



Interim Condensed Consolidated Financial Statements
for the three months ended

31 March 2015

BANK OF CYPRUS GROUP
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for the three months ended 31 March 2015

Contents	Page
Interim Consolidated Income Statement	1
Interim Consolidated Statement of Comprehensive Income	2
Interim Consolidated Balance Sheet	3
Interim Consolidated Statement of Changes in Equity	4
Interim Consolidated Statement of Cash Flows	6
Notes to the Interim Condensed Consolidated Financial Statements	
1. Corporate information	7
2. Operating environment in Cyprus	7
3. Unaudited financial statements	9
4. Basis of preparation	9
5. Accounting policies	9
6. Significant judgements, estimates and assumptions	10
7. Segmental analysis	16
8. Net gains on financial instrument transactions	23
9. Other (expenses)/income, staff costs and other operating expenses	24
10. Impairment/(reversal of impairment) of other financial instruments	25
11. Tax	26
12. Earnings per share	26
13. Investments	27
14. Derivative financial instruments	30
15. Fair value measurement	31
16. Loans and advances to customers	36
17. Non-current assets and disposal groups classified as held for sale	37
18. Other assets	39
19. Amounts due to banks	39
20. Funding from central banks	40
21. Customer deposits	40
22. Debt securities in issue	41
23. Other liabilities	42
24. Share capital	47
25. Cash and cash equivalents	48
26. Analysis of assets and liabilities by expected maturity	50
27. Risk management – Credit risk	51
28. Risk management – Liquidity risk and funding	75
29. Risk management – Market risk	78
30. Capital management	79
31. Related party transactions	80
32. Group companies	82
33. Acquisitions and disposals	84
34. Investments in associates and joint venture	86
35. Events after the reporting date	86
Report to the Board of Directors of Bank of Cyprus Public Company Ltd on the Review of the Interim Condensed Consolidated Financial Statements	87

BANK OF CYPRUS GROUP
Interim Consolidated Income Statement

		Three months ended 31 March	
		2015	2014 (represented)
		€000	€000
	<i>Notes</i>		
Continuing operations			
Turnover		374.076	433.861
Interest income		302.424	352.777
Interest expense		(77.014)	(104.494)
Net interest income		225.410	248.283
Fee and commission income		45.000	42.939
Fee and commission expense		(1.660)	(1.817)
Net foreign exchange losses		(2.984)	(6.251)
Net gains on financial instruments transactions	8	41.758	19.857
Insurance income net of claims and commissions		11.887	13.126
Other (expenses)/income	9	(4.700)	314
		314.711	316.451
Staff costs	9	(59.098)	(58.067)
Other operating expenses	9	(51.138)	(51.538)
Profit before impairment of loans and advances to customers and other impairments		204.475	206.846
Provisions for impairment of loans and advances to customers and other customer credit losses		(148.189)	(128.908)
Impairment of other financial instruments	10	(813)	(287)
Profit before share of profit from associates and joint ventures		55.473	77.651
Share of profit from associates and joint ventures		1.840	2.135
Profit before tax from continuing operations		57.313	79.786
Tax	11	(7.975)	(2.247)
Profit after tax from continuing operations		49.338	77.539
Discontinued operations			
Loss after tax from discontinued operations	7	(25.692)	(48.734)
Profit for the period		23.646	28.805
Attributable to:			
Owners of the Company - continuing operations	7	49.172	77.501
Owners of the Company - discontinued operations	7	(20.648)	(46.192)
Total profit attributable to the owners of the Company		28.524	31.309
Non-controlling interests - continuing operations	7	166	38
Non-controlling interests - discontinued operations	7	(5.044)	(2.542)
Total loss attributable to non-controlling interests		(4.878)	(2.504)
Profit for the period		23.646	28.805
Basic and diluted earnings per share (€ cent) attributable to the owners of the Company – continuing operations	12	0,55	1,64
Basic and diluted earnings per share (€ cent) attributable to the owners of the Company	12	0,32	0,66

BANK OF CYPRUS GROUP
Interim Consolidated Statement of Comprehensive Income

	Three months ended 31 March	
	2015	2014 (represented)
	€000	€000
Profit for the period	23.646	28.805
Other comprehensive income (OCI)		
<i>OCI to be reclassified in the consolidated income statement in subsequent periods</i>		
Foreign currency translation differences		
Loss on translation of net investment in overseas subsidiaries and branches	(13.463)	(21.893)
Profit on hedging of net investments	13.030	7.630
	(433)	(14.263)
Available-for-sale investments		
Gains on revaluation before tax	3.046	9.218
Transfer to the consolidated income statement on impairment	322	215
Transfer to the consolidated income statement on sale	(435)	(2.148)
Tax	-	7
	2.933	7.292
	2.500	(6.971)
<i>OCI not to be reclassified in the consolidated income statement in subsequent periods</i>		
Property revaluation		
Tax	-	10
	-	10
Other comprehensive income/(loss) after tax	2.500	(6.961)
Total comprehensive income for the period	26.146	21.844
Attributable to:		
Owners of the Company	35.718	25.962
Non-controlling interests	(9.572)	(4.118)
Total comprehensive income for the period	26.146	21.844

BANK OF CYPRUS GROUP
Interim Consolidated Balance Sheet

		31 March 2015	31 December 2014 (represented)
	<i>Notes</i>	€000	€000
Assets			
Cash and balances with central banks	25	986.728	1.139.465
Placements with banks	25	1.614.472	1.646.886
Derivative financial assets	14	71.658	62.598
Investments	13	1.742.962	1.871.136
Investments pledged as collateral	13	657.141	669.786
Loans and advances to customers	16	18.258.371	18.168.323
Life insurance business assets attributable to policyholders		497.294	472.992
Other assets	18	331.873	336.262
Property and equipment		312.763	316.101
Investment properties	15	542.366	488.598
Intangible assets		130.172	127.402
Investments in associates and joint ventures	34	119.435	116.776
Deferred tax assets		450.308	456.871
Non-current assets and disposal groups classified as held for sale	17	956.359	916.206
Total assets		26.671.902	26.789.402
Liabilities			
Amounts due to banks	19	178.458	161.896
Funding from central banks	20	7.703.461	8.283.773
Repurchase agreements		595.284	579.682
Derivative financial liabilities	14	77.755	71.967
Customer deposits	21	13.001.551	12.623.558
Insurance liabilities		597.574	576.701
Other liabilities	23	280.663	350.431
Debt securities in issue	22	1.207	1.185
Deferred tax liabilities		47.352	47.963
Non-current liabilities and disposal groups classified as held for sale	17	680.804	611.199
Total liabilities		23.164.109	23.308.355
Equity			
Share capital	24	892.294	892.238
Share premium	24	552.618	552.539
Capital reduction reserve	24	1.952.486	1.952.486
Shares subject to interim orders	24	441	441
Revaluation and other reserves		158.705	146.809
Accumulated losses		(54.802)	(79.021)
Equity attributable to owners of the Company		3.501.742	3.465.492
Non-controlling interests		6.051	15.555
Total equity		3.507.793	3.481.047
Total liabilities and equity		26.671.902	26.789.402

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

Chairman
Director
Chief Executive Officer
Finance Director
Chief Financial Officer

BANK OF CYPRUS GROUP
Interim Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company													Non-controlling interests	Total equity
	Share capital (Note 24)	Share premium (Note 24)	Capital reduction reserve (Note 24)	Shares subject to interim orders (Note 24)	Accumulated losses	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Other reserves	Life insurance in-force business reserve	Foreign currency translation reserve	Treasury shares (Note 24)	Reserve of disposal groups and assets held for sale (Note 17)	Total		
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000		
1 January 2015	892.238	552.539	1.952.486	441	(79.021)	98.211	2.226	6.059	97.698	22.929	(88.051)	7.737	3.465.492	15.555	3.481.047
Reclassification from disposal groups and assets held-for-sale	-	-	-	-	-	17.619	-	-	-	-	-	(17.619)	-	-	-
1 January 2015 (represented)	892.238	552.539	1.952.486	441	(79.021)	115.830	2.226	6.059	97.698	22.929	(88.051)	(9.882)	3.465.492	15.555	3.481.047
Profit/(loss) for the period	-	-	-	-	28.524	-	-	-	-	-	-	-	28.524	(4.878)	23.646
Other comprehensive income/(loss) for the period	-	-	-	-	-	-	2.846	-	-	(2.690)	-	7.038	7.194	(4.694)	2.500
Total comprehensive income/(loss) for the period	-	-	-	-	28.524	-	2.846	-	-	(2.690)	-	7.038	35.718	(9.572)	26.146
Issue of share capital	56	79	-	-	-	-	-	-	-	-	-	-	135	-	135
Transfer of realised profits on sale of property	-	-	-	-	73	-	-	-	-	-	-	(73)	-	-	-
Acquisition of non-controlling interests	-	-	-	-	(68)	-	-	-	-	-	-	-	(68)	68	-
Increase in value of in-force life insurance business	-	-	-	-	(2.724)	-	-	-	2.724	-	-	-	-	-	-
Tax on increase in value of in-force life insurance business	-	-	-	-	324	-	-	-	(324)	-	-	-	-	-	-
Disposals of treasury shares	-	-	-	-	(1.910)	-	-	-	-	-	2.375	-	465	-	465
31 March 2015	892.294	552.618	1.952.486	441	(54.802)	115.830	5.072	6.059	100.098	20.239	(85.676)	(2.917)	3.501.742	6.051	3.507.793

BANK OF CYPRUS GROUP
Interim Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company										Non-controlling interest	Total equity
	Share capital (Note 24)	Shares subject to interim orders (Note 24)	Accumulated losses	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Other reserves	Life insurance in-force business reserve	Foreign currency translation reserve	Treasury shares (Note 24)	Total		
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000		
1 January 2014	4.683.985	58.922	(2.151.835)	115.958	42.450	6.059	92.297	(96.462)	(88.051)	2.663.323	74.353	2.737.676
Profit/(loss) for the period	-	-	31.309	-	-	-	-	-	-	31.309	(2.504)	28.805
Other comprehensive income/(loss) for the period	-	-	-	9	7.256	-	-	(12.612)	-	(5.347)	(1.614)	(6.961)
Total comprehensive income/(loss) for the period	-	-	31.309	9	7.256	-	-	(12.612)	-	25.962	(4.118)	21.844
Bail-in of deposits and structured products	38	-	-	-	-	-	-	-	-	38	-	38
Shares subject to interim orders	12.678	(12.678)	-	-	-	-	-	-	-	-	-	-
Additional shares issued to Laiki Bank for 2013 acquisition	2.802	-	(2.802)	-	-	-	-	-	-	-	-	-
Transfer of realised profits on sale of property	-	-	54	(54)	-	-	-	-	-	-	-	-
Increase in value of in-force life insurance business	-	-	(244)	-	-	-	244	-	-	-	-	-
Tax on increase in value of in-force life insurance business	-	-	(5)	-	-	-	5	-	-	-	-	-
31 March 2014	4.699.503	46.244	(2.123.523)	115.913	49.706	6.059	92.546	(109.074)	(88.051)	2.689.323	70.235	2.759.558

BANK OF CYPRUS GROUP
Interim Consolidated Statement of Cash Flows

	Note	Three months ended 31 March	
		2015 €000	2014 (represented) €000
Net cash flows from operating activities			
Profit before tax from continuing operations	7	57.313	79.786
Loss before tax from discontinued operations	7	(25.715)	(49.403)
Profit for the period before tax		31.598	30.383
Share of profit from associates and joint ventures		(1.840)	(2.135)
Provisions for impairment of loans and advances to customer and other credit losses		171.269	184.993
Depreciation of property and equipment and amortisation of intangible assets		4.765	6.883
Increase in value of in-force life insurance policies		(2.724)	(244)
Impairment of assets held for sale	7	1.320	-
Amortisation of discounts/premiums of debt securities		(25.588)	(46.940)
Income from investments and disposals of property, equipment and intangible assets less interest on subordinated loan stock and interest on funding from central banks		22.970	(17.426)
		201.770	155.514
Net (increase)/decrease in loans and advances to customers and other accounts		(307.128)	845.246
Net increase/(decrease) in customer deposits and other accounts		447.953	(944.448)
		342.595	56.312
Tax received		724	-
Net cash flow from operating activities		343.319	56.312
Cash flows from investing activities			
Proceeds on disposal/redemption of investments		63.004	23.151
Interest received from debt securities and treasury bills		6.290	53.232
Dividend income from equity securities	9	128	42
Proceeds on disposal of subsidiaries and operations		-	17.500
Purchases of property and equipment		(2.402)	(1.905)
Proceeds on disposal of property and equipment		249	567
Purchases of intangible assets		(1.935)	(2.606)
Proceeds on disposal of investment property		7.388	7.119
Net cash flow from investing activities		72.722	97.100
Cash flows from financing activities			
Proceeds from the issue of shares		135	-
Net repayment of funding from central banks		(580.312)	(50.489)
Interest on subordinated loan stock		(11)	(21)
Proceeds from disposal of treasury shares		465	-
Interest on funding from central banks		(23.797)	(42.593)
Net cash flow used in financing activities		(603.520)	(93.103)
Net (decrease)/ increase in cash and cash equivalents for the period		(187.479)	60.309
Cash and cash equivalents			
1 January		2.238.601	1.463.243
Foreign exchange adjustments		4.555	27.089
Net (decrease)/increase in cash and cash equivalents for the period		(187.479)	60.309
31 March	25	2.055.677	1.550.641

Non-cash transactions			
Share capital - Bail-in of deposits and structured products		-	38
Reduction in customer deposits		-	(38)
Share capital - Additional Shares issued to Laiki Bank for 2013 acquisition		-	2.802
Increase in accumulated losses		-	(2.802)
		-	-

1. Corporate information

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

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

Interim Condensed Consolidated Financial Statements

The Interim Condensed Consolidated Financial Statements include the financial statements of the Company and its subsidiaries. They were approved and authorised for issue by a resolution of the Board of Directors on 29 May 2015.

