**1.086**	196
Termination benefits	**-**	216
Employer's contributions	**80**	18
Retirement benefit plan costs	**105**	19
Total other key management personnel emoluments	**1.271**	449
Total	**1.999**	1.001

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 six months ended 30 June 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 June 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	Management of venture capital investments	100
Tefkros Investments Ltd	Cyprus	Investment fund	100
Bank of Cyprus Mutual Funds Ltd	Cyprus	Inactive	100
Cytrustees Investment Public Company Ltd	Cyprus	Closed-end investment company	53
Diners Club (Cyprus) Ltd	Cyprus	Club credit card facilities	100
BOC Russia (Holdings) Ltd	Cyprus	Intermediate holding company	80
Finerose Properties Ltd	Cyprus	Financing services	100
Hydrobius Ltd	Cyprus	Special purpose entity	-
Laiki Capital Public Co Ltd	Cyprus	Holding company	67
Laiki Financial Services Ltd	Cyprus	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	Commercial bank	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 (formerly BOC Advances Ltd)	United Kingdom	Commercial bank	100
BOC Financial Services Ltd	United Kingdom	Financial advice on investment products and life insurance	100
Misthosis Funding Plc	United Kingdom	Special purpose entity	-
Misthosis Funding (Holding) Ltd	United Kingdom	Special purpose entity	-
Bank of Cyprus (Channel Islands) Ltd	Channel Islands	Commercial bank	100
Tefkros Investments (CI) Ltd	Channel Islands	Investment fund	100
Bank of Cyprus Romania (branch of the Company)	Romania	Commercial bank	N/A
Cyprus Leasing Romania IFN SA	Romania	Leasing	100
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 June 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 and Salecom 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 and Frozenport 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 June 2014 the following subsidiaries were in the process of dissolution: Limestone Properties Ltd, Samarinda Navigation Co. Ltd, Turnmill Properties Ltd, Fairford Properties Ltd, Inverness Properties 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.

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 were based on a provisional assessment of their fair value. 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 classified 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 €1,00 each)	**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 amounts to €8.659.000 thousand. The gross amount of loans and advances to customers before fair value adjustment on initial recognition is €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 is €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	**(3,2)**

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)**

36. Investments in associates and joint ventures

Carrying value of the investment

	30 June 2014	31 December 2013
	€000	€000
CNP Cyprus Insurance Holdings Ltd	**104.538**	98.324
Marfin Diversified Strategy Fund Plc	**94.014**	94.407
Byron Capital Partners Ltd	**5.322**	5.322
Interfund Investments Plc	**2.987**	3.000
Aris Capital Management LLC	**2.078**	2.078
Rosequeens Properties SRL	**-**	-
Grand Hotel Enterprises Society Ltd	**-**	-
	208.939	203.131

The Group's investments in associates comprise of CNP Cyprus Insurance Holdings Ltd, Aris Capital Management LLC (shareholding 49,90%, and 30,00% respectively), Interfund Investments Plc (shareholding of 23,12%), Grand Hotel Enterprises Society Ltd (shareholding of 35,29%) and Rosequeens Properties SRL (shareholding 33,33%). The carrying value of Rosequeens Properties SRL and Grand Hotel Enterprises Society Ltd is restricted to zero. On 20 August 2014 the Group has signed an agreement to sell its holding of 35,29% in its associate Grand Hotel Enterprises Society Ltd (Note 38.3).

The Group's investments in joint venture 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 70,00%) and MDSF (shareholding approximately 90% of the units of the fund).

37. Other information

The total capital expenditure of the Group for the six months ended 30 June 2014 amounted to €11.980 thousand (corresponding period of 2013: €35.365 thousand).

38. Events after the reporting date

38.1 Release of twelve-month and nine-month time deposits

On 31 July 2014, the Company released the twelve-month time deposits of about €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 clients' 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 will be subject to the restrictive measures relating to overseas transfers currently applicable in the Cypriot banking system.

38.2 Share capital increase

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) will be 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.

38. Events after the reporting date (continued)

38.2 Share capital increase (continued)

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 €4.767.759.272,00, divided into 4.767.759.272 ordinary shares with a nominal value of €1,00 each, to €476.775.927,20 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 €4.755.710.678,00, divided into 4.755.710.678 fully paid ordinary shares with a nominal value of EUR 1,00 each, to €475.571.067,80 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 €4.280.139.610,20 corresponding to the amount cancelled from Company's paid up share capital, an amount of €2.327.654.000,00 for writing off accumulated losses of the Company and an amount of €1.952.485.610,20 for the creation of a capital reduction reserve fund, in accordance with paragraph (e) of subsection (1) of section 64 of the Companies Law.
- The increase of the authorised share capital of the Company from €476.775.927,20 divided into 4.767.759.272 ordinary shares with a nominal value of €0,10 each to €4.767.759.272,00 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 abovementioned 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 €416.666.666,70 (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.

