

Bank of Cyprus Group



Interim Condensed Consolidated Financial Statements  
for the nine months ended

**30 September 2013**

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BANK OF CYPRUS GROUP  
Interim Condensed Consolidated Financial Statements  
for the nine months ended 30 September 2013

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**BANK OF CYPRUS GROUP**  
**Interim Condensed Consolidated Financial Statements**  
for the nine months ended 30 September 2013

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BANK OF CYPRUS GROUP  
Interim Consolidated Income Statement

		Nine months ended 30 September		Three months ended 30 September	
		2013	2012 (re-presented)	2013	2012 (re-presented)
	Notes	€000	€000	€000	€000
<b>Continuing operations</b>					
Turnover		1.499.424	1.426.600	307.087	456.186
Interest income		1.238.891	1.095.092	387.302	346.684
Interest expense		(513.028)	(539.977)	(91.628)	(179.057)
Net interest income		725.863	555.115	295.674	167.627
Fee and commission income		143.469	143.949	48.764	48.200
Fee and commission expense		(18.068)	(11.162)	(7.778)	(3.157)
Net foreign exchange (losses)/gains		(1.588)	25.737	15.287	7.696
Net (losses)/profits on financial instrument transactions and loss on disposal of subsidiary		(15.924)	(23.602)	(6.759)	2.127
Insurance income net of claims and commissions		50.785	47.573	11.921	16.051
Other (expenses)/income	8	(23.845)	5.103	3.709	2.645
		860.692	742.713	360.818	241.189
Staff costs	8	(376.789)	(217.367)	(181.027)	(76.929)
Other operating expenses	8	(187.660)	(135.876)	(63.034)	(28.517)
<b>Profit before impairment of loans and advances</b>		<b>296.243</b>	<b>389.470</b>	<b>116.757</b>	<b>135.743</b>
Provisions for impairment of loans and advances	25	(799.448)	(386.147)	(260.879)	(135.190)
<b>(Loss)/profit before share of profit of associates</b>		<b>(503.205)</b>	<b>3.323</b>	<b>(144.122)</b>	<b>553</b>
Share of profit/(loss) of associates		1.877	(35)	(491)	52
<b>(Loss)/profit before tax</b>		<b>(501.328)</b>	<b>3.288</b>	<b>(144.613)</b>	<b>605</b>
Tax	10	3.058	(7.646)	687	4.081
<b>(Loss)/profit after tax from continuing operations</b>		<b>(498.270)</b>	<b>(4.358)</b>	<b>(143.926)</b>	<b>4.686</b>
<b>Discontinued operations</b>					
Loss after tax from discontinued operations	7	(1.455.604)	(211.820)	-	(83.259)
<b>Loss for the period</b>		<b>(1.953.874)</b>	<b>(216.178)</b>	<b>(143.926)</b>	<b>(78.573)</b>
<b>Attributable to:</b>					
Owners of the Company (loss)/profit - continuing operations	7	(491.166)	864	(142.164)	6.099
Owners of the Company (loss) - discontinued operations	7	(1.455.604)	(211.820)	-	(83.259)
Total loss attributable to the owners of the Company		(1.946.770)	(210.956)	(142.164)	(77.160)
Non-controlling interests (loss) - continuing operations	7	(7.104)	(5.222)	(1.762)	(1.413)
Loss for the period		(1.953.874)	(216.178)	(143.926)	(78.573)
<b>Basic and diluted losses per share (cent)</b>	11	<b>(61,4)</b>	<b>(1.422,9)</b>	<b>(3,0)</b>	<b>(495,9)</b>
<b>Basic and diluted (losses)/earnings per share (cent) – continuing operations</b>	11	<b>(15,5)</b>	<b>5,8</b>	<b>(3,0)</b>	<b>39,2</b>