2. Operating environment in Cyprus

Real economic activity in Cyprus contracted by 2,3% in 2014 compared with a 5,4% contraction the year before. The economic performance in 2014 was significantly better than initially anticipated. The lessening of the recession in 2014 was driven by the flexibility of the economy as exemplified by declining prices and wages, the resilience of specific sectors of the economy (such as tourism and international business services), the restoration of confidence in the domestic economy and further stabilisation of the banking sector. The lessening of the recession is an indication of the resilience of the Cypriot economy and bodes well for the future economic recovery.

In the labour market, unemployment rose to 16,1% in 2014. Consumer prices dropped by 1,4% in 2014, driven mainly by sizeable drops in rents, local goods and electricity supply. Inflationary pressures remained weak mainly due to reduced domestic demand and falling wages.

The fiscal adjustment efforts in the public finances continued and the Troika programme targets were comfortably surpassed. The primary balance turned significantly positive and the actual budget position of the government was near balanced once the recapitalisation cost of the credit cooperative sector is excluded. This was one of the best fiscal performances in the Eurozone for 2014 and was achieved primarily on the back of further consolidation measures and improved tax collection. Total government expenditure remained on a declining path reflecting prudent budget execution. Public debt rose to about 107% of Gross Domestic Product (GDP).

Recent developments in the early months of 2015, point in the direction of an improving economic environment. First quarter GDP growth came in positive by 0,4%, after 14 consecutive quarters of persisting contraction. The first quarter growth estimate supports more optimism amidst an array of more pessimistic forecasts for the year. The European Commission, in its Spring forecasts published in April, was anticipating a 0,5% contraction in the year on the basis of weak domestic demand and sluggish exports.

The economy is expected to grow in 2016 with real GDP increasing by 1,4% according to the spring forecasts of the European Commission. The unemployment rate will likely improve noticeably in the year and inflation will turn marginally positive. The general government balance is also expected to improve in 2016 in line with better economic conditions.

2. Operating environment in Cyprus (continued)

Domestic risks remain tilted to the downside and relate mostly to the high level of non-performing loans and worsening external conditions, particularly the recession in Russia. Whilst the enactment of the foreclosure and insolvency framework is a positive development, delays in addressing high non-performing loans could prolong the period of tight credit conditions, stalling the recovery of domestic demand. Developments in Russia can have a larger negative effect on the economy than now anticipated.

Following the adoption of a modern foreclosure and insolvency legislation, the Troika visited Cyprus during April/May 2015 for a review of the economic adjustment programme. The notable improvement in public finances and the implementation of important reforms including the adoption of a modern foreclosure and insolvency legislation were notable elements of progress. On 20 May 2015, staff level agreement was reached on policies that could serve as a basis for completion of the Troika's review.

Moreover, the temporary restrictive measures and capital controls with respect to banking and cash transactions introduced by the Cypriot authorities in 2013 were fully abolished on 6 April 2015 following their gradual phasing out.

In recognition of the progress achieved on the fiscal front and the economic recovery, the international credit rating agencies have upgraded the credit ratings for the Cypriot sovereign, opening the way for the sovereign to tap the international capital markets in the near future.

Following the enactment of the foreclosure and insolvency framework, the Cyprus Government issued a €1 billion bond maturing in year 2022, with a coupon rate of 3,875% per annum.

2.1 The insolvency and foreclosure framework

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

The implementation of the foreclosure law is likely to achieve the following:

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

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

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

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

3. Unaudited financial statements

The Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2015 have not been audited by the Group's external auditors.

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

4. Basis of preparation

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

4.1 Statement of compliance

The Interim Condensed Consolidated Financial Statements for the three months ended 31 March 2015 have been prepared in accordance with the International Accounting Standard applicable to interim financial reporting as adopted by the European Union ('IAS 34').

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required for the annual financial statements and should be read in conjunction with the annual Consolidated Financial Statements for the year ended 31 December 2014.

4.2 Comparative information

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

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

5. Accounting policies

New and amended standards and interpretations

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

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

6. Significant judgements, estimates and assumptions

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

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

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

6.1 Going concern

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

The conditions that existed during the three months ended 31 March 2015 and the developments up to the date of approval of these Interim Condensed Consolidated Financial Statements that have been considered in management's going concern assessment include, amongst others, the macroeconomic environment in Cyprus described in Note 2 and the following considerations.

6.1.1 Regulatory capital ratios

The Common Equity Tier 1 (CET1) ratio of the Group at 31 March 2015 stands at 13,9% (transitional). The capital position of the Group was strengthened after the €1 billion capital increase completed in September 2014 (Note 24).

The minimum Common Equity Tier 1 ratio under the Capital Requirements Regulation (CRR) and the Capital Requirements Directive IV (CRD IV) was set by the Central Bank of Cyprus (CBC) at 8% on a transitional basis (Pillar I capital requirement). The Group is also subject to additional capital requirements for risks which are not covered by the Pillar I capital requirements (Pillar II add-ons). The Group's capital position at 31 March 2015 exceeds its Pillar I and its Pillar II add-on capital requirements, providing a loss-absorbing buffer to the Group. However, the Group's Pillar II add-on capital requirement is a point in time assessment and therefore is subject to change over time.

6.1.2 European Central Bank (ECB) Comprehensive Assessment

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

The Comprehensive Assessment was based on a capital benchmark of 8% CET1 ratio, including transitional arrangements of CRR/CRD IV, for both the AQR and the Baseline stress test scenario and 5,5% for the Adverse stress test scenario.

The Comprehensive Assessment concluded that the theoretical aggregated capital shortfall of the Group was €919 million. Taking into account the successful capital increase of €1 billion completed on 18 September 2014, the theoretical shortfall was covered, leading to a capital surplus of €81 million and, therefore, the Group was not obliged to proceed with any capital enhancing actions.

6. Significant judgements, estimates and assumptions (continued)

6.1 Going concern (continued)

6.1.3 Asset quality

The challenging macroeconomic environment in Cyprus is affecting the Group's asset quality. The Group's loans that are impaired or past due for more than 90 days (90+ DPD) have increased by 1% during the first quarter of the 2015 and totalled €12.789 million at 31 March 2015, representing 53% of gross loans (Note 27). The provision coverage ratio stood at 42%, while taking into account tangible collateral at fair value, 90+ DPD loans are fully covered. The Group's non-performing exposures (NPEs) as defined by the European Banking Authority totalled €15.175 million at 31 March 2015 and accounted for 63% of gross loans. The provision coverage ratio of NPEs totalled 35% at 31 March 2015.

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

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

Furthermore, the worsening macroeconomic conditions in Russia in 2014 and 2015 continue to pose challenges for the Group. Consequently, additional impairment provisions were recorded in 2014 and 2015, thus further reducing the Group's exposure to Russia.

6.1.4 Liquidity

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

The level of central bank funding of the Group as at 31 March 2015 amounted to €7,70 billion, comprising €800 million of ECB funding and €6,90 billion of Emergency Liquidity Assistance (ELA) funding (Notes 20 and 28). As at 29 May 2015, the level of central bank funding has been further reduced to €7,16 billion, comprising €760 million of ECB funding and €6,40 billion of ELA funding. In addition, in light of the challenging market conditions given recent developments in Greece and Russia, the Group is maintaining an increased liquidity buffer. The Group intends to continue with further ELA repayments, the pace of which will be dependent on the prevailing market conditions.

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

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

Group customer deposits in constant exchange rates, decreased slightly by €30 million, while customer deposits in Cyprus increased by €32 million during the three months ended 31 March 2015. Post abolition of external capital controls in April 2015, customers have been utilising their funds, but no major unexpected outflows have been observed. Net customer inflows continued during the three months ended 31 March 2015.

6. Significant judgements, estimates and assumptions (continued)

6.1 Going concern (continued)

6.1.4 Liquidity (continued)

Although the Group has received no specific guarantees, the management expects that the Group will continue to have access to the central bank liquidity facilities, in line with applicable rules. In this respect, the House of Representatives approved on 27 January 2014 the issuance of additional government guarantees of up to €2,9 billion, as contingency collateral in case of need. Furthermore, in November 2014 the maturity of the Group's existing €1 billion government guaranteed bonds was extended for a further three years, until November 2017. It is further noted that the Group's approved Restructuring Plan included ELA funding throughout the Plan period.

6.1.5 Pending litigation and claims

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

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

6.1.6 Going concern assessment

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

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

- The Company successfully completed a €1 billion equity raise in September 2014 and the Group's CET 1 ratio at 31 March 2015 stands at 13,9%.
- The Group passed the 2014 ECB Comprehensive Assessment exercise after the €1 billion capital increase.
- The improved liquidity position of the Group and the positive net customer inflows in Cyprus which continued during 2015. Furthermore, customer deposits in Cyprus have increased in the first quarter of 2015.
- ELA funding at 31 March 2015 stands at €6,9 billion, compared to its peak level of €11,4 billion in April 2013.
- The Group's core operations in Cyprus are profitable.
- The improved ratings of both the Group and the Republic of Cyprus.

6.2 Provision for impairment of loans and advances to customers

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

A very important factor for the estimation of provisions is the timing and net recoverable amount from foreclosure of collaterals which mainly comprise land and buildings. The Group may change certain estimates from period to period, however it is impracticable to estimate the effect of such individual estimates due to interdependencies between estimates and as the profile of the population of loans changes from period to period.

6. Significant judgements, estimates and assumptions (continued)

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

Assumptions have been made about the future changes in property values, as well as the timing for the realisation of the collateral and for taxes and expenses on the repossession and subsequent sale of the collateral. Indexation has been used to estimate updated market values of properties while assumptions were made on the basis of a macroeconomic scenario for future changes in property values. The timing of recovery from mortgages has been estimated to be 3 years and the cumulative average future drop in property values during the recovery period has been estimated at -4,71%.

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

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

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

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

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

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

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

6. Significant judgements, estimates and assumptions (continued)

6.3 Tax

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

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

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

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

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

Since the acceleration of the economic crisis in Cyprus in 2010, transaction activity in both commercial and residential properties has recorded a significant decrease and according to local published indices, prices have declined by approximately 15% to 45% since 2011 (depending on the location and type of property). Forced sales activity is expected to accelerate as a result of pressures on the banks to enforce security on property collaterals. The high prevailing uncertainty over the economic developments in Cyprus in the financial and property sectors in particular, make forecasts of the future developments in the real estate market extremely difficult.

In arriving at their estimates of market values, the valuers used their market knowledge and professional judgement and did not rely solely on historical transactional comparables, taking into consideration that there is a greater degree of uncertainty than that which exists in a more active market, in estimating the market value of property. Further details on investment properties are disclosed in Note 15.

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. The determination of what is significant or prolonged requires judgement by management. Management has assessed that a loss of 25% or more is considered significant, except in the cases of investment companies where higher limits are set. Prolonged has been assessed by management to be a period of 12 months or more. The factors which are evaluated include the expected volatility in share prices.

6. Significant judgements, estimates and assumptions (continued)

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

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 ventures comprise Byron Capital Partners Ltd (BCP) and Marfin Diversified Strategy Fund Plc (MDSF) acquired by the Group in 2013 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. The Group has assessed that these matters are the dominant factor in determining which parties have power over the BCP and MDSF and has concluded that the Group has joint control over BCP and MDSF, together with the other shareholder.

6.7 Disposal groups held for sale and discontinued operations

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

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

6.8 Provisions

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

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

7. Segmental analysis

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

The remaining Group's activities in Greece, the United Kingdom and Romania are separate operating segments for which information is provided to management but, due to their size, have been aggregated for disclosure purposes into one segment namely 'Other countries'.

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

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

Operating segment disclosures are provided as presented to the Group Executive Committee.