38. Events after the reporting date (continued)

38.2 Share capital increase (continued)

The EGM also approved the following:

- The relevant resolutions regarding the issue and allotment of ordinary shares in the Company up to an aggregate nominal amount of €41.666.666,70 (equivalent to 416.666.667 ordinary shares of €0,10 each in the share capital of the Company) in connection with and/or for the implementation of the Retail Offer at a subscription price per ordinary share of €0,24 was approved.

- 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 holders of the shares representing the 87,47% of the existing ordinary shares voted at the EGM.

The closing of the Placing and Open Offer remains subject to the approval of the reduction of the nominal value of the ordinary shares of the Bank by the District Court of Nicosia and the filing of this court approval (the "Court Order") with the Department of the Registrar of Companies and Official Receiver.

On 29 August 2014 the District Court of Nicosia has issued an order approving the reduction of the nominal value of the ordinary shares of the Company.

In addition to the above, in phase 3 following the approval and publication of a prospectus, the Company will make available a further €100 million of newly issued shares (in addition to those sold in phases 1 and 2) for subscription by all other existing shareholders prior to any relisting of the shares on the Cyprus Stock Exchange and the Athens Exchange (subject to necessary regulatory approvals).

38.3 Agreement for the sale of assets in Romania

On 20 August 2014, as part of its strategy of focusing on core business, the Group has signed an agreement to sell 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 comprise (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 is €95 million. The accounting loss from the transaction is approximately €1 million. The sale is subject to the fulfilment of specific conditions stipulated in the agreement and is estimated to take place no later than the end of October 2014.

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Building a better working world

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

Introduction

We have reviewed the interim condensed consolidated financial statements of Bank of Cyprus Public Company Ltd (the 'Company') and its subsidiaries (together with the Company the 'Group') on pages 17 to 104, which comprise the interim consolidated balance sheet as at 30 June 2014, the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, the interim consolidated statements of income and comprehensive income for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance International Financial Reporting Standards applicable to interim financial reporting, IAS 34 Interim Financial Reporting ("IAS 34") as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Basis for Qualified Conclusion

These interim condensed consolidated financial statements do not include comparative statements of the consolidated income statement and the consolidated other comprehensive income for the comparable interim period of the immediately preceding financial year (i.e. from 1 April 2013 to 30 June 2013).

Qualified Conclusion

Based on our review, except for the matter described under the "Basis for qualified conclusion" paragraph, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting'.

Emphasis of matter

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

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
29 August 2014

Financial Information for the Period from 1 January 2014 to 30 June 2014

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

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

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

Members of the Board of Directors: Christis Hassapis (Chairman), Vladimir Strzhalkovskiy (Vice Chairman), Anjelica Anshakova, Dmitry Chichikashvili, Marinos Gialelis, Marios Kalochoritis, Konstantinos Katsaros, Eriskhan Kurazov, Adonis Papaconstantinou, Anton Smetanin, Xanthos Vrachas, Andreas Yiasemides, Ioannis Zographakis and John Patrick Hourican.

Date of approval of the interim financial statements for the period ended 30 June 2014 by the Board of Directors: 29 August 2014

Independent auditors: Ernst & Young Cyprus Ltd

Type of review report: Qualified conclusion for a departure from the applicable financial reporting framework and emphasis of matter

	Six months ended 30 June		Three months ended 30 June
	2014	2013 (restated and represented)	**2014**
	€000	€000	**€000**
Continuing operations			
Net interest income	**545.968**	418.664	**279.010**
Net Fee and commission income	**87.778**	83.638	**42.499**
Net foreign exchange (losses)/gains	**(2.379)**	(16.699)	**3.192**
Net gains/(losses) on financial instrument transactions	**160.523**	(9.307)	**140.953**
Insurance income net of claims and commissions	**25.048**	38.864	**11.922**
Other income/(expenses)	**7.602**	(28.118)	**7.111**
	824.540	487.042	**484.687**
Staff costs	**(135.398)**	(192.322)	**(67.942)**
Other operating expenses	**(130.769)**	(120.226)	**(69.726)**
Operating profit before impairment of loans and advances to customers	**558.373**	174.494	**347.019**
Provisions for impairments of loans and advances to customers	**(329.120)**	(532.496)	**(182.655)**
Profit/(loss) before share of profit from associates and joint ventures	**229.253**	(358.002)	**164.364**
Share of profit from associates and joint ventures	**4.111**	353	**1.976**
Profit /(loss) before tax from continuing operations	**233.364**	(357.649)	**166.340**
Tax	**(9.591)**	2.489	**(7.359)**
Profit/(loss) after tax from continuing operations	**223.773**	(355.160)	**158.981**
Discontinued operations			
Loss after tax from discontinued operations	**(150.215)**	(1.456.804)	**(114.228)**
Profit/(loss) for the period	**73.558**	(1.811.964)	**44.753**