BANK OF CYPRUS GROUP  
Interim Consolidated Statement of Comprehensive Income

	Nine months ended 30 September		Three months ended 30 September	
	2013	2012	2013	2012
	€000	€000	€000	€000
<b>Loss for the period</b>	<b>(1.953.874)</b>	<b>(216.178)</b>	<b>(143.926)</b>	<b>(78.573)</b>
<b>Other comprehensive income (OCI)</b>				
<b>OCI to be reclassified in the income statement in subsequent periods</b>				
<b>Foreign currency translation reserve</b>				
(Loss)/profit on translation of the net investment in overseas subsidiaries and branches	<b>(18.751)</b>	25.583	<b>(3.186)</b>	13.319
Profit/(loss) on hedging of net investments	<b>22.746</b>	(13.194)	<b>5.314</b>	(5.701)
Transfer to the consolidated income statement on sale of subsidiary	<b>19</b>	-	<b>19</b>	-
	<b>4.014</b>	12.389	<b>2.147</b>	7.618
<b>Available-for-sale investments</b>				
(Loss)/profit from revaluation before tax	<b>(5.999)</b>	46.270	<b>7.650</b>	68.460
Transfer to the consolidated income statement on impairment	<b>16.067</b>	3.062	<b>3.746</b>	11
Transfer to the consolidated income statement on sale	<b>1.052</b>	734	<b>723</b>	(6.271)
Tax	<b>40</b>	1.028	<b>(14)</b>	(7.354)
	<b>11.160</b>	51.094	<b>12.105</b>	54.846
<b>Net OCI to be reclassified in the income statement in subsequent periods</b>	<b>15.174</b>	63.483	<b>14.252</b>	62.464
<b>OCI not to be reclassified in the income statement in subsequent periods</b>				
<b>Property revaluation</b>				
Fair value loss before tax	<b>(16.372)</b>	-	<b>(101)</b>	-
Tax	<b>2.715</b>	(1)	<b>26</b>	(3)
<b>Net OCI not to be reclassified in the income statement in subsequent periods</b>	<b>(13.657)</b>	(1)	<b>(75)</b>	(3)
<b>Other comprehensive income after tax</b>	<b>1.517</b>	63.482	<b>14.177</b>	62.461
<b>Total comprehensive loss for the period</b>	<b>(1.952.357)</b>	<b>(152.696)</b>	<b>(129.749)</b>	<b>(16.112)</b>
<b>Attributable to:</b>				
Owners of the Company (loss)	<b>(1.942.483)</b>	(149.198)	<b>(127.340)</b>	(16.028)
Non-controlling interests (loss)	<b>(9.874)</b>	(3.498)	<b>(2.409)</b>	(84)
<b>Total comprehensive loss for the period</b>	<b>(1.952.357)</b>	<b>(152.696)</b>	<b>(129.749)</b>	<b>(16.112)</b>

BANK OF CYPRUS GROUP  
Interim Consolidated Balance Sheet

		30 September 2013	31 December 2012
	Notes	€000	€000
<b>Assets</b>			
Cash and balances with central banks		1.227.121	1.272.424
Placements with banks		1.350.718	1.768.836
Investments	12	2.787.548	1.135.333
Investments pledged as collateral	12	717.082	734.747
Derivative financial assets	13	49.859	26.794
Loans and advances to customers	15	22.575.164	24.374.531
Life insurance business assets attributable to policyholders		436.150	495.756
Property and equipment		476.715	483.193
Intangible assets		137.378	123.555
Other assets	16	1.536.407	613.760
Investments in associates	34	102.558	3.107
<b>Total assets</b>		<b>31.396.700</b>	<b>31.032.036</b>
<b>Liabilities</b>			
Amounts due to banks		423.877	341.044
Funding from central banks	17	11.157.050	-
Repurchase agreements		614.766	607.773
Derivative financial liabilities	13	134.887	183.826
Customer deposits		15.467.965	28.442.152
Insurance liabilities		546.436	604.170
Debt securities in issue	18	509	44.775
Other liabilities	19	254.813	339.303
Subordinated loan stock	20	6.869	133.294
<b>Total liabilities</b>		<b>28.607.172</b>	<b>30.696.337</b>
<b>Equity</b>			
Share capital	21	4.674.327	1.795.141
Shares subject to interim orders	21	60.182	-
Share premium		-	428.271
Convertible Enhanced Capital Securities	22	-	428.835
Revaluation and other reserves		40.826	106.336
Accumulated losses		(2.066.622)	(2.500.106)
<b>Equity attributable to the owners of the Company</b>		<b>2.708.713</b>	<b>258.477</b>
<b>Non-controlling interests</b>		<b>80.815</b>	<b>77.222</b>
<b>Total equity</b>		<b>2.789.528</b>	<b>335.699</b>
<b>Total liabilities and equity</b>		<b>31.396.700</b>	<b>31.032.036</b>

