Annual Financial Report 2014

Bank of Cyprus Group

Annual Financial Report
for the year ended 31 December 2014

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Board of Directors of Bank of Cyprus Public Company Ltd	Josef Ackermann CHAIRMAN Wilbur L. Ross Jr. Vladimir Strzhalkovskiy VICE CHAIRMEN Arne Berggren Maksim Goldman John Patrick Hourican Marios Kalochoritis Christodoulos Patsalides Michalis Spanos Ioannis Zographakis
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Company Secretary	Katia Santis
Legal Advisers	Chryssafinis & Polyviou
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Statement by the Members of the Board of Directors and the Company Officials Responsible for the Drafting of the Consolidated Financial Statements

(in accordance with the provisions of Cyprus Law 190(I)/2007 on Transparency Requirements)

We, the members of the Board of Directors and the Company officials responsible for the drafting of the consolidated financial statements of Bank of Cyprus Public Company Ltd (the 'Company') for the year ended 31 December 2014, the names of which are listed below, confirm that, to the best of our knowledge:

(a) the consolidated financial statements on pages 15 to 204

(i) have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Cyprus Companies Law,

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

(b) the Report of the Board of Directors provides a fair review of the developments and performance of the business and the position of the Company and the undertakings included in the consolidated financial statements taken as a whole, together with a description of the principal risks and uncertainties that they face.

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

31 March 2015

The Board of Directors submit to the shareholders of the Company their Report together with the audited consolidated financial statements for the year ended 31 December 2014.

Activities

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 subsidiaries in Cyprus and abroad during the year continued to be the provision of banking, financial services and insurance services.

All Group companies and branches are set out in Note 53 of the consolidated financial statements. Acquisitions and disposals made during years 2014 and 2013 are detailed in Note 54 of the consolidated financial statements.

Operating environment in Cyprus

The Cyprus economy is showing further signs of stabilisation amidst a relatively unfavourable external environment.

Real economic activity in Cyprus contracted by 2,3%[1] in 2014 compared with a 5,4% contraction the year before. The economic performance in 2014 was significantly better than originally envisioned. 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 the 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 16,2%[2] in 2014, up from 15,9% the year before. Consumer prices in the year dropped by 1,4%[3] in 2014, further to a 0,4% drop in 2013. The drop in average consumer prices was driven mainly by sizeable drops in rents, local goods and electricity supply. Against a background of subdued economic activity, low capacity utilisation, wage adjustments and low energy prices, inflationary pressures are expected to remain subdued in the medium term.

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 exactly balanced. 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 GDP[4].

Real economic activity is expected to remain relatively subdued in 2015 with GDP growth being close to zero. Uncertainty about the European economic recovery, the economic crisis in Russia and the political and economic uncertainty in Greece weigh negatively on the 2015 economic outlook.

Domestic downside risks remain and relate mostly to the high level of non-performing loans and the delays in the implementation of the relevant legal framework, as well as delays in the implementation of structural reforms agreed to in the economic adjustment programme. The ECB's recently announced programme of Quantitative Easing, assuming eligibility, is a positive development that will likely improve liquidity conditions. Stronger demand in the euro area as a result of Quantitative Easing, low energy prices, a weaker euro and robust growth can provide positive impetus to economic activity in 2015. Robust economic growth in the UK and a weakening of the euro could benefit tourism in Cyprus. Reduction in interest rates in Cyprus could support private sector consumption and could stimulate the domestic economy. The European Commission's latest forecasts expect that growth will pick up gradually in years 2015 and 2016.

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.

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[1] Source: Cyprus Statistical Service.
[2] Source: Eurostat.
[3] Source: Cyprus Statistical Service.
[4] Source: Ministry of Finance.

Operating environment in Cyprus (continued)

Cyprus has undergone five programme reviews by the Troika during the last two years, meeting most targets and achieving considerable adjustment. The contraction of the economy has been significantly less than anticipated and the banking sector has been downsized, recapitalised and restructured. The fifth programme review took place in July 2014 and progress has been noted on fiscal adjustment and restructuring of the financial sector. So far, a total of €6,1 billion has been disbursed.

Agreement on the fifth review, however, has not been possible in the period since the review took place because the effective application of the foreclosure framework has not been achieved. A new foreclosure law was approved by the Cypriot Parliament in September 2014 aimed at ensuring that the foreclosure process is effective and that it provides adequate and balanced incentives for borrowers and lenders to restructure loans. The implementation of this law, however, has been suspended repeatedly on the basis that deliberations for the adoption of a modern insolvency framework have not been completed. The foreclosure law needs to be complemented by a modernised corporate and personal insolvency legal framework, with the objective of facilitating debt restructuring for viable borrowers, providing for the speedy liquidation of non-viable companies and allowing for a fresh start for individuals without capacity to pay.

The most important factor in the Cyprus economy is to be able to restore its credibility and reputation and to enhance the confidence of people towards the banking sector. The successful outcome in the ECB Comprehensive Assessment for the Cypriot banks was a significant milestone, indicating that the banking sector has been significantly recapitalised and restructured and that is in a stronger position so as to support the economic recovery through the provision of credit to creditworthy households and businesses.

Financial results

The main financial highlights for 2014 are set out below:

Group Income Statement		
€ million	**2014**	2013
Net interest income	**967**	880
Net fee and commission income	**153**	140
Net foreign exchange gains/(losses) and net gains/(losses) on other financial instruments	**6**	(2)
Insurance income net of insurance claims	**46**	65
Other income/(expenses)	**(1)**	(64)
Total income	**1.171**	1.019
Staff costs	**(234)**	(265)
Other operating expenses	**(192)**	(170)
Total expenses	**(426)**	(435)
Profit before impairments, restructuring costs and discontinued operations	**745**	584
Provisions for impairment of loans and advances	**(666)**	(941)
Gains on derecognition and changes in expected cash flows on acquired loans	**47**	27
Impairment of other financial and non-financial assets	**(89)**	(23)
Share of profit/(loss) from associates and joint ventures	**5**	(5)
Profit / (loss) before tax, restructuring costs and discontinued operations	**42**	(358)
Tax	**(11)**	(2)
(Loss)/profit attributable to non-controlling interests	**-**	1
Profit / (loss) after tax and before restructuring costs, discontinued operations and net profit on disposal of non-core assets	**31**	(359)
Restructuring costs[5]	**(36)**	(157)
Loss from disposal groups held for sale/discontinued operations	**(303)**	(174)
Net gain/(loss) on disposal of non-core assets[6]	**47**	(1.366)
Loss after tax attributable to the owners of the Company	**(261)**	(2.056)
Net interest margin	**3,94%**	3,45%
Cost to income ratio	**36%**	43%
90+ DPD provision coverage ratio[7]	**41%**	38%
Return on average assets	**-0,9%**	-
Return on average equity	**-8,5%**	-

[5] 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.
[6] 2014: This relates to the disposal of the Ukrainian operations, the disposal of the stake in Banca Transilvania, the disposal of loans in Serbia, the early partial repayment of a Cyprus government bond by the Republic of Cyprus and the disposal of the majority of the Laiki UK loan portfolio. 2013: This relates to the disposal of the Greek operations.
[7] Provision coverage for 90+ DPD is calculated as the sum of accumulated provisions for impairment of customer loans, fair value adjustment on initial recognition and provision for off balance sheet exposures, over 90+ DPD. Loans 90+ DPD are defined as loans with a specific provision (i.e. impaired loans) and loans past-due for more than 90 days but not impaired.

Financial results (continued)

Key Balance Sheet Figures and Ratios	**31 December 2014**	31 December 2013	Annual change ±%
Gross loans (€ billion)	**23,8**	26,7	-11%
Customer deposits (€ billion)	**13,2**	15,0	-12%
Loans to deposits ratio (net)	**141%**	145%	-4p.p.*
90+ DPD ratio	**53%**	49%	+4p.p.*
Capital			
Common Equity Tier 1 capital ratio (CET 1) (transitional)	**14,0%**	10,4%	+3,6p.p.*
Total capital ratio	**14,2%**	10,6%	+3,6p.p.*
Risk weighted assets (€ billion)	**22,7**	23,5	-3%

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

Balance Sheet

- The Common Equity Tier 1 capital (CET1) ratio (transitional basis) totalled 14,0% at 31 December 2014, compared to a CET1 ratio (transitional basis) of 10,4% at 31 December 2013. The increase in the CET1 ratio reflects the €1 billion capital increase completed in September 2014 and the Group's financial performance during 2014, whereby the Group reported a net loss after tax attributable to the owners of the Company of €261 million. The Group successfully passed the ECB Comprehensive Assessment after taking into account the €1 billion capital increase. During the fourth quarter of 2014, the Group recognised additional provisions for impairment of loans and advances relating to the methodological alignments and changes in certain estimates following the completion of the review of the AQR results.

- At 31 December 2014, gross loans[8] were €23,8 billion (compared to €26,7 billion at 31 December 2013). During 2014, gross loans were reduced by 11%, primarily due to the Group's strategy of deleveraging through the disposal of non-core operations, aimed at reducing its risk profile, enhancing its liquidity position and improving its capital position. During 2014, the Group disposed of its Ukrainian operations, its significant Serbian exposures, part of its Romanian portfolio and the majority of the UK loan portfolio acquired from Laiki Bank in March 2013. Following the significant deleverage achieved, the remaining non-core overseas operations as at 31 December 2014 are as follows: (a) Greece, comprising net on-balance sheet exposures totaling €120 million, about 600 foreclosed properties with a carrying value of €179 million and off-balance sheet exposures totaling €185 million, (b) Romania, with an overall net exposure of €520 million, and (c) Russia, with an overall net exposure of €130 million. The Group's net loans and deposits in Russia amount to €550 million and €546 million, respectively (Note 28 of the consolidated financial statements).

- At 31 December 2014, customer deposits[9] were €13,2 billion (compared to €15,0 billion at 31 December 2013) and showed a decrease of 12% from 2013. During 2014, there were growing signs of deposit stabilisation, with the Group experiencing customer inflows every month post April 2014, with the exception of August. During the fourth quarter of 2014, deposits in Cyprus increased for the first time since the bail-in in March 2013. It is worth noting that all blocked decree deposits have been released ahead of plan and the majority of them have been retained within the Group. Furthermore, all domestic restrictive measures were lifted in May 2014 and the capital controls for transfers of funds outside Cyprus have been extensively relaxed.

- The net loans to deposits ratio improved to 141% from 145% at 31 December 2013. The improvement in the ratio reflects primarily the significant reduction in net loans due to the on-going deleveraging and the increase in accumulated provisions for impairment of loans.

[8] Gross loans are reported before the fair value adjustment on initial recognition relating to loans acquired from Laiki Bank (difference between the outstanding contractual amount and the fair value of loans acquired) amounting to €1,6 billion (compared to €1,9 billion at 31 December 2013), and include loans of the disposal group held for sale.
[9] Including deposits of the disposal group held for sale.

Financial results (continued)

Balance Sheet (continued)

- Good progress has been made in reducing Emergency Liquidity Assistance (ELA). ELA was further reduced to €7,4 billion at 31 December 2014 (compared to €9,6 billion at 31 December 2013 and a high of €11,4 billion in April 2013). ECB funding was reduced to €880 million at 31 December 2014. In the first quarter of 2015, ELA and ECB funding were reduced further by €500 million and €80 million, respectively. The Group is deliberately running high levels of liquid assets at the balance sheet date given the macroeconomic uncertainty in Europe and Russia.

- Loans in arrears for more than 90 days (90+ DPD)[10] totalled €12.653 million at 31 December 2014 (compared to €13.003 million at 31 December 2013). The 90+ DPD loans represent 53% of gross loans (31 December 2013: 49%). The provision coverage ratio of 90+ DPD improved to 41%[11] (compared to 38% at 31 December 2013), while taking into account tangible collateral at fair value, the 90+ DPD are fully covered. Loans in arrears for greater than 90 days remain a key challenge for the Group.

Income Statement[12]

- Net interest income (NII) for the year ended 31 December 2014 was €967 million, while the net interest margin (NIM) was 3,94%. The NIM for year 2013 was 3,45%. The NIM remains relatively high due to a Cyprus government bond acquired at fair value from Laiki Bank and to the composition of the Group's funding with funding from central banks accounting for 31% of assets as at 31 December 2014.

- Non-interest income for the year ended 31 December 2014 was €204 million, with net fee and commission income and net insurance income accounting for €153 million and €46 million, respectively.

- Total income for the year ended 31 December 2014 was €1.171 million compared to €1.019 million for 2013.

- Total expenses for the year ended 31 December 2014 were €426 million and the cost to income ratio was 36%. The cost to income ratio for 2013 was 43%.

- Profit before provisions and impairments[13], restructuring costs and discontinued operations for the year ended 31 December 2014 was €745 million, compared to €584 million for 2013.

- Provisions for impairment of customer loans, on continuing operations, for the year ended 31 December 2014 were €666 million[14] (2013: €941 million), with the provisions charge accounting for 3,6%[15] (2013: 4,0%) of gross loans. Though improving compared to 2013, the provisions charge remains relatively high, reflecting the continuing recessionary conditions and the adverse economic activity, as well as the methodological alignment and changes in certain estimates, following the completion of the review of the AQR results.

- During the year ended 31 December 2014, there were gains on derecognition and changes in expected cash flows on acquired loans totalling €47 million. Impairments of other financial and non-financial assets for the year ended 31 December 2014 totalled €89 million. This is mainly due to the impairment of Laiki Bank related exposures that were acquired by the Company, as well as impairment of non-core assets classified as held for sale.

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[10] Loans in arrears for more than 90 days (90+ DPD) are defined as loans with a specific provision (i.e. impaired loans) and loans past-due for more than 90 days but not impaired.
[11] Provision coverage for 90+ DPD is calculated as the sum of accumulated provisions for impairment of customer loans, fair value adjustment on initial recognition and provision for off balance sheet exposures, over 90+ DPD.
[12] As from the fourth quarter of 2014, the Group's operations in Russia are treated as a disposal group held for sale and their results have been presented accordingly as discontinued operations according to IFRS 5. Hence comparatives for 2013 have been re-presented. In addition, comparatives for impairment of other financial and non-financial assets and for gains on derecognition and changes in expected cash flows on acquired loans have been reclassified to conform with changes in the presentation of the current period.
[13] Comprising provisions for impairments of customer loans and impairments of other financial and non-financial assets, net of gains on derecognition and changes in expected cash flows on acquired loans and provisions for off balance sheet exposures.
[14] Provisions for impairment of customer loans for year 2014 were €969 million, when including provisions for impairments of discontinued operations relating to Ukraine and Russia.
[15] The provisioning charge ratio is calculated as the provisions for impairment of customer loans, including provisions of discontinued operations (in total €969 million) net of gains on derecognition and changes in expected cash flows on acquired loans (totalling €47 million) over average gross loans.

Financial results (continued)

Income Statement[12] (continued)

- Profit after tax before restructuring costs, discontinued operations and net profit on disposal of non-core assets, for the year ended 31 December 2014 totalled €31 million, compared to losses of €359 million in 2013.

- Restructuring costs for the year ended 31 December 2014 totalled €36 million (2013: €157 million).

- The Group has assessed the progress of its disposal process of the Russian operations and concluded that the criteria of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' were met as at 31 December 2014. As a result, the Russian operations have been classified as a disposal group held for sale. In addition, as the Russian operations represent a separate major segment of the Group, as per the requirements of IFRS 5, the results from such operations are presented as discontinued operations in the Consolidated Income Statement. In line with the Group's accounting policy, an impairment loss of up to the carrying value of non-current assets within IFRS 5 measurement scope (e.g. tangible and intangible assets and other non-financial assets) is recognised. As a result, the Group has recognised an impairment loss of €84 million, which is included in losses from discontinued operations in the Consolidated Income Statement. The total loss of discontinued operations for year 2014 amounted to €303 million, of which a loss of €299 million relates to the Russian operations, a loss of €36 million relates to the Ukrainian operations disposed in the second quarter of 2014 and a profit of €36 million relates to the Greek operations (arising from the reversal of a legal provision recognised initially in 2013, following recent developments in the legal proceedings).

- Loss after tax attributable to the owners of the Company for the year ended 31 December 2014 totalled €261 million (2013: €2.056 million).

Strategy and priorities

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

Specifically, the key pillars of the Group's strategy that aim to stabilise it and deliver appropriate shareholder returns are as follows:

- **Arrest and reverse the trend on delinquent loans**

  Tackling the Group's loan portfolio quality is a top priority for management. The Restructuring and Recoveries Division (RRD) has implemented major changes in the way the Group manages its delinquent loan portfolio. Mechanisms have been put in place to ensure delinquencies in all portfolios are addressed at the earliest possible stage. However, in order to be successful in tackling the loan quality problem, necessary changes in the legislation for foreclosures and insolvency need to be implemented, to prevent strategic defaults and introduce the appropriate moral hazard in the relationship between the bank and the borrowers. The progress by lawmakers in Cyprus since August 2014 has been disappointing in this regard and, as of the date of this report, significant progress has not been made.

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

  An improved legal environment will help the Group as well as other Cypriot banks to address their problematic loan portfolio and will allow the banking sector to support the recovery of the Cypriot economy through the provision of credit to creditworthy households and businesses. The quality of the loan portfolio will benefit from successfully attracting foreign direct investment to a number of the island's crucial economic initiatives and from growth in tourist numbers.

Strategy and priorities (continued)

- **Normalise the funding structure of the Group and reduce ELA funding**
  Good progress in reducing reliance on ELA was made in 2014, despite the fact that all blocked decree deposits were released ahead of time. Liquidity levels were significantly improved and during the fourth quarter of 2014 there was the first quarterly increase in Cyprus deposits since the events of March 2013.

  The Company is now stepping up its marketing efforts to attract deposits and to normalise its funding structure. The Group's efforts to strengthen its deposit base were essentially underpinned by its strengthened capital position and successful passing of the ECB Comprehensive Assessment which had a positive impact on the confidence of customers and other stakeholders towards the Group.

  The significantly strengthened capital position and overall improvement in the Group's financial position will enhance its funding options and facilitate access to the capital markets. Depending on market conditions and investor appetite, the Group will assess the possibility of raising wholesale funding, with the proceeds of such funding used to reduce ELA.

- **Focus on core markets in Cyprus and exit from non-core markets**
  Despite the events of March 2013 and their impact on its franchise, the Group remains the leading financial institution in Cyprus. The significant improvements in its financial and operational position achieved during the last year allow the Group to build on its leading position in the Cypriot banking system and to play a key role in the recovery of the Cypriot economy. The Group's significantly strengthened capital position and improving liquidity underline its efforts to provide credit to promising sectors of the domestic economy that will support and diversify further economic activity with a view to funding the recovery of the Cyprus economy.

  Following recent coordinated action taken by the CBC, the Group has proceeded with the lowering of its lending rates. This is expected to further boost economic activity and ease the debt servicing burden on households and firms in the country.

  The Group continues to focus on diversifying its income streams by further developing its fee-generating activities such as the international business services and wealth management. In addition, the Group is the leading player in the insurance business in Cyprus, with such businesses providing a recurring income, further diversifying the Group's income streams.

  As part of its deleveraging strategy, the Group has managed to reduce its risk profile, to enhance its liquidity position and to improve its capital position through the disposal of its international operations that are considered as non-core. Specifically, the Group has disposed of its Ukrainian operations, its stake in Banca Transilvania, certain material customer loans in Serbia and Romania and the majority of the Laiki UK loan portfolio. Currently the Group is running a process to dispose of its operations in Russia. Furthermore, the Group is actively running down its loans and real estate portfolio in Romania. The Group continues its efforts to dispose of its residual real estate assets in Greece.

- **Achieve a lean operating model by focusing on enhancing distribution channels in order to reduce operating costs**
  The Group aims at introducing appropriate human resource policies, in line with best practices. This will enhance the efficiency of the Group and therefore further decrease the operating costs. In parallel, it also aims at enhancing the customer experience of its product distribution channels with the aim of attracting new business, as well as reducing its operating costs through increased efficiency.

- **Maintain the capital adequacy of the Group by internally generating capital through profitability**
  The Group's strengthened capital position and the passing of the ECB Comprehensive Assessment are expected to further strengthen the confidence of customers and other stakeholders towards the Group. Going forward, the Group will continue to ensure that appropriate capital levels are maintained reflecting its risk profile, the challenges being faced with, and the economic and regulatory environment. Furthermore, capital considerations, as well as risk mitigation, will be taken into account for any disposal of non-core assets.

Capital base

The Common Equity Tier 1 (CET1) ratio of the Group at 31 December 2014 stands at 14,0% (transitional basis) and the total capital ratio stands at 14,2%. The capital position of the Group was strengthened after the €1 billion capital increase completed in September 2014 (Note 37 of the consolidated financial statements). Adjusting for deferred tax assets, the CET1 ratio on a fully-loaded basis totalled 13,4% at 31 December 2014.

As from 1 January 2014, the new Capital Requirement Regulations (CRR) and amended Capital Requirement Directive IV (CRD IV) became effective. The CBC has determined the extent of phasing-in of the transitional provisions relating to Common Equity Tier 1 deductions and, on 29 May 2014, it set the minimum Common Equity Tier 1 capital ratio 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 current capital position satisfies both its Pillar I capital requirement and Pillar II add-on capital requirement. However, the Group's Pillar II add-on capital requirement is a point in time assessment and therefore is subject to change over time.

Share capital

During 2014 the issued share capital increased by 4.166.667 thousand new ordinary shares of a nominal value of €0,10 each, at a subscription price per share of €0,24, with total gross proceeds of €1 billion, as a result of a phased non-pre-emptive issue of ordinary shares (the 'Capital Raising') (Note 37 of the consolidated financial statements).

Phase 1 of the Capital Raising involved a private placement to qualified institutional investors, both new investors and existing shareholders, and was successfully completed on 28 July 2014.

In Phase 2 of the Capital Raising, existing shareholders could apply to purchase up to 20% in aggregate of the total number of shares offered in the first phase at the same price as in Phase 1 (the 'Clawback'). Phase 2 was completed on 21 August 2014. The Company had received valid acceptances in respect of 433.042.768 new ordinary shares at a price of €0,24 per share, with total gross proceeds of €103.930 thousand.

Following the results of Phase 2, allocations of new ordinary shares of the Company to investors in the private placement (Phase 1) were reduced on a pro-rata basis by 10,39% in order to accommodate the shares subscribed for by existing shareholders during Phase 2. The total gross proceeds resulting from Phases 1 and 2 amounted to an aggregate of €1 billion.

At an Extraordinary General Meeting (EGM) of shareholders held on 28 August 2014, the €1 billion share capital increase was approved. The EGM also approved the reduction of the nominal value of the issued ordinary shares from €1,00 each to €0,10 each, as well as the application from the amount of €4.280.140 thousand corresponding to the amount cancelled from the Company's paid up share capital (through the reduction of the nominal value of each share), in an amount of €2.327.654 thousand for writing off accumulated losses of the Company and in an amount of €1.952.486 thousand for the creation of a capital reduction reserve.

On 16 December 2014, all shares issued since March 2013, including the ordinary shares of the Company resulting from the Capital Raising, were listed on the Cyprus Stock Exchange (CSE) and the Athens Exchange (ATHEX) and trading of the shares commenced. In addition, the trading suspension on the ordinary shares of the Company already listed on the CSE and the ATHEX was lifted.

Phase 3 of the Capital Raising comprised of a retail offer to qualifying shareholders, as a result of which 567.188 new ordinary shares were issued on 14 January 2015, at the subscription price of €0,24 per share.

In addition to the Capital Raising, the issued share capital of the Company increased by 58.625 thousand shares as a result of the cancellation of interim orders prohibiting the Company from converting deposits to shares as a result of the bail-in (Note 2 of the consolidated financial statements).

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 December 2014 was 20.751 thousand of a nominal value of €0,10 each (2013: 20.767 thousand of a nominal value of €1,00 each). The total cost of acquisition of treasury shares was €88.051 thousand (2013: €88.051 thousand).

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

In addition, the life insurance subsidiary of the Group held, as at 31 December 2014, a total of 3.043 thousand (2013: 3.043 thousand) shares of the Company, as part of its financial assets which are invested for the benefit of insurance policyholders (Note 25 of the consolidated financial statements). The cost of acquisition of these shares was €21.463 thousand (2013: €21.463 thousand).

Change of control

There are no significant agreements to which the Company is a party and which take effect following a change of control of the Company, but the Company is party to a number of agreements that may allow the counterparties to alter or terminate the agreements following a change of control. Other than the matters referred to below, these are not deemed to be significant in terms of their potential effect on the Group as a whole.

The agreements for the Emergency Liquidity Assistance provided to the Company by the CBC include provisions which allow the CBC to call for repayment if it has not given its prior approval to any merger or if the merger materially weakens the Company's creditworthiness. The Group also has a number of derivatives contracts and other agreements which provide for termination if, upon a change of control of the Company, the Company's creditworthiness is materially worsened.

Other information

During 2014 and 2013 there were no restrictions on the transfer of the Company's ordinary shares other than the provisions of the Banking Law of Cyprus which requires Central Bank of Cyprus approval prior to acquiring shares of the Company in excess of certain thresholds and the requirements of the Directive on Insider Dealing and Market Manipulation, which relates to transactions with related parties.

Shares of the Company held by the life insurance subsidiary of the Group as part of its financial assets which are invested for the benefit of insurance policyholders carry no voting rights, pursuant to the insurance law. The Company does not have any shares in issue which carry special control rights.

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

As at 31 December 2014 and 26 March 2015, the following shareholders held more than 5% of the share capital at the Company:

	31 December 2014	26 March 2015
Cyprus Popular Bank Public Co Ltd	9,62%	9,62%
Renova Group	5,47%	5,47%
TD Asset Management	5,23%	5,23%
European Bank for Reconstruction and Development	5,02%	5,02%

Dividends

The Company is currently under a regulatory dividend distribution prohibition and therefore no dividend was declared or paid during years 2013 and 2014.

Events after the reporting date

The Company completed its capital raising plan initiated in 2014 (Note 37) with a retail offer to qualifying shareholders, as a result of which 567.188 new ordinary shares were issued on 14 January 2015, at the subscription price of €0,24 per share.

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.

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 €2,780 million that were blocked as per the decrees relating to the recapitalisation of the Company in July 2013.

In the first quarter of 2015, the Company repaid €500 million of ELA funding and €80 million of ECB funding.

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

Going concern

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

The Group's management, taking into consideration the factors and uncertainties that existed at the reporting date, 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 (Note 37 of the consolidated financial statements) and the Common Equity Tier 1 capital ratio of the Group at 31 December 2014 stands at 14,0%.
- The Group passed the 2014 ECB Comprehensive Assessment exercise after the €1 billion capital raise.
- The broadly stable level of 90+ DPD loans since December 2013.
- The improved liquidity position of the Group and the positive customer flows experienced in Cyprus every month since April 2014 (with the exception of August). Customer deposits in Cyprus have also been increasing since the fourth quarter of 2014. 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.

Risk management

Like other financial organisations, the Group is exposed to risks, the most significant of which are credit risk, liquidity risk, market risk (arising from adverse movements in exchange rates, interest rates and security prices) and operational risk. The Group monitors and manages these risks through various control mechanisms. Detailed information relating to Group risk management is set out in Notes 46 to 49 of the consolidated financial statements. The Group's exposure to sovereign debt of countries which have entered the European Support Mechanism or whose Moody's credit rating is below Aa1 and total Group exposure exceeds €100 million is set out in Note 50 of the consolidated financial statements.

In addition, details of the significant judgements, estimates and assumptions which may have a material impact on the Group's financial performance and position are set out in Note 4 of the consolidated financial statements.

The Pillar 3 disclosures required with respect to the requirements of the Capital Requirement Regulation (EU) No 575/2013 are available on the Group's website www.bankofcyprus.com (Investor Relations).

Preparation of periodic reporting

The Group has in place an effective financial statement closing process by which transactions and events reflected in the Group's accounting records are processed to produce the financial statements, related disclosures and other financial reports.

The Group's risk assessment process for financial reporting purposes aims at the identification, analysis and management of risks relevant to the preparation of financial statements, related disclosures and other financial reports that comply with the respective financial reporting, legal and regulatory framework, including the periodic reporting required by the Transparency Laws of Cyprus (Law Providing for Transparency Requirements in relation to Information about Issuers whose Securities are admitted to trading on a Regulated Market) of 2007 and 2009. This is achieved through the identification of the risks of material misstatements in the reports and the implementation of controls to prevent or detect errors or fraud that could result in material misstatements.

Corporate Governance Statement

In April 2014 the Cyprus Stock Exchange (CSE) issued the 4th Edition (Revised) of the Corporate Governance Code. Listed companies have an obligation to include in their Annual Financial Report, a Report by the Board of Directors on Corporate Governance. In the first part of the Report, companies should report whether they comply with the Code and the extent to which they implement its principles. In the second part of the Report, companies should confirm that they have complied with the Code provisions and in the event that they have not, they should give adequate explanation.

Regarding the first part of the Report, as a company listed on the CSE, the Company has adopted the CSE Code and applies its principles.

Regarding the second part of the Report, the Company complies with the provisions of the Code. There were some minor exceptions during 2014 and these are noted in the Corporate Governance Report for 2014.

The rules governing the composition of the Board of Directors and the appointment and replacement of its members are set out in section 1.5 of the Corporate Governance Report for 2014. The powers of the executive and supervisory bodies of the Group are also set out in the Corporate Governance Report.

Any amendment or addition to the Articles of Association of the Company is only valid if approved by a special resolution at a shareholders' meeting.

The Board of Directors may issue share capital if there is sufficient authorised share capital and as long as the new shares to be issued are offered first to existing shareholders, pro-rata to their percentage shareholding. In the event that a share capital increase requires an increase in the authorised share capital or if the new shares are not offered to existing shareholders, the approval of the shareholders in a general meeting must be obtained. Under Cyprus Companies Law, the Board of Directors also has the right to propose to the general meeting of shareholders a share buyback scheme.

Details of restrictions in voting rights and special control rights in relation to the shares of the Company are set out in the section on 'Other information' above.

The Corporate Governance Report for 2014 is included within this Annual Financial Report.

Service termination agreements

The service contract of one of the executive directors in office as at 31 December 2014 includes a clause for termination, by service of four months' notice to that effect upon the executive director, without cause but at the Company's sole discretion. In such a case the Company shall have the obligation to pay the executive director, in lieu of notice for immediate termination. The terms of employment of the other executive director are based on the provisions of the collective agreement in place, as with the rest of the employees, which provides for notice or compensation based on years of service.

Board of Directors

The members of the Board of Directors of the Company as at the date of this Report are listed on page 1. The changes to the composition of the Board of Directors during the year are set out below.

Board of Directors (continued)

Mr John Patrick Hourican was appointed by the Board of Directors as Group Chief Executive Officer on 1 November 2013 and as member of the Board on 26 November 2013. Mr Vladimir Strzhalkovskiy, Mr Marios Kalochoritis and Mr Ioannis Zographakis were members of the Board since their election by the previous AGM held on 10 September 2013 and were re-elected to the Board of Directors at the Annual General Meeting (AGM) held on 20 November 2014. Mr Marios Yiannas and Mr Konstantinos Katsaros resigned from the Board of Directors on 4 April 2014 and 18 October 2014, respectively.

At the Company's AGM held on 20 November 2014, Dr Christis Hassapis, Mr Xanthos Vrachas and Mr Andreas Yiasemides retired and did not offer themselves for re-election to the Board. The AGM resolved to remove the following Directors from the Board of Directors: Mr Anton Smetanin, Mrs Anjelica Anshakova, Mr Dmitry Chichikashvili, Mr Eriskhan Kurazov, Mr Adonis Papaconstantinou and Mr Marinos Gialelis. These Directors were members of the Board since their election by the AGM on 10 September 2013. The following four members retired and, having offered themselves for re-election, were re-elected to the Board of Directors: Mr Vladimir Strzhalkovskiy, Mr Marios Kalochoritis, Mr Ioannis Zographakis and Mr John Patrick Hourican. The AGM also elected the following members of the Board of Directors: Dr Josef Ackermann, Mr Wilbur L. Ross Jr., Mr Arne Berggren, Mr Maksim Goldman, Dr Christodoulos Patsalides and Mr Michalis Spanos. Following the AGM, the Board of Directors convened a meeting in which Dr Josef Ackermann was elected as Chairman and Messrs Wilbur L. Ross Jr. and Vladimir Strzhalkovskiy were elected as Vice-Chairmen. On 26 November 2014, the Board of Directors appointed Mr Michalis Spanos as Senior Independent Director.

In accordance with the Company's Articles of Association, Messrs Vladimir Strzhalkovskiy, Ioannis Zographakis and Marios Kalochoritis retire and being eligible, offer themselves for re-election. The vacancies so created will be filled by election.

The interest in the share capital of the Company held by each member of the Board of Directors at 31 December 2014 and 26 March 2015 is presented in the table below:

	31 December 2014	**26 March 2015**
Non-executives	**%**	**%**
Josef Ackermann	-	-
Wilbur L. Ross Jr.	1,56	1,56
Vladimir Strzhalkovskiy	2,49	2,49
Arne Berggren	-	-
Maksim Goldman	-	-
Marios Kalochoritis	-	-
Michalis Spanos	-	-
Ioannis Zographakis	-	-
Executives		-
John Patrick Hourican	-	-
Christodoulos Patsalides	-	-
	4,05	4,05

Dr Josef Ackermann

Chairman

31 March 2015

		2014	2013 (restated and represented)
	Notes	**€000**	€000
Continuing operations			
Turnover	*3.10*	**1.640.693**	1.677.979
Interest income	*6*	**1.335.878**	1.409.067
Interest expense	*7*	**(368.654)**	(529.195)
Net interest income		**967.224**	879.872
Fee and commission income	*8*	**160.828**	159.078
Fee and commission expense	*8*	**(7.958)**	(19.481)
Net foreign exchange losses	*9*	**(9.875)**	(9.523)
Net gains on financial instrument transactions	*10*	**224.188**	33.817
Insurance income net of claims and commissions	*11*	**45.610**	64.956
Other income/(expenses)	*12*	**51**	(62.787)
		1.380.068	1.045.932
Staff costs	*13*	**(234.337)**	(385.179)
Other operating expenses	*14*	**(228.061)**	(207.574)
Profit before impairment of loans and advances to customers and other impairments		**917.670**	453.179
Provisions for impairment of loans and advances to customers and other customer credit losses	*15*	**(665.689)**	(940.512)
Impairment of other financial instruments	*15*	**(56.540)**	(22.525)
Impairment of non-financial instruments	*16*	**(33.295)**	(410)
Profit / (loss) before share of profit from associates and joint ventures		**162.146**	(510.268)
Share of profit/(loss) from associates and joint ventures	*55*	**4.852**	(4.702)
Profit / (loss) before tax from continuing operations		**166.998**	(514.970)
Tax	*17*	**(10.815)**	(1.718)
Profit / (loss) after tax from continuing operations		**156.183**	(516.688)
Discontinued operations			
Loss after tax from discontinued operations	*5*	**(477.560)**	(1.551.407)
Loss for the year		**(321.377)**	(2.068.095)
Attributable to:			
Owners of the Company – continuing operations		**156.088**	(515.764)
Owners of the Company – discontinued operations		**(417.245)**	(1.540.325)
Total loss attributable to the owners of the Company		**(261.157)**	(2.056.089)
Non-controlling interests – continuing operations		**95**	(924)
Non-controlling interests – discontinued operations		**(60.315)**	(11.082)
Total loss attributable to non-controlling interests		**(60.220)**	(12.006)
Loss for the year		**(321.377)**	(2.068.095)
Basic and diluted earnings / (losses) per share (cent) attributable to the owners of the Company - continuing operations	*18*	**2,6**	(14,3)
Basic and diluted losses per share (cent) attributable to the owners of the Company	*18*	**(4,4)**	(57,2)

		2014	2013 (restated)
	Notes	**€000**	€000
Loss for the year		**(321.377)**	(2.068.095)
Other comprehensive income (OCI)			
OCI to be reclassified in the consolidated income statement in subsequent periods			
Foreign currency translation reserve			
Profit/(loss) on translation of net investment in foreign branches and subsidiaries		**37.843**	(30.303)
Profit on translation of net investment in associates and joint ventures		**13.408**	7.755
Profit on hedging of net investments in foreign branches and subsidiaries	*21*	**6.102**	36.012
Loss on hedging of associates and joint ventures	*21*	**(3.522)**	(7.755)
Transfer to the consolidated income statement on disposal of subsidiary	*54.1*	**55.796**	104
		109.627	5.813
Available-for-sale investments			
Gains on revaluation before tax		**5.384**	19.668
Share of fair value on revaluation of associates and joint ventures		**721**	1.339
Transfer to the consolidated income statement on impairment		**7.308**	17.457
Transfer to the consolidated income statement on sale		**(52.617)**	1.177
Tax	*17*	**-**	39
		(39.204)	39.680
		70.423	45.493
OCI not to be reclassified in the consolidated income statement in subsequent periods			
Property revaluation			
Fair value gain/(loss) before tax	*26*	**7.511**	(16.417)
Share of fair value gain/(loss) of associate and joint ventures		**10**	(54)
Tax	*17*	**234**	3.106
		7.755	(13.365)
Actuarial loss for the defined benefit plans			
Remeasurement losses on defined benefit plans	*13*	**(8.383)**	(246)
		(628)	(13.611)
Other comprehensive income after tax		**69.795**	31.882
Total comprehensive loss for the year		**(251.582)**	(2.036.213)

Attributable to:			
Owners of the Company		**(200.068)**	(2.020.788)
Non-controlling interests		**(51.514)**	(15.425)
Total comprehensive loss for the year		**(251.582)**	(2.036.213)

		2014	2013 (restated)
Assets	*Notes*	**€000**	€000
Cash and balances with central banks	*19*	**1.139.465**	1.240.043
Placements with banks	*19*	**1.646.886**	1.290.102
Derivative financial assets	*21*	**62.598**	28.765
Investments	*20*	**1.871.136**	2.759.855
Investments pledged as collateral	*20*	**669.786**	672.809
Loans and advances to customers	*23*	**18.168.323**	21.764.338
Life insurance business assets attributable to policyholders	*25*	**472.992**	443.579
Other assets	*29*	**335.494**	427.115
Property and equipment	*26*	**290.420**	414.404
Investment properties	*22*	**488.598**	495.658
Intangible assets	*27*	**127.402**	130.580
Investments in associates and joint ventures	*55*	**116.776**	203.131
Deferred tax assets	*17*	**456.871**	479.060
Non-current assets and disposal groups held for sale	*28*	**942.655**	-
Total assets		**26.789.402**	30.349.439
Liabilities			
Amounts due to banks	*30*	**161.896**	196.422
Funding from central banks	*31*	**8.283.773**	10.956.277
Repurchase agreements	*22*	**579.682**	594.004
Derivative financial liabilities	*21*	**71.967**	83.894
Customer deposits	*32*	**12.623.558**	14.971.167
Insurance liabilities	*33*	**576.701**	551.829
Other liabilities	*35*	**350.431**	202.042
Debt securities in issue	*34*	**1.185**	1.515
Subordinated loan stock	*36*	**-**	4.676
Deferred tax liabilities	*17*	**44.741**	49.937
Non-current liabilities and disposal groups held for sale	*28*	**614.421**	-
Total liabilities		**23.308.355**	27.611.763
Equity			
Share capital	*37*	**892.238**	4.683.985
Share premium	*37*	**552.539**	-
Capital reduction reserve	*37*	**1.952.486**	-
Shares subject to interim orders	*37*	**441**	58.922
Revaluation and other reserves		**146.809**	72.251
Accumulated losses	*39*	**(79.021)**	(2.151.835)
Equity attributable to the owners of the Company		**3.465.492**	2.663.323
Non-controlling interests		**15.555**	74.353
Total equity		**3.481.047**	2.737.676
Total liabilities and equity		**26.789.402**	30.349.439

Dr. J. Ackermann Chairman
Mr. I. Zographakis Director

Mr. J. P. Hourican Chief Executive Officer
Dr. Chr. Patsalides Finance Director
Mrs. E. Livadiotou Chief Financial Officer

	Attributable to the owners of the Company													Non-controlling interests	Total equity
	Share capital (Note 37)	Share premium (Note 37)	Capital reduction reserve (Note 37)	Shares subject to interim orders (Note 37)	Accumulated losses (Note 39)	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 37)	Reserve of disposal groups and assets held for sale (Note 28)	**Total**		
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	**€000**
1 January 2014 (restated – Note 3.2.2)	**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**
Loss for the year	-	-	-	-	(261.157)	-	-	-	-	-	-	-	**(261.157)**	(60.220)	**(321.377)**
Other comprehensive (loss)/income after tax	-	-	-	-	(8.383)	7.340	(39.251)	-	-	101.383	-	-	**61.089**	8.706	**69.795**
Total comprehensive (loss)/income for the year	-	-	-	-	(269.540)	7.340	(39.251)	-	-	101.383	-	-	**(200.068)**	(51.514)	**(251.582)**
Disposal groups and non-current assets held for sale	-	-	-	-	-	(24.772)	(973)	-	-	18.008	-	7.737	**-**	-	**-**
Allocation of prior year goodwill impairment between the owners of the Company and non-controlling interests	-	-	-	-	32.737	-	-	-	-	-	-	-	**32.737**	(32.737)	**-**
Bail-in of deposits and structured products	150	-	-	-	-	-	-	-	-	-	-	-	**150**	-	**150**
Issue of share capital	416.667	583.333	-	-	-	-	-	-	-	-	-	-	**1.000.000**	-	**1.000.000**
Share capital issue costs	-	(30.794)	-	-	-	-	-	-	-	-	-	-	**(30.794)**	-	**(30.794)**
Reduction of nominal value of share capital and reduction of share premium	(4.280.140)	-	1.952.486	-	2.327.654	-	-	-	-	-	-	-	**-**	-	**-**
Shares subject to interim orders withdrawn/cancelled	58.625	-	-	(58.481)	-	-	-	-	-	-	-	-	**144**	-	**144**
Additional shares issued to Laiki Bank for 2013 acquisition (Note 54.2.1)	12.951	-	-	-	(12.951)	-	-	-	-	-	-	-	**-**	-	**-**
Transfer of realised profits on sale of property	-	-	-	-	315	(315)	-	-	-	-	-	-	**-**	-	**-**
Increase in value of in-force life insurance business	-	-	-	-	(6.042)	-	-	-	6.042	-	-	-	**-**	-	**-**
Tax on increase in value of in-force life insurance business	-	-	-	-	641	-	-	-	(641)	-	-	-	**-**	-	**-**
Disposal of subsidiary (Note 54.1.1)	-	-	-	-	-	-	-	-	-	-	-	-	**-**	(51)	**(51)**
Acquisitions of subsidiaries held for sale (Note 28)	-	-	-	-	-	-	-	-	-	-	-	-	-	25.942	**25.942**
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	**-**	(438)	**(438)**
31 December 2014	**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**

		Attributable to the owners of the Company													
	Share capital (Note 37)	Share premium (Note 37)	Shares subject to interim orders *(Note 37)*	Convertible Enhanced Capital Securities (CECS)	Accumulated losses (Note 39)	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Other reserves	Life insurance in-force business reserve	Equity component of convertible subordinated loan stock	Foreign currency translation reserve	Treasury shares (Note 37)	**Total**	**Non-controlling interests**	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**	€000	**€000**
1 January 2013	**1.795.141**	**428.271**	**-**	**428.835**	**(2.500.530)**	**144.415**	**2.903**	**6.059**	**91.996**	**5.251**	**(105.693)**	**(38.595)**	**258.053**	**77.222**	**335.275**
Loss for the year	-	-	-	-	(2.056.089)	-	-	-	-	-	-	-	**(2.056.089)**	(12.006)	**(2.068.095)**
Other comprehensive (loss)/income after tax	-	-	-	-	(246)	(13.231)	39.547	-	-	-	9.231	-	**35.301**	(3.419)	**31.882**
Total comprehensive (loss)/income for the year	-	-	-	-	(2.056.335)	(13.231)	39.547	-	-	-	9.231	-	**(2.020.788)**	(15.425)	**(2.036.213)**
Bail-in of deposits and structured products	3.814.495	-	-	-	-	-	-	-	-	-	-	(19.631)	**3.794.864**	-	**3.794.864**
Bail-in of Convertible Bonds 2013/2018, Capital Securities 12/2007 and Convertible Capital Securities	122.541	-	-	-	-	-	-	-	-	-	-	(6)	**122.535**	-	**122.535**
Conversion of CECS into shares	459.399	-	-	(429.580)	-	-	-	-	-	-	-	(29.819)	**-**	-	**-**
Reduction of nominal value of share capital and utilisation of share premium	(2.353.349)	(428.271)	-	-	2.786.871	-	-	-	-	(5.251)	-	-	**-**	-	**-**
Shares subject to interim orders	-	-	58.922	-	-	-	-	-	-	-	-	-	**58.922**	-	**58.922**
Acquisitions (Note 54.2.1)	845.758	-	-	-	(395.871)	-	-	-	-	-	-	-	**449.887**	13.504	**463.391**
Foreign exchange difference on CECS	-	-	-	745	(745)	-	-	-	-	-	-	-	**-**	-	**-**
Transfer of realised profits on sale of property	-	-	-	-	15.226	(15.226)	-	-	-	-	-	-	**-**	-	**-**
Increase in value of in-force life insurance business	-	-	-	-	(3.275)	-	-	-	3.275	-	-	-	**-**	-	**-**
Tax on increase in value of in-force life insurance business	-	-	-	-	2.974	-	-	-	(2.974)	-	-	-	**-**	-	**-**
Defence contribution on deemed dividend distribution	-	-	-	-	(150)	-	-	-	-	-	-	-	**(150)**	(24)	**(174)**
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	**-**	(924)	**(924)**
31 December 2013 (restated – Note 3.2.2)	**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**

		2014	2013 (restated and represented)
	Notes	**€000**	€000
Net cash flow from / (used in) operating activities	*42*	**1.234.001**	(2.816.135)
Cash flows from investing activities			
Proceeds on disposal/redemption of investments:			
- debt securities and treasury bills		**1.051.324**	1.037.839
- equity securities		**88.541**	22.559
Interest received from debt securities and treasury bills		**42.465**	219.584
Dividend income from equity securities		**338**	432
Cash consideration paid net of cash acquired		**(520)**	1.126.302
Proceeds/(amounts paid) on disposal of subsidiary companies and operations		**98.860**	(1.151.100)
Purchase of property and equipment		**(8.364)**	(24.842)
Proceeds on disposal of property and equipment and intangible assets		**3.490**	8.838
Purchase of intangible assets		**(9.663)**	(8.314)
Proceeds on disposal of investment properties and investment properties held for sale		**21.336**	4.406
Net cash flow from investing activities		**1.287.807**	1.235.704
Cash flows from financing activities			
Proceeds from the issue of shares		**894.000**	-
Share issue costs paid		**(29.620)**	-
(Net repayment of)/proceeds from funding from central banks		**(2.672.504)**	1.853.749
Redemption of debt securities in issue		**-**	(28.877)
Interest on subordinated loan stock		**-**	4.319
Interest on debt securities in issue		**(86)**	(629)
Interest on funding from central banks		**(138.643)**	(167.560)
Proceeds from the issue of debt securities in issue		**2.059**	-
Net cash flow (used in) / from financing activities		**(1.944.794)**	1.661.002
Net increase in cash and cash equivalents for the year		**577.014**	80.571
Cash and cash equivalents			
1 January		**1.463.243**	1.337.956
Foreign exchange adjustments		**198.344**	44.716
Net increase in cash and cash equivalents for the year		**577.014**	80.571
31 December	*43*	**2.238.601**	1.463.243

Details on the non-cash transactions are presented in Note 42.

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 year continued to be the provision of banking, financial and insurance services.

The Company is a limited liability company incorporated in 1930 under the Cyprus Companies Law. The Company has a primary listing on the Cyprus Stock Exchange and a secondary listing on the Athens Exchange. It is also a public company for the purposes of the Cyprus Income Tax Laws. During the period from 19 March 2013 to 15 December 2014, the shares of the Company were suspended from trading on the Cyprus and Athens Stock Exchanges. As from 16 December 2014 all ordinary shares of the Company are listed and traded on the Cyprus Stock Exchange and the Athens Exchange.

Consolidated financial statements
The consolidated financial statements of Bank of Cyprus Public Company Ltd for the year ended 31 December 2014 were authorised for issue by a resolution of the Board of Directors on 31 March 2015.

2. Operating environment in Cyprus

The Cyprus economy is showing further signs of stabilisation amidst a relatively unfavourable external environment.

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 originally envisioned. 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 the 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 16,2% in 2014, up from 15,9% the year before. Consumer prices in the year dropped by 1,4% in 2014, further to a 0,4% drop in 2013. The drop in average consumer prices was driven mainly by sizeable drops in rents, local goods and electricity supply. Against a background of subdued economic activity, low capacity utilisation, wage adjustments and low energy prices, inflationary pressures are expected to remain subdued in the medium term.

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 exactly balanced. 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 GDP.

Real economic activity is expected to remain relatively subdued in 2015 with GDP growth being close to zero. Uncertainty about the European economic recovery, the economic crisis in Russia and the political and economic uncertainty in Greece weigh negatively on the 2015 economic outlook.

Domestic downside risks remain and relate mostly to the high level of non-performing loans and the delays in the implementation of the relevant legal framework, as well as delays in the implementation of structural reforms agreed to in the economic adjustment programme. The ECB's recently announced programme of Quantitative Easing, assuming eligibility, is a positive development that will likely improve liquidity conditions. Stronger demand in the euro area as a result of Quantitative Easing, low energy prices, a weaker euro and robust growth can provide positive impetus to economic activity in 2015. Robust economic growth in the UK and a weakening of the euro could benefit tourism in Cyprus. Reduction in interest rates in Cyprus could support private sector consumption and could stimulate the domestic economy. The European Commission's latest forecasts expect that growth will pick up gradually in years 2015 and 2016.

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.

2. Operating environment in Cyprus (continued)

Cyprus has undergone five programme reviews by the Troika during the last two years, meeting most targets and achieving considerable adjustment. The contraction of the economy has been significantly less than anticipated and the banking sector has been downsized, recapitalised and restructured. The fifth programme review took place in July 2014 and progress has been noted on fiscal adjustment and restructuring of the financial sector. So far, a total of €6,1 billion has been disbursed.

Agreement on the fifth review, however, has not been possible in the period since the review took place because the effective application of the foreclosure framework has not been achieved. A new foreclosure law was approved by the Cypriot Parliament in September 2014 aimed at ensuring that the foreclosure process is effective and that it provides adequate and balanced incentives for borrowers and lenders to restructure loans. The implementation of this law, however, has been suspended repeatedly on the basis that deliberations for the adoption of a modern insolvency framework have not been completed. The foreclosure law needs to be complemented by a modernised corporate and personal insolvency legal framework, with the objective of facilitating debt restructuring for viable borrowers, providing for the speedy liquidation of non-viable companies and allowing for a fresh start for individuals without capacity to pay.

The most important factor in the Cyprus economy is to be able to restore its credibility and reputation and to enhance the confidence of people towards the banking sector. The successful outcome in the ECB Comprehensive Assessment for the Cypriot banks was a significant milestone, indicating that the banking sector has been significantly recapitalised and restructured and that is in a stronger position so as to support the economic recovery through the provision of credit to creditworthy households and businesses.

2.1 Restructuring of the Cyprus banking sector and the Group

The main terms of the MoU for the financial sector which were implemented in 2013 were:

- Based on a decision by the Central Bank of Cyprus (CBC) in its capacity as Resolution Authority and in compliance with Cyprus' newly adopted Bank Resolution Framework, Cyprus Popular Bank Public Co Ltd (Laiki Bank) was subjected to immediate resolution. The assets of Laiki Bank in Cyprus, the majority of Laiki Bank liabilities, mainly the insured deposits and €9 billion of Emergency Liquidity Assistance (ELA) funding, and certain assets and liabilities of the UK and Greek operations of Laiki Bank were acquired by the Group (Note 54.2). The Company issued shares to Laiki Bank as compensation for the acquired assets, which constituted 18,1% of the issued share capital of the Company upon completion of the recapitalisation.

- The Company was recapitalised through a deposit-to-equity conversion of 47,5% of its deposits that were subject to bail-in in accordance with the relevant decrees issued by the Resolution Authority (uninsured deposits), with full contribution of equity shareholders and debt holders.

- The Greek branches of the Company, Laiki Bank and Hellenic Bank were acquired by Piraeus Bank in Greece. Piraeus Bank acquired assets of €20 billion and liabilities of €14 billion of these branches.

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

- On 25 April 2013, the Company's Romanian Branch transferred to Marfin Bank (Romania) SA assets amounting to €82 million, which included certain customer loans and related collateral, cash and other liquid assets, as well as customer deposits amounting to €77 million.

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

In accordance with the latest revision of the MoU signed in 2014 between the government and the Troika, a streamlined foreclosure framework must be in place in order to promote payment discipline by borrowers, where capacity exists, and to facilitate problem loan restructurings, where ability to pay is constrained by the downturn. The foreclosure framework provides that assets pledged as collateral can be recovered by the banks within a reasonable time-span. The MoU also provides that this legislation will need to be complemented by a reform of the insolvency framework, to guide the restructuring process for viable borrowers and provide solutions to address the debt of non-viable ones.

2. Operating environment in Cyprus (continued)

2.1 Restructuring of the Cyprus banking sector and the Group (continued)

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

Further to the actions taken as part of the MoU, the Group also proceeded with additional restructuring actions, in order to focus on its core market in Cyprus, mainly:

- On 18 April 2014, the Group sold its Ukrainian business, comprising (i) its holding of 99,77% in its subsidiary bank in Ukraine, PJSC Bank of Cyprus, (ii) the funding provided by the Company to PJSC Bank of Cyprus, and (iii) its loans with Ukrainian exposures, to Alfa Group (Note 54.1.1).
- In April 2014, the Group disposed of its 9,99% shareholding in Banca Transilvania (Note 10).
- In May 2014, the Group disposed of customer loans in Serbia (Note 10).
- On 31 October 2014, the Group completed the sale of part of a UK loan portfolio acquired from Laiki Bank in 2013, which was largely composed of residential and commercial real estate-backed facilities (Note 10).
- In late 2014 the Group commenced actions to dispose of its Russian operations and has therefore classified these operations as a disposal group held for sale (Notes 5 and 28).

2.2 Temporary restrictions on money transfers

In 2013 the Cypriot authorities introduced temporary restrictive measures and capital controls, with respect to banking and cash transactions, as a result of the significant liquidity squeeze in the local market and the risk of an outflow of deposits. The restrictive measures and capital controls included restrictions on cash withdrawals, the cashing of cheques and transfers of funds to other credit institutions in Cyprus and abroad.

Since their introduction, these restrictive measures have been extensively relaxed. As of May 2014, all restrictive measures within Cyprus were abolished. The capital controls with regards to the transferring of funds outside Cyprus are being gradually phased out.

2.3 Changes in the regulatory body

The Group's operations are supervised by the CBC and the ECB as a supervisory body for all the banks in the Eurozone area (referred to as the Single Supervisory Mechanism (SSM)). The ECB fully assumed several supervisory responsibilities as from 4 November 2014.

Further information is disclosed in Note 49.

2.4 Release of decree deposits

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.

3. Summary of accounting policies

3.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for properties held for own use and investment properties, available-for-sale investments, derivative financial instruments and financial assets at fair value through profit or loss, that have been measured at fair value and non-current assets held for sale measured at fair value less costs to sell. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

Presentation of consolidated financial statements
The consolidated financial statements are presented in Euro (€) and all amounts are rounded to the nearest thousand, except where otherwise indicated.

The Group presents its balance sheet broadly in order of liquidity. An analysis regarding expected recovery or settlement of financial assets and liabilities within twelve months after the balance sheet date and more than twelve months after the balance sheet date is presented in Note 45.

Statement of compliance
The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

3.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards and interpretations as explained in Note 3.2.1 below.

3.2.1 New and amended standards and interpretations

The Group applied, for the first time, certain standards and amendments which did not have a material impact on the Group's financial statements. These include IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements, IFRS 12 Disclosures of Interests in Other Entities, IAS 28 Investments in Associates and Joint Ventures (Revised) and IAS 36 Impairment of Assets (Amended) - Recoverable Amount Disclosures for Non-Financial Assets.

Several other amendments also apply for the first time in 2014. However, they do not impact the Group financial statements.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements of IAS 27. There was no material impact on the Group financial statements from the application of the new standard.

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. There was no material impact on the Group financial statements from the application of the new standard.

IFRS 12 Disclosures of Interests in Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 and related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The new disclosures required are presented by the Group in Note 55.

3. Summary of accounting policies (continued)

3.2 Changes in accounting policies and disclosures (continued)

3.2.1 New and amended standards and interpretations (continued)

IAS 28 Investments in Associates and Joint Ventures (Revised)
As a consequence of the new IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Equities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. There was no material impact on the Group financial statements from the application of the new standard.

3.2.2 Impact on finalisation of accounting of Laiki Bank acquisition

In March 2014 the accounting for the Laiki Bank acquisition was completed and the Group recognised final adjustments on the acquisition date fair values amounting to €7.082 thousand on the net assets acquired (Note 54.2.1).

In addition, as part of the 2013 acquisition, the Group acquired 70% of the share capital of Byron Capital Partners Ltd (BCP) and more than 90% of the participating redeemable units of Marfin Diversified Strategy Fund Plc (MDSF). The management of the shares of the MDSF is 100% owned by BCP. The Group is a party to a shareholder agreement with the other shareholder of BCP and this agreement stipulates a number of matters which require consent by both shareholders. The Group considers that it has joint control over BCP and MDSF and it should be classified as a joint venture under IFRS 11. The investment was provisionally classified as available-for-sale and was reclassified to investment in associates and joint ventures following information obtained for this investment about facts and circumstances that existed on the acquisition date. The investment in the joint ventures is accounted for under the equity method.

3. Summary of accounting policies (continued)

3.2 Changes in accounting policies and disclosures (continued)

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

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

Consolidated income statement for 2013	**€000**
Loss for the year	
Before the change in classification	**(2.061.508)**
Share of loss from associates and joint ventures	(6.587)
After the change in classification	**(2.068.095)**

Consolidated statement of comprehensive income for 2013	
Available-for-sale investments	
Gain on revaluation before tax	
Before the change in classification	**33.093**
Gains on revaluation before tax	6.587
After the change in classification	**39.680**

Consolidated balance sheet as at 31 December 2013	
Investments	
Before the change in classification	**2.859.584**
Reclassification to investment in associates and joint ventures	(99.729)
After the change in classification	**2.759.855**

Investments in associates and joint ventures	
Before the change in classification	**103.402**
Reclassification from available-for-sale investments	99.729
After the change in classification	**203.131**

Other assets	
Before the adjustments to the provisional amounts	**420.033**
Adjustments on the fair values of the identifiable assets acquired from Laiki Bank	7.082
After the final adjustments to the provisional amounts	**427.115**

Accumulated losses	
Before the adjustments to the provisional amounts	**(2.152.330)**
Adjustments on the fair values of the identifiable assets acquired from Laiki Bank	495
After the final adjustments to the provisional amounts	**(2.151.835)**

3. Summary of accounting policies (continued)

3.3 Standards and Interpretations that are issued but not yet effective

3.3.1 Standards and Interpretations issued by the IASB and adopted by the EU

Up to the date of approval of the consolidated financial statements, certain new Standards, Interpretations and Amendments to existing standards have been published that are not yet effective for the current reporting period and which the Group has not early adopted, as follows:

IAS 19 Employee benefits (Amended): Employee Contributions
The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Group does not expect this amendment to have a material impact on its results and financial position.

The IASB has issued the *Annual Improvements to IFRSs 2010 – 2012 Cycle*, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015, with earlier adoption permitted from 1 July 2014. The Group is in the process of assessing the impact of these amendments on its results and financial position.

- *IFRS 3 Business combinations:* This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.

- *IFRS 8 Operating Segments:* This improvement requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.

- *IFRS 13 Fair Value Measurement:* This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.

- *IAS 16 Property Plant & Equipment:* The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

- *IAS 24 Related Party Disclosures:* The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

- *IAS 38 Intangible Assets:* The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

The IASB has issued the *Annual Improvements to IFRSs 2011 – 2013 Cycle*, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2015, with earlier adoption permitted from 1 July 2014. The Group is in the process of assessing the impact of the amendments on its results and financial position.

- *IFRS 3 Business Combinations:* This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

- *IFRS 13 Fair Value Measurement:* This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.

3. Summary of accounting policies (continued)

3.3 Standards and Interpretations that are issued but not yet effective (continued)

3.3.1 Standards and Interpretations issued by the IASB and adopted by the EU (continued)

- *IAS 40 Investment Properties:* This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

3.3.2 Standards and Interpretations issued by the IASB but not yet adopted by the EU

IFRS 9 Financial Instruments – Classification and measurement
The standard is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The final phase of IFRS 9 reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The Group is currently assessing the impact of adopting IFRS 9, which is expected to have a significant effect on the classification and measurement of the Group's financial assets, the recognition of impairment and hedge accounting. However, the impact of adoption depends on the financial assets and liabilities of the Group at the date of adoption, and it is therefore not practical to quantify the effect at present.

Classification and measurement
The classification and measurement of financial assets will depend on the entity's business model for their management and their contractual cash flow characteristics and result in financial assets being measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss. The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortised cost or fair value compared with IAS 39. The classification of financial liabilities is essentially unchanged, except that, for certain liabilities measured at fair value, gains or losses relating to changes in the entity's own credit risk are to be included in other comprehensive income.

Impairment
The impairment requirements apply to financial assets measured at amortised cost and FVOCI, and lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, allowance (or provision in the case of commitments and guarantees) is required for expected credit losses (ECL) resulting from default events that are possible within the next 12 months (12 month ECL). In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument (lifetime ECL).

The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL.

Hedge accounting
IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting. The standard does not explicitly address macro hedge accounting strategies, which are being considered in a separate project.

Transition
The classification, measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. Hedge accounting is generally applied prospectively from that date.

3. Summary of accounting policies (continued)

3.3 Standards and Interpretations that are issued but not yet effective (continued)

3.3.2 Standards and Interpretations issued by the IASB but not yet adopted by the EU (continued)

IFRS 15 Revenue from Contracts with Customers
The standard is effective for annual periods beginning on or after 1 January 2017. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g. sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates. The Group is currently assessing the impact of adopting IFRS 15.

IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortisation
The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The Group does not expect a material impact on its results and financial position from the adoption of this amendment.

IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations
The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The Group is in the process of assessing the impact of the amendment on its results and financial position, however no material impact on its results and financial position is expected.

IAS 27 Separate Financial Statements (amended)
The amendment is effective from 1 January 2016. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. This amendment will have no impact on the results and financial position of the Group.

Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be effective from annual periods commencing on or after 1 January 2016. The Group does not expect these amendments to have a material impact on its results and financial position.

The IASB has issued the *Annual Improvements to IFRSs 2012 – 2014 Cycle*, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. The Group is in the process of assessing the impact of these amendments on its results and financial position.

3. Summary of accounting policies (continued)

3.3 Standards and Interpretations that are issued but not yet effective (continued)

3.3.2 Standards and Interpretations issued by the IASB but not yet adopted by the EU (continued)

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*: The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, but rather as a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- *IFRS 7 Financial Instruments*: *Disclosures*: The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.

- *IAS 19 Employee Benefits*: The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- *IAS 34 Interim Financial Reporting:* The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g. in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

IAS 1 Disclosure Initiative (Amendment)
The amendments to IAS 1 *Presentation of Financial Statements* further encourage companies to apply professional judgement in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted investments. These amendments will have no impact on the results and financial position of the Group.

IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (Amendments)
The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity, is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments will have no impact on the results and financial position of the Group.

IAS 16 Property, Plant & Equipment and IAS 41 Agriculture (Amendment): Bearer Plants
The amendment is effective for annual periods beginning on or after 1 January 2016. Bearer plants will now be within the scope of IAS 16 Property, Plant and Equipment and will be subject to all of the requirements therein. This includes the ability to choose between the cost model and revaluation model for subsequent measurement. Agricultural produce growing on bearer plants (e.g. fruit growing on a tree) will remain within the scope of IAS 41 Agriculture. Government grants relating to bearer plants will now be accounted for in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, instead of in accordance with IAS 41. This amendment will have no impact on the results and financial position of the Group.

3. Summary of accounting policies (continued)

3.4 Basis of consolidation

The consolidated financial statements comprise the consolidated financial statements of the Group as at and for the year ended 31 December. The financial statements of the subsidiaries (including special purpose entities that the Group consolidates) are prepared as of the same reporting date as that of the Company, using consistent accounting policies.

All intra-group balances and transactions are eliminated on consolidation.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over an investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including the contractual arrangement with the other vote holders, rights arising from other contractual arrangements, and the Group's voting and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts indicate that there are changes to any of the three elements of control.

Assets, liabilities, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, respectively.

The Group promotes/sponsors the formation of special purpose entities (SPEs), primarily for the purpose of asset securitisation transactions and to accomplish certain narrow and well defined objectives. The Group consolidates these SPEs if the substance of its relationship with them indicates that it has control over them.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group, directly or indirectly. The losses of a subsidiary are allocated to non-controlling interests even if this will result in a negative balance. The non-controlling interests are presented separately in the consolidated income statement and within equity, from the Company owners' equity.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as a transaction between the owners, which affects equity. As a result, no goodwill arises or any gain/loss is recognised in the income statement from such transactions. The foreign exchange differences which relate to the share of non-controlling interests being sold are reclassified from the foreign currency reserve to non-controlling interests.

Put/call option arrangements on non-controlling interest
As part of business combinations, the Group may enter into arrangements to acquire the shares held by the non-controlling interest in a subsidiary through put/call option arrangements, whereby a non-controlling interest holder can sell its shares to the Group at a predetermined price (put option) and the Group can buy the non-controlling interest at the same predetermined price (call option).

Such a put/call option arrangement is accounted for in the consolidated financial statements as a liability. This results in accounting as if the Group has already acquired the shares subject to such arrangements. Therefore, no non-controlling interest is recognised for reporting purposes in relation to the shares that are subject to such an arrangement. The liability is measured at fair value, using valuation techniques based on best estimates available to management. Any difference between the fair value of the liability and the legal non-controlling interest's share of net assets is recognised as part of goodwill. Subsequent changes to the valuation of the liability, other than foreign currency translation and the time value of money, are recorded as changes to the liability and goodwill, without any direct impact on the consolidated income statement.

3. Summary of accounting policies (continued)

3.5 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets acquired, is recognised as goodwill on the consolidated balance sheet. Where the Group's share of the fair values of the identifiable net assets are greater than the cost of acquisition (i.e. negative goodwill), the difference is recognised directly in the consolidated income statement in the year of acquisition. Acquisition related costs are expensed as incurred and included in administrative expenses.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Contingent consideration
When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not subsequently remeasured and subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is subsequently remeasured in accordance with IAS 39, or IAS 37, as appropriate, with the corresponding gain or loss being recognised in the income statement.

Provisional accounting
If the initial accounting for a business combination is incomplete at the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Such provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets and liabilities are recognised to reflect the new information obtained about facts and circumstances that existed at the acquisition date that if known, would have affected the amounts recognised as at that date.

3.6 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

3. Summary of accounting policies (continued)

3.6 Investments in associates and joint ventures (continued)

In the consolidated financial statements, the Group's investments in associates and joint ventures are accounted for using the equity method of accounting.

Using the equity method, the investment in an associate or a joint venture is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the associate or joint venture. The Group's share of the results of the associate or joint venture is included in the consolidated income statement. Losses of the associate or joint venture in excess of the Group's cost of the investment are recognised as a liability only when the Group has incurred obligations on behalf of the associate or joint venture. Goodwill relating to an associate or join venture is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's or joint venture's identifiable assets over the cost of the investment (i.e. negative goodwill) is included as income in the determination of the Group's share of the associate's or joint venture's profit or loss in the period in which the investment is acquired. The aggregate of the Group's share of profit or loss of an associate or a joint venture is shown on the face of the profit or loss outside operative profit and represent profit or loss after tax. The Group recognises its share of any changes in the equity of the associate or the joint venture through the consolidated statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate or the joint venture are eliminated to the extent of the Group's interest in the associate or the joint venture.

The financial statements of the associates or joint ventures are prepared as of the same reporting date as that of the Company, using consistent accounting policies.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investments in associates or joint ventures.

3.7 Foreign currency translation

The consolidated financial statements are presented in Euros (€), which is the functional and presentation currency of the Company and its subsidiaries in Cyprus. Each overseas branch or subsidiary of the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle the gain or loss that arises from using this method.

3.7.1 Transactions and balances

Transactions in foreign currencies are recorded using the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to 'Net foreign exchange gains/losses' in the consolidated income statement, with the exception of differences on foreign currency liabilities that provide a hedge against the net investment in subsidiaries and overseas branches. These differences are recognised in other comprehensive income in the 'Foreign currency translation reserve' until the disposal of the net investment, at which time the cumulative amount is reclassified to profit or loss in the consolidated income statement.

Non-monetary items that are measured at historic cost in a foreign currency are translated using the exchange rates ruling as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates ruling at the date when the fair value is determined.

3. Summary of accounting policies (continued)

3.7 Foreign currency translation (continued)

3.7.2 Subsidiary companies and branches

At the reporting date, the assets and liabilities of subsidiaries (including special purpose entities that the Group consolidates) and branches whose functional currency is other than the Group's presentation currency are translated into the Group's presentation currency at the rate of exchange ruling at the reporting date, and their income statements are translated using the average exchange rates for the year. Any goodwill arising on the acquisition of branches and subsidiaries and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition, are treated as assets and liabilities of the branches and subsidiaries and translated at the exchange rate ruling on the reporting date.

Foreign exchange differences arising on translation are recognised in other comprehensive income in the 'Foreign currency translation reserve'. On disposal of a subsidiary or branch, the cumulative amount of the foreign exchange differences relating to that particular overseas operation, is reclassified to profit or loss in the consolidated income statement as part of the profit or loss on disposal.

3.8 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group of persons that allocate resources to and assess the performance of the operating segments.

The chief operating decision-maker is the Chief Executive Officer.

3.9 Discontinued operations

The Group presents discontinued operations in a separate line in the consolidated income statement if an entity or a component of an entity has been disposed of or is classified as held for sale and a) represents a separate major line of business or geographical area of operations, b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or c) is a subsidiary acquired exclusively with a view to resale. Net profit from discontinued operations includes the net total of operating profit and loss before tax from discontinued operations (including net gain or loss on sale before tax and gain or loss on measurement to fair value less cost to sell of a disposal group constituting a discontinued operation) and discontinued operations tax expense.

3.10 Turnover

Group turnover comprises interest income, fee and commission income, foreign exchange gains, gross insurance premiums, turnover of property and hotel business and other income.

3.11 Revenue recognition

Revenue is recognised when it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

3.11.1 Interest income

For all financial assets measured at amortised cost and interest bearing financial assets classified as available-for-sale investments or at fair value through profit or loss, interest income is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instruments, or where appropriate a shorter period, to the carrying amount of the financial instruments. Interest income is recognised on the recoverable portion of impaired loans using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The carrying amount of a financial asset or liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded in 'Net gains on financial instrument transactions'.

3. Summary of accounting policies (continued)

3.11 Revenue recognition (continued)

3.11.2 Fee and commission income

Fee and commission income is generally recognised on the basis of work done so as to match the cost of providing the service, whereas fees and commissions in respect of loans and advances are recognised using the effective interest rate method as part of interest income.

3.11.3 Dividend income

Dividend income is recognised in the consolidated income statement when the Group's right to receive payment is established.

3.11.4 Rental income

Rental income from investment properties is accounted for on a straight-line basis over the period of the lease and is recognised in the consolidated income statement in 'Other income'.

3.11.5 Income from the disposal of property held for sale

Gains on disposal of property held for sale are recognised in the consolidated income statement in 'Other income' when the buyer accepts delivery and the transfer of risks and rewards to the buyer is completed.

3.12 Retirement benefits

The Group operates several defined contribution and defined benefit retirement plans.

Defined contribution plans
The Group recognises obligations, in respect of the accounting period in the consolidated income statement. Any unpaid contributions at the reporting date are included as a liability.

Defined benefit plans
The cost of providing benefits for defined benefit plans is estimated separately for each plan using the Projected Unit Credit Method of actuarial valuation.

The defined benefit asset or liability comprises the present value of the defined benefit obligations (using a discount rate based on high quality corporate bonds), reduced by the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a funded plan or qualifying insurance policies. Any net defined benefit surplus is limited to the present value of available refunds and reductions in future contributions to the plan. Fair value is based on market price information and in the case of quoted securities it is the published bid price.

The net charge to the income statement mainly comprises the service costs and the net interest on the net defined benefit liability, and is presented in staff costs. Service costs comprise current service costs, past-service costs, gains and losses or curtailments and non-routine settlements. Re-measurements, comprising actuarial gains and losses, the effect of the asset ceiling (excluding net interest), and the return on plan assets (excluding net interest), are recognised immediately on the balance sheet with a corresponding debit or credit in other comprehensive income. Re-measurements are not reclassified to profit or loss in subsequent periods.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in actuarial assumptions. Actuarial gains and losses are recognised in full in the period in which they occur, in the consolidated income statement.

The cost of providing benefits under defined contribution and early retirement plans is recognised as an expense in the consolidated income statement as the employees render the service.

3. Summary of accounting policies (continued)

3.13 Tax

Tax on income is provided in accordance with the fiscal regulations and rates which apply in the countries where the Group operates and is recognised as an expense in the period in which the income arises. Deferred tax is provided using the liability method. Current income tax and deferred tax relating to items recognised directly in equity is recognised directly in equity.

Deferred tax liabilities are recognised for all taxable temporary differences between the tax basis of assets and liabilities and their carrying amounts at the reporting date, which will give rise to taxable amounts in future periods. Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiary and associate companies and branches except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and carry-forward of unutilised tax losses to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and carry-forward of unutilised tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilise all or part of the deductible temporary differences or tax losses. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the amount that is expected to be paid to or recovered from the tax authorities, after taking into account the tax rates and legislation that have been enacted or substantially enacted by the reporting date.

Current and deferred tax assets and liabilities are offset when they arise from the same tax reporting entity and relate to the same tax authority and when the legal right to offset exists.

3.14 Financial instruments

3.14.1 Date of recognition

All financial assets and liabilities are initially recognised on the trade date. Purchases or sales of financial assets, where delivery is required within a time frame established by regulations or by market convention, are also recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Derivatives are also recognised on a trade date basis. 'Balances with central banks', 'Obligations to central banks and amounts due to banks', 'Customer deposits', 'Placements with banks' and 'Loans and advances to customers' are recognised when cash is received by the Group or advanced to the borrowers.

3.14.2 Initial recognition and measurement of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and liabilities not measured at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

3.14.3 Derivative financial instruments

Derivatives are recorded at fair value and classified as assets when their fair value is positive and as liabilities when their fair value is negative. Subsequently, derivatives are measured at fair value. Revaluations of trading derivatives are included in the consolidated income statement in 'Net foreign exchange gains' in the case of currency derivatives and in 'Net gains on financial instrument transactions' in the case of all other derivatives. Interest income and expense are included in the corresponding captions in the consolidated income statement.

3. Summary of accounting policies (continued)

3.14 Financial instruments (continued)

3.14.3 Derivative financial instruments (continued)

Derivatives embedded in other financial instruments, such as the conversion option in an acquired convertible bond, are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself measured at fair value with revaluation recognised in the consolidated income statement. The embedded derivatives separated from the host are carried at fair value, with revaluations recognised in 'Net gains on financial instrument transactions' in the consolidated income statement.

3.14.4 Financial assets or financial liabilities held for trading

Financial assets or financial liabilities held for trading represent assets and liabilities acquired or incurred principally for the purpose of selling or repurchasing them in the near term and are recognised in the consolidated balance sheet at fair value. Revaluations are recognised in 'Net gains on financial instrument transactions' in the consolidated income statement. Interest income and expense are included in the corresponding captions in the consolidated income statement according to the terms of the relevant contract, while dividend income is recognised in 'Other income' when the right to receive payment has been established.

3.14.5 Financial assets or financial liabilities designated upon initial recognition at fair value through profit or loss

Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met: (a) the designation eliminates or significantly reduces the inconsistency that would otherwise arise from the measurement of the assets or liabilities or the recognition of gains or losses on them on a different basis, or (b) the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, or (c) the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows of the instrument or it is clear, with little or no analysis, that the embedded derivative could not be separated.

These assets do not form part of the trading portfolio because no recent pattern of short-term profit taking exists. They include listed debt securities economically hedged by derivatives, and not designated for hedge accounting, as well as unlisted equities which are managed on a fair value basis.

Financial assets and financial liabilities designated upon initial recognition at fair value through profit or loss are recognised in the consolidated balance sheet at fair value. Changes in fair value are recognised in 'Net gains on financial instrument transactions' in the consolidated income statement. Interest income and expense are included in the corresponding captions in the consolidated income statement according to the terms of the relevant contract, while dividend income is recognised in 'Other income' when the right to receive payment has been established.

3.14.6 Held-to-maturity investments

Held-to-maturity investments are those with fixed or determinable payments and fixed maturities and which the Group has the intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortisation is included in 'Interest income' in the consolidated income statement. Losses arising from impairment of such investments are recognised in 'Impairment of non-financial assets' in the consolidated income statement. If, as a result of a change in intention or ability, it is no longer appropriate to classify an investment as held-to-maturity, it shall be reclassified as available-for-sale and remeasured at fair value, and the difference between its carrying amount and fair value shall be accounted for, accordingly.

3. Summary of accounting policies (continued)

3.14 Financial instruments (continued)

3.14.7 Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as 'Trading investments', 'Investments available-for-sale' or 'Investments at fair value through profit or loss'. This accounting policy covers the captions 'Placements with banks', 'Reverse repurchase agreements', 'Loans and advances to customers' and 'Investments classified as loans and receivables in the balance sheet'. After their initial recognition, loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment. The losses arising from impairment are recognised in the consolidated income statement in 'Provisions for impairment of loans and advances and other customer credit losses' in the case of loans and advances to customers and in 'Impairment of other financial instruments' for all other items.

Renegotiated loans
A loan that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement made on substantially different terms, or if the terms of an existing agreement are modified, such that the renegotiated loan is substantially a different financial instrument.