Attributable to:			
Owners of the Company - continuing operations	**231.600**	(349.818)	**164.343**
Owners of the Company - discontinued operations	**(150.176)**	(1.456.804)	**(114.228)**
Total profit/(loss) attributable to the owners of the Company	**81.424**	(1.806.622)	**50.115**
Non-controlling interests - continuing operations	**(7.827)**	(5.342)	**(5.362)**
Non-controlling interests - discontinued operations	**(39)**	-	**-**
Profit/(loss) for the period	**73.558**	(1.811.964)	**44.753**

Basic and diluted earnings/(losses) per share (€) – continuing operations	**0,0489**	(0,1452)	**0,0347**
Basic and diluted earnings/(losses) per share (€)	**0,0172**	(0,7500)	**0,0106**

Profit/(loss) for the period	**73.558**	(1.811.964)	**44.753**
Other comprehensive income/(loss) after tax	**2.592**	(10.644)	**9.553**
Total comprehensive income/(loss) for the period	**76.150**	(1.822.608)	**54.306**

Attributable to:			
Owners of the Company	**84.759**	(1.815.143)	**58.797**
Non-controlling interests	**(8.609)**	(7.465)	**(4.491)**
Total comprehensive income/(loss) for the period	**76.150**	(1.822.608)	**54.306**

No comparative information has been presented for the three months ended 30 June 2014 since, due to the increased level of uncertainty and changes which were prevailing at the time of the Eurogroup events in March 2013 there was no reliable information available about the Group's financial position at 1 April 2013.

	Notes	**30 June 2014**	31 December 2013 (restated)
		€000	€000
Assets			
Cash and balances with central banks		**859.438**	1.240.043
Placements with banks		**1.114.448**	1.290.102
Investments	3	**2.866.059**	2.759.855
Investments pledged as collateral	3	**671.984**	672.809
Derivative financial assets		**5.949**	28.765
Loans and advances to customers		**20.063.034**	21.764.338
Life insurance business assets attributable to policyholders		**460.366**	443.579
Property and equipment		**366.385**	414.404
Intangible assets		**135.107**	130.580
Assets held for sale		**391.783**	-
Other assets		**1.414.672**	1.401.833
Investments in associates and joint ventures		**208.939**	203.131
Total assets		**28.558.164**	30.349.439
Liabilities			
Amounts due to banks		**219.186**	196.422
Funding from central banks		**10.184.574**	10.956.277
Repurchase agreements		**582.646**	594.004
Derivative financial liabilities		**82.496**	83.894
Customer deposits		**13.802.750**	14.971.167
Insurance liabilities		**574.966**	551.829
Debt securities in issue		**4.919**	1.515
Other liabilities	4	**287.984**	251.979
Subordinated loan stock		**4.718**	4.676
Total liabilities		**25.744.239**	27.611.763
Equity			
Share capital		**4.755.711**	4.683.985
Shares subject to interim orders		**297**	58.922
Revaluation and other reserves		**79.178**	72.251
Accumulated losses		**(2.086.954)**	(2.151.835)
Equity attributable to owners of the Company		**2.748.232**	2.663.323
Non-controlling interests		**65.693**	74.353
Total equity		**2.813.925**	2.737.676
Total liabilities and equity		**28.558.164**	30.349.439

	Six months ended 30 June	
	2014	2013
	€000	€000
Total equity at 1 January	**2.730.594**	335.275
Finalisation of accounting for Laiki Bank acquisition	**7.082**	-
Total equity at 1 January (restated)	**2.737.676**	335.275
Profit/(loss) for the period	**73.558**	(1.811.964)
Other comprehensive income/(loss) for the period	**2.592**	(10.644)
Bail-in of deposits and structured products	**150**	3.786.624
Disposal of subsidiary	**(51)**	-
Bail-in of Convertible Bonds 2013/2018, Capital Securities 12/2007 and Convertible Capital Securities	**-**	122.535
Shares subject to interim orders	**-**	60.182
Acquisitions	**-**	462.462
Total equity at 30 June	**2.813.925**	2.944.470

	Six months ended 30 June		Three months ended 30 June
	2014	2013 (restated)	**2014**
	€000	€000	**€000**
Profit / (loss) for the period	**73.558**	(1.811.964)	**44.753**
Foreign currency translation differences	**40.327**	1.867	**54.590**
Available-for-sale investments	**(38.056)**	1.071	**(45.348)**
Property revaluation	**321**	(13.582)	**311**
Total comprehensive income / (loss) for the period	**76.150**	(1.822.608)	**54.306**

No comparative information has been presented for the three months ended 30 June 2014 since, due to the increased level of uncertainty and changes which were prevailing at the time of the Eurogroup events in March 2013 there was no reliable information available about the Group's financial position at 1 April 2013.