Chr. Hassapis  
V. Strzhalkovskiy  
I. Zographakis  
J. P. Hourican  
C. Patsalides  
E. Livadiotou

Chairman  
Vice-Chairman  
Director  
Group Chief Executive Officer  
Finance Director  
Group Chief Financial Officer

**BANK OF CYPRUS GROUP**  
Interim Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company													Non-controlling interests	Total equity
	Share capital (Note 21)	Shares subject to interim orders (Note 21)	Share premium	Convertible Enhanced Capital Securities (CECS) (Note 22)	Accumulated losses	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Other reserves	Life insurance in-force business reserve	Equity component of convertible subordinated loan stock	Foreign currency translation reserve	Treasury Shares	Total		
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000		
<b>1 January 2013</b>	<b>1.795.141</b>	-	<b>428.271</b>	<b>428.835</b>	<b>(2.500.106)</b>	<b>144.415</b>	<b>2.903</b>	<b>6.059</b>	<b>91.996</b>	<b>5.251</b>	<b>(105.693)</b>	<b>(38.595)</b>	<b>258.477</b>	<b>77.222</b>	<b>335.699</b>
Loss for the period	-	-	-	-	(1.946.770)	-	-	-	-	-	-	-	(1.946.770)	(7.104)	(1.953.874)
Other comprehensive (loss)/income for the period	-	-	-	-	-	(13.541)	11.075	-	-	-	6.753	-	4.287	(2.770)	1.517
Total comprehensive (loss)/income for the period	-	-	-	-	(1.946.770)	(13.541)	11.075	-	-	-	6.753	-	(1.942.483)	(9.874)	(1.952.357)
Bail-in of deposits and structured products	3.806.581	-	-	-	-	-	-	-	-	-	-	(19.957)	3.786.624	-	3.786.624
Bail-in of Convertible Bonds 2013/2018, Capital Securities 12/2007 and Convertible Capital Securities	122.541	-	-	-	-	-	-	-	-	-	-	(6)	122.535	-	122.535
Conversion of CECS into shares	459.399	-	-	(429.580)	-	-	-	-	-	-	-	(29.819)	-	-	-
Reduction in nominal value of share capital and utilisation of share premium	(2.353.349)	-	(428.271)	-	2.786.871	-	-	-	-	(5.251)	-	-	-	-	-
Shares subject to interim orders	-	60.182	-	-	-	-	-	-	-	-	-	-	60.182	-	60.182
Acquisitions (Note 32)	844.014	-	-	-	(420.636)	-	-	-	-	-	-	-	423.378	13.467	436.845
Exchange difference on CECS	-	-	-	745	(745)	-	-	-	-	-	-	-	-	-	-
Transfer of realised profits on sale of property	-	-	-	-	15.226	(15.226)	-	-	-	-	-	-	-	-	-
Increase in value of in-force life insurance business	-	-	-	-	(3.477)	-	-	-	3.477	-	-	-	-	-	-
Tax on increase in value of in-force life insurance business	-	-	-	-	3.015	-	-	-	(3.015)	-	-	-	-	-	-
<b>30 September 2013</b>	<b>4.674.327</b>	<b>60.182</b>	-	-	<b>(2.066.622)</b>	<b>115.648</b>	<b>13.978</b>	<b>6.059</b>	<b>92.458</b>	-	<b>(98.940)</b>	<b>(88.377)</b>	<b>2.708.713</b>	<b>80.815</b>	<b>2.789.528</b>