Loans subject to collective impairment assessment whose terms have been renegotiated are no longer considered past due, but are treated as up to date loans for measurement purposes. Loans subject to collective impairment assessment whose terms have been renegotiated are taken into account in determining the inputs for collective impairment calculation. Loans subject to individual impairment assessment, whose terms have been renegotiated, are subject to ongoing review to determine whether they remain impaired. The carrying amounts of loans that have been classified as renegotiated retain this classification in accordance with the rules of the technical standard of the European Banking Authority (EBA).

3.14.8 Available-for-sale investments

Available-for-sale investments are those which are designated as such or do not qualify for classification in 'Investments at fair value through profit or loss', 'Investments held-to-maturity' or 'Loans and receivables'. These investments can be sold in response to changes in market risks or liquidity requirements and include equity securities and debt securities.

After initial recognition, available-for-sale investments are measured at fair value. Unrealised gains and losses from changes in fair value are recognised directly in other comprehensive income in the 'Available-for-sale investments' caption. When the investment is disposed of, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the consolidated income statement in 'Net gains on financial instrument transactions'.

Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a weighted average cost basis. Interest income from available-for-sale debt securities is recorded in 'Interest income' using the effective interest rate method. Dividend income from available-for-sale equity securities is recognised in the consolidated income statement in 'Other income' when the right to receive payment has been established. Impairment losses on available-for-sale investments are recognised in the consolidated income statement in 'Impairment of other financial instruments' caption.

3.14.9 Subordinated loan stock and debt securities in issue

Subordinated loan stock and debt securities in issue are initially measured at the fair value of the consideration received, net of any issue costs. They are subsequently measured at amortised cost using the effective interest rate method, in order to amortise the difference between the cost at inception and the redemption value, over the period to the earliest date that the Company has the right to redeem the subordinated loan stock and the debt securities in issue.

Debt instruments issued by the Company and held by the Group are treated as redemptions. Gains or losses on redemption are recognised if the repurchase price of the debt instrument was different from its carrying value at the date of repurchase. Subsequent sales of own debt instruments in the market are treated as debt re-issuance.

3. Summary of accounting policies (continued)

3.14 Financial instruments (continued)

3.14.9 Subordinated loan stock and debt securities in issue (continued)

Interest on subordinated loan stock and debt securities in issue is included in 'Interest expense' in the consolidated income statement.

3.14.10 Other financial liabilities at amortised cost

Other financial liabilities include 'Customer deposits', 'Amounts due to banks' and 'Funding from central banks'.

Financial liabilities are recognised when the Group enters into the contractual provisions of the arrangements with counterparties, which is generally on trade date, and initially measured at fair value, which is normally the consideration received, net of directly attributable transaction costs incurred. Subsequent measurement of deposits by customers, funding from central banks and due to banks is at amortised cost, using the effective interest rate method.

3.15 Derecognition of financial assets and financial liabilities

3.15.1 Financial assets

A financial asset is derecognised when: (a) the contractual rights to receive cash flows from the asset have expired, or (b) the Group has transferred its contractual rights to receive cash flows from the asset or (c) has assumed an obligation to pay the received cash flows in full to a third party and has: either (a) transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3.15.2 Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

3.16 Impairment of financial assets

3.16.1 Loans and receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets, that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that the borrower might be declared bankrupt or proceed with a financial restructuring and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or the economic conditions that correlate with defaults. There is objective evidence that a loan is impaired when it is probable that the Group will not be able to collect all amounts due, according to the original contract terms.

For loans and advances to customers carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for loans and advances that are individually significant. Furthermore, a collective impairment assessment is made for loans and advances that are not individually significant and for losses that have been incurred but are not yet identified relating to loans and advances that have been assessed individually and for which no provision has been made.

Provisions for impairment of loans are determined using the 'incurred loss' model as required by IFRS, which requires recognition of impairment losses that arose from past events and prohibits recognition of impairment losses that could arise from future events, no matter how likely those events are.

3. Summary of accounting policies (continued)

3.16 Impairment of financial assets (continued)

3.16.1 Loans and receivables (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan and the present value of the estimated future cash flows including the cash flows which may arise from guarantees and tangible collateral. The collectability of individually significant loans and advances is evaluated based on the customer's overall financial condition, resources and payment record, the prospect of support from creditworthy guarantors and the realisable value of any collateral.

The present value of the estimated future cash flows is calculated using the loan's original effective interest rate. If a loan bears a variable interest rate, the discount rate used for measuring any impairment loss is the current reference rate plus the margin specified in the initial contract.

For the purposes of a collective evaluation of impairment, loans are grouped based on similar credit risk characteristics taking into account the type of the loan, geographic location, past-due days and other relevant factors.

Future cash flows for a group of loans and advances that are collectively evaluated for impairment are estimated on the basis of historical loss experience for loans with similar credit risk characteristics to those of the group. Historical loss experience is adjusted on the basis of current observable data to reflect the impact of current conditions that did not affect the period on which the historical loss experience is based and to remove the impact of conditions in the historical period that do not currently apply. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The carrying amount of the loan is reduced through the use of a provision account and the amount of the loss is recognised in the consolidated income statement. Loans together with the associated provisions are written off when there is no realistic prospect of future recovery. If, in a subsequent period, the amount of the estimated impairment loss decreases and the decrease is due to an event occurring after the impairment was recognised, when the creditworthiness of the customer has improved to such an extent that there is reasonable assurance that all or part of the principal and interest according to the original contract terms of the loan will be collected timely, the previously recognised impairment loss is reduced by adjusting the impairment provision account. If a previously written-off loan is subsequently recovered, any amounts previously charged are credited to 'Provisions for impairment of loans and advances and other customer credit losses' in the consolidated income statement.

3.16.2 Investments classified as held-to-maturity and loans and receivables

For held-to-maturity investments and loans and receivables investments, the Group assesses at each reporting date whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses not yet incurred). The carrying amount of the asset is reduced and the amount of the loss is recognised in 'Impairment of other financial instruments' caption in the consolidated income statement.

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, the impairment loss previously recognised is reversed and the reversal is credited to the 'Impairment of other financial instruments' caption in the consolidated income statement.

3.16.3 Available-for-sale investments

For available-for-sale investments, the Group assesses whether there is objective evidence of impairment at each reporting date.

3. Summary of accounting policies (continued)

3.16 Impairment of financial assets (continued)

3.16.3 Available-for-sale investments (continued)

In the case of equity securities classified as available-for-sale, objective evidence would include a significant or prolonged decrease, in the fair value of the investment below cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement – is deducted from the 'Revaluation reserve of available-for-sale investments' in other comprehensive income and recognised in 'Impairment of other financial instruments' caption in the consolidated income statement. Impairment losses on equity securities are not reversed through the consolidated income statement. Increases in their fair value after impairment are recognised in the 'Revaluation of available-for-sale investments' in other comprehensive income.

In the case of debt securities classified as available-for-sale, impairment is assessed based on the same criteria applicable to financial assets carried at amortised cost. If, in a subsequent period, the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss previously recognised is reversed through 'Impairment of other financial instruments' caption in the consolidated income statement.

3.17 Hedge accounting

The Group uses derivative financial instruments to hedge exposures to interest rate and foreign exchange risks and in the case of the hedge of net investments, the Group uses non-derivative financial liabilities. The Group applies hedge accounting for transactions which meet the specified criteria.

At inception of the hedging relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk and the objective and strategy for undertaking the hedge. The method that will be used to assess the effectiveness both at the inception and at ongoing basis, of the hedging relationship also forms part of the Group's documentation.

At inception of the hedging relationship and at each hedge effectiveness assessment date, a formal assessment is undertaken to ensure that the hedging relationship is highly effective regarding the offsetting of the changes in fair value or the cash flows attributable to the hedged risk. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk of the hedging instrument and the hedged item during the period for which the hedge is designated, are expected to offset in a range of 80% to 125%. In the case of cash flow hedges where the hedged item is a forecast transaction, the Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated income statement.

3.17.1 Fair value hedges

In the case of fair value hedges that meet the criteria for hedge accounting, the change in the fair value of a hedging instrument is recognised in the consolidated income statement in 'Net gains on financial instrument transactions'. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the consolidated income statement in 'Net gains on financial instrument transactions'.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedging relationship is discontinued prospectively. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised to the income statement, over the remaining term of the original hedge. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated income statement.

3. Summary of accounting policies (continued)

3.17 Hedge accounting (continued)

3.17.2 Cash flow hedges

In the case of cash flow hedges that meet the criteria for hedge accounting, the effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the 'Cash flow hedge reserve'. The ineffective portion of the gain or loss on the hedging instrument is recognised in 'Net gains on financial instrument transactions' in the consolidated income statement.

When the hedged cash flows affect the income statement, the gain or loss previously recognised in the 'Cash flow hedge reserve' is transferred to the consolidated income statement.

3.17.3 Hedges of a net investment

Hedges of net investments in overseas branches or subsidiaries are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while gains or losses relating to the ineffective portion are recognised in 'Net foreign exchange gains' in the consolidated income statement.

On disposal of an overseas branch or subsidiary, the cumulative gains or losses recognised in other comprehensive income are reclassified in the consolidated income statement.

3.18 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.19 Cash and cash equivalents

Cash and cash equivalents for the purposes of the consolidated statement of cash flows consist of cash, non-obligatory balances with central banks, placements with banks and other securities that are readily convertible into known amounts of cash or are repayable within three months of the date of their acquisition.

3.20 Insurance business

The Group undertakes both life insurance and general insurance business and issues insurance and investment contracts. An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Investment contracts are those contracts that transfer financial risk.

Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Once a contract has been classified as an insurance contract, it remains an insurance contract until expiry or until all of the rights and obligations under the contract have been fulfilled, even if the insurance risk has been significantly reduced during its term.

3.20.1 Life insurance business

Premium income from unit-linked insurance contracts is recognised when received and when the units have been allocated to policyholders. Premium income from non-linked insurance contracts is recognised when due, in accordance with the terms of the relevant insurance contracts.

Fees and other expenses chargeable to the long-term assurance funds in accordance with the terms of the relevant insurance contracts, as well as the cost of death cover, are recognised in a manner consistent with the recognition of the relevant insurance premiums.

Claims are recorded as an expense when they are incurred. Life insurance contract liabilities are determined on the basis of an actuarial valuation and for unit-linked insurance contracts they include the fair value of units allocated to policyholders on a contract by contract basis.

3. Summary of accounting policies (continued)

3.20 Insurance business (continued)

3.20.2 Life insurance in-force business

The Group recognises as an intangible asset the value of in-force business in respect of life insurance contracts. The asset represents the present value of the shareholders' interest in the profits expected to emerge from those contracts written at the reporting date, using appropriate economic and actuarial assumptions, similar to the calculation of the respective life insurance contract liabilities. The change in the present value is determined on a post-tax basis. For presentation purposes, the change in value is grossed up at the underlying rate of tax.

3.20.3 General insurance business

Premiums are recognised in the consolidated income statement in the period in which insurance cover is provided. Unearned premiums relating to the period of risk after the reporting date are deferred to subsequent reporting periods.

An increase in liabilities arising from claims is made for the estimated cost of claims notified but not settled and claims incurred but not notified at the reporting date. The increase in liabilities for the cost of claims notified but not settled is made on a case by case basis after taking into consideration all known facts, the cost of claims that have recently been settled and assumptions regarding the future development of outstanding cases. Similar statistical techniques are used to determine the increase in liabilities for claims incurred but not notified at the reporting date.

3.20.4 Investment contracts

The Group offers deposit administration funds which provide a guaranteed investment return on members' contributions. Policies are written to employees of companies, which define the benefits to be received. Any shortfalls are covered by the companies which employ the staff being insured. The Group has no liability for any actuarial deficit.

3.20.5 Liability adequacy test

At each reporting date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. In performing these tests, current best estimates of discounted future contractual cash flows and claims, expenses and investment returns are used. Any deficiency is charged to the consolidated income statement.

3.21 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase (repos) at a specific future date are not derecognised from the consolidated balance sheet. The corresponding cash received, including accrued interest, is recognised on the consolidated balance sheet as 'Repurchase agreements', reflecting its economic substance as a loan to the Group. The difference between the sale price and repurchase price is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method. Repos outstanding at the reporting date relate to agreements with financial institutions. The investments pledged as security for the repurchase agreements can be sold or repledged by the counterparty. When the counterparty has the right to sell or repledge the securities, the Bank reclassifies those securities in its balance sheet to 'Investments pledged as collateral'.

Securities purchased under agreements to resell (reverse repos') at a specific future date, are recorded as reverse repo transactions. The difference between the purchase and the resale price is treated as interest income and is accrued over the life of the agreement using the effective interest rate method. Reverse repos outstanding at the reporting date relate to agreements with banks. The investments received as security under reverse repurchase agreements can either be sold or repledged by the Group.

3.22 Finance leases – The Group as lessor

Finance leases, where the Group transfers substantially all the risks and rewards incidental to ownership of the leased item to the lessee, are included in the consolidated balance sheet in 'Loans and advances to customers'. A receivable is recognised over the lease period of an amount equal to the present value of the lease payments using the implicit rate of interest and including any guaranteed residual value. Finance income is recognised in 'Interest income' in the consolidated income statement.

3. Summary of accounting policies (continued)

3.23 Operating leases – The Group as lessee

Leases that do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight line basis over the lease term in 'Other operating expenses'.

3.24 Property and equipment

Owner-occupied property is property held by the Group for use in the supply of services or for administrative purposes. Investment property is property held by the Group to earn rentals and/or for capital appreciation. If a property of the Group includes a portion that is owner-occupied and another portion that is held to earn rentals or for capital appreciation, the classification is based on whether or not these portions can be sold separately. Otherwise, the whole property is classified as owner-occupied property unless the owner-occupied portion is insignificant. The classification of property is reviewed on a regular basis to account for major changes in its use.

Owner-occupied property is initially measured at cost and subsequently measured at fair value less accumulated depreciation and impairment. Valuations are carried out periodically between 3 to 5 years, depending on the property, by independent qualified valuers applying a valuation model recommended by the International Valuation Standards Council. Depreciation is calculated on the revalued amount less the estimated residual value of each building on a straight line basis over its estimated useful life. Gain or losses from revaluations are recognised in other comprehensive income in 'Property Revaluation'.

The 'Property revaluation reserve' includes revaluation of property initially used by the Group for its operations and subsequently transferred to 'Investment properties'. Useful lives are in the range of 30 to 67 years. Freehold land is not depreciated. On disposal of freehold land and buildings, the relevant 'Revaluation reserve' balance is transferred to 'Retained earnings'.

The cost of adapting/improving leasehold property is amortised over 3 to 5 years or over the period of the lease if this does not exceed 5 years.

Equipment is measured at cost less accumulated depreciation. Depreciation of equipment is calculated on a straight line basis over its estimated useful life of 3 to 10 years.

At the reporting date, when events or changes in circumstances indicate that the carrying value may not be recovered, property and equipment is assessed for impairment. Where the recoverable amount is less than the carrying amount, equipment is written down to its recoverable amount.

3.25 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, as at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in 'Other income/expenses' in the consolidated income statement. Valuations are carried out by independent qualified valuers or by the internal qualified valuers of the Group applying a valuation model recommended by the International Valuation Standards Council.

The Group in its normal course of business acquires properties in debt satisfaction, which are held either directly or by entities set up and controlled by the Group for the sole purpose of managing these properties. These properties are recognised in the Group's consolidated financial statements as investment properties, reflecting the substance of these transactions.

3.26 Inventory of property

Inventory of property is measured at the lower of cost or net realisable value.

3. Summary of accounting policies (continued)

3.27 Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use.

The condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, except for those assets and liabilities that are not within the scope of the measurement requirements of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' such as deferred taxes, financial instruments, investment properties measured at fair value, insurance contracts and assets and liabilities arising from employee benefits. These are measured in accordance with the Group's relevant accounting policies described elsewhere in this note.

Immediately before the initial classification as held for sale, the carrying amount of the asset (or assets and liabilities in the disposal group) is measured in accordance with applicable IFRSs. On subsequent remeasurement of a disposal group, the carrying amounts of the assets and liabilities noted above that are not within the scope of the measurement requirements of IFRS 5 are remeasured in accordance with applicable IFRSs before the fair value less costs to sell of the disposal group is determined.

If fair value less costs to sell of the disposal group is below the aggregate carrying amount of all of the assets and liabilities included in the disposal group, the disposal group is written down. The impairment loss is recognised in profit or loss for the period. Where an impairment loss is recognised (or reversed) for a disposal group, it is allocated between the scoped-in non–current assets using the order of allocation set out in IAS 36 and no element of the adjustment is allocated to the other assets and liabilities of the disposal group. In case that the carrying amount of scoped-in non-current assets is less than the amount by which a disposal group's carrying amount exceeds its fair value less costs to sell, the excess is not recognised.

Property and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

3.28 Goodwill and other intangible assets

Goodwill represents the excess of the cost of the acquisition over the net fair value of the Group's share of identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of acquisition. After initial recognition, goodwill is measured at cost less any impairment loss. Goodwill is reviewed for impairment annually as at 31 December or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

Other intangible assets include computer software, licence fees, brands, acquired insurance portfolio customer lists and customer relationships acquired as part of business combinations. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated on a straight line basis over the estimated useful life of the assets which is 10 years for license fees, 7 to 10 years for customer relationships, 8 years for brands and 3 to 5 years for computer software. For the accounting policy of in-force life insurance business, refer to Note 3.20.

Intangible assets other than goodwill are reviewed for impairment when events relating to changes to circumstances indicate that the carrying value may not be recoverable. If the carrying amount exceeds the recoverable amount then the intangible assets are written down to their recoverable amount.

3.29 Share capital

Any difference between the issue price of share capital and the nominal value is recognised as share premium. The costs incurred attributable to the issue of share capital are deducted from equity.

3. Summary of accounting policies (continued)

3.30 Treasury shares

Own equity instruments which are acquired by the Company or by any of its subsidiaries are presented as treasury shares at their acquisition cost. Treasury shares are deducted from equity until they are cancelled or reissued.

3.31 Provisions

3.31.1 Provisions for pending litigation or claims

Provisions for pending litigation or claims against the Group are made when: (a) there is a present obligation (legal or constructive) arising from past events, (b) the settlement of the obligation is expected to result in an outflow of resources embodying economic benefits, and (c) a reliable estimate of the amount of the obligation can be made.

3.31.2 Provisions for undrawn loan commitments

Provisions are made for undrawn loan commitments if it is probable that the facility will be drawn and result in the recognition of an asset at an amount less than the amount advanced.

3.32 Financial guarantees

The Group issues financial guarantees to its customers, consisting of letters of credit, letters of guarantee and acceptances. Financial guarantees are initially recognised in the consolidated financial statements at fair value, in 'Other liabilities'. Subsequently, the Group's liability under each guarantee is measured at the higher of: (a) the amount initially recognised reduced by the cumulative amortised premium which is periodically recognised in the consolidated income statement in 'Fee and commission income' in accordance with the terms of the guarantee, and (b) the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recognised in the consolidated income statement in 'Provisions for impairment of loans and advances and other customer credit losses'. The balance of the liability for financial guarantees that remains is recognised in 'Fee and commission income' in the consolidated income statement when the guarantee is fulfilled, cancelled or expired.

3.33 Recapitalisation of the Company through a bail-in of uninsured deposits and debt securities

In 2013 the Company was recapitalised partly through a bail-in of uninsured deposits and conversion of debt securities in accordance with the provisions of the relevant decrees and enforced by the Resolution Authority. Up to the date of this transaction, the Company did not a have an accounting policy with respect to the accounting treatment of such transactions.

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

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

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

3. Summary of accounting policies (continued)

3.33 Recapitalisation of the Company through a bail-in of uninsured deposits and debt securities (continued)

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

3.34 Comparative information

Comparatives have been restated with respect to the finalisation of the accounting for the Laiki Bank acquisition as described in Note 54.2.1. The impact on loss after tax and equity of the Group is set out in Note 3.2.2.

Comparatives have been represented to reflect the presentation of the Russian operations as discontinued operations following their classification as a disposal group held for sale and the presentation of the Ukrainian operations disposed of during the year, as discontinued operations. 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.

4. Significant judgements, estimates and assumptions

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

The key assumptions concerning the future and other key sources of estimation of uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments may, however, change due to market changes or circumstances beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

4.1 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 year 2014 and the developments up to the date of approval of these financial statements that have been considered in management's going concern assessment include, amongst others, the macroeconomic environment in Cyprus as described in Note 2, and the following considerations.

4.1.1 Regulatory capital ratios

The Common Equity Tier 1 (CET1) ratio of the Group at 31 December 2014 stands at 14,0% (transitional). The capital position of the Group was strengthened after the €1 billion capital increase completed in September 2014 (Note 37).

The minimum Common Equity Tier 1 (CET1) capital ratio under the Capital Requirements Regulation (CRR) and the Capital Requirements Directive IV (CRD IV) was set by the 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 current capital position satisfies both its Pillar I capital requirement and Pillar II add-on capital requirement. However, the Group's Pillar II add-on capital requirement is a point in time assessment and therefore is subject to change over time.

It is noted that the Group's Restructuring Plan was approved by the CBC in November 2013. The Plan provided that the core tier 1 capital of the Group will remain above 9% throughout the Restructuring Plan period (without taking into account the €1 billion capital raising).

4. Significant judgements, estimates and assumptions (continued)

4.1 Going concern (continued)

4.1.2 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.

4.1.3 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 decreased by 3% during 2014 and totalled €12.653 million at 31 December 2014, representing 53% of gross loans (Note 46). The provision coverage ratio improved to 41% (compared to 38% at 31 December 2013), 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 €14.961 million at 31 December 2014 and accounted for 63% of gross loans. The provision coverage ratio of NPEs totalled 34% at 31 December 2014.

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

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

4.1.4 Liquidity

The Group continues to have significant reliance on central bank funding due to its relatively limited access to interbank and wholesale markets, as well as the deposit outflows experienced in the past. Following the €1 billion share capital increase by the Group and the expected enactment of the foreclosure and insolvency legislation, the Group expects 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 December 2014 amounted to €8,28 billion, comprising €880 million of ECB funding and €7,40 billion of ELA funding (Note 31 and 48). As at 31 March 2015, the level of central bank funding has been further reduced to €7,70 billion, comprising €800 million of ECB funding and €6,90 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 plans to continue with further ELA repayments, the pace of which will be dependent on the prevailing market conditions.

In March 2013, the Cypriot authorities introduced certain temporary restrictive measures and capital controls with respect to banking and cash transactions. All restrictive measures within Cyprus were lifted in May 2014, while the external capital controls for transfers of funds outside Cyprus are being gradually phased out.

4. Significant judgements, estimates and assumptions (continued)

4.1 Going concern (continued)

4.1.4 Liquidity (continued)

In addition to the restrictive measures applicable for the Cypriot banking system as a whole, additional restrictive measures applicable to the Group's deposits affected by the bail-in were introduced in July 2013. On 31 January 2015, the last tranche of blocked decree deposits (about €300 million out of a total of €2,8 billion blocked decree deposits) was released. It is noted that all blocked decree deposits have been released earlier than expected and the majority of them have remained with the Group, evidencing the growing confidence of customers towards the Group.

The growing confidence of customers is also evidenced by the fact that the Group's deposits, in constant exchange rates, increased by €80 million during the fourth quarter of 2014. Deposits in Cyprus increased by €71 million during the same period, despite the on-going deleveraging efforts of customers that use their savings to pay down debt, the release of €600 million of blocked decree deposits at the end of October 2014, the further extensive relaxation of external restrictive measures and the public debate regarding the foreclosure and insolvency frameworks. This increase was the first quarterly increase in deposits in Cyprus since the events of March 2013. Post April 2014, the Group experienced net customer inflows (defined as the difference between changes in the stock of deposits and loans) in its Cyprus operations every month with the exception of August 2014, while for the whole of 2014 there were net customer inflows. Customer inflows have continued during the first quarter of 2015.

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.

4.1.5 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, 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 41).

4.1.6 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 Common Equity Tier 1 capital ratio of the Group at 31 December 2014 stands at 14,0%.
- The Group passed the 2014 ECB Comprehensive Assessment exercise after the €1 billion capital raise.
- The broadly stable level of 90+ DPD loans since December 2013.
- The improved liquidity position of the Group and the positive customer flows experienced in Cyprus every month since April 2014 (with the exception of August). Customer deposits in Cyprus have also been increasing since the fourth quarter of 2014. 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.

4. Significant judgements, estimates and assumptions (continued)

4.2 Provision for impairment of loans and advances to customers

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

Assumptions have been made about the future changes in property values, as well as the timing for the realisation of the collateral and for taxes and expenses on the repossession and subsequent sale of the collateral. Indexation has been used to estimate updated market values of properties while assumptions were made on the basis of a macroeconomic scenario for future changes in property values. The timing of recovery from mortgages has been estimated to be 3 years and the cumulative future drop in property values has been estimated at -8%.

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). 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.

4. Significant judgements, estimates and assumptions (continued)

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

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

Further details on impairment allowances and related credit information are set out in Note 46.

4.3 Fair value of investments

The best evidence of fair value is a quoted price in an actively traded market. If the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employed by the Group use only observable market data and so the reliability of the fair value measurement is relatively high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant inputs that are not observable. Valuation techniques that rely on non-observable inputs require a higher level of management judgement to calculate a fair value than those based wholly on observable inputs.

Valuation techniques used to calculate fair values include comparisons with similar financial instruments for which market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants. Valuation techniques incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, exchange rates, volatilities and default rates. When valuing instruments by reference to comparable instruments, management takes into account the maturity, structure and rating of the instrument with which the position held is being compared.

The Group only uses models with unobservable inputs for the valuation of certain unquoted equity investments. In these cases, estimates are made to reflect uncertainties in fair values resulting from a lack of market data inputs, for example, as a result of illiquidity in the market. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available from which to determine the level at which an arm's length transaction would occur under normal business conditions. Unobservable inputs are determined based on the best information available.

Further details on fair value of assets and liabilities are disclosed in Note 22.

4.4 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. 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.

Further details on impairment of available-for-sale investments are presented in Notes 15 and 20.

4. Significant judgements, estimates and assumptions (continued)

4.5 Reclassification of financial assets

The Group classifies financial assets into the following categories: at fair value through profit or loss, available-for-sale, held-to-maturity or loans and receivables. The appropriate classification of financial assets is determined at the time of initial recognition. In addition, under the amendments to IAS 39 and IFRS 7 'Reclassification of Financial Assets' which were approved by the IASB and endorsed by the EU in October 2008, it is permissible to reclassify certain financial assets out of the financial assets at fair value through profit or loss (trading assets) and the available-for-sale classifications into the loans and receivables classification. For assets to be reclassified there must be a clear change in management intent with respect to the assets since initial recognition and the financial asset must meet the definition of a loan and receivable at the reclassification date. Additionally, there must be an intent and ability to hold the asset for the foreseeable future at the reclassification date. There is no ability for subsequent reclassification back to the trading or available-for-sale classifications.

Management judgement and assumptions are required to determine whether an active market exists in order for a financial asset to meet the definition of loans and receivables. Management judgement and assumptions are also required to estimate the fair value of the financial assets identified at the date of reclassification, which becomes the amortised cost base under the loans and receivables classification. The task facing management in both these matters can be particularly challenging in highly volatile and uncertain economic and financial market conditions. The change of intent to hold for the foreseeable future is another matter requiring management judgement. Financial assets proposed for reclassification need to be approved by the Assets and Liabilities Committee (ALCO) based on the facts and circumstances of each financial asset under consideration and after taking into account the ability and plausibility to execute the strategy to hold the asset.

In addition to the above, management judgement is also required to assert that the expected repayment of the asset exceeds the estimated fair value and the returns on the asset will be optimised by holding it for the foreseeable future.

Information on assets reclassified is presented in Note 20.

4.6 Retirement benefits

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, the expected rate of return on plan assets, future salary increases, mortality rates as well as future pension increases where necessary. The Group's management sets these assumptions based on market expectations at the reporting date using its best estimates for each parameter covering the period over which the obligations are to be settled. In determining the appropriate discount rate, management considers the yield curve of high quality corporate bonds. In determining other assumptions, a certain degree of judgement is required. Future salary increases are based on expected future inflation rates for the specific country plus a margin to reflect the best possible estimate relating to parameters such as productivity, workforce maturity and promotions. The expected return on plan assets is based on the composition of each fund's plan assets, estimating a different rate of return for each asset class. Estimates of future inflation rates on salaries and expected rates of return of plan assets represent management's best estimates for these variables. These estimates are derived after consultation with the Group's advisors, and involve a degree of judgement. Due to the long-term nature of these plans, such estimates are inherently uncertain.

Further details on retirement benefits are disclosed in Note 13.

4.7 General insurance business

The Group is engaged in the provision of general insurance services. Risks under these policies usually cover a period of 12 months.

The case liabilities for outstanding claims arising from insurance contracts issued by the Group are calculated based on case estimates by loss adjusters and facts known at the reporting date. With time, these estimates are reconsidered and any adjustments are recognised in the financial statements of the period in which they arise.

4. Significant judgements, estimates and assumptions (continued)

4.7 General insurance business (continued)

The principal assumptions underlying the estimates for each claim are based on past experience and market trends, and take into consideration claim handling costs. Other external factors that may affect the estimate of claims, such as recent court rulings and the introduction of new legislation are also taken into consideration.

Provision is also made for claims incurred but not reported (IBNR) by the reporting date. Past experience as to the number and amount of claims reported after the reporting date is taken into consideration in estimating the IBNR provision.

Insurance contract liabilities are sensitive to changes in the above key assumptions. The sensitivity of certain assumptions, such as the introduction of new legislation and the rulings of certain court cases, are very difficult to quantify. Furthermore, the delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement increase the uncertainty existing at the reporting date.

Further information on general insurance business is disclosed in Note 11.

4.8 Life insurance business

The Group is engaged in the provision of life insurance services. Whole life insurance plans (life plans) relate to plans associated with assets where the amount payable in the case of death is the greater of the sum insured and the value of investment units. Simple insurance or temporary term plans (term plans) relate to fixed term duration plans for protection against death. In case of death within the coverage period, the insured sum will be paid. Endowment insurance (investment plans/mortgage plans/horizon plans) refer to specific duration plans linked to investments, to create capital through systematic investment in association with death insurance coverage whereby the higher of the sum insured and the value of investment units is payable on death within the contract term.

Further information on life insurance business is disclosed in Note 11.

4.8.1 Value of in-force business

The value of in-force business asset represents the present value of future profits expected to arise from the portfolio of in-force life insurance. The valuation of this asset requires assumptions to be made about future economic and operating conditions which are inherently uncertain and changes could significantly affect the value attributed to these assets. The methodology used and the key assumptions that have been made in determining the carrying value of the in-force business asset at 31 December 2014, are set out in Note 27.

4.8.2 Insurance liabilities

The calculation of liabilities and the choice of assumptions regarding insurance contracts require the management of the Group to make significant estimates.

The assumptions underlying the estimates for each claim are based on past experience, internal factors and conditions, as well as external factors which reflect current market prices and other published information. The assumptions and judgements are determined at the date of valuation of liabilities and are assessed systematically so that the reliability and realistic position can be ensured.

Estimates for insurance contracts are made in two stages. Initially, at the start of the contract, the Group determines the assumptions regarding future deaths, voluntary terminations, investment returns and administration expenses. Subsequently, at each reporting date, an actuarial valuation is performed which assesses whether liabilities are adequate according to the most recent estimates.

The assumptions with the greatest influence on the valuation of insurance liabilities are presented below:

Mortality and morbidity rates
Assumptions are based on standard national tables of mortality and morbidity, according to the type of contract. In addition, a study is performed based on the actual experience (actual deaths) of the insurance company for comparison purposes and if sufficient evidence exists which is statistically reliable, the results are incorporated in these tables. An increase in mortality rates will lead to a larger number of claims (or claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for shareholders.

4. Significant judgements, estimates and assumptions (continued)

4.8 Life insurance business (continued)

4.8.2 Insurance liabilities (continued)

Investment return and discount rate
The weighted average rate of return is derived based on assets that are assumed to back liabilities, consistent with the long-term investment strategy of the Group. These estimates are based on current market returns as well as expectations about future economic and financial developments. An increase in investment returns would lead to an increase in profits for shareholders.

Management expenses
Assumptions are made for management fees and contract maintenance as well as for general expenses, and are based on the actual costs of the Group. An assumption is also made for the rate of increase in expenses in relation to the annual inflation rate. An increase in the level of expenses would reduce profits for shareholders.

Lapses
Each year an analysis of contract termination rates is performed, using actual data from the insurance company incorporation until the immediate preceding year. Rates vary according to the type and duration of the plan. According to the insurance legislation of Cyprus, no assumption is made for policy termination rates in the actuarial valuation.

Further details on insurance liabilities are disclosed in Note 33.

4.9 Tax

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

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

Further details on taxes are disclosed in Note 17.

4.10 Consolidation of special purpose entities

The Group sponsors the formation of special purpose entities (SPEs) for various purposes including asset securitisation, which may or may not be directly or indirectly owned subsidiaries. The Group consolidates those SPEs that it controls. In determining whether the Group controls an SPE, judgements are made about the Group's exposure to the variable returns of the SPE and about its ability to exercise power over the relevant activities of the SPE in question and its ability to use that power to affect the variable returns.

SPEs are disclosed in Note 53.

4.11 Investment 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 (Note 54.2.1). 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.

4. Significant judgements, estimates and assumptions (continued)

4.11 Investment in associates and joint ventures (continued)

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.

4.12 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 a valuation model 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 and 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 as at 31 December 2014, 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 values of property.

Further information on inputs used is disclosed in Note 22.

4.13 Provisions

The accounting policy for provisions is described in Note 3.31. 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 41.

4.14 Disposal groups held for sale and discontinued operations

In December 2014, 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 5 and 28.

5. Segmental analysis

The Group is organised into operating segments based on the geographic location of each unit. At 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 28). As a result, the Russian operations are presented as discontinued. In April 2014, the Group's activities in Ukraine were sold to Alfa Group as described in Note 54.1.1. As a result, the Ukrainian operations are also presented as discontinued. On 26 March 2013, through a Decree issued by the Resolution Authority, the Group disposed of the loans, property and equipment, intangible assets and deposits of its banking and leasing operations in Greece to Piraeus Bank. As a result, the Group's banking and leasing activities in Greece are presented as discontinued in the comparative period.

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**
2014	€000	€000	**€000**
Net interest income	919.403	47.821	**967.224**
Net fee and commission income	145.405	7.465	**152.870**
Net foreign exchange (losses)/gains	(10.458)	583	**(9.875)**
Net gains/(losses) on financial instrument transactions	238.563	(14.375)	**224.188**
Insurance income net of claims and commissions	43.154	2.456	**45.610**
Other income/(expenses)	(4.839)	4.890	**51**
	1.331.228	48.840	**1.380.068**
Staff costs	(219.588)	(14.749)	**(234.337)**
Other operating expenses	(166.929)	(25.268)	**(192.197)**
Restructuring costs (Note 14)	(33.464)	(2.400)	**(35.864)**
Profit before impairment of loans and advances to customers and other impairments	911.247	6.423	**917.670**
Provisions for impairment of loans and advances and other customer credit losses (Note 15)	(579.619)	(86.070)	**(665.689)**
Impairment of other financial instruments (Note 15)	(48.146)	(8.394)	**(56.540)**
Impairment of non-financial instruments (Note 16)	(33.295)	-	**(33.295)**
Share of profit from associates and joint ventures	4.852	-	**4.852**
Profit / (loss) before tax	255.039	(88.041)	**166.998**
Tax	(3.214)	(7.601)	**(10.815)**
Profit / (loss) after tax	251.825	(95.642)	**156.183**
Non-controlling interests - profit	(95)	-	**(95)**
Profit / (loss) after tax attributable to the owners of the Company	251.730	(95.642)	**156.088**

5. Segmental analysis (continued)

Discontinued operations

	Russia	Subsidiary acquired with the view to sale	Greece (Note 41)	Ukraine	**Total discontinued operations**
2014	€000	€000	€000	€000	**€000**
Net interest income	58.038	26	-	4.064	**62.128**
Net fee and commission income	16.850	-	-	270	**17.120**
Net foreign exchange gains/(losses)	318	(10)	-	617	**925**
Net losses on financial instrument transactions	(25)	-	-	-	**(25)**
Other income/(expenses)	1.351	(1.631)	-	1.051	**771**
	76.532	(1.615)	-	6.002	**80.919**
Staff costs	(32.655)	(1.444)	-	(1.233)	**(35.332)**
Other operating (expenses)/income	(39.200)	(1.229)	36.000	(2.882)	**(7.311)**
Profit/(loss) before impairment of loans and advances to customers and other impairments	4.677	(4.288)	36.000	1.887	**38.276**
Provisions for impairment of loans and advances to customers and other customer credit losses	(264.422)	-	-	(38.528)	**(302.950)**
Loss on disposal of Ukrainian business (Note 54.1.1)	-	-	-	(114.228)	**(114.228)**
Impairment upon measurement of disposal group at fair value less costs to sell (Note 28)	(84.098)	-	-	-	**(84.098)**
(Loss) / profit before tax	(343.843)	(4.288)	36.000	(150.869)	**(463.000)**
Tax	(14.359)	(855)	-	654	**(14.560)**
(Loss) / profit after tax	(358.202)	(5.143)	36.000	(150.215)	**(477.560)**
Non-controlling interests - loss	58.990	1.286	-	39	**60.315**
(Loss) / profit after tax attributable to the owners of the Company	(299.212)	(3.857)	36.000	(150.176)	**(417.245)**

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 Aphrodite Group and concluded that it met the criteria for a subsidiary acquired exclusively with a view to sale, and has therefore presented the operations of Aphrodite Group as discontinued.

5. Segmental analysis (continued)

Continuing operations

	Cyprus	Other countries	**Total continuing operations**
2013	€000	€000	**€000**
Net interest income	842.318	37.554	**879.872**
Net fee and commission income	131.918	7.679	**139.597**
Net foreign exchange gains/(losses)	6.611	(16.134)	**(9.523)**
Net gains/(losses) on financial instrument transactions	37.251	(3.434)	**33.817**
Insurance income net of claims and commissions	57.375	7.581	**64.956**
Other income/(expenses)	(19.249)	(43.538)	**(62.787)**
	1.056.224	(10.292)	**1.045.932**
Staff costs	(247.309)	(17.281)	**(264.590)**
Other operating expenses	(146.509)	(24.840)	**(171.349)**
Restructuring costs (Note 13 and 14)	(156.809)	(5)	**(156.814)**
Profit/(loss) before impairment of loans and advances to customers and other impairments	505.597	(52.418)	**453.179**
Provisions for impairment of loans and advances and other customer credit losses (Note 15)	(856.380)	(84.132)	**(940.512)**
Impairment of other financial instruments (Note 15)	(22.525)	-	**(22.525)**
Impairment of non-financial instruments (Note 16)	(410)	-	**(410)**
Share of loss of associates and joint ventures	(4.511)	(191)	**(4.702)**
Loss before tax	(378.229)	(136.741)	**(514.970)**
Tax	3.360	(5.078)	**(1.718)**
Loss after tax	(374.869)	(141.819)	**(516.688)**
Non-controlling interests - loss	924	-	**924**
Loss after tax attributable to the owners of the Company	(373.945)	(141.819)	**(515.764)**

5. Segmental analysis (continued)

Discontinued operations

	Greece	Russia	Ukraine	**Total discontinued operations**
2013	€000	€000	€000	**€000**
Net interest income	46.279	96.969	22.590	**165.838**
Net fee and commission income	11.217	27.508	1.714	**40.439**
Net foreign exchange (losses)/gains	(14.667)	4.153	222	**(10.292)**
Net gains/(losses) on financial instrument transactions	5.672	-	(703)	**4.969**
Other income/(expenses)	(2.070)	(243)	(1.252)	**(3.565)**
	46.431	128.387	22.571	**197.389**
Staff costs	(22.241)	(51.286)	(6.332)	**(79.859)**
Other operating expenses	(55.001)	(46.934)	(8.801)	**(110.736)**
Restructuring costs	-	(172)	(766)	**(938)**
(Loss)/profit before impairment of loans and advances to customers and other impairments	(30.811)	29.995	6.672	**5.856**
Provisions for impairment of loans and advances to customers and other customer credit losses	(58.908)	(78.796)	(48.037)	**(185.741)**
Impairment of other financial instruments	(261)	-	-	**(261)**
Impairment of non-financial instruments	-	(2.960)	-	**(2.960)**
Impairment upon measurement of disposal group at fair value less costs to sell	-	-	(9.579)	**(9.579)**
Loss on disposal of Greek banking and leasing operations	(1.365.624)	-	-	**(1.365.624)**
Loss before tax	(1.455.604)	(51.761)	(50.944)	**(1.558.309)**
Tax	-	7.018	(116)	**6.902**
Loss after tax	(1.455.604)	(44.743)	(51.060)	**(1.551.407)**
Non-controlling interests - loss	-	11.047	35	**11.082**
Loss after tax attributable to the owners of the Company	(1.455.604)	(33.696)	(51.025)	**(1.540.325)**

5. 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**
2014		€000	€000	**€000**
Banking and financial services		1.262.418	52.003	**1.314.421**
Insurance services		44.175	2.979	**47.154**
Property and hotel business		2.185	(102)	**2.083**
Total revenue from third parties		1.308.778	54.880	**1.363.658**
Inter-segment revenue/(expense)		22.450	(6.040)	**16.410**
Total revenue		**1.331.228**	**48.840**	**1.380.068**
Discontinued operations	Russia	Subsidiary acquired with the view to sale	Ukraine	**Total discontinued operations**
2014	€000	€000	€000	**€000**
Banking and financial services	92.513	-	6.431	**98.944**
Property and hotel business	-	(1.615)	-	**(1.615)**
Total revenue from third parties	92.513	(1.615)	6.431	**97.329**
Inter-segment expense	(15.981)	-	(429)	**(16.410)**
Total revenue	**76.532**	**(1.615)**	**6.002**	**80.919**

5. Segmental analysis (continued)

Analysis of total revenue (continued)

Continuing operations

	Cyprus	Other countries	**Total continuing operations**
2013	€000	€000	**€000**
Banking and financial services	973.509	(16.082)	**957.427**
Insurance services	57.990	7.568	**65.558**
Property and hotel business	(3.509)	(2)	**(3.511)**
Total revenue from third parties	1.027.990	(8.516)	**1.019.474**
Inter-segment revenue/(expense)	28.234	(1.776)	**26.458**
Total revenue	**1.056.224**	**(10.292)**	**1.045.932**

Discontinued operations

	Greece	Russia	Ukraine	**Total discontinued operations**
2013	€000	€000	€000	**€000**
Banking and financial services	49.328	150.583	23.936	**223.847**
Total revenue from third parties	49.328	150.583	23.936	**223.847**
Inter-segment expense	(2.897)	(22.196)	(1.365)	**(26.458)**
Total revenue	**46.431**	**128.387**	**22.571**	**197.389**

Analysis of assets

	Operating segments		Russia-discontinued operations	**Total**
	Cyprus	Other countries		
2014	€000	€000	€000	**€000**
Assets	25.164.546	2.112.860	715.428	**27.992.834**
Inter-segment assets				**(1.203.432)**
Total assets				**26.789.402**

2013				
Assets	28.663.107	2.044.721	1.316.068	**32.023.896**
Inter-segment assets				**(1.674.457)**
Total assets				**30.349.439**

5. Segmental analysis (continued)

Analysis of liabilities

	Operating segment		Russia - discontinued operations	**Total**
	Cyprus	Other countries		
2014	€000	€000	€000	**€000**
Liabilities	21.247.697	2.408.893	857.381	**24.513.971**
Inter-segment liabilities				**(1.205.616)**
Total liabilities				**23.308.355**
2013				
Liabilities	25.183.780	2.724.213	1.380.412	**29.288.405**
Inter-segment liabilities				**(1.676.642)**
Total liabilities				**27.611.763**

Segmental analysis of customer deposits and loans and advances to customers is presented in Notes 32 and 46, respectively.

6. Interest income

	2014	2013
	€000	€000
Loans and advances to customers	**1.107.984**	1.159.059
Placements with banks and central banks	**23.084**	28.702
Investments available-for-sale	**16.387**	33.742
Investments classified as loans and receivables	**177.228**	173.521
	1.324.683	1.395.024
Trading investments	**74**	111
Derivative financial instruments	**10.382**	13.193
Other investments at fair value through profit or loss	**739**	739
	1.335.878	1.409.067

Interest income from loans and advances to customers includes interest on the recoverable amount of impaired loans and advances amounting to €262.035 thousand (2013: €187.548 thousand).

7. Interest expense

	2014	2013
	€000	€000
Customer deposits	**187.808**	319.876
Funding from central banks and amounts due to banks	**142.040**	159.548
Repurchase agreements	**11.910**	10.130
Subordinated loan stock reversal	**-**	(4.442)
	341.758	485.112
Derivative financial instruments	**26.896**	44.083
	368.654	529.195

8. Fee and commission income and expense

Fee and commission income

	2014	2013
	€000	€000
Credit-related fees and commissions	**79.996**	72.798
Other banking commissions	**64.654**	70.960
Mutual funds and asset management fees	**2.503**	3.745
Brokerage commissions	**709**	1.624
Other commissions	**12.966**	9.951
	160.828	159.078

Mutual funds and asset management fees include income of €2.185 thousand (2013: €2.623 thousand) relating to fiduciary and other similar activities.

Fee and commission expense

	2014	2013
	€000	€000
Banking commissions	**7.716**	18.945
Mutual funds and asset management fees	**119**	334
Brokerage commissions	**123**	202
	7.958	19.481

9. Net foreign exchange losses

Net foreign exchange losses comprise the conversion of monetary assets in foreign currency at the reporting date, realised exchange (losses)/gains from transactions in foreign currency settled during the year and the revaluation of foreign exchange derivatives.

10. Net gains on financial instrument transactions

	2014	2013
	€000	€000
Trading portfolio:		
- equity securities	**1.107**	543
- debt securities	**425**	(204)
- derivative financial instruments	**11.877**	15.519
Other investments at fair value through profit or loss:		
- debt securities	**1.742**	2.392
Net gains/(losses) on disposal of available-for-sale investments:		
- equity securities	**48.907**	962
- debt securities	**2.908**	(11.556)
Net gains on disposal/repayment of loans and receivables:		
- debt securities	**99.929**	6.681
Realised gains/(losses) on disposal of loans and deposits	**11.444**	(6.920)
Revaluation of financial instruments designated as fair value hedges:		
- hedging instruments	**(11.582)**	25.045
- hedged items	**10.093**	(23.639)
Loss on disposal/dissolution of subsidiaries	**-**	(1.361)
Other losses on financial instruments	**-**	(288)
Gains on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans	**47.338**	26.643
	224.188	33.817

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

Additionally, the gain on disposal/repayment of debt securities classified as loans and receivables relates to the gain from the earlier than initially expected partial repayment of a Cyprus Government Bond.

The realised gains/(losses) on disposal of loans and deposits for 2014 primarily relate to the disposal of Serbian loans and to the disposal of the majority of a UK loan portfolio, both of which were acquired from Laiki Bank in 2013.

Gains on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans arise on settlement of loans acquired during 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.

11. Insurance income net of claims and commissions

	2014			2013		
	Income	**Claims and commissions**	**Insurance income net of claims and commissions**	Income	Claims and commissions	Insurance income net of claims and commissions
	€000	**€000**	**€000**	€000	€000	€000
Life insurance business	**115.743**	**(92.413)**	**23.330**	107.232	(69.950)	37.282
General insurance business	**40.332**	**(18.052)**	**22.280**	48.308	(20.634)	27.674
	156.075	**(110.465)**	**45.610**	155.540	(90.584)	64.956

	2014		2013	
	Life insurance	**General insurance**	Life insurance	General insurance
Income	**€000**	**€000**	€000	€000
Gross premiums	**85.829**	**66.856**	94.789	78.165
Reinsurance premiums	**(15.511)**	**(38.218)**	(16.616)	(45.979)
Net premiums	**70.318**	**28.638**	78.173	32.186
Change in the provision for unearned premiums	**-**	**2.181**	-	3.197
Total net earned premiums	**70.318**	**30.819**	78.173	35.383
Investment income and other income	**36.702**	**35**	21.122	39
Commissions from reinsurers and other income	**2.681**	**9.478**	4.662	12.886
	109.701	**40.332**	103.957	48.308
Change in value of in-force business before tax (Note 27)	**6.042**	**-**	3.275	-
	115.743	**40.332**	107.232	48.308
Claims and commissions				
Gross payments to policyholders	**(63.970)**	**(24.093)**	(119.922)	(26.835)
Reinsurers' share of payments to policyholders	**9.270**	**9.759**	8.564	10.295
Gross change in insurance contract liabilities	**(33.989)**	**3.232**	47.586	(758)
Reinsurers' share of gross change in insurance contract liabilities	**3.790**	**(2.304)**	2.191	2.590
Commissions paid to agents and other direct selling costs	**(7.514)**	**(4.654)**	(8.369)	(5.922)
Changes in equalisation reserve	**-**	**8**	-	(4)
	(92.413)	**(18.052)**	(69.950)	(20.634)

11. Insurance income net of claims and commissions (continued)

In addition to the above, the following income and expense items related to the insurance operations have been recognised in the relevant captions of the consolidated income statement:

	2014		2013	
	Life insurance	**General insurance**	Life insurance	General insurance
	€000	**€000**	€000	€000
Net (expense)/income from non-linked insurance business assets	**(355)**	**1.102**	(304)	876
Net gains/(losses) on financial instrument transactions and other non-linked insurance business income	**1.319**	**305**	(12.315)	(2.686)
Staff costs	**(4.717)**	**(4.826)**	(7.702)	(9.683)
Other operating expenses	**(3.379)**	**(2.237)**	(3.677)	(2.521)

12. Other income/(expenses)

	2014	2013
	€000	€000
Dividend income	**317**	401
Profit on sale of stock of property held for sale	**266**	85
Losses on sale and write-off of property and equipment and intangible assets	**(2.362)**	(560)
Rental income from investment properties	**1.042**	575
Losses from revaluation of investment properties (Note 22)	**(12.071)**	(75.428)
Income from hotel activities	**2.303**	1.729
Other income	**10.556**	10.411
	51	(62.787)

13. Staff costs

	2014	2013
	€000	€000
Salaries	**182.544**	209.993
Employer's contributions to state social insurance and pension funds	**27.016**	29.157
Retirement benefit plan costs	**24.462**	25.440
	234.022	264.590
Early retirement compensation and voluntary retirement schemes	**315**	120.589
	234.337	385.179

The number of persons employed by the Group as at 31 December 2014 was 6.726 (2013: 7.842).

In January and August 2013 the Group proceeded with a Voluntary Retirement Scheme (VRS) for its employees in Cyprus.

Retirement benefit plan costs

In addition to the employer's contributions to state social insurance and pension funds, the Group operates plans for the provision of additional retirement benefits as described below:

	2014	2013
	€000	€000
Defined benefit plans	**433**	(1.587)
Defined contribution plans	**24.029**	27.027
	24.462	25.440

Cyprus
The main retirement plan for the Group's permanent employees in Cyprus (60% of total Group employees) is a defined contribution plan. This plan provides for employer contributions of 14% and employee contributions of 3%-10% of the employees' gross salaries. This plan is managed by a Committee appointed by the members.

A small number of employees who do not participate in the main retirement plan, are members of a pension scheme that is closed to new entrants and may receive part or all of their retirement benefit entitlement by way of a pension for life. This plan is managed by an Administrative Committee composed of representatives of both the members and the employer.

A small number of employees of Group subsidiaries in Cyprus are also members of defined benefit plans. These plans are funded, with assets backing the obligations held in separate legal vehicles.

13. Staff costs (continued)

Retirement benefit plan costs (continued)

Cyprus (continued)
The present value of the defined benefit obligations of the retirement plans is estimated annually using the Projected Unit Credit Method of actuarial valuation, carried out by independent actuaries. The principal actuarial assumptions used for the valuation of the remaining retirement plans of the Group in Cyprus during 2014 and 2013 are set out below:

	2014	2013
Discount rate	**1,87%-2,11%**	3,47%-3,71%
Inflation rate	**1,75%**	2%
Future salary increases	**0% for 2015-2016 and 3% thereafter**	0% for 2014-2015, 2% for 2016 and 3% thereafter
Rate of pension increase	**0% - 2%**	0% - 2%
Life expectancy for pensioners at age 60	**24,0 years M 30,1 years F**	24,0 years M 30,1 years F

Greece
As part of the disposal of the Greek operations the staff and the related obligations under the defined benefit plan in Greece were transferred to Piraeus Bank. A small number of employees of Group Greek subsidiaries remain members of the defined benefit plans.

All employees were entitled by law to compensation in case of dismissal or a lump sum payment upon normal retirement, at rates specified in the Greek legislation. All the benefits payable under this defined benefit plan were paid out of the Group's assets because this plan is unfunded.

The present value of the defined benefit obligations under the defined benefit plan in Greece is estimated annually using the Projected Unit Credit Method of actuarial valuation, carried out by independent actuaries. The principal actuarial assumptions used for the valuations were as follows:

	2014	2013
Discount rate	**1,83%-2,30%**	3,20%-3,76%
Inflation rate	**1,75%**	2%
Future salary increases	**0% for 2015-2016 and 3% thereafter**	0% for 2014-2015, 2% for 2016 and 3% thereafter

For employees recruited after 31 December 2002, a defined contribution plan is available.

United Kingdom
The Group's employees in the United Kingdom (3% of total Group employees) are covered by a defined contribution plan for all current employees and a defined benefit plan which was closed in December 2008 to future accrual of benefits for active members.

13. Staff costs (continued)

Retirement benefit plan costs (continued)

United Kingdom (continued)
The present value of the defined benefit plan obligations is estimated annually using the Projected Unit Credit Method of actuarial valuation, carried out by independent actuaries. The principal actuarial assumptions used for the valuation were as follows:

	2014	2013
Discount rate	**3,70%**	4,65%
Inflation rate	**3,10%**	3,45%
Rate of pension increase	**3,00%**	3,30%
Life expectancy for pensioners at age 65	**23,7 years**	23,7 years

Other countries
The Group does not operate any retirement benefit plans in Romania and Russia.

Analysis of the results of the actuarial valuations for the defined benefit plans
The amount included in the consolidated balance sheet in respect of the Group's obligation on defined benefit plans is as follows:

	2014	2013
	€000	€000
Net present value of obligations	**97.164**	80.022
Fair value of plan assets	**(94.926)**	(86.651)
	2.238	(6.629)
Amount not recognised as an asset because of the asset restriction requirement	**13.921**	14.449
Net liability of retirement benefit plans recognised on the consolidated balance sheet	**16.159**	7.820

One of the plans has a funded status surplus of €14.000 thousand (2013: €15.000 thousand) that is not recognised as an asset on the basis that the Group has no unconditional right to future economic benefits either via a refund or a reduction in future contributions.

	2014	2013
Amounts recognised in the consolidated balance sheet	**€000**	€000
Liabilities (Note 35)	**16.201**	9.139
Assets (Note 29)	**(42)**	(1.319)
	16.159	7.820

13. Staff costs (continued)

Retirement benefit plan costs (continued)

Analysis of the results of the actuarial valuations for the defined benefit plans (continued)
The movement in the net present value of obligations is set out below:

	2014	2013
	€000	€000
1 January	**80.022**	126.861
Current service cost	**622**	1.357
Interest cost on liabilities	**3.446**	3.881
Actuarial losses/(gains):		
- remeasurement losses/(gains) - financial	**14.329**	(4.268)
- remeasurement (gains)/losses - demographic	**(42)**	587
- remeasurement gains - experience	**(432)**	(368)
Benefits paid from the plans	**(4.214)**	(14.486)
Benefits paid directly by the Group	**(363)**	(7.958)
Contributions by plan participants	**183**	215
Terminations, curtailments and settlements	**(59)**	(2.749)
Effect of termination of plan upon disposal of operations	**-**	(21.894)
Foreign exchange differences from overseas plans	**3.672**	(1.156)
31 December	**97.164**	80.022

The movement in the fair value of plan assets is set out below:

	2014	2013
	€000	€000
1 January	**86.651**	112.443
Interest income on scheme assets	**3.576**	4.054
Remeasurement – return on plan assets (excluding interest income)	**4.944**	(12.512)
Employer's contributions	**724**	2.453
Contributions by plan participants	**183**	215
Benefits paid from the plans	**(4.214)**	(14.486)
Asset adjustment due to disposal	**-**	(4.609)
Foreign exchange differences from overseas plans	**3.062**	(907)
31 December	**94.926**	86.651

The actual return on plan assets for year 2014 was a gain of €8.520 thousand (2013: loss of €8.458 thousand).

The assets of funded plans are generally held in separately administered trusts, either as specific assets or as a proportion of a general fund, or as insurance contracts. Plan assets held in trust are governed by local regulations and practice in each country.

13. Staff costs (continued)

Retirement benefit plan costs (continued)

Analysis of the results of the actuarial valuations for the defined benefit plans (continued)
Pension plan assets are invested in different asset classes in order to maintain a balance between risk and return. Investments are well diversified to limit the financial effect of the failure of any individual investment. Through its defined benefit plans, the Group is exposed to a number of risks as outlined below:

Interest rate risk	The Group is exposed to interest rate risk due to the mismatch of the duration of assets and liabilities.
Changes in bond yields	A decrease in corporate bond yields will increase the liabilities, although this will be partially offset by an increase in the value of bond holdings.
Inflation risk	The Group faces inflation risk, since the liabilities are either directly (through increases in pensions) or indirectly (through wage increases) exposed to inflation risks. Investments to ensure inflation-linked returns (i.e. real returns through investments such as equities, index-linked bonds and assets whose return increase with increasing inflation) could be used for better match with the expected increases in liabilities.
Asset volatility	The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, a deficit will be created.

The major categories of plan assets as a percentage of total plan assets are as follows:

	2014	2013
Equity securities	**42%**	45%
Debt securities	**42%**	38%
Placements with banks	**16%**	17%
	100%	100%

The assets held by the funded plans include securities issued by the Company, the fair value of which is:

	2014	2013
	€000	€000
Equity securities	**3.853**	2.982

The components of the amount recognised in the consolidated income statement in relation to the defined benefit plans are as follows:

	2014	2013
	€000	€000
Current service cost	**622**	1.357
Net interest income	**(130)**	(172)
Curtailments and settlements	**(59)**	(2.772)
	433	(1.587)

13. Staff costs (continued)

Retirement benefit plan costs (continued)

Analysis of the results of the actuarial valuations for the defined benefit plans (continued)
The components of the expense recognised in the consolidated statement of comprehensive income in relation to the defined benefit plans are as follows:

	2014	2013
	€000	€000
Remeasurement (losses)/gains	**(13.855)**	4.049
Return on plan assets (excluding interest income)	**4.944**	(12.512)
Change in the effect of limit on plan surpluses	**528**	8.217
	(8.383)	(246)

The Group's expected contribution to the plans for 2015 is €3.881 thousand.

Principal actuarial assumptions used in the actuarial valuations
The discount rate used in the actuarial valuations reflects the rate at which liabilities could effectively be settled and is set by reference to market yields at the reporting date in high quality corporate bonds of suitable maturity and currency. For the Group's plans in the Eurozone (Cyprus and Greece) which comprise 32% of the defined benefit obligations, the Group adopted a full yield curve approach using AA rated corporate bonds data from the iBoxx Euro Corporates AA10+ index. For the Group's plan in the UK which comprises 68% of the defined benefit obligations, the Group adopted a full yield curve approach using the discount rate that has been set based on the yields on AA- rated corporate bonds with duration consistent with the scheme's liabilities. Under this approach, each future liability payment is discounted by a different discount rate that reflects its exact timing.

To develop the assumptions relating to the expected rates of return on plan assets, the Group, in consultation with its actuaries, uses forward-looking assumptions for each asset class reflecting market conditions and future expectations at the reporting date. Adjustments are made annually to the expected rate of return assumption based on revised expectations of future investment performance of asset classes, changes to local legislation that may affect investment strategy, as well as changes to the target strategic asset allocation.

A quantitative sensitivity analysis for significant assumptions as at 31 December 2014 and 31 December 2013 is shown below:

	2014		2013	
Variable	**Change +0,5%**	**Change -0,5%**	Change +0,5%	Change -0,5%
Discount rate	**-7,9%**	**8,9%**	-7,3%	8,2%
Inflation growth rate	**-5,1%**	**5,5%**	4,9%	-4,6%
Salary growth rate	**0,4%**	**-0,1%**	0,3%	-0,1%
Pension growth rate	**0,9%**	**-0,8%**	1,0%	-0,9%
	Plus 1 year	**Minus 1 year**	Plus 1 year	Minus 1 year
Life expectancy	**-0,3%**	**0,4%**	1,5%	-1,2%

The above sensitivity analyses (with the exception of the inflation sensitivity) are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and some changes of the assumptions may be correlated. The inflation sensitivity above includes changes to any inflation linked benefit increases. When calculating the sensitivity of the defined benefit obligation to significant assumptions, the same method has been applied as when calculating the pension liability recognised on the consolidated balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous periods.

14. Other operating expenses

	2014	2013
	€000	€000
Operating lease rentals for property and equipment	**12.618**	15.264
Advertising and marketing	**13.488**	14.113
Repairs and maintenance of property and equipment	**21.383**	17.230
Other property-related costs	**13.875**	17.029
Insurance expenses	**14.437**	8.018
Communication expenses	**10.724**	8.351
Printing and stationery	**5.005**	3.464
Depreciation of property and equipment (Note 26)	**13.425**	16.539
Amortisation of intangible assets (Note 27)	**7.000**	11.747
Contribution to depositor protection scheme	**823**	2.266
Special tax levy on credit institutions in Cyprus	**19.220**	20.853
Provision and settlements of litigations or claims (Note 35)	**11.345**	6.500
Consultancy and other professional services fees	**18.601**	13.228
Other operating expenses	**30.253**	16.747
	192.197	171.349
Advisory and other restructuring costs	**35.864**	36.225
	228.061	207.574

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.

Consultancy and other professional services fees include fees (including taxes) to the independent auditors of the Group, for audit and other professional services provided both in Cyprus and overseas, as follows:

	2014	2013
	€000	€000
Audit of the financial statements of the Group and its subsidiaries	**1.952**	1.980
Other audit-related services	**167**	54
Tax services	**385**	284
Other services	**1.276**	281
	3.780	2.599
Continuing operations	**2.578**	1.999
Discontinued operations	**1.202**	600
	3.780	2.599

15. Impairment of financial instruments

Customer credit related impairment

	2014	2013
	€000	€000
Loans and advances to customers (Note 46)	**579.938**	940.512
Financial guarantees and commitments (Note 35)	**85.751**	-
	665.689	940.512

Impairment of other financial instruments

	2014	2013
	€000	€000
Debt securities	**72**	15.898
Available-for-sale equity securities	**7.237**	6.627
Placements with banks (Note 46)	**18.940**	-
Other receivables	**30.291**	-
	56.540	22.525

Impairment of other receivables primarily concerns amounts related to Laiki Bank and other Laiki Bank related exposures as a result of the 2013 acquisition.

16. Impairment of non-financial instruments

	2014	2013
	€000	€000
Property held for own use (Note 26)	**1.460**	410
Investment in associate	**2.078**	-
Remeasurement of investment in joint venture held for sale at fair value less costs to sell (Note 28)	**29.757**	-
	33.295	410

17. Tax

	2014	2013
	€000	€000
Current tax:		
- Cyprus	**1.407**	2.111
- overseas	**4.760**	2.649
Cyprus defence contribution	**159**	123
Deferred tax	**4.343**	(3.162)
Prior year tax adjustments	**146**	(3)
	10.815	1.718

The Group had no share of tax charge from associates for years 2013 and 2014.

The reconciliation between the tax expense and the loss before tax as estimated using the current tax rates is set out below:

	2014	2013
	€000	€000
Profit/(loss) before tax from continuing operations	**166.998**	(514.970)
Tax at the normal tax rates in Cyprus	**21.034**	(64.248)
Tax effect of:		
- expenses not deductible for tax purposes	**12.428**	21.185
- non-tax allowable losses/(income) not subject to tax	**(18.336)**	(5.790)
- change in corporation tax rate in Cyprus	**-**	(6.526)
- differences between overseas tax rates and Cyprus tax rates	**(4.386)**	1.674
Tax effect of losses on which deferred tax is not recognised	**(71)**	55.426
	10.669	1.721
Prior years' tax adjustments	**146**	(3)
	10.815	1.718

The loss on disposal of the Ukrainian operations is included in discontinued operations and is partially tax deductible whereas the impairment loss on measurement to fair value less costs to sell of the Russian operations, which is also included in discontinued operations is fully non-tax deductible.

The loss on disposal of Greek operations in 2013, included in discontinued operations, is a tax deductible loss.

Corporation tax in Cyprus is calculated at the rate of 12,5% on taxable income (2013: 12,5%).

For life insurance business there is a minimum tax charge of 1,5% on gross premiums. Defence contribution is payable on rental income at a rate of 3% (2013: 3%) and on interest income from activities outside the ordinary course of business at a rate of 30% (2013: 15% until 29 April 2013 and 30% thereafter).

The Group's profits from overseas operations are taxed at the rates prevailing in the respective countries, which for 2014 were: Greece 26% (2013: 26%), Romania 16% (2013: 16%), Russia 20% (2013: 20%), UK 23% until 31 March 2014 and 21% thereafter (2013: 24% until 31 March 2013 and 23% thereafter) and Ukraine 18% (2013: 19%).

17. Tax (continued)

The Group is subject to income taxes in the various jurisdictions it operates and the calculation of the Group's tax charge and provisions for income tax necessarily involves a degree of estimation and judgement. There are transactions and calculations for which the ultimate tax treatment is uncertain and cannot be determined until resolution has been reached with the relevant tax authority. The Group has a number of open tax returns with various tax authorities and liabilities relating to these open and judgemental matters, which are based on estimates of whether additional taxes will be due. In case the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The accumulated tax losses are presented in the table below:

	Total tax losses	**Tax losses for which a deferred tax asset was recognised**	**Tax losses for which no deferred tax asset was recognised**
31 December 2014	**€000**	**€000**	**€000**
Expiring within 4 years	**4.140.267**	**297.148**	**3.843.119**
Expiring between 5 and 10 years	**216.962**	**-**	**216.962**
Expiring between 11 and 15 years	**7.378.801**	**3.336.000**	**4.042.801**
Expiring indefinitely	**6.447**	**-**	**6.447**
	11.742.477	**3.633.148**	**8.109.329**
31 December 2013			
Expiring within 4 years	241.275	18.295	222.980
Expiring between 5 and 10 years	4.303.561	295.584	4.007.977
Expiring between 11 and 15 years	7.378.801	3.336.000	4.042.801
Expiring indefinitely	34.923	34.923	-
	11.958.560	3.684.802	8.273.758

Recognition of deferred tax assets on unutilised tax losses is supported by management's business forecasts, taking into account available information and making various assumptions on future growth rates of customer loans, deposits, funding evolution, loan impairment and pricing, and taking into account the recoverability of the deferred tax assets within their expiry period.

No significant tax losses of prior years were utilised during 2014 and 2013.

The tax losses relate to the same jurisdiction to which the deferred tax asset relates.

17. Tax (continued)

Deferred tax

The net deferred tax asset arises from:

	2014	2013
	€000	€000
Difference between capital allowances and depreciation	**6.581**	(10.604)
Property revaluation	**20.722**	26.951
Investment revaluation	**977**	(370)
Unutilised tax losses carried forward	**(454.138)**	(456.172)
Value of in-force life insurance business	**14.124**	13.483
Other temporary differences	**(396)**	(2.411)
Net deferred tax asset	**(412.130)**	(429.123)

Deferred tax asset	**(456.871)**	(479.060)
Deferred tax liability	**44.741**	49.937
Net deferred tax asset	**(412.130)**	(429.123)

The table below sets out the geographical analysis of the deferred tax asset:

	2014	2013
	€000	€000
Cyprus	**(456.581)**	(456.563)
United Kingdom	**(190)**	(1.578)
Greece	**(38)**	(68)
Romania	**(62)**	(1.174)
Russia	**-**	(18.611)
Ukraine	**-**	(1.066)
Deferred tax asset	**(456.871)**	(479.060)
Deferred tax liability	**44.741**	49.937
Net deferred tax asset	**(412.130)**	(429.123)

17. Tax (continued)

Deferred tax (continued)

The movement of the net deferred tax asset is set out below:

	2014	2013
	€000	€000
1 January	**(429.123)**	(5.597)
Deferred tax recognised in the consolidated income statement – continuing operations	**4.343**	(3.162)
Deferred tax recognised in the consolidated income statement – discontinued operations	**13.780**	(6.939)
Deferred tax recognised in the consolidated statement of comprehensive income	**(234)**	(3.145)
Deferred tax related to assets held for sale (Note 28)	**(3.222)**	-
Deferred tax acquired through business combinations (Note 54.2.1)	**-**	(411.871)
Deferred tax on disposal of subsidiaries	**392**	24
Foreign exchange adjustments	**1.934**	1.567
31 December	**(412.130)**	(429.123)

The Group offsets tax assets and liabilities if and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities.

The analysis of the net deferred tax expense/(income) recognised in the consolidated income statement is set out below:

	2014	2013
	€000	€000
Difference between capital allowances and depreciation	**13.953**	(5.656)
Investment revaluation	**1.672**	(1.104)
Unutilised tax losses carried forward	**1.262**	(7.115)
Value of in-force-life insurance business	**641**	2.974
Other temporary differences	**595**	800
	18.123	(10.101)
Continuing operations	**4.343**	(3.162)
Discontinued operations	**13.780**	(6.939)
	18.123	(10.101)

The analysis of the net deferred tax income recognised in the consolidated statement of comprehensive income is set out below:

	2014	2013
	€000	€000
Timing differences on property revaluation	**(234)**	(3.106)
Available-for-sale investments	**-**	(39)
	(234)	(3.145)

18. Earnings per share

	2014	2013 (restated and represented)
Basic and diluted losses per share attributable to owners of the Company		
Loss for the year attributable to owners of the Company (€ thousand)	**(261.157)**	(2.056.089)
Weighted average number of shares in issue during the year, excluding treasury shares (thousand)	**5.922.158**	3.597.696
Basic and diluted losses per share (€ cent)	**(4,4)**	(57,2)

Basic and diluted earnings/(losses) per share attributable to owners of the Company – continuing operations		
Profit/(loss) after tax attributable to owners of the Company – continuing operations (€ thousand)	**156.088**	(515.764)
Weighted average number of shares in issue during the year, excluding treasury shares (thousand)	**5.922.158**	3.597.696
Basic and diluted earnings/(losses) per share – continuing operations (€ cent)	**2,6**	(14,3)

Basic and diluted losses per share attributable to owners of the Company – discontinued operations		
Loss after tax attributable to owners of the Company – discontinued operations (€ thousand)	**(417.245)**	(1.540.325)
Weighted average number of shares in issue during the year, excluding treasury shares (thousand)	**5.922.158**	3.597.696
Basic and diluted losses per share – discontinued operations (€ cent)	**(7,0)**	(42,8)

19. Cash, balances with central banks and placements with banks

	2014	2013
	€000	€000
Cash	**185.053**	155.213
Balances with central banks	**954.412**	1.084.830
	1.139.465	1.240.043
Placements with banks	**1.646.886**	1.290.102

Balances with central banks include obligatory deposits for liquidity purposes which amount to €484.202 thousand (2013: €793.900 thousand).

At 31 December 2013, cash and balances with central banks and placements with banks include balances amounting to €14.842 thousand and €14.049 thousand respectively, which were part of the Ukrainian operations of the Group, classified as a disposal group held for sale.

The analysis of balances with central banks and placements with banks by independent credit rating agencies is set out in Note 46.

Placements with banks earn interest based on the interbank rate of the relevant term and currency.

20. Investments

	2014	2013
	€000	€000
Investments		
Investments at fair value through profit or loss	**34.347**	25.160
Investments available-for-sale	**53.480**	161.258
Investments classified as loans and receivables	**1.783.309**	2.573.437
	1.871.136	2.759.855

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

	2014	2013
	€000	€000
Investments pledged as collateral		
Investments available-for-sale	**669.786**	672.809

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

20. Investments (continued)

Investments at fair value through profit or loss

	Trading investments		Other investments at fair value through profit or loss		Total	
	2014	2013	**2014**	2013	**2014**	2013
	€000	€000	**€000**	€000	**€000**	€000
Debt securities	**1**	103	**17.151**	15.549	**17.152**	15.652
Equity securities	**7.138**	2.953	**991**	-	**8.129**	2.953
Mutual funds	**9.066**	6.555	**-**	-	**9.066**	6.555
	16.205	9.611	**18.142**	15.549	**34.347**	25.160

Debt securities						
Cyprus government	**-**	-	**17.147**	15.413	**17.147**	15.413
Banks and other corporations	**1**	103	**4**	136	**5**	239
	1	103	**17.151**	15.549	**17.152**	15.652
Listed on the Cyprus Stock Exchange	**1**	103	**17.147**	15.413	**17.148**	15.516
Listed on other stock exchanges	**-**	-	**4**	136	**4**	136
	1	103	**17.151**	15.549	**17.152**	15.652

Equity securities						
Listed on the Cyprus Stock Exchange	**6.722**	2.505	**427**	-	**7.149**	2.505
Listed on other stock exchanges	**416**	227	**-**	-	**416**	227
Unlisted	**-**	221	**564**	-	**564**	221
	7.138	2.953	**991**	-	**8.129**	2.953

The debt securities classified as other investments at fair value through profit or loss were originally classified as such, to eliminate an accounting mismatch with derivatives used to economically hedge these instruments.

Mutual funds are unlisted and issued in Other European countries.

20. Investments (continued)

Investments available-for-sale

	2014	2013
	€000	€000
Debt securities	**707.858**	733.658
Equity securities	**14.081**	98.606
Mutual funds	**1.327**	1.803
	723.266	834.067

Debt securities		
Cyprus government	**204**	1.423
French government	**489.606**	476.819
Other governments	**186.881**	191.739
Banks and other corporations	**31.167**	63.362
Local authorities	**-**	315
	707.858	733.658
Listed on the Cyprus Stock Exchange	**263**	7.256
Listed on other stock exchanges	**707.595**	726.086
Unlisted certificates of deposit, bank and local authority bonds	**-**	316
	707.858	733.658
Geographic dispersion by country of issuer		
Cyprus	**263**	7.571
France	**489.606**	476.818
Germany	**59.011**	58.258
Italy	**53.572**	52.211
United Kingdom	**6.191**	6.365
Other European countries	**74.297**	106.175
European Financial Stability Facility and European Investment Fund	**14.640**	14.617
Ukraine	**1**	1
Supranational organisations	**10.277**	9.590
Other countries	**-**	2.052
	707.858	733.658

20. Investments (continued)

Investments available-for-sale (continued)

	2014	2013
	€000	€000
Equity securities		
Listed on the Cyprus Stock Exchange	**12.025**	8.725
Listed on other stock exchanges	**1.471**	87.318
Unlisted	**585**	2.563
	14.081	98.606

At 31 December 2014 and 31 December 2013 there were no available-for-sale investments in debt securities which have been determined to be individually impaired.

Available-for-sale mutual funds are unlisted and issued in Other countries.

Investments classified as loans and receivables

	2014	2013
	€000	€000
Debt securities	**1.783.309**	2.573.437
Cyprus government	**1.782.998**	2.572.940
Banks and other corporations	**311**	300
Local authorities	**-**	197
	1.783.309	2.573.437
Listed on the Cyprus Stock Exchange	**1.783.309**	2.573.240
Unlisted certificates of deposit, bank and local authority bonds	**-**	197
	1.783.309	2.573.437
Geographic dispersion by country of issuer		
Cyprus	**1.783.309**	2.573.437

Loans and receivables at 31 December 2014 include €169.365 thousand (2013: €169.073 thousand) of debt securities which have been determined to be individually impaired.

20. Investments (continued)

Reclassification of investments

Reclassification of trading investments to loans and receivables
On 1 April 2010, in light of the crisis prevailing in global markets, the Group identified the investments which it had no intention to trade or sell in the foreseeable future. These investments in debt securities were reclassified from trading investments to loans and receivables.

Reclassification of available-for-sale investments to loans and receivables
On 1 October 2008 and 30 June 2011 the Group reclassified certain available-for-sale debt securities to investments classified as loans and receivables, in view of the fact that there was no active market for these debt securities and the Group had the intention and ability to hold these securities in the foreseeable future.

Reclassification of held–to-maturity investments to available-for-sale investments
On 1 November 2012, the Group reassessed its policies in respect of the management of its investment portfolio in view of its efforts to strengthen its liquidity and capital adequacy ratios and decided to reclassify all debt securities previously classified as held-to-maturity to investments available-for-sale, in order to be able to sell these securities as and when required. As a result, in accordance with the Group's accounting policies and IFRSs, the Group was not allowed to classify any investments as held-to-maturity until November 2014.