	Six months ended 30 June	
	2014	2013 (restated and represented)
	€000	€000
Net cash flow from / (used in) operating activities	**716.473**	(2.835.286)
Net cash flow from investing activities	**230.067**	1.018.605
Net cash flow (used in) / from financing activities	**(849.963)**	1.919.977
Net increase in cash and cash equivalents for the period	**96.577**	103.296
Exchange adjustments	**(4.489)**	9.119
Total cash inflow for the period	**92.088**	112.415
Cash and cash equivalents at 1 January	**1.463.243**	1.337.956
Cash and cash equivalents at 30 June	**1.555.331**	1.450.371

Extracts from the Interim Income Statement and Statement of Comprehensive Income

	Six months ended 30 June		Three months ended 30 June
	2014	2013 (restated and represented)	**2014**
	€000	€000	**€000**
Continuing operations			
Net interest income	**526.462**	371.084	**284.691**
Net fee and commission income	**70.156**	61.477	**32.207**
Net foreign exchange (losses)/gains	**(3.247)**	(23.913)	**3.204**
Net gains/(losses) on financial instrument transactions	**125.129**	(8.704)	**105.827**
Other expenses	**(7.825)**	(7.680)	**(5.482)**
	710.675	392.264	**420.447**
Staff costs	**(102.173)**	(145.031)	**(51.427)**
Other operating expenses	**(95.277)**	(83.049)	**(54.542)**
Operating profit before impairment of loans and advances to customers	**513.225**	164.184	**314.478**
Provisions for impairment of loans and advances to customers	**(284.816)**	(482.087)	**(160.977)**
Profit/(loss) before tax from continuing operations	**228.409**	(317.903)	**153.501**
Tax	**(1.001)**	5.072	**(1)**
Profit/(loss) after tax from continuing operations	**227.408**	(312.831)	**153.500**
Discontinued operations			
Loss after tax from discontinued operations	**(16.863)**	(1.324.456)	**-**
Profit/(loss) for the period	**210.545**	(1.637.287)	**153.500**

Basic and diluted earnings/(losses) per share (€) - continuing	**0,0478**	(0,1324)	**0,0323**
Basic and diluted earnings/(losses) per share (€)	**0,0443**	(0,6928)	**0,0323**

Profit/(loss) for the period	**210.545**	(1.637.287)	**153.500**
Other comprehensive income/(loss) after tax	**(37.307)**	(199.493)	**(51.373)**
Total comprehensive income/(loss) for the period	**173.238**	(1.836.780)	**102.127**

No comparative information has been presented for the three months ended 30 June 2014 since, due to the increased level of uncertainty and changes which were prevailing at the time of the Eurogroup events in March 2013 there was no reliable information available about the Group's financial position at 1 April 2013.

		30 June 2014	31 December 2013 (restated)
	Notes	**€000**	€000
Assets			
Cash and balances with central banks		**251.133**	550.740
Placements with banks		**892.106**	1.064.654
Investments	3	**2.827.223**	2.722.328
Investments pledged as collateral	3	**671.984**	672.809
Derivative financial assets		**5.928**	28.723
Loans and advances to customers		**18.342.695**	19.714.705
Group intercompany accounts		**933.709**	1.115.708
Investments in Group companies		**442.335**	442.335
Investments in associates and joint ventures		**204.777**	204.777
Property and equipment		**224.968**	243.908
Intangible assets		**15.573**	16.975
Assets held for sale		**363.623**	-
Other assets		**1.000.752**	904.507
Total assets		**26.176.806**	27.682.169
Liabilities			
Amounts due to banks		**161.607**	124.152
Funding from central banks		**10.184.574**	10.956.277
Repurchase agreements		**582.646**	594.004
Derivative financial liabilities		**82.374**	83.957
Customer deposits		**11.716.091**	12.745.743
Group intercompany accounts		**616.442**	563.579
Debt securities in issue		**675**	674
Other liabilities	4	**200.175**	154.949
Total liabilities		**23.544.584**	25.223.335
Equity			
Share capital		**4.755.711**	4.683.985
Shares subject to interim orders		**297**	58.922
Revaluation and other reserves		**24.075**	43.086
Accumulated losses		**(2.147.861)**	(2.327.159)
Total Equity		**2.632.222**	2.458.834
Total liabilities and equity		**26.176.806**	27.682.169

	Six months ended 30 June	
	2014	2013
	€000	€000
Total equity at 1 January	**2.451.752**	259.445
Finalisation of accounting for Laiki Bank acquisition	**7.082**	-
Total equity at 1 January (restated)	**2.458.834**	259.445
Profit/(loss) for the period	**210.545**	(1.637.287)
Other comprehensive loss for the period	**(37.307)**	(199.493)
Bail-in of deposits and structured products	**150**	3.806.144
Bail-in of Convertible Bonds 2013/2018, Capital securities 12/2007 and Convertible Capital Securities	**-**	122.535
Shares subject to interim orders	**-**	60.182
Acquisitions	**-**	424.949
Total equity at 30 June	**2.632.222**	2.836.475

	Six months ended 30 June		Three months ended 30 June
	2014	2013	**2014**
	€000	€000	**€000**
Profit / (loss) for the period	**210.545**	(1.637.287)	**153.500**
Foreign currency translation differences	**1.371**	1.234	**(6.308)**
Available-for-sale investments	**(38.678)**	(368)	**(45.065)**
Investments in Group Companies	**-**	(189.588)	**-**
Property revaluation	**-**	(10.771)	**-**
Total comprehensive income / (loss) for the period	**173.238**	(1.836.780)	**102.127**

No comparative information has been presented for the three months ended 30 June 2014 since, due to the increased level of uncertainty and changes which were prevailing at the time of the Eurogroup events in March 2013 there was no reliable information available about the Group's financial position at 1 April 2013.