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

Continuing operations

	Cyprus	Other countries	Total continuing operations
Three months ended 31 March 2015	€000	€000	€000
Net interest income	211.377	14.033	225.410
Net fee and commission income	42.059	1.281	43.340
Net foreign exchange losses	(2.022)	(962)	(2.984)
Net gains on financial instrument transactions	40.334	1.424	41.758
Insurance income net of claims and commissions	11.660	227	11.887
Other income/(expenses)	1.828	(6.528)	(4.700)
	305.236	9.475	314.711
Staff costs	(54.902)	(4.196)	(59.098)
Other operating expenses	(36.632)	(6.286)	(42.918)
Restructuring costs (Note 9)	(6.395)	(1.825)	(8.220)
Profit/(loss) before impairment of loans and advances to customers and other impairments	207.307	(2.832)	204.475
Provisions for impairment of loans and advances to customers and other customer credit losses	(121.880)	(26.309)	(148.189)
Impairment of other financial instruments	(813)	-	(813)
Share of profit from associates and joint ventures	1.840	-	1.840
Profit/(loss) before tax	86.454	(29.141)	57.313
Tax	(8.455)	480	(7.975)
Profit/(loss) after tax	77.999	(28.661)	49.338
Non-controlling interests - profit	(166)	-	(166)
Profit/(loss) after tax attributable to the owners of the Company	77.833	(28.661)	49.172

7. Segmental analysis (continued)

Discontinued operations

	Russia	Subsidiary acquired with a view to resale	Total discontinued operations
Three months ended 31 March 2015	€000	€000	€000
Net interest income	5.732	-	5.732
Net fee and commission income	1.993	-	1.993
Net foreign exchange gains	2.845	-	2.845
Other income /(expenses)	242	1.201	1.443
	10.812	1.201	12.013
Staff costs	(5.703)	(1.128)	(6.831)
Other operating expenses	(4.923)	(1.574)	(6.497)
Profit/(loss) before impairment of loans and advances to customers and other impairments	186	(1.501)	(1.315)
Provisions for impairment of loans and advances to customers and other customer credit losses	(23.080)	-	(23.080)
Impairment upon remeasurement of disposal group at fair value less cost to sell	(1.320)	-	(1.320)
Loss before tax	(24.214)	(1.501)	(25.715)
Tax	23	-	23
Loss after tax	(24.191)	(1.501)	(25.692)
Non-controlling interests - loss	4.669	375	5.044
Loss after tax attributable to the owners of the Company	(19.522)	(1.126)	(20.648)

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

7. Segmental analysis (continued)

Continuing operations

	Cyprus	Other countries	Total continuing operations
Three months ended 31 March 2014 (represented)	€000	€000	€000
Net interest income	235.739	12.544	248.283
Net fee and commission income	39.681	1.441	41.122
Net foreign exchange (losses)/gains	(6.535)	284	(6.251)
Net gains on financial instrument transactions	19.761	96	19.857
Insurance income net of claims and commissions	11.905	1.221	13.126
Other (expenses)/income	(811)	1.125	314
	299.740	16.711	316.451
Staff costs	(54.770)	(3.297)	(58.067)
Other operating expenses	(35.573)	(11.376)	(46.949)
Restructuring costs (Note 9)	(4.589)	-	(4.589)
Profit before impairment of loans and advances to customers and other impairments	204.808	2.038	206.846
Provisions for impairment of loans and advances to customers and other customer credit losses	(108.531)	(20.377)	(128.908)
Impairment of other financial instruments	(287)	-	(287)
Share of profit from associates and joint ventures	2.135	-	2.135
Profit/(loss) before tax	98.125	(18.339)	79.786
Tax	(1.007)	(1.240)	(2.247)
Profit/(loss) after tax	97.118	(19.579)	77.539
Non-controlling interests - profit	(38)	-	(38)
Profit/(loss) after tax attributable to the owners of the Company	97.080	(19.579)	77.501

7. Segmental analysis (continued)

Discontinued operations

	Russia	Ukraine	Total discontinued operations
Three months ended 31 March 2014 (represented)	€000	€000	€000
Net interest income	18.675	4.064	22.739
Net fee and commission income	4.157	270	4.427
Net foreign exchange gains	680	617	1.297
Other income/(expenses)	177	1.051	1.228
	23.689	6.002	29.691
Staff costs	(9.389)	(1.233)	(10.622)
Other operating expenses	(9.505)	(2.882)	(12.387)
Profit before impairment of loans and advances to customers and other impairments	4.795	1.887	6.682
Provisions for impairment of loans and advances to customers and other customer credit impairment	(17.557)	(38.528)	(56.085)
Loss before tax	(12.762)	(36.641)	(49.403)
Tax	15	654	669
Loss after tax	(12.747)	(35.987)	(48.734)
Non-controlling interests - loss	2.503	39	2.542
Loss after tax attributable to the owners of the Company	(10.244)	(35.948)	(46.192)

7. Segmental analysis (continued)

Analysis of total revenue

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

Continuing operations

	Cyprus	Other countries	Total continuing operations
Three months ended 31 March 2015	€000	€000	€000
Banking and financial services	289.268	9.937	299.205
Insurance services	11.885	254	12.139
Property and hotel business	(126)	-	(126)
Total revenue from third parties	301.027	10.191	311.218
Inter-segment revenue/(expense)	4.209	(716)	3.493
Total revenue	305.236	9.475	314.711

Discontinued operations

	Russia	Subsidiary acquired with a view to resale	Total discontinued operations
Three months ended 31 March 2015	€000	€000	€000
Banking and financial services	14.305	-	14.305
Property and hotel business	-	1.201	1.201
Total revenue from third parties	14.305	1.201	15.506
Inter-segment expense	(3.493)	-	(3.493)
Total revenue	10.812	1.201	12.013

Continuing operations

	Cyprus	Other countries	Total continuing operations
Three months ended 31 March 2014 (represented)	€000	€000	€000
Banking and financial services	281.257	16.793	298.050
Insurance services	12.276	1.368	13.644
Property and hotel business	(115)	(79)	(194)
Total revenue from third parties	293.418	18.082	311.500
Inter-segment revenue/(expense)	6.322	(1.371)	4.951
Total revenue	299.740	16.711	316.451

7. Segmental analysis (continued)

Analysis of total revenue (continued)

Discontinued operations

	Russia	Ukraine	Total discontinued operations
Three months ended 31 March 2014 (represented)	€000	€000	€000
Banking and financial services	28.291	6.351	34.642
Total revenue from third parties	28.291	6.351	34.642
Inter-segment expense	(4.602)	(349)	(4.951)
Total revenue	23.689	6.002	29.691

Analysis of assets

	Operating segments		Russia-discontinued operations	Total
	Cyprus	Other countries		
31 March 2015	€000	€000	€000	€000
Assets	24.939.917	2.223.539	736.780	27.900.236
Inter-segment assets				(1.228.334)
Total assets				26.671.902

31 December 2014				
Assets	25.164.546	2.112.860	715.428	27.992.834
Inter-segment assets				(1.203.432)
Total assets				26.789.402

Analysis of liabilities

	Operating segments		Russia-discontinued operations	Total
	Cyprus	Other countries		
31 March 2015	€000	€000	€000	€000
Liabilities	20.974.931	2.492.936	926.013	24.393.880
Inter-segment liabilities				(1.229.771)
Total liabilities				23.164.109

31 December 2014				
Liabilities	21.247.697	2.408.893	857.381	24.513.971
Inter-segment liabilities				(1.205.616)
Total liabilities				23.308.355

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

7. Segmental analysis (continued)

By business line

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

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

	Corporate	Small and medium-sized enterprises	Retail	Restructuring and recoveries	International banking services	Wealth management	Insurance	Other	Total Cyprus
Three months ended 31 March 2015	€000	€000	€000	€000	€000	€000	€000	€000	€000
Net interest income	17.302	18.039	54.095	82.085	14.681	1.623	215	23.337	211.377
Net fee and commission income	1.676	1.853	15.593	2.803	17.127	271	(162)	2.898	42.059
Gains on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans (Note 8)	10.073	4.900	14.971	7.424	675	215	-	4.748	43.006
Total operating income/(expense)	202	156	1.126	(22)	1.665	908	11.832	(7.073)	8.794
	29.253	24.948	85.785	92.290	34.148	3.017	11.885	23.910	305.236
Total other operating expenses	(2.508)	(3.051)	(29.036)	(7.862)	(6.915)	(1.291)	(3.672)	(37.199)	(91.534)
Restructuring costs	-	-	-	-	-	-	-	(6.395)	(6.395)
Profit/(loss) before impairment of loans and advances to customers and other impairments	26.745	21.897	56.749	84.428	27.233	1.726	8.213	(19.684)	207.307
Provisions for impairment of loans and advances and other customer credit losses	(2.070)	(4.737)	(27.268)	(78.363)	(8.749)	(1.037)	-	344	(121.880)
Impairment of other financial instruments	-	-	-	-	-	-	-	(813)	(813)
Share of profit from associates and joint ventures	-	-	-	-	-	-	-	1.840	1.840
Profit/(loss) before tax	24.675	17.160	29.481	6.065	18.484	689	8.213	(18.313)	86.454
Tax	(3.084)	(2.145)	(3.685)	(758)	(2.311)	(86)	(995)	4.609	(8.455)
Profit/(loss) after tax	21.591	15.015	25.796	5.307	16.173	603	7.218	(13.704)	77.999
Non-controlling interests - profit	-	-	-	-	-	-	-	(166)	(166)
Profit/(loss) after tax attributable to the owners of the Company	21.591	15.015	25.796	5.307	16.173	603	7.218	(13.870)	77.833

8. Net gains on financial instruments transactions

	Three months ended 31 March	
	2015	2014 (represented)
	€000	€000
Trading portfolio:		
- equity securities	827	853
- debt securities	8	70
- derivative financial instruments	(1.547)	6.455
Other investments at fair value through profit or loss:		
- debt securities	51	1.074
- equity securities	(50)	55
Net (losses)/gains on disposal of available-for-sale investments:		
- equity securities	-	1.505
- debt securities	(11)	2.626
Realised (losses)/gains on disposal of loans and deposits	(99)	107
Revaluation of financial instruments designated as fair value hedges:		
- hedging instruments	1.710	51
- hedged items	(2.137)	(66)
Gains on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans	43.006	7.127
	41.758	19.857

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

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

Other (expenses)/income

	Three months ended 31 March	
	2015	2014 (represented)
	€000	€000
Dividend income	128	42
Gains on sale of stock of property held for sale	208	58
Losses on sale and write-off of property and equipment and intangible assets	(115)	(1.058)
Rental income from investment properties	411	599
Losses from revaluation of investment properties (Note 15)	(7.425)	(2.916)
Losses from hotel activities	(88)	(291)
Other income	2.181	3.880
	(4.700)	314

Staff costs

	Three months ended 31 March	
	2015	2014 (represented)
	€000	€000
Salaries	46.706	45.944
Employer's contributions to state social insurance and pension funds	6.474	6.673
Retirement benefit plan costs	5.918	5.450
	59.098	58.067

The number of persons employed by the Group as at 31 March 2015 was 6.715 (31 December 2014: 6.726).

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

Other operating expenses

	Three months ended 31 March	
	2015	2014 (represented)
	€000	€000
Operating lease rentals for property and equipment	2.445	2.898
Advertising and marketing	3.308	2.038
Repairs and maintenance of property and equipment	6.078	4.331
Other property-related costs	2.325	2.325
Insurance expenses	3.423	3.245
Communication expenses	1.608	2.169
Printing and stationery	1.020	866
Depreciation of property and equipment	3.031	3.594
Amortisation of intangible assets	1.691	1.472
Contributions to depositor protection schemes	104	25
Special levy on deposits on credit institutions in Cyprus	4.254	4.805
Provisions and settlements of litigations or claims	94	11.000
Consultancy and other professional services fees	4.462	2.126
Local cash transfer expenses	667	348
Other operating expenses	8.408	5.707
	42.918	46.949
Advisory and other restructuring costs	8.220	4.589
	51.138	51.538

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

10. Impairment/(reversal of impairment) of other financial instruments

	Three months ended 31 March	
	2015	2014 (represented)
	€000	€000
Available-for-sale debt securities	-	72
Available-for-sale equity securities	845	215
Loans and receivables debt securities	(169)	-
Other receivables	137	-
	813	287

11. Tax

	Three months ended 31 March	
	2015	2014 (represented)
	€000	€000
Current tax:		
- Cyprus	635	790
- overseas	721	1.406
Cyprus defence contribution	15	29
Deferred tax	5.958	129
Prior year tax adjustments	646	(107)
	7.975	2.247

12. Earnings per share

	Three months ended 31 March	
	2015	2014 (represented)
Basic and diluted earnings per share attributable to the owners of the Company		
Profit for the period attributable to the owners of the Company (€ thousand)	28.524	31.309
Weighted average number of shares in issue during the period, excluding treasury shares (thousand)	8.904.458	4.735.174
Basic and diluted earnings per share (€ cent)	0,32	0,66

Basic and diluted earnings per share attributable to the owners of the Company – continuing operations		
Profit after tax attributable to the owners of the Company – continuing operations (€ thousand)	49.172	77.501
Weighted average number of shares in issue during the period, excluding treasury shares (thousand)	8.904.458	4.735.174
Basic and diluted earnings per share – continuing operations (€ cent)	0,55	1,64

Basic and diluted losses per share attributable to the owners of the Company – discontinued operations		
Loss after tax attributable to the owners of the Company – discontinued operations (€ thousand)	(20.648)	(46.192)
Weighted average number of shares in issue during the period, excluding treasury shares (thousand)	8.904.458	4.735.174
Basic and diluted losses per share – discontinued operations (€ cent)	(0,23)	(0,98)

13. Investments

	31 March 2015	31 December 2014
	€000	€000
Investments		
Investments at fair value through profit or loss	35.019	34.347
Investments available-for-sale	40.851	53.480
Investments classified as loans and receivables	1.667.092	1.783.309
	1.742.962	1.871.136

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

	31 March 2015	31 December 2014
	€000	€000
Investments pledged as collateral		
Investments available-for-sale	657.141	669.786

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

Loans and receivables at 31 March 2015 include €171.502 thousand (31 December 2014: €169.365 thousand) of debt securities issued by the Cyprus government and listed on the Cyprus Stock Exchange which have been determined to be individually impaired, in prior years.