**BANK OF CYPRUS GROUP**  
Interim Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company												Non-controlling interests	Total equity
	Share capital (Note 21)	Share premium	Convertible Enhanced Capital Securities (CECS) (Note 22)	Accumulated losses	Property revaluation reserve	Revaluation reserve of available-for-sale investments	Other reserves	Life insurance in-force business reserve	Equity component of convertible subordinated loan stock	Foreign currency translation reserve	Treasury Shares	Total		
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000		
<b>1 January 2012</b>	<b>899.528</b>	<b>1.164.903</b>	<b>862.233</b>	<b>(670.988)</b>	<b>161.219</b>	<b>(133.221)</b>	-	<b>88.697</b>	<b>5.251</b>	<b>(112.682)</b>	<b>(6.679)</b>	<b>2.258.261</b>	<b>84.444</b>	<b>2.342.705</b>
Loss for the period	-	-	-	(210.956)	-	-	-	-	-	-	-	(210.956)	(5.222)	(216.178)
Other comprehensive (loss)/income for the period	-	-	-	-	(2)	51.080	-	-	-	10.680	-	61.758	1.724	63.482
Total comprehensive (loss)/income for the period	-	-	-	(210.956)	(2)	51.080	-	-	-	10.680	-	(149.198)	(3.498)	(152.696)
Purchase of shares of the Company	-	-	-	-	-	-	-	-	-	-	(38.847)	(38.847)	-	(38.847)
Disposal of shares of the Company	-	-	-	(3.669)	-	-	-	-	-	-	4.600	931	-	931
Capitalisation of reserves of subsidiary company	-	-	-	-	(6.059)	-	6.059	-	-	-	-	-	-	-
Issue of shares	159.683	-	-	-	-	-	-	-	-	-	-	159.683	-	159.683
Issue costs	-	(2.449)	-	-	-	-	-	-	-	-	-	(2.449)	-	(2.449)
Issue of bonus shares	303.743	(303.743)	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of CECS	432.187	-	(432.187)	-	-	-	-	-	-	-	-	-	-	-
Exchange difference on CECS	-	-	(1.029)	1.029	-	-	-	-	-	-	-	-	-	-
Reduction of share premium	-	(430.440)	-	430.440	-	-	-	-	-	-	-	-	-	-
Increase in value of in-force life insurance business	-	-	-	(2.713)	-	-	-	2.713	-	-	-	-	-	-
Tax on increase in value of in-force life insurance business	-	-	-	247	-	-	-	(247)	-	-	-	-	-	-
<b>30 September 2012</b>	<b>1.795.141</b>	<b>428.271</b>	<b>429.017</b>	<b>(456.610)</b>	<b>155.158</b>	<b>(82.141)</b>	<b>6.059</b>	<b>91.163</b>	<b>5.251</b>	<b>(102.002)</b>	<b>(40.926)</b>	<b>2.228.381</b>	<b>80.946</b>	<b>2.309.327</b>



BANK OF CYPRUS GROUP  
Interim Consolidated Statement of Cash Flows

		Nine months ended 30 September	
		2013 €000	2012 (re-presented) €000
	<i>Notes</i>		
<b>Net cash flow from operating activities</b>			
Loss before tax from continuing operations		(501.328)	3.288
Loss before tax from discontinued operations		(1.455.604)	(433.526)
Share of (profit)/loss of associates		(1.877)	35
Provisions for impairment of loans and advances		858.356	821.664
Impairment of Greek Government Bonds		-	143.573
Loss on disposal of discontinued operations		1.365.624	-
Depreciation of property and equipment and amortisation of intangible assets		25.257	30.712
Increase in value of in-force life insurance policies		(3.477)	(2.713)
Amortisation of discounts/premiums		(52.162)	(11.743)
Income from investments and disposals of property, equipment and intangible assets, less interest on subordinated loan stock and debt securities in issue		86.493	110.648
		321.282	661.938
Net decrease in loans and advances to customers and other accounts		4.581.442	888.418
Net decrease in customer deposits and other accounts		(7.544.796)	(793.012)
		(2.642.072)	757.344
Tax paid		(11.931)	(56.724)
<b>Net cash flow (used in)/from operating activities</b>		<b>(2.654.003)</b>	700.620
<b>Cash flow from investing activities</b>			
Purchases of investments		-	(1.112.481)
Proceeds on disposal/redemption of investments		1.032.383	1.421.446
Interest from investments		156.309	108.567
Dividend income from equity securities		158	144
(Amounts paid on disposal)/proceeds on disposal of subsidiaries		(1.153.000)	105.302
Cash consideration paid net of cash acquired		1.126.302	-
Purchases of property and equipment		(17.537)	(21.534)
Proceeds on disposal of property and equipment		25.774	163
Purchases of intangible assets		(6.848)	(5.028)
Proceeds on disposal of intangible assets		4.426	110
Purchases of investment property		(10.208)	-
Proceeds on disposal of investment property		3.046	2.767
<b>Net cash flow from investing activities</b>		<b>1.160.805</b>	499.456
<b>Cash flow from financing activities</b>			
Issue of share capital net of issue costs		-	157.234
Funding from central banks		2.054.522	-
Redemption of debt securities in issue		(28.877)	(9.404)
Interest on subordinated loan stock		4.293	(4.676)
Interest on debt securities in issue		(638)	(1.367)
Interest on funding from central banks		(118.075)	-
Purchase of own shares		-	(38.847)
Proceeds on disposal of own shares		-	931
<b>Net cash flow from financing activities</b>		<b>1.911.225</b>	103.871
<b>Net increase in cash and cash equivalents for the period</b>		<b>418.027</b>	1.303.947
<b>Cash and cash equivalents</b>			
1 January		1.337.956	2.725.508
Exchange adjustments		33.714	(10.504)
Net increase in cash and cash equivalents for the period		418.027	1.303.947
<b>30 September</b>	23	<b>1.789.697</b>	4.018.951