	Six months ended 30 June	
	2014	2013 (restated and represented)
	€000	€000
Net cash flow from / (used in) in operating activities	**525.693**	(1.904.778)
Net cash flow from / (used in) investing activities	**277.211**	(154.079)
Net cash flow (used in) / from financing activities	**(849.922)**	2.008.398
Net decrease in cash and cash equivalents for the period	**(47.018)**	(50.459)
Exchange adjustments	**(90.248)**	26.769
Total cash outflow for the period	**(137.266)**	(23.690)
Cash and cash equivalents at 1 January	**900.181**	993.410
Cash and cash equivalents at 30 June	**762.915**	969.720

1. The Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2014 have been prepared in accordance with the International Accounting Standard applicable to interim financial reporting as adopted by the European Union ('IAS 34').

2. The accounting policies adopted for the preparation of the Interim Condensed Consolidated Financial Statements for the six months ended 30 June 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)

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

	30 June 2014	31 December 2013
Group	**€000**	€000
Investments		
Investments at fair value through profit or loss	**30.087**	25.160
Investments available-for-sale	**78.615**	161.258
Investments classified as loans and receivables	**2.757.357**	2.573.437
	2.866.059	2.759.855
Investments pledged as collateral		
Investments available-for-sale	**671.984**	672.809
	3.538.043	3.432.664

	30 June 2014	31 December 2013
Company	**€000**	€000
Investments		
Investments at fair value through profit or loss	**19.338**	16.973
Investments available-for-sale	**50.725**	132.115
Investments classified as loans and receivables	**2.757.160**	2.573.240
	2.827.223	2.722.328
Investments pledged as collateral		
Investments available-for-sale	**671.984**	672.809
	3.499.207	3.395.137

4. Other liabilities at 30 June 2014 include provisions for pending litigation or claims of €63.847 thousand for the Group and €55.028 thousand for the Company and other provisions of €16.542 thousand for the Group and €14.874 thousand for the Company. The Group's provision for pending litigation or claims at 30 June 2014 is set out in Note 22 of the interim condensed consolidated financial statements. There are no other significant pending litigation, claims or assessments against the Group, the outcome of which would have a material effect on the Group's financial position or operations.

5. The number of persons employed by the Group at 30 June 2014 was 6.747 (31 December 2013: 7.752) and by the Company was 4.037 (31 December 2013: 4.061).

6. Shares of the Company held by entities controlled by the Group and by associates (including shares that are held by life insurance subsidiary which holds the shares as part of financial assets that are invested for the benefit of insurance policyholders) at 30 June 2014 were 36.798 thousand and their cost of acquisition was €109.514 thousand.

7. The Group subsidiaries, branches and associates as at 30 June 2014 and the method of consolidation used are set out in Note 34 of the interim condensed consolidated financial statements.

8. Related party transactions:

(a) Loans and other advances to members of the Board of Directors and key management personnel: €3.702 thousand for the Group and the Company.

(b) Loans and other advances to other connected persons: €707 thousand for the Group and €934.416 thousand for the Company.

(c) Contingent liabilities and commitments (mainly documentary credits, guarantees and commitments to lend): €823 thousand for the Group and the Company.

(d) Deposits by members of the Board of Directors and key management personnel: €2.862 thousand for the Group and the Company.

(e) Deposits by other connected persons: €30.524 thousand for the Group and €646.966 thousand for the Company.

(f) Interest income: €71 thousand for the Group and €14.845 thousand for the Company.

(g) Interest expense: €245 thousand for the Group and €3.506 thousand for the Company.

(h) Remuneration and other transactions of members of the Board of Directors, key management personnel and connected persons: €2.066 thousand for the Group and €1.824 thousand for the Company.

9. Other information

The total capital expenditure of the Group for the six months ended 30 June 2014 amounted to €11.980 thousand.

On 4 April 2014 Mr Marios Yiannas resigned from the Board of Directors.

10. Events after the reporting date

Release of twelve-month and nine-month time deposits

On 31 July 2014, the Company released the twelve-month time deposits of about €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 clients' 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 will be subject to the restrictive measures relating to overseas transfers currently applicable in the Cypriot banking system.

Share capital increase

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.

10. Events after the reporting date (continued)

Share capital increase (continued)

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) will be 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 €4.767.759.272,00, divided into 4.767.759.272 ordinary shares with a nominal value of €1,00 each, to €476.775.927,20 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 €4.755.710.678,00, divided into 4.755.710.678 fully paid ordinary shares with a nominal value of EUR 1,00 each, to €475.571.067,80 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 €4.280.139.610,20 corresponding to the amount cancelled from Company's paid up share capital, an amount of €2.327.654.000,00 for writing off accumulated losses of the Company and an amount of €1.952.485.610,20 for the creation of a capital reduction reserve fund, in accordance with paragraph (e) of subsection (1) of section 64 of the Companies Law.
- The increase of the authorised share capital of the Company from €476.775.927,20 divided into 4.767.759.272 ordinary shares with a nominal value of €0,10 each to €4.767.759.272,00 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 abovementioned resolutions to become effective.