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

13. Investments (continued)

Reclassification of investments

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

	Reclassification date	Carrying and fair value on reclassification date	31 March 2015		31 December 2014		Three months ended 31 March 2015		Effective interest rate on reclassification date
			Carrying value	Fair value	Carrying value	Fair value	Additional loss in the income statement had the debt securities not been reclassified	Additional income/(loss) in other comprehensive income had the debt securities not been reclassified	
		€000	€000	€000	€000	€000	€000	€000	
Reclassification of trading investments to:									
- loans and receivables	1 April 2010	34.810	36.051	34.661	36.722	35.056	(395)	-	1,2%-4,4%
Reclassification of available-for-sale investments to:									
- loans and receivables	1 October 2008	129.497	132.119	137.327	130.500	130.520	-	5.208	4,6%-4,7%
- loans and receivables	30 June 2011	155.090	175.211	163.748	174.701	165.884	-	(11.463)	2,8%-6,3%
Reclassification of held-to-maturity investments to:									
- available-for-sale	1 November 2012	62.378	63.604	63.604	63.609	63.609	-	-	0,4%-3,1%

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

13. Investments (continued)

Reclassification of investments (continued)

	Reclassification date	Carrying and fair value on reclassification date	31 March 2014		31 December 2013		Three months ended 31 March 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 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	37.390	33.603	38.059	32.204	1.400	-	1,2%-4,4%
Reclassification of available-for-sale investments to:									
- loans and receivables	1 October 2008	163.407	166.316	159.677	164.875	145.171	-	(6.639)	4,6%-4,7%
- loans and receivables	30 June 2011	164.035	186.353	170.481	185.666	158.170	-	(15.872)	2,8%-6,3%
Reclassification of held-to-maturity investments to:									
- available-for-sale	1 November 2012	87.725	90.539	90.539	90.114	90.114	-	-	0,4%-3,1%

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

14. Derivative financial instruments

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

	31 March 2015			31 December 2014		
	Contract amount	Fair value		Contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
€000	€000	€000	€000	€000	€000	
Trading derivatives						
Forward exchange rate contracts	129.617	19.688	748	108.599	18.927	433
Currency swaps	1.554.293	30.496	10.297	1.268.923	22.623	7.196
Interest rate swaps	180.792	13.582	3.244	205.661	11.930	3.773
Currency options	1.111	30	1.081	995	76	919
Equity options	3.183	803	512	3.113	580	346
Interest rate caps/floors	6.998	-	134	5.194	-	153
GDP warrant securities	1.207	5	-	1.208	13	-
	1.877.201	64.604	16.016	1.593.693	54.149	12.820
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	668.883	-	61.739	674.883	-	59.147
Net investments – forward exchange rate contracts	188.852	7.054	-	60.616	8.449	-
	857.735	7.054	61.739	735.499	8.449	59.147
Total	2.734.936	71.658	77.755	2.329.192	62.598	71.967

14. Derivative financial instruments (continued)

Hedge accounting

Hedges of net investments

The Group's consolidated balance sheet is affected by foreign exchange differences between the Euro and all non-Euro functional currencies of overseas subsidiaries and branches and other foreign operations. The Group hedges its structural currency risk when it considers that the cost of such hedging is within an acceptable range (in relation to the underlying risk). This hedging is effected by financing with borrowings in the same currency as the functional currency of the overseas subsidiaries and branches, as well as overseas associates and joint ventures and forward exchange rate contracts. As at 31 March 2015, deposits and forward exchange rate contracts amounting to €161.304 thousand and €188.852 thousand respectively (31 December 2014: €249.967 thousand and €60.616 thousand respectively) have been designated as hedging instruments and have given rise to a gain of €13.030 thousand (31 December 2014: gain of €2.580 thousand) which was recognised in the 'Foreign currency translation reserve' in the consolidated statement of comprehensive income, against the profit or loss from the retranslation of the net assets of the overseas subsidiaries and branches and other foreign operations.

15. Fair value measurement

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

	31 March 2015		31 December 2014	
	Carrying value	Fair value	Carrying value	Fair value
	€000	€000	€000	€000
Financial assets				
Cash and balances with central banks	986.728	986.728	1.139.465	1.139.465
Placements with banks	1.614.472	1.596.748	1.646.886	1.620.413
Investments at fair value through profit or loss	35.019	35.019	34.347	34.347
Investments available-for-sale	697.992	697.992	723.266	723.266
Investments classified as loans and receivables	1.667.092	1.739.333	1.783.309	1.861.909
Derivative financial assets	71.658	71.658	62.598	62.598
Loans and advances to customers	18.258.371	19.149.521	18.168.323	18.365.310
Life insurance business assets attributable to policyholders	484.197	484.197	459.912	459.912
Financial assets included in disposal groups held for sale	698.376	672.922	673.104	624.961
Other assets – financial assets	164.961	164.961	151.155	151.155
	24.678.866	25.599.079	24.842.365	25.043.336
Financial liabilities				
Obligations to central banks and amounts due to banks	7.881.919	7.881.919	8.445.669	8.445.669
Repurchase agreements	595.284	607.011	579.682	592.113
Derivative financial liabilities	77.755	77.755	71.967	71.967
Customer deposits	13.001.551	12.998.406	12.623.558	12.609.522
Debt securities in issue	1.207	1.207	1.185	1.185
Financial liabilities included in disposal groups held for sale	645.337	645.337	579.930	578.666
Other liabilities – financial liabilities	87.913	87.913	128.785	128.785
	22.290.966	22.299.548	22.430.776	22.427.907

15. Fair value measurement (continued)

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

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

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

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

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

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

Derivative financial instruments

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

Credit Valuation adjustments and Debit Valuation adjustments

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

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

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

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

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

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

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

Loans and advances to customers

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

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

15. Fair value measurement (continued)

Customer deposits

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

Repurchase agreements

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

Placements with banks

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

Deposits by banks

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

Model inputs for valuation

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

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

	Level 1	Level 2	Level 3	Total
31 March 2015	€000	€000	€000	€000
Financial assets				
<i>Trading derivatives</i>				
Forward exchange rate contracts	-	19.688	-	19.688
Currency swaps	-	30.496	-	30.496
Interest rate swaps	-	13.582	-	13.582
Currency options	-	30	-	30
Equity options	-	803	-	803
GDP warrant securities	-	5	-	5
	-	64.604	-	64.604
<i>Derivatives designated as net investment hedges</i>				
Forward exchange rate contracts	-	7.054	-	7.054
	-	71.658	-	71.658
<i>Investments at fair value through profit or loss</i>				
Trading investments	13.956	-	-	13.956
Other investments at fair value through profit or loss	2.650	18.242	171	21.063
	16.606	18.242	171	35.019
<i>Investments available-for-sale</i>	694.514	214	3.264	697.992
	711.120	90.114	3.435	804.669

15. Fair value measurement (continued)

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

	Level 1	Level 2	Level 3	Total
31 March 2015	€000	€000	€000	€000
Financial liabilities				
<i>Trading derivatives</i>				
Forward exchange rate contracts	-	748	-	748
Currency swaps	-	10.297	-	10.297
Interest rate swaps	-	3.244	-	3.244
Currency options	-	1.081	-	1.081
Equity options	-	512	-	512
Interest rate caps/floors	-	134	-	134
	-	16.016	-	16.016
<i>Derivatives designated as fair value hedges</i>				
Interest rate swaps	-	61.739	-	61.739
	-	77.755	-	77.755

31 December 2014				
Financial assets				
<i>Trading derivatives</i>				
Forward exchange rate contracts	-	18.927	-	18.927
Currency swaps	-	22.623	-	22.623
Interest rate swaps	-	11.930	-	11.930
Currency options	-	76	-	76
Equity options	-	580	-	580
GDP warrant securities	-	13	-	13
	-	54.149	-	54.149
<i>Derivatives designated as net investment hedges</i>				
Forward exchange rate contracts	-	8.449	-	8.449
	-	62.598	-	62.598
<i>Investments at fair value through profit or loss</i>				
Trading investments	16.205	-	-	16.205
Other investments at fair value through profit or loss	431	17.711	-	18.142
	16.636	17.711	-	34.347
<i>Investments available-for-sale</i>	719.373	205	3.688	723.266
	736.009	80.514	3.688	820.211

15. Fair value measurement (continued)

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

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

During the three months ended 31 March 2015 and during the year 2014 there were no transfers from Level 1 to Level 2.

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

	31 March 2015	31 December 2014
	€000	€000
1 January	3.688	4.308
Disposals	-	(855)
Unrealised (losses)/gains recognised in the consolidated statement of comprehensive income	(424)	416
Impairment charge – continuing operations	-	(181)
Transfers from level 1 and 2	171	-
31 March 2015/31 December 2014	3.435	3.688

15. Fair value measurement (continued)

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

	31 March 2015	31 December 2014
	€000	€000
1 January	488.598	495.658
Additions	76.104	117.257
Disposals	(10.693)	(19.531)
Disposal of Ukrainian operations	-	(34.395)
Transfer from own use properties to investment properties	3.513	19.847
Transfer to non-current assets and disposal groups held for sale	(8.682)	(46.841)
Transfer from investment properties to inventories	-	(893)
Transfer to equipment	-	(277)
Revaluation losses – continuing operations (Note 9)	(7.425)	(11.771)
Revaluation gains – discontinued operations	-	949
Foreign exchange adjustments	951	(31.405)
31 March 2015/31 December 2014	542.366	488.598

16. Loans and advances to customers

	31 March 2015	31 December 2014
	€000	€000
Gross loans and advances to customers	21.573.873	21.240.277
Provisions for impairment of loans and advances to customers (Note 27)	(3.315.502)	(3.071.954)
	18.258.371	18.168.323

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

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

	31 March 2015	31 December 2014
	€000	€000
Disposal groups classified as held for sale	736.780	715.428
Subsidiary acquired with a view to resale	116.245	115.965
Non-current assets classified as held for sale:		
- investment properties	19.818	11.130
- investment in joint venture	83.516	73.683
	956.359	916.206

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

	31 March 2015	31 December 2014
	€000	€000
Disposal groups held for sale	653.825	586.001
Subsidiary acquired with a view to resale	26.979	25.198
	680.804	611.199

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

Investment properties

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

Investment in joint venture

The Group's investment in joint venture comprises Marfin Diversified Strategy Fund Plc (MDSF) acquired by the Group as part of the acquisition of certain operations of Laiki Bank. The Group holds approximately 90% of the units of the fund.

A plan to dispose of MDSF was in progress, and as at 31 December 2014 and 31 March 2015 the investment was classified as held for sale. Upon measurement at fair value less costs to sell, an impairment loss of €29.757 thousand was recognised during 2014. The investment was disposed of in April 2015 (Note 35.1).

Subsidiaries acquired with a view to resale

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

In May 2015, the Group has reached an agreement to sell shares representing 65% in the Aphrodite Hills Resort Ltd and Aphrodite Hills (Lakkos tou Frangou) Ltd, to an investment structure managed by a foreign institutional investment management firm. The transaction also includes the restructuring of the debt held by the Company. Completion of the transaction remains subject to approval by the Commission for the Protection of Competition in Cyprus. After the disposal, the Company will continue to hold a minority equity stake in the aforementioned companies.

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

Disposal groups classified as held for sale

The disposal groups classified as held for sale as at 31 March 2015 and 31 December 2014 relate to the Russian operations of the Group for which a plan to dispose has been initiated and management has assessed that a disposal within 12 months from classification is highly probable.