20. Investments (continued)

Reclassification of investments (continued)

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

	Reclassification date	Carrying and fair value on reclassification date	31 December 2014		31 December 2013		Year 2014		Effective interest rate on reclassification date
			Carrying value	Fair value	Carrying value	Fair value	Additional profit in the income statement had the bonds not been reclassified	Additional profit/(loss) in other comprehensive income had the bonds not been reclassified	
		€000	€000	€000	€000	€000	€000	€000	
Reclassification of trading investments to:									
- loans and receivables	1 April 2010	34.810	36.722	35.056	38.059	32.204	2.852	-	1,2%-4,4%
Reclassification of available-for-sale investments to:									
- loans and receivables	1 October 2008	154.248	156.566	156.728	156.283	136.809	-	162	4,6%-4,7%
- loans and receivables	30 June 2011	155.249	174.785	165.977	176.586	149.088	-	(8.808)	2,8%-6,3%
Reclassification of held-to-maturity investments to:									
- available-for-sale	1 November 2012	72.794	73.813	73.813	75.160	75.160	-	-	0,4%-3,1%

20. Investments (continued)

Reclassification of investments (continued)

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

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

21. Derivative financial instruments

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

	2014			2013		
	Contract amount	**Fair value**		Contract amount	Fair value	
		Assets	**Liabilities**		Assets	Liabilities
	€000	**€000**	**€000**	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	**108.599**	**18.927**	**433**	139.847	109	2.674
Currency swaps	**1.268.923**	**22.623**	**7.196**	1.723.306	3.778	15.465
Interest rate swaps	**205.661**	**11.930**	**3.773**	517.264	4.203	11.407
Currency options	**995**	**76**	**919**	-	-	-
Equity options	**3.113**	**580**	**346**	4.295	1.591	1.485
Interest rate caps/floors	**5.194**	**-**	**153**	6.574	11	250
GDP warrant securities	**1.208**	**13**	**-**	1.622.997	19.073	-
	1.593.693	**54.149**	**12.820**	4.014.283	28.765	31.281
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	**674.883**	**-**	**59.147**	674.888	-	47.090
Fair value of net investments – forward exchange rate contracts	**25.000**	**8.449**	**-**	126.936	-	5.523
	699.883	**8.449**	**59.147**	801.824	-	52.613
Total	**2.293.576**	**62.598**	**71.967**	4.816.107	28.765	83.894

The use of derivatives is an integral part of the Group's activities. Derivatives are used to manage the Group's own exposure to fluctuations in interest rates, exchange rates and equity price indices. Derivatives are also sold to customers as risk management products.

Forward exchange rate contracts are irrevocable agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate.

Currency swaps include simple currency swaps and cross-currency swaps. Simple currency swaps involve the exchange of two currencies at the current market rate and the commitment to re-exchange them at a specified rate upon maturity of the swap. Cross-currency swaps are interest rate swaps in which the cash flows are in different currencies.

Interest rate swaps are contractual agreements between two parties to exchange fixed rate and floating rate interest, by means of periodic payments, based upon a notional principal amount and the interest rates defined in the contract.

Currency options are contracts that grant the holder the right, but not the obligation, to buy or sell currency at a specified exchange rate during a specified period of time.

21. Derivative financial instruments (continued)

Interest rate, currency and equity options provide the buyer with the right but not the obligation, to either purchase or sell the underlying values at a specified price or level on or before a specified date.

Interest rate caps/floors protect the holder from fluctuations of interest rates above or below a specified interest rate for a specified period of time.

GDP warrant securities are GDP-linked securities issued by the Greek government as part of the exchange offer of the Greek Government Bonds. The securities provide for annual payments of up to 1% of their notional amount, commencing in 2015, in the event that Greek GDP growth exceeds certain thresholds.

The credit exposure of derivative financial instruments represents the cost to replace these contracts at the reporting date. The exposure arising from these transactions is managed as part of the Group's credit risk management process for credit facilities granted to customers and financial institutions.

The contract amount of certain types of derivative financial instruments provides a basis for comparison with other instruments recognised on the consolidated balance sheet, but does not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, consequently, does not indicate the Group's exposure to credit or market risk.

The fair value of the derivatives can be either positive (asset) or negative (liability) as a result of fluctuations in market interest rates, foreign exchange rates or equity price indices, in accordance with the terms of the relevant contract. The aggregate net fair value of derivatives may fluctuate significantly over time.

Hedge accounting

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

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

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

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 December 2014, deposits and forward exchange rate contracts amounting to €230.406 thousand (2013: €346.725 thousand) have been designated as hedging instruments and have given rise to a gain of €2.580 thousand (2013: gain of €28.257 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.

22. Fair value measurement

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

	2014		2013	
	Carrying value	**Fair value**	Carrying value	Fair value
	€000	**€000**	€000	€000
Financial assets				
Cash and balances with central banks	**1.139.465**	**1.139.465**	1.240.043	1.240.043
Placements with banks	**1.646.886**	**1.620.413**	1.290.102	1.192.513
Investments at fair value through profit or loss	**34.347**	**34.347**	25.160	25.160
Investments available-for-sale	**723.266**	**723.266**	834.067	834.067
Investments classified as loans and receivables	**1.783.309**	**1.861.909**	2.573.437	2.593.941
Derivative financial assets	**62.598**	**62.598**	28.765	28.765
Loans and advances to customers	**18.168.323**	**18.365.310**	21.764.338	20.888.492
Life insurance business assets attributable to policyholders	**459.912**	**459.912**	430.119	430.119
Financial assets included in disposal groups held for sale	**673.104**	**624.961**	-	-
Other assets	**151.155**	**151.155**	176.102	176.102
	24.842.365	**25.043.336**	28.362.133	27.409.202
Financial liabilities				
Obligations to central banks and amounts due to banks	**8.445.669**	**8.445.669**	11.152.699	11.152.699
Repurchase agreements	**579.682**	**592.113**	594.004	596.006
Derivative financial liabilities	**71.967**	**71.967**	83.894	83.894
Customer deposits	**12.623.558**	**12.609.522**	14.971.167	14.895.350
Debt securities in issue	**1.185**	**1.185**	1.515	1.515
Subordinated loan stock	**-**	**-**	4.676	4.101
Financial liabilities included in disposal groups held for sale	**579.930**	**578.666**	-	-
Other liabilities	**128.785**	**128.785**	65.817	65.817
	22.430.776	**22.427.907**	26.873.772	26.799.382

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.

22. Fair value measurement (continued)

The following is a description of the determination of fair value for financial instruments and non-financial assets which are recorded at fair value on a recurring and on a non-recurring basis and for financial instruments and non-financial assets 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.

Investment properties
Investment properties are classified as residential, offices and other commercial properties, manufacturing and industrial, hotels, land and plots and under construction properties. Their fair value is based on valuations performed by external accredited, independent valuers and internal accredited valuers. Further information on the techniques applied is disclosed in the remainder of this Note.

Property and equipment
The freehold land and buildings consist of offices and other commercial properties. The fair value of the properties is determined by using valuations performed by external, accredited independent valuers and internal accredited valuers. Further information on the techniques applied is disclosed in the remainder of this Note.

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 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 Group's funding cost, cost of capital and an adjustment for the future cost of risk.

22. 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.

22. Fair value measurement (continued)

Model inputs for valuation (continued)
The following table presents the fair value measurement hierarchy of the Group's assets and liabilities recorded at fair value or for which fair value is disclosed, by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	**Total**
2014	€000	€000	€000	**€000**
Assets measured at fair value				
Investment properties				
Residential	-	-	94.382	**94.382**
Offices and other commercial properties	-	-	151.897	**151.897**
Manufacturing and industrial	-	-	60.692	**60.692**
Hotels	-	-	95.203	**95.203**
Land and plots	-	-	86.031	**86.031**
Properties under construction	-	-	393	**393**
	-	-	488.598	**488.598**
Investment properties classified as held for sale				
Residential	-	-	5.090	**5.090**
Offices and other commercial properties	-	-	6.146	**6.146**
Manufacturing and industrial	-	-	5.816	**5.816**
Hotels	-	-	4.283	**4.283**
Land and plots	-	-	23.105	**23.105**
Properties under construction	-	-	126	**126**
	-	-	44.566	**44.566**
Freehold property				
Offices and other commercial properties	-	11.939	251.491	**263.430**
Freehold property held for sale				
Hotels	-	-	25.681	**25.681**
Trading derivatives				
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**
Derivatives designated as net investment hedges				
Forward exchange rate contracts	-	8.449	-	**8.449**
	-	62.598	-	**62.598**
Investments at fair value through profit or loss				
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**
Investments available-for-sale	719.373	205	3.688	**723.266**
	736.009	92.453	814.024	**1.642.486**
Other financial assets not measured at fair value				
Placements with banks	-	1.620.413	-	**1.620.413**
Loans and receivables - investments	-	1.682.511	-	**1.682.511**
Loans and advances to customers	-	-	18.365.310	**18.365.310**
	-	3.302.924	18.365.310	**21.668.234**

22. Fair value measurement (continued)

Model inputs for valuation (continued)

	Level 1	Level 2	Level 3	**Total**
2014	€000	€000	€000	**€000**
Liabilities measured at fair value				
Trading derivatives				
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**
Derivatives designated as fair value hedges				
Interest rate swaps	-	59.147	-	**59.147**
	-	71.967	**-**	**71.967**
Other financial liabilities not measured at fair value				
Amounts due to banks	-	161.896	-	**161.896**
Repurchase agreements	-	592.113	-	**592.113**
Customer deposits	-	-	12.609.522	**12.609.522**
	-	754.009	12.609.522	**13.363.531**

22. Fair value measurement (continued)

Model inputs for valuation (continued)

	Level 1	Level 2	Level 3	**Total**
2013	€000	€000	€000	**€000**
Assets measured at fair value				
Investment properties				
Residential	-	-	113.126	**113.126**
Offices and other commercial properties	-	-	142.511	**142.511**
Manufacturing and industrial	-	-	57.655	**57.655**
Hotels	-	-	57.640	**57.640**
Land and plots	-	-	124.107	**124.107**
Properties under construction	-	-	619	**619**
	-	-	495.658	**495.658**
Freehold property				
Offices and other commercial properties	-	6.978	361.984	**368.962**
Trading derivatives				
Forward exchange rate contracts	-	109	-	**109**
Currency swaps	-	3.778	-	**3.778**
Interest rate swaps	-	4.203	-	**4.203**
Equity options	-	1.591	-	**1.591**
Interest rate caps/floors	-	11	-	**11**
GDP warrant securities	-	19.073	-	**19.073**
	-	28.765	-	**28.765**
Investments at fair value through profit or loss				
Trading investments	2.941	6.670	-	**9.611**
Other investments at fair value through profit or loss	136	15.413	-	**15.549**
	3.077	22.083	-	**25.160**
Investments available-for-sale	827.045	2.714	4.308	**834.067**
	830.122	60.540	861.950	**1.752.612**
Other financial assets not measured at fair value				
Placements with banks	-	1.192.513	-	**1.192.513**
Loans and receivables - investments	-	2.394.938	-	**2.394.938**
Loans and advances to customers	-	-	20.888.492	**20.888.492**
	-	3.587.451	20.888.492	**24.475.943**

22. Fair value measurement (continued)

Model inputs for valuation (continued)

	Level 1	Level 2	Level 3	**Total**
2013	€000	€000	€000	**€000**
Liabilities measured at fair value				
Trading derivatives				
Forward exchange rate contracts	-	2.674	-	**2.674**
Currency swaps	-	15.465	-	**15.465**
Interest rate swaps	-	11.407	-	**11.407**
Equity options	-	1.485	-	**1.485**
Interest rate caps/floors	-	250	-	**250**
	-	31.281	-	**31.281**
Derivatives designated as fair value hedges				
Interest rate swaps	-	47.090	-	**47.090**
Derivatives for fair value of net investments				
Forward exchange rate contracts	-	5.523	-	**5.523**
	-	52.613	-	**52.613**
	-	83.894	**-**	**83.894**
Other financial liabilities not measured at fair value				
Amounts due to banks	-	196.422	-	**196.422**
Repurchase agreements	-	596.006	-	**596.006**
Customer deposits	-	-	14.895.350	**14.895.350**
	-	792.428	14.895.350	**15.687.778**

The cash and balances with central banks, the funding from central banks and treasury bills are financial instruments whose carrying amount is a reasonable approximation of fair value, because they are short-term in nature or are repriced to current market rates frequently.

During the years 2014 and 2013 there were no transfers from Level 1 to Level 2.

22. Fair value measurement (continued)

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

	2014					2013		
	Investment properties	**Investment properties held for sale**	**Own use properties**	**Own use properties held for sale**	**Available-for-sale investments**	Investment properties	Own use properties	Available-for-sale investments
	€000	**€000**	**€000**	**€000**	**€000**	€000	€000	€000
1 January	**495.658**	**-**	**361.984**	**-**	**4.308**	316.378	412.198	496
Acquired through business combinations	**-**	**-**	**-**	**-**	**-**	184.732	103.198	5.314
Additions	**117.257**	**-**	**2.950**	**-**	**-**	28.728	15.848	-
Disposals	**(19.531)**	**(1.975)**	**(530)**	**-**	**(855)**	(4.406)	(5.989)	(104)
Disposal of Ukrainian operations	**(34.395)**	**-**	**-**	**-**	**-**	-	(73.750)	-
Transfer from own use properties to investment properties (Note 26)	**19.847**	**-**	**(19.847)**	**-**	**-**	55.096	(55.096)	-
Transfer to non-current assets and disposal groups held for sale	**(46.841)**	**46.841**	**(65.764)**	**65.764**	**-**	-	-	-
Transfer from investment properties to inventories	**(893)**	**-**	**-**	**-**	**-**	-	-	-
Transfer (to)/from equipment (Note 26)	**(277)**	**-**	**-**	**-**	**-**	-	-	-
Unrealised gains/(losses) recognised in the consolidated statement of comprehensive income	**-**	**-**	**-**	**-**	**416**	-	-	(603)
Realised losses recognised in the consolidated income statement	**-**	**-**	**-**	**-**	**-**	-	-	(795)
Depreciation charge for the year – continuing operations	**-**	**-**	**(2.609)**	**-**	**-**	-	(2.487)	-
Depreciation charge for the year – discontinued operations	**-**	**-**	**(1.655)**	**-**	**-**	-	(2.141)	-
Impairment charge for the year – continuing operations	**-**	**-**	**(1.460)**	**-**	**(181)**	-	(192)	-
Impairment loss on measurement at fair value less costs to sell – discontinued operations	**-**	**-**	**-**	**(57.579)**	**-**	-	(4.755)	-
Revaluation (losses)/gains – continuing operations	**(11.771)**	**(300)**	**3.028**	**-**	**-**	(75.428)	(16.417)	-
Revaluation gains /(losses) – discontinued operations	**949**	**-**	**212**	**-**	**-**	(2.775)		
Foreign exchange adjustments	**(31.405)**	**-**	**(24.818)**	**17.496**	**-**	(6.667)	(8.433)	-
31 December	**488.598**	**44.566**	**251.491**	**25.681**	**3.688**	495.658	361.984	4.308

Valuation policy and sensitivity analysis

Financial instruments

The valuation policy for Level 3 financial instruments is defined by the ALCO committee.

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

Valuation policy and sensitivity analysis (continued)

Investment properties and own use properties and investment properties held for sale

The valuation policy for properties is defined by the Group's Property and Valuations Department. The valuation technique mainly applied by the Group is the market comparable approach, adjusted for market and property specific conditions. In certain cases, the Group also utilises the income capitalisation approach. The key inputs used for the valuations of the investment properties and own use properties are presented in the tables below.

Analysis of investment properties and investment properties held for sale

Type and area	Carrying value 31 December 2014	Index change	Estimated rental value per m² per annum	Rent growth per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land area	Building area	Age of building
Residential	**€000**								m²	m²	Years
Cyprus	19.966	n/a	€13-€166	n/a	€268-€1.186	n/a	€219-€3.495	€50-€1.350	335-8.057	41-2.526	5-54
Greece	46.896	n/a	€28	n/a	€77-€663	9%	€22-€2.894	€8-€400	114-26.896	3-10.441	2-79
Romania	27.520	n/a	n/a	n/a	n/a	n/a	€689-1.379	€6-€974	237-38.717	43-24.753	5-77
Russia	5.090	n/a	n/a	n/a	n/a	n/a	€48-€2.038	n/a	301-3.500	28-800	n/a
Total	**99.472**										
Offices and other commercial properties											
Cyprus	90.375	n/a	€32-€353	n/a	€239-€1.140	4%-6%	€495-€7.059	€98-€6.651	175-9.948	54-15.265	10-52
Greece	60.317	n/a	€6-€635	n/a	€92-€318	6%-10%	€33-€8.028	€20-€300	265-8.582	17-5.743	4-70
Romania	1.200	n/a	€72	n/a	n/a	16%	€318	n/a	1.372	3.772	34
UK	1.315	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Russia	4.836	n/a	n/a	n/a	n/a	n/a	€61-€1.314	n/a	270-5.307	18-1.940	n/a
Total	**158.043**										
Manufacturing and industrial											
Cyprus	9.506	n/a	€24-€141	n/a	€243-€1.300	5%-7%	€850-€1.658	€65-€1.350	664-25.497	664-5.250	30
Greece	51.186	n/a	€6-€36	11%	€46-€422	8%-11%	€12-€949	€1-€200	451-136.620	300-27.146	3-68
Russia	5.816	n/a	n/a	n/a	n/a	n/a	€10-€747	n/a	29-11.582	17-10.167	n/a
Total	**66.508**										
Hotels											
Cyprus	77.075	n/a	n/a	n/a	€739	4%-5%	€518-€1.037	€150-€335	5.604-40.764	2.730-12.386	14-25
Greece	13.870	n/a	€15-€59	n/a	n/a	10%-11%	€395-€1.459	n/a	1.390-32.631	619-8.073	8-59
Romania	8.541	n/a	n/a	n/a	n/a	n/a	n/a	n/a	10.337	4.789	40
Total	**99.486**										

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

Valuation policy and sensitivity analysis (continued)

Analysis of investment properties and investment properties held for sale (continued)

Type and area	Carrying value 31 December 2014	Index change	Estimated rental value per m² per annum	Rent growth per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land area	Building area	Age of building
Land and plots	**€000**								**m²**	**m²**	**Years**
Cyprus	84.722	n/a	€1-€26	n/a	€530-€1.317	5%	€1-€3.036	€1-€3.036	90-67.225	950	n/a
Greece	6.846	n/a	n/a	n/a	n/a	n/a	€1-€798	n/a	88-170.701	n/a	n/a
Russia	17.568	n/a	n/a	n/a	n/a	n/a	n/a	€10-€108	680-8.117.500	89-1.709	n/a
Total	**109.136**										
Under construction properties											
Cyprus	393	n/a	n/a	n/a	€385-€400	n/a	n/a	€139-€165	1.812	285	n/a
Russia	126	n/a	n/a	n/a	n/a	n/a	€150-€217	n/a	735	45-182	n/a
Total	**519**										
Total investment properties and investment properties held for sale	**533.164**										

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

Valuation policy and sensitivity analysis (continued)

Analysis of investment properties

Type and area	Carrying value 31 December 2013	Index change	Estimated rental value per m² per annum	Rent growth per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land area	Building area	Age of building
Residential	**€000**								m²	m²	Years
Cyprus	19.762	n/a	n/a	n/a	€300-€1.091	n/a	€455-€3.675	€55-€758	335-2.067	41-2.526	5-70
Greece	56.633	-7% to 10%	€4-€7	n/a	n/a	n/a	€595-€1.887	€50-€70	222-8.398	42-18.960	10-55
Romania	21.583	n/a	n/a	n/a	n/a	n/a	€476-€629	n/a	237-8.153	24.753	7
Russia	9.034	n/a	n/a	n/a	n/a	n/a	€6-€3.344	n/a	301-2.559	28-453	n/a
Ukraine	6.114	n/a	n/a	n/a	n/a	n/a	€779	n/a	137-2.445	28-1.117	6-74
Total	**113.126**										
Offices and other commercial properties											
Cyprus	41.062	n/a	€11-€353	n/a	€305-€1.140	4%-8%	€75-€7.059	€550-€4.400	175-1.591	54-6.395	10-144
Greece	50.769	-11% to 19%	€1-€80	n/a	€350-€1.200	6%-10%	€290-€9.000	€200-€6.844	100-8.582	69-24.786	8-55
Russia	7.367	n/a	n/a	n/a	n/a	n/a	€52-€2.169	€1-€4	270-5.307	18-2.212	n/a
Ukraine	43.313	n/a	n/a	n/a	€790-€821	n/a	n/a	n/a	392-2.274	34-30.608	5-49
Total	**142.511**										
Manufacturing and industrial											
Cyprus	10.371	n/a	€38-€54	n/a	€37-€550	n/a	€895-€900	€63-€1.350	1.155-24.881	1.134-5.250	30
Greece	43.538	-17% to 29%	€1-€5	n/a	€600	9%-11%	€185-€800	€25-€200	541-136.620	450-18.737	9-40
Russia	3.746	n/a	n/a	n/a	n/a	n/a	€15-€366	n/a	11.582	48-10.167	n/a
Total	**57.655**										
Hotels											
Cyprus	44.563	n/a	n/a	n/a	€518	n/a	€1.211	€170-€185	5.604-19.115	2.730-12.386	22-24
Greece	13.077	n/a	€16-€42	n/a	n/a	n/a	€335-€1.277	n/a	619-32.631	815-8.040	9-60
Total	**57.640**										

22. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

Analysis of investment properties (continued)

Type and area	Carrying value 31 December 2013	Index change	Estimated rental value per m² per annum	Rent growth per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land area	Building area	Age of building
Land and plots	**€000**								**m²**	**m²**	**Years**
Cyprus	83.069	n/a	€72	n/a	€318-€1.000	5%-16%	€2-€3.163	€2-€3.163	90-67.225	n/a	n/a
Greece	8.428	-7% to 29%	n/a	n/a	n/a	n/a	€106	€15-€106	810-351.732	n/a	n/a
Romania	13.053	n/a	n/a	n/a	n/a	n/a	n/a	€8-€720	237-47.012	n/a	n/a
Russia	19.557	n/a	n/a	n/a	n/a	n/a	n/a	€1-€182	680-8.117.500	n/a	n/a
Total	**124.107**										
Under construction properties											
Cyprus	417	n/a	n/a	n/a	€400-€439	n/a	n/a	€47-€185	1.812	285	n/a
Russia	202	n/a	n/a	n/a	n/a	n/a	n/a	€10	735	45-182	n/a
Total	**619**										
Total investment property	**495.658**										

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

Valuation policy and sensitivity analysis (continued)

Analysis of own use properties

Type and area	Carrying value 31 December 2014	Index change	Estimated rental value per m² per annum	Rent growth per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land area	Building area	Age of building
Offices and other commercial properties	**€000**								**m²**	**m²**	**Years**
Cyprus	244.705	n/a	€23-€340	n/a	€133-€6.321	5%-6%	€200-€6.667	€125-€3.429	390-51.947	68-15.805	8-34
Romania	3.274	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
UK	15.451	n/a	€13-€49	5%-6%	n/a	5%-7%	€2.704-€13.982	n/a	173-1.740	173-1.689	Re-furbished in 2009
Total	**263.430**										

Analysis of own use properties held for sale

Type and area	Carrying value 31 December 2014	Index change	Estimated rental value per m² per annum	Rent growth per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land area	Building area	Age of building
Offices and other commercial properties	**€000**								**m²**	**m²**	**Years**
Cyprus	**25.681**	n/a	€97	n/a	n/a	5%	€3.118	n/a	91.887	10.222	32

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

Valuation policy and sensitivity analysis (continued)

Analysis of own use properties

Type and area	Carrying value 31 December 2013	Index change	Estimated rental value per m² per annum	Rent growth per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land area	Building area	Age of building
Offices and other commercial properties	**€000**								**m²**	**m²**	**Years**
Cyprus	292.452	n/a	€56-€245	n/a	€566-€2.076	5%-6%	€200-€8.917	€130-€7.257	390-51.947	98-15.805	8-84
Romania	4.357	n/a	n/a	n/a	n/a	n/a	n/a	€1.579	660	2.284	7
Russia	65.175	n/a	€119-€2.325	n/a	n/a	n/a	€21-€21.310	€11-€417	580-2.212	40-9.511	n/a
UK	6.978	n/a	€45-€53	15%	n/a	6%-8%	€1.322-€5.487	n/a	173-2.520	121-2.415	Re-furbished in 2009
Total	**368.962**										

22. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

The majority of investment properties of the Group are not utilised at their highest and best use, as the Group has acquired these assets either in debt satisfaction or as part of the Laiki Bank acquisition and is in the process of initiating an orderly disposal of these properties.

Sensitivity analysis
Most of the Group's property valuations have been classified as Level 3. Significant increases/decreases in estimated values per square meter for properties valued with the comparable approach or significant increases/decreases in estimated rental values or yields for properties valued with the income approach would result in a significantly higher/lower fair value of the properties.

23. Loans and advances to customers

	2014	2013
	€000	€000
Loans and advances to customers	**20.842.332**	24.294.680
Hire purchase and finance lease debtors (Note 24)	**397.945**	545.928
Gross loans and advances to customers	**21.240.277**	24.840.608
Provisions for impairment of loans and advances to customers (Note 46)	**(3.071.954)**	(3.076.270)
	18.168.323	21.764.338

Loans and advances include mortgage loans of €1.123 million (2013: €1.105 million) in Cyprus which are pledged as collateral for the covered bonds issued by the Company in 2011 under its €5 billion Covered Bonds Programme (Note 34).

At 31 December 2013, loans and advances to customers also include loans amounting to €71 million which were pledged as collateral in accordance with the terms of a Russian government programme to provide loans to support Russian small and medium sized enterprises. As at 31 December 2014, the corresponding loans pledged as collateral amounted to €30 million and are classified as loans held for sale (Note 28).

At 31 December 2013, loans and advances to customers include loans of a carrying amount of €305.507 thousand, which are part of the Ukrainian operations of the Group, classified as a disposal group held for sale (Note 54.1.1).

Additional analysis and information regarding credit risk and analysis of the provisions for impairment of loans and advances to customers are set out in Note 46.

24. Hire purchase and finance lease debtors

	2014	2013
	€000	€000
Gross investment in hire purchase and finance lease contracts	**403.331**	562.281
Unearned finance income	**(5.386)**	(16.353)
Present value of hire purchase and finance lease payments	**397.945**	545.928
Repayable		
- within one year	**157.357**	259.514
- between one and five years	**169.483**	212.910
- after five years	**71.105**	73.504
Present value of hire purchase and finance lease payments	**397.945**	545.928
Analysis by geographical area		
- Cyprus	**379.441**	529.508
- Romania	**23.890**	26.823
- Russia	**-**	5.950
Gross investment in hire purchase and finance lease contracts	**403.331**	562.281
Repayable		
- within one year	**159.450**	264.845
- between one and five years	**171.786**	222.719
- after five years	**72.095**	74.717
Gross investment in hire purchase and finance lease contracts	**403.331**	562.281

Under hire purchase contracts generally the hirer: (a) pays a nominal fee at the end of the hire purchase term in exchange for the right to purchase assets, (b) makes monthly payments which include hire purchase fees on all the amounts outstanding, and (c) is responsible for any loss or damage incurred to the assets concerned.

This caption also includes contracts amounting to €222.580 thousand (2013: €381.710 thousand) on which interest is accrued using the effective interest rate and is not included in the gross investment.

Under finance lease contracts the item belongs to the Group and is leased for a fixed period. The lessee: (a) makes payments throughout the lease term covering the rentals and any other amounts that are payable under the terms of the contract, (b) undertakes to maintain the assets in good condition and to compensate the Group for any damage or loss incurred, and (c) upon expiry of the contract can, either return the assets to the Group or continue to pay a nominal annual fee in exchange for the right to continue to use the assets.

25. Life insurance business assets attributable to policyholders

	2014	2013
	€000	€000
Equity securities	14.049	32.118
Debt securities	64.543	68.329
Mutual funds	318.969	256.777
Mortgages and other loans	1.859	2.200
Bank deposits	60.492	70.695
	459.912	430.119
Property	13.080	13.460
	472.992	443.579

Financial assets of life insurance business attributable to policyholders are classified as investments at fair value through profit or loss.

The analysis of the financial assets of life insurance business attributable to policyholders measured at fair value by level, is presented below:

	Level 1	Level 2	Level 3	Total
2014	€000	€000	€000	€000
Equity securities	12.606	-	1.443	14.049
Debt securities	22.229	42.314	-	64.543
Mutual funds	318.969	-	-	318.969
Mortgages and other loans	1.859	-	-	1.859
	355.663	42.314	1.443	399.420

2013				
Equity securities	30.302	-	1.816	32.118
Debt securities	15.619	52.710	-	68.329
Mutual funds	256.777	-	-	256.777
Mortgages and other loans	2.200	-	-	2.200
	304.898	52.710	1.816	359.424

Bank deposits are financial instruments whose carrying amount is a reasonable approximation of fair value, because they are short-term in nature or are repriced to current market rates frequently.

25. Life insurance business assets attributable to policyholders (continued)

The movement of financial assets classified as Level 3 is presented below:

	2014	2013
	€000	€000
1 January	**1.816**	1.057
Transfer to level 1	**(517)**	-
Unrealised gains recognised in the consolidated income statement	**144**	759
31 December	**1.443**	1.816

During years 2014 and 2013 there were no significant transfers from Level 1 to Level 2.

26. Property and equipment

	Property	Equipment	**Total**
2014	€000	€000	**€000**
Net book value at 1 January	379.193	35.211	**414.404**
Additions	4.454	3.910	**8.364**
Revaluation	7.511	-	**7.511**
Transfer (to)/from investment properties (Note 22)	(19.847)	277	**(19.570)**
Transfer to disposal group classified as held for sale (Note 28)	(68.157)	(3.039)	**(71.196)**
Disposals and write-offs	(1.852)	(1.319)	**(3.171)**
Depreciation charge for the year – continuing operations (Note 14)	(4.860)	(8.565)	**(13.425)**
Depreciation charge for the year – discontinued operations	(1.863)	(1.291)	**(3.154)**
Impairment charge for the year – continuing operations (Note 16)	(1.460)	-	**(1.460)**
Foreign exchange adjustments	(25.993)	(1.890)	**(27.883)**
Net book value at 31 December	**267.126**	**23.294**	**290.420**

1 January 2014			
Cost or valuation	417.036	182.974	**600.010**
Accumulated depreciation	(37.843)	(147.763)	**(185.606)**
Net book value	**379.193**	**35.211**	**414.404**

31 December 2014			
Cost or valuation	301.535	165.080	**466.615**
Accumulated depreciation	(34.409)	(141.786)	**(176.195)**
Net book value	**267.126**	**23.294**	**290.420**

26. Property and equipment (continued)

	Property	Equipment	**Total**
2013	€000	€000	**€000**
Net book value at 1 January	445.564	37.629	**483.193**
Acquired through business combination (Note 54.2.1)	105.165	11.135	**116.300**
Additions	19.643	12.954	**32.597**
Revaluation	(16.417)	-	**(16.417)**
Transfer to investment properties (Note 22)	(55.096)	-	**(55.096)**
Disposals as a result of discontinued operations	(87.692)	(9.539)	**(97.231)**
Other disposals and write-offs	(6.689)	(1.148)	**(7.837)**
Depreciation charge for the year – continuing operations (Note 14)	(4.966)	(11.573)	**(16.539)**
Depreciation charge for the year – discontinued operations	(6.356)	(3.379)	**(9.735)**
Impairment charge for the year – continuing operations	(192)	(218)	**(410)**
Impairment charge for the year – discontinued operations	(4.755)	-	**(4.755)**
Foreign exchange adjustments	(9.016)	(650)	**(9.666)**
Net book value at 31 December	**379.193**	**35.211**	**414.404**

1 January 2013			
Cost or valuation	552.199	210.760	**762.959**
Accumulated depreciation	(106.635)	(173.131)	**(279.766)**
Net book value	**445.564**	**37.629**	**483.193**

31 December 2013			
Cost or valuation	417.036	182.974	**600.010**
Accumulated depreciation	(37.843)	(147.763)	**(185.606)**
Net book value	**379.193**	**35.211**	**414.404**

26. Property and equipment (continued)

The net book value of the Group's property comprises:

	2014	2013
	€000	€000
Freehold property	**263.430**	368.962
Improvements on leasehold property	**3.696**	10.231
	267.126	379.193

Freehold property includes land amounting to €96.987 thousand (2013: €133.205 thousand) for which no depreciation is charged.

The Group's policy is to revalue its properties periodically (between 3 to 5 years). As a consequence of the prevailing economic conditions in Cyprus, and their impact on the real estate market, the Group performed revaluations as at 30 June 2013 and 31 December 2014. As a result, a net gain on revaluation of €7.511 thousand (2013: loss of €16.417 thousand) was recognised in the consolidated statement of comprehensive income and an impairment loss of €1.460 thousand (2013: loss of €4.947 thousand) was recognised in the consolidated income statement. The valuations are carried out by independent qualified valuers, on the basis of market value using observable prices and/or recent market transactions depending on the location of the property. Details on valuation techniques and inputs are presented in Note 22.

The net book value of freehold property, on a cost less accumulated depreciation basis, as at 31 December 2014 would have amounted to €181.818 thousand (2013: €241.276 thousand).

27. Intangible assets

	Computer software	In-force life insurance business	**Total**
2014	€000	€000	**€000**
Net book value at 1 January	24.797	105.783	**130.580**
Additions	9.663	-	**9.663**
Increase in value of in-force life insurance business	-	6.042	**6.042**
Disposals and write-offs	(2.592)	-	**(2.592)**
Amortisation charge for the year - continuing operations (Note 14)	(7.000)	-	**(7.000)**
Amortisation charge for the year - discontinued operations	(1.679)	-	**(1.679)**
Transfer to disposal group held for sale (Note 28)	(6.990)	-	**(6.990)**
Foreign exchange adjustments	(622)	-	**(622)**
Net book value at 31 December	**15.577**	**111.825**	**127.402**

A write-off of €1.342 thousand, included in disposals and write-offs, is included as restructuring costs in 'Other operating expenses'.

1 January 2014			
Cost	132.821	105.783	**238.604**
Accumulated amortisation and impairment	(108.024)	-	**(108.024)**
Net book value	**24.797**	**105.783**	**130.580**

27. Intangible assets (continued)

	Computer software	In-force life insurance business	**Total**
31 December 2014	€000	€000	**€000**
Cost	123.027	111.825	**234.852**
Accumulated amortisation and impairment	(107.450)	-	**(107.450)**
Net book value	**15.577**	**111.825**	**127.402**
2013			
Net book value at 1 January	21.047	102.508	**123.555**
Acquired through business combination (Note 54.2.1)	13.479	-	**13.479**
Additions	8.314	-	**8.314**
Increase in value of in-force life insurance business	-	3.275	**3.275**
Disposals and write-offs	(4.065)	-	**(4.065)**
Amortisation charge for the year - continuing operations (Note 14)	(11.747)	-	**(11.747)**
Amortisation charge for the year - discontinued operations	(1.663)	-	**(1.663)**
Foreign exchange adjustments	(568)	-	**(568)**
Net book value at 31 December	**24.797**	**105.783**	**130.580**
1 January 2013			
Cost	137.523	102.508	**240.031**
Accumulated amortisation and impairment	(116.476)	-	**(116.476)**
Net book value	**21.047**	**102.508**	**123.555**
31 December 2013			
Cost	132.821	105.783	**238.604**
Accumulated amortisation and impairment	(108.024)	-	**(108.024)**
Net book value	**24.797**	**105.783**	**130.580**

27. Intangible assets (continued)

Valuation of in-force life insurance business

The actuarial assumptions made to determine the value of in-force life insurance business relate to future mortality, redemptions, level of administration and selling expenses and investment returns. The main assumptions used in determining the value of the in-force business are:

	2014	2013
Discount rate (after tax)	**10,0%**	10,0%
Return on investments	**5,5%**	5,5%
Expense inflation	**5,0%**	5,0%

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

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

	2014	2013
	€000	€000
Disposal groups classified as held for sale	**741.877**	-
Subsidiary acquired with the view to sale	**115.965**	-
Non-current assets classified as held for sale:		
- investment properties	**11.130**	-
- investment in joint venture	**73.683**	-
	942.655	-

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

	2014	2013
	€000	€000
Disposal groups held for sale	**589.223**	-
Subsidiary acquired with the view to sale	**25.198**	-
	614.421	-

The following non-current assets and disposal groups were classified as held for sale as at 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 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 (Note 54.2.1). The Group holds approximately 90% of the units of the fund.

A plan has been initiated to dispose of MDSF, and as at 31 December 2014 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. This impairment loss was recognised within 'Impairment of non-financial instruments' in the consolidated income statement (Note 16) and is part of the Cyprus operating segment results (Note 5).

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

Subsidiaries acquired with a view to sale
The subsidiaries acquired with a view to sale relate to the Aphrodite Group (Note 5), 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 sale upon initial recognition. Upon initial recognition Aphrodite Group was measured at fair value less costs to sell.

Disposal groups classified as held for sale
The disposal groups classified as held for sale as at 31 December 2014 relate to the Russian operations of the Group and the Kermia Hotel business 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 December 2014 is set out below:

	Russian operations	Kermia Hotel business	**Total**
Assets	€000	€000	**€000**
Cash and balances with central banks	85.952	-	**85.952**
Placements with banks	35.994	-	**35.994**
Investments	348	-	**348**
Loans and advances to customers	549.830	-	**549.830**
Property and equipment	-	25.681	**25.681**
Investment properties	33.436	-	**33.436**
Other assets	9.868	768	**10.636**
	715.428	26.449	**741.877**
Liabilities			
Amounts due to banks	29.650	-	**29.650**
Customer deposits	545.620	-	**545.620**
Derivative financial liabilities	589	-	**589**
Debt securities in issue	1.770	-	**1.770**
Subordinated loan stock	2.301	-	**2.301**
Other liabilities	6.071	3.222	**9.293**
	586.001	3.222	**589.223**
	129.427	**23.227**	**152.654**

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.

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

Disposal groups classified as held for sale (continued)
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, 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. As a result, the carrying value of the scoped-in non-current assets has been reduced to zero. This impairment loss is included within losses from discontinued operations in the consolidated income statement (Note 5).

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, along with the results of the Ukrainian operations (Note 54.1.1) and the results of the Aphrodite group which are presented as discontinued operations are disclosed in Note 5.

The net cash flows incurred by the Russian operations are as follows:

	2014
	€000
Operating	**28.160**
Investing	**(5.946)**
Financing	**2.059**
Net cash inflow for the year	**24.273**

The results of the Kermia Hotel business are part of the continuing operations of the Group and are within the Cyprus operating segment (Note 5).

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

	2014	2013
	€000	€000
Revaluation reserve of available-for-sale investments	**973**	-
Property revaluation reserve	**24.772**	-
Foreign currency translation reserve	**(18.008)**	-
Reserve of disposal groups classified as held for sale	**7.737**	-

29. Other assets

	2014	2013
	€000	€000
Debtors	21.279	22.956
Stock of property held for sale	12.662	14.110
Taxes refundable	48.607	48.544
Retirement benefit plan assets (Note 13)	42	1.319
Reinsurers' share of insurance contract liabilities (Note 33)	66.177	68.387
Prepaid expenses	1.279	2.840
Receivable relating to acquisitions and disposals of operations	101.550	129.254
Other assets	83.898	139.705
	335.494	427.115

As at 31 December 2014 the receivable relating to acquisitions and disposals of operations relates to the disposal of the Ukrainian operations (Note 54.1.1), whereas as at 31 December 2013 it relates to the disposal of the Greek operations, which was settled in 2014, and the acquisition of certain operations of Laiki Bank.

30. 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.

31. 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:

	2014	2013
	€000	€000
Emergency Liquidity Assistance	7.403.741	9.556.035
Monetary policy operations	380.001	1.400.242
Targeted Long Term Refinancing Operations (TLTRO)	500.031	-
	8.283.773	10.956.277

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 are disclosed in Note 48.

32. Customer deposits

	2014	2013
	€000	€000
By type of deposit		
Demand	**4.237.590**	3.492.789
Savings	**955.556**	925.549
Time or notice	**7.430.412**	10.552.829
	12.623.558	14.971.167
By geographical area		
Cyprus	**11.314.137**	12.705.254
Russia	**-**	918.491
United Kingdom	**1.304.844**	1.244.186
Romania	**4.577**	30.055
Ukraine	**-**	73.181
	12.623.558	14.971.167

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 December 2014, hence Russian deposits are included in the liabilities of the disposal group held for sale in Note 28.

At 31 December 2013, customer deposits included deposits amounting to €73.181 thousand, which were part of the Ukrainian operations of the Group, classified as a disposal group held for sale.

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 released funds are subject to the restrictive measures relating to overseas transfers currently applicable in the Cypriot banking system which, however, have recently been extensively relaxed.

33. Insurance liabilities

	2014			2013		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
Life insurance	**€000**	**€000**	**€000**	€000	€000	€000
Life insurance contract liabilities	**514.074**	**(35.542)**	**478.532**	480.085	(31.752)	448.333
General insurance						
Provision for unearned premiums	**24.891**	**(11.782)**	**13.109**	30.768	(15.478)	15.290
Other liabilities						
Claims outstanding	**37.581**	**(18.853)**	**18.728**	40.922	(21.157)	19.765
Unexpired risks reserve	**125**	**-**	**125**	16	-	16
Equalisation reserve	**30**	**-**	**30**	38	-	38
General insurance contract liabilities	**62.627**	**(30.635)**	**31.992**	71.744	(36.635)	35.109
	576.701	**(66.177)**	**510.524**	551.829	(68.387)	483.442

Reinsurance balances receivable are included in 'Other assets' (Note 29).

Life insurance contract liabilities

The movement of life insurance contract liabilities and reinsurance assets during the year is analysed as follows:

	2014			2013		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
	€000	**€000**	**€000**	€000	€000	€000
1 January	**480.085**	**(31.752)**	**448.333**	527.673	(29.561)	498.112
New business	**6.756**	**(877)**	**5.879**	6.585	(945)	5.640
Change in existing business	**27.233**	**(2.913)**	**24.320**	(54.173)	(1.246)	(55.419)
31 December	**514.074**	**(35.542)**	**478.532**	480.085	(31.752)	448.333

33. Insurance liabilities (continued)

General insurance liabilities

The movement in general insurance contract liabilities and reinsurance assets for the year is analysed as follows:

	2014			2013		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
Liabilities for unearned premiums	**€000**	**€000**	**€000**	€000	€000	€000
1 January	**30.768**	**(15.478)**	**15.290**	36.283	(17.799)	18.484
Premium income	**66.856**	**(38.218)**	**28.638**	78.165	(45.979)	32.186
Earned premiums	**(72.733)**	**41.914**	**(30.819)**	(83.680)	48.300	(35.380)
31 December	**24.891**	**(11.782)**	**13.109**	30.768	(15.478)	15.290

The provisions for unearned insurance and reinsurance premiums represent the portion of premiums that relates to risks that have not yet expired at the reporting date.

	2014			2013		
	Gross	**Reinsurers' share**	**Net**	Gross	Reinsurers' share	Net
Claims and adjustments for losses	**€000**	**€000**	**€000**	€000	€000	€000
1 January	**40.922**	**(21.157)**	**19.765**	39.703	(18.567)	21.136
Amount paid for claims settled in the year	**(24.093)**	**9.759**	**(14.334)**	(26.835)	10.295	(16.540)
Increase in liabilities arising from claims	**20.752**	**(7.455)**	**13.297**	28.054	(12.885)	15.169
31 December	**37.581**	**(18.853)**	**18.728**	40.922	(21.157)	19.765
Reported claims	**34.838**	**(17.542)**	**17.296**	37.775	(19.616)	18.159
Incurred but not reported	**2.743**	**(1.311)**	**1.432**	3.147	(1.541)	1.606
	37.581	**(18.853)**	**18.728**	40.922	(21.157)	19.765

34. Debt securities in issue

	Contractual interest rate	2014	2013
Medium term senior debt		**€000**	€000
€2 million 2010/2016	DJ EUROSTOXX 50 index	**531**	531
USD 2 million 2010/2016	S&P 500 index	**162**	143
		693	674
Other debt securities in issue			
RUB Certificates of Deposit and Promissory Notes	11%	**-**	349
Interest-free loan from the European Development Bank	-	**492**	492
		492	841
		1.185	1.515

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

Medium term senior debt

The Company maintains a Euro Medium Term Note (EMTN) Programme under which debt securities with an aggregate nominal amount of up to €4.000 million (2013: €4.000 million) may be issued.

During the recapitalisation process of the Company in 2013, eligible debt securities in issue by the Company were bailed-in in whole or in part and the principal amount bailed-in was thus converted into ordinary shares and cash deposits. The debt securities in issue outstanding at the balance sheet date represent the residual holding of the debt securities following the bail-in.

Short term commercial paper

The Company set up a Euro Commercial Paper (ECP) Programme with an aggregate nominal amount up to €1.000 million (2013: €1.000 million). According to the terms of the Programme, the Commercial Paper is issued in various currencies at a discount and pays no interest. Each issue has a maturity period up to 364 days and is unlisted. No commercial paper is currently in issue.

Other debt securities in issue

The RUB Certificates of Deposits and Promissory Notes which were issued by CB Uniastrum Bank LLC at par, are unlisted and have maturities up to one year. As at 31 December 2014 they are part of the disposal group classified as held for sale (Note 28).

Covered Bonds

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

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

34. Debt securities in issue (continued)

Covered Bonds (continued)

Loans and advances pledged as collateral for covered bonds are disclosed in Note 48.

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

Bonds guaranteed by the Cyprus government

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

35. Other liabilities

	2014	2013
	€000	€000
Income tax payable	**25.069**	13.247
Special defence contribution payable	**8.289**	12.382
Liability of retirement benefit plans (Note 13)	**16.201**	9.139
Provision for pending litigation or claims (Note 41)	**27.329**	52.312
Provision for financial guarantees and undrawn contractual commitments (Notes 15 and 41)	**85.751**	-
Liabilities for investment-linked contracts under administration	**4.984**	5.391
Accrued expenses and other provisions	**43.390**	32.759
Deferred income	**8.024**	8.761
Financial guarantees	**2.609**	2.604
Shares subject to interim orders (Note 37)	**(441)**	(58.922)
Items in the course of settlement	**31.708**	25.754
Other liabilities	**97.518**	98.615
	350.431	202.042

35. Other liabilities (continued)

Provision for pending litigation or claims

The movement for the year in the provision for pending litigation or claims is as follows:

	2014	2013
	€000	€000
1 January	**52.312**	10.042
Increase of provision in the year – continuing operations (Note 14)	**11.345**	8.500
Increase of provision in the year – discontinued operations	**704**	36.919
Utilisation of provision	**(800)**	(1.089)
Release of provision in the year – discontinued operations (Note 41)	**(36.000)**	-
Release of provision in the year – continuing operations (Note 14)	**-**	(2.000)
Foreign exchange adjustments	**(78)**	(60)
31 December	**27.483**	52.312
Less: classified as held for sale	**(154)**	-
	27.329	52.312

The provision for pending litigation or claims does not include insurance claims arising in the ordinary course of business of the Group's insurance subsidiaries. Further details are disclosed in Note 41.

36. Subordinated loan stock

	Contractual interest rate	**2014**	2013
		€000	€000
Subordinated Bonds in USD 2013/2014/2015	2,50%	**-**	4.676

The subordinated bonds for 2013 were issued by CB Uniastrum Bank LLC and are denominated in USD. As at 31 December 2014 they are part of the disposal group classified as held for sale (Note 28).

37. Share capital

	2014		2013	
	Shares (thousand)	**€000**	Shares (thousand)	€000
Authorised				
Ordinary shares of €0,10 each (2013: €1,00 each)	**47.677.593**	**4.767.759**	4.686.414	4.686.414
Issued				
1 January	**4.683.985**	**4.683.985**	1.795.141	1.795.141
Bail-in of deposits and structured products	**150**	**150**	3.814.495	3.814.495
Shares subject to interim orders withdrawn/cancelled	**58.625**	**58.625**	-	-
Bail-in of Convertible Bonds 2013/2018, Capital Securities 12/2007 and Convertible Capital Securities	**-**	**-**	122.541	122.541
Additional shares issued to Laiki Bank for 2013 acquisition (Note 54.2.1)	**12.951**	**12.951**	845.758	845.758
Conversion of CECS into shares	**-**	**-**	459.399	459.399
Reduction of nominal value of share capital	**-**	**(4.280.140)**	(2.353.349)	(2.353.349)
Issue of shares	**4.166.667**	**416.667**	-	-
31 December 2014	**8.922.378**	**892.238**	4.683.985	4.683.985

Authorised share capital

On 28 August 2014, an Extraordinary General Meeting approved the authorised share capital reduction from €4.767.759 thousand divided into 4.767.759.272 ordinary shares with a nominal value of €1,00 each, to €476.776 thousand divided into 4.767.759.272 ordinary shares with a nominal value of €0,10 each.

Following the reduction in the nominal value per share, the authorised share capital was increased from €476.776 thousand divided into 4.767.759.272 ordinary shares with a nominal value of €0,10 each to €4.767.759 thousand divided into 47.677.592.720 ordinary shares of €0,10 each, through the increase of 42.909.833.448 new ordinary shares with a nominal value of €0,10 each, which rank pari passu in all respects with each other and with all other ordinary shares of the Company.

Issued share capital

2014

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

During 2014 the issued share capital was increased by 4.166.667 thousand shares of a nominal value of €0,10 each as a result of the Capital Raising. 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.

On 16 December 2014, the issued ordinary shares of the Company arising from Phases 1 and 2 of the Capital Raising, the ordinary shares issued to bailed-in holders of uninsured deposits and other products of the Company in accordance with the Bail-in Decrees, the ordinary shares issued to bailed-in holders of subordinated debt securities of the Company in accordance with the Bail-in Decrees and the ordinary shares issued to Laiki Bank pursuant to the Laiki Transfer Decrees, were listed on the Cyprus Stock Exchange (CSE) and the Athens Exchange (ATHEX) and trading of shares commenced. In addition, the trading suspension on the ordinary shares of the Company already listed on the CSE and the ATHEX was lifted.

37. Share capital (continued)

Issued share capital (continued)

2014 (continued)

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

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

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

In Phase 2 of the Capital Raising, existing shareholders were able to apply to purchase up to 20% in aggregate of the total number of shares offered to qualified investors in the first phase and at the same price as in Phase 1 (the 'clawback'). The minimum purchase per investor in the clawback was €100 thousand and all existing shareholders were eligible to participate. Shares in the clawback were allocated among participating shareholders pro rata based on their shareholdings at the time of allocation, excluding any shares acquired in Phase 1. Phase 2 of the Capital Raising, which involved the clawback of up to 20% of the private placement shares, was completed on 21 August 2014. The Company received valid acceptances in respect of 433.042.768 new ordinary shares at a price of €0,24 per share, with total gross proceeds of €103.930 thousand. The shares subscribed during, and the gross proceeds of, Phase 2 represent 10,39% of the shares placed in, and of the total gross proceeds of €1 billion of the private placement (Phase 1).

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

On 28 August 2014, an Extraordinary General Meeting of the Company's shareholders was convened to approve the waiving of the pre-emption rights and the reduction of the nominal value of the ordinary shares.

The shareholders' EGM approved the €1 billion share capital increase through Phases 1 and 2 of the Capital Raising. The Company's shareholders also approved the Retail Offer of new ordinary shares at a subscription price of €0,24 per share for raising of up to €100 million (Phase 3).

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

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

The above resolutions were subject to approval by the court, which was issued on 29 August 2014.

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

- The issue and allotment of ordinary shares in the Company up to an aggregate nominal amount of €416.667 thousand (equivalent to 4.166.666.667 ordinary shares of €0,10 each) in connection with and/or for the implementation of the Capital Raising at a subscription price per ordinary share of €0,24.
- The irrevocable and unconditional waiving of the pre-emptive rights of the Company's shareholders.

37. Share capital (continued)

Issued share capital (continued)

2014 (continued)
Reduction in nominal value of ordinary shares and additional share capital of €1 billion (continued)

On 18 September 2014, as a result of the completion of the issuance of 4.166.667 thousand ordinary shares of a nominal value of €0,10 each, at a subscription price of €0,24, the Company's share capital increased by €416.667 thousand.

The Retail Offer comprised the third and final phase of the Capital Raising. Subject to the terms and conditions set out in the prospectus, each qualifying shareholder was invited to subscribe for up to a maximum of 416,666,667 new shares at the subscription price of €0,24 per share. Phase 3 was completed on 9 January 2015 and a total of 567.188 new ordinary shares were issued on 14 January 2015. These new shares were listed and commenced trading on the CSE and ATHEX on 2 February 2015.

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

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

As per the provisions of the Decree and decisions of the Resolution Authority, 47,5% of the uninsured deposits of the Company were converted into Class A ordinary shares. In addition as per Decree No. 2, structured products which were in issue were also converted into shares.

In addition, subordinated debt and claims of the Company, including subordinated debt were converted into class D shares, at a conversion rate of 1 share of €1,00 nominal value for each €1,00 of principal amount of such subordinated debt and claims. According to amended Decrees No. 2 and 3, the nominal value of Class D shares was subsequently reduced from €1,00 each to €0,01 each.

All Class A and D shares issued were subsequently converted into ordinary shares of €0,01 each.

Amended Decree No. 2 and 3 also provided for the reduction of the nominal value of all ordinary shares in issue on 29 March 2013 from €1,00 each to €0,01 each.

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

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.

37. Share capital (continued)

Shares subject to interim orders (continued)

The shares which as per the bail-in Decree 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. During the year 2014 the balance of the ordinary shares transferred from 'Shares subject to interim orders' to share capital amounted to €58.481 thousand and as at 31 December 2014 ordinary shares of €441 thousand (31 December 2013: €58.922 thousand) are subject to interim orders.

Share premium reserve

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.

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

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 and €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 December 2014 was 20.751 thousand of a nominal value of €0,10 each (2013: 20.767 thousand of a nominal value of €1,00 each). The total cost of acquisition of treasury shares was €88.051 thousand (2013: €88.051 thousand).

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

In addition, the life insurance subsidiary of the Group held, as at 31 December 2014, a total of 3.043 thousand (2013: 3.043 thousand) shares of the Company, as part of their financial assets which are invested for the benefit of insurance policyholders (Note 25). The cost of acquisition of these shares was €21.463 thousand (2013: €21.463 thousand).

38. Dividends

The Company is currently under a regulatory dividend distribution prohibition and therefore no dividend was declared or paid during years 2013 and 2014.

39. Accumulated losses

Retained earnings are the only distributable reserve.

The companies, tax residents in Cyprus, which do not distribute at least 70% of their profits after tax as defined by the Special Defence Contribution for the Cyprus Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special defence contribution at 20% for years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividend distribution to the extent that the shareholders of the Company (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer are tax residents of Cyprus. Deemed distribution does not apply in respect of profits that are directly or indirectly attributable to shareholders that are non-resident in Cyprus.

The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year.

This special defence contribution is paid by the Company on account of the shareholders.

During 2013 and 2014 no deemed dividend distribution was paid by the Company.

40. Fiduciary transactions

The Group offers fund management and custody services that result in holding or investing financial assets on behalf of its customers. The Group is not liable to its customers for any default by other banks or organisations. The assets under management and custody are not included in the consolidated balance sheet of the Group unless they are placed with the Group. Total assets under management and custody at 31 December 2014 amounted to €951.293 thousand (2013: €930.000 thousand).

41. Contingent liabilities and commitments

As part of the services provided to its customers, the Group enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend.

Even though these obligations may not be recognised on the consolidated balance sheet, they do contain credit risk and are therefore part of the overall credit risk of the Group (Note 46).

During the year, the Group has recognised a provision of €85.751 thousand (Note 35) for these obligations.

Capital commitments

Capital commitments for the acquisition of property, equipment and intangible assets as at 31 December 2014 amount to €5.203 thousand (2013: €1.867 thousand).

Pending litigation and claims

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 December 2014 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.

41. Contingent liabilities and commitments (continued)

Pending litigation and claims (continued)

Investigations and litigation on securities issued by the Company

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

The Company observes that such claims vary between themselves considerably. In the case of many of them 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 Central Bank of Cyprus (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.

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 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. The Company has the right to seek judicial review of the HCMC decision.

Cyprus Securities and Exchange Commission (CySEC) investigations

On 2 August 2013, CySEC published its conclusions regarding an investigation it had conducted 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.

41. Contingent liabilities and commitments (continued)

Pending litigation and claims (continued)

Cyprus Securities and Exchange Commission (CySEC) investigations (continued)
Recently, CySEC issued its decision regarding the Group's failure to publish its 2012 annual financial statements within the legally prescribed time limits. No fine was imposed, but a reprimand has been administered. A recourse has been filed against the said reprimand before the Supreme Court.

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 addition to the above, CySEC is currently in the process of investigating:
- Matters concerning the Company's investment in Banca Transilvania.
- 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 level of impairment of Greek Government bonds in 2011.
- 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 ground that, inter alia, the 'Resolution of Credit and Other Institutions Law of 2013' and the various Decrees issued by virtue of the Law to implement the bail-in, are in conflict with the Constitution of the Republic of Cyprus and the European Convention of Human Rights. Actions on the part of the affected depositors have been filed before the District Courts and their objective is to obtain damages for the loss allegedly sustained by them as a result of the bail-in of their deposits effected by the relevant Decrees. In a number of those actions, interim orders were issued prohibiting the Company from treating the deposits of the applicants in question as converted into shares of the Company. The Company took active steps and obtained the discharge and cancellation of most of the interim orders. In parallel, the Company is defending the actions of depositors vigorously.

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.

41. Contingent liabilities and commitments (continued)

Pending litigation and claims (continued)

Bail-in related litigation (continued)
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.

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.

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

41. Contingent liabilities and commitments (continued)

Pending litigation and claims (continued)

CNP Arbitration (continued)
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 €105 million and €75 million respectively. 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.

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 thousands; 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 by the Attorney–General.

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 has been referred to the Assize Court.

42. Net cash flow used in operating activities

	2014	2013 (restated and represented)
	€000	€000
Profit / (loss) before tax from continuing operations	**166.998**	(514.970)
Loss before tax from discontinued operations	**(463.000)**	(1.558.309)
Adjustments for:		
Provisions for impairment of loans and advances to customers and other customer credit losses	**968.639**	1.126.253
Depreciation of property and equipment	**16.579**	26.274
Amortisation of intangible assets	**8.679**	13.410
Impairment of property and equipment	**1.460**	5.165
Impairment on measurement at fair value less costs to sell	**113.855**	-
Losses on disposal of discontinued operations	**114.228**	1.365.624
Amortisation of discounts/premiums of debt securities and subordinated loan stock	**(53.764)**	(98.328)
Losses on disposal and write-offs of property and equipment and intangible assets	**2.273**	3.064
Losses on disposal of investment properties and investment properties held for sale	**170**	-
Losses from revaluation of investment properties and investment properties held for sale	**11.122**	78.203
Interest on debt securities	**(140.732)**	(208.262)
Dividend income	**(338)**	(432)
Net gains on disposal of investments in equity securities	**(48.907)**	(962)
Net (gains)/losses on disposal of investments in debt securities	**(102.837)**	11.530
Share of (profit)/loss from associates and joint ventures	**(4.852)**	4.702
Loss on dissolution/disposal of subsidiaries	**-**	1.361
(Profit)/loss from revaluation of debt securities designated as fair value hedges	**(2.162)**	28.168
Impairment of investment in associate	**2.078**	-
Impairment of investments	**7.309**	22.786
Interest on subordinated loan stock	**-**	(4.319)
Interest on funding from central banks	**138.643**	167.560
Interest on debt securities in issue	**86**	629
Change in value of in-force life insurance business	**(6.042)**	(3.275)
	729.485	465.872
Change in:		
Placements with banks	**106.993**	1.577.763
Obligations to central banks and amounts due to banks	**(66.684)**	(1.356.804)
Obligatory balances with central banks	**283.715**	422.212
Customer deposits	**(1.648.459)**	(6.080.246)
Value of in-force life insurance policies and liabilities	**(4.541)**	(164)
Loans and advances to customers	**1.683.179**	2.318.390
Other assets	**170.212**	224.680
Accrued income and prepaid expenses	**(233)**	(691)
Other liabilities	**40.607**	(93.559)
Accrued expenses and deferred income	**13.548**	(3.510)
Derivative financial instruments	**(45.171)**	(132.199)
Investments at fair value through profit or loss	**(9.187)**	(3.342)
Repurchase agreements	**(14.322)**	(13.769)
Subordinated loan stock	**(918)**	(129.574)
	1.238.224	(2.804.941)
Tax paid	**(4.223)**	(11.194)
Net cash flow from / (used in) operating activities	**1.234.001**	(2.816.135)

42. Net cash flow used in operating activities (continued)

Non-cash transactions

Bail in
2013: As part of the recapitalisation of the Company, 47,5% of uninsured deposits and structured products as well as debt securities in issue on 29 March 2013 were converted into ordinary shares further to the decrees issued by the Resolution Authority. In addition the nominal value of the ordinary shares was reduced and the full amount of the share premium were applied against the accumulated losses.

2014: Deposits under interim orders withdrawn and cancelled in 2014 of €58.625 thousand were converted into issued share capital. Customer deposits were reduced by an equivalent amount and the respective credit entry was reflected in other liabilities.

Further details on the recapitalisation of the Company through the Bail-in Decrees are presented in Note 37.

Acquisition of certain operation of Laiki Bank
In 2013, following the 'Sale of Certain Operations of the Group of Cyprus Popular Bank Public Co Ltd Decree' issued on 29 March 2013, the Company acquired the insured deposits, ELA funding and the majority of assets and loans of the Laiki Bank. In consideration of the transaction the Company issued ordinary shares to Laiki Bank which comprised 18,1% of the share capital of the Company following completion of the recapitalisation. More details on the shares issued to Laiki Bank and the net assets acquired are presented in Note 54.2.1.

During 2014, following the withdrawal and cancellation of interim orders described in Note 37, 12.951 thousand additional shares were issued to Laiki Bank in relation to the 2013 acquisition.

Disposal of Ukrainian operations
In April 2014, the Group completed the disposal of its Ukrainian operations. The sale consideration was €198.860 thousand, comprising €98.860 thousand received and €100.000 thousand deferred up to 31 March 2015. The assets and liabilities of the Group's Ukrainian business at the date of its disposal are presented in Note 54.1.1.

Reduction of nominal value of ordinary shares and share capital issue
During 2014 the Company reduced the nominal value of its issued ordinary shares from €1,00 each to €0,10 each and the total amount from the reduction was applied for the absorption of losses of the Company and the creation of a capital reduction reserve.

As part of the 2014 Capital Raising existing customer deposits amounting to €106.000 thousand were used to subscribe for new shares.

Details of the 2014 reduction of the nominal value of ordinary shares and the 2014 Capital Raising are presented in Note 37.

Net cash flow used in operating activities – interest and dividends

	2014	2013
	€000	€000
Interest paid	**(477.593)**	(811.421)
Interest received	**1.251.613**	1.714.437
Dividends received	**338**	421
	774.358	903.437

43. Cash and cash equivalents

Cash and cash equivalents comprise:

	2014	2013
	€000	€000
Cash and non-obligatory balances with central banks	**655.263**	446.143
Treasury bills repayable within three months	**179.398**	199.003
Placements with banks with maturity less than three months	**1.304.358**	818.097
Cash and balances with central banks and placements with banks with maturity less than three months classified as held for sale	**99.582**	-
	2.238.601	1.463.243

Cash and non-obligatory balances with central banks	**655.263**	446.143
Obligatory balances with central banks	**484.202**	793.900
Total cash and balances with central banks (Note 19)	**1.139.465**	1.240.043

Placements with banks with original maturity less than three months	**1.304.358**	818.097
Other restricted placements with banks	**70.771**	221.255
Other placements with banks	**271.757**	250.750
Total placements with banks (Note 19)	**1.646.886**	1.290.102

Other restricted placements with banks relate to collateral under derivative transactions of €70.771 thousand (2013: €221.255 thousand) which are not immediately available for use by the Group, but are released once the transactions are terminated.

44. Operating leases – The Group as lessee

The total future minimum lease payments under non-cancellable operating leases at 31 December are presented below:

	2014	2013
	€000	€000
Within one year	**2.309**	3.803
Between one and five years	**3.845**	4.761
After five years	**1.057**	1.338
	7.211	9.902

The above mainly relate to property leases for the Group's branches and offices.

45. Analysis of assets and liabilities by expected maturity

	2014			2013		
	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	**660.104**	**479.361**	**1.139.465**	784.128	455.915	1.240.043
Placements with banks	**1.522.315**	**124.571**	**1.646.886**	734.578	555.524	1.290.102
Derivative financial instruments	**61.896**	**702**	**62.598**	25.045	3.720	28.765
Investments	**571.863**	**1.969.059**	**2.540.922**	261.731	3.170.933	3.432.664
Loans and advances to customers	**3.812.459**	**14.355.864**	**18.168.323**	6.006.000	15.758.338	21.764.338
Life insurance business assets attributable to policyholders	**20.906**	**452.086**	**472.992**	17.323	426.256	443.579
Other assets	**236.469**	**99.025**	**335.494**	317.422	109.693	427.115
Property, equipment and intangible assets	**8.086**	**409.736**	**417.822**	1.025	543.959	544.984
Investment properties	**-**	**488.598**	**488.598**	49.426	446.232	495.658
Investments in associates and joint ventures	**-**	**116.776**	**116.776**	-	203.131	203.131
Deferred tax assets	**9.905**	**446.966**	**456.871**	23.498	455.562	479.060
Non-current assets and disposal groups held for sale	**942.655**	**-**	**942.655**	-	-	-
	7.846.658	**18.942.744**	**26.789.402**	8.220.176	22.129.263	30.349.439
Liabilities						
Amounts due to banks	**113.651**	**48.245**	**161.896**	117.219	79.203	196.422
Funding from central banks	**1.554.000**	**6.729.773**	**8.283.773**	157.000	10.799.277	10.956.277
Repurchase agreements	**230.305**	**349.377**	**579.682**	13.928	580.076	594.004
Derivative financial instruments	**13.371**	**58.596**	**71.967**	16.027	67.867	83.894
Customer deposits	**4.416.865**	**8.206.693**	**12.623.558**	5.579.459	9.391.708	14.971.167
Insurance liabilities	**93.837**	**482.864**	**576.701**	97.394	454.435	551.829
Other liabilities	**317.664**	**32.767**	**350.431**	138.609	63.433	202.042
Debt securities in issue	**492**	**693**	**1.185**	841	674	1.515
Subordinated loan stock	**-**	**-**	**-**	2.598	2.078	4.676
Deferred tax liabilities	**565**	**44.176**	**44.741**	5.930	44.007	49.937
Non-current liabilities and disposal groups held for sale	**614.421**	**-**	**614.421**	-	-	-
	7.355.171	**15.953.184**	**23.308.355**	6.129.005	21.482.758	27.611.763

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

In accordance with the Group's approved restructuring plan, most of the funding from central banks has been included in the over one year 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/replace the security with a similar one. The latter would be the case where we have 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.

45. 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, Ukraine and Channel Islands they are classified on the basis of contractual maturities.

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

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

46. 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'.

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.

46. Risk management – Credit risk (continued)

Maximum exposure to credit risk and collateral and other credit enhancements

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

	2014	2013
On-balance sheet	**€000**	€000
Cyprus	**21.443.313**	23.382.465
Greece	**110.459**	211.948
Russia	**625.207**	1.253.638
United Kingdom	**1.525.666**	1.933.459
Romania	**478.432**	617.170
Ukraine	**-**	336.591
	24.183.077	27.735.271

Off-balance sheet		
Cyprus	**3.067.737**	3.629.580
Greece	**185.271**	335.073
Russia	**79.926**	154.901
United Kingdom	**18.225**	18.995
Romania	**317**	3.466
Ukraine	**-**	586
	3.351.476	4.142.601

Total on and off balance sheet		
Cyprus	**24.511.050**	27.012.045
Greece	**295.730**	547.021
Russia	**705.133**	1.408.539
United Kingdom	**1.543.891**	1.952.454
Romania	**478.749**	620.636
Ukraine	**-**	337.177
	27.534.553	31.877.872

46. 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.

The table below presents the maximum exposure to credit risk, the tangible and measurable collateral and credit enhancements held and the net exposure to credit risk that is the exposure after taking into account the impairment loss and tangible and measurable collateral and credit enhancements held. Personal guarantees are an additional form of collateral, but are not included in the information below since it is impracticable to estimate their fair value. As at 31 December 2014, off balance sheet exposures include exposures in the Group's Russian operations classified as a disposal group held for sale (Note 28).

46. Risk management – Credit risk (continued)

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

	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held by the Group							Net exposure to credit risk
		Cash	Securities	Letters of credit /guarantee	Property	Other	Surplus collateral	Net collateral	
2014	**€000**	€000	€000	€000	€000	€000	€000	€000	**€000**
Balances with central banks (Note 19)	**954.412**	-	-	-	-	-	-	-	**954.412**
Placements with banks (Note 19)	**1.646.886**	3.316	-	-	-	-	-	3.316	**1.643.570**
Trading investments - debt securities (Note 20)	**1**	-	-	-	-	-	-	-	**1**
Debt securities at fair value through profit or loss (Note 20)	**17.151**	-	-	-	-	-	-	-	**17.151**
Debt securities classified as available-for-sale and loans and receivables (Note 20)	**2.491.167**	-	-	-	-	-	-	-	**2.491.167**
Derivative financial instruments (Note 21)	**62.598**	16.685	-	-	-	-	-	16.685	**45.913**
Loans and advances to customers (Note 23)	**18.168.323**	599.824	370.302	1.395.931	24.762.117	238.068	(9.620.649)	17.745.593	**422.730**
Assets held for sale (Note 28)	**625.207**	250	-	8.299	1.160.777	20.562	(688.682)	501.206	**124.001**
Debtors (Note 29)	**21.279**	-	-	-	-	-	-	-	**21.279**
Reinsurers' share of insurance contract liabilities (Note 29)	**66.177**	-	-	-	-	-	-	-	**66.177**
Other assets	**129.876**	-	-	-	-	-	-	-	**129.876**
On-balance sheet total	**24.183.077**	**620.075**	**370.302**	**1.404.230**	**25.922.894**	**258.630**	**(10.309.331)**	**18.266.800**	**5.916.277**
Contingent liabilities									
Acceptances and endorsements	**9.227**	6	-	-	1.311	-	(840)	477	**8.750**
Guarantees	**972.673**	102.555	1.705	14.803	700.181	8.167	(33.715)	793.696	**178.977**
Guarantees related to the disposal group held for sale	**8.547**	1.499	-	-	9.662	996	(3.991)	8.166	**381**
Commitments									
Documentary credits	**16.217**	-	-	-	-	-	-	-	**16.217**
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**2.273.433**	210	-	-	45.649	-	(29.236)	16.623	**2.256.810**
Undrawn formal stand-by facilities other credit lines and commitments to lend for disposal group held for sale	**71.379**	-	-	-	-	-	-	-	**71.379**
Off-balance sheet total	**3.351.476**	**104.270**	**1.705**	**14.803**	**756.803**	**9.163**	**(67.782)**	**818.962**	**2.532.514**
Total credit risk exposure	**27.534.553**	**724.345**	**372.007**	**1.419.033**	**26.679.697**	**267.793**	**(10.377.113)**	**19.085.762**	**8.448.791**

46. Risk management – Credit risk (continued)

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

	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held by the Group							Net exposure to credit risk
		Cash	Securities	Letters of credit/ guarantee	Property	Other	Surplus collateral	Net collateral	
2013	**€000**	€000	€000	€000	€000	€000	€000	€000	**€000**
Balances with central banks (Note 19)	**1.084.830**	-	-	-	-	-	-	-	**1.084.830**
Placements with banks (Note 19)	**1.290.102**	915	-	-	-	-	-	915	**1.289.187**
Trading investments - debt securities (Note 20)	**103**	-	-	-	-	-	-	-	**103**
Debt securities at fair value through profit or loss (Note 20)	**15.549**	-	-	-	-	-	-	-	**15.549**
Debt securities classified as available-for-sale and loans and receivables (Note 20)	**3.307.095**	-	-	-	-	-	-	-	**3.307.095**
Derivative financial instruments (Note 21)	**28.765**	10.291	-	-	-	-	-	10.291	**18.474**
Loans and advances to customers (Note 23)	**21.764.338**	816.977	699.086	1.129.167	26.555.058	778.019	(10.141.702)	19.836.605	**1.927.733**
Debtors (Note 29)	**22.956**	-	-	-	-	-	-	-	**22.956**
Reinsurers' share of insurance contract liabilities (Note 29)	**68.387**	-	-	-	-	-	-	-	**68.387**
Other assets	**153.146**	-	-	-	-	-	-	-	**153.146**
On-balance sheet total	**27.735.271**	**828.183**	**699.086**	**1.129.167**	**26.555.058**	**778.019**	**(10.141.702)**	**19.847.811**	**7.887.460**
Contingent liabilities									
Acceptances and endorsements	**20.467**	1.094	80	3.760	11.225	1.011	(5.805)	11.365	**9.102**
Guarantees	**1.207.501**	22.324	1.929	9.321	384.327	16.982	(167.442)	267.441	**940.060**
Commitments									
Documentary credits	**10.919**	27	-	-	-	-	-	27	**10.892**
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**2.903.714**	-	-	14.440	-	-	-	14.440	**2.889.274**
Off-balance sheet total	**4.142.601**	**23.445**	**2.009**	**27.521**	**395.552**	**17.993**	**(173.247)**	**293.273**	**3.849.328**
Total credit risk exposure	**31.877.872**	**851.628**	**701.095**	**1.156.688**	**26.950.610**	**796.012**	**(10.314.949)**	**20.141.084**	**11.736.788**

46. Risk management – Credit risk (continued)

Credit risk concentration of loans and advances to customers

There are restrictions on loan concentrations which are imposed by the Banking Law in Cyprus and the relevant Directive of the CBC. According to these restrictions, 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.

Classification of loans and advances to customers by customer sector

The Group is currently monitoring the loan portfolio by customer sector. An important component of the Group's new operational structure is the establishment of the Restructuring and Recoveries Division (RRD) for the purposes of centralising and streamlining the management of its delinquent loans. The RRD is responsible for the management of all activity relating to corporate exposures greater than €100 million, debt restructuring and debt collection and recovery on delinquent loans across all customer segments and all corporate exposures greater than €6 million and/or corporate clients with a minimum annual credit turnover of €10 million which are, in each case, more than 60 days past due. The RRD was established in 2014 and therefore no comparative information is available for the new operational structure.

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 (Note 54.2.1). In accordance with the provisions of IFRS 3, this adjustment has decreased the gross balance of loans and advances to customers. However, for IFRS 7 disclosure purposes as well as for credit risk monitoring, the aforementioned adjustment is not presented within the gross balances of loans and advances.

46. 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	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
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**

46. 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**
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**

46. Risk management – Credit risk (continued)

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

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
2013	€000	€000	€000	€000	€000	€000	**€000**	**€000**	**€000**
By economic activity									
Trade	2.466.479	-	261.518	48.816	21.728	34.571	**2.833.112**	**(187.369)**	**2.645.743**
Manufacturing	828.210	-	99.790	33.608	23.818	13.631	**999.057**	**(63.157)**	**935.900**
Hotels and catering	1.610.289	-	-	165.499	105.434	6.610	**1.887.832**	**(112.051)**	**1.775.781**
Construction	4.072.249	-	64.096	44.746	55.531	12.028	**4.248.650**	**(383.290)**	**3.865.360**
Real estate	2.812.382	-	172.732	802.346	250.816	162.905	**4.201.181**	**(350.743)**	**3.850.438**
Private individuals	8.025.126	542	399.116	43.476	9.270	61.585	**8.539.115**	**(392.344)**	**8.146.771**
Professional and other services	1.673.236	-	404.403	56.638	72.858	99.628	**2.306.763**	**(179.998)**	**2.126.765**
Other sectors	1.311.772	171.465	27.506	88.620	117.989	10.257	**1.727.609**	**(233.759)**	**1.493.850**
	22.799.743	**172.007**	**1.429.161**	**1.283.749**	**657.444**	**401.215**	**26.743.319**	**(1.902.711)**	**24.840.608**
By customer sector									
Corporate	8.746.329	171.465	773.340	634.572	590.424	330.703	**11.246.833**	**(932.672)**	**10.314.161**
Small and medium-sized enterprises (SMEs)	5.184.651	-	256.705	592.048	40.695	24.838	**6.098.937**	**(508.289)**	**5.590.648**
Retail									
- housing	5.330.242	-	41.792	34.809	1.767	14.909	**5.423.519**	**(170.351)**	**5.253.168**
- consumer, credit cards and other	2.449.751	542	357.324	22.320	1.879	30.765	**2.862.581**	**(168.833)**	**2.693.748**
International banking services	981.695	-	-	-	22.679	-	**1.004.374**	**(109.612)**	**894.762**
Wealth management	107.075	-	-	-	-	-	**107.075**	**(12.954)**	**94.121**
	22.799.743	**172.007**	**1.429.161**	**1.283.749**	**657.444**	**401.215**	**26.743.319**	**(1.902.711)**	**24.840.608**

46. Risk management – Credit risk (continued)

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

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
2013	€000	€000	€000	€000	€000	€000	**€000**	**€000**	**€000**
By business line									
Corporate	6.852.880	171.465	773.340	611.487	539.939	330.703	**9.279.814**	**(416.536)**	**8.863.278**
Small and medium-sized enterprises (SMEs)	3.998.405	-	256.705	508.201	40.695	24.838	**4.828.844**	**(348.063)**	**4.480.781**
Retail									
- housing	4.784.468	-	41.792	34.809	1.767	14.909	**4.877.745**	**(64.141)**	**4.813.604**
- consumer, credit cards and other	1.955.602	542	357.324	21.505	1.879	30.765	**2.367.617**	**(112.463)**	**2.255.154**
Recoveries									
- corporate	1.893.449	-	-	23.085	50.485	-	**1.967.019**	**(516.136)**	**1.450.883**
- SMEs	1.186.246	-	-	83.847	-	-	**1.270.093**	**(160.226)**	**1.109.867**
- retail housing	545.774	-	-	-	-	-	**545.774**	**(106.210)**	**439.564**
- retail other	494.149	-	-	815	-	-	**494.964**	**(56.370)**	**438.594**
International banking services	981.695	-	-	-	22.679	-	**1.004.374**	**(109.612)**	**894.762**
Wealth management	107.075	-	-	-	-	-	**107.075**	**(12.954)**	**94.121**
	22.799.743	**172.007**	**1.429.161**	**1.283.749**	**657.444**	**401.215**	**26.743.319**	**(1.902.711)**	**24.840.608**

46. Risk management – Credit risk (continued)

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

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

2014	**Russia**
By economic activity	**€000**
Trade	**160.632**
Manufacturing	**59.466**
Construction	**43.932**
Real estate	**131.943**
Private individuals	**294.733**
Professional and other sectors	**275.018**
	965.724

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

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

46. Risk management – Credit risk (continued)

Currency concentration of loans and advances to customers

	Cyprus	Greece	United Kingdom	Romania	Russia	Ukraine	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
2014	€000	€000	€000	€000	€000	€000	**€000**	**€000**	**€000**
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**
2013									
Euro	21.367.256	166.199	49.727	652.054	41.605	67.684	**22.344.525**	**(1.745.683)**	**20.598.842**
US Dollar	141.862	-	1.210	21	205.319	255.028	**603.440**	**(43.110)**	**560.330**
British Pound	58.966	-	1.194.023	102	-	-	**1.253.091**	**(26.010)**	**1.227.081**
Russian Rouble	109	-	-	-	1.182.237	-	**1.182.346**	**(4)**	**1.182.342**
Romanian Lei	-	-	-	5.267	-	-	**5.267**	**-**	**5.267**
Swiss Franc	1.131.992	5.808	29.447	-	-	-	**1.167.247**	**(80.884)**	**1.086.363**
Ukrainian Hryvnia	-	-	-	-	-	78.503	**78.503**	**-**	**78.503**
Other currencies	99.558	-	9.342	-	-	-	**108.900**	**(7.020)**	**101.880**
	22.799.743	**172.007**	**1.283.749**	**657.444**	**1.429.161**	**401.215**	**26.743.319**	**(1.902.711)**	**24.840.608**

46. Risk management – Credit risk (continued)

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

	Russia
	€000
2014	
Euro	**98.575**
US Dollar	**193.991**
Russian Rouble	**673.158**
	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:

	2014			2013		
	Gross loans before fair value adjustment on initial recognition	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**	Gross loans before fair value adjustment on initial recognition	Fair value adjustment on initial recognition	Gross loans after fair value adjustment on initial recognition
	€000	**€000**	**€000**	€000	€000	€000
Neither past due nor impaired	**9.629.157**	**(181.393)**	**9.447.764**	11.855.363	(226.207)	11.629.156
Past due but not impaired	**4.281.050**	**(106.020)**	**4.175.030**	6.732.583	(417.169)	6.315.414
Impaired	**8.896.181**	**(1.278.698)**	**7.617.483**	8.155.373	(1.259.335)	6.896.038
	22.806.388	**(1.566.111)**	**21.240.277**	26.743.319	(1.902.711)	24.840.608

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

46. Risk management – Credit risk (continued)

Credit quality of loans and advances to customers (continued)

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

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

	Grade 1	Grade 2	Grade 3	Total
2014	**€000**	**€000**	**€000**	**€000**
Cyprus	5.853.811	844.316	2.049.957	**8.748.084**
Greece	234	-	-	**234**
United Kingdom	718.105	27.449	27.608	**773.162**
Romania	47.467	39.179	21.031	**107.677**
	6.619.617	**910.944**	**2.098.596**	**9.629.157**

2013				
Cyprus	5.778.139	1.699.580	2.345.784	**9.823.503**
Greece	542	-	-	**542**
Russia	717.522	201.890	-	**919.412**
United Kingdom	717.551	44.832	47.214	**809.597**
Romania	71.847	98.070	50.670	**220.587**
Ukraine	46.226	266	35.230	**81.722**
	7.331.827	**2.044.638**	**2.478.898**	**11.855.363**

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

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

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

46. 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

	2014	2013
Past due:	**€000**	€000
- up to 30 days	**550.070**	822.037
- 31 to 90 days	**480.961**	1.063.243
- 91 to 180 days	**432.947**	1.316.042
- 181 to 365 days	**908.614**	2.099.424
- over one year	**1.908.458**	1.431.837
	4.281.050	6.732.583

The fair value of the collateral that the Group holds (to the extent that it mitigates credit risk) in respect of loans and advances to customers that are past due but not impaired as at 31 December 2014 is €3.474.820 thousand (2013: €5.133.851 thousand).