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

10. Events after the reporting date (continued)

Share capital increase (continued)

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 €416.666.666,70 (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 EGM also approved the following:

- The relevant resolutions regarding the issue and allotment of ordinary shares in the Company up to an aggregate nominal amount of €41.666.666,70 (equivalent to 416.666.667 ordinary shares of €0,10 each in the share capital of the Company) in connection with and/or for the implementation of the Retail Offer at a subscription price per ordinary share of €0,24 was approved.
- 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 holders of the shares representing the 87,47% of the existing ordinary shares voted at the EGM.

The closing of the Placing and Open Offer remains subject to the approval of the reduction of the nominal value of the ordinary shares of the Bank by the District Court of Nicosia and the filing of this court approval (the "Court Order") with the Department of the Registrar of Companies and Official Receiver.

In addition to the above, in phase 3 following the approval and publication of a prospectus, the Company will make available a further €100 million of newly issued shares (in addition to those sold in phases 1 and 2) for subscription by all other existing shareholders prior to any relisting of the shares on the Cyprus Stock Exchange and the Athens Exchange (subject to necessary regulatory approvals).

Agreement for the sale of assets in Romania

On 20 August 2014, as part of its strategy of focusing on core business, the Group has signed an agreement to sell 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 comprise (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 is €95 million. The accounting loss from the transaction is approximately €1 million. The sale is subject to the fulfilment of specific conditions stipulated in the agreement and is estimated to take place no later than the end of October 2014.

Additional Risk Disclosures 30 June 2014

Bank of Cyprus Group

Credit risk

Non-performing loans analysis

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

The Directive requires certain disclosures in relation to the loan portfolio quality, provisioning policy and levels of provision. The Directive is effective as from 21 February 2014. The disclosures required by the Directive, in addition to those presented in Notes 5 and 28 of the interim condensed consolidated financial statements, are set out in the following tables.

Credit risk (continued)

Non-performing loans analysis (continued)

The analysis of non performing loans for 30 June 2014 and 31 December 2013 is presented below:

30 June 2014	Total loans and advances	Performing loans and advances			Non–performing credit facilities
		Not restructured loans and advances	Restructured loans and advances	Total	
	€000	€000	€000	€000	€000
Corporate legal entities	**13.830.296**	**3.318.694**	**1.102.015**	**4.420.709**	**9.409.587**
Construction	3.713.386	388.945	185.259	574.204	3.139.182
Real estate activities	2.838.307	714.955	284.932	999.887	1.838.420
Wholesale and retail trade	1.961.703	713.270	154.396	867.666	1.094.037
Accommodation and food service activities	1.583.047	368.912	156.417	525.329	1.057.718
Electricity, gas, steam and air-conditioning supply	34.692	31.352	1.106	32.458	2.234
All other sectors	3.699.161	1.101.260	319.905	1.421.165	2.277.996
Retail legal entities	**2.542.119**	**1.092.818**	**184.731**	**1.277.549**	**1.264.570**
Wholesale and retail trade	641.431	305.090	41.069	346.159	295.272
Real estate activities	577.463	281.853	45.142	326.995	250.468
Construction	379.957	84.446	36.660	121.106	258.851
Manufacturing	218.065	88.178	17.197	105.375	112.690
Service activities	185.066	99.714	7.379	107.093	77.973
All other sectors	540.137	233.537	37.284	270.821	269.316
Private individuals	**8.927.133**	**3.976.285**	**1.043.564**	**5.019.849**	**3.907.284**
Credit facilities for the purchase/construction of immovable property:	5.741.671	2.724.806	848.208	3.573.014	2.168.657
a) Owner occupied	3.284.239	1.620.581	505.654	2.126.235	1.158.004
b) For other purposes	2.457.432	1.104.225	342.554	1.446.779	1.010.653
Consumer loans	1.937.020	627.905	152.084	779.989	1.157.031
Credit cards	258.850	179.612	596	180.208	78.642
Current accounts	326.385	174.556	392	174.948	151.437
Credit facilities to sole traders	663.207	269.406	42.284	311.690	351.517
Total credit facilities	**25.299.548**	**8.387.797**	**2.330.310**	**10.718.107**	**14.581.441**
Provisions for impairment and fair value adjustment on initial recognition	**4.878.591**	**314.143**	**54.726**	***368.869**	**4.509.722**

Note: Amounts shown in the table above include loans and advances classified as held for sale.