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

	Russian operations	
	31 March 2015	31 December 2014
	€000	€000
Assets		
Cash and balances with central banks	128.163	85.952
Placements with banks	18.854	35.994
Derivative financial assets	409	-
Investments	486	348
Loans and advances to customers	536.772	549.830
Investment properties	38.404	33.436
Other assets	13.692	9.868
	736.780	715.428
Liabilities		
Amounts due to banks	31.166	29.650
Customer deposits	609.379	545.620
Derivative financial liabilities	-	589
Debt securities in issue	2.036	1.770
Subordinated loan stock	2.756	2.301
Other liabilities	8.488	6.071
	653.825	586.001
	82.955	129.427

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

Following the classification of the Russian operations as a disposal group held for sale and measurement of the disposal group at fair value less costs to sell, an impairment loss of €84.098 thousand was recognised during 2014, to reduce the carrying amount of the scoped-in non-current assets (namely the property and equipment, intangible and other non-financial assets) of the disposal group to fair value less costs to sell, based on management's expectations. During the three months ended 31 March 2015 additional impairment of €1.320 thousand was recognised. As a result, the carrying value of the scoped-in non-current assets at each balance sheet date has been reduced to zero.

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

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

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

Disposal groups classified as held for sale (continued)

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

	Three months ended 31 March	
	2015	2014
	€000	€000
Operating	13.172	-
Investing	70	-
Net cash inflow for the period	13.242	-

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

	31 March 2015	31 December 2014
	€000	€000
Revaluation reserve of available-for-sale investments	1.031	973
Property revaluation reserve	7.080	24.772
Foreign currency translation reserve	(11.028)	(18.008)
Reserve of disposal groups classified as held for sale	(2.917)	7.737

During the three months ended 31 March 2015, the subsidiary of the Group, Kermia Hotels Ltd ceased meeting IFRS 5 classification criteria and as a result classification of items out of the held for sale category has been applied retrospectively. There was no profit/loss impact from the classification out of the held for sale category.

18. Other assets

	31 March 2015	31 December 2014
	€000	€000
Debtors	22.424	21.279
Stock of property held for sale	13.875	13.430
Taxes refundable	48.005	48.607
Retirement benefit plan assets	164	42
Reinsurers' share of insurance contract liabilities	63.258	66.177
Prepaid expenses	1.983	1.279
Receivable relating to disposals of operations	105.298	101.550
Other assets	76.866	83.898
	331.873	336.262

As at 31 March 2015 the receivable relating to disposals of operations relates to the disposal of the Ukrainian operations.

19. Amounts due to banks

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

20. Funding from central banks

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

	31 March 2015	31 December 2014
	€000	€000
Emergency Liquidity Assistance (ELA)	6.903.239	7.403.741
Monetary policy operations	300.003	380.001
Targeted Long Term Refinancing Operations (TLTRO)	500.219	500.031
	7.703.461	8.283.773

The funding under monetary policy operations bears interest at the ruling main refinancing operations (MRO) rate of the Eurosystem.

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

The Company's ELA funding bears interest at the rate equal to the ruling marginal lending facility rate (MLF rate) of the Eurosystem, plus a margin.

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

21. Customer deposits

	31 March 2015	31 December 2014
	€000	€000
By type of deposit		
Demand	4.385.081	4.237.590
Savings	972.064	955.556
Time or notice	7.644.406	7.430.412
	13.001.551	12.623.558
By geographical area		
Cyprus	11.640.416	11.314.137
United Kingdom	1.356.349	1.304.844
Romania	4.786	4.577
	13.001.551	12.623.558

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

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

At 31 January 2015, the Company released the last tranche of the twelve-month time deposits of approximately €300 million out of a total of €2.780 million that were blocked as per the decrees relating to the recapitalisation of the Company in July 2013.

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

22. Debt securities in issue

	Contractual interest rate	31 March 2015 €000	31 December 2014 €000
Medium term senior debt			
€2 million 2010/2016	DJ EUROSTOXX 50 index	531	531
USD 2 million 2010/2016	S&P 500 index	184	162
		715	693
Other debt securities in issue			
Interest-free loan from the European Development Bank	-	492	492
		1.207	1.185

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

Medium term senior debt

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

Short term commercial paper

The Company maintains a Euro Commercial Paper (ECP) Programme with an aggregate nominal amount up to €1.000 million (31 December 2014: €1.000 million). According to the terms of the Programme, the Commercial Paper is issued in various currencies, at a discount and pays no interest. Each issue has a maturity period up to 364 days and is unlisted. No commercial paper is currently in issue.

Covered Bonds

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

Under the Programme, the Company issued in December 2011 covered bonds of €1.000 million. The covered bonds issued had a maturity of 3 years with a potential extension of their repayment by one year, bore interest at the three month Euribor plus 1,25% annually and were traded on the Luxembourg Bourse. The terms of the €1.000 million covered bond secured by residential mortgage loans originated in Cyprus were amended and its revised maturity date is 12 June 2017. The covered bonds bear annual interest rate at the three month Euribor plus 3,25% on a quarterly basis.

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

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

Bonds guaranteed by the Republic of Cyprus

The Company maintains the rights and obligations as issuer of two bonds guaranteed by the Republic of Cyprus of €500 million each. In November 2014, the maturity of the bonds was extended for a period of 3 years. The bonds bear annual fixed interest rate at 5%. The bonds are guaranteed by the Republic of Cyprus and are issued in accordance with the relevant legislation and decrees on the 'Granting of Government Guarantees for the Conclusion of Loans and/or the Issue of Bonds by Credit Institutions Law'. No liability from the issue of these bonds is presented in debt securities in issue in the consolidated balance sheet as all the bonds are held by the Company. The bonds are pledged as collateral for obtaining funding from central banks. The bonds are listed on the Cyprus Stock Exchange.

23. Other liabilities

Other liabilities at 31 March 2015 include retirement benefit plan liabilities of €15.821 thousand (31 December 2014: €16.201 thousand).

23.1 Pending litigation and claims

Other liabilities at 31 March 2015 include provisions for pending litigation or claims of €27.476 thousand (31 December 2014: €27.329 thousand).

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

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

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

While the outcome of these matters is inherently uncertain, management believes that, based on the information available to it, appropriate provisions have been made in respect of legal proceedings and regulatory matters as at 31 March 2015 and hence it is not believed that such litigation, when concluded, will have a material impact upon the financial position of the Group. It is not practicable to provide an aggregate estimate of potential liability for the Company's legal procedures and regulatory matters as a class of contingent liabilities.

Investigations and litigation on securities issued by the Company

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

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

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

23. Other liabilities (continued)

23.1 Pending litigation and claims (continued)

Hellenic Capital Market Commission investigation (HCMC)

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

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

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

Cyprus Securities and Exchange Commission (CySEC) investigations

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

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

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

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

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

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

23. Other liabilities (continued)

23.1 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:

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

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

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

Bail-in related litigation

Depositors

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

Shareholders

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

Claims based on set-off

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

Laiki Bank depositors and shareholders

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

23. Other liabilities (continued)

23.1 Pending litigation and claims (continued)

Bail-in related litigation (continued)

Implementation of Decrees

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

Legal position of the Group

All above claims are being vigorously defended by the Group, in close consultation with the appropriate state and governmental authorities.

The position of the Group is that the Resolution Law and the Decrees take precedence over all other laws. As matters now stand, both the Resolution Law and the Decrees issued thereunder are constitutional and lawful, in that they were properly enacted and have not so far been annulled by any court.

Commission for the Protection of Competition Investigation

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

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

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

CNP Arbitration

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

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

23. Other liabilities (continued)

23.1 Pending litigation and claims (continued)

Other litigation

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

For one of these cases relating to the discontinued operations in Greece, a provision was formed in previous periods (30 September 2014: €38.950 thousand; 31 December 2013: €36.000 thousand) following a court judgement. This provision was reversed as at 31 December 2014 following the dismissal of the said judgement by the Supreme Court in March 2015. The case may be sent for retrial. The Company has indemnified Piraeus Bank SA (the acquirer of its Greek operations in March 2013) through a letter of guarantee, for any claim brought against it in connection with this case.

Provident fund cases

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

Private criminal prosecutions

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

General criminal investigations

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

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

23.2 Other contingent liabilities

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

24. Share capital

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

Issued share capital

2015

During the three months ended 31 March 2015 the issued share capital was increased by 567 thousand shares of a nominal value of €0,10 each as a result of the Retail Offer, the third and the last phase of the Capital Raising. Phase 3 was completed on 9 January 2015 and the new ordinary shares were issued on 14 January 2015. The new shares were listed and commenced trading on the CSE and ATHEX on 2 February 2015.

2014

During 2014 the Company reduced the nominal value of its issued ordinary shares from €1,00 each to €0,10 each.

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

All issued ordinary shares carry the same rights.

Shares subject to interim orders

Following the issue of the Bail-in Decrees, a number of the affected depositors have filed claims against the Company and other parties (CBC, Ministry of Finance, etc) on the ground, inter alia, that the 'Resolution of Credit and Other Institutions Law of 2013' and the various Decrees issued by virtue of the Law to implement the bail-in, were in conflict with the Constitution of the Republic and the European Convention of Human Rights.

In some of the actions, interim orders were issued prohibiting the Company from treating the deposits of the applicants in question as bailed-in, i.e. converted into shares. The said actions were being contested by the Company and were pending before the District Courts.

24. Share capital (continued)

Shares subject to interim orders (continued)

The shares which as per the bail-in Decrees correspond to the deposits which were 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. As at 31 March 2015, ordinary shares of €441 thousand (31 December 2014: €441 thousand) are subject to interim orders.

Share premium

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

During the three months ended 31 March 2015, as a result of the issuance of 567 thousand shares of a nominal value of €0,10 each at a subscription price of €0,24 each, the Company's share premium increased by €79 thousand.

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

Capital reduction reserve

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

Treasury shares of the Company

Shares of the Company held by entities controlled by the Group 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 31 March 2015 was 18.404 thousand of a nominal value of €0,10 each (31 December 2014: 20.751 thousand of a nominal value of €0,10 each). The total cost of acquisition of treasury shares was €85.676 thousand (31 December 2014: €88.051 thousand).

Part of these shares held by entities controlled by the Group resulted from the bail-in of deposits that these entities maintained with the Company and will be disposed of in the near future.

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

25. Cash and cash equivalents

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

	31 March 2015	31 March 2014
	€000	€000
Cash and non-obligatory balances with central banks	536.248	698.013
Treasury bills repayable within three months	69.927	199.085
Placements with banks with maturity of less than three months	1.320.166	653.543
Cash and balances with central banks and placements with banks with maturity less than three months classified as held for sale	129.336	-
	2.055.677	1.550.641

25. Cash and cash equivalents (continued)

Analysis of cash and balances with central banks and placements with banks

	31 March 2015	31 December 2014
	€000	€000
Cash and non-obligatory balances with central banks	536.248	655.263
Obligatory balances with central banks	450.480	484.202
Total cash and balances with central banks	986.728	1.139.465
Placements with banks with original maturity less than three months	1.320.166	1.304.358
Other restricted placements with banks	97.249	70.771
Other placements with banks	197.057	271.757
Total placements with banks	1.614.472	1.646.886

Other restricted placements with banks relate to collateral under derivative transactions of €97.249 thousand (31 December 2014: €70.771 thousand) which are not immediately available for use by the Group, but are released once the transactions are terminated.