Impaired loans and advances to customers

	2014		2013	
	Gross loans and advances	**Fair value of collateral**	Gross loans and advances	Fair value of collateral
	€000	**€000**	€000	€000
Cyprus	**8.265.182**	**6.045.030**	6.995.066	4.064.900
Greece	**173.906**	**19.950**	171.465	-
Russia	**-**	**-**	284.869	191.672
United Kingdom	**81.840**	**50.198**	163.979	128.734
Romania	**375.253**	**219.462**	372.473	172.489
Ukraine	**-**	**-**	167.521	132.015
	8.896.181	**6.334.640**	8.155.373	4.689.810

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

	2014	2013
Impaired:	**€000**	€000
- no arrears	**1.045.979**	933.823
- up to 30 days	**83.946**	167.957
- 31 to 90 days	**133.984**	352.269
- 91 to 180 days	**136.512**	423.064
- 181 to 365 days	**671.093**	1.426.392
- over one year	**6.824.667**	4.851.868
	8.896.181	8.155.373

46. Risk management – Credit risk (continued)

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

	2014
	Russia
	€000
Neither past due nor impaired	**435.912**
Past due but not impaired:	
- up to 30 days	**12.655**
- 31 to 90 days	**10.178**
- 91 to 180 days	**7.166**
- 181 to 365 days	**17.246**
- over one year	**84.663**
	131.908
Impaired:	
- no arrears	**106.624**
- up to 30 days	**65.538**
- 31 to 90 days	**8.049**
- 91 to 180 days	**6.463**
- 181 to 365 days	**14.385**
- over one year	**196.845**
	397.904
	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 December 2014 amounted to €154.543 thousand and €15.192 thousand respectively.

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

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

	Cyprus	Greece	Russia	Other countries	**Total**
2014	€000	€000	€000	€000	**€000**
1 January	2.574.670	189	286.366	215.045	**3.076.270**
Disposal of loans	-	-	-	(137.645)	**(137.645)**
Foreign exchange adjustments	27.764	-	(134.406)	(10.567)	**(117.209)**
Applied in writing off impaired loans and advances	(46.976)	(12)	(187)	(57)	**(47.232)**
Interest accrued on impaired loans and advances/settlements	(162.213)	(1.071)	(301)	(7.136)	**(170.721)**
Collection of loans and advances previously written off	230	-	-	1.267	**1.497**
Charge for the year – continuing operations (Note 15)	493.868	10.169	-	75.901	**579.938**
Charge for the year - discontinued operations	-	-	264.422	38.528	**302.950**
31 December	**2.887.343**	**9.275**	**415.894**	**175.336**	**3.487.848**
Individual impairment	**2.294.160**	**9.275**	**286.924**	**166.651**	**2.757.010**
Collective impairment	**593.183**	**-**	**128.970**	**8.685**	**730.838**

The balance of provisions for impairment of loans and advances to customers at 31 December 2014 include €415.894 thousand for loans and advances to customers classified as held for sale.

46. Risk management – Credit risk (continued)

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

	Cyprus	Greece	Russia	Other countries	**Total**
2013	€000	€000	€000	€000	**€000**
1 January	1.779.343	1.528.224	238.472	130.017	**3.676.056**
Disposal of Greek operations	-	(1.572.512)	-	-	**(1.572.512)**
Foreign exchange adjustments	1.266	-	(25.452)	(2.561)	**(26.747)**
Applied in writing off impaired loans and advances	(1.816)	(7.781)	(4.848)	(23.231)	**(37.676)**
Interest accrued on impaired loans and advances	(80.565)	(6.633)	(602)	(4.834)	**(92.634)**
Collection of loans and advances previously written off	429	-	-	3.101	**3.530**
Charge for the year – continuing operations (Note 15)	876.013	(17)	-	64.516	**940.512**
Charge for the year - discontinued operations	-	58.908	78.796	48.037	**185.741**
31 December	**2.574.670**	**189**	**286.366**	**215.045**	**3.076.270**
Individual impairment	**1.916.985**	**189**	**142.700**	**185.395**	**2.245.269**
Collective impairment	**657.685**	**-**	**143.666**	**29.650**	**831.001**

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 collections from mortgages has been estimated to be 3 years and the cumulative future drop in property values has been estimated at -8%.

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

Indicatively, if the actual recoverable amount from collateral of impaired loans in Cyprus is lower than the amount estimated as at 31 December 2014 by 5% and 10%, then provisions for impairment of loans and advances would increase by €171.473 thousand and €334.527 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 €139.751 thousand and €279.892 thousand respectively.

46. Risk management – Credit risk (continued)

Collateral and other credit enhancements obtained

The carrying value of assets obtained during the year by taking possession of collateral held as security, was as follows:

	2014	2013
	€000	€000
Residential property	**5.477**	6.958
Commercial and other property	**102.243**	36.067
	107.720	43.025

The total carrying value of the assets obtained over the years by taking possession of collateral held as security for customer loans and advances and held by the Group as at 31 December 2014 amounted to €406.692 thousand (2013: €472.176 thousand) and includes an amount of €7.461 thousand relating to residential property and €17.932 thousand relating to commercial and other property for loans and advances to customers classified as held for sale.

The disposals of repossessed assets during the year amounted to €15.929 thousand (2013: €3.759 thousand).

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 a 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.

46. 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.

46. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	**Total**
2014	€000	€000	€000	€000	€000	€000	**€000**
1 January	5.135.646	-	187.031	107.624	124.312	62.051	**5.616.664**
New loans and advances rescheduled in the year	1.838.478	69.732	240.080	84.269	28.258	4.481	**2.265.298**
Assets no longer rescheduled (including repayments)	(1.514.458)	-	(95.774)	(66.101)	(35.928)	(3.975)	**(1.716.236)**
Applied in writing off rescheduled loans and advances	(56)	-	-	-	-	-	**(56)**
Interest accrued on rescheduled loans and advances	253.164	6.046	17.459	5.673	3.040	2.460	**287.842**
Transfer	(58.671)	-	-	(3.385)	62.056	-	**-**
Disposal of Ukrainian operations	-	-	-	-	-	(65.017)	**(65.017)**
Foreign exchange adjustments	3.417	-	(114.137)	8.341	(149)	-	**(102.528)**
31 December	**5.657.520**	**75.778**	**234.659**	**136.421**	**181.589**	**-**	**6.285.967**
2013							
1 January	3.394.783	1.657.988	113.217	58.264	63.039	64.336	**5.351.627**
New loans and advances rescheduled in the year	2.657.226	-	106.959	61.825	76.323	26.519	**2.928.852**
Assets no longer rescheduled (including repayments)	(1.126.560)	(355.004)	(24.411)	(16.775)	(17.381)	(29.092)	**(1.569.223)**
Applied in writing off rescheduled loans and advances	(11)	-	-	-	-	-	**(11)**
Interest accrued on rescheduled loans and advances	214.094	-	9.401	4.668	3.452	3.201	**234.816**
Disposal of Greek operations	-	(1.302.984)	-	-	-	-	**(1.302.984)**
Foreign exchange adjustments	(3.886)	-	(18.135)	(358)	(1.121)	(2.913)	**(26.413)**
31 December	**5.135.646**	**-**	**187.031**	**107.624**	**124.312**	**62.051**	**5.616.664**

In addition to the above, the loans acquired from Laiki Bank include rescheduled loans and advances to customers of a gross amount of €1.370.323 thousand as at 31 December 2014, which had been rescheduled prior to the acquisition date (29 March 2013).

At 31 December 2014, the total of the rescheduled loans and advances to customers in Russia is classified as held for sale.

46. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit quality

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	**Total**
2014	€000	€000	€000	€000	€000	€000	**€000**
Neither past due nor impaired	2.504.664	-	61.677	109.269	70.899	-	**2.746.509**
Past due but not impaired	1.409.562	-	16.468	21.814	1.715	-	**1.449.559**
Impaired	1.743.294	75.778	156.514	5.338	108.975	-	**2.089.899**
	5.657.520	**75.778**	**234.659**	**136.421**	**181.589**	**-**	**6.285.967**
2013							
Neither past due nor impaired	2.659.066	-	154.721	89.549	16.586	6.128	**2.926.050**
Past due but not impaired	1.428.549	-	18.529	10.425	22.598	22.221	**1.502.322**
Impaired	1.048.031	-	13.781	7.650	85.128	33.702	**1.188.292**
	5.135.646	**-**	**187.031**	**107.624**	**124.312**	**62.051**	**5.616.664**

At 31 December 2014, the total of the rescheduled loans and advances to customers in Russia is classified as held for sale.

46. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Fair value of collateral

	Cyprus	Russia	United Kingdom	Romania	Ukraine	**Total**
2014	€000	€000	€000	€000	€000	**€000**
Neither past due nor impaired	2.205.551	58.144	108.699	70.899	-	**2.443.293**
Past due but not impaired	1.219.221	15.764	21.579	1.698	-	**1.258.262**
Impaired	1.476.041	86.725	3.267	49.493	-	**1.615.526**
	4.900.813	**160.633**	**133.545**	**122.090**	**-**	**5.317.081**
2013						
Neither past due nor impaired	2.290.950	151.815	89.444	14.052	6.127	**2.552.388**
Past due but not impaired	1.218.052	18.206	12.236	16.544	20.699	**1.285.737**
Impaired	789.767	9.509	5.639	57.430	20.369	**882.714**
	4.298.769	**179.530**	**107.319**	**88.026**	**47.195**	**4.720.839**

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

46. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration

	Cyprus	Greece	Russia	United Kingdom	Romania	**Total**
2014	€000	€000	€000	€000	€000	**€000**
By economic activity						
Trade	466.407	-	49.794	645	2.935	**519.781**
Manufacturing	202.206	-	23.934	3.630	523	**230.293**
Hotels and catering	438.807	-	-	9.467	6.213	**454.487**
Construction	1.367.591	-	29.411	18.239	1.088	**1.416.329**
Real estate	680.033	-	-	83.656	86.937	**850.626**
Private individuals	1.862.223	-	-	2.411	63	**1.864.697**
Professional and other services	294.742	-	131.520	17.798	21.366	**465.426**
Other sectors	345.511	75.778	-	575	62.464	**484.328**
	5.657.520	**75.778**	**234.659**	**136.421**	**181.589**	**6.285.967**
By customer sector						
Corporate	2.878.412	75.778	210.689	75.085	177.889	**3.417.853**
Small and medium-sized enterprises (SMEs)	1.075.393	-	17.733	60.756	3.636	**1.157.518**
Retail						
- housing	1.282.925	-	1.463	62	-	**1.284.450**
- consumer, credit cards and other	389.607	-	4.774	518	64	**394.963**
International banking services	22.698	-	-	-	-	**22.698**
Wealth management	8.485	-	-	-	-	**8.485**
	5.657.520	**75.778**	**234.659**	**136.421**	**181.589**	**6.285.967**

At 31 December 2014, the total of the rescheduled loans and advances to customers in Russia is classified as held for sale.

46. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

	Cyprus	Greece	Russia	United Kingdom	Romania	**Total**
2014	€000	€000	€000	€000	€000	**€000**
By business line						
Corporate	398.819	75.778	210.689	75.085	177.605	**937.976**
Small and medium-sized enterprises (SMEs)	479.626	-	17.733	60.756	3.636	**561.751**
Retail						
- housing	1.264.977	-	1.463	62	-	**1.266.502**
- consumer, credit cards and other	378.984	-	4.774	518	64	**384.340**
Restructuring						
- corporate	2.166.599	-	-	-	284	**2.166.883**
- SMEs	452.478	-	-	-	-	**452.478**
Recoveries						
- corporate	312.994	-	-	-	-	**312.994**
- SMEs	143.289	-	-	-	-	**143.289**
- retail housing	17.948	-	-	-	-	**17.948**
- retail other	10.623	-	-	-	-	**10.623**
International banking services	22.698	-	-	-	-	**22.698**
Wealth management	8.485	-	-	-	-	**8.485**
	5.657.520	**75.778**	**234.659**	**136.421**	**181.589**	**6.285.967**

At 31 December 2014, the total of the rescheduled loans and advances to customers in Russia is classified as held for sale.

46. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

	Cyprus	Russia	United Kingdom	Romania	Ukraine	**Total**
2013	€000	€000	€000	€000	€000	**€000**
By economic activity						
Trade	454.872	46.834	593	8.062	4.721	**515.082**
Manufacturing	186.322	4.417	1.204	1.348	994	**194.285**
Hotels and catering	371.577	-	11.410	6.314	6.232	**395.533**
Construction	993.812	9.773	16.124	17.512	10.738	**1.047.959**
Real estate	700.093	-	70.691	68.019	25.398	**864.201**
Private individuals	1.815.870	-	1.693	119	8.665	**1.826.347**
Professional and other services	379.664	126.007	5.909	21.644	4.740	**537.964**
Other sectors	233.436	-	-	1.294	563	**235.293**
	5.135.646	**187.031**	**107.624**	**124.312**	**62.051**	**5.616.664**
By customer sector						
Corporate	2.388.877	165.286	58.069	101.904	53.553	**2.767.689**
Small and medium-sized enterprises (SMEs)	947.157	18.592	49.310	22.289	5.501	**1.042.849**
Retail						
- housing	1.391.337	2.340	64	110	263	**1.394.114**
- consumer, credit cards and other	365.437	813	181	9	2.734	**369.174**
International banking services	35.994	-	-	-	-	**35.994**
Wealth management	6.844	-	-	-	-	**6.844**
	5.135.646	**187.031**	**107.624**	**124.312**	**62.051**	**5.616.664**

46. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

	Cyprus	Russia	United Kingdom	Romania	Ukraine	**Total**
2013	€000	€000	€000	€000	€000	**€000**
By business line						
Corporate	2.362.296	165.286	58.069	101.904	53.553	**2.741.108**
Small and medium-sized enterprises (SMEs)	929.851	18.592	49.310	22.289	5.501	**1.025.543**
Retail						
- housing	1.383.364	2.340	64	110	263	**1.386.141**
- consumer, credit cards and other	364.041	813	181	9	2.734	**367.778**
Recoveries						
- corporate	26.581	-	-	-	-	**26.581**
- SMEs	17.306	-	-	-	-	**17.306**
- retail housing	7.973	-	-	-	-	**7.973**
- retail other	1.396	-	-	-	-	**1.396**
International banking services	35.994	-	-	-	-	**35.994**
Wealth management	6.844	-	-	-	-	**6.844**
	5.135.646	**187.031**	**107.624**	**124.312**	**62.051**	**5.616.664**

46. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Provisions for impairment

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	**Total**
2014	€000	€000	€000	€000	€000	€000	**€000**
Individual impairment	539.713	15.310	103.704	1.836	60.385	-	**720.948**
Collective impairment	158.220	-	10.133	12	1.671	-	**170.036**
	697.933	**15.310**	**113.837**	**1.848**	**62.056**	**-**	**890.984**
2013							
Individual impairment	410.690	-	2.628	2.893	17.938	14.577	**448.726**
Collective impairment	176.223	-	11.465	-	3.044	-	**190.732**
	586.913	**-**	**14.093**	**2.893**	**20.982**	**14.577**	**639.458**

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

As at 31 December 2014, in addition to the above, an amount of €237.746 thousand of provisions for impairment exists and relates to rescheduled loans and advances to customers of Laiki Bank prior to the acquisition date (29 March 2013).

46. Risk management – Credit risk (continued)

Credit quality of Group assets exposed to credit risk other than loans and advances to customers - analysis by rating agency designation

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

	2014	2013
	€000	€000
Aaa – Aa3	**896.788**	790.806
A1 – A3	**768.592**	509.754
Baa1 – Baa3	**123.309**	68.735
Ba1 – Ba3	**23.965**	9.505
B1 – B3	**483.053**	10.269
Caa - C	**4.510**	483.035
Unrated	**261.758**	468.896
Other receivables from banks	**39.323**	33.932
	2.601.298	2.374.932

Band B1-B3 above includes an amount of €479.361 thousand which mainly relates to obligatory deposits for liquidity purposes with the Central Bank of Cyprus. Placements with banks include €242.572 thousand which were acquired from Laiki Bank (Note 54.2.1) and which were considered to be impaired upon acquisition. An impairment loss of €18.940 thousand was recognised during the year 2014 on placements with banks (Note 15).

Balances with central banks and placements with banks classified as held for sale
Balances with central banks and placements with banks part of disposal groups classified as held for sale are analysed by Moody's rating as follows:

	2014	2013
	€000	€000
A1 – A3	**16.098**	-
Baa1 – Baa3	**38.159**	-
Ba1 – Ba3	**1.976**	-
B1 – B3	**46**	-
Unrated	**17.137**	-
	73.416	-

46. Risk management – Credit risk (continued)

Credit quality of Group assets exposed to credit risk other than loans and advances to customers - analysis by rating agency designation (continued)

Debt securities

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

	2014	2013
	€000	€000
Aaa – Aa3	**615.766**	617.262
A1 – A3	**5.268**	5.443
Baa1 – Baa3	**86.560**	54.508
Ba1 – Ba3	**-**	49.008
B1 – B3	**1.800.349**	-
Caa – C	**376**	2.595.036
Unrated	**-**	1.490
	2.508.319	3.322.747
Issued by:		
- Cyprus government	**1.800.349**	2.589.776
- other governments	**676.487**	668.558
- banks and other corporations	**31.483**	63.901
- local authorities	**-**	512
	2.508.319	3.322.747
Classified as:		
- trading investments	**1**	103
- investments at fair value through profit or loss	**17.151**	15.549
- available-for-sale investments	**707.858**	733.658
- investments classified as loans and receivables	**1.783.309**	2.573.437
	2.508.319	3.322.747

No investments listed above are past due or impaired except as described in Note 50.

47. 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.

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

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

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

	Euro	**US Dollar**	**British Pound**	**Other currencies**	**Total**
Change in interest rates	**€000**	**€000**	**€000**	**€000**	**€000**
2014					
+5% for Russian Rouble, +0,5% for all currencies	**19.799**	**5.015**	**3.835**	**(5.857)**	**16.947**
-7% for Russian Rouble, -0,25% for British Pound, Swiss Franc and US Dollar, -0,1% for Japanese Yen and Euro and -0,5% for all other currencies	**(3.879)**	**(2.508)**	**(1.917)**	**8.019**	**(8.797)**
2013					
+0,5% for all currencies	8.531	2.862	594	71	11.133
-0,25% for Euro, US Dollar and Japanese Yen, 0% for Swiss Franc and -0,5% for all other currencies	(4.265)	(1.431)	(594)	(516)	(6.275)

47. Risk management – Market risk (continued)

Interest rate risk (continued)

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

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

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

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

	Impact on loss before tax	**Impact on equity**
Change in interest rates	**€000**	**€000**
2014		
+5% for Russian Rouble, +0,5% for all currencies	**2.258**	**(337)**
-7% for Russian Rouble, -0,25% for British Pound, Swiss Franc and US Dollar, -0,1% for Japanese Yen and Euro and -0,5% for all other currencies	**(466)**	**71**
2013		
+0,5% for all currencies	3.549	(1.392)
-0,25% for Euro, US Dollar and Japanese Yen, 0% for Swiss Franc and -0,5% for all other currencies	(1.776)	705

Currency risk

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

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

The Group does not maintain a currency trading book.

47. Risk management – Market risk (continued)

Currency risk (continued)

The table below sets out the Group's currency risk resulting from the financial instruments that it holds. The analysis assumes reasonably possible changes in the exchange rates of major currencies against the Euro based mainly on historical price fluctuations. The impact on loss after tax and on equity includes the change in net interest income that arises from the change of currency rate.

	Change in foreign exchange rate	Impact on loss after tax	Impact on equity
2014	**%**	**€000**	**€000**
US Dollar	**+10**	**9.717**	**-11.664**
Russian Rouble	**+40**	**-1.065**	**-11.952**
Romanian Lei	**+10**	**-2**	**4.165**
Swiss Franc	**+20**	**6.506**	**-**
British Pound	**+10**	**1.904**	**-16.110**
Japanese Yen	**+10**	**854**	**-**
Other currencies	**+10**	**65**	**-**
US Dollar	**-10**	**-7.950**	**9.543**
Russian Rouble	**-40**	**456**	**5.122**
Romanian Lei	**-10**	**2**	**-3.408**
Swiss Franc	**-20**	**-4.337**	**-**
British Pound	**-10**	**-1.558**	**13.181**
Japanese Yen	**-10**	**-699**	**-**
Other currencies	**-10**	**-53**	**-**

The impact on equity arises from the hedging instruments that are used to hedge part of the net assets of the subsidiaries whose functional currency is not the euro. The net assets of foreign operations are also revalued and affect equity, but their impact is not taken into account in the above sensitivity analysis as the above relates only to financial instruments which have a direct impact either on profit/loss after tax or on equity.

47. Risk management – Market risk (continued)

Currency risk (continued)

	Change in foreign exchange rate	Impact on loss after tax	Impact on equity
2013	**%**	**€000**	**€000**
US Dollar	+8	465	-
Russian Rouble	+8	456	-12.335
Romanian Lei	+8	-1.912	752
Ukrainian Hryvnia	+8	462	-4.877
Swiss Franc	+8	3.342	-
British Pound	+8	1.823	-11.180
Japanese Yen	+15	768	-
Other currencies	+8	1.389	-
US Dollar	-8	-396	-
Russian Rouble	-20	-875	23.642
Romanian Lei	-8	1.629	-640
Ukrainian Hryvnia	-30	-1.225	12.942
Swiss Franc	-8	-2.847	-
British Pound	-8	-1.553	9.524
Japanese Yen	-15	-568	-
Other currencies	-8	-1.183	-

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.

Investments in equities are outside the Group's risk appetite. The Group monitors the current portfolio acquired by the Group as part of the acquisition of certain operations of Laiki Bank, with the objective to gradually liquidate all positions for which there is a market.

Changes in the prices of equity securities that are classified as investments at fair value through profit or loss, affect the results of the Group, whereas changes in the value of equity securities classified as available-for-sale affect the equity of the Group (if not impaired).

The table below shows the impact on the loss before tax and on equity of the Group from a change in the price of the equity securities held, as a result of reasonably possible changes in the relevant stock exchange indices.

47. Risk management – Market risk (continued)

Price risk (continued)

Equity securities price risk (continued)

	Change in index	Impact on loss before tax	Impact on equity
2014	**%**	**€000**	**€000**
Cyprus Stock Exchange	**+30**	**750**	**3.406**
Athens Exchange	**+35**	**-**	**100**
Moscow Exchange	**+35**	**-**	**258**
Other Stock Exchanges and non listed	**+20**	**-**	**384**
Cyprus Stock Exchange	**-30**	**(3.672)**	**(484)**
Athens Exchange	**-35**	**(27)**	**(73)**
Moscow Exchange	**-35**	**(75)**	**(182)**
Other Stock Exchanges and non listed	**-20**	**-**	**(384)**
2013			
Cyprus Stock Exchange	+30	716	3.789
Athens Exchange	+25	-	115
Moscow Exchange	+20	-	194
Bucharest Stock Exchange	+20	-	16.226
Cyprus Stock Exchange	-30	(2.629)	(1.875)
Athens Exchange	-25	(77)	(38)
Moscow Exchange	-20	(72)	(122)
Bucharest Stock Exchange	-20	(16.226)	-

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 average Moody's rating of the debt securities portfolio of the Group as at 31 December 2014 was Ba3 (2013: B3).

Changes in the prices of debt securities classified as investments at fair value through profit or loss, affect the profit or loss of the Group, whereas changes in the value of debt securities classified as available-for-sale affect the equity of the Group (if not impaired).

The table below indicates how the loss before tax and equity of the Group will be affected from reasonably possible changes in the price of the debt securities held, based on observations of changes in credit risk over the past years.

47. Risk management – Market risk (continued)

Price risk (continued)

Debt securities price risk (continued)

	Impact on loss before tax	**Impact on equity**
Change in market prices	**€000**	**€000**
2014		
+4,5%	**1.779**	**31.530**
-4,5%	**(1.779)**	**(31.530)**
2013		
+7%	1.050	50.610
-7%	(1.050)	(50.610)

48. 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.

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

Temporary restrictions on withdrawal of deposits

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

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.

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, EXCO and 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.

Annually
As part of the Group's procedures for monitoring and managing liquidity risk, there is a Group funding crisis contingency plan for handling liquidity difficulties. The plan details the steps to be taken, in the event that liquidity problems arise, which escalate to a meeting of the Funding Crisis Committee. The plan sets out the members of this Committee and a series of the possible actions that can be taken. This plan, as well as the Group's Liquidity Policy, are reviewed by 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.

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.

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

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:

	2014	2013
	%	%
31 December	**20,97**	12,28
Average ratio	**15,27**	11,16
Highest ratio	**20,97**	14,42
Lowest ratio	**12,11**	8,69

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 also 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 2013 and 2014 the liquidity ratio remained at low levels, due to the continued economic crisis in Cyprus.

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

	2014	2013
	%	%
31 December	**141,48**	145,38
Average ratio	**146,85**	128,84
Highest quarter ratio	**150,96**	145,95
Lowest quarter ratio	**141,71**	85,70

Sources of funding

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

The Group currently has limited access to interbank and wholesale markets which, combined with a reduction in deposits in Cyprus, has resulted in increased reliance on central bank funding. As at 31 December 2014, the funding from the ELA amounted to €7.403.741 thousand (31 December 2013: €9.556.035 thousand) (Note 31).

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 31).

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.

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

Sources of funding (continued)

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 December 2014 and 2013 are summarised below:

	2014	2013
	€000	€000
Cash and other liquid assets	**191.968**	367.080
Investments	**2.435.766**	3.289.810
Loans and advances	**13.531.026**	15.136.002
Non-current assets and disposal groups classified as held for sale	**54.536**	-
Property	**99.468**	90.181
	16.312.764	18.883.073

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

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 as at 31 December 2014 and 31 December 2013 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 billion are pledged as collateral for obtaining funding from CBC (Note 34). Finally, the Company has a €1 billion Covered Bond in issue which is also used as collateral for obtaining funding from the CBC. It should be noted that the assets used as collateral for the Covered Bond are already included in the table above.

Analysis of financial assets and liabilities based on remaining contractual maturity

The analysis of the Group's financial assets and liabilities based on the remaining contractual maturity at 31 December is based on undiscounted cash flows, analysed in time bands according to the number of days remaining from 31 December to the contractual maturity date.

Financial assets
The analysis of financial assets does not include any interest receivable cash flows. Financial assets have a much longer duration than financial liabilities and non-discounted interest receivable cash flows are higher than non-discounted interest payable cash flows (based on remaining contractual maturity). As a result, non-discounted cash inflows from interest receivable would have greatly exceeded non-discounted cash outflows on interest payable, thus artificially improving liquidity.

Current accounts, overdrafts and amounts in arrears are included within the first maturity time band which reflects their contractual maturity. All other loans and advances to customers are analysed according to their contractual repayment schedule.

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

Analysis of financial assets and liabilities based on remaining contractual maturity (continued)

Financial assets (continued)
Placements with banks are analysed in the time bands according to the number of days remaining from 31 December, until their contractual maturity date. Amounts placed as collateral (primarily for derivatives and loans) are assigned to different time bands based on either their maturity (in the case of loans), or proportionally according to the maturities of derivatives (where the collateral had no fixed maturity).

The investments are classified in the relevant time band according to contractual maturity date.

Financial liabilities
All financial liabilities for the repayment of which notice is required, are included in the relevant time bands as if notice had been given on 31 December, despite the fact that the Group expects that the majority of its customers will not demand repayment of such liabilities on the earliest possible date. Fixed deposits are classified in time bands, based on their contractual maturity. Although customers may demand repayment of time deposits (subject to penalties depending on the type of the deposit account), the Group has the discretion not to accept such early termination of deposits.

The amounts presented in the table below are not equal to the amounts presented on the balance sheet, since the table below presents all cash flows (including interest to maturity) on an undiscounted basis.

Derivative financial instruments
Derivative financial instruments were classified according to whether the settlement of cash flows occurs on a net or gross basis.

For net settled derivatives, after offset of receivable and payable amounts, the fair value of the derivatives is included in financial assets or in financial liabilities in the time band corresponding to the remaining maturity of the derivative.

Gross settled derivatives or net settled derivatives that are hedging instruments in cash flow hedges are presented in a separate table and the corresponding cash flows are classified accordingly in the time bands which relate to the number of days until their receipt or payment.

Commitments and contingent liabilities
The limits of loans and advances are commitments to provide credit to customers. The limits are granted for predetermined periods and can be cancelled by the Group after giving relevant notice to the customers. Usually the customers do not fully utilise the limits granted to them.

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

Analysis of financial assets and liabilities based on remaining contractual maturity (continued)

The analysis below includes the assets and liabilities classified as held for sale.

	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	**Total**
2014	€000	€000	€000	€000	€000	**€000**
Financial assets						
Cash and balances with central banks	1.040.222	78.860	98.729	7.606	-	**1.225.417**
Placements with banks	1.258.382	25.821	28.687	284.468	85.522	**1.682.880**
Investments at fair value through profit or loss	11.940	-	168	21.359	880	**34.347**
Loans and advances to customers	5.804.731	465.695	2.434.111	3.886.131	6.127.485	**18.718.153**
Fair value of net settled derivative assets	-	7	11.437	616	13	**12.073**
Non-trading investments	68.383	182.774	1.299.473	424.208	532.085	**2.506.923**
Other assets	11.208	4.007	133.980	2.935	6	**152.136**
Total undiscounted financial assets	**8.194.866**	**757.164**	**4.006.585**	**4.627.323**	**6.745.991**	**24.331.929**
Financial liabilities						
Amounts due to banks	112.263	851	28.357	37.834	26.028	**205.333**
Funding from central banks	7.783.773	-	-	500.000	-	**8.283.773**
Repurchase agreements	-	13.920	220.554	175.529	188.035	**598.038**
Customer deposits	7.542.467	2.272.674	3.101.767	512.280	2.208	**13.431.396**
Debt securities in issue	1.535	492	242	693	-	**2.962**
Fair value of net settled derivative liabilities	143	108	3.531	17.818	35.320	**56.920**
Subordinated loan stock	-	-	2.358	-	-	**2.358**
Other liabilities	4.572	1.405	9.712	521	31.708	**47.918**
Total undiscounted financial liabilities	**15.444.753**	**2.289.450**	**3.366.521**	**1.244.675**	**283.299**	**22.628.698**

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

Analysis of financial assets and liabilities based on remaining contractual maturity (continued)

The analysis of financial assets and liabilities based on the remaining contractual maturity related to the disposal groups held for sale are presented below:

	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	**Total**
2014	€000	€000	€000	€000	€000	**€000**
Financial assets						
Cash and balances with central banks	85.952	-	-	-	-	**85.952**
Placements with banks	29.435	-	79	1.081	5.399	**35.994**
Loans and advances to customers	91.214	41.255	152.539	231.537	33.285	**549.830**
Non-trading investments	209	-	-	-	139	**348**
Other assets	48	933	-	-	-	**981**
Total undiscounted financial assets	**206.858**	**42.188**	**152.618**	**232.618**	**38.823**	**673.105**
Financial liabilities						
Amounts due to banks	1.967	311	25.543	4.220	-	**32.041**
Customer deposits	137.823	126.487	459.472	29.070	61	**752.913**
Debt securities in issue	1.535	-	242	-	-	**1.777**
Fair value of net settled derivative liabilities	575	-	-	-	-	**575**
Subordinated loan stock	-	-	2.358	-	-	**2.358**
Other liabilities	82	1.048	-	-	-	**1.130**
Total undiscounted financial liabilities	**141.982**	**127.846**	**487.615**	**33.290**	**61**	**790.794**

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

Analysis of financial assets and liabilities based on remaining contractual maturity (continued)

	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	**Total**
2013	€000	€000	€000	€000	€000	**€000**
Financial assets						
Cash and balances with central banks	1.008.366	85.324	108.759	37.594	-	**1.240.043**
Placements with banks	697.352	24.391	17.782	446.226	104.351	**1.290.102**
Investments at fair value through profit or loss	18.895	136	2	5.447	680	**25.160**
Loans and advances to customers	7.225.421	1.025.327	2.661.803	4.522.387	6.329.400	**21.764.338**
Fair value of net settled derivative assets	534	6	1.778	3.019	19.591	**24.928**
Non-trading investments	622.903	1.200.239	707.866	442.982	459.156	**3.433.146**
Other assets	9.602	7.068	157.040	2.392	-	**176.102**
Total undiscounted financial assets	**9.583.073**	**2.342.491**	**3.655.030**	**5.460.047**	**6.913.178**	**27.953.819**
Financial liabilities						
Amounts due to banks	117.454	5.174	6.237	92.045	-	**220.910**
Funding from central banks	9.956.041	1.000.236	-	-	-	**10.956.277**
Repurchase agreements	13.928	-	-	330.482	249.594	**594.004**
Customer deposits	6.728.526	3.140.210	4.389.362	805.170	1.034	**15.064.302**
Debt securities in issue	15	492	359	674	-	**1.540**
Fair value of net settled derivative liabilities	7.098	24	1.721	22.124	29.256	**60.223**
Subordinated loan stock	-	-	2.598	2.078	-	**4.676**
Other liabilities	68.318	4.296	2.388	-	-	**75.002**
Total undiscounted financial liabilities	**16.891.380**	**4.150.432**	**4.402.665**	**1.252.573**	**279.884**	**26.976.934**

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

Analysis of financial assets and liabilities based on remaining contractual maturity (continued)

	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	**Total**
2014	€000	€000	€000	€000	€000	**€000**
Gross settled derivatives						
Financial assets						
Contractual amounts receivable	1.085.899	54.330	17.718	-	90.782	**1.248.729**
Contractual amounts payable	(1.071.311)	(52.892)	(17.186)	-	(68.534)	**(1.209.923)**
	14.588	**1.438**	**532**	**-**	**22.248**	**38.806**
Financial liabilities						
Contractual amounts receivable	71.922	39.377	557	-	42.813	**154.669**
Contractual amounts payable	(75.618)	(39.799)	(833)	-	(43.203)	**(159.453)**
	(3.696)	**(422)**	**(276)**	**-**	**(390)**	**(4.784)**
Contingent liabilities and commitments						
Contingent liabilities						
Acceptances and endorsements	2.763	3.781	1.788	-	895	**9.227**
Guarantees	66.915	41.517	166.413	454.084	243.744	**972.673**
Commitments						
Documentary credits	2.208	4.380	8.140	94	1.395	**16.217**
Undrawn formal standby facilities, credit lines and other commitments to lend	2.256.587	16.846	-	-	-	**2.273.433**
	2.328.473	**66.524**	**176.341**	**454.178**	**246.034**	**3.271.550**

Contingent liabilities and commitments of disposal groups held for sale

Guarantees	-	64	8.483	-	-	**8.547**
Undrawn formal standby facilities, credit lines and other commitments to lend	2.420	3.661	28.367	32.640	4.291	**71.379**
	2.420	**3.725**	**36.850**	**32.640**	**4.291**	**79.926**

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

Analysis of financial assets and liabilities based on remaining contractual maturity (continued)

	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	**Total**
2013	€000	€000	€000	€000	€000	**€000**
Gross settled derivatives						
Financial assets						
Contractual amounts receivable	294.082	1.027	291	2.179	-	**297.579**
Contractual amounts payable	(295.360)	(1.020)	(291)	(2.116)	-	**(298.787)**
	(1.278)	**7**	**-**	**63**	**-**	**(1.208)**
Financial liabilities						
Contractual amounts receivable	1.523.551	49.866	20.470	152.866	-	**1.746.753**
Contractual amounts payable	(1.516.711)	(48.760)	(20.033)	(176.668)	-	**(1.762.172)**
	6.840	**1.106**	**437**	**(23.802)**	**-**	**(15.419)**
Contingent liabilities and commitments						
Contingent liabilities						
Acceptances and endorsements	15.564	4.086	817	-	-	**20.467**
Guarantees	148.978	68.305	220.796	647.612	121.810	**1.207.501**
Commitments						
Documentary credits	1.645	2.638	6.580	56	-	**10.919**
Undrawn formal standby facilities, credit lines and other commitments to lend	2.662.564	21.551	44.135	101.209	74.255	**2.903.714**
	2.828.751	**96.580**	**272.328**	**748.877**	**196.065**	**4.142.601**

49. Risk management – Other risks

Insurance risk

Insurance risk is the risk that an insured event under an insurance contract occurs and the uncertainty of the amount and the timing of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces is that the actual claims and benefit payments will exceed the carrying amount of insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual volume and cost of claims and benefits will vary from year to year compared to the estimate established using statistical or actuarial techniques.

The above risk exposure is mitigated by the Group through the diversification across a large portfolio of insurance contracts. The variability of risks is also reduced by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to policyholders and is thus exposed to credit risk with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. For that reason, the creditworthiness of reinsurers is evaluated by considering their financial strength and credit rating.

Life insurance contracts
The main factors that could affect the overall frequency of claims are epidemics, major lifestyle changes and natural disasters.

The underwriting strategy and risk assessment is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through the use of medical screening in order to ensure that pricing takes account of the current medical conditions and family medical history and through the regular review of actual claims and product pricing. The Group has the right to decline policy applications, it can impose additional charges and it has the right to reject the payment of fraudulent claims.

The most significant risks relating to accident and health insurance contracts result from lifestyle changes and from climate and environmental changes. The risks are mitigated by the careful use of strategic selection and risk-taking at the underwriting stage and by thorough investigation for possible fraudulent claims.

The Group uses an analysis based on its embedded value which provides a comprehensive framework for the evaluation and management of risks faced, the understanding of earnings volatility and operational planning. The table below shows the sensitivity of the embedded value to assumption changes that substantially affect the results.

	2014	2013
Change in embedded value	**€000**	€000
Change in interest rates +0,25%	**101**	531
Change in expenses +10%	**(2.930)**	(3.201)
Change in lapsation rates +10%	**(997)**	(1.075)
Change in mortality rates+10%	**(6.703)**	(11.681)

49. Risk management – Other risks (continued)

Insurance risk (continued)

Life insurance contracts (continued)

The variables above are not linear. In each sensitivity calculation for changes in key economic variables, all other assumptions remain unchanged except when they are directly affected by the revised economic conditions.

Changes to key non–economic variables do not incorporate management actions that could be taken to mitigate effects, nor do they take account of consequential changes in policyholder behaviour. In each sensitivity calculation all other assumptions are therefore unchanged.

Some of the sensitivity scenarios shown in respect of changes to both economic and non–economic variables may have a consequential effect on the valuation basis when a product is valued on an active basis which is updated to reflect current economic conditions.

While the magnitude of these sensitivities will, to a large extent, reflect the size of closing embedded value, each variable will have a different impact on different components of the embedded value. In addition, other factors such as the intrinsic cost and time value of options and guarantees, the proportion of investments between equities and bonds and the type of business written, including for example, the extent of with–profit business versus non–profit business and to the extent to which the latter is invested in matching assets, will also have a significant impact on sensitivities.

General insurance contracts

The risk of a general insurance contract occurs from the uncertainty of the amount and time of presentation of the claim. Therefore the level of risk is determined by the frequency of such claims, the severity and the evolution of claims from one period to the next.

The main risks for the general insurance business arise from major catastrophic events like natural disasters. These risks vary depending on location, type and nature. The variability of risks is mitigated by the diversification of risk of loss to a large portfolio of insurance contracts, as a more diversified portfolio is less likely to be affected by changes in any subset of the portfolio. The Group's exposure to insurance risks from general insurance contracts is also mitigated by the following measures: adherence to strict underwriting policies, strict review of all claims occurring, immediate review and processing of claims to minimise the possibility of negative development in the future, and use of effective reinsurance arrangements in order to minimise the impact of risks, especially for catastrophic events.

Operational risk

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

The Group recognises that the control of operational risk is directly related to effective and efficient management practices and high standards of corporate governance. To that effect, the management of operational risk is geared towards maintaining a strong internal control governance framework and managing operational risk exposures through a consistent set of management processes that drive risk identification, assessment, control and monitoring.

The main objectives of operational risk management within the Group are: (i) the development of operational risk awareness and culture, (ii) the provision of adequate information to the Group's management at all levels in relation to the operational risk profile on Group entity and activity level, so as to facilitate decision making for risk control activities, and (iii) the control of operational risk to ensure that operational losses do not cause material damage to the Group's franchise and have minimal impact on the Group's profitability and corporate objectives.

Operational risks can arise from all business lines and from all activities carried out by the Group and are thus diverse in nature. To enable effective management of all material operational risks, the operational risk management framework adopted by the Group is based on the three lines of defence model, through which risk ownership is dispersed throughout the organisation. The first line of defence comprises management and staff who have immediate responsibility of day-to-day operational risk management. Each business unit owner is responsible for identifying and managing all the risks that arise from the unit's activities as an integral part of their first line responsibilities.

49. Risk management – Other risks (continued)

Operational risk (continued)

The second line of defence comprises the risk management function whose role is to provide operational risk oversight and independent and objective challenge to the first line of defence, supported by other specialist control and support functions such as Compliance, Legal, Information Technology, Information Security and Corporate Security, Health & Safety Functions. The third line of defence comprises the Internal Audit function and the Audit Committee of the Board of Directors, which provide independent assurance over the integrity and effectiveness of the risk management framework throughout the Group.

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

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

Operational risk loss events are classified and recorded in the Group's internal loss database to enable risk identification, corrective action and statistical analysis. During the year ended 31 December 2014, 387 loss events with gross loss equal to or greater than €1.000 each were recorded (2013: 434).

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

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

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

Regulatory risk

The Group's operations are supervised by the CBC and the ECB as a supervisory body for all the banks in the Eurozone area (referred to as the Single Supervisory Mechanism - SSM). The ECB fully assumed several supervisory responsibilities as from 4 November 2014. The ECB and the national central banks together constitute the Eurosystem, the central banking system of the Eurozone. The ECB exercises its supervisory responsibilities in cooperation with the national central banks. As such, in Cyprus, the ECB cooperates with the CBC, as the Company is considered as a significant credit institution for the purposes of the ECB Regulation.

The overseas subsidiaries and branches of the Group are also supervised by the national regulatory authorities in the countries where they operate.

The ECB's responsibilities include, among others, the granting and revocation of authorisations regarding all credit institutions established in participating Member States. With regards to significant credit institutions, the ECB's supervisory responsibilities, among others, include:

- to grant approval for establishing a branch or providing cross-border services outside the EU,
- to assess notifications regarding the acquisition and disposal of qualifying holdings in credit institutions,
- to ensure compliance with requirements on securitisation, large exposure limits, liquidity, leverage, as well as on the reporting and public disclosure of information on those matters,
- to ensure compliance with respect to corporate governance, including requirements on risk management processes, internal control mechanisms, remuneration policies and practices and effective internal capital adequacy assessment processes,
- to carry out supervisory reviews and stress tests in order to impose specific additional capital requirements, specific publication requirements, specific liquidity requirements and other measures,
- to supervise the credit institutions on a consolidated basis, extending supervision over parent entities established in other EU Member States, and

49. Risk management – Other risks (continued)

Regulatory risk (continued)

- to carry out supervisory tasks in relation to recovery plans, provide early intervention where a credit institution does not meet or is likely to breach the applicable prudential requirements and, only in the cases explicitly permitted under law, implement structural changes to prevent financial stress or failure, excluding any resolution powers.

In this context, the Group is exposed to a series of regulatory and legal risks:

- Legislative action and regulatory measures which may materially impact the Group and the financial and economic environment in which it operates.
- The Group's business and operations are subject to substantial regulation and supervision and can be negatively affected by its non-compliance with regulatory requirements and any adverse regulatory and governmental developments.
- The implementation of a more demanding and restrictive regulatory framework (including CRD IV/CRR) with respect to, amongst others, capital ratios, leverage, liquidity and disclosure requirements, notwithstanding the benefit to the financial system, poses additional risks for banks.
- Changes in laws or regulations might also restrict certain types of transactions, affect the Group's strategy and lead to modification of the customer charges for banking products or transactions.
- The Group is subject to certain regulatory and legal constraints in originating new loans, managing and restructuring existing loans and foreclosing on collateral.
- The Group's Restructuring Plan agreed with the CBC restricts certain actions of the Group.
- As a result of the Group's limited access to interbank and wholesale markets and a reduction in deposits in Cyprus, the Group is not in compliance with its regulatory liquidity requirements and is dependent on central bank funding for liquidity.
- The Group is exposed to tax risk and failure to manage such risk may have an adverse impact on the Group.

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

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

Intensity of competition

The Group faces intense competition in the markets in which it operates. In Cyprus the competition primarily originates from other commercial banks, co-operative credit institutions, branches and subsidiaries of foreign banks, and insurance companies offering savings and investment products.

The Group's competitive position in Cyprus was drastically altered by the events described in Note 2. Following the acquisition of certain operations of Laiki Bank in 2013, the Group's market share in loans and deposits in Cyprus was significantly boosted, even though depositor psychology led to substantial deposit outflows from the Cyprus banking system. Since then, deposit outflows have stabilised and recently instances of deposit inflows are being experienced. The Group remains today the biggest and most systemically important local banking organisation in Cyprus.

Any intensification of competition as a result of more competitive interest rates being offered on deposits and advances compared to those offered by the Group, may create pressure on Group profitability.

Litigation risk

The Group may, from time to time, become involved in legal or arbitration proceedings which may affect its operations and results. Litigation risk arises from pending or potential legal proceedings against the Group (Note 41) and in the event that legal issues are not properly dealt with, by the Group, resulting in the cancellation of contracts with customers thus exposing the Group to legal actions against it.

49. Risk management – Other risks (continued)

Political risk

External factors which are beyond the control of the Group, such as political developments and government actions in Cyprus, Russia, the EU and other countries may adversely affect the operations of the Group, its strategy and prospects. As described in Note 2, during March 2013 the Republic of Cyprus and the Eurogroup reached an agreement on the package of measures intended to restore the viability of the financial sector and sound public finance over the coming years, which had a material impact on the Group's financial standing and prospects. Other important political risk factors include government intervention on the Group's activities and social developments in the countries in which the Group operates, political developments in the Eurozone that may lead to a Euro exit of a Eurozone member state, the ongoing unresolved political issue of the Turkish invasion, and political and social unrest and political instability or military conflict in neighbouring countries and/or other overseas areas.

Russia is in serious economic decline. The crisis over Ukraine led to a massive capital flight from Russia and drastically reduced foreign investment into the country. Russian companies and banks have limited access to international capital markets as a result of economic sanctions, which have resulted in the freezing of infrastructure projects. These are set to expire in July 2015, but even if EU sanctions are lifted, investments will not necessarily flow back into the country. Western sentiment of Russia's financial and economic stability is expected to remain low for some time. The real driver of the Russian economy is oil prices, which are not expected to increase soon. As the price of oil more than halved since its heights in 2014, budget cuts are unavoidable. The government's financial strength will diminish as a result of fiscal pressures and the continued erosion of Russia's foreign exchange reserves. As a result, Russia's economic and political risk has increased significantly.

The European Commission's winter forecasts had a relatively favourable assessment of Greece's medium term outlook. The economy had already started to grow again in the second half of 2014 and the outlook for growth for 2015 and 2016 seemed to be positive. However, the political decisions relating to the extension of Greece's bailout programme until June 2015 have since created additional uncertainty affecting confidence and thus denting the recovery prospects.

Greece faces three immediate problems: declining liquidity, funding shortages against debt repayments falling due in 2105 and banking stress as the deposit flight continues. Greece needs to secure its funding for the year and beyond and thus has to commit to a set of structural and other reforms. The Eurogroup will decide whether the final tranche of the bailout programme funds will be released by the end of April. Even if the Eurogroup decides to release the final tranche, the problems of liquidity and funding will resurface at the end of June when the current bailout expires. At that time, and without access to international debt markets, Greece's options will be limited to either a third bailout programme or a default on its debt. The risk of capital controls increases as uncertainty and confidence are affected. If an agreement is not finalised, the introduction of a parallel currency may become necessary.

Given the above, the Group recognises that unforeseen political events can have negative effects on the fulfilment of contractual relationships and obligations of its customers and other counterparties, which may have a significant impact on the Group's activities, operating results and position.

50. Sovereign exposure

The Group's sovereign exposure and non-sovereign exposure in countries which have entered or have applied to the European Support Mechanism or whose Moody's credit rating is below Aa1 and the total Group exposure exceeds €100.000 thousand, is presented below. These countries are: Cyprus, Greece, Russia, Romania, and Belgium. The exposure in Italy and Ukraine as at 31 December 2014 is not disclosed since it does not exceed €100.000 thousand.

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

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

50. Sovereign exposure (continued)

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

For the CyGBs offered for exchange, there was objective evidence of impairment, as in addition to other indicators (i.e. financial difficulties of the issuer, downgrades and decline in the fair value), there was a decrease in the estimated future cash flows due to the maturity extension using current market yields, instead of the original effective interest rate. As a result, during the year 2013, the Group recognised impairment losses of €6.927 thousand relating to the exchanged bonds. All CyGBs owned by the Group, other than those which were subject to the exchange offer, are not impaired.

50. Sovereign exposure (continued)

Credit risk

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

	Cyprus	Greece	Russia	Romania	Belgium
2014	€000	€000	€000	€000	€000
Deposits with central banks	483.039	-	37.422	972	-
Placements with banks	60.975	12.509	22.127	191.320	140.494
Investments in sovereign debt securities					
- available-for-sale	204	-	-	-	41.556
- loans and receivables	1.782.998	-	-	-	-
- fair value through profit or loss	17.147	-	-	-	-
Investments in debt securities of banks and other corporations					
- available-for-sale	59	-	-	-	-
- loans and receivables	311	-	-	-	-
- fair value through profit or loss	1	-	-	-	-
Derivative financial assets	-	-	-	-	3.078
Loans and advances to customers (before provisions)	19.754.621	99.257	965.724	482.941	96
Total on-balance sheet	**22.099.355**	**111.766**	**1.025.273**	**675.233**	**185.224**
Contingent liabilities	795.229	185.271	8.547	21	-
Commitments	2.272.508	-	71.379	296	-
Total off-balance sheet	3.067.737	185.271	79.926	317	-
Total exposure to credit risk	**25.167.092**	**297.037**	**1.105.199**	**675.550**	**185.224**

50. Sovereign exposure (continued)

Credit risk (continued)

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

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

On 31 December 2014 the revaluation reserve of available-for-sale investments includes losses amounting to €5.282 thousand (2013: €5.851 thousand) relating to the above sovereign debt securities and losses amounting to €5 thousand (2013: losses of €142 thousand) relating to debt securities of banks and other corporations.

50. Sovereign exposure (continued)

Credit risk (continued)

The analysis of loans and advances to customers for the countries above is set out in Note 46.

In Cyprus, loans and advances to customers include loans to local authorities, semi-governmental organisations and government-controlled businesses of €139.148 thousand (2013: €139.733 thousand). In addition, contingent liabilities and commitments include an amount of €16.743 thousand for these entities (2013: €56.389 thousand).

Liquidity risk

The table below presents the Group's sovereign debt securities exposure to countries which as at 31 December 2014 were or still are in EU-IMF Economic Adjustments Programmes based on the remaining contractual maturity of the financial assets.

	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	**Total**
2014	€000	€000	€000	€000	€000	**€000**
Cyprus						
- available-for-sale	-	-	170	-	34	**204**
- loans and receivables	59.966	153.062	1.070.386	204.996	294.588	**1.782.998**
- at fair value through profit or loss	-	-	168	16.979	-	**17.147**
	59.966	**153.062**	**1.070.724**	**221.975**	**294.622**	**1.800.349**
2013						
Cyprus						
- available-for-sale	-	-	-	1.423	-	**1.423**
- loans and receivables	-	199.003	1.749.757	327.267	296.913	**2.572.940**
- at fair value through profit or loss	-	-	-	15.413	-	**15.413**
	-	**199.003**	**1.749.757**	**344.103**	**296.913**	**2.589.776**

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

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

51. Capital management

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

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

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

As from 1 January 2014, the new Capital Requirements 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, which 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, on 29 May 2014, it set the minimum Common Equity Tier 1 capital ratio 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 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.

Capital position under CRD IV

The capital position of the Group under CRD IV/CRR on a transitional basis (after applying the transitional arrangements set by the CBC) is presented below. The position at 31 December 2013 is presented on a pro forma basis by applying the new rules including the transitional arrangements that have been in place from 1 January 2014.

	2014	2013 (pro forma)
Regulatory capital	**€000**	€000
Transitional Common Equity Tier 1 (CET1)	**3.190.955**	2.449.878
Transitional Additional Tier 1 capital (AT1)	**-**	-
Tier 2 capital (T2)	**42.146**	45.204
Transitional total regulatory capital	**3.233.101**	2.495.082
Risk weighted assets – credit risk	**20.624.507**	21.468.518
Risk weighted assets – market risk	**5.025**	3.398
Risk weighted assets – operational risk	**2.085.000**	2.057.687
Total risk weighted assets	**22.714.532**	23.529.603
	%	%
Transitional Common Equity Tier 1 ratio	**14,0**	10,4
Transitional total capital ratio	**14,2**	10,6

51. Capital management (continued)

Capital position under CRD IV (continued)

The Group continued to strengthen its capital position with the CET1 ratio increasing to 14,0% primarily driven by the share capital increase of €1 billion, the reduction of risk weighted assets due to the on-going deleveraging, and the losses for the year.

The Group's current capital position satisfies both its Pillar I capital requirement and Pillar II add-on capital requirement.

The regulatory capital as at 31 December 2014 included 'Shares subject to interim orders' (Note 37) which amounted to €441 thousand (31 December 2013: €58.922 thousand).

Capital position on prevailing rules as at 31 December 2013

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

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

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

The Pillar 3 disclosures required with respect to the requirements of the Capital Requirement Regulation (EU) No 575/2013 are available on the Group's website www.bankofcyprus.com (Investor Relations).

52. Related party transactions

	2014	2013	**2014**	2013
	Number of directors		**€000**	€000
Loans and advances to members of the Board of Directors and connected persons:				
- less than 1% of the Group's net assets per director	**10**	15	**382**	302
	10	15	**382**	302
Loans and advances to other key management personnel and connected persons			**4.317**	3.448
Total loans and advances as at 31 December			**4.699**	3.750
Loans and advances as at 31 December:				
- members of the Board of Directors and other key management personnel			**3.615**	3.224
- connected persons			**1.084**	526
			4.699	3.750
Interest income for the year			**205**	929
Deposits as at 31 December:				
- members of the Board of Directors and other key management personnel			**18.368**	1.881
- connected persons			**11.206**	36.536
			29.574	38.417
Interest expense on deposits for the year			**398**	1.115

The above table does not include year end balances for members of the Board of Directors and their connected persons who resigned/were removed during the year.

Interest income and expense is disclosed for the period during which they were members of the Board of Directors.

52. Related party transactions (continued)

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 €175 thousand (2013: €231 thousand). As at 31 December 2014 and 2013, none of the directors or their connected persons had total loans and advances which exceeded 1% of the net assets of the Group per director. There were also contingent liabilities and commitments to other key management personnel and their connected persons amounting to €689 thousand (2013: €743 thousand). The total unsecured amount of the loans and advances and contingent liabilities and commitments to members of the Board of Directors, key management personnel and other connected persons (using forced-sale values for tangible collaterals and assigning no value to other types of collateral) at 31 December 2014 amounted to €1.586 thousand (2013: €1.439 thousand).

There were no transactions during the year with connected persons of the current members of the Board of Directors.

Transactions in 2014 with connected persons of the members of the Board of Directors who resigned during 2014
Mr Xanthos Vrachas is the CFO of Universal Insurance Agency Ltd to which the Group paid €137 thousand relating to insurance transactions (2013: €119 thousand).

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

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.

52. Related party transactions (continued)

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

	2014	2013
Director emoluments	**€000**	€000
Executives		
Salaries and other short term benefits	**859**	452
Termination benefits	**-**	84
Employer's contributions	**51**	27
Retirement benefit plan costs	**113**	31
	1.023	594
Non-executives		
Fees	**424**	352
Emoluments of a non-executive director who is also an employee of the Company	**-**	100
Total directors' emoluments	**1.447**	1.046
Other key management personnel emoluments		
Salaries and other short term benefits	**2.231**	943
Termination benefits	**250**	667
Employer's contributions	**166**	84
Retirement benefit plan costs	**210**	117
Total other key management personnel emoluments	**2.857**	1.811
Total	**4.304**	2.857

The salaries and other short term benefits of the executive directors are analysed as follows:

	2014	2013
	€000	€000
John Patrick Hourican (Chief Executive Officer - appointed on 1 November 2013)	**844**	141
Christodoulos Patsalides (Finance Director - appointed on 20 November 2014)	**15**	-
Yiannis Pehlivanidis (resigned on 29 March 2013)	**-**	104
Yiannis Kypri (resigned on 29 March 2013)	**-**	127
Dinos Christofides (Special Administrator - 25 March 2013 to 21 June 2013)	**-**	20
Christos Sorotos (Interim Chief Executive Officer - 29 May 2013 to 10 September 2013)	**-**	60
	859	452

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.

Fees and benefits are included for the period that they serve as members of the Board of Directors.

The retirement benefit plan costs for 2014 amounting to €113 thousand relate to: Mr John Patrick Hourican €111 thousand (2013: €31 thousand) and Dr Christodoulos Patsalides €2 thousand.

52. Related party transactions (continued)

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

Fees of non-executive directors

	2014	2013
	€000	€000
Josef Ackermann	**8**	-
Wilbur L. Ross Jr.	**6**	-
Vladimir Strzhalkovskiy	**50**	16
Arne Berggren	**2**	-
Maksim Goldman	**2**	-
Michalis Spanos	**2**	-
Ioannis Zographakis	**30**	7
Christis Hassapis	**60**	21
Andreas Yiasemides	**32**	7
Adonis Papaconstantinou	**31**	6
Anjelica Anshakova	**24**	6
Eriskhan Kurazov	**12**	4
Anton Smetanin	**12**	4
Dmitry Chichikashvili	**20**	5
Kirill Parinov	**5**	-
Konstantinos Katsaros	**35**	7
Marinos Gialeli	**33**	6
Marios Kalochoritis	**25**	6
Xanthos Vrachas	**28**	6
Marios Yiannas	**7**	6
Andreas Artemis	**-**	20
Evdokimos Xenophontos	**-**	15
Vassilis G. Rologis	**-**	8
Costas Z. Severis	**-**	10
Chistakis G. Christofides	**-**	5
Anna Diogenous	**-**	5
George M. Georgiades	**-**	2
Costas Hadjipapas	**-**	12
Nikolas P. Tsakos	**-**	1
Stavros J. Constantinides	**-**	2
Irene Karamanou	**-**	6
Elias Neocleous	**-**	4
Symeon Matsis	**-**	4
Sophocles Michaelides	**-**	25
Erol Riza	**-**	19
Constantinos Damtsas	**-**	9
Takis Taousianis	**-**	11
Lenia Georgiadou	**-**	11
Philippos Mannaris	**-**	9
Lambros Papadopoulos	**-**	8
Andreas Persianis	**-**	6
Andreas Poetis	**-**	8
Panikos Pouros	**-**	15
Savvakis Savvides	**-**	8
Georgios Theocharides	**-**	9
Michalis Zannetides	**-**	7
Takis Arapoglou	**-**	6
	424	352

52. Related party transactions (continued)

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

Emoluments of other key management personnel
The other key management personnel emoluments include the remuneration of the members of the Executive Committee since the date of their appointment to the Committee and other directors who report directly to the Chief Executive Officer.

The termination benefits in 2014 relate to early retirement benefits paid to a member of key management personnel who left the Group in 2014.

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

53. Group companies

The main subsidiary companies and branches included in the consolidated financial statements of the Group, their country of incorporation, their activities, and the percentage held by the Company (directly or indirectly) as at 31 December 2014 are:

Company	Country	Activities	Percentage holding (%)
Bank of Cyprus Public Company Ltd	Cyprus	Commercial bank	N/A
The Cyprus Investment and Securities Corporation Ltd (CISCO)	Cyprus	Investment banking, asset management and brokerage	100
General Insurance of Cyprus Ltd	Cyprus	General insurance	100
EuroLife Ltd	Cyprus	Life insurance	100
Kermia Ltd	Cyprus	Property trading and development	100
Kermia Properties & Investments Ltd	Cyprus	Property trading and development	100
Kermia Hotels Ltd	Cyprus	Hotel business	100
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	67
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 Leasing SA	Greece	Holding of real estate properties	100
Kyprou Commercial SA	Greece	Financing of motor vehicles and other consumer products	100
Kyprou Properties SA	Greece	Property management	100

53. Group companies (continued)

Company	Country	Activities	Percentage holding (%)
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
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	Special purpose entity	-
Kyprou Finance (NL) B.V.	Netherlands	Financing services	100

In addition to the above companies, at 31 December 2014 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 Properies Ltd, Vieman Ltd, Les Coraux Estates Ltd, Natakon Company Ltd, Karmazi (Apartments) Ltd, Kermia Palace Enterprises Ltd, Oceania Ltd, Dominion Industries Ltd, Ledra Estates Ltd, Eurolife Properties Ltd, Elias Houry Estates Ltd, 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, Rimokin Properties Ltd, Tavoni Properties Ltd, Metin Properties Ltd, Pekiro Properties Ltd, Melsolia Properties Ltd, Nimoland Properties Ltd, Lozzaria Properties Ltd, Koralmon Properties Ltd, Petrassimo Properties Ltd, Kedonian Properties Ltd, Lasteno Properties Ltd and Armozio Properties Ltd.

53. Group companies (continued)

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

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

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

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

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

Cyprus: Bank of Cyprus Mutual Funds Ltd, Diners Club (Cyprus) 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 December 2014, the Russian operations of the Group, executed through the Russian subsidiaries of the Group, and the hotel businesses, Kermia Hotels Ltd and Aphrodite Group, were classified as held for sale (Note 28).

Transfer of business of Laiki Factors Ltd to the Company

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

De Facto control of subsidiary

During March 2014 a new Board of Directors was appointed in CLR Investment Fund Public Ltd, which is controlled by the Group. Therefore de facto control is exercised to the company.

Dissolution of subsidiaries

As at 31 December 2014 the following subsidiaries were in the process of dissolution:

Samarinda Navigation Co Ltd, Kyprou Securities S.A., BOC Ventures Ltd, Tefkros Investments Ltd, Tefkros Investments (CI) Ltd, Salecom Ltd, Longtail Properties Ltd, Turnmill Properties Ltd and Limestone Properties Ltd.

54. Acquisitions and disposals

54.1 Disposals during 2014

54.1.1 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 (Note 5) and represents 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)**

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

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

54. Acquisitions and disposals (continued)

54.1 Disposals during 2014 (continued)

54.1.2 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.

54.1.3 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.

54.2 Acquisitions during 2013

54.2.1 Acquisition of certain operations of Laiki Bank

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

As prescribed by the Decree issued on 29 March 2013, the Resolution Authority was required to perform a valuation of the assets and liabilities transferred from Laiki Bank to the Company and to determine a fair compensation for Laiki Bank with no right of further compensation. The Resolution Authority appointed an independent international firm to carry out a valuation of assets and liabilities acquired from Laiki Bank. The consideration transferred for this transaction (being shares of the Company) was determined and enforced by the Resolution Authority pursuant to the Decree for the 'Issue of Bank of Cyprus Share Capital to compensate Laiki Bank' issued on 30 July 2013. In accordance with the above Decree, this was set at 18,1% of the total share capital of the Company with no further right for additional compensation. Accordingly, 858.709 thousand shares were issued to Laiki Bank with a nominal value of €1,00 each. Following the reduction in the nominal value of ordinary shares to €0,10 per share and following the capital raising of €1 billion during 2014 (Note 37), the holding of Laiki Bank stood at 9,6% of the ordinary shares in issue of the Company at 31 December 2014.

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

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

54. Acquisitions and disposals (continued)

54.2 Acquisitions during 2013 (continued)

54.2.1 Acquisition of certain operations of Laiki Bank (continued)

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

In addition, an investment provisionally classified as available-for-sale was reclassified to investment in associates and joint ventures (Note 55), following information obtained for this investment about facts and circumstances that existed on the acquisition date.

The 2013 comparative information was restated to reflect the adjustments to the provisional amounts (Note 3.2.2).

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

Fair values recognised on acquisition	**€000**
Assets	
Cash and balances with central banks	**406.685**
Placements with banks	**1.294.458**
Amounts receivable from the Company	**1.153.000**
Investments	**2.430.044**
Loans and advances to customers	**8.659.000**
Property, plant and equipment and intangible assets	**129.779**
Deferred tax asset	**417.002**
Investments in associates and joint ventures	**236.977**
Other assets	**374.083**
Total assets	**15.101.028**
Liabilities	
Amounts due to banks	**1.233.564**
Funding from central banks	**9.102.528**
Customer deposits	**4.177.445**
Other liabilities	**127.149**
Deferred tax liability	**5.131**
Total liabilities	**14.645.817**
Non-controlling interests	**5.324**
Total identifiable net assets at fair value	**449.887**
Fair value of consideration transferred (comprising 858.709 thousand shares of a nominal value of €0,10 each following the reduction in the nominal value of shares, Note 37)	**449.887**

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

The fair value of loans and advances to customers on acquisition amounted to €8.659.000 thousand. The gross amount of loans and advances to customers before fair value adjustment on initial recognition was €10.688.905 thousand. Of the total gross amount, €3.902.593 thousand were considered to be impaired as at the acquisition date. As at the date of acquisition, the fair value of these impaired loans amounted to €2.420.228 thousand.

54. Acquisitions and disposals (continued)

54.2 Acquisitions during 2013 (continued)

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

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

54.2.3 Step acquisition of JCC Payment Systems Ltd

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

54.3 Disposal during 2013

54.3.1 Disposal of Greek operations

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

The results from the Greek operations disposed until the date of the disposal are presented as discontinued operations (Note 5). The loss on disposal of the Greek operations is presented in the table below.

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

55. Investments in associates and joint ventures

Share of profit/(loss) from investments in associates and joint ventures

	2014	2013
	€000	€000
CNP Cyprus Insurance Holdings Ltd	**9.412**	1.993
Marfin Diversified Strategy Fund Plc	**(4.547)**	(6.587)
Interfund Investments Plc	**(13)**	83
Rosequeens Properties SRL	**-**	(191)
	4.852	(4.702)

55. Investments in associates and joint ventures (continued)

Carrying value of the investments in associates and joint ventures

	2014	2013
	€000	€000
CNP Cyprus Insurance Holdings Ltd	**108.467**	98.324
Byron Capital Partners Ltd	**5.322**	5.322
Marfin Diversified Strategy Fund Plc	**-**	94.407
Interfund Investments Plc	**2.987**	3.000
Aris Capital Management LLC	**-**	2.078
Rosequeens Properties SRL	**-**	-
	116.776	203.131

Investments in associates

CNP Cyprus Insurance Holdings Ltd

As part of the acquisition of certain operations of Laiki Bank, 49,9% of CNP Cyprus Insurance Holdings Ltd, the parent company of a group of insurance companies in Cyprus and Greece, was acquired by the Group.

The Group's interest in the main financial highlights of the associate is presented as follows:

	2014	2013
	€000	€000
Total assets	**347.511**	351.489
Liabilities	**(239.044)**	(253.165)
Net assets, including value of in-force business	**108.467**	98.324

CNP Cyprus Insurance Holdings Ltd holds deposits with companies within the Group amounting to €9.147 thousand. The transactions between CNP Cyprus Insurance Holdings Ltd and the Group are presented in the table below:

	2014	2013
	€000	€000
Interest expense paid by the Group	**303**	1.589
Other expenses paid by the Group	**293**	1.207
Other income received by the Group	**247**	312

55. Investments in associates and joint ventures (continued)

Investments in associates (continued)

Interfund Investments Plc

The Group has a 23,12% interest in Interfund Investments Plc, which is a closed-end investment company in Cyprus, listed on the Cyprus Stock Exchange.

The Group's interest in the main financial highlights of the associate is presented as follows:

	2014	2013
	€000	€000
Total assets	**3.031**	3.051
Liabilities	**(44)**	(51)
Net assets	**2.987**	3.000
Market value of the investment on the Cyprus Stock Exchange	**1.477**	1.516

During the year, there were no material transactions between the Group and the associate.

Grand Hotel Enterprises Society Ltd

In September 2014, the Group sold its holding of 35,292% in its associate Grand Hotel Enterprises Society Ltd, which had a zero carrying value as at the date of the disposal.

Rosequeens Properties SRL

The Group owns 33% of the share capital of Rosequeens Properties SRL which is incorporated in Romania and owns a shopping mall in Romania. The shareholding was acquired after the Company took part in a public auction for the settlement of customer loan balances amounting to approximately €21 million. The Group's share of the associate at 31 December 2014 and 2013 had nil accounting value as the net assets of the associate had a negative balance.

Aris Capital Management LLC

The Group's holding in Aris Capital Management LLC of 30% was transferred to the Group following the acquisition of certain operations of Laiki Bank. During the year, the Group has recognised an impairment loss of €2.078 thousand (Note 16). During the years 2014 and 2013 (since the date of acquisition), there were no material balances or transactions between the Group and the associate.

Investment in joint ventures

Marfin Diversified Strategy Fund Plc (MDSF) and Byron Capital Partners Ltd (BCP)

The Group's investment in joint ventures comprises BCP and MDSF acquired by the Group as part of the acquisition of certain operations of Laiki Bank (Note 54.2.1). BCP manages 100% of the shares of MDSF. The Group is a party to a shareholder agreement with the other shareholder of BCP and this agreement stipulates a number of matters which require consent by both shareholders. The Group considers that it jointly controls BCP (shareholding of 70%) and through BCP it also has a joint control over MDSF.

The investment in MDSF is classified as held for sale since 31 December 2014 (Note 28).

During the years 2014 and 2013 (since the date of acquisition) there were no transactions between the Group and the joint ventures.

56. Country by country reporting

Article 89 of CRD IV requires banks to disclose on a consolidated basis the following information for all countries where the Group operates. The table below provides information on the following items of the Group for the year 2014:

Country	Turnover	Average number of employees	Profit / (loss) before tax	Accounting tax (income) / expense on profit / (loss)	Corporation tax paid	Public subsidies received
	€000		€000	€000	€000	€000
Cyprus	1.291.811	4.339	(46.500)	2.421	3.342	-
Russia	109.395	2.216	(263.838)	(15)	-	-
United Kingdom	26.357	196	3.868	(251)	-	-
Romania	16.424	56	(6.762)	-	-	-
Greece	8.277	13	33.459	5.012	148	-
Ukraine	4.937	126	(19.365)	(117)	-	-
Channel Islands	1.072	1	312	-	-	-
Netherlands	2.714	-	2.824	203	413	-
Total	**1.460.987**	**6.947**	**(296.002)**	**7.253**	**3.903**	**-**

The above table includes information on both continued and discontinued operations. The activities of Group companies by geographical area are disclosed in Note 53.

Turnover: turnover comprises net interest income, net fee and commission income, net foreign exchange losses, net gains on financial instrument transactions, insurance income net of claims and commissions and other income/(expenses).

Number of employees: the number of employees has been calculated as the average number of employees, on a quarterly basis, who were employed by the Group during the year ended 31 December 2014.

Profit/(loss) before tax: Profit/(loss) before tax represents profits after the deduction of inter-segment revenue/(expenses).

Accounting tax (income)/expense on profit/(loss): Includes corporation tax and Cyprus defence contribution. Deferred tax charge for the year is excluded from the above.

Corporation tax paid: includes actual payments made during 2014 for corporation tax (including insurance premium taxes) and Cyprus defence contribution. It excludes any withholding taxes.

57. Events after the reporting date

57.1 Retail offer

The Company completed its capital raising plan initiated in 2014 (Note 37) with a retail offer to qualifying shareholders, as a result of which 567.188 new ordinary shares were issued on 14 January 2015, at the subscription price of €0,24 per share.

57.2 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.

57.3 Release of last tranche of decree deposits

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 €2.780 million that were blocked as per the decrees relating to the recapitalisation of the Company in July 2013.

57.4 Repayment of ELA and ECB funding

In the first quarter of 2015, the Company repaid €500 million of ELA funding and €80 million of ECB funding.

57.5 Disposal of Kyprou Leasing S.A.

Following the disposal of the Group's leasing operations in Greece to Piraeus Bank S.A. 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 S.A. in March 2015.

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Independent Auditor's Report

To the Members of Bank of Cyprus Public Company Ltd

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Bank of Cyprus Company Public Company Ltd (the "Company") and its subsidiaries (together with the Company, the "Group") on pages 15 to 204, which comprise the consolidated balance sheet as at 31 December 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Consolidated Financial Statements

The Company's Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Basis for qualified opinion with respect to 2013 comparative information

As discussed in note 3.33 to the consolidated financial statements, in consideration of a bail-in of uninsured deposits and debt securities pursuant to the provisions of the relevant Decrees issued and enforced by the Resolution Authority in 2013, the Company when accounting for its recapitalisation was not able to measure the shares issued at their fair value as required by International Financial Reporting Standards ('IFRS') relating to extinguishment of financial liabilities due to the specific conditions and uncertainties that existed at the time of the transaction. Had the Company been able to apply the requirements of IFRS and measure the shares issued at their fair value it would recognise any difference with the carrying amount of the liabilities extinguished in profit or loss.

Furthermore, as described in note 54.2.1 to the consolidated financial statements relating to the acquisition of certain assets and liabilities of Cyprus Popular Bank Public Company Ltd ('Laiki Bank') in 2013, pursuant to the provisions of the relevant Decree issued and enforced by the Resolution Authority, the Company was not able to establish a reliable fair value of the shares issued and has therefore determined the value of the consideration transferred by reference to the fair value of the individually identifiable assets and liabilities acquired, for which a reliable fair value could be established.

Due to the nature of the above mentioned transactions and the circumstances that existed at the date these transactions took place, we were unable to obtain sufficient and appropriate audit evidence to conclude on the reliability of the measurement of the value of the shares issued at the time of these transactions and on any adjustments to the Group's consolidated income statement that could have been determined to be necessary because of the adopted treatments.

Our opinion on the financial statements for the year ended 31 December 2013 was modified with respect to the above. The Group's equity and financial position as at 31 December 2013 were not affected by the above accounting treatments.

Qualified opinion with respect to 2013 comparative information

In our opinion, except for the possible effects on the comparative information for the year 2013, of the matters described in the Basis for qualified opinion paragraph, the financial statements give a true and fair view of the financial position of the Group as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Emphasis of matter

Without qualifying our opinion, we draw your attention to note 4.1 'Going concern' to the consolidated financial statements which indicate the significant judgments, estimates and assumptions used in the preparation of the financial statements on a going concern basis. Our opinion is not qualified in respect of this matter.

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Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 3 to 14 is consistent with the consolidated financial statements.