Credit risk (continued)

Non-performing loans analysis (continued)

31 December 2013	Total loans and advances	Performing loans and advances			Non–performing credit facilities
		Not restructured loans and advances	Restructured loans and advances	Total	
	€000	€000	€000	€000	€000
Corporate legal entities	**15.266.210**	**4.203.624**	**1.557.962**	**5.761.586**	**9.504.624**
Construction	3.907.905	549.940	367.869	917.809	2.990.096
Real estate activities	3.593.805	929.725	493.858	1.423.583	2.170.222
Wholesale and retail trade	2.137.664	845.171	192.590	1.037.761	1.099.903
Accommodation and food service activities	1.690.995	512.491	159.310	671.801	1.019.194
Electricity, gas, steam and air-conditioning supply	42.834	33.786	6.068	39.854	2.980
All other sectors	3.893.007	1.332.511	338.267	1.670.778	2.222.229
Retail legal entities	**2.213.934**	**1.100.741**	**160.552**	**1.261.293**	**952.641**
Wholesale and retail trade	578.497	301.280	40.016	341.296	237.201
Real estate activities	440.719	266.185	34.319	300.504	140.215
Construction	289.686	81.568	32.430	113.998	175.688
Manufacturing	219.216	100.393	14.655	115.048	104.168
Service activities	128.116	82.825	5.030	87.855	40.261
All other sectors	557.700	268.490	34.102	302.592	255.108
Private individuals	**9.263.175**	**4.381.322**	**1.297.049**	**5.678.371**	**3.584.804**
Credit facilities for the purchase/construction of immovable property:	5.838.484	2.891.360	1.039.616	3.930.976	1.907.508
a) Owner occupied	3.327.578	1.695.059	623.521	2.318.580	1.008.998
b) For other purposes	2.510.906	1.196.301	416.095	1.612.396	898.510
Consumer loans	2.193.821	793.097	205.706	998.803	1.195.018
Credit cards	276.201	198.150	376	198.526	77.675
Current accounts	361.555	207.226	1.039	208.265	153.290
Credit facilities to sole traders	593.114	291.489	50.312	341.801	251.313
Total credit facilities	**26.743.319**	**9.685.687**	**3.015.563**	**12.701.250**	**14.042.069**
Provisions for impairment and fair value adjustment on initial recognition	**4.978.981**	**432.747**	**100.372**	***533.119**	**4.445.862**

* The provisions for impairment and fair value adjustment on initial recognition for performing loans, relate to collective provision and fair value adjustment on initial recognition of loans following Laiki acquisition.

Credit risk (continued)

Non-performing loans analysis (continued)

The above tables present the Non-Performing Loans ('NPLs'). These are defined in the Directive issued by the Central Bank of Cyprus for the 'Definition of Non-performing and Restructured Credit Facilities', which became effective as of 1 July 2013.

In accordance with the Directive, a customer is classified as an NPL if:

- It is in arrears of interest or capital or any other charges for a period of more than 90 days.
- It is in excess of its contractual limit on a continuous basis for a period of more than 90 days.
- It has been restructured and at the time of restructuring was classified as NPL or was in arrears/excess for a period of more than 60 days or has been restructured twice within a period of 18 months.

Restructured loans remain as NPLs for six months following the commencement of the new repayment schedule of capital instalments or in the case of gradually increasing instalments, six months from the first month from which the higher instalment is due. In the case of lump-sum payments at maturity, the loan remains as an NPL until its maturity.

NPLs amounted to €14.581 million as at 30 June 2014 (31 December 2013: €14.042 million) and accounted for 58% (31 December 2013: 53%) of gross loans.

As at 30 June 2014 and 31 December 2013, the NPL ratio comprises of two components: restructured loans that are less than 90 days past due and loans that are more than 90 days past due or restructured loans that are more than 90 days past due.

Breakdown of New definition Non-performing loans	**30 June 2014**		**31 December 2013**	
	€ million	% of gross loans	€ million	% of gross loans
Loans restructured and less than 90 days past due	2.357	9%	1.682	6%
Loans more than 90 days past due or loans restructured and more than 90 days past due	12.224	49%	12.360	47%
Non-performing loans	**14.581**	**58%**	**14.042**	**53%**

Liquidity risk and funding

Encumbered and unencumbered assets

The tables below present an analysis of the Group's encumbered and unencumbered assets as at 30 June 2014 and 31 December 2013 and the extent to which these assets are currently pledged for funding purposes.

An asset is classified as encumbered if it has been pledged as collateral against an existing liability and as a result is no longer available to the Group for further collateral or liquidity requirements. The total encumbered assets of the Group amounted to €18.186.711 thousand as at 30 June 2014 (31 December 2013: €18.883.073 thousand). These primarily consist of loans and advances to customers, investments in debt securities, primarily Cyprus Government bonds, and property. These are mainly pledged for the CBC funding facilities under Eurosystem monetary policy operations and Emergency Liquidity Assistance (Note 19 of the interim condensed consolidated financial statements) and for covered bonds. Investments in debt securities are also used as collateral for repurchase transactions as well as for covered bonds (Note 21 of the interim condensed consolidated financial statements). Encumbered assets include cash and other liquid assets placed with banks as collateral under ISDA agreements which are not immediately available for use by the Group but are released once the transactions are terminated. Cash is mainly used to cover collateral required for (i) derivatives and repurchase transactions under CSA and repurchase agreements, and (ii) for trade finance transactions and guarantees issued.