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

26. Analysis of assets and liabilities by expected maturity

	31 March 2015			31 December 2014		
	Less than one year	Over one year	Total	Less than one year	Over one year	Total
Assets	€000	€000	€000	€000	€000	€000
Cash and balances with central banks	538.018	448.710	986.728	660.104	479.361	1.139.465
Placements with banks	1.485.507	128.965	1.614.472	1.522.315	124.571	1.646.886
Derivative financial assets	70.558	1.100	71.658	61.896	702	62.598
Investments	551.840	1.848.263	2.400.103	571.863	1.969.059	2.540.922
Loans and advances to customers	4.955.144	13.303.227	18.258.371	4.487.855	13.680.468	18.168.323
Life insurance business assets attributable to policyholders	21.737	475.557	497.294	20.906	452.086	472.992
Other assets	286.789	45.084	331.873	236.469	99.793	336.262
Property, equipment and intangible assets	6.036	436.899	442.935	8.086	435.417	443.503
Investment properties	-	542.366	542.366	-	488.598	488.598
Investments in associates and joint venture	-	119.435	119.435	-	116.776	116.776
Deferred tax assets	10.199	440.109	450.308	9.905	446.966	456.871
Non-current assets and disposal groups held for sale	956.359	-	956.359	916.206	-	916.206
	8.882.187	17.789.715	26.671.902	8.495.605	18.293.797	26.789.402
Liabilities						
Amounts due to banks	129.755	48.703	178.458	113.651	48.245	161.896
Funding from central banks	1.681.135	6.022.326	7.703.461	1.554.000	6.729.773	8.283.773
Repurchase agreements	253.943	341.341	595.284	230.305	349.377	579.682
Derivative financial liabilities	20.021	57.734	77.755	13.371	58.596	71.967
Customer deposits	4.538.366	8.463.185	13.001.551	4.416.865	8.206.693	12.623.558
Insurance liabilities	91.802	505.772	597.574	93.837	482.864	576.701
Other liabilities	280.161	502	280.663	317.664	32.767	350.431
Debt securities in issue	492	715	1.207	492	693	1.185
Deferred tax liabilities	-	47.352	47.352	565	47.398	47.963
Non-current liabilities and disposal groups held for sale	680.804	-	680.804	611.199	-	611.199
	7.676.479	15.487.630	23.164.109	7.351.949	15.956.406	23.308.355

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

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

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

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

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

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

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

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

27. Risk management – Credit risk

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

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

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

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

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

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

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

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

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

27. Risk management – Credit risk (continued)

Maximum exposure to credit risk and collateral and other credit enhancements

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

	31 March 2015	31 December 2014
	€000	€000
Balances with central banks	863.828	954.412
Placements with banks	1.614.472	1.646.886
Trading investments - debt securities	1	1
Debt securities at fair value through profit or loss	17.114	17.151
Debt securities classified as available-for-sale and loans and receivables	2.350.471	2.491.167
Derivative financial instruments (Note 14)	71.658	62.598
Loans and advances to customers (Note 16)	18.258.371	18.168.323
Assets held for sale (Note 17)	658.204	625.207
Debtors (Note 18)	22.424	21.279
Reinsurers' share of insurance contract liabilities (Note 18)	63.258	66.177
Other assets	142.537	129.876
On-balance sheet total	24.062.338	24.183.077
<i>Contingent liabilities</i>		
Acceptances and endorsements	8.402	9.227
Guarantees	919.322	972.673
Guarantees related to the disposal group held for sale	9.667	8.547
<i>Commitments</i>		
Documentary credits	15.147	16.217
Undrawn formal stand-by facilities, credit lines and other commitments to lend	2.127.915	2.273.433
Undrawn formal stand-by facilities other credit lines and commitments to lend for disposal group held for sale	68.591	71.379
Off-balance sheet total	3.149.044	3.351.476
Total credit risk exposure	27.211.382	27.534.553

27. Risk management – Credit risk (continued)

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

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

	31 March 2015	31 December 2014
On-balance sheet	€000	€000
Cyprus	21.349.767	21.443.313
Greece	73.925	110.459
Russia	696.443	625.207
United Kingdom	1.542.605	1.525.666
Romania	399.598	478.432
	24.062.338	24.183.077
Off-balance sheet		
Cyprus	2.915.985	3.067.737
Greece	153.878	185.271
Russia	78.258	79.926
United Kingdom	610	18.225
Romania	313	317
	3.149.044	3.351.476
Total on and off balance sheet		
Cyprus	24.265.752	24.511.050
Greece	227.803	295.730
Russia	774.701	705.133
United Kingdom	1.543.215	1.543.891
Romania	399.911	478.749
	27.211.382	27.534.553

27. Risk management – Credit risk (continued)

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

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

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

Loans and advances to customers

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

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

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

Other financial instruments

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

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

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

Credit risk concentration of loans and advances to customers

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

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

Fair value adjustment on initial recognition

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

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

27. Risk management – Credit risk (continued)

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

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

	Cyprus	Greece	United Kingdom	Romania	Russia	Total	Fair value adjustment on initial recognition	Gross loans after fair value adjustment on initial recognition
31 March 2015	€000	€000	€000	€000	€000	€000	€000	€000
By economic activity								
Trade	2.272.119	-	21.298	12.839	-	2.306.256	(168.644)	2.137.612
Manufacturing	828.409	-	11.915	7.644	-	847.968	(43.621)	804.347
Hotels and catering	1.475.460	-	89.645	6.355	-	1.571.460	(97.926)	1.473.534
Construction	3.909.429	-	27.149	48.697	-	3.985.275	(421.620)	3.563.655
Real estate	1.951.057	44.526	761.847	280.080	27.873	3.065.383	(166.731)	2.898.652
Private individuals	7.543.876	223	49.954	8.447	63.712	7.666.212	(309.137)	7.357.075
Professional and other services	1.481.010	-	51.441	38.963	13.693	1.585.107	(122.786)	1.462.321
Other sectors	1.858.440	102.722	13.251	116.849	-	2.091.262	(214.585)	1.876.677
	21.319.800	147.471	1.026.500	519.874	105.278	23.118.923	(1.545.050)	21.573.873
By customer sector								
Corporate	9.487.476	147.248	705.260	489.277	105.278	10.934.539	(879.618)	10.054.921
Small and medium-sized enterprises (SMEs)	4.532.783	-	278.977	27.504	-	4.839.264	(340.024)	4.499.240
Retail								
- housing	4.376.854	-	20.900	1.437	-	4.399.191	(125.347)	4.273.844
- consumer, credit cards and other	2.283.419	223	21.363	1.656	-	2.306.661	(180.566)	2.126.095
International banking services	572.868	-	-	-	-	572.868	(10.449)	562.419
Wealth management	66.400	-	-	-	-	66.400	(9.046)	57.354
	21.319.800	147.471	1.026.500	519.874	105.278	23.118.923	(1.545.050)	21.573.873

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

27. Risk management – Credit risk (continued)

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

	Cyprus	Greece	United Kingdom	Romania	Russia	Total	Fair value adjustment on initial recognition	Gross loans after fair value adjustment on initial recognition
31 March 2015	€000	€000	€000	€000	€000	€000	€000	€000
By business line								
Corporate	2.005.251	147.248	705.260	402.810	105.278	3.365.847	(155.674)	3.210.173
Small and medium-sized enterprises (SMEs)	1.714.134	-	278.977	27.504	-	2.020.615	(80.876)	1.939.739
Retail								
- housing	3.793.893	-	20.900	1.437	-	3.816.230	(56.125)	3.760.105
- consumer, credit cards and other	1.581.379	223	21.363	1.656	-	1.604.621	(54.384)	1.550.237
Restructuring								
- corporate	5.337.496	-	-	35.770	-	5.373.266	(346.236)	5.027.030
- SMEs	1.389.313	-	-	-	-	1.389.313	(105.211)	1.284.102
Recoveries								
- corporate	2.144.729	-	-	50.697	-	2.195.426	(377.708)	1.817.718
- SMEs	1.429.336	-	-	-	-	1.429.336	(153.937)	1.275.399
- retail housing	582.961	-	-	-	-	582.961	(69.222)	513.739
- retail other	702.040	-	-	-	-	702.040	(126.182)	575.858
International banking services	572.868	-	-	-	-	572.868	(10.449)	562.419
Wealth management	66.400	-	-	-	-	66.400	(9.046)	57.354
	21.319.800	147.471	1.026.500	519.874	105.278	23.118.923	(1.545.050)	21.573.873

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

27. Risk management – Credit risk (continued)

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

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

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

27. Risk management – Credit risk (continued)

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

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

27. Risk management – Credit risk (continued)

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

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

	Russia	
	31 March 2015	31 December 2014
By economic activity	€000	€000
Trade	177.214	160.632
Manufacturing	66.405	59.466
Construction	57.454	43.932
Real estate	108.008	131.943
Private individuals	257.617	294.733
Professional and other sectors	299.562	275.018
	966.260	965.724

By customer sector		
Corporate	529.363	507.838
Small and medium-sized enterprises (SMEs)	179.279	163.152
Retail		
- housing	29.461	25.999
- consumer, credit cards and other	228.157	204.867
International banking services	-	63.868
	966.260	965.724

By business line		
Corporate	529.363	507.838
Small and medium-sized enterprises (SMEs)	179.279	163.152
Retail		
- housing	29.461	25.999
- consumer, credit cards and other	228.157	204.867
International banking services	-	63.868
	966.260	965.724

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

27. Risk management – Credit risk (continued)

Currency concentration of loans and advances to customers

	Cyprus	Greece	United Kingdom	Romania	Russia	Total	Fair value adjustment on initial recognition	Gross loans after fair value adjustment on initial recognition
	€000	€000	€000	€000	€000	€000	€000	€000
31 March 2015								
Euro	19.649.924	147.471	33.300	518.506	98.926	20.448.127	(1.410.709)	19.037.418
US Dollar	304.533	-	933	24	6.352	311.842	(13.840)	298.002
British Pound	59.558	-	962.729	98	-	1.022.385	(24.316)	998.069
Russian Rouble	161	-	-	-	-	161	(3)	158
Romanian Lei	1	-	-	1.246	-	1.247	-	1.247
Swiss Franc	1.226.373	-	14.142	-	-	1.240.515	(88.996)	1.151.519
Other currencies	79.250	-	15.396	-	-	94.646	(7.186)	87.460
	21.319.800	147.471	1.026.500	519.874	105.278	23.118.923	(1.545.050)	21.573.873
31 December 2014								
Euro	19.692.806	172.587	41.166	516.875	-	20.423.434	(1.453.728)	18.969.706
US Dollar	279.609	-	866	21	-	280.496	(12.212)	268.284
British Pound	56.206	-	854.962	95	-	911.263	(16.359)	894.904
Russian Rouble	555	-	-	-	-	555	(2)	553
Romanian Lei	1	-	-	1.204	-	1.205	-	1.205
Swiss Franc	1.078.751	1.553	12.326	-	-	1.092.630	(77.424)	1.015.206
Other currencies	92.011	-	4.794	-	-	96.805	(6.386)	90.419
	21.199.939	174.140	914.114	518.195	-	22.806.388	(1.566.111)	21.240.277

27. Risk management – Credit risk (continued)

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

	Russia	
	31 March 2015	31 December 2014
	€000	€000
Euro	421	98.575
US Dollar	213.885	193.991
Russian Rouble	751.954	673.158
	966.260	965.724

Credit quality of loans and advances to customers

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

	31 March 2015			31 December 2014		
	Gross loans before fair value adjustment on initial recognition	Fair value adjustment on initial recognition	Gross loans after fair value adjustment on initial recognition	Gross loans before fair value adjustment on initial recognition	Fair value adjustment on initial recognition	Gross loans after fair value adjustment on initial recognition
	€000	€000	€000	€000	€000	€000
Neither past due nor impaired	9.619.013	(191.569)	9.427.444	9.629.157	(181.393)	9.447.764
Past due but not impaired	4.459.061	(111.940)	4.347.121	4.281.050	(106.020)	4.175.030
Impaired	9.040.849	(1.241.541)	7.799.308	8.896.181	(1.278.698)	7.617.483
	23.118.923	(1.545.050)	21.573.873	22.806.388	(1.566.111)	21.240.277

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

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

	31 March 2015	31 December 2014
	€000	€000
Past due:		
- up to 30 days	641.446	550.070
- 31 to 90 days	583.564	480.961
- 91 to 180 days	335.680	432.947
- 181 to 365 days	739.223	908.614
- over one year	2.159.148	1.908.458
	4.459.061	4.281.050

27. Risk management – Credit risk (continued)

Credit quality of loans and advances to customers (continued)

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

The fair value of the collateral that the Group holds (to the extent that they mitigate credit risk) in respect of loans and advances to customers that are past due but not impaired as at 31 March 2015 is €3.463.938 thousand (31 December 2014: €3.474.820 thousand).

Impaired loans and advances to customers

	31 March 2015		31 December 2014	
	Gross loans and advances	Fair value of collateral	Gross loans and advances	Fair value of collateral
	€000	€000	€000	€000
Cyprus	8.389.110	5.821.005	8.265.182	6.045.030
Greece	102.723	-	173.906	19.950
Russia	83.756	10.680	-	-
United Kingdom	79.738	11.652	81.840	50.198
Romania	385.522	219.334	375.253	219.462
	9.040.849	6.062.671	8.896.181	6.334.640

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

	31 March 2015	31 December 2014
	€000	€000
Impaired:		
- no arrears	957.932	1.045.979
- up to 30 days	50.295	83.946
- 31 to 90 days	208.852	133.984
- 91 to 180 days	165.739	136.512
- 181 to 365 days	430.696	671.093
- over one year	7.227.335	6.824.667
	9.040.849	8.896.181

Interest income on impaired loans

Interest income from loans and advances to customers includes interest on the recoverable amount of impaired loans and advances to customers amounting to €62.888 thousand (corresponding period of 2014: €60.000 thousand).

27. Risk management – Credit risk (continued)

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

	Russia	
	31 March 2015	31 December 2014
	€000	€000
Neither past due nor impaired	418.974	435.912
Past due but not impaired:		
- up to 30 days	21.316	12.655
- 31 to 90 days	11.965	10.178
- 91 to 180 days	8.405	7.166
- 181 to 365 days	18.848	17.246
- over one year	107.378	84.663
	167.912	131.908
Impaired:		
- no arrears	48.283	106.624
- up to 30 days	17.425	65.538
- 31 to 90 days	65.846	8.049
- 91 to 180 days	15.268	6.463
- 181 to 365 days	14.675	14.385
- over one year	217.877	196.845
	379.374	397.904
	966.260	965.724

The fair value of the collateral for the impaired and past due but not impaired loans and advances to customers classified as held for sale at 31 March 2015 amounted to €170.105 thousand and €21.737 thousand respectively (31 December 2014: €154.543 thousand and €15.192 thousand respectively).