Pursuant to the requirements of Directive DI190-2007-04 of the Cyprus Securities and Exchange Commission, we report that a corporate governance statement has been made for the information relating to paragraphs (a), (b), (c), (f) and (g) of article 5 of Directive DI190-2007-04, which forms a specific part of the Directors' Report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

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

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
31 March 2015

Statement by the Members of the Board of Directors and the Company Officials Responsible for the Drafting of the Financial Statements

(in accordance with the provisions of Cyprus Law 190(I)/2007 on Transparency Requirements)

We, the members of the Board of Directors and the Company officials responsible for the drafting of the financial statements of Bank of Cyprus Public Company Ltd (the 'Company') for the year ended 31 December 2014, the names of which are listed below, confirm that, to the best of our knowledge:

(a) the Company's financial statements on pages 209 to 350

(i) have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Cyprus Companies Law,

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

(b) the Report of the Board of Directors provides a fair review of the developments and performance of the business and the position of the Company and the undertakings included in the financial statements taken as a whole, together with a description of the principal risks and uncertainties that they face.

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

31 March 2015

FINANCIAL STATEMENTS

Income Statement

for the year ended 31 December 2014

		2014	2013 (restated)
	Notes	€000	€000
Continuing operations			
Turnover		**1.513.037**	1.552.541
Interest income	5	**1.383.355**	1.416.319
Interest expense	6	**(374.057)**	(533.985)
Net interest income		**1.009.298**	882.334
Fee and commission income	7	**143.596**	141.051
Fee and commission expense	7	**(7.838)**	(18.941)
Net foreign exchange (losses)/gains	8	**(9.547)**	15.319
Dividends from subsidiary companies	24	**16.850**	25.532
Net gains on financial instrument transactions and disposal of subsidiaries	9	**211.319**	36.941
Other income/(expenses)	10	**(19.591)**	(14.384)
		1.344.087	1.067.852
Staff costs	11	**(203.844)**	(348.695)
Other operating expenses	12	**(196.740)**	(179.208)
Profit before impairment of loans and advances to customers and other impairments		**943.503**	539.949
Provisions for impairment of loans and advances to customers and other customer credit losses	13	**(728.448)**	(929.635)
Impairment of other financial instruments	13	**(253.139)**	(50.546)
Impairment of non-financial instruments	14	**(252.130)**	(313.006)
Loss before tax from continuing operations		**(290.214)**	(753.238)
Tax	16	**(357)**	4.911
Loss after tax from continuing operations		**(290.571)**	(748.327)
Discontinued operations			
Profit/(loss) after tax from discontinued operations	15	**36.000**	(1.327.603)
Loss for the year		**(254.571)**	(2.075.930)

Basic and diluted losses per share (cent)– continuing operations	17	**(4,9)**	(20,7)
Basic and diluted losses per share (cent)	17	**(4,3)**	(57,5)

		2014	2013 (restated)
		€000	€000
	Notes		
Loss for the year		**(254.571)**	(2.075.930)
Other comprehensive income (OCI)			
OCI to be reclassified in the income statement in subsequent periods			
Foreign currency translation reserve			
(Loss)/profit on translation of net investment in foreign branches		**(3.775)**	35
Profit on hedging of net investments in foreign branches	20	**2.580**	2.356
		(1.195)	2.391
Available-for-sale investments			
Gains on revaluation before tax		**5.240**	19.763
Transfer to the income statement on impairment		**7.032**	16.662
Transfer to the income statement on sale		**(52.634)**	1.527
Tax	16	**-**	60
		(40.362)	38.012
		(41.557)	40.403
OCI not to be reclassified in the income statement in subsequent periods			
Property revaluation			
Fair value gains/(losses) before tax	26	**6.271**	(13.447)
Tax	16	**(1.883)**	3.205
		4.388	(10.242)
Actuarial loss for the defined benefit plans			
Remeasurement losses on defined benefit plans	11	**(6.665)**	(707)
		(2.277)	(10.949)
Other comprehensive (loss) / income after tax		**(43.834)**	29.454
Total comprehensive loss for the year		**(298.405)**	(2.046.476)

		2014	2013 (restated)
	Notes	€000	€000
Assets			
Cash and balances with central banks	18	**668.292**	550.740
Placements with banks	18	**1.462.824**	1.064.654
Derivative financial assets	20	**62.585**	28.723
Investments	19	**1.831.297**	2.722.328
Investments pledged as collateral	19	**669.786**	672.809
Loans and advances to customers	22	**17.329.208**	19.714.705
Balances with group companies	24	**809.959**	1.115.708
Other assets	29	**182.574**	249.399
Property and equipment	26	**221.106**	243.908
Investment properties	21	**250.888**	198.629
Intangible assets	27	**13.105**	16.975
Investments in associates and joint ventures	25	**102.615**	204.777
Investments in group companies	51	**236.369**	442.335
Deferred tax assets	16	**456.479**	456.479
Non-current assets held for sale	28	**114.060**	-
Total assets		**24.411.147**	27.682.169
Liabilities			
Amounts due to banks	30	**159.765**	124.152
Funding from central banks	31	**8.283.773**	10.956.277
Repurchase agreements	21	**579.682**	594.004
Derivative financial liabilities	20	**71.761**	83.957
Customer deposits	32	**11.329.157**	12.745.743
Balances with group companies	24	**550.683**	563.579
Other liabilities	34	**283.735**	132.966
Debt securities in issue	33	**693**	674
Deferred tax liabilities	16	**23.219**	21.983
Total liabilities		**21.282.468**	25.223.335
Equity			
Share capital	35	**892.238**	4.683.985
Share premium	35	**551.289**	-
Capital reduction reserve	35	**1.952.486**	-
Shares subject to interim orders	35	**441**	58.922
Revaluation and other reserves		**5.506**	43.086
Accumulated losses	37	**(273.281)**	(2.327.159)
Total equity		**3.128.679**	2.458.834
Total liabilities and equity		**24.411.147**	27.682.169

Dr. J. Ackermann Chairman
Mr. I. Zographakis Director

Mr. J. P. Hourican Chief Executive Officer
Dr. Chr. Patsalides Finance Director
Mrs. E. Livadiotou Chief Financial Officer

	Share capital (Note 35)	Share premium (Note 35)	Capital reduction reserve (Note 35)	Shares subject to interim orders (Note 35)	Accumulated losses (Note 37)	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Other reserves	Foreign currency translation reserve	Treasury shares (Note 35)	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
1 January 2014 (restated - Note 3.2.2)	**4.683.985**	**-**	**-**	**58.922**	**(2.327.159)**	**70.560**	**40.085**	**6.059**	**(8.119)**	**(65.499)**	**2.458.834**
Loss for the year	-	-	-	-	(254.571)	-	-	-	-	-	**(254.571)**
Other comprehensive (loss)/income after tax	-	-	-	-	(6.665)	4.388	(40.362)	-	(1.195)	-	**(43.834)**
Total comprehensive (loss)/income for the year	-	-	-	-	(261.236)	4.388	(40.362)	-	(1.195)	-	**(298.405)**
Bail-in of deposits and structured products	150	-	-	-	-	-	-	-	-	-	**150**
Issue of share capital	416.667	583.333	-	-	-	-	-	-	-	-	**1.000.000**
Share capital issue costs	-	(32.044)	-	-	-	-	-	-	-	-	**(32.044)**
Reduction of nominal value of share capital and reduction of share premium	(4.280.140)	-	1.952.486	-	2.327.654	-	-	-	-	-	**-**
Shares subject to interim orders withdrawn/cancelled	58.625	-	-	(58.481)	-	-	-	-	-	-	**144**
Additional shares issued to Laiki Bank for 2013 acquisition (Note 52.2.1)	12.951	-	-	-	(12.951)	-	-	-	-	-	**-**
Transfer of realised profits on sale of property	-	-	-	-	411	(411)	-	-	-	-	**-**
31 December 2014	**892.238**	**551.289**	**1.952.486**	**441**	**(273.281)**	**74.537**	**(277)**	**6.059**	**(9.314)**	**(65.499)**	**3.128.679**

	Share capital (Note 35)	Share premium (Note 35)	Shares subject to interim orders (Note 35)	Convertible Enhanced Capital Securities (CECS)	Accumulated losses (Note 37)	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Other reserves	Equity component of convertible subordinated loan stock	Foreign currency translation reserve	Treasury shares (Note 35)	**Total equity**
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	**€000**
1 January 2013	**1.795.141**	**428.271**	**-**	**428.835**	**(2.656.003)**	**96.028**	**2.073**	**6.059**	**5.251**	**(10.510)**	**(35.674)**	**59.471**
Loss for the year	-	-	-	-	(2.075.930)	-	-	-	-	-	-	**(2.075.930)**
Other comprehensive (loss)/income after tax	-	-	-	-	(707)	(10.242)	38.012	-	-	2.391	-	**29.454**
Total comprehensive (loss)/income for the year	-	-	-	-	(2.076.637)	(10.242)	38.012	-	-	2.391	-	**(2.046.476)**
Bail-in of deposits and structured products	3.814.495	-	-	-	-	-	-	-	-	-	-	**3.814.495**
Bail-in of Convertible Bonds 2013/2018, Capital Securities 12/2007 and Convertible Capital Securities	122.541	-	-	-	-	-	-	-	-	-	(6)	**122.535**
Conversion of CECS into shares	459.399	-	-	(429.580)	-	-	-	-	-	-	(29.819)	**-**
Reduction of nominal value of share capital and utilisation of share premium	(2.353.349)	(428.271)	-	-	2.786.871	-	-	-	(5.251)	-	-	**-**
Shares subject to interim orders	-	-	58.922	-	-	-	-	-	-	-	-	**58.922**
Acquisitions (Note 52.2.1)	845.758	-	-	-	(395.871)	-	-	-	-	-	-	**449.887**
Foreign exchange difference on CECS	-	-	-	745	(745)	-	-	-	-	-	-	**-**
Transfer of realised profits on sale of property	-	-	-	-	15.226	(15.226)	-	-	-	-	-	**-**
31 December 2013 (restated - Note 3.2.2)	**4.683.985**	**-**	**58.922**	**-**	**(2.327.159)**	**70.560**	**40.085**	**6.059**	**-**	**(8.119)**	**(65.499)**	**2.458.834**

	Note	2014 €000	2013 (restated and represented) €000
Net cash flow from / (used in) operating activities	40	**1.277.232**	(3.078.013)
Cash flows from investing activities			
Proceeds on disposal/redemption of investments:			
- debt securities and treasury bills		**1.045.820**	1.047.598
- equity securities		**88.541**	22.465
Interest received from debt securities and treasury bills		**42.147**	219.044
Dividend income received		**17.040**	25.862
Cash consideration paid net of cash acquired		**(520)**	1.126.302
Proceeds/(amounts paid) on disposal of subsidiary companies and operations		**98.860**	(1.140.984)
Purchase of property and equipment		**(2.074)**	(6.203)
Proceeds on disposal of property and equipment and intangible assets		**1.611**	2.152
Purchase of intangible assets		**(4.399)**	(2.751)
Proceeds on disposal of investment properties and investment properties held for sale		**454**	-
Net cash flow from investing activities		**1.287.480**	1.293.485
Cash flows from financing activities			
Proceeds from the issue of shares		**894.000**	-
Share issue costs paid		**(29.620)**	-
(Net repayment of)/proceeds from funding from central banks		**(2.672.504)**	1.853.749
Interest on subordinated loan stock		**-**	4.442
Interest on funding from central banks		**(138.643)**	(167.560)
Net cash flow (used in) / from financing activities		**(1.946.767)**	1.690.631
Net increase / (decrease) in cash and cash equivalents for the year		**617.945**	(93.897)
Cash and cash equivalents			
1 January		**900.181**	993.410
Foreign exchange adjustments		**(31.518)**	668
Net increase /(decrease) in cash and cash equivalents for the year		**617.945**	(93.897)
31 December	41	**1.486.608**	900.181

Details on the non-cash transactions are presented in Note 40.

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 during the year continued to be the provision of banking and financial services.

The Company is a limited liability company incorporated in 1930 under the Cyprus Companies Law. The Company has a primary listing on the Cyprus Stock Exchange and a secondary listing on the Athens Exchange. It is also a public company for the purposes of the Cyprus Income Tax Laws. During the period from 19 March 2013 to 15 December 2014, the shares of the Company were suspended from trading on the Cyprus and Athens Stock Exchanges. As from 16 December 2014 all ordinary shares of the Company are listed and traded on the Cyprus Stock Exchange and the Athens Exchange.

Financial statements
The financial statements of Bank of Cyprus Public Company Ltd for the year ended 31 December 2014 were authorised for issue by a resolution of the Board of Directors on 31 March 2015.

2. Operating environment in Cyprus

The Cyprus economy is showing further signs of stabilisation amidst a relatively unfavourable external environment.

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 originally envisioned. 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 the 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 16,2% in 2014, up from 15,9% the year before. Consumer prices in the year dropped by 1,4% in 2014, further to a 0,4% drop in 2013. The drop in average consumer prices was driven mainly by sizeable drops in rents, local goods and electricity supply. Against a background of subdued economic activity, low capacity utilisation, wage adjustments and low energy prices, inflationary pressures are expected to remain subdued in the medium term.

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 exactly balanced. 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 GDP.

Real economic activity is expected to remain relatively subdued in 2015 with GDP growth being close to zero. Uncertainty about the European economic recovery, the economic crisis in Russia and the political and economic uncertainty in Greece weigh negatively on the 2015 economic outlook.

Domestic downside risks remain and relate mostly to the high level of non-performing loans and the delays in the implementation of the relevant legal framework, as well as delays in the implementation of structural reforms agreed to in the economic adjustment programme. The ECB's recently announced programme of Quantitative Easing, assuming eligibility, is a positive development that will likely improve liquidity conditions. Stronger demand in the euro area as a result of Quantitative Easing, low energy prices, a weaker euro and robust growth can provide positive impetus to economic activity in 2015. Robust economic growth in the UK and a weakening of the euro could benefit tourism in Cyprus. Reduction in interest rates in Cyprus could support private sector consumption and could stimulate the domestic economy. The European Commission's latest forecasts expect that growth will pick up gradually in years 2015 and 2016.

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.

2. Operating environment in Cyprus (continued)

Cyprus has undergone five programme reviews by the Troika during the last two years, meeting most targets and achieving considerable adjustment. The contraction of the economy has been significantly less than anticipated and the banking sector has been downsized, recapitalised and restructured. The fifth programme review took place in July 2014 and progress has been noted on fiscal adjustment and restructuring of the financial sector. So far, a total of €6,1 billion has been disbursed.

Agreement on the fifth review, however, has not been possible in the period since the review took place because the effective application of the foreclosure framework has not been achieved. A new foreclosure law was approved by the Cypriot Parliament in September 2014 aimed at ensuring that the foreclosure process is effective and that it provides adequate and balanced incentives for borrowers and lenders to restructure loans. The implementation of this law, however, has been suspended repeatedly on the basis that deliberations for the adoption of a modern insolvency framework have not been completed. The foreclosure law needs to be complemented by a modernised corporate and personal insolvency legal framework, with the objective of facilitating debt restructuring for viable borrowers, providing for the speedy liquidation of non-viable companies and allowing for a fresh start for individuals without capacity to pay.

The most important factor in the Cyprus economy is to be able to restore its credibility and reputation and to enhance the confidence of people towards the banking sector. The successful outcome in the ECB Comprehensive Assessment for the Cypriot banks was a significant milestone, indicating that the banking sector has been significantly recapitalised and restructured and that is in a stronger position so as to support the economic recovery through the provision of credit to creditworthy households and businesses.

2.1 Restructuring of the Cyprus banking sector and the Group

The main terms of the MoU for the financial sector which were implemented in 2013 were:

- Based on a decision by the Central Bank of Cyprus (CBC) in its capacity as Resolution Authority and in compliance with Cyprus' newly adopted Bank Resolution Framework, Cyprus Popular Bank Public Co Ltd (Laiki Bank) was subjected to immediate resolution. The assets of Laiki Bank in Cyprus, the majority of Laiki Bank liabilities, mainly the insured deposits and €9 billion of Emergency Liquidity Assistance (ELA) funding, and certain assets and liabilities of the UK and Greek operations of Laiki Bank were acquired by the Company (Note 52.2). The Company issued shares to Laiki Bank as compensation for the acquired assets, which constituted 18,1% of the issued share capital of the Company upon completion of the recapitalisation.

- The Company was recapitalised through a deposit-to-equity conversion of 47,5% of its deposits that were subject to bail-in in accordance with the relevant decrees issued by the Resolution Authority (uninsured deposits), with full contribution of equity shareholders and debt holders.

- The Greek branches of the Company, Laiki Bank and Hellenic Bank were acquired by Piraeus Bank in Greece. Piraeus Bank acquired assets of €20 billion and liabilities of €14 billion of these branches.

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

- On 25 April 2013, the Company's Romanian Branch transferred to Marfin Bank (Romania) SA assets amounting to €82 million, which included certain customer loans and related collateral, cash and other liquid assets, as well as customer deposits amounting to €77 million.

2. Operating environment in Cyprus (continued)

2.1 Restructuring of the Cyprus banking sector and the Group (continued)

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

In accordance with the latest revision of the MoU signed in 2014 between the government and the Troika, a streamlined foreclosure framework must be in place in order to promote payment discipline by borrowers, where capacity exists, and to facilitate problem loan restructurings, where ability to pay is constrained by the downturn. The foreclosure framework provides that assets pledged as collateral can be recovered by the banks within a reasonable time-span. The MoU also provides that this legislation will need to be complemented by a reform of the insolvency framework, to guide the restructuring process for viable borrowers and provide solutions to address the debt of non-viable ones.

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

Further to the actions taken as part of the MoU, the Group also proceeded with additional restructuring actions, in order to focus on its core market in Cyprus, mainly:

- On 18 April 2014, the Group sold its Ukrainian business, comprising (i) its holding of 99,77% in its subsidiary bank in Ukraine, PJSC Bank of Cyprus, (ii) the funding provided by the Company to PJSC Bank of Cyprus, and (iii) its loans with Ukrainian exposures, to Alfa Group (Note 52.1.1).
- In April 2014, the Company disposed of its 9,99% shareholding in Banca Transilvania (Note 9).
- In May 2014, the Company disposed of customer loans in Serbia (Note 9).
- On 31 October 2014, the Company completed the sale of part of a UK loan portfolio acquired from Laiki Bank in 2013, which was largely composed of residential and commercial real estate-backed facilities (Note 9). .

2.2 Temporary restrictions on money transfers

In 2013 the Cypriot authorities introduced temporary restrictive measures and capital controls, with respect to banking and cash transactions, as a result of the significant liquidity squeeze in the local market and the risk of an outflow of deposits. The restrictive measures and capital controls included restrictions on cash withdrawals, the cashing of cheques and transfers of funds to other credit institutions in Cyprus and abroad.

Since their introduction, these restrictive measures have been extensively relaxed. As of May 2014, all restrictive measures within Cyprus were abolished. The capital controls with regards to the transferring of funds outside Cyprus are being gradually phased out.

2.3 Changes in the regulatory body

The Group's operations are supervised by the CBC and the ECB as a supervisory body for all the banks in the Eurozone area (referred to as the Single Supervisory Mechanism (SSM)). The ECB fully assumed several supervisory responsibilities as from 4 November 2014.

Further information is disclosed in Note 47.

2. Operating environment in Cyprus (continued)

2.4 Release of decree deposits

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.

3. Summary of accounting policies

3.1 Basis of preparation

The financial statements have been prepared on a historical cost basis, except for properties held for own use and investment properties, available-for-sale investments, derivative financial instruments and financial assets at fair value through profit or loss, that have been measured at fair value and non-current assets held for sale measured at fair value less costs to sell. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

Presentation of financial statements
The financial statements are presented in Euro (€) and all amounts are rounded to the nearest thousand, except where otherwise indicated.

The Company presents its balance sheet broadly in order of liquidity. An analysis regarding expected recovery or settlement of financial assets and liabilities within twelve months after the balance sheet date and more than twelve months after the balance sheet date is presented in Note 43.

These are the financial statements of the holding company Bank of Cyprus Public Company Ltd and include branches of the Company in Greece and Romania.

Statement of compliance
The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

3.2 Changes in accounting policies and disclosures

The accounting policies applied in preparing the financial statements of the Company are consistent with those applied in preparing the consolidated financial statements of the Group, a summary of which is presented in Note 3 of the Consolidated Financial Statements.

In addition the following policies are implemented:

Investments in subsidiaries, associates and joint ventures
Investments in subsidiaries, associates and joint ventures are measured at cost less impairment.

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new and amended standards and interpretations as explained in Note 3.2.1 below.

3.2.1 New and amended standards and interpretations

The Company applied, for the first time, certain standards and amendments which did not have a material impact on the Company's Financial Statement. These include IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements, IFRS 12 Disclosures of Interests in Other Entities, IAS 28 Investments in Associates and Joint Ventures (Revised) and IAS 36 Impairment of Assets (Amended) - Recoverable Amount Disclosures for Non-Financial Assets.

Several other amendments also apply for the first time in 2014. However, they do not impact the financial statements of the Company.

3. Summary of accounting policies (continued)

3.2 Changes in accounting policies and disclosures (continued)

3.2.1 New and amended standards and interpretations (continued)

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements of IAS 27. There was no material impact on the financial statements of the Company from the application of the new standard.

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. There was no material impact on the financial statements of the Company from the application of the new standard.

IFRS 12 Disclosures of Interests in Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 and related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The new disclosures required are presented by the Company in Notes 25 and 51.

IAS 28 Investments in Associates and Joint Ventures (Revised)
As a consequence of the new IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Equities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. There was no material impact on the financial statements of the Company from the application of the new standard.

3.2.2 Impact on finalisation of accounting of Laiki Bank acquisition

In March 2014 the accounting for the Laiki Bank acquisition was completed and the Company recognised final adjustments on the acquisition date fair values amounting to €7.082 thousand on the net assets acquired (Note 52.2.1).

In addition, as part of the 2013 acquisition, the Company acquired 70% of the share capital of Byron Capital Partners Ltd (BCP) and more than 90% of the participating redeemable units of Marfin Diversified Strategy Fund Plc (MDSF). The management of the shares of the MDSF is 100% owned by BCP. The Company 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 Company considers that it has joint control over BCP and MDSF and it should be classified as a joint venture under IFRS 11. The investment was provisionally classified as available-for-sale and was reclassified to investment in associates and joint ventures following information obtained for this investment about facts and circumstances that existed on the acquisition date. The investment in the joint venture is accounted of under the equity method.

3. Accounting policies (continued)

3.2 Changes in accounting policies and disclosures (continued)

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

The following adjustments were made to the financial results and position of the Company for the comparative year:

Income statement for 2013	**€000**
Loss for the year	
Before the change in classification	**(2.069.343)**
Impairment of investment in joint venture	(6.587)
After the change in classification	**(2.075.930)**

Statement of comprehensive income for 2013	
Available-for-sale investments	
Gain on revaluation before tax	
Before the change in classification	**31.425**
Gains on revaluation before tax	6.587
After the change in classification	**38.012**

Balance sheet as at 31 December 2013	
Investments	
Before the change in classification	**2.822.057**
Reclassification to investment in associates and joint ventures	(99.729)
After the change in classification	**2.722.328**

Investments in associates and joint ventures	
Before the change in classification	**105.048**
Reclassification from available-for-sale investments	99.729
After the change in classification	**204.777**

Other assets	
Before the adjustments to the provisional amounts	**242.317**
Adjustments on the fair values of the identifiable assets acquired from Laiki Bank	7.082
After the final adjustments to the provisional amounts	**249.399**

Accumulated losses	
Before the adjustments to the provisional amounts	**(2.327.654)**
Adjustments on the fair values of the identifiable assets acquired from Laiki Bank	495
After the final adjustments to the provisional amounts	**(2.327.159)**

4. Significant judgements, estimates and assumptions

The preparation of the financial statements requires the Company's Board of Directors and management to make judgements, estimates and assumptions that can have a material impact on the amounts recognised in the 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 at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments may, however, change due to market changes or circumstances beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

4.1 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 year 2014 and the developments up to the date of approval of these financial statements that have been considered in management's going concern assessment include, amongst others, the macroeconomic environment in Cyprus as described in Note 2, and the following considerations.

4.1.1 Regulatory capital ratios

The Common Equity Tier 1 (CET1) ratio of the Group at 31 December 2014 stands at 14,0% (transitional) and of the Company at 14,3% (transitional). The capital position of the Company was strengthened after the €1 billion capital increase completed in September 2014 (Note 35).

The minimum Common Equity Tier 1 (CET1) capital ratio under the Capital Requirements Regulation (CRR) and the Capital Requirements Directive IV (CRD IV) was set by the 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 current capital position satisfies both its Pillar I capital requirement and Pillar II add-on capital requirement. However, the Group's Pillar II add-on capital requirement is a point in time assessment and therefore is subject to change over time.

It is noted that the Group's Restructuring Plan was approved by the CBC in November 2013. The Plan provided that the core tier 1 capital of the Group will remain above 9% throughout the Restructuring Plan period (without taking into account the €1 billion capital raising).

4.1.2 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. For the purposes of the EU-wide stress test, the minimum ratios applied across all participating banks were set at 8% CET1 ratio for the Baseline Scenario and 5,5% CET1 ratio for the Adverse Scenario.

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.

4. Significant judgements, estimates and assumptions (continued)

4.1 Going concern (continued)

4.1.3 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 decreased by 3% during 2014 and totalled €12.653 million at 31 December 2014, representing 53% of gross loans. The provision coverage ratio improved to 41% (compared to 38% at 31 December 2013), 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 €14.961 million at 31 December 2014 and accounted for 63% of gross loans. The provision coverage ratio of NPEs totalled 34% at 31 December 2014.

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

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

4.1.4 Liquidity

The Company continues to have significant reliance on central bank funding due to its relatively limited access to interbank and wholesale markets, as well as the deposit outflows experienced in the past. Following the €1 billion share capital increase by the Company and the expected enactment of the foreclosure and insolvency legislation, the Company expects 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 Company as at 31 December 2014 amounted to €8,28 billion, comprising €880 million of ECB funding and €7,40 billion of ELA funding (Note 31 and 46). As at 31 March 2015, the level of central bank funding has been further reduced to €7,70 billion, comprising €800 million of ECB funding and €6,90 billion of ELA funding. In addition, in light of the challenging market conditions given recent developments in Greece and Russia, the Company is maintaining an increased liquidity buffer. The Company plans to continue with further ELA repayments, the pace of which will be dependent on the prevailing market conditions.

In March 2013, the Cypriot authorities introduced certain temporary restrictive measures and capital controls with respect to banking and cash transactions. All restrictive measures within Cyprus were lifted in May 2014, while the external capital controls for transfers of funds outside Cyprus are being gradually phased out.

In addition to the restrictive measures applicable for the Cypriot banking system as a whole, additional restrictive measures applicable to the Company's deposits affected by the bail-in were introduced in July 2013. On 31 January 2015, the last tranche of blocked decree deposits (about €300 million out of a total of €2,8 billion blocked decree deposits) was released. It is noted that all blocked decree deposits have been released earlier than expected and the majority of them have remained with the Company, evidencing the growing confidence of customers towards the Company.

The growing confidence of customers is also evidenced by the fact that the Company's deposits, in constant exchange rates, increased by €80 million during the fourth quarter of 2014. Deposits in Cyprus increased by €71 million during the same period, despite the on-going deleveraging efforts of customers that use their savings to pay down debt, the release of €600 million of blocked decree deposits at the end of October 2014, the further extensive relaxation of external restrictive measures and the public debate regarding the foreclosure and insolvency frameworks. This increase was the first quarterly increase in deposits in Cyprus since the events of March 2013. Post April 2014, the Group experienced net customer inflows (defined as the difference between changes in the stock of deposits and loans) in its Cyprus operations every month with the exception of August 2014, while for the whole of 2014 there were net customer inflows. Customer inflows have continued during the first quarter of 2015.

4. Significant judgements, estimates and assumptions (continued)

4.1.4 Liquidity (continued)

Although the Company has received no specific guarantees, the management expects that the Company 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 Company'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.

4.1.5 Pending litigation and claims

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

Despite the novelty of the said claims and the uncertainties inherent in a unique situation, on the information available at present and on the basis of the law as it currently stands, the management considers that the said claims seem unlikely to have a material adverse impact on the financial position and capital adequacy of the Company (Note 39).

4.1.6 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 Common Equity Tier 1 capital ratio of the Group at 31 December 2014 stands at 14,0%.
- The Group passed the 2014 ECB Comprehensive Assessment exercise after the €1 billion capital raise.
- The broadly stable level of 90+ DPD loans since December 2013.
- The improved liquidity position of the Group and the positive customer flows experienced in Cyprus every month since April 2014 (with the exception of August). Customer deposits in Cyprus have also been increasing since the fourth quarter of 2014. 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.

4. Significant judgements, estimates and assumptions (continued)

4.2 Provision for impairment of loans and advances to customers

The Company reviews its loans and advances to customers to assess whether a provision for impairment should be recorded in the 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 Company may change certain estimates from period to period, however it is impracticable to estimate the effect of individual estimates due to interdependencies between estimates and as the profile of the population of loans changes from period to period.

Assumptions have been made about the future changes in property values, as well as the timing for the realisation of the collateral and for taxes and expenses on the repossession and subsequent sale of the collateral. Indexation has been used to estimate updated market values of properties while assumptions were made on the basis of a macroeconomic scenario for future changes in property values. The timing of recovery from mortgages has been estimated to be 3 years and the cumulative future drop in property values has been estimated at -8%.

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 Company's position relative to other claimants, the reliability of customer information and the likely cost). 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 Company also makes collective impairment provisions. The Company 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.

4. Significant judgements, estimates and assumptions (continued)

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

The total amount of the Company'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 Company'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 details on impairment allowances and related credit information are set out in Note 44.

4.3 Fair value of investments

The best evidence of fair value is a quoted price in an actively traded market. If the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employed by the Company use only observable market data and so the reliability of the fair value measurement is relatively high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant inputs that are not observable. Valuation techniques that rely on non-observable inputs require a higher level of management judgement to calculate a fair value than those based wholly on observable inputs.

Valuation techniques used to calculate fair values include comparisons with similar financial instruments for which market observable prices exist, discounted cash flow analysis and other valuation techniques commonly used by market participants. Valuation techniques incorporate assumptions that other market participants would use in their valuations, including assumptions about interest rate yield curves, exchange rates, volatilities and default rates. When valuing instruments by reference to comparable instruments, management takes into account the maturity, structure and rating of the instrument with which the position held is being compared.

The Company only uses models with unobservable inputs for the valuation of certain unquoted equity investments. In these cases, estimates are made to reflect uncertainties in fair values resulting from a lack of market data inputs, for example, as a result of illiquidity in the market. Inputs into valuations based on unobservable data are inherently uncertain because there is little or no current market data available from which to determine the level at which an arm's length transaction would occur under normal business conditions. Unobservable inputs are determined based on the best information available.

Further details on fair value of assets and liabilities are disclosed in Note 21.

4.4 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. 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 Company'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.

Further details on impairment of available-for-sale investments are presented in Notes 13 and 19.

4. Significant judgements, estimates and assumptions (continued)

4.5 Reclassification of financial assets

The Company classifies financial assets into the following categories: at fair value through profit or loss, available-for-sale, held-to-maturity or loans and receivables. The appropriate classification of financial assets is determined at the time of initial recognition. In addition, under the amendments to IAS 39 and IFRS 7 Reclassification of Financial Assets which were approved by the IASB and endorsed by the EU in October 2008, it is permissible to reclassify certain financial assets out of the financial assets at fair value through profit or loss (trading assets) and the available-for-sale classifications into the loans and receivables classification. For assets to be reclassified, there must be a clear change in management intent with respect to the assets since initial recognition and the financial asset must meet the definition of a loan and receivable at the reclassification date. Additionally, there must be an intent and ability to hold the asset for the foreseeable future at the reclassification date. There is no ability for subsequent reclassification back to the trading or available-for-sale classifications.

Management judgement and assumptions are required to determine whether an active market exists in order for a financial asset to meet the definition of loans and receivables. Management judgement and assumptions are also required to estimate the fair value of the financial assets identified at the date of reclassification, which becomes the amortised cost base under the loans and receivables classification. The task facing management in both these matters can be particularly challenging in highly volatile and uncertain economic and financial market conditions. The change of intent to hold for the foreseeable future is another matter requiring management judgement. Financial assets proposed for reclassification need to be approved by the Assets and Liabilities Committee (ALCO) based on the facts and circumstances of each financial asset under consideration and after taking into account the ability and plausibility to execute the strategy to hold the asset.

In addition to the above, management judgement is also required to assert that the expected repayment of the asset exceeds the estimated fair value and the returns on the asset will be optimised by holding it for the foreseeable future.

Information on assets reclassified is presented in Note 19.

4.6 Retirement benefits

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuations involve making assumptions about discount rates, the expected rate of return on plan assets, future salary increases, mortality rates as well as future pension increases where necessary. The Company's management sets these assumptions based on market expectations at the reporting date using its best estimates for each parameter covering the period over which the obligations are to be settled. In determining the appropriate discount rate, management considers the yield curve of high quality corporate bonds. In determining other assumptions, a certain degree of judgement is required. Future salary increases are based on expected future inflation rates for the specific country plus a margin to reflect the best possible estimate relating to parameters such as productivity, workforce maturity and promotions. The expected return on plan assets is based on the composition of each fund's plan assets, estimating a different rate of return for each asset class. Estimates of future inflation rates on salaries and expected rates of return of plan assets represent management's best estimates for these variables. These estimates are derived after consultation with the Company's advisors, and involve a degree of judgement. Due to the long-term nature of these plans, such estimates are inherently uncertain.

Further details on retirement benefits are disclosed in Note 11.

4.7 Tax

The Company operates and is therefore subject to tax in various countries. Estimates are required in determining the provision for taxes at the reporting date. The Company 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 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.

4. Significant judgements, estimates and assumptions (continued)

4.7 Tax (continued)

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

Further details on taxes are disclosed in Note 16.

4.8 Investment in associates and joint ventures

The Company's investments in joint ventures comprise in 2013 Byron Capital Partners Ltd (BCP) and Marfin Diversified Strategy Fund Plc (MDSF) acquired by the Company as part of the acquisition of certain operations of Laiki Bank (Note 52.2.1). The management shares of the MDSF are 100% owned by BCP. The Company 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 Company 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 Company has joint control over BCP and MDSF, together with the other shareholder.

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

The Company'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 a valuation model 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 and 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 as at 31 December 2014, 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 values of property.

Further information on inputs used is disclosed in Note 21.

4. Significant judgements, estimates and assumptions (continued)

4.10 Provisions

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 39.

4.11 Non-current assets held for sale

In December 2014, the Company determined that the Russian operations of the Group 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 expected to be completed within one year from the date of classification. As a result assets of the Company the form part of the disposal group have been classified as held for sale.

More details on non-current assets held for sale are presented in Note 15 and 28.

5. Interest income

	2014	2013
	€000	€000
Loans and advances to customers	**1.140.841**	1.148.308
Placements with banks and central banks	**37.399**	46.006
Investments available-for-sale	**16.184**	33.434
Investments classified as loans and receivables	**177.225**	173.518
	1.371.649	1.401.266
Trading investments	**1**	-
Derivative financial instruments	**10.966**	14.314
Other investments at fair value through profit or loss	**739**	739
	1.383.355	1.416.319

Interest income from loans and advances to customers includes interest on the recoverable amount of impaired loans and advances amounting to €261.002 thousand (2013: €184.577 thousand).

6. Interest expense

	2014	2013
	€000	€000
Customer deposits	**178.619**	305.927
Funding from central banks and amounts due to banks	**156.505**	178.054
Repurchase agreements	**11.910**	10.130
Subordinated loan stock reversal	**-**	(4.442)
	347.034	489.669
Derivative financial instruments	**27.023**	44.316
	374.057	533.985

7. Fee and commission income and expense

Fee and commission income

	2014	2013
	€000	€000
Credit-related fees and commissions	**78.974**	70.622
Other banking commissions	**62.392**	68.030
Mutual funds and asset management fees	**1.892**	2.349
Other commissions	**338**	50
	143.596	141.051

Mutual funds and asset management fees include income of €1.860 thousand (2013: €2.319 thousand) relating to fiduciary and other similar activities.

Fee and commission expense

	2014	2013
	€000	€000
Banking commissions	**7.719**	18.607
Mutual funds and asset management fees	**119**	334
	7.838	18.941

8. Net foreign exchange (losses) / gains

Net foreign exchange (losses)/gains comprise the conversion of monetary assets in foreign currency at the reporting date, realised exchange (losses)/gains from transactions in foreign currency settled during the year and the revaluation of foreign exchange derivatives.

9. Net gains on financial instrument transactions and disposal of subsidiaries

	2014	2013
	€000	€000
Trading portfolio:		
- equity securities	**490**	194
- debt securities	**1**	31
- derivative financial instruments	**11.764**	15.327
Other investments at fair value through profit or loss:		
- debt securities	**1.717**	2.370
Net gains/(losses) on disposal of available-for-sale investments:		
- equity securities	**48.907**	951
- debt securities	**2.868**	(12.040)
Net gains on disposal/repayment of loans and receivables:		
- debt securities	**99.911**	6.681
Realised gains/(losses) on disposal of loans and deposits	**11.444**	(4.829)
Revaluation of financial instruments designated as fair value hedges:		
- hedging instruments	**(11.897)**	24.079
- hedged items	**10.290**	(22.910)
(Loss)/profit on disposal/dissolution of subsidiaries	**(11.514)**	444
Gains on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans	**47.338**	26.643
	211.319	36.941

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

Additionally, the gain on disposal/repayment of debt securities classified as loans and receivables relates to the gain from the earlier than initially expected partial repayment of a Cyprus Government Bond.

The realised gains/(losses) on disposal of loans and deposits for 2014 primarily relate to the disposal of Serbian loans and to the disposal of the majority of a UK loan portfolio, both of which were acquired from Laiki Bank in 2013.

Gains on derecognition of loans and advances to customers and changes in expected cash flows on acquired loans arise on settlement of loans acquired during 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.

Loss on disposal of subsidiaries in 2014 relates to the loss on disposal of the Ukrainian subsidiaries and related assets (Note 52.1.1).

10. Other income / (expenses)

	2014	2013
	€000	€000
Dividend income – third parties	**190**	319
Losses on sale and write-off of property and equipment and intangible assets	**(2.055)**	(835)
Rental income from investment properties	**630**	546
Losses from revaluation of investment properties (Note 21)	**(23.803)**	(16.746)
Other income	**5.447**	2.332
	(19.591)	(14.384)

11. Staff costs

	2014	2013
	€000	€000
Salaries	**158.349**	182.352
Employer's contributions to state social insurance and pension funds	**23.669**	25.838
Retirement benefit plan costs	**21.511**	22.195
	203.529	230.385
Early retirement compensation and voluntary retirement schemes	**315**	118.310
	203.844	348.695

The number of persons employed by the Company as at 31 December 2014 was 4.213 (2013: 4.264).

In January and August 2013 the Company proceeded with a Voluntary Retirement Scheme (VRS) for its employees in Cyprus.

Retirement benefit plan costs

In addition to the employer's contributions to state social insurance and pension funds, the Company operates plans for the provision of additional retirement benefits as described below:

	2014	2013
	€000	€000
Defined benefit plans	**(288)**	(2.836)
Defined contribution plans	**21.799**	25.031
	21.511	22.195

11. Staff costs (continued)

Retirement benefit plan costs (continued)

Cyprus
The main retirement plan for the Company's permanent employees in Cyprus (94% of total Company employees) is a defined contribution plan. This plan provides for employer contributions of 14% and employee contributions of 3%-10% of the employees' gross salaries. This plan is managed by a Committee appointed by the members.

A small number of employees who do not participate in the main retirement plan, are members of a pension scheme that is closed to new entrants and may receive part or all of their retirement benefit entitlement by way of a pension for life. This plan is managed by an Administrative Committee composed of representatives of both the members and the employer.

The present value of the defined benefit obligations of the retirement plans is estimated annually using the Projected Unit Credit Method of actuarial valuation, carried out by independent actuaries. The principal actuarial assumptions used for the valuation of the remaining retirement plans of the Company in Cyprus during 2014 and 2013 are set out below:

	2014	2013
Discount rate	**1,87%**	3,55%
Inflation rate	**1,75%**	2%
Future salary increases	**0% for 2015-2016 and 3% thereafter**	0% for 2014-2015, 2% for 2016 and 3% thereafter
Rate of pension increase	**0% - 2%**	0%-2%
Life expectancy for pensioners at age 60	**24,0 years M 30,1 years F**	24,0 years M 30,1 years F

Greece
As part of the disposal of the Greek operations the staff and the related obligations under the defined benefit plan in Greece were transferred to Piraeus Bank.

All employees were entitled by law to compensation in case of dismissal or a lump sum payment upon normal retirement, at rates specified in the Greek legislation. All the benefits payable under this defined benefit plan were paid out of the Company's assets because this plan is unfunded.

The present value of the defined benefit obligations under the defined benefit plan in Greece is estimated annually using the Projected Unit Credit Method of actuarial valuation, carried out by independent actuaries. The principal actuarial assumptions used for the valuations were as follows:

	2014	2013
Discount rate	**1,83%-2,30%**	3,64%
Inflation rate	**1,75%**	2%
Future salary increases	**0% for 2015-2016 and 3% thereafter**	0% for 2014-2015, 2% for 2016 and 3% thereafter

For employees recruited after 31 December 2002, a defined contribution plan is available.

11. Staff costs (continued)

Retirement benefit plan costs (continued)

United Kingdom
The Company has assumed in prior years the obligation of the defined benefit plan of its employees in the United Kingdom which was closed in December 2008 to future accrual of benefits for active members.

The present value of the defined benefit plan obligations is estimated annually using the Projected Unit Credit Method of actuarial valuation, carried out by independent actuaries. The principal actuarial assumptions used for the valuation were as follows:

	2014	2013
Discount rate	**3,70%**	4,65%
Inflation rate	**3,10%**	3,45%
Rate of pension increase	**3,00%**	3,30%
Life expectancy for pensioners at age 65	**23,7 years**	23,7 years

Romania
The Company does not operate any retirement benefit plans in Romania.

Analysis of the results of the actuarial valuations for the defined benefit plans
The amount included in the balance sheet in respect of the Company's obligation on defined benefit plans is as follows:

	2014	2013
	€000	€000
Net present value of obligations	**84.508**	70.312
Fair value of plan assets	**(82.740)**	(75.772)
	1.768	(5.460)
Amount not recognised as an asset because of the asset restriction requirement	**13.921**	14.449
Net liability of retirement benefit plans recognised on the balance sheet	**15.689**	8.989

One of the plans has a funded status surplus of €14.000 thousand (2013: €15.000 thousand) that is not recognised as an asset on the basis that the Company has no unconditional right to future economic benefits either via a refund or a reduction in future contributions.

	2014	2013
Amounts recognised in the balance sheet	**€000**	€000
Liabilities (Note 34)	**15.731**	9.035
Assets (Note 29)	**(42)**	(46)
	15.689	8.989

11. Staff costs (continued)

Retirement benefit plan costs (continued)

Analysis of the results of the actuarial valuations for the defined benefit plans (continued)
The movement in the net present value of obligations is set out below:

	2014	2013
	€000	€000
1 January	**70.312**	111.494
Current service cost	**16**	659
Interest cost on liabilities	**3.080**	3.338
Actuarial losses/(gains):		
- remeasurement losses/(gains) - financial	**11.830**	(4.325)
- remeasurement losses - demographic	**-**	587
- remeasurement losses - experience	**33**	1.343
Benefits paid from the plans	**(4.211)**	(9.775)
Benefits paid directly by the Company	**-**	(7.012)
Terminations, curtailments and settlements	**(223)**	(3.091)
Effect of termination of plan upon disposal of operations	**-**	(21.752)
Foreign exchange differences from overseas plans	**3.671**	(1.154)
31 December	**84.508**	70.312

The movement in the fair value of plan assets is set out below:

	2014	2013
	€000	€000
1 January	**75.772**	96.969
Interest income on scheme assets	**3.161**	3.480
Remeasurement – return on plan assets (excluding interest income)	**4.672**	(11.318)
Employer's contributions	**284**	1.936
Benefits paid from the plans	**(4.211)**	(9.775)
Asset adjustment due to disposal	**-**	(4.609)
Foreign exchange differences from overseas plans	**3.062**	(911)
31 December	**82.740**	75.772

The actual return on plan assets for year 2014 was a gain of €7.833 thousand (2013: loss of €7.838 thousand).

The assets of funded plans are generally held in separately administered trusts, either as specific assets or as a proportion of a general fund, or as insurance contracts. Plan assets held in trust are governed by local regulations and practice in each country.

11. Staff costs (continued)

Retirement benefit plan costs (continued)

Analysis of the results of the actuarial valuations for the defined benefit plans (continued)
Pension plan assets are invested in different asset classes in order to maintain a balance between risk and return. Investments are well diversified to limit the financial effect of the failure of any individual investment. Through its defined benefit plans, the Company is exposed to a number of risks as outlined below:

Interest rate risk	The Company is exposed to interest rate risk due to the mismatch of the duration of assets and liabilities.
Changes in bond yields	A decrease in corporate bond yields will increase the liabilities, although this will be partially offset by an increase in the value of bond holdings.
Inflation risk	The Company faces inflation risk, since the liabilities are either directly (through increases in pensions) or indirectly (through wage increases) exposed to inflation risks. Investments to ensure inflation-linked returns (i.e. real returns through investments such as equities, index-linked bonds and assets whose return increase with increasing inflation) could be used for better match with the expected increases in liabilities.
Asset volatility	The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, a deficit will be created.

The major categories of plan assets as a percentage of total plan assets are as follows:

	2014	2013
Equity securities	**41%**	45%
Debt securities	**42%**	38%
Placements with banks	**17%**	17%
	100%	100%

The assets held by the funded plans include securities issued by the Company, the fair value of which is:

	2014	2013
	€000	€000
Equity securities	**3.577**	2.764

The components of the amount recognised in the income statement in relation to the defined benefit plans are as follows:

	2014	2013
	€000	€000
Current service cost	**16**	659
Net interest income	**(81)**	(141)
Curtailments and settlements	**(223)**	(3.354)
	(288)	(2.836)

11. Staff costs (continued)

Retirement benefit plan costs (continued)

Analysis of the results of the actuarial valuations for the defined benefit plans (continued)
The components of the expense recognised in the statement of comprehensive income in relation to the defined benefit plans are as follows:

	2014	2013
	€000	€000
Remeasurement (losses)/gains	**(11.863)**	2.395
Return on plan assets (excluding interest income)	**4.672**	(11.318)
Change in the effect of limit on plan surpluses	**526**	8.216
	(6.665)	(707)

The Company's expected contribution to the plans for 2015 is €3.243 thousand.

Principal actuarial assumptions used in the actuarial valuations
The discount rate used in the actuarial valuations reflects the rate at which liabilities could effectively be settled and is set by reference to market yields at the reporting date in high quality corporate bonds of suitable maturity and currency. For the Company's plans in the Eurozone (Cyprus and Greece) which comprise 25% of the defined benefit obligations, the Company adopted a full yield curve approach using AA rated corporate bonds data from the iBoxx Euro Corporates AA10+ index. For the Company's plan in the UK which comprises 75% of the defined benefit obligations, the Company adopted a full yield curve approach using the discount rate that has been set based on the yields on AA- rated corporate bonds with duration consistent with the scheme's liabilities. Under this approach, each future liability payment is discounted by a different discount rate that reflects its exact timing.

To develop the assumptions relating to the expected rates of return on plan assets, the Company, in consultation with its actuaries, uses forward-looking assumptions for each asset class reflecting market conditions and future expectations at the reporting date. Adjustments are made annually to the expected rate of return assumption based on revised expectations of future investment performance of asset classes, changes to local legislation that may affect investment strategy, as well as changes to the target strategic asset allocation.

A quantitative sensitivity analysis for significant assumptions as at 31 December 2014 and 31 December 2013 is shown below:

	2014		2013	
Variable	**Change +0,5%**	**Change -0,5%**	Change +0,5%	Change -0,5%
Discount rate	**-7,9%**	**8,9%**	-7,3%	8,2%
Inflation growth rate	**-5,1%**	**5,5%**	4,9%	-4,6%
Salary growth rate	**0,4%**	**-0,1%**	0,3%	-0,1%
Pension growth rate	**0,9%**	**-0,8%**	1,0%	-0,9%
	Plus 1 year	**Minus 1 year**	Plus 1 year	Minus 1 year
Life expectancy	**-0,3%**	**0,4%**	1,5%	-1,2%

11. Staff costs (continued)

Retirement benefit plan costs (continued)

Principal actuarial assumptions used in the actuarial valuations (continued)
The above sensitivity analyses (with the exception of the inflation sensitivity) are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and some changes of the assumptions may be correlated. The inflation sensitivity above includes changes to any inflation linked benefit increases. When calculating the sensitivity of the defined benefit obligation to significant assumptions, the same method has been applied as when calculating the pension liability recognised on the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous periods.

12. Other operating expenses

	2014	2013
	€000	€000
Operating lease rentals for property and equipment	**12.739**	15.420
Advertising and marketing	**12.231**	10.849
Repairs and maintenance of property and equipment	**16.206**	12.947
Other property-related costs	**11.761**	12.027
Insurance expenses	**14.122**	7.614
Communication expenses	**9.425**	6.865
Printing and stationery	**4.257**	2.955
Depreciation of property and equipment (Note 26)	**9.116**	11.285
Amortisation of intangible assets (Note 27)	**5.756**	11.097
Contribution to depositor protection scheme	**1**	2.215
Special tax levy on credit institutions in Cyprus	**19.220**	20.853
Provision and settlements of litigations or claims (Note 34)	**6.260**	8.500
Consultancy and other professional services fees	**17.598**	12.318
Other operating expenses	**22.243**	8.039
	160.935	142.984
Advisory and other restructuring costs	**35.805**	36.224
	196.740	179.208

12. Other operating expenses (continued)

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.

Consultancy and other professional services fees include fees (including taxes) to the independent auditors of the Company, for audit and other professional services provided both in Cyprus and overseas, as follows:

	2014	2013
	€000	€000
Audit of the financial statements of the Company	**921**	865
Other audit-related services	**130**	13
Tax services	**245**	167
Other services	**1.270**	274
	2.566	1.319
Continuing operations	**2.566**	1.209
Discontinued operations	**-**	110
	2.566	1.319

13. Impairment of financial instruments

Customer credit related impairment

	2014	2013
	€000	€000
Loans and advances to customers (Note 44)	**642.697**	929.635
Financial guarantees and commitments (Note 34)	**85.751**	-
	728.448	929.635

Impairment of other financial instruments

	2014	2013
	€000	€000
Debt securities	**-**	15.898
Available for sale equity securities	**7.032**	5.832
Impairment of balances with group Companies (Note 24)	**198.066**	28.816
Placements with banks (Note 44)	**18.940**	-
Other receivables	**29.101**	-
	253.139	50.546

Impairment of other receivables primarily concerns amounts related to Laiki Bank and other Laiki Bank related exposures as a result of the 2013 acquisition.

14. Impairment of non-financial instruments

	2014	2013
	€000	€000
Property held for own use (Note 26)	**1.460**	290
Investment in associate and joint ventures	**7.753**	6.587
Remeasurement of investment in joint venture held for sale at fair value less costs to sell (Note 28)	**20.491**	-
Investments in subsidiaries (Note 51)	**141.426**	231.878
Remeasurement of investments in subsidiaries held for sale at fair value less costs to sell (Note 28)	**81.000**	74.251
	252.130	313.006

15. Discontinued operations

	2014	2013
	€000	€000
Turnover	**-**	99.374
Interest income	**-**	102.517
Interest expense	**-**	(67.571)
Net interest income	**-**	34.946
Fee and commission income	**-**	13.436
Fee and commission expense	**-**	(719)
Net foreign exchange losses	**-**	(14.509)
Net losses on financial instrument transactions and disposal of subsidiaries	**-**	(1.224.137)
Other income/(expense)	**-**	(2.070)
	-	(1.193.053)
Staff costs	**-**	(21.804)
Other operating expenses	**36.000**	(53.543)
Profit/(loss) before impairment of loans and advances and other impairments	**36.000**	(1.268.400)
Provisions for impairment of loans and advances to customers and other customer credit losses	**-**	(59.203)
Profit/(loss) before and after tax	**36.000**	(1.327.603)

Further details for the discontinued operations in 2014 are disclosed in Note 39.

16. Tax

	2014	2013
	€000	€000
Current tax:		
- Cyprus	-	325
- overseas	1.000	-
Cyprus defence contribution	4	9
Deferred tax	(647)	(5.245)
	357	(4.911)

The reconciliation between the tax expense/(income) and the loss before tax as estimated using the current tax rates is set out below:

	2014	2013
	€000	€000
Loss before tax from continuing operations	(290.214)	(753.238)
Tax at the normal tax rates in Cyprus	(36.273)	(94.146)
Tax effect of:		
- expenses not deductible for tax purposes	45.898	49.452
- non-tax allowable losses /(income) not subject to tax	(16.970)	(3.971)
- change in corporation tax rate in Cyprus	-	(6.896)
- differences between overseas tax rates and Cyprus tax rates	(18.279)	(4.776)
Tax effect of losses on which deferred tax is not recognised	25.981	55.426
	357	(4.911)

The loss on disposal of the Ukrainian subsidiaries is included in 'Net gains on financial instrument and disposal of subsidiaries' and is partially tax deductible.

The loss on disposal of Greek operations in 2013, transaction included in discontinued operations, is a tax deductible loss.

Corporation tax in Cyprus is calculated at the rate of 12,5% on taxable income (2013: 12,5%).

Defence contribution is payable on rental income at a rate of 3% (2013: 3%) and on interest income from activities outside the ordinary course of business at a rate of 30% (2013: 15% until 29 April 2013 and 30% thereafter).

The Company's profits from overseas operations are taxed at the rates prevailing in the respective countries, which for 2014 were: Greece 26% (2013: 26%) and Romania 16% (2013: 16%).

The Company is subject to income taxes in the various jurisdictions it operates and the calculation of the Company's tax charge and provisions for income tax necessarily involves a degree of estimation and judgement. There are transactions and calculations for which the ultimate tax treatment is uncertain and cannot be determined until resolution has been reached with the relevant tax authority. The Company has a number of open tax returns with various tax authorities and liabilities relating to these open and judgemental matters, are based on estimates of whether additional taxes will be due. In case the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

16. Tax (continued)

The accumulated tax losses are presented in the table below:

	Total tax losses	**Tax losses for which a deferred tax asset was recognised**	**Tax losses for which no deferred tax asset was recognised**
31 December 2014	**€000**	**€000**	**€000**
Expiring within 4 years	**4.139.002**	**297.148**	**3.841.854**
Expiring between 5 and 10 years	**196.066**	**-**	**196.066**
Expiring between 11 and 15 years	**7.378.801**	**3.336.000**	**4.042.801**
	11.713.869	**3.633.148**	**8.080.721**

31 December 2013			
Expiring within 4 years	15.925	15.925	-
Expiring between 5 and 10 years	4.122.736	295.584	3.827.152
Expiring between 11 and 15 years	7.378.801	3.336.000	4.042.801
	11.517.462	3.647.509	7.869.953

Recognition of deferred tax assets on unutilised tax losses is based on management's business forecasts, taking into account available information and making various assumptions on future growth rates of customer loans, deposits, funding evolution, loan impairment and pricing, and taking into account the recoverability of the deferred tax assets within their expiry period.

No significant tax losses of prior years were utilised during 2014 and 2013.

The tax losses relate to the same jurisdiction to which the deferred tax asset relates.

Deferred tax

The net deferred tax asset arises from:

	2014	2013
	€000	€000
Difference between capital allowances and depreciation	**5.831**	5.156
Property revaluation	**17.388**	16.827
Unutilised tax losses carried forward	**(453.948)**	(453.948)
Other temporary differences	**(2.531)**	(2.531)
Net deferred tax asset	**(433.260)**	(434.496)

Deferred tax asset	**(456.479)**	(456.479)
Deferred tax liability	**23.219**	21.983
Net deferred tax asset	**(433.260)**	(434.496)

The deferred tax asset relates to operations in Cyprus.

16. Tax (continued)

Deferred tax (continued)

The movement of the net deferred tax asset is set out below:

	2014	2013
	€000	€000
1 January	**(434.496)**	(13.671)
Deferred tax recognised in the income statement – continuing operations	**(647)**	(5.245)
Deferred tax recognised in the statement of comprehensive income	**1.883**	(3.265)
Deferred tax acquired through business combinations (Note 52.2.1)	**-**	(412.308)
Foreign exchange adjustments	**-**	(7)
31 December	**(433.260)**	(434.496)

The Company offsets tax assets and liabilities if and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities.

The analysis of the net deferred tax income recognised in the income statement for continuing operations is set out below:

	2014	2013
	€000	€000
Difference between capital allowances and depreciation	**(647)**	937
Investment revaluation	**-**	63
Unutilised tax losses carried forward	**-**	(5.739)
Other temporary differences	**-**	(506)
	(647)	(5.245)

The analysis of the net deferred tax income recognised in the statement of comprehensive income is set out below:

	2014	2013
	€000	€000
Timing differences on property revaluation	**1.883**	(3.205)
Available-for-sale investments	**-**	(60)
	1.883	(3.265)

17. Earnings per share

	2014	2013 (restated and represented)
Basic and diluted losses per share		
Loss for the year (€ thousand)	**(254.571)**	(2.075.930)
Weighted average number of shares in issue during the year, excluding treasury shares (thousand)	**5.941.934**	3.612.435
Basic and diluted losses per share (€ cent)	**(4,3)**	(57,5)

Basic and diluted losses per share – continuing operations		
Loss after tax - continuing operations (€ thousand)	**(290.571)**	(748.327)
Weighted average number of shares in issue during the year, excluding treasury shares (thousand)	**5.941.934**	3.612.435
Basic and diluted losses per share – continuing operations (€ cent)	**(4,9)**	(20,7)

Basic and diluted earnings/(losses) per share– discontinued operations		
Profit/(loss) after tax – discontinued operations (€ thousand)	**36.000**	(1.327.603)
Weighted average number of shares in issue during the year, excluding treasury shares (thousand)	**5.941.934**	3.612.435
Basic and diluted earnings/(losses) per share – discontinued operations (€ cent)	**0,6**	(36,8)

18. Cash, balances with central banks and placements with banks

	2014	2013
	€000	€000
Cash	**184.435**	89.130
Balances with central banks	**483.857**	461.610
	668.292	550.740

Placements with banks	**1.462.824**	1.064.654

Balances with central banks include obligatory deposits for liquidity purposes which amount to €483.857 thousand (2013: €461.610 thousand).

The analysis of balances with central banks and placements with banks by independent credit rating agencies is set out in Note 44.

Placements with banks earn interest based on the interbank rate of the relevant term and currency.

19. Investments

	2014	2013
	€000	€000
Investments		
Investments at fair value through profit or loss	**19.168**	16.973
Investments available-for-sale	**28.820**	132.115
Investments classified as loans and receivables	**1.783.309**	2.573.240
	1.831.297	2.722.328

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

	2014	2013
	€000	€000
Investments pledged as collateral		
Investments available-for-sale	**669.786**	672.809

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

Also, the financial statements of Group companies include amounts relating to debt securities issued for financing purposes by companies of the Group. On 31 December 2014 the value of these debt securities was €309.102 thousand (2013: €325.688 thousand).

Investments at fair value through profit or loss

	Trading investments		Other investments at fair value through profit or loss		Total	
	2014	2013	2014	2013	2014	2013
	€000	€000	€000	€000	€000	€000
Debt securities	-	-	**16.979**	15.274	**16.979**	15.274
Equity securities	**2.189**	1.699	-	-	**2.189**	1.699
	2.189	1.699	**16.979**	15.274	**19.168**	16.973
Debt securities						
Cyprus government	-	-	**16.979**	15.274	**16.979**	15.274
Listed on the Cyprus Stock Exchange	-	-	**16.979**	15.274	**16.979**	15.274
Equity securities						
Listed on the Cyprus Stock Exchange	**2.189**	1.699	-	-	**2.189**	1.699

The debt securities classified as other investments at fair value through profit or loss were originally classified as such, to eliminate an accounting mismatch with derivatives used to economically hedge these instruments.

19. Investments (continued)

Investments available-for-sale

	2014	2013
	€000	€000
Debt securities	**684.552**	706.518
Equity securities	**12.727**	96.603
Mutual funds	**1.327**	1.803
	698.606	804.924

Debt securities		
French government	**489.606**	476.819
Other governments	**174.056**	189.687
Banks and other corporations	**20.890**	40.012
	684.552	706.518
Listed on the Cyprus Stock Exchange	**59**	4.858
Listed on other stock exchanges	**684.493**	701.660
	684.552	706.518
Geographic dispersion by country of issuer		
Cyprus	**59**	4.858
France	**489.606**	476.818
Germany	**46.187**	46.256
Italy	**53.572**	52.211
United Kingdom	**6.191**	6.365
Other European countries	**74.297**	106.175
European Financial Stability Facility and European Investment Fund	**14.640**	13.835
	684.552	706.518

Equity securities		
Listed on the Cyprus Stock Exchange	**11.166**	7.834
Listed on other stock exchanges	**1.472**	86.699
Unlisted	**89**	2.070
	12.727	96.603

At 31 December 2014 and 31 December 2013 there were no available-for-sale investments in debt securities which have been determined to be individually impaired.

Available-for-sale mutual funds are unlisted and issued in Other countries.

19. Investments (continued)

Investments classified as loans and receivables

	2014	2013
	€000	€000
Debt securities	**1.783.309**	2.573.240
Cyprus government	**1.782.998**	2.572.940
Banks and other corporations	**311**	300
	1.783.309	2.573.240
Listed on the Cyprus Stock Exchange	**1.783.309**	2.573.240
Geographic dispersion by country of issuer		
Cyprus	**1.783.309**	2.573.240

Loans and receivables at 31 December 2014 include €169.365 thousand (2013: €169.073 thousand) of debt securities which have been determined to be individually impaired.

Reclassification of investments

Reclassification of trading investments to loans and receivables
On 1 April 2010, in light of the crisis prevailing in global markets, the Company identified the investments which it had no intention to trade or sell in the foreseeable future. These investments in debt securities were reclassified from trading investments to loans and receivables.

Reclassification of available-for-sale investments to loans and receivables
On 1 October 2008 and 30 June 2011 the Company reclassified certain available-for-sale debt securities to investments classified as loans and receivables, in view of the fact that there was no active market for these debt securities and the Company had the intention and ability to hold these securities in the foreseeable future.

Reclassification of held–to-maturity investments to available-for-sale investments
On 1 November 2012, the Company reassessed its policies in respect of the management of its investment portfolio in view of its efforts to strengthen its liquidity and capital adequacy ratios and decided to reclassify all debt securities previously classified as held-to-maturity to investments available-for-sale, in order to be able to sell these securities as and when required. As a result, in accordance with the Company's accounting policies and IFRSs, the Company was not allowed to classify any investments as held-to-maturity until November 2014.

19. Investments (continued)

Reclassification of investments (continued)

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

	Reclassification date	Carrying and fair value on reclassification date	31 December 2014		31 December 2013		Year 2014		Effective interest rate on reclassification date
			Carrying value	Fair value	Carrying value	Fair value	Additional profit in the income statement had the bonds not been reclassified	Additional profit/(loss) in other comprehensive income had the bonds not been reclassified	
		€000	€000	€000	€000	€000	€000	€000	
Reclassification of trading investments to:									
- loans and receivables	1 April 2010	34.810	36.722	35.056	38.059	32.204	2.852	-	1,2%-4,4%
Reclassification of available-for-sale investments to:									
- loans and receivables	1 October 2008	154.248	156.566	156.728	156.283	136.809	-	162	4,6%-4,7%
- loans and receivables	30 June 2011	155.249	174.785	165.977	176.586	149.088	-	(8.808)	2,8%-6,3%
Reclassification of held-to-maturity investments to:									
- available-for-sale	1 November 2012	72.794	73.813	73.813	75.160	75.160	-	-	0,4%-3,1%

19. Investments (continued)

Reclassification of investments (continued)

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

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

20. Derivative financial instruments

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

	2014			2013		
	Contract amount	Fair value		Contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	€000	€000	€000	€000	€000	€000
Trading derivatives						
Forward exchange rate contracts	**108.595**	**18.923**	**433**	139.843	105	2.674
Currency swaps	**1.269.498**	**22.623**	**6.990**	1.739.075	3.778	15.350
Interest rate swaps	**205.661**	**11.930**	**3.773**	517.264	4.203	11.585
Currency options	**995**	**76**	**919**	-	-	-
Equity options	**3.113**	**580**	**346**	4.295	1.591	1.485
Interest rate caps/floors	**5.194**	**-**	**153**	6.574	11	250
GDP warrant securities	**1**	**4**	**-**	1.619.743	19.035	-
	1.593.057	**54.136**	**12.614**	4.026.794	28.723	31.344
Derivatives qualifying for hedge accounting						
Fair value hedges - interest rate swaps	**674.883**	**-**	**59.147**	674.888	-	47.090
Fair value of net investments – forward exchange rate contracts	**25.000**	**8.449**	**-**	126.936	-	5.523
	699.883	**8.449**	**59.147**	801.824	-	52.613
Total	**2.292.940**	**62.585**	**71.761**	4.828.618	28.723	83.957

The use of derivatives is an integral part of the Company's activities. Derivatives are used to manage the Company's own exposure to fluctuations in interest rates, exchange rates and equity price indices. Derivatives are also sold to customers as risk management products.

Forward exchange rate contracts are irrevocable agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate.

Currency swaps include simple currency swaps and cross-currency swaps. Simple currency swaps involve the exchange of two currencies at the current market rate and the commitment to re-exchange them at a specified rate upon maturity of the swap. Cross-currency swaps are interest rate swaps in which the cash flows are in different currencies.

Interest rate swaps are contractual agreements between two parties to exchange fixed rate and floating rate interest, by means of periodic payments, based upon a notional principal amount and the interest rates defined in the contract.

Currency options are contracts that grant the holder the right, but not the obligation, to buy or sell currency at a specified exchange rate during a specific period of time.

20. Derivative financial instruments (continued)

Interest rate, currency and equity options provide the buyer with the right but not the obligation, to either purchase or sell the underlying values at a specified price or level on or before a specified date.

Interest rate caps/floors protect the holder from fluctuations of interest rates above or below a specified interest rate for a specified period of time.

GDP warrant securities are GDP-linked securities issued by the Greek government as part of the exchange offer of the Greek Government Bonds. The securities provide for annual payments of up to 1% of their notional amount, commencing in 2015, in the event that Greek GDP growth exceeds certain thresholds.

The credit exposure of derivative financial instruments represents the cost to replace these contracts at the reporting date. The exposure arising from these transactions is managed as part of the Company's credit risk management process for credit facilities granted to customers and financial institutions.

The contract amount of certain types of derivative financial instruments provides a basis for comparison with other instruments recognised on the balance sheet, but does not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, consequently, does not indicate the Company's exposure to credit or market risk.

The fair value of the derivatives can be either positive (asset) or negative (liability) as a result of fluctuations in market interest rates, foreign exchange rates or equity price indices, in accordance with the terms of the relevant contract. The aggregate net fair value of derivatives may fluctuate significantly over time.

Hedge accounting

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

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

Fair value hedges

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

Hedges of net investments

The Company's balance sheet is affected by foreign exchange differences between the Euro and all non-Euro functional currencies of overseas branches. The Company 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 branches and forward exchange rate contracts. As at 31 December 2014, deposits and forward exchange rate contracts amounting to €17.536 thousand (2013: €16.456 thousand) have been designated as hedging instruments and have given rise to a gain of €2.580 thousand (2013: gain of €2.356 thousand) which was recognised in the 'Foreign currency translation reserve' in the statement of comprehensive income, against the profit or loss from the retranslation of the net assets of the overseas branches.

21. Fair value measurement

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

	2014		2013	
	Carrying value	**Fair value**	Carrying value	Fair value
	€000	**€000**	€000	€000
Financial assets				
Cash and balances with central banks	**668.292**	**668.292**	550.740	550.740
Placements with banks	**1.462.824**	**1.438.851**	1.064.654	960.513
Investments at fair value through profit or loss	**19.168**	**19.168**	16.973	16.973
Investments available-for-sale	**698.606**	**698.606**	804.924	804.924
Investments classified as loans and receivables	**1.783.309**	**1.861.909**	2.573.240	2.593.745
Derivative financial assets	**62.585**	**62.585**	28.723	28.723
Loans and advances to customers	**17.329.208**	**17.542.999**	19.714.705	18.878.747
Balances with group companies	**809.959**	**809.959**	1.115.708	1.115.708
Financial assets held for sale	**39.010**	**39.010**	-	-
Other assets	**123.106**	**123.106**	146.208	146.208
	22.996.067	**23.264.485**	26.015.875	25.096.281
Financial liabilities				
Obligations to central banks and amounts due to banks	**8.443.538**	**8.443.538**	11.080.429	11.080.429
Repurchase agreements	**579.682**	**592.113**	594.004	596.006
Derivative financial liabilities	**71.761**	**71.761**	83.957	83.957
Customer deposits	**11.329.157**	**11.305.971**	12.745.743	12.656.857
Balances with group companies	**550.683**	**550.683**	563.579	563.579
Debt securities in issue	**693**	**693**	674	674
Other liabilities	**99.710**	**99.710**	21.244	21.244
	21.075.224	**21.064.469**	25.089.630	25.002.746

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

Investment properties
Investment properties are classified as residential, offices and other commercial properties, manufacturing and industrial, hotels, land and plots and under construction properties. Their fair value is based on valuations performed by external accredited, independent valuers and internal accredited valuers. Further information on the techniques applied is disclosed in the remainder of this Note.

21. Fair value measurement (continued)

Property and equipment
The freehold land and buildings consist of offices and other commercial properties. The fair value of the properties is determined by using valuations performed by external, accredited independent valuers and internal accredited valuers. Further information on the techniques applied is disclosed in the remainder of this Note.

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 Company calculates the CVA by applying the probability of default (PD) of the counterparty, conditional on the non-default of the Company, to the Company's expected positive exposure to the counterparty and multiplying the result by the loss expected in the event of default. Conversely, the Company 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 the Company 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 Company 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 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 Company's funding cost, cost of capital and an adjustment for the future cost of risk.

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 Company is greater than the amount borrowed, the fair value calculation of these repurchase agreement takes into account the time value of money only.

21. Fair value measurement (continued)

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.

The following table presents the fair value measurement hierarchy of the Company's assets and liabilities recorded at fair value or for which fair value is disclosed, by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	**Total**
2014	€000	€000	€000	**€000**
Assets measured at fair value				
Investment properties				
Residential	-	-	65.519	**65.519**
Offices and other commercial properties	-	-	71.995	**71.995**
Manufacturing and industrial	-	-	42.222	**42.222**
Hotels	-	-	23.081	**23.081**
Land and plots	-	-	47.678	**47.678**
Properties under construction	-	-	393	**393**
	-	-	250.888	**250.888**
Investment properties classified as held for sale				
Offices and other commercial properties	-	-	1.310	**1.310**
Land and plots			57	**57**
	-	-	1.367	**1.367**
Freehold property				
Offices and other commercial properties			201.671	**201.671**
Trading derivatives				
Forward exchange rate contracts	-	18.923	-	**18.923**
Currency swaps	-	22.623	-	**22.623**
Interest rate swaps	-	11.930	-	**11.930**
Currency options	-	76	-	**76**
Equity options	-	580	-	**580**
GDP warrant securities	-	4	-	**4**
	-	54.136	-	**54.136**
Derivatives designated as net investment hedges				
Forward exchange rate contracts	-	8.449	-	**8.449**
	-	62.585	-	**62.585**
Investments at fair value through profit or loss				
Trading investments	2.189	-	-	**2.189**
Other investments at fair value through profit or loss	-	16.979	-	**16.979**
	2.189	16.979	-	**19.168**
Investments available-for-sale	696.008	-	2.598	**698.606**
	698.197	79.564	456.524	**1.234.285**

21. Fair value measurement (continued)

Model inputs for valuation (continued)

	Level 1	Level 2	Level 3	**Total**
Other financial assets not measured at fair value	€000	€000	€000	**€000**
Placements with banks	-	1.438.851	-	**1.438.851**
Loans and receivables - investments	-	1.682.511	-	**1.682.511**
Loans and advances to customers	-	-	17.542.999	**17.542.999**
	-	3.121.362	17.542.999	**20.664.361**

2014				
Liabilities measured at fair value				
Trading derivatives				
Forward exchange rate contracts	-	433	-	**433**
Currency swaps	-	6.990	-	**6.990**
Interest rate swaps	-	3.773	-	**3.773**
Currency options	-	919	-	**919**
Equity options	-	346	-	**346**
Interest rate caps/floors	-	153	-	**153**
	-	12.614	-	**12.614**
Derivatives designated as fair value hedges	-		-	
Interest rate swaps	-	59.147	-	**59.147**
	-	71.761	-	**71.761**
Other financial liabilities not measured at fair value	-		-	
Amounts due to banks	-	159.765	-	**159.765**
Repurchase agreements	-	592.113	-	**592.113**
Customer deposits	-	-	11.305.971	**11.305.971**
	-	751.878	11.305.971	**12.057.849**

21. Fair value measurement (continued)

Model inputs for valuation (continued)

	Level 1	Level 2	Level 3	**Total**
2013	€000	€000	€000	**€000**
Assets measured at fair value				
Investment properties				
Residential	-	-	74.763	**74.763**
Offices and other commercial properties	-	-	42.583	**42.583**
Manufacturing and industrial	-	-	3.256	**3.256**
Hotels	-	-	25.263	**25.263**
Land and plots	-	-	52.347	**52.347**
Properties under construction	-	-	417	**417**
	-	-	198.629	**198.629**
Freehold property				
Offices and other commercial properties	-	-	216.034	**216.034**
Trading derivatives				
Forward exchange rate contracts	-	105	-	**105**
Currency swaps	-	3.778	-	**3.778**
Interest rate swaps	-	4.203	-	**4.203**
Equity options	-	1.591	-	**1.591**
Interest rate caps/floors	-	11	-	**11**
GDP warrant securities	-	19.035	-	**19.035**
	-	28.723	-	**28.723**
Investments at fair value through profit or loss				
Trading investments	1.699	-	-	**1.699**
Other investments at fair value through profit or loss	-	15.274	-	**15.274**
	1.699	15.274	-	**16.973**
Investments available-for-sale	801.850	-	3.074	**804.924**
	803.549	43.997	417.737	**1.265.283**
Other financial assets not measured at fair value				
Placements with banks	-	960.513	-	**960.513**
Loans and receivables - investments	-	2.394.781	-	**2.394.781**
Loans and advances to customers	-	-	18.878.747	**18.878.747**
	-	3.355.294	18.878.747	**22.234.041**

21. Fair value measurement (continued)

Model inputs for valuation (continued)

	Level 1	Level 2	Level 3	**Total**
2013	€000	€000	€000	**€000**
Liabilities measured at fair value				
Trading derivatives				
Forward exchange rate contracts	-	2.674	-	**2.674**
Currency swaps	-	15.350	-	**15.350**
Interest rate swaps	-	11.585	-	**11.585**
Equity options	-	1.485	-	**1.485**
Interest rate caps/floors	-	250	-	**250**
	-	31.344	-	**31.344**
Derivatives designated as fair value hedges				
Interest rate swaps	-	47.090	-	**47.090**
Derivatives for fair value of net investment				
Forward exchange rate contracts	-	5.523	-	**5.523**
	-	52.613	-	**52.613**
	-	83.957	-	**83.957**
Other financial liabilities not measured at fair value				
Amounts due to banks	-	124.152	-	**124.152**
Repurchase agreements	-	596.006	-	**596.006**
Customer deposits	-	-	12.656.857	**12.656.857**
	-	720.158	12.656.857	**13.377.015**

The cash and balances with central banks, the funding from central banks and treasury bills are financial instruments whose carrying amount is a reasonable approximation of fair value, because they are short-term in nature or are repriced to current market rates frequently.

During the years 2014 and 2013 there were no transfers from Level 1 to Level 2.

21. Fair value measurement (continued)

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

	2014				2013		
	Investment properties	**Investment properties held for sale**	**Own use properties**	**Available-for-sale investments**	Investment properties	Own use properties	Available-for-sale investments
	€000	**€000**	**€000**	**€000**	€000	€000	€000
1 January	**198.629**	**-**	**216.034**	**3.074**	14.386	239.504	-
Acquired through business combinations	**-**	**-**	**-**	**-**	172.248	91.712	3.729
Additions	**59.626**	**-**	**658**	**-**	-	2.160	-
Disposals	**(5)**	**(395)**	**(126)**	**(855)**	-	-	(21)
Disposals as a result of discontinued operations	**-**	**-**	**-**	**-**	-	(73.561)	
Transfer from own use properties to investment properties (Note 26)	**18.303**	**-**	**(18.303)**	**-**	28.704	(28.704)	-
Transfer to non-current assets classified as held for sale	**(1.842)**	**1.842**	**-**	**-**	-	-	-
Transfer from investment properties to inventories	**(100)**	**-**	**-**	**-**	-	-	-
Unrealised gains/(losses) recognised in the statement of comprehensive income	**-**	**-**	**-**	**379**	-	-	(634)
Depreciation charge for the year	**-**	**-**	**(1.629)**	**-**	-	(1.599)	-
Impairment charge for the year	**-**	**-**	**(1.460)**	**-**	-	(72)	-
Revaluation (losses)/gains	**(23.723)**	**(80)**	**6.271**	**-**	(16.746)	(13.447)	-
Foreign exchange adjustments	**-**	**-**	**226**	**-**	37	41	-
31 December	**250.888**	**1.367**	**201.671**	**2.598**	198.629	216.034	3.074

Valuation policy and sensitivity analysis

Financial instruments

The valuation policy for Level 3 financial instruments is defined by the ALCO committee.

21. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

Investment properties and own use properties

The valuation policy for properties is defined by the Group's Property and Valuations Department. The valuation technique mainly applied by the Company, is the market comparable approach, adjusted for market and property specific conditions. In certain cases, the Company also utilised the income capitalisation approach. The key inputs used for the valuations of the investment properties and own use properties are presented in the tables below.