In addition, bonds guaranteed by the Cyprus government amounting to €1.000.000 thousand are pledged as collateral for obtaining funding from the CBC (Note 21 of the interim condensed consolidated financial statements). 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 tables below.

An asset is categorised as unencumbered if it has not been pledged against an existing liability. Unencumbered assets are further analysed into those that are available and can be pledged and those that are not readily available to be pledged.

As at 30 June 2014, the Group held €4.272.846 thousand (31 December 2013: €4.889.779 thousand) of unencumbered assets that can be pledged and can be used to support potential liquidity funding needs. Such assets include loans and advances which are less than 90 days past due. Customer loans of overseas subsidiaries and branches cannot be pledged with the CBC as collateral for Emergency Liquidity Assistance. Moreover, for some of the overseas subsidiaries and branches, these assets are only available to be pledged for other purposes for the needs of the particular subsidiary/branch and not to provide liquidity to any other party of the Group. Balances with central banks are reported as unencumbered which can be pledged, to the extent that there is excess available over the minimum reserve requirement. The minimum reserve requirement is reported as unencumbered asset not readily available as collateral.

As at 30 June 2014, the Group held €4.251.161 thousand (31 December 2013: €4.928.875 thousand) of unencumbered assets, that are not readily available to be pledged for funding requirements as per their current form. These primarily consist of loans and advances which are prohibited by contract or law to be encumbered or are over 90 days past due or for which there are pending litigations or other legal actions against the customer, a proportion of which would be suitable for use in secured funding structures but are conservatively classified as not readily available for collateral. Properties whose legal title has not been transferred to the name of the Company or the subsidiary, are not considered to be readily available as collateral.

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

Liquidity risk and funding (continued)

Encumbered and unencumbered assets (continued)

The carrying values of encumbered and unencumbered assets of the Group as at 30 June 2014 and 31 December 2013 are summarised below:

30 June 2014	Encumbered	Unencumbered		**Total**
	Pledged as collateral	which can be pledged	which are not readily available to be pledged	
	€000	€000	€000	**€000**
Cash and bank placements	246.483	1.303.140	424.263	1.973.886
Investments	3.475.516	38.052	24.475	3.538.043
Loans and advances	14.135.929	2.315.290	3.611.815	20.063.034
Loans and advances held for sale	239.850	-	118.073	357.923
Property	88.933	616.364	72.535	777.832
Total assets	**18.186.711**	**4.272.846**	**4.251.161**	**26.710.718**
Bonds guaranteed by the Cyprus government	1.000.000	-	-	1.000.000
Total	**19.186.711**	**4.272.846**	**4.251.161**	**27.710.718**

31 December 2013	Encumbered	Unencumbered		**Total**
	Pledged as collateral	which can be pledged	which are not readily available to be pledged	
	€000	€000	€000	**€000**
Cash and bank placements	367.080	1.604.736	558.329	2.530.145
Investments	3.289.810	218.571	24.012	3.532.393
Loans and advances	15.136.002	2.352.500	4.275.836	21.764.338
Property	90.181	713.972	70.698	874.851
Total assets	**18.883.073**	**4.889.779**	**4.928.875**	**28.701.727**
Bonds guaranteed by the Cyprus government	1.000.000	-	-	1.000.000
Total	**19.883.073**	**4.889.779**	**4.928.875**	**29.701.727**

Liquidity risk and funding (continued)

Liquidity reserves

Composition of the liquidity reserves	**30 June 2014**		31 December 2013	
	Liquidity reserves	**Liquidity reserves of which Basel 3 LCR eligible Level 1**	Liquidity reserves	Liquidity reserves of which Basel 3 LCR eligible Level 1
	€000	**€000**	€000h	€000
Cash and balances with central banks	**859.269**	**725.420**	1.239.928	1.048.690
Nostro and overnight placements with banks	**480.333**	**-**	461.633	-
Other placements with banks	**39.510**	**-**	115.506	-
Liquid investments	**404.018**	**404.018**	169.076	227.103
Other investments	**15.182**	**-**	59.418	-
Total	**1.798.312**	**1.129.438**	2.045.561	1.275.793

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

Securities reported under ‘Liquidity Reserves’ are shown at market value net of haircut in order to reflect actual liquidity value that can be obtained. The Group only holds LCR Level 1 unencumbered eligible bonds.

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

The Council of Ministers and the Committee on Financial and Budgetary Affairs of the House of Representatives, have approved the issuance of €2.9 billion of guarantees for bonds/loans issued by credit institutions under the ”Granting of Government Guarantees for Loans and/or issuance of Bonds by Credit Institutions Law of 2012”. It is expected that the Group will be able to make use of the above guarantees if the need arises.