BANK OF CYPRUS GROUP  
Interim Consolidated Statement of Cash Flows

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	<b>30 September 2013</b>
<b>Non-cash transactions</b>	<b>€000</b>
Bail-in of deposits and structured products	3.806.581
Bail-in of Convertible Bonds 2013/2918, Capital Securities 12/2007 and Convertible Capital Securities	122.541
Conversion of CECS into shares	459.399
Acquisitions (Note 32)	423.378
	<b><u>4.811.899</u></b>

## 1. Corporate information

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

The Company is a limited liability company incorporated in 1930 under the Cyprus Companies Law. The Company has a primary listing on the Cyprus Stock Exchange and a secondary listing on the Athens Exchange. It is also a public company for the purposes of the Cyprus Income Tax Laws. Since 19 March 2013, the shares of the Company have been suspended from trading on the Cyprus and Athens Stock Exchanges.

### *Interim Condensed Consolidated Financial Statements*

The Interim Condensed Consolidated Financial Statements include the financial statements of the Company and its subsidiaries and were authorised for issue by a resolution of the Board of Directors on 18 December 2013.

## 2. Operating environment following the Cyprus-Eurogroup agreement

Following its credit downgrades, the ability of the Republic of Cyprus to borrow from international markets has been significantly affected. As a result, in June 2012 the Cyprus government applied to the European Union and the International Monetary Fund for financial assistance. This led to negotiations with the European Commission, the ECB and the International Monetary Fund (collectively referred to as the 'Troika') for a comprehensive programme of financial assistance.

On 25 March 2013, the Cypriot government and the Eurogroup reached an agreement on the key elements necessary for a future macroeconomic adjustment programme and a financial assistance facility of up to €10 billion. The stability support granted to Cyprus is conditional upon the implementation of an extensive programme of policy reforms. A Memorandum of Understanding ('MoU') has been agreed between Cyprus and the Troika, which includes financial sector reform, fiscal policy and fiscal structural measures, labour market reforms and improvements in goods and services markets. However, the bailout agreement between the Troika and Cyprus is expected to weigh heavily on the real and financial conditions of the Cypriot economy in the next two and three years.

Although the economic situation in Cyprus remains challenging, the economic recession has been less severe than expected and the economy is proving relatively resilient. The second review mission of Troika has concluded that the Cyprus adjustment programme is on track, fiscal consolidation is advancing as agreed, structural reforms are progressing and that progress has been made regarding the recapitalisation and restructuring of the financial sector. As a result, the Eurogroup has endorsed the disbursement of the second tranche of financial assistance to Cyprus.

The package of measures included in the MoU aims to restore the soundness of the Cypriot banking sector, to correct the general government deficit, to increase the efficiency of public spending, to improve the functioning of the public sector, to support competitiveness and to restore sustainable and balanced growth and it includes the following measures.