Analysis of investment properties and investment properties held for sale

Type and area	Carrying value 31 December 2014	Index change	Estimated rental value per m² per annum	Rent growth per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land area	Building area	Age of building
Residential	**€000**								**m²**	**m²**	**Years**
Cyprus	18.623	n/a	€14-€166	n/a	€268-€1.186	n/a	€463-€3.333	€50-€1.350	335-7.586	41-2.526	5-52
Greece	46.896	n/a	€28	n/a	€77-€663	n/a	€22-€2.894	€8-€400	114-26.896	3-10.441	2-79
Total	**65.519**										
Offices and other commercial properties											
Cyprus	36.513	n/a	€32-€353	n/a	€305	4%-6%	€495-€7.059	€1.053-€6.651	175-1.750	54-11.190	10-52
Greece	34.277	n/a	€6-€321	n/a	€92-€318	n/a	€33-€8.028	n/a	265-8.582	17-5.743	4-70
UK	1.315	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Romania	1.200	n/a	€72	n/a	n/a	16%	€318	n/a	1.372	3.772	34
Total	**73.305**										
Manufacturing and industrial											
Cyprus	1.138	n/a	€24	n/a	€243-€296	n/a	n/a	€300-€350	1.940	1.840-1.894	n/a
Greece	41.084	n/a	€6-€30	n/a	n/a	n/a	€231- €473	n/a	n/a	1.283-3.122	n/a
Total	**42.222**										
Hotels											
Cyprus	20.808	n/a	n/a	n/a	€739	5%	€518-€1.037	€210	11.115-19.115	2.730-12.386	25
Greece	2.273	n/a	€15	n/a	n/a	n/a	€544-€1.050	n/a	4.484	619-2.984	26-59
Total	**23.081**										

21. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

Analysis of investment properties and investment properties held for sale (continued)

Type and area	Carrying value 31 December 2014	Index change	Estimated rental value per m² per annum	Rent growth per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land area	Building area	Age of building
Land and plots	**€000**								**m²**	**m²**	**Years**
Cyprus	40.890	n/a	n/a	n/a	€900-€1.317	5%	€2-€3.063	€1-€3.036	90-67.225	n/a	n/a
Greece	6.845	n/a	n/a	n/a	n/a	n/a	€1-€798	n/a	88-170.701	n/a	n/a
Total	**47.735**										
Under construction properties											
Cyprus	393	n/a	n/a	n/a	€385-€400	n/a	n/a	€139-€165	1.812	285	n/a
Total investment properties and investment properties held for sale	**252.255**										

21. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

Analysis of investment properties

Type and area	Carrying value 31 December 2013	Index change	Estimated rental value per m² per annum	Rent growth per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land area	Building area	Age of building
Residential	**€000**								**m²**	**m²**	**Years**
Cyprus	18.691	n/a	n/a	n/a	€300-€1.091	n/a	€550-€3.675	€55-€758	335-2.067	41-2.526	5-70
Greece	56.072	-7%	€4-€7	n/a	n/a	n/a	€1.207-€1.868	n/a	n/a	13.297-18.960	n/a
Total	**74.763**										
Offices and other commercial properties											
Cyprus	28.581	n/a	€11-€198	n/a	€305	5%-6%	€75-€6.909	€550-€4.400	175-1.591	54-6.395	10-144
Greece	14.002	-11%	€7-€80	n/a	n/a	n/a	€459-€778	n/a	n/a	577-24.786	n/a
Total	**42.583**										
Manufacturing and industrial											
Cyprus	925	n/a	n/a	n/a	€273-€312	n/a	n/a	€300-€350	1.940	1.840-1.894	n/a
Greece	2.331	-17%	€3-€4	n/a	n/a	n/a	€231- €473	n/a	n/a	1.283-3.122	n/a
Total	**3.256**										
Hotels											
Cyprus	25.263	n/a	n/a	n/a	€518	n/a	€1.211	€185	5.604-19.115	2.730-12.386	24
Total	**25.263**										

21. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

Analysis of investment properties (continued)

Type and area	Carrying value 31 December 2013	Index change	Estimated rental value per m² per annum	Rent growth per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land area	Building area	Age of building
Land and plots	**€000**								**m²**	**m²**	**Years**
Cyprus	44.227	n/a	€72	n/a	€318	5%-16%	€2-€3.163	€2-€3.163	90-67.225	n/a	n/a
Greece	8.120	-7% to 29%	n/a	n/a	n/a	n/a	€106	€15-€106	24.709-351.732	n/a	n/a
Total	**52.347**										
Under construction properties											
Cyprus	417	n/a	n/a	n/a	€400-€439	n/a	n/a	€47-€185	1.812	285	n/a
Total investment properties	**198.629**										

21. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

Analysis of own use properties

Type and area	Carrying value 31 December 2014	Index change	Estimated rental value per m² per annum	Rent growth per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land area	Building area	Age of building
Offices and other commercial properties	**€000**								**m²**	**m²**	**Years**
Cyprus	198.158	n/a	€27-€340	1.300-1.367	€133-€1.883	5%-6%	€566-€6.667	€125-€2.118	390-51.947	68-15.805	11-34 years
UK	3.513	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total	**201.671**										

Type and area	Carrying value 31 December 2013	Index change	Estimated rental value per m² per annum	Rent growth per annum	Estimated building cost per m²	Yield	Estimated fair value per m²	Estimated land value per m²	Land area	Building area	Age of building
Offices and other commercial properties	**€000**								**m²**	**m²**	**Years**
Cyprus	**216.034**	n/a	€56-€245	n/a	€566-€2.076	5%-6%	€200-€8.917	€130-€7.257	390-51.947	108-15.805	11-84 years

21. Fair value measurement (continued)

Valuation policy and sensitivity analysis (continued)

The majority of investment properties of the Company are not utilised at their highest and best use, as the Company has acquired these assets either in debt satisfaction or as part of the Laiki Bank acquisition and is in the process of initiating an orderly disposal of these properties.

Sensitivity analysis
Most of the Company's property valuations have been classified as Level 3. Significant increases/decreases in estimated values per square meter for properties valued with the comparable approach or significant increases/decreases in estimated rental values or yields for properties valued with the income approach would result in a significantly higher/lower fair value of the properties.

22. Loans and advances to customers

	2014	2013
	€000	€000
Loans and advances to customers	**19.996.967**	21.910.985
Hire purchase and finance lease debtors (Note 23)	**374.055**	513.815
Gross loans and advances to customers	**20.371.022**	22.424.800
Provisions for impairment of loans and advances to customers (Note 44)	**(3.041.814)**	(2.710.095)
	17.329.208	19.714.705

Loans and advances include mortgage loans of €1.123 million (2013: €1.105 million) in Cyprus which are pledged as collateral for the covered bonds issued by the Company in 2011 under its €5 billion Covered Bonds Programme (Note 33).

At 31 December 2013, loans and advances to customers also include loans amounting to €160.402 thousand, which are part of the Ukrainian operations of the Company, classified as non-current assets held for sale (Note 52.1.1).

Additional analysis and information regarding credit risk and analysis of the provisions for impairment of loans and advances to customers are set out in Note 44.

23. Hire purchase and finance lease debtors

	2014	2013
	€000	€000
Gross investment in hire purchase and finance lease contracts	**379.441**	529.508
Unearned finance income	**(5.386)**	(15.693)
Present value of hire purchase and finance lease payments	**374.055**	513.815
Repayable		
- within one year	**146.001**	247.374
- between one and five years	**159.509**	196.544
- after five years	**68.545**	69.897
Present value of hire purchase and finance lease payments	**374.055**	513.815
Analysis by geographical area		
- Cyprus	**379.441**	529.508
Gross investment in hire purchase and finance lease contracts	**379.441**	529.508
Repayable		
- within one year	**148.093**	252.203
- between one and five years	**161.813**	206.196
- after five years	**69.535**	71.109
Gross investment in hire purchase and finance lease contracts	**379.441**	529.508

Under hire purchase contracts generally the hirer: (a) pays a nominal fee at the end of the hire purchase term in exchange for the right to purchase assets, (b) makes monthly payments which include hire purchase fees on all the amounts outstanding, and (c) is responsible for any loss or damage incurred to the assets concerned.

This caption also includes contracts amounting to €222.580 thousand (2013: €354.887 thousand) on which interest is accrued using the effective interest rate and is not included in the gross investment.

Under finance lease contracts the item belongs to the Company and is leased for a fixed period. The lessee: (a) makes payments throughout the lease term covering the rentals and any other amounts that are payable under the terms of the contract, (b) undertakes to maintain the assets in good condition and to compensate the Company for any damage or loss incurred, and (c) upon expiry of the contract can, either return the assets to the Company or continue to pay a nominal annual fee in exchange for the right to continue to use the assets.

24. Balances and transactions with Group companies

Debit balances with Group companies

Name of Group company	**2014**	2013
	€000	€000
The Cyprus Investment and Securities Corporation Ltd (CISCO)	**2.444**	2.226
Eurolife Ltd	**2.966**	4.358
Kermia Properties & Investments Ltd	**19**	2
Kermia Ltd	**4.715**	4.883
Laiki Factors Ltd	**-**	65.436
Finerose Properties Ltd	**30.000**	111.236
Tefkros Investments Ltd	**-**	12.399
Aphrodite Group	**71.341**	-
Bank of Cyprus (Channel Islands) Ltd	**26.020**	32.416
Kyprou Leasing SA	**47.446**	-
Kyprou Commercial SA	**291**	-
Cyprus Leasing Romania IFN SA	**14.278**	18.200
CB Uniastrum Bank LLC	**31.606**	245.418
Kyprou Finance (NL) B.V	**317.244**	369.271
Bank of Cyprus UK Ltd	**53.852**	51.691
OJSC Bank of Cyprus	**-**	67.306
LLC Ikos Finance	**-**	4.359
Obafemi Holdings Ltd	**6.960**	-
Group property companies in Cyprus	**140.162**	57.358
Group property companies in Romania	**59.613**	58.675
Other Group companies in Cyprus	**1.002**	10.474
TOTAL	**809.959**	1.115.708

The provision for impairment for intercompany balances recognised during 2014 amounts to €198.066 (2013: €28.816).

24. Balances and transactions with Group companies (continued)

Credit balances with Group Companies

Name of Group company	**2014**	2013
	€000	€000
JCC Payment Systems Ltd	**8.067**	11.376
The Cyprus Investment and Securities Corporation Ltd (CISCO)	**2.218**	2.069
General Insurance of Cyprus Ltd	**37.867**	32.027
Eurolife Ltd	**20.462**	24.232
Kermia Properties & Investments Ltd	**2.743**	1.995
Kermia Ltd	**662**	99
Bank of Cyprus (Channel Islands) Ltd	**58.903**	53.818
Kyprou Zois (branch of Eurolife Ltd)	**1.746**	1.083
Kyprou Leasing SA	**-**	12.803
Cyprus Leasing Romania IFN SA	**527**	726
CB Uniastrum Bank LLC	**31.606**	36.193
OJSC Bank of Cyprus	**-**	95
Cytrustees Investment Public Company Ltd	**402**	1.194
Kyprou Finance (NL) B.V	**369.306**	369.797
Bank of Cyprus UK Ltd	**12.201**	11.839
Obafemi Holdings Ltd	**405**	-
Group property companies in Romania	**603**	1.114
Other Group companies in Cyprus	**2.965**	3.119
TOTAL	**550.683**	563.579

24. Balances and transactions with Group companies (continued)

Dividend received from Group companies

	2014	2013
	€000	€000
Eurolife Ltd	**10.500**	11.000
General Insurance of Cyprus Ltd	**5.000**	-
JCC Payment Systems Ltd	**1.313**	-
Auction Yard Ltd	**20**	50
Labancor Ltd	**17**	32
Kyprou Asset Management AEDAK	**-**	24
Laiki Factors Ltd	**-**	9.785
Kermia Ltd	**-**	41
S.C. O.N.T. Carpati S.A.	**-**	4.600
	16.850	25.532

Transactions with Group companies

	2014	2013
	€000	€000
Interest income	**87.864**	43.409
Interest expense	**6.220**	5.955
Fee and commission income	**444**	163
Fee and commission expense	**13**	-

25. Investments in associates and joint ventures

Carrying value of the investments in associates and joint ventures

	2014	2013
	€000	€000
CNP Cyprus Insurance Holdings Ltd	**95.068**	95.068
Byron Capital Partners Ltd	**5.322**	5.322
Marfin Diversified Strategy Fund Plc	**-**	94.407
Interfund Investments Plc	**2.225**	7.902
Aris Capital Management LLC	**-**	2.078
Rosequeens Properties SRL	**-**	-
	102.615	204.777

25. Investments in associates and joint ventures (continued)

Investments in associates

CNP Cyprus Insurance Holdings Ltd

As part of the acquisition of certain operations of Laiki Bank, 49,9% of CNP Cyprus Insurance Holdings Ltd, the parent company of a group of insurance companies in Cyprus and Greece, was acquired by the Company.

The Company's interest in the main financial highlights of the associate is presented as follows:

	2014	2013
	€000	€000
Total assets	**347.511**	351.489
Liabilities	**(239.044)**	(253.165)
Net assets, including value of in-force business	**108.467**	98.324

CNP Cyprus Insurance Holdings Ltd holds deposits with the Company amounting to €9.147 thousand. The transactions between CNP Cyprus Insurance Holdings Ltd and the Company are presented in the table below:

	2014	2013
	€000	€000
Interest expense paid by the Company	**303**	1.589
Other expenses paid by the Company	**293**	1.207
Other income received by the Company	**247**	312

Interfund Investments Plc

The Company has a 23,12% interest in Interfund Investments Plc, which is a closed-end investment company in Cyprus, listed on the Cyprus Stock Exchange.

The Company's interest in the main financial highlights of the associate is presented as follows:

	2014	2013
	€000	€000
Total assets	**3.031**	3.051
Liabilities	**(44)**	(51)
Net assets	**2.987**	3.000
Market value of the investment on the Cyprus Stock Exchange	**1.477**	1.516

During the year, there were no material transactions between the Company and the associate.

Grand Hotel Enterprises Society Ltd

In September 2014, the Group sold its holding of 35,292% in its associate Grand Hotel Enterprises Society Ltd, which had a zero carrying value as at the date of the disposal.

Rosequeens Properties SRL

The Company owns 33% of the share capital of Rosequeens Properties SRL which is incorporated in Romania and owns a shopping mall in Romania. The shareholding was acquired after the Company took part in a public auction for the settlement of customer loan balances amounting to approximately €21 million. The Company fully impaired its investment.

Aris Capital Management LLC

The Company's holding in Aris Capital Management LLC of 30% was transferred to the Company following the acquisition of certain operations of Laiki Bank. During the years 2014 and 2013 (since the date of acquisition), there were no material transactions between the Company and the associate. The Company fully impaired its investment during 2014.

25. Investments in associates and joint ventures (continued)

Investment in joint ventures

Marfin Diversified Strategy Fund Plc (MDSF) and Byron Capital Partners Ltd (BCP)
The Company's investment in joint ventures comprises BCP and MDSF acquired by the Company as part of the acquisition of certain operations of Laiki Bank (Note 52.2.1). BCP manages 100% of the shares of MDSF. The Company 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 Company considers that it jointly controls BCP (shareholding of 70%) and through BCP it also has a joint control over MDSF.

The investment in MDSF is classified as held for sale since 31 December 2014 (Note 28).

During the years 2014 and 2013 (since the date of acquisition) there were no transactions between the Company and the joint ventures.

26. Property and equipment

	Property	Equipment	**Total**
2014	€000	€000	**€000**
Net book value at 1 January	222.724	21.184	**243.908**
Additions	1.010	1.064	**2.074**
Revaluation	6.271	-	**6.271**
Transfer to investment properties (Note 21)	(18.303)	-	**(18.303)**
Disposals and write-offs	(1.431)	(1.064)	**(2.495)**
Depreciation charge for the year (Note 12)	(3.698)	(5.418)	**(9.116)**
Impairment charge for the year (Note 14)	(1.460)	-	**(1.460)**
Foreign exchange adjustments	227	-	**227**
Net book value at 31 December	**205.340**	**15.766**	**221.106**
1 January 2014			
Cost or valuation	254.609	107.335	**361.944**
Accumulated depreciation	(31.885)	(86.151)	**(118.036)**
Net book value	**222.724**	**21.184**	**243.908**
31 December 2014			
Cost or valuation	237.871	104.113	**341.984**
Accumulated depreciation	(32.531)	(88.347)	**(120.878)**
Net book value	**205.340**	**15.766**	**221.106**

26. Property and equipment (continued)

	Property	Equipment	**Total**
2013	€000	€000	**€000**
Net book value at 1 January	261.435	25.734	**287.169**
Acquired through business combination (Note 52.2.1)	93.656	11.057	**104.713**
Additions	3.325	2.878	**6.203**
Revaluation	(13.447)	-	**(13.447)**
Transfer to investment properties (Note 21)	(28.704)	-	**(28.704)**
Disposals as a result of discontinued operations	(87.692)	(9.539)	**(97.231)**
Other disposals and write-offs	(514)	(781)	**(1.295)**
Depreciation charge for the year-continuing operations (Note 12)	(3.824)	(7.461)	**(11.285)**
Depreciation charge for the year-discontinued operations	(1.477)	(486)	**(1.963)**
Impairment charge for the year – continuing operations	(72)	(218)	**(290)**
Foreign exchange adjustments	38	-	**38**
Net book value at 31 December	**222.724**	**21.184**	**243.908**
1 January 2013			
Cost or valuation	364.536	152.172	**516.708**
Accumulated depreciation	(103.101)	(126.438)	**(229.539)**
Net book value	**261.435**	**25.734**	**287.169**
31 December 2013			
Cost or valuation	254.609	107.335	**361.944**
Accumulated depreciation	(31.885)	(86.151)	**(118.036)**
Net book value	**222.724**	**21.184**	**243.908**

The net book value of the Company's property comprises:

	2014	2013
	€000	€000
Freehold property	**201.671**	216.034
Improvements on leasehold property	**3.669**	6.690
	205.340	222.724

Freehold property includes land amounting to €80.978 thousand (2013: €99.172 thousand) for which no depreciation is charged.

26. Property and equipment (continued)

The Company's policy is to revalue its properties periodically (between 3 to 5 years). As a consequence of the prevailing economic conditions in Cyprus, and their impact on the real estate market, the Company performed revaluations as at 30 June 2013 and 31 December 2014. As a result, a net gain on revaluation of €6.271 thousand (2013: loss of €13.447 thousand) was recognised in the statement of comprehensive income and an impairment loss of €1.460 thousand (2013: loss of €72 thousand) was recognised in the income statement. The valuations are carried out by independent qualified valuers, on the basis of market value using observable prices and/or recent market transactions depending on the location of the property. Details on valuation techniques and inputs are presented in Note 21.

The net book value of freehold property, on a cost less accumulated depreciation basis, as at 31 December 2014 would have amounted to €142.530 thousand (2013: €144.620 thousand).

27. Intangible assets

Computer software

	2014	2013
	€000	€000
Net book value at 1 January	**16.975**	16.339
Acquired through business combinations (Note 52.2.1)	**-**	13.261
Additions	**4.399**	2.751
Disposals and write-offs	**(2.513)**	(3.939)
Amortisation charge for the year – continuing operations (Note 12)	**(5.756)**	(11.097)
Amortisation charge for the year - discontinued operations	**-**	(341)
Foreign exchange adjustments	**-**	1
Net book value at 31 December	**13.105**	16.975

A write off of €1.342 thousand, included in disposals and write-offs, is included as restructuring costs in 'Other operating expenses'.

1 January		
Cost	**103.210**	117.907
Accumulated amortisation	**(86.235)**	(101.568)
Net book value	**16.975**	16.339

31 December		
Cost	**98.726**	103.210
Accumulated amortisation	**(85.621)**	(86.235)
Net book value	**13.105**	16.975

28. Non-current assets classified as held for sale

Non-current assets classified as held for sale

	2014	2013
	€000	€000
Non-current assets classified as held for sale:		
- investment properties	**1.367**	-
- investment in joint venture	**73.683**	-
- loans and advances to customers	**39.010**	-
	114.060	-

The following non-current assets were classified as held for sale as at 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.

Investment in joint venture
The Company's investment in joint venture comprises Marfin Diversified Strategy Fund Plc (MDSF) acquired by the Company as part of the acquisition of certain operations of Laiki Bank (Note 52.2.1). The Company holds approximately 90% of the units of the fund.

A plan has been initiated to dispose of MDSF, and as at 31 December 2014 the investment was classified as held for sale. Upon measurement at fair value less costs to sell, an impairment loss of €20.491 thousand was recognised. This impairment loss was recognised within 'Impairments of non-financial instruments' in the income statement (Note 14).

Loans and advances classified as held for sale
Loans and advances classified as held for sale as at 31 December 2014 relate to the loans that are part of the Russian operations of the Company for which a plan to dispose has been initiated and for which management has assessed that a disposal within 12 months from classification is highly probable.

The assets held for sale represent loans and advances which were measured at amortised cost and are stated net of impairment provisions. In addition, the investment in subsidiaries relating to the Russian operations was classified as held for sale, and an impairment of €81.000 thousand (2013: €74.251 thousand) was recognised, to reduce the carrying amount to nil, based on management's expectations. This impairment loss is included within 'Impairment losses of non-financial instruments', in the income statement (Note 14).

At 31 December 2013, the Ukrainian operations of the Group were classified as a disposal group held for sale. The carrying value of major classes of assets and liabilities of the disposal group held directly by the Company and classified as held for sale as at 31 December 2013 is shown on the table below:

	€000
Funding to subsidiaries	**71.570**
Loans and advances to customers	**160.402**

29. Other assets

	2014	2013
	€000	€000
Debtors	137	143
Stock of property held for sale	822	723
Taxes refundable	45.584	41.319
Retirement benefit plan assets (Note 11)	42	46
Prepaid expenses	605	485
Receivable relating to acquisitions and disposals of operations	101.550	129.254
Other assets	33.834	77.429
	182.574	249.399

As at 31 December 2014 the receivable relating to acquisitions and disposals of operations relates to the disposal of the Ukrainian operations (Note 52.1.1), whereas as at 31 December 2013 it relates to the disposal of the Greek operations, which was settled in 2014, and the acquisition of certain operations of Laiki Bank.

30. 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.

31. 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:

	2014	2013
	€000	€000
Emergency Liquidity Assistance	7.403.741	9.556.035
Monetary policy operations	380.001	1.400.242
Targeted Long Term Refinancing Operations (TLTRO)	500.031	-
	8.283.773	10.956.277

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

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

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

Details on encumbered assets related to the above funding facilities are disclosed in Note 46.

32. Customer deposits

	2014	2013
	€000	€000
By type of deposit		
Demand	3.970.136	3.089.648
Savings	687.692	688.877
Time or notice	6.671.329	8.967.218
	11.329.157	12.745.743
By geographical area		
Cyprus	11.324.580	12.715.688
Romania	4.577	30.055
	11.329.157	12.745.743

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

32. Customer deposits (continued)

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 released funds are subject to the restrictive measures relating to overseas transfers currently applicable in the Cypriot banking system which, however, have recently been extensively relaxed.

33. Debt securities in issue

	Contractual interest rate	**2014**	2013
Medium term senior debt		**€000**	€000
€2 million 2010/2016	DJ EUROSTOXX 50 index	**531**	**531**
USD 2 million 2010/2016	S&P 500 index	**162**	**143**
		693	**674**

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 Company.

Medium term senior debt

The Company maintains a Euro Medium Term Note (EMTN) Programme under which debt securities with an aggregate nominal amount of up to €4.000 million (2013: €4.000 million) may be issued.

During the recapitalisation process of the Company in 2013, eligible debt securities in issue by the Company were bailed-in in whole or in part and the principal amount bailed-in was thus converted into ordinary shares and cash deposits. The debt securities in issue outstanding at the balance sheet date represent the residual holding of the debt securities following the bail-in.

Short term commercial paper

The Company set up a Euro Commercial Paper (ECP) Programme with an aggregate nominal amount up to €1.000 million (2013: €1.000 million). According to the terms of the Programme, the Commercial Paper is issued in various currencies at a discount and pays no interest. Each issue has a maturity period up to 364 days and is unlisted. No commercial paper is currently in issue.

Covered Bonds

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

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

Loans and advances pledged as collateral for covered bonds are disclosed in Note 46.

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

33. Debt securities in issue (continued)

Bonds guaranteed by the Cyprus government

In accordance with the terms of the decrees issued by the Resolution Authority for the acquisition of Laiki Bank, the Company assumed the rights and obligations of Laiki Bank in its role as issuer of two bonds guaranteed by the Cyprus government of €500 million each, during 2013. The bonds had been issued by Laiki Bank on 14 November and 27 November 2012 respectively and had a maturity of 364 days. The maturity of the bonds was extended in November 2013 for a further period of one year. In November 2014, the maturity of the bonds was extended for a further period of 3 years. The bonds bear annual fixed interest rate at 5%. The bonds are guaranteed by the Cyprus government and are issued in accordance with the relevant legislation and decrees on the 'Granting of Government Guarantees for the Conclusion of Loans and/or the Issue of Bonds by Credit Institutions Law'.

No liability from the issue of these bonds is presented in debt securities in issue on the balance sheet as 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.

34. Other liabilities

	2014	2013
	€000	€000
Income tax payable	**9.356**	10.459
Special defence contribution payable	**8.289**	12.382
Liability of retirement benefit plans (Note 11)	**15.731**	9.035
Provision for pending litigation or claims (Note 39)	**17.987**	47.728
Provision for financial guarantees and undrawn contractual commitments (Notes 13 and 39)	**85.751**	-
Accrued expenses and other provisions	**37.209**	21.287
Deferred income	**7.093**	8.227
Financial guarantees	**2.609**	2.604
Shares subject to interim orders (Note 35)	**(441)**	(58.922)
Items in the course of settlement	**31.708**	25.754
Other liabilities	**68.443**	54.412
	283.735	132.966

Provision for pending litigation or claims

The movement for the year in the provision for pending litigation or claims is as follows:

	2014	2013
	€000	€000
1 January	**47.728**	3.228
Increase of provision in the year – continuing operations (Note 12)	**9.710**	8.500
(Release)/increase of provision in the year – discontinued operations (Note 39)	**(36.000)**	36.000
Release of provision in the year – continuing operations (Note 12)	**(3.450)**	-
Foreign exchange adjustments	**(1)**	-
31 December	**17.987**	47.728

Further details are disclosed in Note 39.

35. Share capital

	2014		2013	
	Shares (thousand)	**€000**	Shares (thousand)	€000
Authorised				
Ordinary shares of €0,10 each (2013: €1,00 each)	**47.677.593**	**4.767.759**	4.686.414	4.686.414
Issued				
1 January	**4.683.985**	**4.683.985**	1.795.141	1.795.141
Bail-in of deposits and structured products	**150**	**150**	3.814.495	3.814.495
Shares subject to interim orders withdrawn/cancelled	**58.625**	**58.625**	-	-
Bail-in of Convertible Bonds 2013/2018, Capital Securities 12/2007 and Convertible Capital Securities	**-**	**-**	122.541	122.541
Additional shares issued to Laiki Bank for 2013 acquisition (Note 52.2.1)	**12.951**	**12.951**	845.758	845.758
Conversion of CECS into shares	**-**	**-**	459.399	459.399
Reduction of nominal value of share capital	**-**	**(4.280.140)**	(2.353.349)	(2.353.349)
Issue of shares	**4.166.667**	**416.667**	-	-
31 December 2014	**8.922.378**	**892.238**	4.683.985	4.683.985

Authorised share capital

On 28 August 2014, an Extraordinary General Meeting approved the authorised share capital reduction from €4.767.759 thousand divided into 4.767.759.272 ordinary shares with a nominal value of €1,00 each, to €476.776 thousand divided into 4.767.759.272 ordinary shares with a nominal value of €0,10 each.

Following the reduction in the nominal value per share, the authorised share capital was increased from €476.776 thousand divided into 4.767.759.272 ordinary shares with a nominal value of €0,10 each to €4.767.759 thousand divided into 47.677.592.720 ordinary shares of €0,10 each, through the increase of 42.909.833.448 new ordinary shares with a nominal value of €0,10 each, which rank pari passu in all respects with each other and with all other ordinary shares of the Company.

Issued share capital

2014

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

During 2014 the issued share capital was increased by 4.166.667 thousand shares of a nominal value of €0,10 each as a result of the Capital Raising. 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.

35. Share capital (continued)

Issued share capital (continued)

2014 (continued)
On 16 December 2014, the issued ordinary shares of the Company arising from Phases 1 and 2 of the Capital Raising, the ordinary shares issued to bailed in holders of uninsured deposits and other products of the Company in accordance with the Bail-in Decrees, the ordinary shares issued to bailed-in holders of subordinated debt securities of the Company in accordance with the Bail-in Decrees and the ordinary shares issued to Laiki Bank pursuant to the Laiki Transfer Decrees, were listed on the Cyprus Stock Exchange (CSE) and the Athens Exchange (ATHEX) and trading of shares commenced. In addition, the trading suspension on the ordinary shares of the Company already listed on the CSE and the ATHEX was lifted.

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

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

In Phase 2 of the Capital Raising, existing shareholders were able to apply to purchase up to 20% in aggregate of the total number of shares offered to qualified investors in the first phase and at the same price as in Phase 1 (the 'clawback'). The minimum purchase per investor in the clawback was €100 thousand and all existing shareholders were eligible to participate. Shares in the clawback were allocated among participating shareholders pro rata based on their shareholdings at the time of allocation, excluding any shares acquired in Phase 1. Phase 2 of the Capital Raising, which involved the clawback of up to 20% of the private placement shares, was completed on 21 August 2014. The Company received valid acceptances in respect of 433.042.768 new ordinary shares at a price of €0,24 per share, with total gross proceeds of €103.930 thousand. The shares subscribed during, and the gross proceeds of, Phase 2 represent 10,39% of the shares placed in, and of the total gross proceeds of €1 billion of the private placement (Phase 1).

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

On 28 August 2014, an Extraordinary General Meeting of the Company's shareholders was convened to approve the waiving of the pre-emption rights and the reduction of the nominal value of the ordinary shares.

The shareholders' EGM approved the €1 billion share capital increase through Phases 1 and 2 of the Capital Raising. The Company's shareholders also approved the Retail Offer of new ordinary shares at a subscription price of €0,24 per share for raising of up to €100 million (Phase 3).

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

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

35. Share capital (continued)

Issued share capital (continued)

2014 (continued)
Reduction of nominal value of ordinary shares and additional share capital of €1 billion (continued)
The above resolutions were subject to approval by the court which was issued on 29 August 2014.

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

- The issue and allotment of ordinary shares in the Company up to an aggregate nominal amount of €416.667 thousand (equivalent to 4.166.666.667 ordinary shares of €0,10 each) in connection with and/or for the implementation of the Capital Raising at a subscription price per ordinary share of €0,24.
- The irrevocable and unconditional waiving of the pre-emptive rights of the Company's shareholders.

On 18 September 2014, as a result of the completion of the issuance of 4.166.667 thousand ordinary shares of a nominal value of €0,10 each, at a subscription price of €0,24, the Company's share capital increased by €416.667 thousand.

The Retail Offer comprised the third and final phase of the Capital Raising. Subject to the terms and conditions set out in the prospectus, each qualifying shareholder was invited to subscribe for up to a maximum of 416,666,667 new shares at the subscription price of €0,24 per share. Phase 3 was completed on 9 January 2015 and a total of 567.188 new ordinary shares were issued on 14 January 2015. These new shares were listed and commenced trading on the CSE and ATHEX on 2 February 2015.

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

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

As per the provisions of the Decree and decisions of the Resolution Authority, 47,5% of the uninsured deposits of the Company were converted into Class A ordinary shares. In addition as per Decree No. 2, structured products which were in issue were also converted into shares.

In addition, subordinated debt and claims of the Company, including subordinated debt were converted into class D shares, at a conversion rate of 1 share of €1,00 nominal value for each €1,00 of principal amount of such subordinated debt and claims. According to amended Decrees No. 2 and 3, the nominal value of Class D shares was subsequently reduced from €1,00 each to €0,01 each.

All Class A and D shares issued were subsequently converted into ordinary shares of €0,01 each.

Amended Decree No. 2 and 3 also provided for the reduction of the nominal value of all ordinary shares in issue on 29 March 2013 from €1,00 each to €0,01 each.

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

35. Share capital (continued)

Shares subject to interim orders

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

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

The shares which as per the bail-in Decree correspond to the deposits which were subject to these interim orders are included in equity in the balance sheet as 'Shares subject to interim orders', with an equivalent debit balance included in 'Other liabilities' within total liabilities. During the year 2014 the balance of the ordinary shares transferred from 'Shares subject to interim orders' to share capital amounted to €58.481 thousand and as at 31 December 2014 ordinary shares of €441 thousand (31 December 2013: €58.922 thousand) are subject to interim orders.

Share premium reserve

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.

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

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 €32.044 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 and €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 Company and by associates are deducted from equity on the purchase, sale, issue or cancellation of such shares. No gain or loss is recognised in the income statement. The number of these shares at 31 December 2014 was 1.005 thousand of a nominal value of €0,10 each (2013: 1.021 thousand of a nominal value of €1,00 each). The total cost of acquisition of treasury shares was €65.499 thousand (2013: €65.499 thousand).

36. Dividends

The Company is currently under a regulatory dividend distribution prohibition and therefore no dividend was declared or paid during years 2013 and 2014.

37. Accumulated losses

Retained earnings are the only distributable reserve.

The companies, tax residents in Cyprus, which do not distribute at least 70% of their profits after tax as defined by the Special Defence Contribution for the Cyprus Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special defence contribution at 20% for years 2012 and 2013 and 17% for 2014 and thereafter will be payable on such deemed dividend distribution to the extent that the shareholders of the Company (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer are tax residents of Cyprus. Deemed distribution does not apply in respect of profits that are directly or indirectly attributable to shareholders that are non-resident in Cyprus.

The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year.

This special defence contribution is paid by the Company on account of the shareholders.

During 2013 and 2014 no deemed dividend distribution was paid by the Company.

38. Fiduciary transactions

The Company offers fund management and custody services that result in holding or investing financial assets on behalf of its customers. The Company is not liable to its customers for any default by other banks or organisations. The assets under management and custody are not included in the balance sheet of the Company unless they are placed with the Company. Total assets under management and custody at 31 December 2014 amounted to €738.000 thousand (2013: €737.000 thousand).

39. Contingent liabilities and commitments

As part of the services provided to its customers, the Company enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend.

Even though these obligations may not be recognised on the balance sheet, they do contain credit risk and are therefore part of the overall credit risk of the Company (Note 44).

During the year, the Company has recognised a provision of €85.751 thousand (Note 34) for these obligations.

Capital commitments

Capital commitments for the acquisition of property, equipment and intangible assets as at 31 December 2014 amount to €4.388 thousand (2013: €1.631 thousand).

Pending litigation and claims

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

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

39. Contingent liabilities and commitments (continued)

Pending litigation and claims (continued)

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 December 2014 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 Central Bank of Cyprus (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.

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 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. The Company has the right to seek judicial review of the HCMC decision.

Cyprus Securities and Exchange Commission (CySEC) investigations

On 2 August 2013, CySEC published its conclusions regarding an investigation it had conducted 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.

39. Contingent liabilities and commitments (continued)

Pending litigation and claims (continued)

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

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.

Recently, CySEC issued its decision regarding the Group's failure to publish its 2012 annual financial statements within the legally prescribed time limits. No fine was imposed, but a reprimand has been administered. A recourse has been filed against the said reprimand before the Supreme Court.

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

- Matters concerning the Company's investment in Banca Transilvania.
- 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 level of impairment of Greek Government bonds in 2011.
- 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 ground that, inter alia, the 'Resolution of Credit and Other Institutions Law of 2013' and the various Decrees issued by virtue of the Law to implement the bail-in, are in conflict with the Constitution of the Republic of Cyprus and the European Convention of Human Rights. Actions on the part of the affected depositors have been filed before the District Courts and their objective is to obtain damages for the loss allegedly sustained by them as a result of the bail-in of their deposits effected by the relevant Decrees. In a number of those actions, interim orders were issued prohibiting the Company from treating the deposits of the applicants in question as converted into shares of the Company. The Company took active steps and obtained the discharge and cancellation of most of the interim orders. In parallel, the Company is defending the actions of depositors vigorously.

39. Contingent liabilities and commitments (continued)

Pending litigation and claims (continued)

Bail-in related litigation (continued)

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

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.

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.

39. Contingent liabilities and commitments (continued)

Pending litigation and claims (continued)

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

Following the resolution of Laiki Bank, CNP has instituted arbitration proceedings in London under the auspices of the International Chamber of Commerce, alleging that the Company is a successor to Laiki Bank in respect of both agreements and that the said agreements (particularly the Distribution Agreement) have been violated. The claims of CNP amount to €105 million and €75 million respectively. 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.

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 by the Attorney–General.

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.

39. Contingent liabilities and commitments (continued)

Pending litigation and claims (continued)

Other litigation (continued)

General Criminal Investigations (continued)
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 has been referred to the Assize Court.

40. Net cash flow used in operating activities

	2014	2013 (restated and represented)
	€000	€000
Loss before tax from continuing operations	**(290.214)**	(753.238)
Profit / (loss) before tax from discontinued operations	**36.000**	(1.327.603)
Adjustments for:		
Provisions for impairment of loans and advances to customers and other customer credit losses	**728.448**	988.838
Depreciation of property and equipment	**9.116**	13.248
Amortisation of intangible assets	**5.756**	11.438
Impairment of property and equipment	**1.460**	290
Losses on disposal of discontinued operations	**-**	1.365.624
Amortisation of discounts/premiums of debt securities and subordinated loan stock	**(53.764)**	(98.328)
Losses on disposal and write-offs of property and equipment and intangible assets	**3.397**	3.082
Gains on disposal of investment properties and investment properties held for sale	**(58)**	-
Losses from revaluation of investment properties and investment properties held for sale	**23.803**	16.746
Gains on disposal of subsidiaries	**(198.860)**	(444)
Interest on debt securities	**(140.385)**	(207.691)
Dividend income	**(17.040)**	(25.862)
Impairment of investments in Group companies, associates and joint ventures	**250.670**	312.716
Impairment of investments	**7.032**	21.991
Provision for impairment for intercompany balances	**198.066**	28.816
Net gains on disposal of investments in equity securities	**(48.907)**	(951)
Net (gains)/losses on disposal of investments in debt securities	**(102.779)**	12.040
(Profit)/loss from revaluation of debt securities designated as fair value hedges	**(2.240)**	991
Interest on funding from central banks	**138.643**	167.560
Interest on subordinated loan stock	**-**	(4.442)
	548.144	524.821
Change in:		
Obligations to central banks and amounts due to banks	**35.613**	(1.366.243)
Obligatory balances with central banks	**(22.247)**	280.187
Customer deposits	**(1.310.292)**	(5.739.738)
Debit balances with Group companies	**108.001**	951.659
Credit balances with Group companies	**(12.896)**	(195.888)
Loans and advances to customers	**1.643.903**	1.016.878
Other assets	**186.289**	(28.338)
Placements with banks	**112.557**	1.847.077
Other liabilities	**43.993**	(84.721)
Accrued income and prepaid expenses	**(386)**	1.649
Derivative financial instruments	**(46.058)**	(132.079)
Investments at fair value through profit or loss	**(2.195)**	(2.550)
Repurchase agreements	**(14.322)**	(13.769)
Accrued expenses and deferred income	**13.038**	(1.848)
Subordinated loan stock	**-**	(127.660)
	1.283.142	(3.070.563)
Tax paid	**(5.910)**	(7.450)
Net cash flow from / (used in) operating activities	**1.277.232**	(3.078.013)

40. Net cash flow used in operating activities (continued)

Non-cash transactions

Bail in
2013: As part of the recapitalisation of the Company, 47,5% of uninsured deposits and structured products as well as debt securities in issue on 29 March 2013 were converted into ordinary shares further to the decrees issued by the Resolution Authority. In addition the nominal value of the ordinary shares was reduced and the full amount of the share premium and amounts were applied against the accumulated losses.

2014: Deposits under interim orders withdrawn and cancelled in 2014 of €58.625 thousand were converted into issued share capital. Customer deposits were reduced by an equivalent amount and the respective credit entry was reflected in other liabilities.

Further details on the recapitalisation of the Company through the Bail-in Decrees are presented in Note 35.

Acquisition of certain operations of Laiki Bank
In 2013, following the 'Sale of Certain Operations of the Group of Cyprus Popular Bank Public Co Ltd Decree' issued on 29 March 2013, the Company acquired the insured deposits, ELA funding and the majority of assets and loans of the Laiki Bank. In consideration of the transaction the Company issued ordinary shares to Laiki Bank which comprised 18,1% of the share capital of the Company following completion of the recapitalisation. More details on the shares issued to Laiki Bank and the net assets acquired are presented in Note 52.2.1.

During 2014, following the withdrawal and cancellation of interim orders described in Note 35, 12.951 thousand additional shares were issued to Laiki Bank in relation to the 2013 acquisition.

Disposal of Ukrainian operations
In April 2014, the Group completed the disposal of its Ukrainian operations. The sale consideration was €198.860 thousand, comprising €98.860 thousand received and €100.000 thousand deferred up to 31 March 2015. The assets and liabilities of the Group's Ukrainian business at the date of its disposal are presented in Note 52.1.1.

Reduction of nominal value of ordinary shares and share capital issue
During 2014 the Company reduced the nominal value of its issued ordinary shares from €1,00 each to €0,10 each and the total amount from the reduction was applied for the absorption of losses of the Company and the creation of a capital reduction reserve.

As part of the 2014 Capital Raising existing customer deposits amounting to €106.000 thousand were used to subscribe for new shares.

Details on the 2014 reduction of the nominal value of ordinary shares and the 2014 Capital Raising are presented in Note 35.

Net cash flow used in operating activities – interest and dividends

	2014	2013
	€000	€000
Interest paid	**(381.031)**	(651.864)
Interest received	**1.157.470**	1.463.048
Dividends received	**17.040**	25.862
	793.479	837.046

41. Cash and cash equivalents

Cash and cash equivalents comprise:

	2014	2013
	€000	€000
Cash and non-obligatory balances with central banks	**184.435**	89.130
Treasury bills repayable within three months	**179.398**	199.003
Placements with banks with maturity less than three months	**1.122.775**	612.048
	1.486.608	900.181

Cash and non-obligatory balances with central banks	**184.435**	89.130
Obligatory balances with central banks	**483.857**	461.610
Total cash and balances with central banks (Note 18)	**668.292**	550.740

Placements with banks with original maturity less than three months	**1.122.775**	612.048
Other restricted placements with banks	**70.771**	221.255
Other placements with banks	**269.278**	231.351
Total placements with banks (Note 18)	**1.462.824**	1.064.654

Other restricted placements with banks relate to collateral under derivative transactions of €70.771 thousand (2013: €221.255 thousand) which are not immediately available for use by the Company, but are released once the transactions are terminated.

42. Operating leases – The Company as lessee

The total future minimum lease payments under non-cancellable operating leases at 31 December are presented below:

	2014	2013
	€000	€000
Within one year	**2.262**	3.645
Between one and five years	**3.837**	4.741
After five years	**1.057**	1.338
	7.156	9.724

The above mainly relate to property leases for the Company's branches and offices.

43. Analysis of assets and liabilities by expected maturity

	2014			2013		
	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	**188.931**	**479.361**	**668.292**	94.825	455.915	550.740
Placements with banks	**1.341.711**	**121.113**	**1.462.824**	520.115	544.539	1.064.654
Derivative financial instruments	**61.892**	**693**	**62.585**	25.041	3.682	28.723
Investments	**542.338**	**1.958.745**	**2.501.083**	304.621	3.090.516	3.395.137
Loans and advances to customers	**3.590.524**	**13.738.684**	**17.329.208**	5.085.729	14.628.976	19.714.705
Balances with Group companies	**414.834**	**395.125**	**809.959**	488.034	627.674	1.115.708
Other assets	**129.707**	**52.867**	**182.574**	112.539	136.860	249.399
Property, equipment and intangible assets	**-**	**234.211**	**234.211**	-	260.883	260.883
Investment properties	**-**	**250.888**	**250.888**	-	198.629	198.629
Investments in associates and joint ventures	**-**	**102.615**	**102.615**	-	204.777	204.777
Investments in Group companies	**-**	**236.369**	**236.369**	-	442.335	442.335
Deferred tax assets	**9.696**	**446.783**	**456.479**	-	456.479	456.479
Non-current assets classified as held for sale	**114.060**	**-**	**114.060**	-	-	-
	6.393.693	**18.017.454**	**24.411.147**	6.630.904	21.051.265	27.682.169
Liabilities						
Amounts due to banks	**111.520**	**48.245**	**159.765**	98.355	25.797	124.152
Funding from central banks	**1.554.000**	**6.729.773**	**8.283.773**	157.000	10.799.277	10.956.277
Repurchase agreements	**230.305**	**349.377**	**579.682**	13.928	580.076	594.004
Derivative financial instruments	**13.165**	**58.596**	**71.761**	16.090	67.867	83.957
Customer deposits	**3.317.231**	**8.011.926**	**11.329.157**	3.708.198	9.037.545	12.745.743
Balances with Group companies	**181.129**	**369.554**	**550.683**	194.018	369.561	563.579
Other liabilities	**265.539**	**18.196**	**283.735**	73.874	59.092	132.966
Debt securities in issue	**-**	**693**	**693**	-	674	674
Deferred tax liabilities	**-**	**23.219**	**23.219**	4.691	17.292	21.983
	5.672.889	**15.609.579**	**21.282.468**	4.266.154	20.957.181	25.223.335

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

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

In accordance with the Company'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/replace the security with a similar one. The latter would be the case where the Company 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.

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 Romania 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.

44. Risk management – Credit risk

In the ordinary course of its business the Company is exposed to credit risk which is monitored through various control mechanisms, 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 Company.

The Credit Risk department sets the Company's credit disbursement policies and monitors compliance with credit risk policy applicable to each business line and the quality of the Company'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 Company 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 Company'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 consolidated financial statements.

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.

44. Risk management – Credit risk (continued)

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

Maximum exposure to credit risk and collateral and other credit enhancements

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

	2014	2013
On-balance sheet	**€000**	€000
Cyprus	**22.035.679**	24.090.125
Greece	**137.521**	171.210
United Kingdom	**69.918**	539.789
Romania	**513.261**	784.900
Russia	**39.010**	39.545
Ukraine	**-**	167.479
	22.795.389	25.793.048

Off-balance sheet		
Cyprus	**3.098.819**	3.657.120
Greece	**185.271**	335.073
Romania	**317**	3.466
	3.284.407	3.995.659

Total on and off balance sheet		
Cyprus	**25.134.498**	27.747.245
Greece	**322.792**	506.283
United Kingdom	**69.918**	539.789
Romania	**513.578**	788.366
Russia	**39.010**	39.545
Ukraine	**-**	167.479
	26.079.796	29.788.707

The Company offers guarantee facilities to its customers under which the Company 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 Company 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 Company to risks similar to those of loans and advances and are therefore monitored by the same policies and control processes.

44. Risk management – Credit risk (continued)

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

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 Company 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 Company'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 Company 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 Company 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.

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

44. Risk management – Credit risk (continued)

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

	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held by the Company							Net exposure to credit risk
		Cash	Securities	Letters of credit / guarantee	Property	Other	Surplus collateral	Net collateral	
2014	**€000**	€000	€000	€000	€000	€000	€000	€000	**€000**
Balances with central banks (Note 18)	**483.857**	-	-	-	-	-	-	-	**483.857**
Placements with banks (Note 18)	**1.462.824**	3.316	-	-	-	-	-	3.316	**1.459.508**
Debt securities at fair value through profit or loss (Note 19)	**16.979**	-	-	-	-	-	-	-	**16.979**
Debt securities classified as available-for-sale and loans and receivables (Note 19)	**2.467.861**	-	-	-	-	-	-	-	**2.467.861**
Derivative financial instruments (Note 20)	**62.585**	16.685	-	-	-	-	-	16.685	**45.900**
Loans and advances to customers (Note 22)	**17.329.208**	568.011	370.302	1.390.577	22.576.575	238.068	(8.238.225)	16.905.308	**423.900**
Assets held for sale (Note 28)	**39.010**	-	-	-	72.124	-	(40.150)	31.974	**7.036**
Debtors (Note 29)	**137**	-	-	-	-	-	-	-	**137**
Balances with Group companies	**809.959**	-	-	-	-	-	-	-	**809.959**
Other assets	**122.969**	-	-	-	-	-	-	-	**122.969**
On-balance sheet total	**22.795.389**	**588.012**	**370.302**	**1.390.577**	**22.648.699**	**238.068**	**(8.278.375)**	**16.957.283**	**5.838.106**
Contingent liabilities									
Acceptances and endorsements	**8.332**	-	-	-	-	-	-	-	**8.332**
Guarantees	**1.003.271**	102.544	1.705	14.803	697.755	8.167	(32.162)	792.812	**210.459**
Commitments									
Documentary credits	**16.217**	-	-	-	-	-	-	-	**16.217**
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**2.256.587**	-	-	-	-	-	-	-	**2.256.587**
Off-balance sheet total	**3.284.407**	**102.544**	**1.705**	**14.803**	**697.755**	**8.167**	**(32.162)**	**792.812**	**2.491.595**
Total credit risk exposure	**26.079.796**	**690.556**	**372.007**	**1.405.380**	**23.346.454**	**246.235**	**(8.310.537)**	**17.750.095**	**8.329.701**

44. Risk management – Credit risk (continued)

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

	Maximum exposure to credit risk	Fair value of collateral and credit enhancements held by the Company							Net exposure to credit risk
		Cash	Securities	Letters of credit / guarantee	Property	Other	Surplus collateral	Net collateral	
2013	**€000**	€000	€000	€000	€000	€000	€000	€000	**€000**
Balances with central banks (Note 18)	**461.610**	-	-	-	-	-	-	-	**461.610**
Placements with banks (Note 18)	**1.064.654**	915	-	-	-	-	-	915	**1.063.739**
Debt securities at fair value through profit or loss (Note 19)	**15.274**	-	-	-	-	-	-	-	**15.274**
Debt securities classified as available-for-sale and loans and receivables (Note 19)	**3.279.758**	-	-	-	-	-	-	-	**3.279.758**
Derivative financial instruments (Note 20)	**28.723**	10.291	-	-	-	-	-	10.291	**18.432**
Loans and advances to customers (Note 22)	**19.714.705**	770.815	615.849	1.098.995	22.890.454	564.834	(8.346.275)	17.594.672	**2.120.033**
Debtors (Note 29)	**143**	-	-	-	-	-	-	-	**143**
Balances with Group companies	**1.082.116**	-	-	-	-	-	-	-	**1.082.116**
Other assets	**146.065**	-	-	-	-	-	-	-	**146.065**
On-balance sheet total	**25.793.048**	**782.021**	**615.849**	**1.098.995**	**22.890.454**	**564.834**	**(8.346.275)**	**17.605.878**	**8.187.170**
Contingent liabilities									
Acceptances and endorsements	**17.042**	1.094	80	335	11.225	1.011	(5.805)	7.940	**9.102**
Guarantees	**1.226.655**	23.002	1.929	8.190	367.202	15.774	(155.301)	260.796	**965.859**
Commitments									
Documentary credits	**10.919**	-	-	-	-	-	-	-	**10.919**
Undrawn formal stand-by facilities, credit lines and other commitments to lend	**2.741.043**	-	-	-	-	-	-	-	**2.741.043**
Off-balance sheet total	**3.995.659**	**24.096**	**2.009**	**8.525**	**378.427**	**16.785**	**(161.106)**	**268.736**	**3.726.923**
Total credit risk exposure	**29.788.707**	**806.117**	**617.858**	**1.107.520**	**23.268.881**	**581.619**	**(8.507.381)**	**17.874.614**	**11.914.093**

44. Risk management – Credit risk (continued)

Credit risk concentration of loans and advances to customers

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

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

Classification of loans and advances to customers by customer sector

The Company is currently monitoring the loan portfolio by customer sector. An important component of the Company's new operational structure is the establishment of the Restructuring and Recoveries Division (RRD) for the purposes of centralising and streamlining the management of its delinquent loans. The RRD is responsible for the management of all activity relating to corporate exposures greater than €100 million, debt restructuring and debt collection and recovery on delinquent loans across all customer segments and all corporate exposures greater than €6 million and/or corporate clients with a minimum annual credit turnover of €10 million which are, in each case, more than 60 days past due. The RRD was established in 2014 and therefore no comparative information is available for the new operational structure.

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 (Note 52.2.1). In accordance with the provisions of IFRS 3, this adjustment has decreased the gross balance of loans and advances to customers. However, for IFRS 7 disclosure purposes as well as for credit risk monitoring, the aforementioned adjustment is not presented within the gross balances of loans and advances.

44. Risk management – Credit risk (continued)

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

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

	Cyprus	Greece	United Kingdom	Romania	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
2014	€000	€000	€000	€000	**€000**	**€000**	**€000**
By economic activity							
Trade	2.279.905	-	36	12.799	**2.292.740**	**(169.687)**	**2.123.053**
Manufacturing	819.309	-	115	7.578	**827.002**	**(46.564)**	**780.438**
Hotels and catering	1.411.823	-	2.442	6.379	**1.420.644**	**(94.943)**	**1.325.701**
Construction	3.839.577	-	1.431	28.719	**3.869.727**	**(407.901)**	**3.461.826**
Real estate	2.030.507	44.274	53.102	277.188	**2.405.071**	**(170.448)**	**2.234.623**
Private individuals	7.447.642	-	-	8.647	**7.456.289**	**(336.364)**	**7.119.925**
Professional and other services	1.503.453	-	12.293	36.945	**1.552.691**	**(122.444)**	**1.430.247**
Other sectors	1.867.205	129.632	83	116.049	**2.112.969**	**(217.760)**	**1.895.209**
	21.199.421	**173.906**	**69.502**	**494.304**	**21.937.133**	**(1.566.111)**	**20.371.022**
By customer sector							
Corporate	9.435.300	173.906	25.272	486.304	**10.120.782**	**(868.788)**	**9.251.994**
Small and medium-sized enterprises (SMEs)	4.504.392	-	41.184	4.750	**4.550.326**	**(339.515)**	**4.210.811**
Retail							
- housing	4.358.022	-	-	1.577	**4.359.599**	**(125.294)**	**4.234.305**
- consumer, credit cards and other	2.228.198	-	3.046	1.673	**2.232.917**	**(210.372)**	**2.022.545**
International banking services	603.557	-	-	-	**603.557**	**(12.472)**	**591.085**
Wealth management	69.952	-	-	-	**69.952**	**(9.670)**	**60.282**
	21.199.421	**173.906**	**69.502**	**494.304**	**21.937.133**	**(1.566.111)**	**20.371.022**

44. 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**
2014	€000	€000	€000	€000	**€000**	**€000**	**€000**
By business line							
Corporate	2.027.909	173.906	25.272	400.210	**2.627.297**	**(168.703)**	**2.458.594**
Small and medium-sized enterprises (SMEs)	1.715.928	-	41.184	4.750	**1.761.862**	**(77.973)**	**1.683.889**
Retail							
- housing	3.795.614	-	-	1.577	**3.797.191**	**(56.086)**	**3.741.105**
- consumer, credit cards and other	1.538.872	-	3.046	1.673	**1.543.591**	**(83.560)**	**1.460.031**
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**
	21.199.421	**173.906**	**69.502**	**494.304**	**21.937.133**	**(1.566.111)**	**20.371.022**

44. Risk management – Credit risk (continued)

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

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
2013	€000	€000	€000	€000	€000	€000	**€000**	**€000**	**€000**
By economic activity									
Trade	2.417.012	-	-	4.867	19.092	14.800	**2.455.771**	**(181.944)**	**2.273.827**
Manufacturing	789.006	-	-	18.867	23.513	-	**831.386**	**(58.722)**	**772.664**
Hotels and catering	1.603.214	-	-	72.344	105.434	-	**1.780.992**	**(110.784)**	**1.670.208**
Construction	4.056.012	-	-	7.376	38.011	-	**4.101.399**	**(381.267)**	**3.720.132**
Real estate	2.812.382	-	11.932	356.391	248.261	107.344	**3.536.310**	**(350.743)**	**3.185.567**
Private individuals	8.024.669	-	-	-	9.106	-	**8.033.775**	**(391.887)**	**7.641.888**
Professional and other services	1.662.785	-	16.357	13.680	70.473	93.891	**1.857.186**	**(179.527)**	**1.677.659**
Other sectors	1.303.356	171.465	27.506	88.050	116.732	8.775	**1.715.884**	**(233.029)**	**1.482.855**
	22.668.436	**171.465**	**55.795**	**561.575**	**630.622**	**224.810**	**24.312.703**	**(1.887.903)**	**22.424.800**
By customer sector									
Corporate	8.693.318	171.465	55.795	316.619	589.196	224.810	**10.051.203**	**(931.769)**	**9.119.434**
Small and medium-sized enterprises (SMEs)	5.106.563	-	-	219.316	15.195	-	**5.341.074**	**(494.384)**	**4.846.690**
Retail									
- housing	5.330.034	-	-	8.186	1.767	-	**5.339.987**	**(170.351)**	**5.169.636**
- consumer, credit cards and other	2.449.751	-	-	17.454	1.785	-	**2.468.990**	**(168.833)**	**2.300.157**
International banking services	981.695	-	-	-	22.679	-	**1.004.374**	**(109.612)**	**894.762**
Wealth management	107.075	-	-	-	-	-	**107.075**	**(12.954)**	**94.121**
	22.668.436	**171.465**	**55.795**	**561.575**	**630.622**	**224.810**	**24.312.703**	**(1.887.903)**	**22.424.800**

44. Risk management – Credit risk (continued)

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

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
2013	€000	€000	€000	€000	€000	€000	**€000**	**€000**	**€000**
By business line									
Corporate	6.799.869	171.465	55.795	316.619	538.711	224.810	**8.107.269**	**(415.633)**	**7.691.636**
Small and medium-sized enterprises (SMEs)	3.920.317	-	-	219.316	15.195	-	**4.154.828**	**(334.158)**	**3.820.670**
Retail									
- housing	4.784.260	-	-	8.186	1.767	-	**4.794.213**	**(64.141)**	**4.730.072**
- consumer, credit cards and other	1.955.602	-	-	17.454	1.785	-	**1.974.841**	**(112.463)**	**1.862.378**
Recoveries									
- Corporate	1.893.449	-	-	-	50.485	-	**1.943.934**	**(516.136)**	**1.427.798**
- SMEs	1.186.246	-	-	-	-	-	**1.186.246**	**(160.226)**	**1.026.020**
- retail housing	545.774	-	-	-	-	-	**545.774**	**(106.210)**	**439.564**
- retail other	494.149	-	-	-	-	-	**494.149**	**(56.370)**	**437.779**
International banking services	981.695	-	-	-	22.679	-	**1.004.374**	**(109.612)**	**894.762**
Wealth management	107.075	-	-	-	-	-	**107.075**	**(12.954)**	**94.121**
	22.668.436	**171.465**	**55.795**	**561.575**	**630.622**	**224.810**	**24.312.703**	**(1.887.903)**	**22.424.800**

44. Risk management – Credit risk (continued)

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

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

2014	**Russia**
By economic activity	**€000**
Real estate	**27.028**
Private individuals	**63.868**
Professional and other sectors	**13.144**
	104.040

By customer sector	
Corporate	**40.172**
International banking services	**63.868**
	104.040

By business line	
Corporate	**40.172**
International banking services	**63.868**
	104.040

44. Risk management – Credit risk (continued)

Currency concentration and loans and advances to customers by country where loans are originated and/or managed

	Cyprus	Greece	United Kingdom	Romania	Russia	Ukraine	**Total**	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**
2014	€000	€000	€000	€000	€000	€000	**€000**	**€000**	**€000**
Euro	19.692.287	172.353	9.170	492.984	-	-	**20.366.794**	**(1.453.728)**	**18.913.066**
US Dollar	279.609	-	-	21	-	-	**279.630**	**(12.212)**	**267.418**
British Pound	56.206	-	60.332	95	-	-	**116.633**	**(16.359)**	**100.274**
Russian Rouble	555	-	-	-	-	-	**555**	**(2)**	**553**
Romanian Lei	1	-	-	1.204	-	-	**1.205**	**-**	**1.205**
Swiss Franc	1.078.751	1.553	-	-	-	-	**1.080.304**	**(77.424)**	**1.002.880**
Other currencies	92.012	-	-	-	-	-	**92.012**	**(6.386)**	**85.626**
	21.199.421	**173.906**	**69.502**	**494.304**	**-**	**-**	**21.937.133**	**(1.566.111)**	**20.371.022**
2013									
Euro	21.234.397	165.657	16.035	625.232	43.863	67.551	**22.152.735**	**(1.730.875)**	**20.421.860**
US Dollar	141.862	-	-	21	11.932	157.259	**311.074**	**(43.110)**	**267.964**
British Pound	58.835	-	525.681	102	-	-	**584.618**	**(26.010)**	**558.608**
Russian Rouble	109	-	-	-	-	-	**109**	**(4)**	**105**
Romanian Lei	-	-	-	5.267	-	-	**5.267**	**-**	**5.267**
Swiss Franc	1.128.992	5.808	15.242	-	-	-	**1.150.042**	**(80.884)**	**1.069.158**
Other currencies	104.241	-	4.617	-	-	-	**108.858**	**(7.020)**	**101.838**
	22.668.436	**171.465**	**561.575**	**630.622**	**55.795**	**224.810**	**24.312.703**	**(1.887.903)**	**22.424.800**

44. Risk management – Credit risk (continued)

Currency concentration of loans and advances to customers held for sale

	Russia
	€000
2014	
Euro	**98.412**
US Dollar	**5.628**
	104.040

Credit quality of loans and advances to customers

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

	2014			2013		
	Gross loans before fair value adjustment on initial recognition	**Fair value adjustment on initial recognition**	**Gross loans after fair value adjustment on initial recognition**	Gross loans before fair value adjustment on initial recognition	Fair value adjustment on initial recognition	Gross loans after fair value adjustment on initial recognition
	€000	**€000**	**€000**	€000	€000	€000
Neither past due nor impaired	**8.867.087**	**(181.393)**	**8.685.694**	10.178.004	(226.207)	9.951.797
Past due but not impaired	**4.224.031**	**(106.020)**	**4.118.011**	6.427.927	(417.169)	6.010.758
Impaired	**8.846.015**	**(1.278.698)**	**7.567.317**	7.706.772	(1.244.527)	6.462.245
	21.937.133	**(1.566.111)**	**20.371.022**	24.312.703	(1.887.903)	22.424.800

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.

44. Risk management – Credit risk (continued)

Credit quality of loans and advances to customers (continued)

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

	Grade 1	Grade 2	Grade 3	Total
2014	**€000**	**€000**	**€000**	**€000**
Cyprus	5.853.829	844.316	2.049.957	**8.748.102**
United Kingdom	12.758	-	-	**12.758**
Romania	47.467	38.530	20.230	**106.227**
	5.914.054	**882.846**	**2.070.187**	**8.867.087**

2013				
Cyprus	5.769.831	1.663.414	2.319.542	**9.752.787**
United Kingdom	195.791	6.652	2.858	**205.301**
Romania	71.847	97.600	50.129	**219.576**
Ukraine	-	-	340	**340**
	6.037.469	**1.767.666**	**2.372.869**	**10.178.004**

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

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

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

44. 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

	2014	2013
Past due:	**€000**	€000
- up to 30 days	**510.112**	744.773
- 31 to 90 days	**475.525**	1.030.687
- 91 to 180 days	**430.473**	1.278.814
- 181 to 365 days	**905.630**	2.058.869
- over one year	**1.902.291**	1.314.784
	4.224.031	6.427.927

The fair value of the collateral that the Company holds (to the extent that it mitigates credit risk) in respect of loans and advances to customers that are past due but not impaired as at 31 December 2014 is €3.385.020 thousand (2013: €4.871.083 thousand).

Impaired loans and advances to customers

	2014		2013	
	Gross loans and advances	**Fair value of collateral**	Gross loans and advances	Fair value of collateral
	€000	**€000**	€000	€000
Cyprus	**8.264.989**	**6.045.030**	7.055.199	4.068.353
Greece	**173.906**	**19.950**	171.465	-
United Kingdom	**50.250**	**39.594**	114.658	102.964
Romania	**356.870**	**202.766**	248.465	119.093
Russia	**-**	**-**	15.792	9.772
Ukraine	**-**	**-**	101.193	86.932
	8.846.015	**6.307.340**	7.706.772	4.387.114

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

Impaired:	**2014**	2013
	€000	€000
- no arrears	**1.045.065**	888.854
- up to 30 days	**83.946**	164.856
- 31 to 90 days	**132.771**	351.979
- 91 to 180 days	**135.397**	375.673
- 181 to 365 days	**659.701**	1.404.096
- over one year	**6.789.135**	4.521.314
	8.846.015	7.706.772

44. Risk management – Credit risk (continued)

Credit quality of loans and advances to customers held for sale

	2014
	Russia
	€000
Neither past due nor impaired	21.389
Impaired	
- no arrears	63.868
- over one year	18.783
	82.651
	104.040

The fair value of the collateral for the impaired loans and advances to customers classified as held for sale at 31 December 2014 amounted to €10.680 thousand.

44. Risk management – Credit risk (continued)

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

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

	Cyprus	Greece	Other countries	**Total**
2014	€000	€000	€000	**€000**
1 January	2.540.688	-	169.407	**2.710.095**
Disposal of loans	-	-	(97.683)	**(97.683)**
Foreign exchange adjustments	27.918	-	2.222	**30.140**
Applied in writing off impaired loans and advances	(8.947)	-	-	**(8.947)**
Interest accrued on impaired loans and advances/settlements	(162.213)	(1.071)	(6.404)	**(169.688)**
Collection of loans and advances previously written off	230	-	-	**230**
Charge for the year – continuing operations (Note 13)	523.642	10.157	108.898	**642.697**
31 December	**2.921.318**	**9.086**	**176.440**	**3.106.844**
Individual impairment	**2.327.412**	**9.086**	**172.471**	**2.508.969**
Collective impairment	**593.906**	**-**	**3.969**	**597.875**

The balance of provisions for impairment of loans and advances to customers at 31 December 2014 include €65.030 thousand for loans and advances to customers classified as held for sale.

	Cyprus	Greece	Other countries	**Total**
2013	€000	€000	€000	**€000**
1 January	1.779.150	1.252.751	86.380	**3.118.281**
Disposal of Greek operations	-	(1.299.300)	-	**(1.299.300)**
Foreign exchange adjustments	1.266	-	(397)	**869**
Applied in writing off impaired loans and advances	(1.816)	(7.767)	(1.522)	**(11.105)**
Interest accrued on impaired loans and advances	(80.565)	(4.887)	(2.465)	**(87.917)**
Collection of loans and advances previously written off	429	-	-	**429**
Charge for the year – continuing operations (Note 13)	842.224	-	87.411	**929.635**
Charge for the year - discontinued operations	-	59.203	-	**59.203**
31 December	**2.540.688**	**-**	**169.407**	**2.710.095**
Individual impairment	**1.883.343**	**-**	**134.071**	**2.017.414**
Collective impairment	**657.345**	**-**	**35.336**	**692.681**

44. Risk management – Credit risk (continued)

Provision for impairment of loans and advances to customers, including loans 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 collections from mortgages has been estimated to be 3 years and the cumulative future drop in property values has been estimated at -8%.

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

Indicatively, if the actual recoverable amount from collateral of impaired loans in Cyprus is lower than the amount estimated as at 31 December 2014 by 5% and 10%, then provisions for impairment of loans and advances would increase by €171.473 thousand and €334.527 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 €139.751 thousand and €279.892 thousand respectively.

Collateral and other credit enhancements obtained

The carrying value of assets obtained during the year by taking possession of collateral held as security, was as follows:

	2014	2013
	€000	€000
Commercial and other property	**85.825**	-

The total carrying value of the assets obtained over the years by taking possession of collateral held as security for customer loans and advances and held by the Company as at 31 December 2014 amounted to €211.842 thousand (2013: €212.640 thousand). There were no repossessions of collateral held as security for customer loans and advances classified as held for sale.

The disposals of repossessed assets during the year amounted to €1.654 thousand (2013: nil).

44. Risk management – Credit risk (continued)

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 a 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.

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.

44. Risk management – Credit risk (continued)

Forbearance (continued)

- 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 Company'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. There are no rescheduled loans and advances to customers classified as held for sale as at 31 December 2014.

	Cyprus	Greece	United Kingdom	Romania	**Total**
2014	€000	€000	€000	€000	**€000**
1 January	5.135.646	-	-	104.449	**5.240.095**
New loans and advances rescheduled in the year	1.841.843	69.732	4.180	28.258	**1.944.013**
Assets no longer rescheduled (including repayments)	(1.514.458)	-		(15.843)	**(1.530.301)**
Applied in writing off rescheduled loans and advances	(56)	-	-	-	**(56)**
Interest accrued on rescheduled loans and advances	253.164	6.046	-	1.770	**260.980**
Transfer	(62.056)	-	-	62.056	**-**
Foreign exchange adjustments	3.437	-	271	(314)	**3.394**
31 December	**5.657.520**	**75.778**	**4.451**	**180.376**	**5.918.125**
2013					
1 January	3.394.783	1.356.047	-	52.393	**4.803.223**
New loans and advances rescheduled in the year	2.657.226	-	-	62.987	**2.720.213**
Assets no longer rescheduled (including repayments)	(1.126.560)	(86.414)	-	(12.057)	**(1.225.031)**
Applied in writing off rescheduled loans and advances	(11)	-	-	-	**(11)**
Interest accrued on rescheduled loans and advances	214.094	-	-	2.022	**216.116**
Disposal of Greek operations	-	(1.269.633)	-	-	**(1.269.633)**
Foreign exchange adjustments	(3.886)	-	-	(896)	**(4.782)**
31 December	**5.135.646**	**-**	**-**	**104.449**	**5.240.095**

In addition to the above, the loans acquired from Laiki Bank include rescheduled loans and advances to customers of a gross amount of €1.370.323 thousand as at 31 December 2014, which had been rescheduled prior to the acquisition date (29 March 2013).

44. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit quality

	Cyprus	Greece	United Kingdom	Romania	**Total**
2014	€000	€000	€000	€000	**€000**
Neither past due nor impaired	2.504.664	-	3.605	70.899	**2.579.168**
Past due but not impaired	1.409.562	-	91	1.715	**1.411.368**
Impaired	1.743.294	75.778	755	107.762	**1.927.589**
	5.657.520	**75.778**	**4.451**	**180.376**	**5.918.125**
2013					
Neither past due nor impaired	2.659.066	-	-	16.585	**2.675.651**
Past due but not impaired	1.428.549	-	-	7.931	**1.436.480**
Impaired	1.048.031	-	-	79.933	**1.127.964**
	5.135.646	**-**	**-**	**104.449**	**5.240.095**

Fair value of collateral

	Cyprus	United Kingdom	Romania	**Total**
2014	€000	€000	€000	**€000**
Neither past due nor impaired	2.205.551	3.605	70.899	**2.280.055**
Past due but not impaired	1.219.221	91	1.698	**1.221.010**
Impaired	1.476.041	755	48.386	**1.525.182**
	4.900.813	**4.451**	**120.983**	**5.026.247**
2013				
Neither past due nor impaired	2.290.950	-	14.052	**2.305.002**
Past due but not impaired	1.218.052	-	2.521	**1.220.573**
Impaired	789.767	-	52.768	**842.535**
	4.298.769	**-**	**69.341**	**4.368.110**

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

44. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration

	Cyprus	Greece	United Kingdom	Romania	**Total**
2014	€000	€000	€000	€000	**€000**
By economic activity					
Trade	466.407	-	-	2.935	**469.342**
Manufacturing	202.206	-	3.398	523	**206.127**
Hotels and catering	438.807	-	42	6.213	**445.062**
Construction	1.367.591	-	-	-	**1.367.591**
Real estate	680.033	-	382	86.937	**767.352**
Private individuals	1.862.223	-	-	63	**1.862.286**
Professional and other services	294.742	-	54	21.366	**316.162**
Other sectors	345.511	75.778	575	62.339	**484.203**
	5.657.520	**75.778**	**4.451**	**180.376**	**5.918.125**
By customer sector					
Corporate	2.878.412	75.778	3.472	177.889	**3.135.551**
Small and medium-sized enterprises (SMEs)	1.075.393	-	721	2.423	**1.078.537**
Retail					
- housing	1.282.925	-	-	-	**1.282.925**
- consumer, credit cards and other	389.607	-	258	64	**389.929**
International banking services	22.698	-	-	-	**22.698**
Wealth management	8.485	-	-	-	**8.485**
	5.657.520	**75.778**	**4.451**	**180.376**	**5.918.125**

44. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

	Cyprus	Greece	United Kingdom	Romania	**Total**
2014	€000	€000	€000	€000	**€000**
By business line					
Corporate	398.819	75.778	3.472	177.605	**655.674**
Small and medium-sized enterprises (SMEs)	479.626	-	721	2.423	**482.770**
Retail					
- housing	1.264.977	-	-	-	**1.264.977**
- consumer, credit cards and other	378.984	-	258	64	**379.306**
Restructuring					
- corporate	2.166.599	-	-	284	**2.166.883**
- SMEs	452.478	-	-	-	**452.478**
Recoveries					
- corporate	312.994	-	-	-	**312.994**
- SMEs	143.289	-	-	-	**143.289**
- retail housing	17.948	-	-	-	**17.948**
- retail other	10.623	-	-	-	**10.623**
International banking services	22.698	-	-	-	**22.698**
Wealth management	8.485	-	-	-	**8.485**
	5.657.520	**75.778**	**4.451**	**180.376**	**5.918.125**

44. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Credit risk concentration (continued)

	Cyprus	Romania	**Total**
2013	€000	€000	**€000**
By economic activity			
Trade	454.872	5.762	**460.634**
Manufacturing	186.322	1.116	**187.438**
Hotels and catering	371.577	6.314	**377.891**
Construction	993.812	2.528	**996.340**
Real estate	700.093	68.019	**768.112**
Private individuals	1.815.870	119	**1.815.989**
Professional and other services	379.664	20.441	**400.105**
Other sectors	233.436	150	**233.586**
	5.135.646	**104.449**	**5.240.095**
By customer sector			
Corporate	2.388.877	100.977	**2.489.854**
Small and medium-sized enterprises (SMEs)	947.157	3.353	**950.510**
Retail			
- housing	1.391.337	110	**1.391.447**
- consumer, credit cards and other	365.437	9	**365.446**
International banking services	35.994	-	**35.994**
Wealth management	6.844	-	**6.844**
	5.135.646	**104.449**	**5.240.095**

	Cyprus	Romania	**Total**
2013	€000	€000	**€000**
By business line			
Corporate	2.362.296	100.977	**2.463.273**
Small and medium-sized enterprises (SMEs)	929.851	3.353	**933.204**
Retail			
- housing	1.383.364	110	**1.383.474**
- consumer, credit cards and other	364.041	9	**364.050**
Recoveries			
- corporate	26.581	-	**26.581**
- SMEs	17.306	-	**17.306**
- retail housing	7.973	-	**7.973**
- retail other	1.396	-	**1.396**
International banking services	35.994	-	**35.994**
Wealth management	6.844	-	**6.844**
	5.135.646	**104.449**	**5.240.095**

44. Risk management – Credit risk (continued)

Rescheduled loans and advances to customers (continued)

Provisions for impairment

	Cyprus	Greece	United Kingdom	Romania	**Total**
2014	€000	€000	€000	€000	**€000**
Individual impairment	539.713	15.310	418	59.940	**615.381**
Collective impairment	158.220	-	12	1.671	**159.903**
	697.933	**15.310**	**430**	**61.611**	**775.284**
2013					
Individual impairment	410.690	-	-	16.101	**426.791**
Collective impairment	176.223	-	-	3.032	**179.255**
	586.913	**-**	**-**	**19.133**	**606.046**

As at 31 December 2014, in addition to the above, an amount of €237.746 thousand of provisions for impairment exists and relates to rescheduled loans and advances to customers of Laiki Bank prior to the acquisition date (29 March 2013).

There are no provisions for impairment classified as held for sale as at 31 December 2014.

Credit quality of Company assets exposed to credit risk other than loans and advances to customers - analysis by rating agency designation

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

	2014	2013
	€000	€000
Aaa – Aa3	**300.711**	126.655
A1 – A3	**719.810**	458.498
Baa1 – Baa3	**123.244**	39.381
Ba1 – Ba3	**23.965**	2.326
B1 – B3	**482.885**	121
Caa - C	**2.444**	457.554
Unrated	**254.299**	407.995
Other receivables from banks	**39.323**	33.734
	1.946.681	1.526.264

Band B1-B3 above includes an amount of €479.361 thousand which mainly relates to obligatory deposits for liquidity purposes with the Central Bank of Cyprus. Placements with banks include €242.572 thousand which were acquired from Laiki Bank (Note 52.2.1) and which were considered to be impaired upon acquisition. An impairment loss of €18.940 thousand was recognised during the year 2014 on placements with banks (Note 13).

44. Risk management – Credit risk (continued)

Credit quality of Company assets exposed to credit risk other than loans and advances to customers - analysis by rating agency designation (continued)

Debt securities

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

	2014	2013
	€000	€000
Aaa – Aa3	**592.664**	594.752
A1 – A3	**5.268**	5.443
Baa1 – Baa3	**86.560**	52.457
Ba1 – Ba3	**-**	49.008
B1 – B3	**1.799.977**	-
Caa - C	**371**	2.593.372
	2.484.840	3.295.032
Issued by:		
- Cyprus government	**1.799.977**	2.588.214
- other governments	**663.662**	666.506
- banks and other corporations	**21.201**	40.312
	2.484.840	3.295.032
Classified as:		
- investments at fair value through profit or loss	**16.979**	15.274
- available-for-sale investments	**684.552**	706.518
- investments classified as loans and receivables	**1.783.309**	2.573.240
	2.484.840	3.295.032

No investments listed above are past due or impaired except as described in Note 48.

45. 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. 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 unit also monitors liquidity risk and credit risk with counter parties 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.