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

27. Risk management – Credit risk (continued)

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

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

	Cyprus	Greece	Russia	Other countries	Total
31 March 2015	€000	€000	€000	€000	€000
1 January	2,887,343	9,275	415,894	175,336	3,487,848
Foreign exchange adjustments	63,789	59	55,544	2,343	121,735
Transfer between geographical areas	(83,378)	6,330	-	77,048	-
Applied in writing off impaired loans and advances	(1,499)	-	-	-	(1,499)
Interest accrued on impaired loans and advances	(56,014)	-	(190)	(282)	(56,486)
Collection of loans and advances previously written off	270	-	-	(104)	166
Charge for the period – continuing operations	143,837	4,851	2,200	19,258	170,146
Charge for the period – discontinued operations	-	-	23,080	-	23,080
31 March	2,954,348	20,515	496,528	273,599	3,744,990
Individual impairment	2,285,550	20,515	336,917	263,149	2,906,131
Collective impairment	668,798	-	159,611	10,450	838,859

The balance of provisions for impairment of loans and advances to customers at 31 March 2015 includes €429,488 thousand for loans and advances to customers classified as held for sale. The above table does not include the impairment on financial guarantees and commitments which is part of 'Other liabilities'.

	Cyprus	Greece	Russia	Other countries	Total
31 March 2014	€000	€000	€000	€000	€000
1 January	2,574,670	189	286,366	215,045	3,076,270
Foreign exchange adjustments	11,809	-	(16,927)	(11,882)	(17,000)
Applied in writing off impaired loans and advances	(277)	-	(9)	-	(286)
Interest accrued on impaired loans and advances	(27,141)	-	(238)	(1,262)	(28,641)
Collection of loans and advances previously written off	123	-	-	607	730
Charge for the period – continuing operations	129,888	-	-	(980)	128,908
Charge for the period – discontinued operations	-	-	17,557	38,528	56,085
31 March	2,689,072	189	286,749	240,056	3,216,066
Individual impairment	2,076,051	189	139,635	210,603	2,426,478
Collective impairment	613,021	-	147,114	29,453	789,588

27. Risk management – Credit risk (continued)

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

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

Assumptions have been made about the future changes in property values, as well as the timing for the realisation of the collateral and for taxes and expenses on the repossession and subsequent sale of the collateral. Indexation has been used to estimate updated market values of properties while assumptions were made on the basis of a macroeconomic scenario for future changes in property values. The timing of recovery from mortgages has been estimated to be 3 years and the cumulative average future drop in property values during this period has been estimated at -4,71%.

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

Indicatively, if the actual recoverable amount from collateral of impaired loans in Cyprus is lower than the amount estimated as at 31 March 2015 by 5% and 10%, then the provisions for impairment of loans and advances would increase by €227.058 thousand and €485.751 thousand respectively. Alternatively, if the collateral values in Cyprus increased by 5% and 10%, then the provisions for impairment of loans and advances would decrease by €248.933 thousand and €445.156 thousand respectively.

Forbearance

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

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

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

Rescheduled loans and advances are those facilities for which the Group has modified the repayment programme (provision of the grace period, suspension of the obligation to repay one or more instalments, reduction in the instalment amount and/or elimination of overdue instalments relating to capital or interest) and current accounts/overdrafts for which the credit limit has been increased with the sole purpose of covering an excess.

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

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

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

27. Risk management – Credit risk (continued)

Forbearance (continued)

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

Short-term restructuring solutions can include the following:

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

Long-term restructuring solutions can include the following:

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

Rescheduled loans and advances to customers

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

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

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	Total
31 March 2015	€000	€000	€000	€000	€000	€000	€000
1 January	7.024.847	75.778	234.659	136.421	184.585	-	7.656.290
New loans and advances rescheduled in the period	340.024	-	51.738	10.568	-	-	402.330
Assets no longer classified as rescheduled (including repayments)	(174.125)	(25.661)	(7.303)	(20.780)	(1.778)	-	(229.647)
Applied in writing off rescheduled loans and advances	(98)	-	-	-	-	-	(98)
Interest accrued on rescheduled loans and advances	95.219	305	2.897	1.476	441	-	100.338
Foreign exchange adjustments	80.516	-	41.091	9.839	1.594	-	133.040
31 March	7.366.383	50.422	323.082	137.524	184.842	-	8.062.253
31 March 2014							
1 January	7.070.764	-	187.031	107.624	127.308	62.051	7.554.778
New loans and advances rescheduled in the period	767.131	70.749	9.920	47.449	-	4.481	899.730
Assets no longer classified as rescheduled (including repayments)	(701.153)	-	(18.433)	(25.793)	(70.118)	(3.975)	(819.472)
Interest accrued on rescheduled loans and advances	97.491	-	1.503	1.264	689	2.460	103.407
Foreign exchange adjustments	1.035	-	(13.666)	682	174	(6.188)	(17.963)
31 March	7.235.268	70.749	166.355	131.226	58.053	58.829	7.720.480

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

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

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

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit quality

	Cyprus	Greece	Russia	United Kingdom	Romania	Total
31 March 2015	€000	€000	€000	€000	€000	€000
Neither past due nor impaired	2.622.030	-	108.174	113.161	63.933	2.907.298
Past due but not impaired	1.855.760	-	8.330	19.696	3.420	1.887.206
Impaired	2.888.593	50.422	206.578	4.667	117.489	3.267.749
	7.366.383	50.422	323.082	137.524	184.842	8.062.253
31 December 2014						
Neither past due nor impaired	2.546.020	-	61.677	109.269	70.899	2.787.865
Past due but not impaired	1.764.528	-	16.468	21.814	3.247	1.806.057
Impaired	2.714.299	75.778	156.514	5.338	110.439	3.062.368
	7.024.847	75.778	234.659	136.421	184.585	7.656.290

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

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

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Fair value of collateral

	Cyprus	Russia	United Kingdom	Romania	Total
31 March 2015	€000	€000	€000	€000	€000
Neither past due nor impaired	2.304.163	96.951	113.053	63.933	2.578.100
Past due but not impaired	1.569.986	7.225	19.681	3.115	1.600.007
Impaired	2.561.077	100.292	3.798	60.044	2.725.211
	6.435.226	204.468	136.532	127.092	6.903.318
31 December 2014					
Neither past due nor impaired	2.241.882	58.144	108.699	70.899	2.479.624
Past due but not impaired	1.534.072	15.764	21.579	3.150	1.574.565
Impaired	2.556.664	86.725	3.267	50.943	2.697.599
	6.332.618	160.633	133.545	124.992	6.751.788

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

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

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration

	Cyprus	Greece	Russia	United Kingdom	Romania	Total
31 March 2015	€000	€000	€000	€000	€000	€000
By economic activity						
Trade	567.613	-	64.412	302	3.032	635.359
Manufacturing	233.679	-	31.141	3.899	1.092	269.811
Hotels and catering	613.302	-	-	7.027	6.183	626.512
Construction	1.895.010	-	36.597	15.744	2.465	1.949.816
Real estate	888.436	-	-	89.660	87.370	1.065.466
Private individuals	2.242.797	-	-	2.427	117	2.245.341
Professional and other services	371.206	-	190.932	17.848	21.782	601.768
Other sectors	554.340	50.422	-	617	62.801	668.180
	7.366.383	50.422	323.082	137.524	184.842	8.062.253
By customer sector						
Corporate	3.800.727	50.422	275.776	109.735	182.073	4.418.733
Small and medium-sized enterprises (SMEs)	1.519.801	-	39.304	25.085	2.652	1.586.842
Retail						
- housing	1.483.662	-	1.726	-	-	1.485.388
- consumer, credit cards and other	512.922	-	6.276	2.704	117	522.019
International banking services	34.962	-	-	-	-	34.962
Wealth management	14.309	-	-	-	-	14.309
	7.366.383	50.422	323.082	137.524	184.842	8.062.253

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

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

	Cyprus	Greece	Russia	United Kingdom	Romania	Total
31 March 2015	€000	€000	€000	€000	€000	€000
By business line						
Corporate	429.947	50.422	275.776	109.735	181.272	1.047.152
Small and medium-sized enterprises (SMEs)	566.206	-	39.304	25.085	2.652	633.247
Retail						
- housing	1.391.205	-	1.726	-	-	1.392.931
- consumer, credit cards and other	426.969	-	6.276	2.704	117	436.066
Restructuring						
- corporate	2.797.791	-	-	-	676	2.798.467
- SMEs	643.854	-	-	-	-	643.854
Recoveries						
- corporate	572.989	-	-	-	125	573.114
- SMEs	309.741	-	-	-	-	309.741
- retail housing	92.457	-	-	-	-	92.457
- retail other	85.953	-	-	-	-	85.953
International banking services	34.962	-	-	-	-	34.962
Wealth management	14.309	-	-	-	-	14.309
	7.366.383	50.422	323.082	137.524	184.842	8.062.253

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

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

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

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

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

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

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

27. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Provisions for impairment

	Cyprus	Greece	Russia	United Kingdom	Romania	Total
31 March 2015	€000	€000	€000	€000	€000	€000
Individual impairment	813.861	20.336	129.952	1.918	77.279	1.043.346
Collective impairment	247.195	-	11.972	567	1.973	261.707
	1.061.056	20.336	141.924	2.485	79.252	1.305.053
31 December 2014						
Individual impairment	732.657	15.310	103.704	1.836	60.385	913.892
Collective impairment	203.113	-	10.133	12	1.671	214.929
	935.770	15.310	113.837	1.848	62.056	1.128.821

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

28. Risk management – Liquidity risk and funding

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

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

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

Management structure

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

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

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

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

Temporary restrictions on withdrawal of deposits

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

Monitoring process

Daily

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

Weekly

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

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

Monitoring process (continued)

Monthly

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

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

Quarterly

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

Annually

As part of the Group's procedures for monitoring and managing liquidity risk, there is a Group 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, is reviewed by ALCO at least annually. The latter submits the updated policy with its recommendations to the Board through the Board Risk Committee for approval. The approved policy is notified to the CBC.

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

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

Liquidity ratios

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

The Group's liquidity ratio was as follows:

	31 March 2015	31 December 2014
	%	%
31 March 2015/31 December 2014	19,97	20,97
Average ratio	20,95	15,27
Highest ratio	21,62	20,97
Lowest ratio	19,97	12,11

The minimum liquidity ratios for the Cyprus operations are set at the levels required by the CBC: 20% for Euro and 70% for foreign currencies. It is noted that in the calculation of the above ratios, as well as for CBC regulatory reports, ELA is treated as a long term liability.

During the first quarter of 2015 the liquidity ratio remained at low levels, due to the continued economic crisis in Cyprus.

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

Liquidity ratios (continued)

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

	31 March 2015	31 December 2014
	%	%
31 March 2015/31 December 2014	137,62	141,48
Average ratio	139,55	146,85
Highest quarter ratio	141,48	150,96
Lowest quarter ratio	137,62	141,71

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 ELA.

The Group currently has limited access to interbank and wholesale markets which, combined with a reduction in deposits in Cyprus, the deposit bail-in and the acquisition of certain operations of Laiki Bank in March 2013, has resulted in increased reliance on central bank funding. As at 31 March 2015, the funding from the ELA amounted to €6.903.239 thousand (31 December 2014: €7.403.741 thousand) (Note 20).

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

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

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

Any new funding to subsidiaries requires approval from the CBC.

The subsidiaries 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.

Collateral requirements

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

	31 March 2015	31 December 2014
	€000	€000
Cash and other liquid assets	173.651	191.968
Investments	2.307.425	2.435.766
Loans and advances	13.454.935	13.531.026
Non-current assets and disposal groups classified as held for sale	30.980	54.536
Property	99.468	99.468
	16.066.459	16.312.764

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

Collateral requirements (continued)

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

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

Loans and advances indicated as encumbered are mainly used as collateral for funding from the CBC.

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

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

29. Risk management – Market risk

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

Interest rate risk

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

Currency risk

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

Price risk

Equity securities price risk

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

Debt securities price risk

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

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

30. Capital management

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

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

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

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

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

30. Capital management (continued)

Capital position under CRD IV

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

	31 March 2015	31 December 2014
	€000	€000
Regulatory capital		
Transitional Common Equity Tier 1 (CET1)	3.200.962	3.190.955
Transitional Additional Tier 1 capital (AT1)	-	-
Tier 2 capital (T2)	30.286	42.146
Transitional total regulatory capital	3.231.248	3.233.101
	%	%
Transitional Common Equity Tier 1 ratio	13,9	14,0
Transitional total capital ratio	14,1	14,2

The Group's capital position as at 31 March 2015 exceeds its Pillar I and Pillar II add-on capital requirements, providing a loss-absorbing buffer to the Group.

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

Taking into account the losses recognised in the Income Statement of the Group for year 2014 of €261 million, the CET1 Pillar II add-on capital requirement at 31 March 2015 is calculated at 5,2% and it may be further reduced by future losses of up to €658 million (of the total of €919 million), up to a CET1 ratio of 8%.