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

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

45. Risk management – Market risk (continued)

Interest rate risk (continued)

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

	Euro	US Dollar	British Pound	Other currencies	Total
Change in interest rates	**€000**	**€000**	**€000**	**€000**	**€000**
2014					
+5% for Russian Rouble, +0,5% for all currencies	19.626	5.100	583	(1.477)	18.220
-7% for Russian Rouble, -0,25% for British Pound, Swiss Franc and US Dollar, -0,1% for Japanese Yen and Euro and -0,5% for all other currencies	(3.845)	(2.550)	(292)	1.883	(3.385)
2013					
+0,5% for all currencies	8.538	2.993	(1.927)	(429)	8.567
-0,25% for Euro, US Dollar and Japanese Yen, 0% for Swiss Franc and -0,5% for all other currencies	(4.269)	(1.496)	1.927	(17)	(3.448)

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

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

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

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

	Impact on loss before tax	Impact on equity
Change in interest rates	**€000**	**€000**
2014		
+5% for Russian Rouble, +0,5% for all currencies	**2.526**	**(323)**
-7% for Russian Rouble, -0,25% for British Pound, Swiss Franc and US Dollar, -0,1% for Japanese Yen and Euro and -0,5% for all other currencies	**(520)**	**64**
2013		
+0,5% for all currencies	3.549	(1.375)
-0,25% for Euro, US Dollar and Japanese Yen, 0% for Swiss Franc and -0,5% for all other currencies	(1.776)	687

45. Risk management – Market risk (continued)

Currency risk

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

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

The Company does not maintain a currency trading book.

The table below sets out the Company's currency risk resulting from the financial instruments that it holds. The analysis assumes reasonably possible changes in the exchange rates of major currencies against the Euro based mainly on historical price fluctuations. The impact on loss after tax and on equity includes the change in net interest income that arises from the change of currency rate.

	Change in foreign exchange rate	Impact on loss after tax	Impact on equity
2014	**%**	**€000**	**€000**
US Dollar	**+10**	**6.261**	**-11.664**
Russian Rouble	**+40**	**-1.065**	**-11.952**
Romanian Lei	**+10**	**-2**	**4.165**
Swiss Franc	**+20**	**6.498**	**-**
British Pound	**+10**	**1.902**	**-16.110**
Japanese Yen	**+10**	**853**	**-**
Other currencies	**+10**	**61**	**-**
US Dollar	**-10**	**-5.123**	**9.543**
Russian Rouble	**-40**	**456**	**5.122**
Romanian Lei	**-10**	**2**	**-3.408**
Swiss Franc	**-20**	**-4.332**	**-**
British Pound	**-10**	**-1.557**	**13.181**
Japanese Yen	**-10**	**-698**	**-**
Other currencies	**-10**	**-50**	**-**

The impact on equity arises from the hedging instruments that are used to hedge part of the net assets of the Company's subsidiaries whose functional currency is not the euro. The net assets of foreign operations are also revalued and affect equity, but their impact is not taken into account in the above sensitivity analysis as the above relates only to financial instruments which have a direct impact either on profit/loss after tax or on equity.

45. Risk management – Market risk (continued)

Currency risk (continued)

	Change in foreign exchange rate	Impact on loss after tax	Impact on equity
2013	**%**	**€000**	**€000**
US Dollar	+8	623	-
Russian Rouble	+8	305	(12.335)
Romanian Lei	+8	(1.912)	752
Ukrainian Hryvnia	+8	(71)	(4.877)
Swiss Franc	+8	3.333	-
British Pound	+8	1.821	(11.180)
Japanese Yen	+15	777	-
Other currencies	+8	1.390	-
US Dollar	-8	(531)	-
Russian Rouble	-20	(584)	23.642
Romanian Lei	-8	1.629	(640)
Ukrainian Hryvnia	-30	188	12.942
Swiss Franc	-8	(2.839)	-
British Pound	-8	(1.551)	9.524
Japanese Yen	-15	(574)	-
Other currencies	-8	(1.184)	-

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 Company as investments.

Investments in equities are outside the Company's risk appetite. The Company monitors the current portfolio acquired by the Company as part of the acquisition of certain operations of Laiki Bank, with the objective to gradually liquidate all positions for which there is a market.

Changes in the prices of equity securities that are classified as investments at fair value through profit or loss, affect the results of the Company, whereas changes in the value of equity securities classified as available-for-sale affect the equity of the Company (if not impaired).

The table below shows the impact on the loss before tax and on equity of the Company from a change in the price of the equity securities held, as a result of reasonably possible changes in the relevant stock exchange indices.

45. Risk management – Market risk (continued)

Price risk (continued)

Equity securities price risk (continued)

	Change in index	Impact on loss before tax	Impact on equity
2014	**%**	**€000**	**€000**
Cyprus Stock Exchange	**+30**	**657**	**3.326**
Athens Exchange	**+35**	**-**	**52**
Moscow Exchange	**+35**	**-**	**136**
Other Stock Exchanges and non listed	**+20**	**-**	**369**
Cyprus Stock Exchange	**-30**	**(3.502)**	**(421)**
Athens Exchange	**-35**	**(13)**	**(39)**
Moscow Exchange	**-35**	**-**	**(136)**
Other Stock Exchanges and non listed	**-20**	**-**	**(369)**

2013			
Cyprus Stock Exchange	+30	519	3.756
Athens Exchange	+25	-	115
Moscow Exchange	+20	-	71
Bucharest Stock Exchange	+20	-	16.226
Cyprus Stock Exchange	-30	(2.392)	(1.883)
Athens Exchange	-25	(77)	(38)
Moscow Exchange	-20	-	(71)
Bucharest Stock Exchange	-20	(16.226)	-

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 Company. Debt security prices change as the credit risk of the issuers changes and/or as the interest rate changes for fixed rate securities. The Company invests a significant part of its liquid assets in debt securities issued mostly by governments and banks. The average Moody's rating of the debt securities portfolio of the Company as at 31 December 2014 was Ba3 (2013: B3).

Changes in the prices of debt securities classified as investments at fair value through profit or loss, affect the profit or loss of the Company, whereas changes in the value of debt securities classified as available-for-sale affect the equity of the Company (if not impaired).

45. Risk management – Market risk (continued)

Price risk (continued)

Debt securities price risk (continued)
The table below indicates how the loss before tax and equity of the Company will be affected from reasonably possible changes in the price of the debt securities held, based on observations of changes in credit risk over the past years.

	Impact on loss before tax	**Impact on equity**
Change in market prices	**€000**	**€000**
2014		
+4,5%	**752**	**30.494**
-4,5%	**(752)**	**(30.494)**

2013		
+7%	1.050	48.960
-7%	(1.050)	(48.960)

46. Risk management – Liquidity risk and funding

Liquidity risk is the risk that the Company 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 Company 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 Company'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 Company 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 Company 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 Company'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 Company level, with both internal policies and limits, and with the limits set by the regulatory authorities in the countries where the Company operates. Market Risk reports to ALCO the regulatory liquidity position of the various units and of the Company, at least monthly. It also provides the results of various stress tests to ALCO.

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

Management structure (continued)

The ALCO of each unit is responsible for monitoring the liquidity position of its unit and ensuring compliance with the approved policies. The ALCO is responsible for setting the policies for the effective management and monitoring of the liquidity across the Company. 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 Company. Information on inflows/outflows is also provided.

Temporary restrictions on withdrawal of deposits

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

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 Company'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 Company.

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

Monthly
Market Risk prepares tables indicating compliance with internal and regulatory liquidity ratios, for all banking units and for the Company and submits them to the ALCO, EXCO and 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 Company, 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.

Annually
As part of the Company's procedures for monitoring and managing liquidity risk, there is a Company 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 Company's Liquidity Policy, are 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.

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 Company.

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

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 Company's liquidity ratio was as follows:

	2014	2013
	%	%
31 December	**18,36**	7,87
Average ratio	**11,73**	7,19
Highest ratio	**18,36**	13,08
Lowest ratio	**8,04**	5,33

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 also noted that in the calculation of the above ratios, as well as for CBC regulatory reports, ELA is treated as long term liability.

During 2013 and 2014 the liquidity ratio remained at low levels, due to the continued economic crisis in Cyprus.

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

	2014	2013
	%	%
31 December	**152,69**	154,68
Average ratio	**157,47**	133,87
Highest quarter ratio	**161,47**	155,86
Lowest quarter ratio	**152,69**	80,65

Sources of funding

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

The Company currently has limited access to interbank and wholesale markets which, combined with a reduction in deposits in Cyprus, has resulted in increased reliance on central bank funding. As at 31 December 2014, the funding from the ELA amounted to €7.403.741 thousand (31 December 2013: €9.556.035 thousand) (Note 31).

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 31).

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 and 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 Company in excess of maximum limits set by the local regulator.

Any new funding to subsidiaries requires approval from the CBC.

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

Sources of funding (continued)

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 Company's encumbered assets as at 31 December 2014 and 2013 are summarised below:

	2014	2013
	€000	€000
Cash and other liquid assets	**191.968**	367.080
Investments	**2.435.766**	3.289.810
Loans and advances	**13.531.026**	15.064.987
Non-current assets and disposal group classified as held for sale	**25.845**	-
Property	**99.468**	90.181
	16.284.073	18.812.058

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

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 as at 31 December 2014 and 31 December 2013 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 billion are pledged as collateral for obtaining funding from CBC (Note 33). Finally, the Company has a €1 billion Covered Bond in issue which is also used as collateral for obtaining funding from the CBC. It should be noted that the assets used as collateral for the Covered Bond are already included in the table above.

Analysis of financial assets and liabilities based on remaining contractual maturity

The analysis of the Company's financial assets and liabilities based on the remaining contractual maturity at 31 December is based on undiscounted cash flows, analysed in time bands according to the number of days remaining from 31 December to the contractual maturity date.

Financial assets

The analysis of financial assets does not include any interest receivable cash flows. Financial assets have a much longer duration than financial liabilities and non-discounted interest receivable cash flows are higher than non-discounted interest payable cash flows (based on remaining contractual maturity). As a result, non-discounted cash inflows from interest receivable would have greatly exceeded non-discounted cash outflows on interest payable, thus artificially improving liquidity.

Current accounts, overdrafts and amounts in arrears are included within the first maturity time band which reflects their contractual maturity. All other loans and advances to customers are analysed according to their contractual repayment schedule.

Placements with banks are analysed in the time bands according to the number of days remaining from 31 December, until their contractual maturity date. Amounts placed as collateral (primarily for derivatives and loans) are assigned to different time bands based on either their maturity (in the case of loans), or proportionally according to the maturities of derivatives (where the collateral had no fixed maturity).

The investments are classified in the relevant time band according to contractual maturity date.

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

Analysis of financial assets and liabilities based on remaining contractual maturity (continued)

Financial liabilities
All financial liabilities for the repayment of which notice is required, are included in the relevant time bands as if notice had been given on 31 December, despite the fact that the Company expects that the majority of its customers will not demand repayment of such liabilities on the earliest possible date. Fixed deposits are classified in time bands, based on their contractual maturity. Although customers may demand repayment of time deposits (subject to penalties depending on the type of the deposit account), the Company has the discretion not to accept such early termination of deposits.

The amounts presented in the table below are not equal to the amounts presented on the balance sheet, since the table below presents all cash flows (including interest to maturity) on an undiscounted basis.

Derivative financial instruments
Derivative financial instruments were classified according to whether the settlement of cash flows occurs on a net or gross basis.

For net settled derivatives, after offset of receivable and payable amounts, the fair value of the derivatives is included in financial assets or in financial liabilities in the time band corresponding to the remaining maturity of the derivative.

Gross settled derivatives or net settled derivatives that are hedging instruments in cash flow hedges are presented in a separate table and the corresponding cash flows are classified accordingly in the time bands which relate to the number of days until their receipt or payment.

Commitments and contingent liabilities
The limits of loans and advances are commitments to provide credit to customers. The limits are granted for predetermined periods and can be cancelled by the Company after giving relevant notice to the customers. Usually the customers do not fully utilise the limits granted to them.

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

Analysis of financial assets and liabilities based on remaining contractual maturity (continued)

	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	**Total**
2014	€000	€000	€000	€000	€000	**€000**
Financial assets						
Cash and balances with central banks	483.595	78.706	98.384	7.607	-	**668.292**
Placements with banks	1.066.894	6.953	25.467	283.387	80.123	**1.462.824**
Investments at fair value through profit or loss	1.313	-	-	16.979	876	**19.168**
Loans and advances to customers	5.640.157	388.895	2.173.134	3.322.987	5.843.045	**17.368.218**
Fair value of net settled derivative assets	-	7	11.433	616	4	**12.060**
Non-trading investments	67.470	169.456	1.299.096	413.947	531.946	**2.481.915**
Other assets	131	-	122.969	-	6	**123.106**
Balances with Group companies	93.711	267	320.857	26.530	368.594	**809.959**
Total undiscounted financial assets	**7.353.271**	**644.284**	**4.051.340**	**4.072.053**	**6.824.594**	**22.945.542**
Financial liabilities						
Amounts due to banks	110.604	540	375	33.614	26.028	**171.161**
Funding from central banks	7.783.773	-	-	500.000	-	**8.283.773**
Repurchase agreements	-	13.920	220.554	175.529	188.035	**598.038**
Customer deposits	6.939.375	1.890.544	2.263.514	278.002	2.147	**11.373.582**
Debt securities in issue	-	-	-	693	-	**693**
Fair value of net settled derivative liabilities	-	108	3.517	17.818	35.320	**56.763**
Other liabilities	1.308	-	-	-	31.708	**33.016**
Balances with Group companies	139.465	29.411	12.253	369.554	-	**550.683**
Total undiscounted financial liabilities	**14.974.525**	**1.934.523**	**2.500.213**	**1.375.210**	**283.238**	**21.067.709**

The loans and advances to customers related to non-current assets classified as held for sale are included in the 'Between one and five years' time band.

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

Analysis of financial assets and liabilities based on remaining contractual maturity (continued)

	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	**Total**
2013	€000	€000	€000	€000	€000	**€000**
Financial assets						
Cash and balances with central banks	319.593	85.170	108.383	37.594	-	**550.740**
Placements with banks	498.209	17.203	4.703	444.931	99.608	**1.064.654**
Investments at fair value through profit or loss	11.165	-	-	5.128	680	**16.973**
Loans and advances to customers	6.783.809	911.856	2.218.603	3.756.929	6.043.508	**19.714.705**
Fair value of net settled derivative assets	534	2	1.778	3.019	19.553	**24.886**
Non-trading investments	611.747	1.198.964	704.219	429.967	458.909	**3.403.806**
Other assets	143	-	146.065	-	-	**146.208**
Intercompany accounts	107.225	45.079	278.730	117.871	566.803	**1.115.708**
Total undiscounted financial assets	**8.332.425**	**2.258.274**	**3.462.481**	**4.795.439**	**7.189.061**	**26.037.680**
Financial liabilities						
Amounts due to banks	114.336	-	-	25.160	-	**139.496**
Funding from central banks	9.956.041	1.000.236	-	-	-	**10.956.277**
Repurchase agreements	13.928	-	-	330.482	249.594	**594.004**
Customer deposits	6.047.162	2.783.342	3.535.014	383.451	-	**12.748.969**
Debt securities in issue	-	-	-	674	-	**674**
Fair value of net settled derivative liabilities	7.098	24	1.721	22.124	29.256	**60.223**
Other liabilities	65.465	-	-	-	-	**65.465**
Intercompany accounts	144.038	37.680	21.750	375.283	-	**578.751**
Total undiscounted financial liabilities	**16.348.068**	**3.821.282**	**3.558.485**	**1.137.174**	**278.850**	**25.143.859**

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

Analysis of financial assets and liabilities based on remaining contractual maturity (continued)

	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	**Total**
2014	€000	€000	€000	€000	€000	**€000**
Gross settled derivatives						
Financial assets						
Contractual amounts receivable	1.085.899	54.330	17.718	-	90.782	**1.248.729**
Contractual amounts payable	(1.071.311)	(52.892)	(17.186)	-	(68.534)	**(1.209.923)**
	14.588	**1.438**	**532**	**-**	22.248	**38.806**
Financial liabilities						
Contractual amounts receivable	71.922	39.377	557	-	42.813	**154.669**
Contractual amounts payable	(75.618)	(39.799)	(833)	-	(43.203)	**(159.453)**
	(3.696)	**(422)**	**(276)**	**-**	(390)	**(4.784)**
Contingent liabilities and commitments						
Contingent liabilities						
Acceptances and endorsements	2.763	3.781	1.788	-	-	**8.332**
Guarantees	66.915	41.518	197.495	454.084	243.259	**1.003.271**
Commitments						
Documentary credits	2.208	4.380	8.140	94	1.395	**16.217**
Undrawn formal standby facilities, credit lines and other commitments to lend	2.256.587	-	-	-	-	**2.256.587**
	2.328.473	**49.679**	**207.423**	**454.178**	**244.654**	**3.284.407**

As at 31 December 2014 there are no contingent liabilities and commitments related to the non-current assets held for sale.

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

Analysis of financial assets and liabilities based on remaining contractual maturity (continued)

	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	**Total**
2013	€000	€000	€000	€000	€000	**€000**
Gross settled derivatives						
Financial assets						
Contractual amounts receivable	294.082	1.027	291	2.179	-	**297.579**
Contractual amounts payable	(295.360)	(1.020)	(291)	(2.116)	-	**(298.787)**
	(1.278)	**7**	**-**	**63**	-	**(1.208)**
Financial liabilities						
Contractual amounts receivable	1.523.551	49.866	20.470	152.866	-	**1.746.753**
Contractual amounts payable	(1.516.711)	(48.760)	(20.033)	(176.668)	-	**(1.762.172)**
	6.840	**1.106**	**437**	**(23.802)**	-	**(15.419)**
Contingent liabilities and commitments						
Contingent liabilities						
Acceptances and endorsements	12.139	4.086	817	-	-	**17.042**
Guarantees	148.910	66.910	218.630	671.477	120.728	**1.226.655**
Commitments						
Documentary credits	1.645	2.638	6.580	56	-	**10.919**
Undrawn formal standby facilities, credit lines and other commitments to lend	2.644.762	546	7.484	21.569	66.682	**2.741.043**
	2.807.456	**74.180**	**233.511**	**693.102**	**187.410**	**3.995.659**

47. Risk management – Other risks

Operational risk

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

The Company recognises that the control of operational risk is directly related to effective and efficient management practices and high standards of corporate governance. To that effect, the management of operational risk is geared towards maintaining a strong internal control governance framework and managing operational risk exposures through a consistent set of management processes that drive risk identification, assessment, control and monitoring.

The main objectives of operational risk management within the Company are: (i) the development of operational risk awareness and culture, (ii) the provision of adequate information to the Company's management at all levels in relation to the operational risk profile on Company entity and activity level, so as to facilitate decision making for risk control activities, and (iii) the control of operational risk to ensure that operational losses do not cause material damage to the Company's franchise and have minimal impact on the Company's profitability and corporate objectives.

Operational risks can arise from all business lines and from all activities carried out by the Company and are thus diverse in nature. To enable effective management of all material operational risks, the operational risk management framework adopted by the Company is based on the three lines of defence model, through which risk ownership is dispersed throughout the organisation. The first line of defence comprises management and staff who have immediate responsibility of day-to-day operational risk management. Each business unit owner is responsible for identifying and managing all the risks that arise from the unit's activities as an integral part of their first line responsibilities.

The second line of defence comprises the risk management function whose role is to provide operational risk oversight and independent and objective challenge to the first line of defence, supported by other specialist control and support functions such as Compliance, Legal, Information Technology, Information Security and Corporate Security, Health & Safety Functions. The third line of defence comprises the Internal Audit function and the Audit Committee of the Board of Directors, which provide independent assurance over the integrity and effectiveness of the risk management framework throughout the Company.

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

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

Operational risk loss events are classified and recorded in the Company's internal loss database to enable risk identification, corrective action and statistical analysis. During the year ended 31 December 2014, 202 loss events with gross loss equal to or greater than €1.000 each were recorded (2013: 246).

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

The Company also maintains adequate insurance policies to cover unexpected operational losses.

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

47. Risk management – Other risks (continued)

Regulatory risk

The Company's operations are supervised by the CBC and the ECB as a supervisory body for all the banks in the Eurozone area (referred to as the Single Supervisory Mechanism - SSM). The ECB fully assumed several supervisory responsibilities as from 4 November 2014. The ECB and the national central banks together constitute the Eurosystem, the central banking system of the Eurozone. The ECB exercises its supervisory responsibilities in cooperation with the national central banks. As such, in Cyprus, the ECB cooperates with the CBC, as the Company is considered as a significant credit institution for the purposes of the ECB Regulation.

The overseas branches of the Company are also supervised by the national regulatory authorities in the countries where they operate.

The ECB's responsibilities include, among others, the granting and revocation of authorisations regarding all credit institutions established in participating Member States. With regards to significant credit institutions, the ECB's supervisory responsibilities, among others, include:

- to grant approval for establishing a branch or providing cross-border services outside the EU,
- to assess notifications regarding the acquisition and disposal of qualifying holdings in credit institutions,
- to ensure compliance with requirements on securitisation, large exposure limits, liquidity, leverage, as well as on the reporting and public disclosure of information on those matters,
- to ensure compliance with respect to corporate governance, including requirements on risk management processes, internal control mechanisms, remuneration policies and practices and effective internal capital adequacy assessment processes,
- to carry out supervisory reviews and stress tests in order to impose specific additional capital requirements, specific publication requirements, specific liquidity requirements and other measures,
- to supervise the credit institutions on a consolidated basis, extending supervision over parent entities established in other EU Member States, and
- to carry out supervisory tasks in relation to recovery plans, provide early intervention where a credit institution does not meet or is likely to breach the applicable prudential requirements and, only in the cases explicitly permitted under law, implement structural changes to prevent financial stress or failure, excluding any resolution powers.

In this context, the Company is exposed to a series of regulatory and legal risks:

- Legislative action and regulatory measures which may materially impact the Company and the financial and economic environment in which it operates.
- The Company's business and operations are subject to substantial regulation and supervision and can be negatively affected by its non-compliance with regulatory requirements and any adverse regulatory and governmental developments.
- The implementation of a more demanding and restrictive regulatory framework (including CRD IV/CRR) with respect to, amongst others, capital ratios, leverage, liquidity and disclosure requirements, notwithstanding the benefit to the financial system, poses additional risks for banks.
- Changes in laws or regulations might also restrict certain types of transactions, affect the Group's strategy and lead to modification of the customer charges for banking products or transactions.
- The Company is subject to certain regulatory and legal constraints in originating new loans, managing and restructuring existing loans and foreclosing on collateral.
- The Group's Restructuring Plan agreed with the CBC restricts certain actions of the Group.
- As a result of the Company's limited access to interbank and wholesale markets and a reduction in deposits in Cyprus, the Company is not in compliance with its regulatory liquidity requirements and is dependent on central bank funding for liquidity.
- The Company is exposed to tax risk and failure to manage such risk may have an adverse impact on the Company.

47. Risk management – Other risks (continued)

Intensity of competition

The Company faces intense competition in the markets in which it operates. In Cyprus the competition primarily originates from other commercial banks, co-operative credit institutions, branches and subsidiaries of foreign banks, and insurance companies offering savings and investment products.

The Company's competitive position in Cyprus was drastically altered by the events described in Note 2. Following the acquisition of certain operations of Laiki Bank in 2013, the Company's market share in loans and deposits in Cyprus was significantly boosted, even though depositor psychology led to substantial deposit outflows from the Cyprus banking system. Since then, deposit outflows have stabilised and recently instances of deposit inflows are being experienced. The Company remains today the biggest and most systemically important local banking organisation in Cyprus.

Any intensification of competition as a result of more competitive interest rates being offered on deposits and advances compared to those offered by the Company, may create pressure on Company profitability.

Litigation risk

The Company may, from time to time, become involved in legal or arbitration proceedings which may affect its operations and results. Litigation risk arises from pending or potential legal proceedings against the Company (Note 39) and in the event that legal issues are not properly dealt with, by the Company, resulting in the cancellation of contracts with customers thus exposing the Company to legal actions against it.

Political risk

External factors which are beyond the control of the Company, such as political developments and government actions in Cyprus, Russia, the EU and other countries may adversely affect the operations of the Company, its strategy and prospects. As described in Note 2, during March 2013 the Republic of Cyprus and the Eurogroup reached an agreement on the package of measures intended to restore the viability of the financial sector and sound public finance over the coming years, which had a material impact on the Company's financial standing and prospects. Other important political risk factors include government intervention on the Company's activities and social developments in the countries in which the Company operates, political developments in the Eurozone that may lead to a Euro exit of a Eurozone member state, the ongoing unresolved political issue of the Turkish occupied areas, and political and social unrest and political instability or military conflict in neighbouring countries and/or other overseas areas.

Russia is in serious economic decline. The crisis over Ukraine led to a massive capital flight from Russia and drastically reduced foreign investment into the country. Russian companies and banks have limited access to international capital markets as a result of economic sanctions, which have resulted in the freezing of infrastructure projects. These are set to expire in July 2015, but even if EU sanctions are lifted, investments will not necessarily flow back into the country. Western sentiment of Russia's financial and economic stability is expected to remain low for some time. The real driver of the Russian economy is oil prices, which are not expected to increase soon. As the price of oil more than halved since its heights in 2014, budget cuts are unavoidable. The government's financial strength will diminish as a result of fiscal pressures and the continued erosion of Russia's foreign exchange reserves. As a result, Russia's economic and political risk has increased significantly.

The European Commission's winter forecasts had a relatively favourable assessment of Greece's medium term outlook. The economy had already started to grow again in the second half of 2014 and the outlook for growth for 2015 and 2016 seemed to be positive. However, the policies and political decisions relating to the extension of Greece's bailout programme until June 2015 have since created additional uncertainty affecting confidence and thus denting the recovery prospects.

47. Risk management – Other risks (continued)

Political risk (continued)

Greece faces three immediate problems: declining liquidity, funding shortages against debt repayments falling due in 2105 and banking stress as the deposit flight continues. Greece needs to secure its funding for the year and beyond and thus has to commit to a set of structural and other reforms. The Eurogroup will decide whether the final tranche of the bailout programme funds will be released by the end of April. Even if the Eurogroup decides to release the final tranche, the problems of liquidity and funding will resurface at the end of June when the current bailout expires. At that time, and without access to international debt markets, Greece's options will be limited to either a third bailout programme or a default on its debt. The risk of capital controls increases as uncertainty and confidence are affected. If an agreement is not finalised, the introduction of a parallel currency may become necessary.

Given the above, the Company recognises that unforeseen political events can have negative effects on the fulfilment of contractual relationships and obligations of its customers and other counterparties, which may have a significant impact on the Company's activities, operating results and position.

48. Sovereign exposure

The Company's sovereign exposure and non-sovereign exposure in countries which have entered or have applied to the European Support Mechanism or whose Moody's credit rating is below Aa1 and the total Company exposure exceeds €100.000 thousand, is presented below. These countries are: Cyprus, Greece, Russia, Romania and Belgium. The exposure in Italy and Ukraine as at 31 December 2014 is not disclosed since it does not exceed €100.000 thousand.

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

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

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

For the CyGBs offered for exchange, there was objective evidence of impairment, as in addition to other indicators (i.e. financial difficulties of the issuer, downgrades and decline in the fair value), there was a decrease in the estimated future cash flows due to the maturity extension using current market yields, instead of the original effective interest rate. As a result, during the year 2013, the Company recognised impairment losses of €6.927 thousand relating to the exchanged bonds. All CyGBs owned by the Group, other than those which were subject to the exchange offer, are not impaired.

48. Sovereign exposure (continued)

Credit risk

The Company's exposure to sovereign debt securities and other non-sovereign financial assets in the countries listed above is analysed below:

	Cyprus	Greece	Russia	Romania	Belgium
2014	€000	€000	€000	€000	€000
Deposits with central banks	482.885	-	-	972	-
Placements with banks	38.912	2.444	3.476	191.084	140.494
Investments in sovereign debt securities					
- available-for-sale	-	-	-	-	41.556
- loans and receivables	1.782.998	-	-	-	-
- fair value through profit or loss	16.979	-	-	-	-
Investments in debt securities of banks and other corporations					
- available-for-sale	59	-	-	-	-
- loans and receivables	311	-	-	-	-
Derivative financial assets	-	-	-	-	3.078
Loans and advances to customers (before provisions)	19.754.084	99.023	104.040	459.050	96
Total on-balance sheet	**22.076.228**	**101.467**	**107.516**	**651.106**	**185.224**
Contingent liabilities	826.311	185.271	-	21	-
Commitments	2.272.508	-	-	296	-
Total off-balance sheet	**3.098.819**	**185.271**	**-**	**317**	**-**
Total exposure to credit risk	**25.175.047**	**286.738**	**107.516**	**651.423**	**185.224**

48. Sovereign exposure (continued)

Credit risk (continued)

	Cyprus	Greece	Italy	Russia	Romania	Ukraine
2013	€000	€000	€000	€000	€000	€000
Deposits with central banks	455.915	-	-	-	5.695	-
Placements with banks	30.073	5.469	428	67.920	222.308	-
Investments in sovereign debt securities						
- available-for-sale	-	-	52.211	-	-	-
- loans and receivables	2.572.940	-	-	-	-	-
- fair value through profit or loss	15.274	-	-	-	-	-
Investments in debt securities of banks and other corporations						
- available-for-sale	4.858	-	-	-	-	-
- loans and receivables	300	-	-	-	-	-
Loans and advances to customers (before provisions)	21.057.253	96.582	-	55.795	456.718	218.646
Total on-balance sheet	**24.136.613**	**102.051**	**52.639**	**123.715**	**684.721**	**218.646**
Contingent liabilities	908.524	335.073	-	-	100	-
Commitments	2.748.596	-	-	-	3.366	-
Total off-balance sheet	**3.657.120**	**335.073**	**-**	**-**	**3.466**	**-**
Total exposure to credit risk	**27.793.733**	**437.124**	**52.639**	**123.715**	**688.187**	**218.646**

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

On 31 December 2014 the revaluation reserve of available-for-sale investments includes losses amounting to €5.282 thousand (2013: €5.851 thousand) relating to the above sovereign debt securities and losses amounting to €5 thousand (2013: losses of €142 thousand) relating to debt securities of banks and other corporations.

48. Sovereign exposure (continued)

Credit risk (continued)
The analysis of loans and advances to customers for the countries above is set out in Note 44.

In Cyprus, loans and advances to customers include loans to local authorities, semi-governmental organisations and government-controlled businesses of €139.148 thousand (2013: €139.733 thousand). In addition, contingent liabilities and commitments include an amount of €16.743 thousand for these entities (2013: €56.389 thousand).

Liquidity risk
The table below presents the Company's sovereign debt securities exposure to countries which as at 31 December 2014 were or still are in EU–IMF Economic Adjustments Programmes, based on the remaining contractual maturity of the financial assets.

	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	**Total**
2014	€000	€000	€000	€000	€000	**€000**
Cyprus						
- loans and receivables	59.966	153.062	1.070.386	204.996	294.588	**1.782.998**
- at fair value through profit or loss	-	-	-	16.979	-	**16.979**
	59.966	**153.062**	**1.070.386**	**221.975**	**294.588**	**1.799.977**
2013						
Cyprus						
- loans and receivables	-	199.003	1.749.757	327.267	296.913	**2.572.940**
- at fair value through profit or loss	-	-	-	15.274	-	**15.274**
	-	**199.003**	**1.749.757**	**342.541**	**296.913**	**2.588.214**

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

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

49. Capital management

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

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

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

As from 1 January 2014, the new Capital Requirements 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, which 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 on 29 May 2014, it set the minimum Common Equity Tier 1 capital ratio 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 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.

Capital position under CRD IV

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

	2014
Regulatory capital	**€000**
Transitional Common Equity Tier 1 (CET1)	**3.071.022**
Transitional Additional Tier 1 capital (AT1)	**-**
Tier 2 capital (T2)	**27.461**
Transitional total regulatory capital	**3.098.483**
Risk weighted assets – credit risk	**19.660.473**
Risk weighted assets – market risk	**4.400**
Risk weighted assets – operational risk	**1.833.213**
Total risk weighted assets	**21.498.086**
	%
Transitional Common Equity Tier 1 ratio	**14,3**
Transitional total capital ratio	**14,4**

49. Capital management (continued)

Capital position under CRD IV (continued)

The Company continued to strengthen its capital position with the CET1 ratio increasing to 14,3% primarily driven by the share capital increase of €1 billion, the reduction of risk weighted assets due to the on-going deleveraging, and the losses for the year.

The Group's current capital position satisfies both its Pillar I capital requirement and Pillar II add-on capital requirement.

The regulatory capital as at 31 December 2014 included 'Shares subject to interim orders' (Note 35) which amounted to €441 thousand (31 December 2013: €58.922 thousand).

Capital position on prevailing rules as at 31 December 2013

The Company's capital position under the rules which were applicable as at 31 December 2013 is set out below.

	2013
Regulatory capital	€000
Core original own funds (Core Tier 1)	1.858.907
Original own funds (Tier 1)	1.858.907
Additional own funds (Tier 2)	-
Total regulatory capital	1.858.907
Risk weighted assets – credit risk	18.985.313
Risk weighted assets – market risk	3.400
Risk weighted assets – operational risk	1.665.813
Total risk weighted assets	20.654.526
	%
Core Tier 1 ratio	9,0
Tier 1 ratio	9,0
Tier 2 ratio	-
Total capital ratio	9,0

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

The Pillar 3 disclosures required with respect to the requirements of the Capital Requirement Regulation (EU) No 575/2013 are available on the Group's website www.bankofcyprus.com (Investor Relations).

50. Related party transactions

	2014	2013	**2014**	2013
	Number of directors		**€000**	€000
Loans and advances to members of the Board of Directors and connected persons:				
- less than 1% of the Company's net assets per director	**10**	15	**382**	302
	10	15	**382**	302
Loans and advances to other key management personnel and connected persons			**4.317**	3.448
Total loans and advances as at 31 December			**4.699**	3.750
Loans and advances as at 31 December:				
- members of the Board of Directors and other key management personnel			**3.615**	3.224
- connected persons			**1.084**	526
			4.699	3.750
Interest income for the year			**205**	929

Deposits as at 31 December:				
- members of the Board of Directors and other key management personnel			**18.368**	1.881
- connected persons			**11.206**	36.536
			29.574	38.417
Interest expense on deposits for the year			**398**	1.115

The above table does not include year end balances for members of the Board of Directors and their connected persons who resigned/were removed during the year.

Interest income and expense is disclosed for the period during which they were members of the Board of Directors.

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 €175 thousand (2013: €231 thousand). As at 31 December 2014 and 2013, none of the directors or their connected persons had total loans and advances which exceeded 1% of the net assets of the Company per director. There were also contingent liabilities and commitments to other key management personnel and their connected persons amounting to €689 thousand (2013: €743 thousand). The total unsecured amount of the loans and advances and contingent liabilities and commitments to members of the Board of Directors, key management personnel and other connected persons (using forced-sale values for tangible collaterals and assigning no value to other types of collateral) at 31 December 2014 amounted to €1.586 thousand (2013: €1.439 thousand).

There were no transactions during the year with connected persons of the current members of the Board of Directors.

50. Related party transactions (continued)

Transactions in 2013 with connected persons of the Directors who resigned during 2013
During 2013 the Company also had the following transactions with connected persons: purchases of equipment and services amounting to €1 thousand from Pylones SA Hellas and Unicars Ltd in which Mrs Anna Diogenous holds an indirect interest; purchases of equipment amounting to €89 thousand from Mellon Cyprus Ltd which is significantly influenced by a person connected to Mrs Anna Diogenous. The total amount of professional fees paid to the law office Andreas Neocleous and Co LLC, in which the director Mr Elias Neocleous is a partner, amounted to €14 thousand. In addition, the Company had the following transactions with connected persons in their capacity as members of the interim board: legal fees amounting to €10 thousand paid to A. Poetis & Sons in which Mr Andreas Poetis is a partner and actuarial fees amounting to €48 thousand paid to AON Hewitt Cyprus Ltd in which Mr Philippos Mannaris is a partner.

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 Company's employees.

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

	2014	2013
Director emoluments	**€000**	€000
Executives		
Salaries and other short term benefits	**859**	452
Termination benefits	**-**	84
Employer's contributions	**51**	27
Retirement benefit plan costs	**113**	31
	1.023	594
Non-executives		
Fees	**367**	324
Emoluments of a non-executive director who is also an employee of the Company	**-**	100
Total directors' emoluments	**1.390**	1.018
Other key management personnel emoluments		
Salaries and other short term benefits	**1.986**	921
Termination benefits	**250**	667
Employer's contributions	**142**	82
Retirement benefit plan costs	**178**	114
Total other key management personnel emoluments	**2.556**	1.784
Total	**3.946**	2.802

50. Related party transactions (continued)

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

The salaries and other short term benefits of the executive directors are analysed as follows:

	2014	2013
	€000	€000
John Patrick Hourican (Chief Executive Officer-appointed on 1 November 2013)	**844**	141
Christodoulos Patsalides (Finance Director-appointed on 20 November 2014)	**15**	-
Yiannis Pehlivanidis (resigned on 29 March 2013)	**-**	104
Yiannis Kypri (resigned on 29 March 2013)	**-**	127
Dinos Christofides (Special Administrator-25 March 2013 to 21 June 2013)	**-**	20
Christos Sorotos (Interim Chief Executive Officer-29 May 2013 to 10 September 2013)	**-**	60
	859	452

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

Fees and benefits, are included for the period that they serve as members of the Board of Directors.

The retirement benefit plan costs for 2014 amounting to €113 thousand relate to: Mr John Patrick Hourican €111 thousand (2013: €31 thousand) and Dr Christodoulos Patsalides €2 thousand.

50. Related party transactions (continued)

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

Fees of non-executive directors

	2014	2013
	€000	€000
Josef Ackermann	**8**	-
Wilbur L. Ross Jr.	**6**	-
Vladimir Strzhalkovskiy	**50**	16
Arne Berggren	**2**	-
Maksim Goldman	**2**	-
Michalis Spanos	**2**	-
Ioannis Zographakis	**23**	6
Christis Hassapis	**60**	21
Andreas Yiasemides	**25**	6
Adonis Papaconstantinou	**17**	5
Anjelica Anshakova	**24**	6
Eriskhan Kurazov	**12**	4
Anton Smetanin	**12**	4
Dmitry Chichikashvili	**20**	5
Kirill Parinov	**5**	-
Konstantinos Katsaros	**26**	6
Marinos Gialeli	**21**	6
Marios Kalochoritis	**23**	5
Xanthos Vrachas	**24**	6
Marios Yiannas	**5**	5
Andreas Artemis	**-**	20
Evdokimos Xenophontos	**-**	15
Vassilis G. Rologis	**-**	5
Costas Z. Severis	**-**	6
Anna Diogenous	**-**	4
George M. Georgiades	**-**	1
Costas Hadjipapas	**-**	13
Nikolas P. Tsakos	**-**	1
Stavros J. Constantinides	**-**	2
Irene Karamanou	**-**	5
Elias Neocleous	**-**	4
Symeon Matsis	**-**	4
Sophocles Michaelides	**-**	25
Erol Riza	**-**	19
Constantinos Damtsas	**-**	9
Takis Taousianis	**-**	11
Lenia Georgiadou	**-**	8
Philippos Mannaris	**-**	9
Lambros Papadopoulos	**-**	8
Andreas Persianis	**-**	6
Andreas Poetis	**-**	7
Panikos Pouros	**-**	12
Savvakis Savvides	**-**	8
Georgios Theocharides	**-**	7
Michalis Zannetides	**-**	7
Takis Arapoglou	**-**	7
	367	324

50. Related party transactions (continued)

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

Emoluments of other key management personnel

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

The termination benefits in 2014 relate to early retirement benefits paid to a member of key management personnel who left the Company in 2014.

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

51. Group companies

The main subsidiary companies and branches of the Company, their country of incorporation, their activities, and the percentage held by the Company (directly or indirectly) as at 31 December 2014 are:

Company	Country	Activities	Percentage holding (%)
Bank of Cyprus Public Company Ltd	Cyprus	Commercial bank	N/A
The Cyprus Investment and Securities Corporation Ltd (CISCO)	Cyprus	Investment banking, asset management and brokerage	100
General Insurance of Cyprus Ltd	Cyprus	General insurance	100
EuroLife Ltd	Cyprus	Life insurance	100
Kermia Ltd	Cyprus	Property trading and development	100
Kermia Properties & Investments Ltd	Cyprus	Property trading and development	100
Kermia Hotels Ltd	Cyprus	Hotel business	100
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	67
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 Leasing SA	Greece	Holding of real estate properties	100
Kyprou Commercial SA	Greece	Financing of motor vehicles and other consumer products	100
Kyprou Properties SA	Greece	Property management	100

51. Group companies (continued)

Company	Country	Activities	Percentage holding (%)
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
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	Special purpose entity	-
Kyprou Finance (NL) B.V.	Netherlands	Financing services	100

In addition to the above companies, at 31 December 2014 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 Properies Ltd, Vieman Ltd, Les Coraux Estates Ltd, Natakon Company Ltd, Karmazi (Apartments) Ltd, Kermia Palace Enterprises Ltd, Oceania Ltd, Dominion Industries Ltd, Ledra Estates Ltd, Eurolife Properties Ltd, Elias Houry Estates Ltd, 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, Rimokin Properties Ltd, Tavoni Properties Ltd, Metin Properties Ltd, Pekiro Properties Ltd, Melsolia Properties Ltd, Nimoland Properties Ltd, Lozzaria Properties Ltd, Koralmon 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.

51. Group companies (continued)

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

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

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

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

Cyprus: Bank of Cyprus Mutual Funds Ltd, Diners Club (Cyprus) 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 consolidated in the consolidated financial statements using the full consolidation method.

Disposal groups and subsidiaries classified as held for sale

As at 31 December 2014, the Russian operations of the Group, executed through the Russian subsidiaries of the Group and the hotel businesses, Kermia Hotels Ltd and Aphrodite Group, were considered as disposal groups.

Transfer of business of Laiki Factors Ltd to the Company

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

De Facto control of subsidiary

During March 2014 a new Board of Directors was appointed in CLR Investment Fund Public Ltd, which is controlled by the Company. Therefore de facto control is exercised to the company.

Dissolution of subsidiaries

As at 31 December 2014 the following subsidiaries were in the process of dissolution:

Samarinda Navigation Co Ltd, Kyprou Securities S.A., BOC Ventures Ltd, Tefkros Investments Ltd, Tefkros Investments (CI) Ltd, Salecom Ltd, Longtail Properties Ltd, Turnmill Properties Ltd and Limestone Properties Ltd.

51. Group companies (continued)

Carrying value of investments in Group companies

	2014	2013
	€000	€000
1 January	**442.335**	665.380
Additions	**520**	-
Merging of subsidiary operations	**(14.143)**	-
Contribution to subsidiaries	**30.083**	-
Acquired through business combination	**-**	94.656
Impairment of investments in subsidiary companies (Note 14)	**(141.426)**	(231.878)
Impairment of investment in subsidiary held for sale (Notes 15 and 28)	**(81.000)**	(74.251)
Disposal of subsidiaries	**-**	(9.574)
Repatriation of subsidiary	**-**	(1.998)
31 December	**236.369**	442.335

Provision for impairment of amounts receivable from subsidiaries

On 31 December 2014, the Company recognised a provision for impairment of intercompany balances amounting to €196.440 thousand (including €221.784 thousand related to the disposal group classified as held for sale).

52. Acquisitions and disposals

52.1 Disposals during 2014

52.1.1 Disposal of the Company's Ukrainian business

In April 2014, the Company completed the disposal of its Ukrainian operations and subsidiaries, 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 Company 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 €11.514 thousand (Note 9) and represents the difference of the consideration and the carrying value of the assets and liabilities disposed.

52.1.2 Sale of a UK loan portfolio

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

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

52.1.3 Sale of assets in Romania

On 11 September 2014, as part of its strategy of focusing on core business, the Company completed the sale of its subsidiary, 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 subsidiary's assets comprised (i) a facility agreement between GHES, as borrower, and Bank of Cyprus Romania (branch of the Company), as lender, (ii) 1,474,482 shares issued by GHES to an affiliate of the Bank, representing 35,292% of the issued share capital of GHES, and (iii) a subordinated loan agreement between GHES, as borrower, and an associate of the Company, as lender.

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

52. Acquisitions and disposals (continued)

52.2 Acquisitions during 2013

52.2.1 Acquisition of certain operations of Laiki Bank

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

As prescribed by the Decree issued on 29 March 2013, the Resolution Authority was required to perform a valuation of the assets and liabilities transferred from Laiki Bank to the Company and to determine a fair compensation for Laiki Bank with no right of further compensation. The Resolution Authority appointed an independent international firm to carry out a valuation of assets and liabilities acquired from Laiki Bank. The consideration transferred for this transaction (being shares of the Company) was determined and enforced by the Resolution Authority pursuant to the Decree for the 'Issue of Bank of Cyprus Share Capital to compensate Laiki Bank' issued on 30 July 2013. In accordance with the above Decree, this was set at 18,1% of the total share capital of the Company with no further right for additional compensation. Accordingly, 858.709 thousand shares were issued to Laiki Bank with a nominal value of €1,00 each. Following the reduction in the nominal value of ordinary shares to €0,10 per share and following the capital raising of €1 billion during 2014 (Note 35), the holding of Laiki Bank stood at 9,6% of the ordinary shares in issue of the Company at 31 December 2014.

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

Consideration transferred

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

Accounting for the business combination

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

In addition, an investment provisionally classified as available-for-sale was reclassified to investment in associates and joint ventures (Note 25), following information obtained for this investment about facts and circumstances that existed on the acquisition date.

The 2013 comparative information was restated to reflect the adjustments to the provisional amounts (Note 3.2.2).

Fair values of the identifiable assets and liabilities acquired

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

52. Acquisitions and disposals (continued)

52.2 Acquisitions during 2013 (continued)

52.2.1 Acquisition of certain operations of Laiki Bank (continued)

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

Fair values recognised on acquisition	**€000**
Assets	
Cash and balances with central banks	**406.531**
Placements with banks	**1.293.440**
Amounts receivable from the Company	**1.153.000**
Investments	**2.458.324**
Loans and advances to customers	**8.615.243**
Property, plant and equipment and intangible assets	**117.974**
Deferred tax asset	**417.000**
Investments in subsidiary companies, associates and joint ventures	**291.531**
Other assets	**341.630**
Total assets	**15.094.673**
Liabilities	
Amounts due to banks	**1.233.564**
Funding from central banks	**9.102.528**
Customer deposits	**4.180.716**
Other liabilities	**123.286**
Deferred tax liability	**4.692**
Total liabilities	**14.644.786**
Total identifiable net assets at fair value	**449.887**
Fair value of consideration transferred (comprising 858.709 thousand shares of a nominal value of €0,10 each following the reduction in the nominal value of shares, Note 35)	**449.887**

Analysis of cash flows on acquisition	
Total cash flows acquired, of which:	**2.856.371**
Cash and cash equivalents	**1.126.302**
Consideration paid in cash	**-**

The fair value of loans and advances to customers on acquisition amounted to €8.615.243 thousand. The gross amount of loans and advances to customers before fair value adjustment on initial recognition was €10.536.141 thousand. Of the total gross amount, €3.870.654 thousand were considered to be impaired as at the acquisition date. As at the date of acquisition the fair value of these impaired loans amounted to €2.391.508 thousand.

52. Acquisitions and disposals (continued)

52.2 Acquisitions during 2013 (continued)

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

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

52.2.3 Step acquisition of JCC Payment Systems Ltd

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

52.3 Disposal during 2013

52.3.1 Disposal of Greek operations

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

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

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

53. Events after the reporting date

53.1 Retail offer

The Company completed its capital raising plan initiated in 2014 (Note 35) with a Retail Offer to qualifying shareholders, as a result of which 567.188 new ordinary shares were issued on 14 January 2015, at the subscription price of €0,24 per share.

53.2 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.

53.3 Release of last tranche of decree deposits

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 €2.780 million that were blocked as per the decrees relating to the recapitalisation of the Company in July 2013.

53. Events after the reporting date (continued)

53.4 Repayment of ELA and ECB funding

In the first quarter of 2015, the Company repaid €500 million of ELA funding and €80 million of ECB funding.

53.5 Disposal of Kyprou Leasing S.A.

Following the disposal of the Group's leasing operations in Greece to Piraeus Bank S.A. 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.

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Independent Auditor's Report

To the members of Bank of Cyprus Public Company Ltd

Report on the Financial Statements

We have audited the financial statements of parent company Bank of Cyprus Public Company Ltd (the "Company") on pages 209 to 350, which comprise the balance sheet as at 31 December 2014, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Basis for qualified opinion with respect to 2013 comparative information

As discussed in note 3.33 to the consolidated financial statements of Bank of Cyprus Public Company Ltd, in consideration of a bail-in of uninsured deposits and debt securities pursuant to the provisions of the relevant Decrees issued and enforced by the Resolution Authority in 2013, the Company when accounting for its recapitalisation was not able to measure the shares issued at their fair value as required by International Financial Reporting Standards ('IFRS') relating to extinguishment of financial liabilities due to the specific conditions and uncertainties that existed at the time of the transaction. Had the Company been able to apply the requirements of IFRS and measure the shares issued at their fair value it would recognise any difference with the carrying amount of the liabilities extinguished in profit or loss.

Furthermore, as described in note 52.2.1 to the financial statements relating to the acquisition of certain assets and liabilities of Cyprus Popular Bank Public Company Ltd ('Laiki Bank') in 2013, pursuant to the provisions of the relevant Decree issued and enforced by the Resolution Authority, the Company was not able to establish a reliable fair value of the shares issued and has therefore determined the value of the consideration transferred by reference to the fair value of the individually identifiable assets and liabilities acquired, for which a reliable fair value could be established.

Due to the nature of the above mentioned transactions and the circumstances that existed at the date these transactions took place, we were unable to obtain sufficient and appropriate audit evidence to conclude on the reliability of the measurement of the value of the shares issued at the time of these transactions and on any adjustments to the Company's income statement that could have been determined to be necessary because of the adopted treatments.

Our opinion on the financial statements for the year ended 31 December 2013 was modified with respect to the above. The Company's equity and financial position as at 31 December 2013 were not affected by the above accounting treatments.

Qualified opinion with respect to 2013 comparative information

In our opinion, except for the possible effects on the comparative information for the year 2013, of the matters described in the Basis for qualified opinion paragraph, the financial statements give a true and fair view of the financial position of parent Company as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Emphasis of matter

Without qualifying our opinion, we draw your attention to note 4.1 'Going concern' to the parent company financial statements which indicate the significant judgments, estimates and assumptions used in the preparation of the financial statements on a going concern basis. Our opinion is not qualified in respect of this matter.

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Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 3 to 14 is consistent with the financial statements.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

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

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
31 March 2015

Annual Corporate Governance Report 2014

Bank of Cyprus Group

Introduction

The Board of Directors of the Bank of Cyprus Public Company Ltd ('the Bank' or 'the Company') fully adopted the Code of Corporate Governance (the 'Code'), which was published by the Cyprus Stock Exchange (CSE) (4th Edition (Revised) April 2014). Listed companies have an obligation to include in their Annual Report a Report by the Board of Directors on Corporate Governance.

Part A

As a company listed on the CSE, the Company has adopted the CSE Code and applies its principles which form part of the Group's policy on Corporate Governance. The Board of Directors continually aims to ensure that the Bank is a modern and competitive organisation that applies best practices in corporate governance and corporate administration. The Policy based on the Code together with the Terms of Reference and the practices followed by the Board Committees, constitute important foundations for maximising shareholder value.

Part B

The Company complies with the provisions of the CSE Code. There were a few immaterial deviations during 2014 and these are noted in the sections that follow.

Following the 4th revised edition of the Code, the Company revised its Board manual and the terms of reference of the Board Committees and issued a Group policy on Corporate Governance which applies to all Divisions and managers of the Bank as well as the Members of the Board and those of subsidiary companies (where applicable).

The following sections contain, inter alia, information and declarations in relation to the implementation of the provisions of the Code.

1. Board of Directors

The authorities of the Members of the Board of Directors are specified by the Articles of Association of the Company, by the Code and the relevant Companies, Stock Exchange and Banking Laws.

1.1 The Role of the Board of Directors

The primary role of the Board of Directors is to provide strategic leadership of the Bank of Cyprus Group ('the Group') within a framework of prudent and effective controls, which enables risk to be assessed and managed. The Board of Directors sets the Group's strategic objectives, ensures that the necessary financial and human resources are in place for the Group to meet its objectives and reviews management performance. The Board of Directors also sets the Group's values and standards and ensures that its obligations towards its shareholders and other stakeholders are understood and met.

Specific decisions and matters are reserved for approval by the Board. These include decisions on the strategic policy of the Group, approval of risk appetite, major acquisitions, mergers or disposals, the Group's annual and three-year budget and business plan, significant capital expenditure, directors' conflict of interest, Board membership and governance issues.

1.2 Composition of the Board of Directors

As at 31st December 2014, the Board of Directors comprised 10 Members (as listed below), specifically the non-Executive Chairman, Dr Josef Ackermann, the non-Executive Vice-Chairmen, Mr. Vladimir Strzhalkovskiy and Mr. Wilbur L. Ross, another 5 non-Executive Directors and two Executive Directors.

The roles of the Chairman and the Chief Executive Officer are exercised by separate individuals.

Board of Directors as at 1 January 2014

Christis Hassapis (Chairman)
Vladimir Strzhalkovskiy (Vice-Chairman)
Anjelica Anshakova
Dmitry Chichikashvili
Marinos Gialeli
John P. Hourican (Executive)
Marios Kalochoritis
Konstantinos Katsaros (up to 13/10/2014)
Eriskhan Kurazov
Adonis Papaconstantinou
Anton Smetanin
Xanthos Vrachas
Marios Yiannas (up to 4/4/2014)
Andreas Yiasemides
Ioannis Zographakis

On 4 April 2014 Mr. Marios Yiannas resigned from the Board of Directors whilst on 13 October 2014 Mr. Konstantinos Katsaros also resigned. Dr. Christis Hassapis, Mr. Xanthos Vrachas and Mr. Andreas Yiasemides did not offer themselves for re-election at the Annual General Meeting of shareholders on 20 November 2014.

Board of Directors appointed on 20 November 2014

On 20 November 2014 the shareholders of the Company elected a new Board of Directors as follows:

Josef Ackermann (Chairman)
Wilbur L. Ross (Vice-Chaiman)
Vladimir Strzhalkovskiy (Vice-Chairman)
Arne Berggren
Maksim Goldman
John P. Hourican (Executive)
Marios Kalochoritis
Christodoulos Patsalides (Executive)
Michael Spanos
Ioannis Zographakis

The above mentioned appointments took place after applying in full the procedures of the CBC Directive on the Assessment of the Fitness and Probity of Directors and Managers of Credit Institutions of 2014. All of the Members of the Board have the appropriate qualifications and a broad relevant experience.

Following the Annual General Meeting, the Board of Directors convened a meeting in which Messrs Josef Ackermann, Vladimir Strzhalkovskiy and Wilbur L. Ross were elected as Chairman and Vice-Chairmen respectively.

Mr. John Patrick Hourican and Dr. Christodoulos Patsalides were elected as Executive Members of the Board. Up to 20 November 2014 the only Executive member of the Board was Mr. John Patrick Hourican.

All the Members of the Board were provided on appointment with an information pack which included among others, the Board manual, key legislation, directives and regulations and the Company's Articles of Association.

1.2.1 Independence

Provision A.2.3 of the Code requires that at least 50% of the Board of Directors, excluding the Chairman, should be independent non-Executive Directors.

Board of Directors as at the date of this Report

The Board of Directors considers the following Directors to be independent as at the date of this Report thereby satisfying provision A.2.3 of the Code.

Josef Ackermann (Chairman)
Wilbur L. Ross (Vice-Chairman)
Vladimir Strzhalkovskiy (Vice Chairman)
Arne Berggren
Marios Kalochoritis
Michael Spanos
Ioannis Zographakis

A relevant 'Confirmation of Independence' based on the independence criteria of provision A.2.3 of the Code has been signed by each of the above mentioned Directors and will be submitted to the Cyprus Stock Exchange together with the present Corporate Governance Report.

1.3 Senior Independent Director

On 26 November 2014 the Board of Directors appointed Mr. Michael Spanos as Senior Independent Director. The Senior Independent Director is available to shareholders if they have concerns that are not resolved through normal communication channels. Previously, and up to his resignation on 13 October 2014, Mr. Konstantinos Katsaros was the Senior Independent Director. It is noted that following the resignation of the former Senior Independent Director, Mr. Katsaros, and up to the appointment of Mr. Spanos on 26 November 2014, the Company did not have a Senior Independent Director.

1.4 Meetings of the Board of Directors

The Board of Directors meets on a regular basis and has a formal schedule of matters for consideration. During 2014, 27 Board meetings were held due to challenging events and circumstances prevailing following the events of March 2013 and the Group's revised strategic objectives. The main areas of focus for the Board were the Bank's strategy, the implementation of the Restructuring Plan, liquidity and arrears management, the recapitalisation of the Bank, improvement of the risk management framework, the smooth integration of ex-Laiki Information Technology systems and the overall improvement of operational efficiency.

In every case it is ensured that all Members of the Board are correctly informed in writing of forthcoming Board meetings and all necessary documentation relating to the meeting is provided in a timely manner to allow them adequate time to review. Due to the large number of meetings of the Board and its Committees, it was not always possible to have the minutes of the previous meeting at the disposal of the Directors before the next meeting.

The attendance of the Members of the Board of Directors for 2014 is presented in the following tables:

Board of Directors 1/1/2014-20/11/2014

Name	Board of Directors	Audit Committee	Remuneration Committee	Nomination & Corporate Governance Committee	Risk Committee
Christis Hassapis (Chairman)	24/24			14/14	
Vladimir Strzhalkovskiy (Vice-Chairman)	15/24				6/6
Anjelica Anshakova	13/24	4/15			4/6
Dmitry Chichikashvili	9/24				1/6
Marinos Gialeli	23/24	13/15	6/7	1/1	6/6
John P. Hourican	22/24				
Marios Kalochoritis	24/24		9/10	14/14	
Konstantinos Katsaros*	22/22	15/15	7/7	1/1	
Eriskhan Kurazov	5/24				
Adonis Papaconstantinou	24/24		10/10	14/14	
Anton Smetanin	16/24				
Xanthos Vrachas	24/24	14/15			6/6
Marios Yiannas **	7/7		5/5	1/2	
Andreas Yiasemides	22/24	12/15	4/6	12/14	
Ioannis Zographakis	21/24	15/15			6/6
Total meetings	***24***	***15***	***10***	***14***	***6***

* Resigned 13/10/2014
** Resigned 4/4/2014

No action is required as any poor attendance records relate primarily to the previous Board composition which ended on 20 November 2014.

Board of Directors 20/11/2014 – 31/12/2014

Name	Board of Directors	Audit Committee	Remuneration Committee & Human Resources	Nomination & Corporate Governance Committee	Risk Committee
Josef Ackermann (Chairman)	3/3				
Wilbur L. Ross (Vice-Chairman)	2/3				
Vladimir Strzhalkovskiy (Vice-Chairman)	3/3				
Arne Berggren	3/3	2/2			
Maksim Goldman	3/3	2/2			
John P. Hourican	3/3				
Marios Kalochoritis	3/3				
Christodoulos Patsalides	3/3				
Michael Spanos	3/3				
Ioannis Zographakis	3/3	2/2			
Total meetings	***3***	***2***	***N/A***	***N/A***	***N/A***

The Members hold position on the Board of Directors of other companies as noted in their curricula vitae published in the Corporate Governance Report for the year and they offer themselves for re-election. Their participation in other Boards does not prevent them from devoting the necessary time and attention to their duties as Members of the Board of Directors of the Bank.

On 31 January 2014, the Board appointed Mr. Panayiotis Agapiou as Company Secretary following the resignation of Mr. Phivos Zomenis.

On 26 November 2014, the Board appointed Ms Katia Santis as Company Secretary, following the resignation of Mr. Agapiou.

The duties and responsibilities of the Company Secretary are the following:

- To ensure the Board and its Committees are constituted and function in compliance with internal rules, the Articles of Association of the Bank, the Board manual, CBC Directives and other applicable legal and supervisory requirements.
- To facilitate the flow of information within the Board and its Committees, between senior management and non-Executive directors and between Heads of internal control functions and non-Executive directors.
- To provide access to independent professional advice at the expense of the Bank as required.
- To be involved in preparing the schedule of all Board and Committee meetings.
- To ensure that relevant information is dispatched timely to all members of the management body to enable them to prepare adequately for these meetings.

The Company Secretary ensures minutes are kept in accordance to regulatory requirements; the Company Secretary must:

- express explicitly, in a separate paragraph, her assessment as to whether the meeting had been held in compliance with internal rules and regulations of the management body, the provisions of the CBC Directive and other applicable legal and supervisory requirements;
- ensure minutes are circulated, finalised and approved in a timely manner by all members present at the meeting;
- ensure finalised minutes are distributed in a timely manner to all recipients;
- ensure decisions taken are properly communicated, pursue follow up actions and report on matters arising.

All Directors have access to the advice and services of the Company Secretary and the Corporate Governance Compliance Officer and relevant information related to Board procedures and the

Code. Independent professional advice is also available to the Directors in accordance with the internal policy that was formulated and approved by the Board of Directors.

The key areas of focus in 2014 for the Board were:

- Group strategy and long term objectives in light of the regulatory and economic environment
- The release of decree deposits
- The recapitalisation of the Bank and assessment of funding solutions based on the recommendations of Executive management
- Legal issues / actions against the Bank
- Examination and approval of BOC Group Financial results
- Updates on regulatory developments
- Approval of the Group's risk appetite
- Disposal of non-core assets

During 2014 the following new Policies were approved by the Board of Directors:

- Group Risk Appetite Statement
- Policy Relating to the Prevention of Money Laundering and Terrorism Financing
- Group Customer Acceptance Policy
- Sanctions Policy
- Concentration Policy
- Liquidity Policy
- Provisioning Policy
- Group Information Security Policy
- Group Competition Law Compliance Policy
- Group Customer Complaints Management Policy
- Market Abuse Policy
- MiFID Obligations on Personal Transactions Policy
- Valuation Policy Statement
- Liquid Assets Investment Policy
- Country Risk Policy
- Reputational Risk Policy
- Business Continuity Management Policy
- Non-salary benefits & Allowances for Members of the Board of Directors
- Non-salary benefits & Allowances for staff
- Anti-Bribery Policy
- Personal Data Protection Policy
- New Product/Service/Delivery Channel Development Management Policy
- Regulatory Developments and Communication with competent Authorities Policy
- Stress Testing Policy
- Market Risk Policy
- Lending Policy
- Operational Risk Management Policy
- Fraud Risk Policy
- Group Procurements Policy
- Conflicts of Interest Policy

1.5 Board Renewal

The rules regarding the composition of the Board of Directors and the appointment and rotation of its members are defined in the Articles of Association of the Bank as follows:

- The number of Directors shall neither be less than seven nor more than thirteen.
- At the first and every subsequent Annual General Meeting of the Company, one-third of the Directors, or if their number is not three or a multiple of three, then the nearest number to one third, shall retire from office.
- The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day those

to retire shall, unless they otherwise agree among themselves, be determined by lot (Rotation Decision).

- A retiring Director shall be eligible for re-election.
- No person other than a Director retiring at the Meeting shall unless recommended by the Directors be eligible for election to the office of Director at any General Meeting unless not less than six or more than twenty-one days before the date appointed for the Meeting there shall be left at the registered office of the Company notice in writing, signed by a member duly qualified to attend and vote at the Meeting for which such notice is given, of his intention to propose such person for election, and also notice in writing signed by that person of his willingness to be elected.
- The Directors shall have power at any time, and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors shall not at any time exceed the number fixed in accordance with the Articles of Association. Any Director so appointed shall hold office only until the next following Annual General Meeting, and shall then be eligible for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

A Rotation Decision as to the identity of the Directors to be retiring at the upcoming Annual General Meeting of the Company has not been taken to this date but shall be taken or made not later than the giving of Notice for the said Annual General Meeting and be announced (including the provision of CVs of those offering themselves for re-election) accordingly.

1.6 Other Key Milestones in 2014

Pursuant to the provisions of the 'Bail-in of Bank of Cyprus Public Company Ltd Decree of 2013', the Company has been re-capitalised through a bail-in (deposit-to-equity conversion) of uninsured deposits and structured products in 2013. In addition, the Company completed the issue of additional share capital of €1 billion in 2014.

Other provisions of the 'Bail-in' decrees issued in July 2013 included certain restrictive measures applicable to the Bank's deposits affected by the bail-in. Deposits remained blocked in the form of three equal fixed term deposits with terms of 6, 9 and 12 months respectively, beginning 1 August 2013. The Bank was allowed to renew them for an additional equal term at the same interest rates, depending on market conditions.

The Company decided to release the six-month, nine-month and twelve-month time decree deposits maturing on 31 January 2014, 30 April 2014 and 31 July 2014 respectively. The six-month time deposits were fully released on 31 January 2014. The nine-month time deposits were released in three equal tranches on 30 April, 31 July and 31 October 2014. The twelve-month time deposits are released in three equal tranches on 31 July 2014, 30 October 2014 and 30 January 2015.

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

The shareholder base of the company changed radically following the recapitalisation of the Bank. In light of the above various actions were taken in compliance with the CBC Directive on Governance and Management Arrangements of Credit Institutions always taking into consideration the CSE Code.

2. Members of the Board of Directors

The curricula vitae of all the Members of the Board of Directors as at the date of this Report are provided below.

2.1 Non-Executive Directors

Josef Ackermann (Chairman)

Born in 1948. Dr. Ackermann is the former chairman of the management board and the group Executive committee at Deutsche Bank. Dr. Ackermann joined Deutsche Bank's board of managing directors in 1996, where he was responsible for the investment banking division. Under his leadership, this business unit developed into one of Deutsche Bank's principal revenue sources and entered the top group of global investment banks. Prior to Deutsche Bank, Dr. Ackermann was president of Schweizerische Kreditanstalt (SKA), today's Credit Suisse. Dr. Ackermann has held numerous board positions including sitting on the board of directors at Zurich Insurance Group, Royal Dutch Shell plc, Siemens AG and EQT Holdings AB among others. Today, he still holds numerous mandates, amongst them as a member of the board of directors at Investor AB, and Renova Management AG. Dr. Ackerman also serves as honorary chairman of the St. Gallen Foundation for International Studies, honorary senate member of the Foundation Lindau Nobel Prizewinners Meetings at Lake Constance, vice chair and a member of the board of trustees of The Conference Board and advisory director at New York's Metropolitan Opera, among other posts. Dr. Ackerman also served as vice-chairman of the foundation board of the World Economic Forum. Dr. Ackermann studied economics and social sciences at the University of St. Gallen, where he earned his doctorate, and holds an honorary doctorate from the Democritus University of Thrace in Greece. Dr. Ackermann is also an honorary fellow of the London Business School, was visiting professor in finance at the London School of Economics, and was appointed honorary professor at the Johann Wolfgang Goethe University in Frankfurt.

Wilbur L. Ross (Vice-Chairman)

Born in 1937. Mr. Ross is the Founder, Chairman and Chief Strategy Officer of WL Ross & Co. LLC, a private equity firm. Mr. Ross was also formerly the Chief Executive Officer of WL Ross prior to April 30, 2014 when he became its Chairman and Chief Strategy Officer. In March 2014 Mr. Ross became the Chairman and Chief Executive Officer of WL Ross Holding Corp, a special purpose acquisition company. Mr. Ross is currently a member of the board of directors of Arcelor Mittal, the world's largest steel and mining company; EXCO Resources, Inc., a natural gas and oil exploration company; DSS Holdings LP, a shipping transportation company and Sun Bancorp, a bank holding company. Mr. Ross formerly served as a member of the board of directors of many banks, financial and other companies, including but not limited to The Governor and Company of the Bank of Ireland, a commercial bank in Ireland until June 2014, BankUnited, Inc., until March 2014; Talmer Bancorp., Assured Guaranty, an insurance company; International Textile Group; NBNK Investments PLC; PB Materials Holdings, Inc.; Ohizumi Manufacturing; Ocwen Financial Corp.; Navigator Holdings, a maritime transport company until November 2014; Plascar Participacoes SA, a manufacturer of automotive interiors, until 2014 and Air Lease Corporation, an aircraft leasing company from 2010 to December 2013; International Coal Group from April 2005 to June 2011, Montpelier Re Holdings Ltd., a reinsurance company, from 2006 to March 2010; The Greenbrier Companies, a supplier of transportation equipment and services to the railroad industry from June 2009 until January 2013. Mr. Ross was Executive Managing Director of Rothschild Inc. for 24 years before acquiring that firm's private equity partnerships in 2000. Mr. Ross is a graduate of Yale University and of Harvard Business School. Through the course of Mr. Ross' career, he has assisted in restructuring more than $400 billion of corporate liabilities. Mr. Ross is well qualified to serve as a director due to his over 35 years of experience in private equity, numerous public and private company directorship roles, and globally-recognized financial expertise having been elected to both the Private Equity Hall of Fame and the Turnaround Management Association Hall of Fame. Mr. Ross has been appointed by President Clinton to the Board of Directors of the U.S-Russia Investment Fund and has served as Privatization Advisor to New York City Mayor Guiliani. He was awarded a medal by President Kim Dae Jung for assisting Korea during its financial crisis and in 2014 was awarded the Order of the Rising Sun with Gold and Silver Stars by the Japanese Government.

Vladimir Strzhalkovskiy (Vice-Chairman)

He was born in 1954. He has held the position of Deputy Minister of the Ministry of Economic Development of the Russian Federation for four years (July 2000 – November 2004), Chairman of the Executive Board of the World Tourism Organisation (2003 - 2004), Head of the Federal Agency Tourism Organisation (November 2004 – August 2008), member of the Board of Directors of the company INTER RAO Ues (June 2011 – June 2013) and he also served as CEO - Chairman

of the Management Board (August 2008 – December 2012) and Vice President (December 2012 – June 2013) of the Mining and Metallurgical Company. He has a PhD degree in Economics, specialty "Applied Mathematics", from Leningrad Institute of Electronic Engineering of V.I. Lenin, in 1977.

Arne Berggren

Born in 1958. Mr. Berggren has been involved in corporate and bank restructurings, working for both the private sector as well as for international organizations since the early 90s staring with Nordea during the Swedish financial crisis. This was followed by bank crises management and bank restructuring assignments in numerous countries in Latin America, Eastern Europe and Asia, and more recently during the current financial crisis in the Baltics, Spain and Slovenia. He has been head of Financial Restructuring and Recovery at Carnegie Investment Bank AB and Swedbank AB and as CEO of Swedcarrier AB he led the restructuring of parts of Swedish Rail. Mr Berggren has held numerous board positions in the financial and corporate sector and currently serves on the board of directors at LBT Varlik Yönetim AS and DUTB Ldt. He is a graduate of the University of Uppsala, Sweden.

Maksim Goldman

Born in 1971. Mr. Goldman currently serves as Director of Strategic Projects at Renova where he is responsible for coordinating the business development of various significant assets under management of the Group. Previously, Mr. Goldman served as Deputy Chief Investment Officer of Renova Group, responsible for implementing the investment policy and support of key mergers and acquisitions transactions. During 2005 to 2007 he worked as Vice President and International Legal Counsel of Sual-Holding, which was the management company for OAO "SUAL", the second largest aluminium company in Russia, and also participated in the creation of UC Rusal through combination of the assets of Sual-Holding, Rusal and Glencore. From 1999 to 2005 Mr. Goldman worked as an associate at Chadbourne & Parke LLP in New York and in Moscow. Mr. Goldman holds a J.D. from the School of Law, University of California (Los Angeles). He also holds a Bachelor of Arts degree in History at the University of California (Los Angeles).

Marios Kalochoritis

Marios Kalochoritis was born in 1973. He is a Financial Executive with experience in investment banking, hedge fund management, private equity, wealth management and as a Chief Financial Officer. Geographically he has covered North and South America, Western and Eastern Europe and the Middle East. He is experienced in start-ups and turnout situations. He has recently moved to Dubai from Cyprus to set up a family office for an industrialist family as Head of Investments, after spending five and a half years in Cyprus where, as the Managing Director, he had set up and ran the operations and risk management of a global macro hedge fund. Prior to that he was Senior Vice President for Credit Suisse Bank in Zurich and he was heading business development for Central and Eastern Europe and Turkey. Between 2003 and 2006 he was the Chief Financial Officer for Amana Group in Dubai, a major regional construction group. He had moved to Dubai following a couple of years in New York where he was the co-founder of a boutique investment bank. He started his career at Enron in Houston where as a financial analyst and later an associate in the finance department, he analysed and made investments in oil & gas, energy and other infrastructure opportunities around the world. He also interned with J.P. Morgan Bank in New York and McKinsey & Co in Athens. He holds an MBA from Harvard Business School and a BSc in Finance from Louisiana State University.

Michael Spanos

Mr. Spanos, born in 1953, is a Managing Director of M.S. Business Power Ltd, which provides consultancy services on strategic and business development (since 2008); non-Executive Chairman of Lanitis Bros Ltd (since 2008); founding Chairman of Green Dot (Cyprus) Public Co Ltd (since 2004); and a member of the board of directors of Coca-Cola Içecek (since 2012). Mr. Spanos worked at Lanitis Bros Ltd from 1981 to 2008 as Marketing Manager, General Manager and Managing Director. Between 2005 and 2009, Mr. Spanos served as vice-chairman of the board of directors of the Cyprus International Institute (Republic of Cyprus and Harvard School of Public Health). Mr. Spanos has also served on other boards, such as Heineken-Lanitis Cyprus Ltd (2005 to 2007), Lumiere TV Public Ltd (2000 to 2012), A. Petsas & Sons Public Ltd (2000 to

2007) and CypriaLife Insurance Ltd (1995 to 2000). Mr. Spanos is a former director of the CBC Board of Directors. Mr. Spanos holds a Master's degree in economics from North Carolina State University.

Ioannis Zographakis

Born in 1963. Mr. Zographakis is a senior Executive with a broad and diverse international experience in the banking industry. He has worked with Citibank for over 20 years, in the USA, UK and Greece. His line/business positions and divisional/corporate responsibilities, have provided him with an extensive background in corporate governance, business restructuring, re-engineering, crisis management, separation of businesses, business strategy, profit & loss management, finance, product and segment management, operations & technology management, and dealing with various regulatory bodies and industry related organisations. He started his career in 1990 with Citibank in Greece as a Management Associate for Europe, Middle-East & Africa (EMEA). He then worked as the Deputy Treasurer and Treasurer for the Consumer Bank in Greece, before moving to the USA in 1996 as the Director of Finance for CitiMortgage. In 1997 he became the Financial Controller for Citigroup's Consumer Finance business in the US and then he was the Chief Financial Officer for the Consumer Assets Division. From 1998 until 2004 he worked in the Student Loan Corporation (SLC), a Citigroup subsidiary and a New York Stock Exchange traded company. He started as the Chief Financial Officer, became the Chief Operations Officer and in 2001 he was named the Chief Executive Officer. In his four years as CEO of SLC, he managed to almost triple the earnings and the stock price of the company, outperforming the markets. In 2005 he moved back to Europe as Citibank's Consumer Lending Head for EMEA and UK Retail Bank Head. Deciding to move closer to home in 2006, he took the position as Citibank's Retail Bank Head in Greece where he stayed until 2011, before moving back to Cyprus consulting on financial services when requested. He has been a Director for the Student Loan Corporation in the US, a Director for Tiresias (Greek Credit Bureau) and the secretary of the Audit Committee, a Director and member of the Audit Committee for Diners Club Greece, the Vice-Chairman of the Citi Insurance Brokerage Board in Greece and the Chairman of the Investments and Insurance Supervisory Committee in Citibank Greece. He holds a Bachelor's degree in Civil Engineering from Imperial College in London and an MBA from Carnegie Mellon University in the USA.

2.2 Executive Directors

John Patrick Hourican (Chief Executive Officer)

He was born in 1970. Mr. Hourican served as Chief Executive of The Royal Bank of Scotland Group's ("RBS") Investment Bank (Markets & International Banking) from October 2008 until February 2013. Between 2007 and 2008, he served on behalf of a consortium of banks (RBS, Fortis and Santander) as Chief Financial Officer of ABN AMRO Group and as a Member of its Managing Board. He joined RBS in 1997 as a Leveraged Finance banker. He held a variety of senior positions within RBS's wholesale banking division, notably on the division's board as Finance Director and Chief Operating Officer. He also ran the bank's Leverage Finance business in Europe and Asia. Mr. Hourican started his career at Price Waterhouse and he is a Fellow of the Institute of Chartered Accountants in Ireland. He is a graduate of the National University of Ireland and Dublin City University.

Christodoulos Patsalides (Finance Director)

Born in 1962. Dr. Patsalides currently serves as Finance Director of the Bank. From 1989 to 1996, Dr. Patsalides previously worked for the CBC in the Management of Government External Debt and Foreign Exchange Reserves department. In 1996, Dr. Patsalides joined the Bank where he has held a number of positions in corporate banking, treasury and private banking, among others. In Dr. Patsalides' current capacity as Finance Director, he is responsible for Finance, Treasury, Investor Relations, Economics Research and Procurement. Dr. Patsalides holds a PhD in Economics from the London School of Economics.

3. Board Committees

Specific responsibilities have been delegated to Committees of the Board of Directors. The Terms of Reference of the Committees are based on the relevant provisions of the CSE Code and the Governance Directive of the Central Bank of Cyprus (where applicable).

Both the current and the previous Board of Directors set up Board Committees in accordance with the relevant requirements of the Code. Information about each of these Committees is provided in sections 3.1 to 3.4 below.

3.1 Audit Committee

The role of the Committee is to review and monitor among other things:

- The effectiveness of the Group's system of internal controls,
- The integrity of the Group's financial statements and related announcements,
- The effectiveness of the internal and external audit processes,
- The Group's relationship with the external auditors,
- The effectiveness of the Group's whistleblowing procedures,
- The effectiveness of the Group's compliance function,

and make recommendations to the Board on such matters.

The role of the Audit Committee is fundamental to ensuring the financial integrity and accuracy of the Bank's financial reporting. Good, open relationships between the Committee, the Finance Director, the Chief Risk Officer, the Group Internal Audit Director and the Group Compliance Director as well as the external auditors, are essential to adding value to the organisation. This is encouraged by holding management to account for the implementation of all audit recommendations (internal and external); inviting appropriate business heads to meetings to explain how they are delivering their agreed actions for which they are responsible. As well as providing assurance within the governance and accountability structures of Bank of Cyprus, it is essential that the Committee contributes, delivers results and adds value to the Group.

Financial Reporting

The Committee has discussed the key areas of judgement in the Group's financial reporting with the external auditors, Ernst & Young Cyprus Ltd. Particular areas for discussion have been their findings / observations as part of their audit review of the Group's financial statements including inter alia loan provisioning and impairment policies, going concern issues and the recoverability of deferred tax assets. The Committee is satisfied that is has considered for disclosure all material relevant issues that have concerned management and the Group statutory auditors during the year.

The Committee has reviewed and monitored the appropriateness and completeness of the published financial statements and related announcements to shareholders of the Company and any formal announcements relating to the Group's financial performance, including significant financial reporting judgements and estimates made by the Group.

The Committee has considered management's recommendations in respect of provisions for impairments of loans and advances and any other impairment losses and charges as reported in the Group's financial statements. It also considered management's assessment in determining that the going concern basis for preparing those financial statements continues to be appropriate.

The Committee has the responsibility for examining any significant transactions in any form, carried out by the Bank and /or its subsidiary companies, where any Member of the Board, Chief Executive Officer, Senior Executive Officer, Secretary, Auditor or large shareholder has, directly or indirectly, any significant interest. It ensures that these transactions are carried out within the framework of the Bank's normal commercial practices (at arm's length).

Control Environment

The Committee's activities included the consideration of reports submitted by the Group Internal Audit and Compliance Functions. Management's responses to Group Internal Audit's findings and recommendations were reviewed and monitored. The monthly findings reports issued by the Directors of Internal Audit and Compliance enable the Committee to focus discussion on specific areas of concern and root causes and to track remediation progress over time. Areas of focus during 2014 have been Anti-Money Laundering procedures and relevant policies, KYC procedures,

Regulatory and Ethics policies, procurement processes, data quality and provisioning policies. The Committee has also reviewed important investigations carried out in 2014 by the Director of Internal Audit relating to matters and events of earlier years.

The Committee reviewed and approved the annual plans of the Group Internal Audit and Compliance Functions and the monitoring of subsequent actions.

The Board has delegated authority to the Nominations and Corporate Governance Committee to draw up the Corporate Governance Report, but the Audit Committee retains its duty to review and approve the Annual Corporate Governance Report.

The Audit Committee held 17 meetings during 2014.

3.1.1 Audit Committee up to the Election of the New Board on 20/11/2014

The members of the Audit Committee during 2014 and up to election of the current Board of Directors on 20 November 2014 were as follows:

Ioannis Zographakis (Chairman)
Anjelica Anshakova
Marinos Gialeli
Konstantinos Katsaros
Xanthos Vrachas
Andreas Yiasemides

The key areas of focus for the Committee in 2014 were as follows:

- Discussion of the results of the audit of the 2013 Financial Statements with the external auditors
- Recommendations in respect of provisions for impairment of loans and advances
- Corporate governance issues for subsidiary companies
- Scrutinising of key accounting judgements and estimates
- Review of monthly audit reports and internal control issues
- Appointment of the External Auditors
- Review of the annual report of the Group Internal Audit Function and major pending audit issues
- Consideration of major compliance issues and reports submitted to it by the Compliance Function
- Review and approval of the Anti-Money Laundering ('AML') risk appetite statement, AML Policy, Customer Acceptance Policy and Sanctions Policy
- Review and approval of Regulatory and Ethics policies
- Review of the independence of the Group Internal Audit Function and the Director of Group Internal Audit

3.1.2 Audit Committee since 20/11/2014

Audit Committee members

Ioannis Zographakis (Chairman)
Arne Berggren
Maksim Goldman

The Group Audit Committee which was appointed on 20 November 2014 held 2 meetings during 2014, during which the following topics were discussed:

- Third quarter of 2014 Financial Results
- Provisions for impairment of loans and advances for the third quarter of 2014
- Approval of audit and tax compliance fees for year 2014
- External Audit Plan for 2014
- Approval of revised Terms of Reference of the Audit Committee
- The Internal Audit Activity Report

- The procedure for Providing Assurance for internal controls
- Compliance Monthly and Quarterly Reports
- The Group Compliance Division 2015 Action plans
- Review and approval of Corporate Governance Policy, Group Fitness and Probity Policy and other Regulatory and Ethics Policies

3.1.3 Internal and External Audit Independence

The Group Internal Audit and Compliance Functions report directly to the Board of Directors through the Audit Committee. They are organisationally independent of units with Executive functions and are not subordinated to any other unit of the Bank, except the Director of Group Compliance who has a second reporting line to the Group CEO.

The Committee proposes to the Board the appointment or replacement of the Director of Internal Audit and the Director of Compliance. It submits a report to the Board on a) the adequacy of the audits carried out, the conclusions and the proposals of the Group Internal Audit and b) subjects that are related to the independence and smooth execution of audit work carried out by Group Internal Audit.

The independence of the two functions as well as the independence of the Group Internal Auditor were reviewed by the Audit Committee in the 1st Quarter of 2014.

The objectivity and independence of the external auditors is safeguarded through monitoring of their relationship with the Group by the Audit Committee, including the monitoring of the balance between audit and auxiliary non-audit services. The external auditors have confirmed their objectivity and independence in writing to the Group. In addition, the external auditors do not provide internal audit services to the Group. The Audit Committee reviews annually detailed analysis of the audit and non-audit fees relating to work done by the external auditors. The Committee reviews this to confirm the independence of the external auditors and refers this analysis to the Board of Directors.

3.2 Nominations and Corporate Governance Committee

The role of the Committee is to support and advise the Board in relation to Chairman, Vice-Chairman, Director and CEO development and succession planning and ensuring it is comprised of members who are best able to discharge the duties and responsibilities of Directors.

The Committee focuses primarily on the composition, appointment, succession and effectiveness of the Board, but also oversees the adoption of appropriate internal policies on the assessment of the fitness and probity of members of the Group Executive Committee, other Senior Managers and Heads of the Internal Control Functions.

The Committee keeps the Board's governance arrangement under review and makes appropriate recommendations to the Board to ensure that the Group's arrangements are consistent with best practice corporate governance standards. The Committee assesses the structure, size, composition and performance of the Board of Directors on an annual basis and submits any recommendations to the Board.

The members of the Nominations and Corporate Governance Committee as at the date of this Report are:

Josef Ackermann (Chairman)
Wilbur L. Ross
Vladimir Strzhalkovskiy

The members of the Nominations and Corporate Governance Committee during 2014 and up to election of the current Board of Directors on 20 November 2014 were as follows:

Christis Hassapis (Chairman)
Marinos Gialeli – up to 31/1/2014
Marios Kalochoritis
Konstantinos Katsaros – up to 31/1/2014

Adonis Papaconstantinou
Marios Yiannas – up to 4/4/2014
Andreas Yiasemides

During 2014, the Nominations and Corporate Governance Committee held 14 meetings. The Committee assessed the structure, size and composition of the Board, the independence of its members as well as the skills, knowledge and expertise of the Members of the Board and reported accordingly to the Board of Directors. The Committee also recommended changes in the composition of subsidiary Boards and Board Committees. The Committee submitted the Annual Corporate Governance Report for 2013 to the Board of Directors for approval.

The Committee has also supervised the gap analysis process driven by the Corporate Governance Compliance Officer following the issue of the relevant CBC Directive issued in August 2014. The need to appoint a second Executive Director was discussed with a view to enriching the composition of the Board with further skills and expertise.

3.3 Risk Committee

The main purpose of the Committee is to review, on behalf of the Board, the aggregate Risk Profile of the Group, including performance against Risk Appetite for all risk types and to ensure that both the Risk Profile and Risk Appetite remain appropriate. Specifically it:

- Considers and recommends to the Board the Group's overall Risk appetite.
- Reviews on behalf of the Board the aggregated Risk Profile for the Group and performance against the Risk Appetite.
- Identifies the potential impact of key issues and themes that may impact the Risk Profile of the Group.
- Ensures that the Group's overall Risk Profile and Risk Appetite remain appropriate given the external environment, any key issues and themes impacting the Group and the internal control environment.
- Seeks to identify and assess future potential risks which, by virtue of their uncertainty, of low probability and unfamiliarity may not have been factored adequately into review by other Board Committees.

Like other financial organisations, the Group is exposed to risks, the most significant of which are credit risk, liquidity and funding risk, market risk (arising from adverse movements in exchange rates, interest rates and security prices) and operational risk. The Group monitors and manages these risks through various control mechanisms. Detailed information relating to Group risk management is set out in Notes 46 to 49 of the Consolidated Financial Statements and the Additional Risk Disclosures section of the Annual Financial Report.

The members of the Risk Committee as at the date of this Report are:

Vladimir Strzhalkovskiy (Chairman)
Wilbur L. Ross
Arne Berggren
Marios Kalochoritis
Yiannis Zographakis

The members of the Risk Committee during 2014 and up to the election of the current Board of Directors on 20 November 2014 were as follows:

Vladimir Strzhalkovskiy (Chairman)
Anjelica Anshakova
Dmitry Chichikashvili
Marinos Gialeli
Xanthos Vrachas
Yiannis Zographakis

During 2014, the Risk Committee held 6 meetings. Key areas of focus for the Committee during 2014 were arrears management and the improvement of the risk management framework while taking into account new regulatory developments. Furthermore, the Committee made

recommendations for the enhancement of the framework of the reporting to the Committee in order to facilitate its oversight role over risk management.

The Committee addressed significant risk management policy issues and submitted its recommendations to the Board for approval. Such areas included the risk appetite statement, restructuring policy, arrears management strategy and detailed implementation plan, loan sanctioning authorities and write-off limits. These policies were reviewed and revised, taking into account the new operating and regulatory environment in which the Bank operates.

3.4 Remuneration and Human Resources Committee

Further information on the composition and the role of the Committee as well as issues reviewed during 2014 can be found in the Remuneration Policy Report.

3.5 Other Committees

No other Committees are in place as at the date of this Report.

Other Committees up to 20 November 2014

The Board of Directors elected on 10 September 2013 had decided to set up a Committee to monitor the restructuring of the Group as follows:

Strategy & Restructuring Committee	Attendance
Andreas Yiasemides (Chairman)	8/8
Dmitry Chichikashvili (Vice–Chairman)	0/8
Anjelica Anshakova	4/8
Marinos Gialeli – from 31/1/2014	6/6
Marios Kalochoritis	7/8
Adonis Papaconstantinou	8/8
Xanthos Vrachas	7/8
Marios Yiannas - up to 4/4/2014	1/2
Konstantinos Katsaros	7/8
Ioannis Zographakis	8/8

4. Loans to Directors and Other Transactions

Details of loans to Directors and other transactions with the Group are set out in Note 52 of the Consolidated Financial Statements for the year 2014.

It is forbidden by Law to extend credit to any independent members of the management body. Furthermore, any credit to be extended to non-independent members of the Board must comply with the following provisions of the Law:

(a) be approved by a resolution of the Board carried by a majority of two-thirds of the members that participated in the relevant Board meeting and the member concerned should not be present during the discussion nor should he vote on the resolution,
(b) the exposure granted should be on the same commercial terms as would apply to customers for similar exposures in the ordinary course of banking practice,
(c) the total value of exposures to in respect of all members of the management body should not exceed at any time 10% of the Bank's own funds, or such other lower percentage as the Central Bank of Cyprus may determine from time to time,
(d) the total value of any unsecured exposures granted to all members of the Board should not exceed at any time 1% of the Bank's own funds or such other lower percentage as the Central Bank of Cyprus may determine from time to time,
(e) the total value of exposure to any member of the Board should not exceed at any time the amount of €500.000 or such other lower amount as the Central Bank of Cyprus may determine from time to time, and

(f) no financing is permitted to any Executive member of the management body that does not comply to the commercial terms or exceeds the limits that apply to all staff or such other lower amount as the Central Bank of Cyprus may determine from time to time.

5. Accountability and Audit

5.1 Going Concern

The Company's management, taking into consideration the factors noted in Note 4.1 of the Consolidated Financial Statements, is satisfied that the Group has the resources to continue in business for the foreseeable future and therefore, the going concern principle is appropriate.

5.2 System of Internal Controls

The Board of Directors is responsible for the adequacy and effectiveness of the system of internal controls in the Group. Policies and procedures have been designed and implemented for safeguarding assets against unauthorised use, for maintaining proper accounting records and for the sound and effective operation of Information Technology systems, amongst others. Such policies and procedures have been designed in accordance with the scale and complexity of the Group's operations and are aimed in identifying, assessing, mitigating and monitoring risks faced across the Group. These procedures can only provide reasonable but not absolute assurance against material misstatements, errors, losses, fraud or breaches of laws and regulations.

The Board of Directors, through the Group Audit and Risk Committees, has conducted an annual review of the effectiveness of the system of risk management and internal controls covering all material controls, including financial, operational and compliance controls and risk management systems. During the year, the Group Audit and Risk Committees have kept under review the effectiveness of this system of internal controls and have reported regularly to the Board of Directors. In carrying out their reviews, the Group Audit and Risk Committees receive regular business and operational risk assessments, regular reports from the Group Director Internal Audit and Group Chief Risk Officer, internal and external audit reports, as well as regulatory reports. Additionally, the Board of Directors receives a confirmation on an annual basis by the Group Chief Executive Officer as to the effectiveness of compliance, risk management and information security system of internal controls.

The Board of Directors, through the Group Audit and Risk Committees, has received confirmation that Executive management has taken or is taking the necessary actions to remedy all weaknesses identified through the operation of our framework of internal controls.

The Board of Directors confirms that it is not aware of any violation of the Cyprus Securities and Stock Exchange Laws and Regulations, except those that are known by the relevant authorities (where applicable).

5.3 Corporate Governance Compliance Officer

The Board of Directors appointed Mr. Marios Skandalis as Corporate Governance Compliance Officer on 28 February 2014 after the resignation of Mr. Phivos Zomenis.

6. Remuneration Policy Report

The Remuneration Policy Report was prepared by the Board of Directors following a proposal by the Remuneration Committee is accordance with Appendix 1 of the Code. It is presented in the Annual Financial Report of the Group after the present Report on Corporate Governance. The Remuneration Policy Report will be presented to the Annual General Meeting of shareholders for approval.

Information on the remuneration of the Members of the Board of Directors for the year 2014 is disclosed in Note 52 of the consolidated financial statements of the Group, as well as in the Remuneration Policy Report itself.

7. Shareholder Relations

The Board of Directors has appointed Mr. Constantinos Pittalis as Investor Relations Officer, responsible for the communication between shareholders and the Bank. Information concerning the Bank is provided to shareholders, prospective investors, brokers and analysts in a prompt and unbiased manner free of charge.

The Senior Independent Director, Mr. Michael Spanos, is available to shareholders if they have concerns that have not been resolved through the normal communication channels.

All shareholders of the Bank are treated on an equal basis. There are no shareholders of securities with special control rights. Shareholders are promptly and accurately informed of any material changes regarding the Group, including its financial condition, financial results, ownership and governance.

The Board of Directors provides to holders of at least 5% of the Company's share capital the opportunity to request the inclusion of items on the agenda of General Meetings. The Board of Directors is available at the Annual General Meeting to answer shareholders' questions.

Any change or addition to the Articles of Association of the Bank is only valid if approved by special resolution at a meeting of the shareholders.

Remuneration Policy Report for the year 2014

1. Introduction

In accordance with the provisions of the Code of Corporate Governance (the "Code") published by the Cyprus Stock Exchange (4th revised edition – April 2014) and in particular Annex 1 of the Code, the Remuneration Committee prepares the Annual Board of Directors' Remuneration Report which is ratified by the Board of Directors and submitted to the shareholders' Annual General Meeting. The Board of Directors Remuneration Report for the year 2014 was ratified by the Board of Directors on 31 March 2015.

2. Remuneration and Human Resources Committee

The Remuneration and Human Resources Committee is responsible for the development and periodic review of the Group Remuneration Policy which is proposed to the Board of Directors for ratification. In addition, the Board of Directors, through the Remuneration and Human Resources Committee, is ultimately responsible for monitoring the implementation of the Group Remuneration Policy.

The Group's aim is to align its Remuneration Policy and Human Resources practices, with its long term objectives, its risk tolerance, capital and liquidity availability, the interests of its shareholders and ensuring that they are consistent with and promote sound and effective management of risk and do not encourage excessive risk-taking.

In developing its Remuneration Policy, the Group takes into account the provisions that are included in the Code as well as the Central Bank of Cyprus (CBC) Directive on Governance and Management Arrangements of Credit Institutions which came into effect in August 2014 and incorporated the requirements for Remuneration Policies included in the European Capital Requirements Directive (CRD IV), as well as regulatory restrictions pertinent to the banking sector currently.

It is acknowledged that the implementation of the relevant requirements by financial institutions and the policies and practices that are to be adopted will evolve over time, as further experience and knowledge is gained and with the development of best practice in this area. Within this context, the Group aims to review its remuneration policies and practices on an ongoing basis and amend them where necessary, with the aim of ensuring that they are consistent with and promote sound and effective risk management.

Every year, the Remuneration and Human Resources Committee proposes to the Board of Directors, the Annual Remuneration Policy Report as part of the Annual Report of the Group, which is submitted to the shareholders' Annual General Meeting for approval. The Committee also reviews and approves the consolidated financial statements of the Group which include a related party transactions note (Note 52) and the Remuneration Policy Report itself.

The members of the Remuneration and Human Resources Committee (all non-Executive) as at the date of this Report are as follows:

Michael Spanos (Chairman)
Maksim Goldman
Marios Kalochoritis

<u>Board up to 20 November 2014</u>

Marios Yiannas (Chairman) – up to 4/4/2014
Xanthos Vrachas (Chairman) – from 4/4/2014
Marinos Gialeli – from 31/1/2014
Marios Kalochoritis
Konstantinos Katsaros – from 31/1/2014
Adonis Papaconstantinou
Andreas Yiasemides – from 4/4/2014

3. Governance of Group Remuneration Policy

3.1 Principles of the Code of Corporate Governance

Companies should implement official and transparent procedures for developing policies concerning the remuneration of Executive Directors and fixing the remuneration of each Board Member separately.

The level of remuneration should be sufficient to attract and retain the Directors needed to run the Company successfully, but companies should avoid paying more than is necessary for this purpose. Part of the remuneration of Executive Directors should be determined in such a way as to link rewards to corporate and individual performance.

The Company's Corporate Governance Report should include a statement of the Remuneration Policy Report and relevant criteria, as well as the total remuneration of the Executive and non-Executive Members of the Board.

3.2 Terms of Reference of the Remuneration and Human Resources Committee

The Role of the Committee

The role of the Committee is to consider and approve the remuneration arrangements of the Non-Executive and Executive Directors of the Company, other senior Executives and other key employees, as well as the employee compensation policy bearing in mind the EBA Guidelines on remuneration policies and practices of 2010, the Directive for the Governance and Management Arrangements issued by the CBC and the Code. The Committee sets the over-arching principles and parameters of remuneration policy across the Group and exercise oversight for remuneration issues.

Furthermore the Committee is committed to ensuring that the Group has the human capital (competencies and attitude) pertinent for the achievement of its strategic goals, the organisational capital (values, alignment, leadership) to be able to achieve continuous improvement and the information capital and the technology that facilitates process improvements that lead to a comparative advantage in the market.

Appointment of the Committee

The Committee has a minimum of 3 and a maximum of 5 members. The Committee must consist entirely of non-Executive Directors of whom the majority must be independent Directors including the Chairman of the Committee who cannot chair any other Committee of the Board. The Board appoints the Chairman of the Committee whose members are appointed annually.

Meetings of the Committee

The Committee holds regular meetings and, additionally, ad hoc meetings whenever called by the Chairman of the Committee. The quorum for a meeting is 2 members or 50% rounded up whichever is the highest. The Committee keeps detailed minutes of its meetings.

The Committee has authority to obtain independent advice and information from external parties whenever this is considered necessary.

All independent non-Executive Directors have the right to attend any meetings of the Remuneration and Human Resources Committee, and the Committee may invite any person who may contribute to its conduct of business.

Duties and Responsibilities of the Remuneration and Human Resources Committee

The Committee's key objective is to ensure that the Remuneration Policy and HR practices of the Group are aligned with its long term strategic goals, its risk tolerance, capital and liquidity availability, the interests of its shareholders and do not encourage excessive risk taking.

The Committee reviews the operation and effectiveness of the Remuneration Policy and ensures this is in line with the Remuneration Framework as this is described in the Central Bank of Cyprus Directive on Governance and Management Arrangements.

Directors Remuneration

The Committee develops remuneration packages for the Chairman, Vice-Chairmen, Executive and non-Executive Directors of the Board, including their pension rights and any compensation payments, and makes appropriate recommendations to the Board considering such factors as the relevant workload, responsibilities, qualifications, experience, academic background, performance, comparable remuneration in the market, remuneration at other levels in the Group, the level of remuneration considered necessary to attract, retain and provide incentives to individuals who have the required knowledge and experience, while at the same time avoiding having to pay more than is necessary for the purpose, as well as non-financial criteria such as compliance with applicable rules and procedures.

The Committee manages new or existing employment contracts for the Executive Directors of the Board, including remuneration guidelines and termination clauses, taking into consideration such factors as the existing compensation commitments including pension rights and compensation payments in employment contracts in the event of early termination. The Committee takes into account the opinions expressed by the Chairman and Vice-Chairmen of the Board regarding the remuneration of individuals other than themselves, the opinion expressed by the CEO regarding the remuneration package of other Executive Directors and the use of performance incentives (e.g. share options) to align the interests of individuals with those of shareholders. The Committee will directly oversee the remuneration of the Directors and other senior officers of the Group Risk Management and Group Compliance Divisions.

The Committee defines the remuneration of non-Executive Directors of the Board, and makes appropriate recommendations to the Board for approval by the Annual General Meeting, considering the following factors:

- The time allocated by non-Executive Directors to meetings and decision-making in the management of the Group,
- The requirement not to link remuneration of non-Executive Directors to the profitability of the Group,
- The requirement that non-Executive Directors do not participate in the pension schemes of the Group,
- The requirement not to include share options as remuneration of non-Executive Directors,

The Committee reviews remuneration packages of Group Directors, Senior Managers and subsidiaries' General Managers, including salary, pension policy, option plans, and other types of compensation, recommended by the Group CEO. It also reviews evaluations of Group Directors, Senior Managers and subsidiaries' General Managers performed by the Group CEO, and makes appropriate recommendations to the Board.

The Committee reviews appointments, transfers and dismissals of Group Directors, Senior Managers and subsidiaries' General Managers, recommended by the CEO of the Group, and makes appropriate recommendations to the Board.

The Committee ensures the Remuneration Policy and practices are consistent with the risk appetite of the Group, prevent conflicts of interest and promote sound and effective risk management.

The Committee exercises oversight of / participates in negotiations with Labour Unions, advises the Board on the approval of the Collective Agreements and reviews the general remuneration and benefits policy for the staff of the Group based on the proposals submitted by the Group Human Resources ('HR') Division. It ensures that internal control functions are involved in the design, review and implementation of the Remuneration Policy and that staff members who are involved in the design, review and implementation of the Remuneration Policy and practices have relevant expertise and are capable of forming independent judgment on the suitability of the Remuneration Policy and practices, including their suitability for risk management.

The Committee reviews any voluntary retirement / separation schemes in cooperation with the Group HR Division and succession planning for all Divisions and subsidiaries for key personnel and throughout the Group.

The Committee monitors the application/implementation of the Remuneration Policy and the compliance with the Code of Conduct and reviews disciplinary controls and measures of the Group. It annually reviews and monitors compliance with the Anti-Bribery Policy.

The Committee reviews and approves the consolidated financial statements of the Group which include a related party transactions note (Note 52), in accordance with Annex 2 of the Code of Corporate Governance.

The Committee reviews and approves the content of any resolutions submitted for approval at the General Meeting of the shareholders, which are prepared by the Company Secretary in cooperation with the Group's legal advisers in accordance with Annex 3 of the Code and concern possible plans for the compensation of Members of the Board in the form of shares, share warrants or share options.

The Chairman of the Committee is available to shareholders in the Annual General Meeting to answer any questions regarding the Remuneration Policy of the Group.

4. Committee's Activities in 2014

The Remuneration and Human Resources Committee acts within the framework of the relevant provision of the Code as determined in Chapter B of the Code and bearing in mind the provisions of the CBC Directive on Governance and Management Arrangements.

The Remuneration and Human Resources Committee held ten meetings during 2014. The Committee reviewed the remuneration of non-Executive Directors as well as the Policy on non-salaried benefits and allowance for Board Members. The Committee approved the Policy as proposed by the Group HR Division and submitted it to the Board for ratification. Following the review of the remuneration of non-Executive Directors, the Committee appointed external consultants to prepare a proposal for setting out the non-Executive Directors' fees. The Committee also discussed the reimbursement of Directors for trips abroad and reviewed the fees paid to Directors for their membership on subsidiary Boards. It also reviewed the remuneration of the Uniastrum CEO and the compensation of the BOC UK acting Chairman.

The Committee considered the CEO objectives and Key Performance Indicators (KPIs) for measurement of the performance of the Group CEO and assigned the project to external consultants.

The Committee approved the Policy of non-salary benefits and allowances for staff and submitted it to the Board for ratification. The Committee discussed significant personnel issues, such as the culture of the Group on collective and individual responsibility, staff morale and complaints following transfers and reshuffling of staff across the Group The Group HR Division submitted the HR Strategy and Plan including workforce planning to the Committee for discussion and review. The results of the staff survey were also reviewed and assessed and the staff training agenda was approved.

The Committee reviewed statistics on Staff Appraisals and KPIs, and reviewed the HR Director's proposal on how to implement succession planning and talent retention as well as the introduction by HR of the advertising of internal vacancies and the preparation of job descriptions. Finally the Committee held internal interviews for the position of HR Director and Corporate Director.

4.1 Remuneration of non-Executive Directors

The remuneration of non-Executive Directors is not linked to the profitability of the Group. The remuneration of non-Executive Directors is related to the responsibilities and time devoted for Board meetings and decision-making for the governance of the Group, and for their participation in the Committees of the Board of Directors and the Boards of Group subsidiary companies. The shareholders' Annual General Meeting held on 20 November 2014 approved the same level of remuneration as the one approved in 2013.

The Chairman of the Board receives annual fees and hospitality expenses of €68.000, each of the Vice Chairmen annual fees €51.000 and the Members €13.000.

The Chairman of the Audit Committee receives annual fees of €6.300 and each member €4.200. The Chairmen of the Risk, Remuneration and Nominations Committees receive annual fees of €3.300 and each member €2.100.

4.2 Remuneration and Other Benefits of Executive Directors

Remuneration Policy

The Board of Directors sets the remuneration of Executive Directors, following the recommendation of the Remuneration and Human Resources Committee. The employment contracts of Executive Directors are reviewed by the Remuneration and Human Resources Committee (unless they are members of the Senior Management team and their terms of employment are based on the provisions of the collective agreement), and are subsequently submitted to the Board of Directors for approval.

Contracts of Employment

The remuneration (salary and bonus) of Executive Directors is set out in their employment contracts which can have a maximum duration of five years, unless any of the Executive Directors is an appointed member of the Senior Management team, in which case the terms of employment are based on the provisions of the collective agreement in place.

The employment contract of the Chief Executive Officer, Mr. John Patrick Hourican, is for a period of three years commencing on 1 November 2013. The contract does not include provisions for the award of bonuses.

The Group at present does not grant guaranteed variable remuneration or discretionary pension payments.

Service Termination Agreements

The service contract of the Chief Executive Officer includes a clause for termination, by service of four months' notice to that effect upon the Executive Director, without cause but at its sole discretion. In such a case the Company shall have the right to pay the Director, in lieu of notice for immediate termination.

The terms of employment of Dr. Patsalides are based on the provisions of the collective agreement in place, as with the rest of the employees, which provides for notice or compensation based on years of service.

Bonus

No bonus was recommended by the Board of Directors for Executive Directors for 2014.

Retirement Benefit Schemes

The Chief Executive Officer, Mr. John Patrick Hourican, and the Finance Director, Dr. Christodoulos Patsalides, participate in a defined contribution plan on the same basis as other employees.

The main characteristics of the retirement benefit schemes are presented in Note 13 of the Consolidated Financial Statements for the year 2014.

Share Options

No share options were granted to Executive Directors during 2014.

Other Benefits

Other benefits provided to the Executive Directors include other benefits provided to staff, medical fund contributions and life insurance. The Chief Executive Officer is provided with other benefits related to his relocation and residence in Cyprus. The relevant costs for Executive management are disclosed in Note 52 of the Consolidated Financial Statements for the year 2014.

Disclosure of Information Regarding the Remuneration of Directors for the Year 2014

	Remuneration for services*	Remuneration for participation in the Board of Directors and its Committees	Total Remuneration for services	Remuneration and benefits from other Group companies	Remuneration in the form of profit and /or bonus distribution	Assessment of the value of benefits that are considered to form remuneration	Total remuneration and benefits	Annual Contribution to retirement benefits
Executive Directors								
John Hourican	892.739	-	892.739	-	-	-	**892.739**	**111.000**
Christodoulos Patsalides	16.729	-	16.729	-	-	-	**16.729**	**2.000**
Non-Executive Directors								
Christis Hassapis	-	60.362	60.362	-	-	-	**60.362**	**-**
Vladimir Strzhalkovskiy	-	50.250	50.250	-	-	-	**50.250**	**-**
Anjelica Anshakova	-	23.999	23.999	-	-	-	**23.999**	**-**
Dmitry Chichikasvili	-	20.270	20.270	-	-	-	**20.270**	**-**
Marinos Gialeli	-	20.693	20.693	12.640	-	-	**33.333**	**-**
Marios Kalochoritis	-	22.433	22.433	2.500	-	-	**24.933**	**-**
Konstantinos Katsaros	-	25.710	25.710	9.306	-	-	**35.016**	**-**
Eriskhan Kurazov	-	11.540	11.540	-	-	-	**11.540**	**-**
Adonis Papaconstantinou	-	17.132	17.132	13.551	-	-	**30.683**	**-**
Anton Smetanin	-	11.540	11.540	-	-	-	**11.540**	**-**
Xanthos Vrachas	-	24.487	24.487	3.280	-	-	**27.767**	**-**
Marios Yiannas	-	5.279	5.279	2.253	-	-	**7.532**	**-**
Andreas Yiasemides	-	24.967	24.967	7.252	-	-	**32.219**	**-**
Ioannis Zographakis	-	23.258	23.258	6.389	-	-	**29.647**	**-**
Josef Ackermann	-	7.825	7.825	-	-	-	**7.825**	**-**
Wilbur L. Ross	-	5.868	5.868	-	-	-	**5.868**	**-**
Arne Berggren	-	2.221	2.221	-	-	-	**2.221**	**-**
Maksim Goldman	-	2.221	2.221	-	-	-	**2.221**	**-**
Michael Spanos	-	1.876	1.876	-	-	-	**1.876**	**-**
	909.468	**361.931**	**1.271.399**	**57.171**	**-**	**-**	**1.328.570**	**113.000**

*Includes employers' contributions

31 March 2015

Additional Risk Disclosures 2014

Bank of Cyprus Group

Credit risk

On 21 February 2014, the Central Bank of Cyprus (CBC) issued to credit institutions the Directive on Loan Impairment and Provisioning Procedures of 2014, which provides guidance to banks for loan impairment policy and procedures for provisions. The purpose of this Directive is to ensure that credit institutions have in place adequate provisioning policies and procedures for the identification of credit losses and prudent application of IFRSs in the preparation of their financial statements.

The Directive requires certain disclosures in relation to the loan portfolio quality, provisioning policy and levels of provision. The disclosures required by the Directive, in addition to those presented in Notes 3 and 46 of the consolidated financial statements, are set out in the following tables. The disclosure requirements for 2013 have been prepared based on the information and tables published by the CBC in February 2014. Subsequently the CBC has amended the disclosures tables. As a result, the tables presented for 2014 are not comparable to the disclosure tables of 2013. In addition, the 2013 tables present non performing loans based on CBC Directive whereas the 2014 tables disclose non performing exposures based on the European Banking Authority (EBA) standards.

During 2014, the EBA has published its reporting standards on forbearance and non performing exposures (NPEs). According to the EBA standards NPEs are considered as those that satisfy one of the following conditions:

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

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

The following materiality criteria are applied:

- When the problematic exposures of a customer, that fulfil the NPEs criteria stated above, is greater than 20% of the gross carrying amount of all on balance sheet exposures of the customer, then total customer's exposure is classified as non-performing. Otherwise only the problematic exposure is classified as non-performing.

- Material arrear/excess is defined as follows:
  - Retail exposures:
    - Loans: Arrear amount is greater than €500 or number of instalments in arrear is greater than one.
    - Overdrafts: Excess amount is greater than €500 or greater than 10% of the approved limit
  - Exposures other than retail: Total customer arrear / excess is greater than €1.000 or greater than 10% of total customer funded balances.

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

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

Credit risk (continued)

The table below presents loans analysis based on EBA standards.

	Gross loans and advances to customers				Provision for impairment and fair value adjustment on initial recognition			
31 December 2014	**Group gross customer loans and advances[1]**	**Of which NPEs**	**Of which exposures with forbearance measures**		**Total provision for impairment and fair value adjustment on initial recognition**	**Of which NPEs**	**Of which exposures with forbearance measures**	
			Total exposures with forbearance measures	**Of which on non-performing exposures**			**Total exposures with forbearance measures**	**Of which on non-performing exposures**
	€000	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
General governments	**130.052**	17.896	5.788	5.394	**5.408**	4.102	2.310	2.244
Other financial corporations	**1.377.624**	1.054.461	568.797	535.887	**413.685**	400.633	211.585	211.303
Non-financial corporations	**13.564.570**	9.638.812	5.258.556	4.633.644	**3.345.574**	3.201.810	1.302.186	1.276.545
Of which: small and Medium sized Enterprises	**7.905.810**	5.218.681	2.354.251	2.021.543	**1.872.104**	1.774.187	542.122	532.449
Of which: Commercial real estate	**5.559.541**	3.829.988	2.413.147	1.991.612	**1.068.189**	995.537	472.554	456.664
Non-financial corporations by sector								
Construction	**3.915.975**	3.420.501			**1.099.188**			
Wholesale and retail trade	**2.398.645**	1.432.267			**503.531**			
Accommodation and food service activities	**1.417.618**	1.051.113			**295.932**			
Real estate activities	**2.793.045**	1.818.300			**535.422**			
Manufacturing	**871.240**	541.328			**214.513**			
Other sectors	**2.168.047**	1.375.303			**696.988**			
Households	**8.699.866**	4.249.680	2.480.680	1.745.329	**1.289.292**	1.191.582	271.687	257.169
Of which: Residential mortgage loans	**4.885.223**	2.260.731	1.619.643	1.146.121	**346.303**	313.663	114.654	106.877
Of which: Credit for consumption	**1.351.911**	740.501	278.255	223.496	**426.934**	384.774	59.024	56.558
Total on - balance sheet	**23.772.112**	**14.960.849**	**8.313.821**	**6.920.254**	**5.053.959**	**4.798.127**	**1.787.768**	**1.747.261**

1 Excluding loans and advances to central banks and credit institutions.
2 The table includes loans and related provisions of portfolio classified as a disposal group held for sale.

Credit risk (continued)

	Total loans and advances	Performing loans and advances			Non performing credit facilities
		Not restructured loans and advances	Restructured loans and advances	Total Performing loans and advances	
31 December 2013	**€000**	**€000**	**€000**	**€000**	**€000**
Corporate legal entities	**15.266.210**	**4.203.624**	**1.557.962**	**5.761.586**	**9.504.624**
Construction	3.907.905	549.940	367.869	917.809	2.990.096
Real estate activities	3.593.805	929.725	493.858	1.423.583	2.170.222
Wholesale and retail trade: repair of motor vehicles and motorcycles	2.137.664	845.171	192.590	1.037.761	1.099.903
Accommodation and food service activities	1.690.995	512.491	159.310	671.801	1.019.194
Electricity, gas, steam and air-conditioning supply	42.834	33.786	6.068	39.854	2.980
All other sectors	3.893.007	1.332.511	338.267	1.670.778	2.222.229
Retail legal entities	**2.213.934**	**1.100.741**	**160.552**	**1.261.293**	**952.641**
Wholesale and retail trade: Repair of motor vehicles and motorcycles	578.497	301.280	40.016	341.296	237.201
Real estate activities	440.719	266.185	34.319	300.504	140.215
Construction	289.686	81.568	32.430	113.998	175.688
Manufacturing	219.216	100.393	14.655	115.048	104.168
Service activities	128.116	82.825	5.030	87.855	40.261
All other sectors	557.700	268.490	34.102	302.592	255.108
Private individuals	**9.263.175**	**4.381.322**	**1.297.049**	**5.678.371**	**3.584.804**
Credit facilities for the purchase/construction of immovable property:	5.838.484	2.891.360	1.039.616	3.930.976	1.907.508
a) Owner occupied	3.327.578	1.695.059	623.521	2.318.580	1.008.998
b) For other purposes	2.510.906	1.196.301	416.095	1.612.396	898.510
Consumer loans	2.193.821	793.097	205.706	998.803	1.195.018
Credit cards	276.201	198.150	376	198.526	77.675
Current accounts	361.555	207.226	1.039	208.265	153.290
Credit facilities to sole traders	593.114	291.489	50.312	341.801	251.313
Total credit facilities	**26.743.319**	**9.685.687**	**3.015.563**	**12.701.250**	**14.042.069**
Provisions for impairment and fair value adjustment on initial recognition	**4.978.981**	**432.747**	**100.372**	**533.119**[1]	**4.445.862**

[1] The provision for impairment and fair value adjustment on initial recognition for performing loans, relate to collective provision as well as fair value adjustment on initial recognition of loans on loans acquired from Laiki in 2013.

Credit risk (continued)

The above table presents the Non-Performing Loans (NPLs) as defined in the Directive issued by the CBC 'Definition of Non-performing and Restructured Credit Facilities' ('Directive'), which became effective as of 1 July 2013 and was applicable until 30 November 2014.

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

- The debtor is assessed as unlikely to pay its credit obligations in full without the realisation of collateral, regardless of the existence of any past due amount or of the number of days past due.
- An impairment loss has been recognised on an individual basis on the customer facilities.
- It is in arrears of interest or capital or any other charges for a period of more than 90 days.
- It is in excess of its contractual limit on a continuous basis for a period of more than 90 days.
- It has been restructured and at the time of restructuring was classified as NPL or was in arrears/excess for a period of more than 60 days or has been restructured twice within a period of 18 months.

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

Credit risk (continued)

The analysis of loans and advances to customers excluding loans and advances to general government by year of origination is presented in the table below for balances as at 31 December 2014.

	Gross loans and advances				Loans and advances to non-financial corporations				Loans and advances to other financial corporations				Loans and advances to households			
	Total gross loans and advances	NPEs	Provision for impairment	Fair value adjustment on initial recognition	Total gross loans and advances	NPEs	Provision for impairment	Fair value adjustment on initial recognition	Total gross loans and advances	NPEs	Provision for impairment	Fair value adjustment on initial recognition	Total gross loans and advances	NPEs	Provision for impairment	Fair value adjustment on initial recognition
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Within 1 year	1.362.933	574.149	88.419	39.379	799.998	342.373	59.921	34.319	106.256	78.015	10.304	-	456.679	153.761	18.194	5.060
1– 2 years	1.278.115	768.541	213.024	60.733	855.547	569.949	164.950	41.954	71.921	40.927	7.866	9.428	350.647	157.665	40.208	9.351
2 – 3 years	1.630.721	1.160.872	340.717	137.282	933.162	739.260	228.619	63.264	209.871	204.019	51.118	51.495	487.688	217.593	60.980	22.523
3 – 5 years	5.302.056	2.937.571	644.647	276.965	2.620.150	1.770.062	419.025	156.352	305.775	157.931	56.190	18.715	2.376.131	1.009.578	169.432	101.898
5 – 7 years	5.829.977	4.046.910	952.225	470.012	3.384.930	2.622.572	593.833	353.700	177.684	153.253	42.686	10.415	2.267.363	1.271.085	315.706	105.897
7 – 10 years	5.669.899	3.902.486	851.020	392.790	3.168.907	2.490.377	554.804	281.286	384.555	321.507	91.309	21.328	2.116.437	1.090.602	204.907	90.176
More than 10 years	2.568.359	1.552.424	395.594	185.744	1.801.876	1.104.219	254.621	138.925	121.562	98.809	38.989	3.843	644.921	349.396	101.984	42.976
Total	**23.642.060**	**14.942.953**	**3.485.646**	**1.562.905**	**13.564.570**	**9.638.812**	**2.275.773**	**1.069.800**	**1.377.624**	**1.054.461**	**298.462**	**115.224**	**8.699.866**	**4.249.680**	**911.411**	**377.881**
General government	130.052	17.896	2.202	3.206												
Total on balance sheet	**23.772.112**	**14.960.849**	**3.487.848**	**1.566.111**												

1 The table includes loans and related provisions of portfolio classified as a disposal group held for sale.
2 The table includes rescheduled amounting to €712 million which cannot be split by origination date.

Credit risk (continued)

The analysis of loans and advances to customers by year of origination is presented in the table below, for balances as at 31 December 2013:

	Total Credit facilities				Credit facilities to legal entities				Credit facilities to private individuals – property loans				Credit facilities to private individuals – other loans			
	Total loans and advances	NPLs	Specific Provisions	Fair value adjust-ment on initial recogni-tion	Total loans and advances	NPLs	Specific Provisions	Fair value adjust-ment on initial recogni-tion	Total loans and advances	NPLs	Specific Provisions	Fair value adjustment on initial recognition	Total loans and advances	NPLs	Specific Provisions	Fair value adjustment on initial recognition
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Within 1 year	1.582.014	748.621	89.574	51.539	1.155.440*	612.179	83.274	41.986	120.473	37.302	239	2.359	306.101	99.140	6.061	7.194
1 – 2 years	2.248.867	994.923	138.253	143.298	1.670.316	795.958	129.462	119.992	208.314	45.277	3.066	5.824	370.237	153.688	5.725	17.482
2 – 3 years	3.246.253	1.453.338	169.739	295.777	2.191.366	1.106.828	143.670	246.339	561.960	130.750	2.759	11.518	492.927	215.760	23.310	37.920
3 – 5 years	6.311.223	3.132.483	396.476	435.260	3.531.489	2.190.416	306.939	328.977	1.944.993	509.830	16.455	45.464	834.741	432.237	73.082	60.819
5 – 7 years	7.860.125	4.858.805	917.782	590.350	5.188.628	3.640.717	758.177	464.625	2.039.785	857.316	97.212	75.181	631.712	360.772	62.393	50.544
7 – 10 years	3.052.885	1.549.916	299.343	196.877	1.807.861	1.087.380	225.012	153.178	865.867	286.652	33.255	22.778	379.157	175.884	41.076	20.921
More than 10 years	2.441.952	1.303.983	234.102	189.610	1.882.951	1.029.667	173.570	147.987	88.635	37.859	3.601	4.404	470.366	236.457	56.931	37.219
Total	**26.743.319**	**14.042.069**	**2.245.269**	**1.902.711**	**17.428.051**	**10.463.145**	**1.820.104**	**1.503.084**	**5.830.027**	**1.904.986**	**156.587**	**167.528**	**3.485.241**	**1.673.938**	**268.578**	**232.099**

* Includes loans rescheduled amounting to €384 million which cannot be split by origination date.

Liquidity risk and funding

Encumbered and unencumbered assets

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

An asset is classified as encumbered if it has been pledged as collateral against secured funding and other collateralised obligations and as a result is no longer available to the Group for further collateral or liquidity requirements. In the case of ELA, however, as collateral is, in general, not released upon repayment of funding, there may be an inherent buffer which could be utilised for further funding if required. The total encumbered assets of the Group amounted to €16.312.764 thousand as at 31 December 2014 (31 December 2013: €18.883.073 thousand). These primarily consist of loans and advances to customers, investments in debt securities, primarily Cyprus Government bonds, and property. These are mainly pledged for the CBC funding facilities under Eurosystem monetary policy operations and Emergency Liquidity Assistance (Note 31 of the consolidated financial statements) and for covered bonds. Investments in debt securities are also used as collateral for repurchase transactions with the ECB and other commercial banks as well as for covered bonds (Note 34 of the consolidated financial statements). Encumbered assets include cash and other liquid assets placed with banks as collateral under ISDA/GMRA agreements which are not immediately available for use by the Group but are released once the transactions are terminated. Cash is mainly used to cover collateral required for (i) derivatives and repurchase transactions under CSA and repurchase agreements, and (ii) for trade finance transactions and guarantees issued.

In addition, bonds guaranteed by the Cyprus government amounting to €1.000.000 thousand (fair value 31 December 2014: €1.007.446 thousand) are pledged as collateral for obtaining funding from the CBC (Note 34 of the consolidated financial statements).

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

As at 31 December 2014, the Group held €4.746.786 thousand (31 December 2013: €4.779.819 thousand) of unencumbered assets that can be pledged and can be used to support potential liquidity funding needs. Such assets include Cyprus loans and advances which are less than 90 days past due as well as loans of overseas subsidiaries and branches which are not pledged. Customer loans of overseas subsidiaries and branches cannot be pledged with the CBC as collateral for Emergency Liquidity Assistance. Moreover, for some of the overseas subsidiaries and branches, these assets are only available to be pledged for other purposes for the needs of the particular subsidiary/branch and not to provide liquidity to any other party of the Group. Balances with central banks are reported as unencumbered which can be pledged, to the extent that there is excess available over the minimum reserve requirement. The minimum reserve requirement is reported as unencumbered asset not readily available as collateral.

As at 31 December 2014, the Group held €4.130.729 thousand (31 December 2013: €4.928.875 thousand) of unencumbered assets, that are not readily available to be pledged for funding requirements as per their current form. These primarily consist of loans and advances which are prohibited by contract or law to be encumbered or are over 90 days past due or for which there are pending litigations or other legal actions against the customer, a proportion of which would be suitable for use in secured funding structures but are conservatively classified as not readily available for collateral. Properties whose legal title has not been transferred to the name of the Company or the subsidiary, are not considered to be readily available as collateral.

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

Liquidity risk and funding (continued)

Encumbered and unencumbered assets (continued)

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

31 December 2014	Encumbered	Unencumbered		**Total**
	Pledged as collateral	which can be pledged	which are not readily available to be pledged	
	€000	€000	€000	**€000**
Cash and bank placements	191.968	2.219.890	374.493	2.786.351
Investments	2.435.766	81.656	23.500	2.540.922
Loans and advances to customers	13.531.026	1.383.094	3.254.203	18.168.323
Non-current assets and disposal group classified as held for sale	54.536	549.783	338.336	942.655
Property	99.468	512.363	140.197	752.028
Total on-balance sheet	**16.312.764**	**4.746.786**	**4.130.729**	**25.190.279**
Bonds guaranteed by the Cyprus government	1.000.000	-	-	1.000.000
Total	**17.312.764**	**4.746.786**	**4.130.729**	**26.190.279**

31 December 2013 (restated[1])	Encumbered	Unencumbered		**Total**
	Pledged as collateral	which can be pledged	which are not readily available to be pledged	
	€000	€000	€000	**€000**
Cash and bank placements	367.080	1.604.736	558.329	2.530.145
Investments	3.289.810	118.842	24.012	3.432.664
Loans and advances to customers	15.136.002	2.352.500	4.275.836	21.764.338
Property	90.181	703.741	70.698	864.620
Total on-balance sheet	**18.883.073**	**4.779.819**	**4.928.875**	**28.591.767**
Bonds guaranteed by the Cyprus government	1.000.000	-	-	1.000.000
Total	**19.883.073**	**4.779.819**	**4.928.875**	**29.591.767**

[1]Restated with respect to the finalisation of the accounting for the Laiki Bank acquisition as described in Note 3.2.2 of the consolidated financial statements of year 2014.

Liquidity risk and funding (continued)

Encumbered and unencumbered assets (continued)

The carrying and fair value of encumbered and unencumbered investments of the Group as at 31 December 2014 is as follows:

	Carrying value of encumbered investments	Fair value of encumbered investments	Carrying value of unencumbered investments	Fair value of unencumbered investments
	€000	€000	€000	€000
Equity securities	-	-	32.603	32.603
Debt securities	2.435.766	2.447.482	72.553	139.437
Total Investments	**2.435.766**	**2.447.482**	**105.156**	**172.040**

Liquidity reserves

Composition of the liquidity reserves	**31 December 2014**		31 December 2013	
	Liquidity reserves	**Liquidity reserves of which Basel 3 LCR eligible Level 1**	Liquidity reserves	Liquidity reserves of which Basel 3 LCR eligible Level 1
	€000	**€000**	€000	€000
Cash and balances with central banks	**1.225.145**	**587.657**	1.239.928	480.751
Nostro and overnight placements with banks	**602.963**	**-**	461.633	-
Other placements with banks	**555.472**	**-**	115.506	-
Liquid investments	**472.319**	**472.319**	169.076	169.076
Other investments	**10.777**	**-**	59.418	-
Total	**2.866.676**	**1.059.976**	2.045.561	649.827

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

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

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

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

Financial Information for the Period from 1 January 2014 to 31 December 2014

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

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

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

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

Date of approval of the financial statements for year 2014 by the Board of Directors: 31 March 2015.

Independent auditors: Ernst & Young Cyprus Ltd.

Type of auditor's report: Qualified opinion with respect to 2013 comparative information, emphasis of matter.

BANK OF CYPRUS GROUP

Extracts from the Consolidated Income Statement and Statement of Comprehensive Income

for the year ended 31 December 2014

	2014	2013 (restated and represented)
	€000	€000
Continuing operations		
Net interest income	**967.224**	879.872
Net fee and commission income	**152.870**	139.597
Net foreign exchange losses	**(9.875)**	(9.523)
Net gains on financial instrument transactions	**224.188**	33.817
Insurance income net of claims and commissions	**45.610**	64.956
Other income/(expenses)	**51**	(62.787)
	1.380.068	1.045.932
Staff costs	**(234.337)**	(385.179)
Other operating expenses	**(228.061)**	(207.574)
Profit before impairment of loans and advances to customers and other impairments	**917.670**	453.179
Provisions for impairment of loans and advances to customers and other customer credit losses	**(665.689)**	(940.512)
Impairment of other financial instruments	**(56.540)**	(22.525)
Impairment of non-financial instruments	**(33.295)**	(410)
Profit/(loss) before share of profit from associates and joint ventures	**162.146**	(510.268)
Share of profit/(loss) from associates and joint ventures	**4.852**	(4.702)
Profit/(loss) before tax from continuing operations	**166.998**	(514.970)
Tax	**(10.815)**	(1.718)
Profit/(loss) after tax from continuing operations	**156.183**	(516.688)
Discontinued operations		
Loss after tax from discontinued operations	**(477.560)**	(1.551.407)
Loss for the year	**(321.377)**	(2.068.095)
Attributable to:		
Owners of the Company - continuing operations	**156.088**	(515.764)
Owners of the Company - discontinued operations	**(417.245)**	(1.540.325)
Total loss attributable to the owners of the Company	**(261.157)**	(2.056.089)
Non-controlling interests - continuing operations	**95**	(924)
Non-controlling interests - discontinued operations	**(60.315)**	(11.082)
Total loss attributable to non-controlling interests	**(60.220)**	(12.006)
Loss for the year	**(321.377)**	(2.068.095)
Basic and diluted earnings/(losses) per share (€) attributable to the owners of the Company - continuing operations	**0,0264**	(0,1435)
Basic and diluted losses per share (€) attributable to the owners of the Company	**(0,0441)**	(0,5721)
Loss for the year	**(321.377)**	(2.068.095)
Other comprehensive income after tax	**69.795**	31.882
Total comprehensive loss for the year	**(251.582)**	(2.036.213)
Attributable to:		
Owners of the Company	**(200.068)**	(2.020.788)
Non-controlling interests	**(51.514)**	(15.425)
Total comprehensive loss for the year	**(251.582)**	(2.036.213)

BANK OF CYPRUS GROUP

Extracts from the Consolidated Balance Sheet

as at 31 December 2014

		2014	2013 (restated)
Assets	*Notes*	**€000**	€000
Cash and balances with central banks		**1.139.465**	1.240.043
Placements with banks		**1.646.886**	1.290.102
Derivative financial assets		**62.598**	28.765
Investments	3	**1.871.136**	2.759.855
Investments pledged as collateral	3	**669.786**	672.809
Loans and advances to customers		**18.168.323**	21.764.338
Life insurance business assets attributable to policyholders		**472.992**	443.579
Other assets		**335.494**	427.115
Property and equipment		**290.420**	414.404
Investment properties		**488.598**	495.658
Intangible assets		**127.402**	130.580
Investments in associates and joint ventures		**116.776**	203.131
Deferred tax assets		**456.871**	479.060
Non-current assets and disposal groups classified as held for sale		**942.655**	-
Total assets		**26.789.402**	30.349.439
Liabilities			
Amounts due to banks		**161.896**	196.422
Funding from central banks		**8.283.773**	10.956.277
Repurchase agreements		**579.682**	594.004
Derivative financial liabilities		**71.967**	83.894
Customer deposits		**12.623.558**	14.971.167
Insurance liabilities		**576.701**	551.829
Other liabilities	4	**350.431**	202.042
Debt securities in issue		**1.185**	1.515
Subordinated loan stock		**-**	4.676
Deferred tax liabilities		**44.741**	49.937
Non-current liabilities and disposal groups classified as held for sale		**614.421**	-
Total liabilities		**23.308.355**	27.611.763
Equity			
Share capital		**892.238**	4.683.985
Share premium		**552.539**	-
Capital reduction reserve		**1.952.486**	-
Shares subject to interim orders		**441**	58.922
Revaluation and other reserves		**146.809**	72.251
Accumulated losses		**(79.021)**	(2.151.835)
Equity attributable to owners of the Company		**3.465.492**	2.663.323
Non-controlling interests		**15.555**	74.353
Total equity		**3.481.047**	2.737.676
Total liabilities and equity		**26.789.402**	30.349.439

BANK OF CYPRUS GROUP

Extracts from the Consolidated Statement of Changes in Equity

for the year ended 31 December 2014

	2014	2013 (restated)
	€000	€000
Total equity at 1 January (restated)	**2.737.676**	335.275
Loss for the year	**(321.377)**	(2.068.095)
Other comprehensive income after tax	**69.795**	31.882
Bail-in of deposits and structured products	**150**	3.794.864
Issue of share capital	**1.000.000**	-
Share capital issue costs	**(30.794)**	-
Disposals	**-**	(924)
Defence contribution on deemed dividend distribution	**-**	(174)
Bail-in of Convertible Bonds 2013/2018, Capital Securities 12/2007 and Convertible Capital Securities	**-**	122.535
Disposal of subsidiary	**(51)**	-
Acquisitions of subsidiaries held for sale	**25.942**	-
Dividend paid to non-controlling interests	**(438)**	-
Shares subject to interim orders withdrawn/cancelled	**144**	58.922
Acquisitions	**-**	463.391
Total equity at 31 December	**3.481.047**	2.737.676

Extracts from the Consolidated Statement of Comprehensive Income

for the year ended 31 December 2014

	2014	2013 (restated)
	€000	€000
Loss for the year	**(321.377)**	(2.068.095)
Foreign currency translation reserve	**109.627**	5.813
Available-for-sale investments	**(39.204)**	39.680
Property revaluation	**7.755**	(13.365)
Actuarial loss for the defined benefit plans	**(8.383)**	(246)
Total comprehensive loss for the year	**(251.582)**	(2.036.213)

BANK OF CYPRUS GROUP

Extracts from the Consolidated Statement of Cash Flows

for the year ended 31 December 2014

	2014	2013 (restated and represented)
	€000	€000
Net cash flow from / (used in) operating activities	**1.234.001**	(2.816.135)
Net cash flow from investing activities	**1.287.807**	1.235.704
Net cash flow (used in) / from financing activities	**(1.944.794)**	1.661.002
Net increase in cash and cash equivalents for the year	**577.014**	80.571
Foreign exchange adjustments	**198.344**	44.716
Total cash inflow for the year	**775.358**	125.287
Cash and cash equivalents at 1 January	**1.463.243**	1.337.956
Cash and cash equivalents at 31 December	**2.238.601**	1.463.243

BANK OF CYPRUS PUBLIC COMPANY LTD
Extracts from the Income Statement and Statement of Comprehensive Income
for the year ended 31 December 2014

	2014	2013 (restated)
	€000	€000
Continuing operations		
Net interest income	**1.009.298**	882.334
Net fee and commission income	**135.758**	122.110
Net foreign exchange (losses)/gains	**(9.547)**	15.319
Dividends from subsidiary companies	**16.850**	25.532
Net gains on financial instrument transactions and disposal of subsidiaries	**211.319**	36.941
Other income/(expenses)	**(19.591)**	(14.384)
	1.344.087	1.067.852
Staff costs	**(203.844)**	(348.695)
Other operating expenses	**(196.740)**	(179.208)
Profit before impairment of loans and advances to customers and other impairments	**943.503**	539.949
Provisions for impairment of loans and advances to customers and other customer credit losses	**(728.448)**	(929.635)
Impairment of other financial instruments	**(253.139)**	(50.546)
Impairment of non-financial instruments	**(252.130)**	(313.006)
Loss before tax from continuing operations	**(290.214)**	(753.238)
Tax	**(357)**	4.911
Loss after tax from continuing operations	**(290.571)**	(748.327)
Discontinued operations		
Profit/(loss) after tax from discontinued operations	**36.000**	(1.327.603)
Loss for the year	**(254.571)**	(2.075.930)

Basic and diluted losses per share (€) – continuing operations	**(0,0489)**	(0,2073)
Basic and diluted losses per share (€)	**(0,0428)**	(0,5751)

Loss for the year	**(254.571)**	(2.075.930)
Other comprehensive (loss)/income after tax	**(43.834)**	29.454
Total comprehensive loss for the year	**(298.405)**	(2.046.476)

BANK OF CYPRUS PUBLIC COMPANY LTD
Extracts from the Balance Sheet
as at 31 December 2014

		2014	2013 (restated)
Assets	*Notes*	**€000**	€000
Cash and balances with central banks		**668.292**	550.740
Placements with banks		**1.462.824**	1.064.654
Derivative financial assets		**62.585**	28.723
Investments	3	**1.831.297**	2.722.328
Investments pledged as collateral	3	**669.786**	672.809
Loans and advances to customers		**17.329.208**	19.714.705
Balances with group companies		**809.959**	1.115.708
Other assets		**182.574**	249.399
Property and equipment		**221.106**	243.908
Investment properties		**250.888**	198.629
Intangible assets		**13.105**	16.975
Investments in associates and joint ventures		**102.615**	204.777
Investments in group companies		**236.369**	442.335
Deferred tax assets		**456.479**	456.479
Non-current assets held for sale		**114.060**	-
Total assets		**24.411.147**	27.682.169
Liabilities			
Amounts due to banks		**159.765**	124.152
Funding from central banks		**8.283.773**	10.956.277
Repurchase agreements		**579.682**	594.004
Derivative financial liabilities		**71.761**	83.957
Customer deposits		**11.329.157**	12.745.743
Balances with group companies		**550.683**	563.579
Other liabilities		**283.735**	132.966
Debt securities in issue		**693**	674
Deferred tax liability	4	**23.219**	21.983
Total liabilities		**21.282.468**	25.223.335
Equity			
Share capital		**892.238**	4.683.985
Share premium		**551.289**	-
Capital reduction reserve		**1.952.486**	-
Shares subject to interim orders		**441**	58.922
Revaluation and other reserves		**5.506**	43.086
Accumulated losses		**(273.281)**	(2.327.159)
Total equity		**3.128.679**	2.458.834
Total liabilities and equity		**24.411.147**	27.682.169

Extracts from the Statement of Changes in Equity

for the year ended 31 December 2014

	2014	2013 (restated)
	€000	€000
Total equity at 1 January (restated)	**2.458.834**	59.471
Loss for the year	**(254.571)**	(2.075.930)
Other comprehensive (loss)/income after tax	**(43.834)**	29.454
Bail-in of deposits and structured products	**150**	3.814.495
Issue of share capital	**1.000.000**	-
Share capital issue costs	**(32.044)**	-
Bail-in of Convertible Bonds 2013/2018, Capital securities 12/2007 and Convertible Capital Securities	**-**	122.535
Shares subject to interim orders withdrawn/cancelled	**144**	58.922
Acquisitions	**-**	449.887
Total equity at 31 December	**3.128.679**	2.458.834

Extracts from the Statement of Comprehensive Income

for the year ended 31 December 2014

	2014	2013 (restated)
	€000	€000
Loss for the year	**(254.571)**	(2.075.930)
Foreign currency translation reserve	**(1.195)**	2.391
Available-for-sale investments	**(40.362)**	38.012
Property revaluation	**4.388**	(10.242)
Actuarial loss for the defined benefit plans	**(6.665)**	(707)
Total comprehensive loss for the year	**(298.405)**	(2.046.476)

BANK OF CYPRUS PUBLIC COMPANY LTD
Extracts from the Statement of Cash Flows
for the year ended 31 December 2014

	2014	2013 (restated and represented)
	€000	€000
Net cash flow from / (used in) in operating activities	**1.277.232**	(3.078.013)
Net cash flow from investing activities	**1.287.480**	1.293.485
Net cash flow (used in) / from financing activities	**(1.946.767)**	1.690.631
Net increase / (decrease) in cash and cash equivalents for the year	**617.945**	(93.897)
Foreign exchange adjustments	**(31.518)**	668
Total cash inflow / (outflow) for the year	**586.427**	(93.229)
Cash and cash equivalents at 1 January	**900.181**	993.410
Cash and cash equivalents at 31 December	**1.486.608**	900.181

1. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

2. The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new and amended standards and interpretations (Note 3.2.1) as explained in the consolidated financial statements of the Group

   The Group applied, for the first time, certain standards and amendments which did not have a material impact on the Group's financial statements. These include IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements, IFRS 12 Disclosures of Interests in Other Entities, IAS 28 Investments in Associates and Joint Ventures (Revised) and IAS 36 Impairment of Assets (Amended) - Recoverable Amount Disclosures for Non-Financial Assets.

   Several other amendments also apply for the first time in 2014. However, they do not impact the Group financial statements.

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

	2014	2013
Group	**€000**	€000
Investments		
Investments at fair value through profit or loss	**34.347**	25.160
Investments available-for-sale	**53.480**	161.258
Investments classified as loans and receivables	**1.783.309**	2.573.437
	1.871.136	2.759.855
Investments pledged as collateral		
Investments available-for-sale	**669.786**	672.809
	2.540.922	3.432.664

	2014	2013
Company	**€000**	€000
Investments		
Investments at fair value through profit or loss	**19.168**	16.973
Investments available-for-sale	**28.820**	132.115
Investments classified as loans and receivables	**1.783.309**	2.573.240
	1.831.297	2.722.328
Investments pledged as collateral		
Investments available-for-sale	**669.786**	672.809
	2.501.083	3.395.137

4. Other liabilities at 31 December 2014 include provisions for pending litigation or claims of €27.329 thousand for the Group and €17.987 thousand for the Company and other provisions of €16.542 thousand for the Group and €14.874 thousand for the Company. The Group's provision for pending litigation or claims at 31 December 2014 is set out in Note 35 of the consolidated financial statements. There are no other significant pending litigation, claims or assessments against the Group, the outcome of which would have a material effect on the Group's financial position or operations.

5. The number of persons employed by the Group as at 31 December 2014 was 6.726 (2013: 7.842) and by the Company was 4.021 (2013: 4.061).

6. Shares of the Company held by entities controlled by the Group and by associates (including shares that are held by life insurance subsidiary which holds the shares as part of financial assets that are invested for the benefit of insurance policyholders) at 31 December 2014 were 23.794 thousand and their cost of acquisition was €109.514 thousand.

7. The Group subsidiaries, branches and associates as at 31 December 2014 and the method of consolidation used are set out in Note 53 and 55 of the consolidated financial statements.

8. **Related party transactions**:

(a) Loans and other advances to members of the Board of Directors and key management personnel: €3.615 thousand for the Group and the Company.

(b) Loans and other advances to other connected persons: €1.084 thousand for the Group and €811.043 thousand for the Company.

(c) Contingent liabilities and commitments (mainly documentary credits, guarantees and commitments to lend): €864 thousand for the Group and the Company.

(d) Deposits by members of the Board of Directors and key management personnel: €18.368 thousand for the Group and the Company.

(e) Deposits by other connected persons: €11.206 thousand for the Group and €561.889 thousand for the Company.

(f) Interest income: €205 thousand for the Group and €88.116 thousand for the Company.

(g) Interest expense: €398 thousand for the Group and €6.728 thousand for the Company.

(h) Remuneration and other transactions of members of the Board of Directors, key management personnel and connected persons: €4.440 thousand for the Group and €3.946 thousand for the Company.

9. **Other information**

The total capital expenditure of the Group for the year ended 31 December 2014 amounted to €18.027 thousand.

As at 31 December 2014 and 26 March 2015 9,62%, 5,47%, 5,23% and 5,02% of the share capital of the Company was held by Cyprus Popular Bank Public Co Ltd, Renova Group, TD Asset Management and European Bank for Reconstruction and Development respectively.

10. **Events after the reporting date**

Retail offer

The Company completed its capital raising plan initiated in 2014 (Note 37) with a retail offer to qualifying shareholders, as a result of which 567.188 new ordinary shares were issued on 14 January 2015, at the subscription price of €0,24 per share.

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.

Release of last tranche of decree deposits

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 €2.780 million that were blocked as per the decrees relating to the recapitalisation of the Company in July 2013.

Repayment of ELA and ECB funding

In the first quarter of 2015, the Company repaid €500 million of ELA funding and €80 million of ECB funding.

Disposal of Kyprou Leasing S.A.

Following the disposal of the Group's leasing operations in Greece to Piraeus Bank S.A. 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 S.A. in March 2015.

Table with Corresponding References to the information made publicly available by the Bank of Cyprus Public Company Ltd during the period 1.1.2014 to 31.3.2015

Date	Announcement	Electronic Address
30 Jan 14	Release of six-month time Deposits	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140130DepositsReleaseENG.pdf
30 Jan 14	TRANSFER OF SHARES OF BANK OF CYPRUS PUBLIC COMPANY LIMITED WHICH RESULTED FROM THE IMPLEMENTATION OF THE BAILING-IN DECREES	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140130TransferofSharesENG.pdf
31 Jan 14	Agreement for the sale of the Group's Ukrainian business	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140131SaleofBOCUENG.pdf
31 Jan 14	Change of Company Secretary - Changes in the composition of Board Committees	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140131%20CompanySecretaryBoardCommitteesENG.pdf
04 Feb 14	CHANGES IN THE GROUP ORGANISATIONAL STRUCTURE	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140206ChangesInOrganStructureENG.pdf
12 Feb 14	Date of announcement of the Preliminary Financial Results for the year ended 31 December 2013	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140212AnnouncementDateFY2013ENG.pdf
28 Feb 14	Preliminary Group Financial Results for the year ended 31 December 2013	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/FinancialResultsFY2013ENG.pdf
05 Mar 14	Compliance Officer with the Corporate Governance Code – Change in the composition of a Board Committee	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140305CorpGovComplianceOfficerBoardCommitteeENG.pdf
17 Mar 14	Date of announcement of the Audited Financial Statements for the year ended 31 December 2013	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140317AnnouncementDateAuditedFY2013ENG.pdf
27 Mar 14	Audited Group Financial Results for the year ended 31 December 2013	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/AuditedFinancialResults_FY2013ENG_20140327.pdf

Table with Corresponding References to the information made publicly available by the Bank of Cyprus Public Company Ltd during the period 1.1.2014 to 31.3.2015

07 Apr 14	Resignation of Board Member-Change in the Composition of Board Committees	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140407%20ResignationOfBoardMemberChangeinCompositionofallCommitteesENG.pdf
07 Apr 14	Agreement for the sale of the Group's Ukrainian business	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140407SaleofBOCUENG.pdf
18 Apr 14	Completion of sale of the Group's Ukrainian business	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140418CompletionSaleofBOCUENG.pdf
18 Apr 14	Sale of investment in Romanian Banca Transilvania	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140418SaleofBTENG.pdf
29 Apr 14	Further Steps in the Deleveraging Process	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140429SaleofUKloanbookENG.pdf
30 Apr 14	Release of nine-month time deposits	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140430Releaseof9MDecreeDepositsENG.pdf
15 May 14	Announcement	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140515AnnouncementCapitalENG.pdf
20 May 14	Date of Announcement of the Financial Results for the quarter ended 31 March 2014	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140520AnnouncementDate1Q2014ENG.pdf
22 May 14	Disposal of Loans in Serbia	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140520AnnouncementRKBENG.pdf
30 May 14	Group Financial Results for the quarter ended 31 March 2014	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/FinancialResults_1Q2014ENG.pdf
04 Jun 14	Announcement	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140604AnnouncementFTENG.pdf
05 Jun 14	Announcement	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140604AnnouncementCapitalENG.pdf
24 Jun 14	Announcement	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140624AnnouncementBoDENG.pdf

Table with Corresponding References to the information made publicly available by the Bank of Cyprus Public Company Ltd during the period 1.1.2014 to 31.3.2015

26 Jun 14	Republic of Cyprus repays sovereign bond held by Bank of Cyprus	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140626RecapBondENG.pdf
27 Jun 14	Announcement	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140627AnnouncementBoDENG.pdf
02 Jul 14	Announcement	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140702AnnouncementBoD2ENG.pdf
04 Jul 14	Announcement	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140704AnnouncementCapitalENG.pdf
15 Jul 14	Announcement	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140715AnnouncementCapitalENG.pdf
28 Jul 14	Share Capital Increase: Placing and Open Offer	http://www.bankofcyprus.com/en-GB/Start/Terms-Container/Terms-3/Term-1/?docId=~/link/7041e2f61527491ea884fa514e998dc1.pdf&height=400&width=700&modal=true
30 Jul 14	Share Capital Increase: Open Offer and EGM	http://www.bankofcyprus.com/en-GB/Start/Terms-Container/Terms-3/Term-1/?docId=~/link/c07e6993e8884d2cb4b755e3b32efd22.pdf&height=400&width=700&modal=true
30 Jul 14	Release of twelve-month time deposits	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140730Releaseof12MDecreeDepositsENG.pdf
30 Jul 14	NOTICE OF SHAREHOLDERS' EXTRAORDINARY GENERAL MEETING	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140730NoticeofEGMENG.pdf
07 Aug 14	ANNOUNCEMENT	http://www.bankofcyprus.com/en-GB/Start/Terms-Container/Terms-3/Term-1/?docId=~/link/427b7161fab84350ba084cd7c897d1b0.pdf&height=400&width=700&modal=true
19 Aug 14	Date of Announcement of the Financial Results for the six months ended 30 June 2014	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140819AnnouncementDate6M2014ENG.pdf
20 Aug 14	Agreement for the sale of assets in Romania	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140820SaleofMarriottHotelENG.pdf

Table with Corresponding References to the information made publicly available by the Bank of Cyprus Public Company Ltd during the period 1.1.2014 to 31.3.2015

22 Aug 14	Share Capital Increase: Placing and Open Offer Results	http://www.bankofcyprus.com/en-GB/Start/Terms-Container/Terms-3/Term-1/?docId=~/link/07356017a1504befaad5da48412e83f4.pdf&height=400&width=700&modal=true
25 Aug 14	Change of date of announcement of the Financial Results for the six months ended 30 June 2014	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140825ChangeofAnnouncementDate6M2014ENG.pdf
27 Aug 14	Group Financial Results for the six months ended 30 June 2014	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/FinancialResults_1H2014ENGFINAL.pdf
28 Aug 14	Share Capital Increase: Placing and Open Offer Approved by Shareholders at Extraordinary General Meeting	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140828EGMannouncement_ENG_Final.pdf
28 Aug 14	Announcement according to Cyprus Law L. 190(I)/2007	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140828EGMProxies_CV_ENG.pdf
28 Aug 14	RESOLUTIONS OF THE SHAREHOLDERS' EXTRAORDINARY GENERAL MEETING held on 28 August 2014	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140828EGMresolutions_ENG%20Final.pdf
29 Aug 14	Share Capital Increase: Court Order approving the Nominal Value Reduction	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140829CourtApprovalENG.pdf
29 Aug 14	Financial Report for the six months ended 30 June 2014	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140829AnnouncementOfFinancialReport6M2014ENG.pdf
01 Sep 14	Share Capital Increase: Filing of Court Approval with the Department of the Registrar of Companies and Official Receiver	http://www.bankofcyprus.com/en-GB/Start/Terms-Container/Terms-3/Term-1/?docId=~/link/7814ef20a491475da73fccc6eec23e97.pdf&height=400&width=700&modal=true
12 Sep 14	Completion of sale of assets in Romania	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140912CompletionSaleofMarriottHotelENG.pdf
18 Sep 14	Share Capital Increase: Closing of the Placing and Open Offer	http://www.bankofcyprus.com/en-GB/Start/Terms-Container/Terms-3/Term-1/?docId=~/link/9b2fd562d59e4b2fafe9340e7b8462a9.pdf&height=400&width=700&modal=true

Table with Corresponding References to the information made publicly available by the Bank of Cyprus Public Company Ltd during the period 1.1.2014 to 31.3.2015

18 Sep 14	Agreement for the sale of a loan portfolio in the UK	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140918SaleofUKLoanBookENG.pdf
23 Sep 14	Date of Annual General Meeting	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20140923AnnouncementofAGMENG.pdf
13 Oct 14	Resignation of Board Member	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20141013BoardMemberResignationENG.pdf
16 Oct 14	Resignation of Board Member	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20141016BoardMemberResignation2_ENG.pdf
26 Oct 14	2014 ECB Comprehensive Assessment	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20141026_AQRSTRESSTEST2014_ENG_FINALwithtables.pdf
29 Oct 14	Notice of Annual General Meeting	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20141029NoticeforAGMENGFINAL.pdf
03 Nov 14	Completion of sale of UK Loan Book	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20141103_CompletionSaleOfUKLoanBook_ENG.pdf
13 Nov 14	Change in terms of issue of Bank of Cyprus Public Company Ltd Guaranteed Bond (ΚΥΠΡΕ/BOCYG) issued 14 November 2012	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20141113ChangeInTermsOfGuaranteedGovBonds_ENG.pdf
13 Nov 14	Update on path to listing	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20141113RelistingandRetailOfferENGFINAL.pdf
14 Nov 14	Candidates for election to the Board of Directors	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20141115CCandidatesForBoD_ENG.pdf
17 Nov 14	Date of Announcement of the Financial Results for the nine months ended 30 September 2014	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20141117AnnouncementDateFor9M2014_ENG.pdf
18 Nov 14	Payment of interest of Bank of Cyprus Public Company Ltd Guaranteed Bonds (ΚΥΠΡΕ/BOCYG) issued 14 November 2012	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20141118Announcement_InterestPaymentENG.pdf

Table with Corresponding References to the information made publicly available by the Bank of Cyprus Public Company Ltd during the period 1.1.2014 to 31.3.2015

19 Nov 14	Change in terms of issue of Bank of Cyprus Public Company Ltd Guaranteed Bond (ΚΥΠΡΕ2/BOCYG2) issued 27 November 2012	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20141119ChangeInTermsOfGuaranteedGovBonds2_ENG.pdf
19 Nov 14	Announcement according to Cyprus Law 190(I)/2007 to 2013	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20141119AGMProxies_CV_ENG.pdf
20 Nov 14	Resolutions of: (a) the Shareholders Annual General Meeting (AGM) held on 20 November 2014 and (b) the Meeting of the Board of Directors held after the AGM	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20141120ResolutionsOfAGM_ENGFINAL.pdf
21 Nov 14	Board Committees	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20141121BoardCommittees_ENG.pdf
25 Nov 14	Payment of interest of Bank of Cyprus Public Company Ltd Guaranteed Bonds (ΚΥΠΡΕ2/BOCYG2) issued 27 November 2012	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20141125Announcement_InterestPaymentBOCYG2_ENG.pdf
26 Nov 14	Share Capital Increase: Approval and publication of Prospectus in relation to the Retail Offer and the applications for listing and trading of the Relevant Shares and Retail Shares on the CSE and ATHEX	http://www.bankofcyprus.com/en-GB/Start/Terms-Container/Terms-1/Term-1/?docId=~/link/64542b10e4274145a641f16544033770.pdf&height=400&width=700&modal=true
27 Nov 14	Appointment of Senior Independent Director and Change of Company Secretary	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20141127CompanySecretaryIndependentDirectorENG.pdf
27 Nov 14	Group Financial Results for the nine months ended 30 September 2014	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/FinancialResults_9M2014ENGFINAL.pdf
12 Dec 14	Share Capital Increase: Retail Offer - Approval of Supplementary Prospectus	http://www.bankofcyprus.com/en-GB/Start/Terms-Container/Terms-1/Term-1/?docId=~/link/b29ec684341e41c2b5ec162c8345eeed.pdf&height=400&width=700&modal=true
15 Dec 14	Listing of the Relevant Shares and commencement of trading	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20141215ListingENG_FINAL.pdf
31 Dec 14	Resignation of Director of Internal Audit	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20141231ChangeOfInternalAuditorENG.pdf

Table with Corresponding References to the information made publicly available by the Bank of Cyprus Public Company Ltd during the period 1.1.2014 to 31.3.2015

13 Jan 15	Share Capital Increase: Completion of Retail Offer	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20150113RetailOfferCompletionENG.pdf
20 Jan 15	Developments relating to the Swiss franc	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20150120CHFexposureENG.pdf
27 Jan 15	Press reports regarding capital securities	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20150127CapitalSecurtiesENG_Final.pdf
29 Jan 15	Listing of the Retail Offer Shares and commencement of trading	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20150129ListingRetailSharesENG.pdf
06 Feb 15	Preliminary financial results for year ended 31 December 2014 - Update and Date of announcement	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20150206FY2014UpdateAnnouncementENG.pdf
25 Feb 15	Announcement of Preliminary Group Financial Results for the year ended 31 December 2014	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/PreliminFY2014ENGFINAL.pdf
13 Mar 15	Date of announcement of the Audited Financial Statements for the year ended 31 December 2014	http://www.bankofcyprus.com/Documents/Investor%20Relations/Press%20Releases/ENG/20150313AnnouncementDateAuditedFY2014ENG.pdf