During the first quarter of 2015, the Group's CET1 ratio was positively affected by the profits of the period (it is noted that CET1 includes unaudited profits amounting to €15.302 thousand for the quarter), but was negatively affected by the increase in risk weighted assets (primarily due to fluctuations in foreign exchange rates) and the phasing-in of transitional adjustments (mainly deferred tax) as from 1 January 2015.

The regulatory capital as at 31 March 2015 included 'Shares subject to interim orders' (Note 24) which amounted to €441 thousand (31 December 2014: €441 thousand).

31. Related party transactions

	31 March 2015	31 December 2014
	€000	€000
Loans and advances:		
- members of the Board of Directors and other key management personnel	3.493	3.615
- connected persons	919	1.084
	4.412	4.699
Deposits:		
- members of the Board of Directors and other key management personnel	7.653	18.368
- connected persons	13.472	11.206
	21.125	29.574

31. Related party transactions (continued)

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

Interest income and expense from related parties for the three months ended 31 March 2015 amounted to €36 thousand and €86 thousand respectively (corresponding period of 2014: €26 thousand and €130 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 €189 thousand (31 December 2014: €175 thousand). There were also contingent liabilities and commitments to other key management personnel and their connected persons amounting to €860 thousand (31 December 2014: €689 thousand).

The total unsecured amount of the loans and advances and of the contingent liabilities and commitments to members of the Board of Directors, key management personnel and their connected persons (using forced-sale values for tangible collaterals and assigning no value to other types of collateral), at 31 March 2015 amounted to €1.706 thousand (31 December 2014: €1.586 thousand).

There were no transactions during the three months ended 31 March 2015 with connected persons of the current members of the Board of Directors. During the three months ended 31 March 2014, the Group paid €41 thousand relating to insurance transactions to Universal Insurance Agency Ltd in which Mr Xanthos Vrachas is a director.

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

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

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

	Three months ended 31 March	
	2015 €000	2014 €000
Director emoluments		
<i>Executives</i>		
Salaries and other short term benefits	244	211
Employer's contributions	15	11
Retirement benefit plan costs	32	28
	291	250
<i>Non-executives</i>		
Fees	65	102
Total directors' emoluments	356	352
Other key management personnel emoluments		
Salaries and other short term benefits	978	510
Employer's contributions	38	40
Retirement benefit plan costs	49	52
Total other key management personnel emoluments	1.065	602
Total	1.421	954

31. Related party transactions (continued)

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

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

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

32. Group companies

The main subsidiary companies and branches included in the interim Condensed Consolidated Financial Statements of the Group, their country of incorporation, their activities, and the percentage held by the Company (directly or indirectly) as at 31 March 2015 are:

Company	Country	Activities	Percentage holding (%)
Bank of Cyprus Public Company Ltd	Cyprus	Commercial bank	N/A
The Cyprus Investment and Securities Corporation Ltd (CISCO)	Cyprus	Investment banking, asset management and brokerage	100
General Insurance of Cyprus Ltd	Cyprus	General insurance	100
EuroLife Ltd	Cyprus	Life insurance	100
Kermia Ltd	Cyprus	Property trading and development	100
Kermia Properties & Investments Ltd	Cyprus	Property trading and development	100
Kermia Hotels Ltd	Cyprus	Hotel business	100
Cytrustees Investment Public Company Ltd	Cyprus	Closed-end investment company	53
BOC Russia (Holdings) Ltd	Cyprus	Intermediate holding company	80
Finerose Properties Ltd	Cyprus	Financing services	100
Hydrobius Ltd	Cyprus	Special purpose entity	-
Laiki Capital Public Co Ltd	Cyprus	Holding company	67
Laiki Financial Services Ltd	Cyprus	Investment banking, asset management and brokerage	100
JCC Payment Systems Ltd	Cyprus	Card processing transaction services	75
CLR Investment Fund Public Ltd	Cyprus	Investment banking asset management and brokerage	20
Auction Yard Ltd	Cyprus	Auction company	100
Bank of Cyprus Public Company Ltd (branch of the Company)	Greece	Administration of guarantees and holding of real estate properties	N/A
Kyprou Commercial SA	Greece	Financing of motor vehicles and other consumer products	100
Kyprou Properties SA	Greece	Property management	100
Kyprou Zois (branch of EuroLife Ltd)	Greece	Life insurance	N/A
Kyprou Asfalistiki (branch of General Insurance of Cyprus Ltd)	Greece	General insurance	N/A
Bank of Cyprus UK Ltd	United Kingdom	Commercial bank	100
BOC Financial Services Ltd	United Kingdom	Financial advisory services	100

32. Group companies (continued)

Company	Country	Activities	Percentage holding (%)
Bank of Cyprus (Channel Islands) Ltd	Channel Islands	Commercial bank	100
Bank of Cyprus Romania (branch of the Company)	Romania	Commercial bank	N/A
Cyprus Leasing Romania IFN SA	Romania	Leasing	100
CB Uniastrum Bank LLC	Russia	Commercial bank	80
Leasing Company Uniastrum Leasing	Russia	Leasing	80
MC Investment Assets Management LLC	Russia	Problem asset management	-
Kyprou Finance (NL) B.V.	Netherlands	Financing services	100

In addition to the above companies, at 31 March 2015 the Company had 100% shareholding in the companies listed below whose main activity is the ownership and management of immovable property and other assets:

Cyprus: Timeland Properties Ltd, Cobhan Properties Ltd, Bramwell Properties Ltd, Elswick Properties Ltd, Birkdale Properties Ltd, Newington Properties Ltd, Innerwick Properties Ltd, Lameland Properties Ltd, Fairford Properties Ltd, Citlali Properties Ltd, Endar Properties Ltd, Ramendi Properties Ltd, Ligisimo Properties Ltd, Thames Properties Ltd, Moonland Properties Ltd, Polkima Properties Ltd, Nalmosa Properties Ltd, Smooland Properties Ltd, Emovera Properties Ltd, Estaga Properties Ltd, Skellom Properties Ltd, Blodar Properties Ltd, Spaceglowing Properties Ltd, Threefield Properties Ltd, Guarded Path Properties Ltd, Lepidoland Properties Ltd, Stamoland Properties Ltd, Ecunaland Properties Ltd, Tebane Properties Ltd, Cranmer Properties Ltd, Calomland Properties Ltd, Vieman Ltd, Les Coraux Estates Ltd, Natakou Company Ltd, Karmazi (Apartments) Ltd, Kermia Palace Enterprises Ltd, Oceania Ltd, Dominion Industries Ltd, Ledra Estates Ltd, Eurolife Properties Ltd, Elias Houry Estates Ltd, Laiki Lefkothea Center Ltd, Labancor Ltd, Paneuropean Ltd, Philiki Ltd, Cyprialife Ltd, Imperial Life Assurance Ltd, Philiki Management Services Ltd, Nelcon Transport Co. Ltd, Steparco Ltd, Joberco Ltd, Zecomex Ltd, Domita Estates Ltd, Memdes Estates Ltd, Obafemi Holdings Ltd, Pamaco Platres Complex Ltd, Gosman Properties Ltd, Odaina Properties Ltd, Vameron Properties Ltd, Thryan Properties Ltd, Icecastle Properties Ltd, Otoba Properties Ltd, Edoric Properties Ltd, Belvesi Properties Ltd, Ingane Properties Ltd, Indene Properties Ltd, Canosa Properties Ltd, Silen Properties Ltd, Kernland Properties Ltd, Unduma Properties Ltd, Iperi Properties Ltd, Warmbaths Properties Ltd, Danoma Properties Ltd, Kimrar Properties Ltd, Jobelis Properties Ltd, Tavoni Properties Ltd, Metin Properties Ltd, Pekiro Properties Ltd, Melsolia Properties Ltd, Nimoland Properties Ltd, Lozzaria Properties Ltd, Koralmou Properties Ltd, Petrassimo Properties Ltd, Kedonian Properties Ltd, Lasteno Properties Ltd and Armozio Properties Ltd.

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

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

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

32. Group companies (continued)

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

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

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

UK: Misthosis Funding Plc and Misthosis Funding (Holding) Ltd.

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

Malta: Aphrodite Holdings Ltd and Thalassa Holdings Ltd.

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

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

Disposal groups and subsidiaries classified as held for sale

As at 31 March 2015, the Russian operations of the Group, executed through the Russian subsidiaries of the Group, and the hotel business of Aphrodite group were classified as held for sale (Note 17).

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

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

Dissolution of subsidiaries

As at 31 March 2015 the following subsidiaries were in the process of dissolution: Samarinda Navigation Co Ltd, Kyprou Securities SA, BOC Ventures Ltd, Tefkros Investments Ltd, Tefkros Investments (CI) Ltd, Salecom Ltd, Longtail Properties Ltd, Turnmill Properties Ltd, Limestone Holdings Ltd and Diners Club (Cyprus) Ltd.

33. Acquisitions and disposals

33.1 Acquisition during 2015

Acquisition of shares of Laiki Financial Services Ltd

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

33.2 Disposal during 2015

Disposal of Kyprou Leasing SA

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

33. Acquisitions and disposals (continued)

33.3 Disposals during 2014

33.3.1 Disposal of the Group's Ukrainian business

In April 2014, the Group completed the disposal of its Ukrainian operations, comprising (i) its holding of 99,77% in its subsidiary bank in Ukraine, PJSC Bank of Cyprus, (ii) the funding provided by the Company to PJSC Bank of Cyprus, and (iii) its loans with Ukrainian exposures, to Alfa group. The sale consideration was €198.860 thousand, comprising €98.860 thousand received and €100.000 thousand deferred up to 31 March 2015. Regarding the disposal of the Ukrainian operations, the Group is currently under discussion with Alfa Group for an extension of the settlement terms of the deferred consideration for the sale of its operations in Ukraine, which was due on 31 March 2015. The accounting loss from the sale was €114.228 thousand and represented the difference of the consideration and the carrying value of the assets and liabilities disposed, as well as the unwinding of the related foreign currency reserve of €55.796 thousand as at the disposal date.

The results of the Group's Ukrainian 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
Net other income	1.668
	6.002
Staff costs	(1.233)
Other operating expenses	(2.882)
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)

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)

33.3.2 Sale of a UK loan portfolio

On 31 October 2014 the Company completed the sale of a UK loan portfolio owned by the Group and largely composed of residential and commercial real estate-backed facilities.

This loan portfolio was acquired by the Group through the acquisition of certain operations of Laiki Bank in March 2013.

33. Acquisitions and disposals (continued)

33.3 Disposals during 2014 (continued)

33.3.3 Sale of assets in Romania

On 11 September 2014, as part of its strategy of focusing on core business, the Group completed the sale of its assets related to Grand Hotel Enterprises Society Ltd (GHES), a limited liability company incorporated in Romania and owner of the JW Marriott Bucharest Grand Hotel to STRABAG SE, an Austrian stock company. The assets comprised (i) a facility agreement between GHES, as borrower, and Bank of Cyprus Romania (branch of the Company), as lender, (ii) 1.474.482 shares issued by GHES to an affiliate of the Company, representing 35,292% of the issued share capital of GHES, and (iii) a subordinated loan agreement between GHES, as borrower, and an associate of the Company, as lender.

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

34. Investments in associates and joint venture

Carrying value of the investments in associates and joint venture

	31 March 2015	31 December 2014
	€000	€000
CNP Cyprus Insurance Holdings Ltd	110.982	108.467
Byron Capital Partners Ltd	5.322	5.322
Interfund Investments Plc	3.131	2.987
Aris Capital Management LLC	-	-
Rosequeens Properties SRL	-	-
	119.435	116.776

The Group's investments in associates comprise of CNP Cyprus Insurance Holdings Ltd (shareholding of 49,90%), Aris Capital Management LLC (shareholding of 30,00%), Interfund Investments Plc (shareholding of 23,12%) and Rosequeens Properties SRL (shareholding of 33,33%). The carrying value of Rosequeens Properties SRL and Aris Capital Management LLC is restricted to zero. In September 2014, the Group sold its holding of 35,292% in its associate Grand Hotel Enterprises Society Ltd, which also had a zero carrying value as at the date of the disposal (Note 33.3.3).

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

35. Events after the reporting date

Sale of investment in MDSF

On 30 April 2015, as part of its strategy of focusing on core business, the Group announced the disposal of its investment in MDSF to Dorchester Capital Secondaries Offshore III, LP. The sale consideration approximates €84 million and the accounting profit is approximately €10 million and represents the recycling of the related foreign currency reserves into the consolidated income statement.

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 1 to 86, which comprise the interim consolidated balance sheet as at 31 March 2015, the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows 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.

Conclusion

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

Emphasis of matter

We draw your attention to note 6.1 'Going concern' to the interim condensed consolidated financial statements which indicate the significant judgments, estimates and assumptions used in the preparation of the interim condensed financial statements on a going concern basis. Our conclusion is not qualified in respect of this matter.

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

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
29 May 2015