### 2.1. Restructuring of the financial sector

The main terms of the MoU relating to the financial sector are:

- 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 Company Ltd ('Laiki Bank') was subjected to immediate resolution. The assets in Cyprus of Laiki Bank, the majority of Laiki Bank liabilities, mainly the insured deposits, €9 billion of Emergency Liquidity Assistance ('ELA') funding and certain assets and liabilities of the UK and Greek operations of Laiki Bank were acquired by the Group. Additional information on the acquired assets and liabilities of Laiki Bank is presented in Note 32.
- The Company has been recapitalised through a deposit-to-equity conversion of 47,5% of deposits subject to bail-in in accordance with the relevant decrees issued by the Resolution Authority ('uninsured deposits') with full contribution of equity shareholders and debt security holders, as presented in Note 21.

## 2. Operating environment following the Cyprus-Eurogroup agreement (continued)

### 2.1. Restructuring of the financial sector (continued)

- The Greek branches of the Company, Laiki Bank and Hellenic Bank were acquired by Greece's Piraeus Bank, which was selected for this transaction by the Hellenic Financial Stability Fund. Piraeus Bank acquired assets of €20 billion and liabilities of €14 billion of these branches.

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

The Eurogroup noted the Cypriot authorities' decision to introduce capital controls for a swift reopening of the domestic banks, noting that these measures would be temporary, proportionate, non-discriminatory and subject to strict monitoring in terms of scope and duration in line with the European Treaty.

### 2.2 Tax and other fiscal measures

Pursuant to the implementation of the decisions of the Eurogroup, the House of Representatives of Cyprus voted a number of bills regarding direct and indirect taxes, the most important of which are set out below.

#### *Increase of corporation tax rate*

The corporation tax rate was increased from 10% to 12,5% as of 1 January 2013.

#### *Carry forward of tax losses*

As from 25 March 2013, in case of transfer of operations, assets, rights or obligations from one credit institution to another, under The Credit Institutions' Resolution Law, any accumulated losses of the transferring credit institution at the time of the transfer, are transferred to the acquiring credit institution and may be used by it for a period of up to fifteen years from the end of the year during which the transfer took place.

#### *Increase in special defence contribution on interest*

The special defence contribution rate on interest was increased from 15% to 30% as of 29 April 2013. The special defence contribution on interest is payable only by tax residents of Cyprus and applies to physical persons as well as legal persons which receive interest which is not associated with the ordinary activities of the company.

#### *Assessment and Collection of Taxes Law*

The law has been amended in order to define the books and records which need to be maintained by a taxable person to enable him to prepare and file tax returns. In addition, supporting documentation should be maintained. Similar amendments were introduced in the Companies Law.

#### *Immovable property taxes*

The immovable property tax rates were increased for year 2013 (legislation passed in April 2013) at rates which range from 0,6% to 1,9% on the value of the property as at 1 January 1980.

#### *Levy on bank deposits*

The special levy paid by banking institutions on deposits was increased from 0,11% to 0,15% as of 1 January 2013 (Note 8).

### 2.3 Temporary restrictions on money transfers

The Cypriot authorities have introduced temporary restrictive measures, with respect to banking and cash transactions as a result of the significant liquidity squeeze in the local market and the risk of an outflow of deposits. These measures include restrictions on cash withdrawals, the cashing of cheques and transfers of funds to other credit institutions in Cyprus and abroad. They also provide for the compulsory partial renewal of maturing deposits.

## **2. Operating environment following the Cyprus-Eurogroup agreement (continued)**

### **2.4 Restructuring of the Group**

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

#### *Sale of the Group's Greek operations to Piraeus Bank*

The Resolution Authority decided the sale of the loans, fixed assets and deposits of the banking and leasing operations of the Group in Greece to Piraeus Bank through a Decree issued on 26 March 2013. The impact of this disposal on the Group is presented in Note 32.

#### *Acquisition of certain operations of Cyprus Popular Bank Public Co Ltd by the Group*

The 'Sale of Certain Operations of Cyprus Popular Bank Public Co Ltd Decree' issued on 29 March 2013, provided for the acquisition of the insured deposits and the majority of assets and loans of Laiki Bank by the Company. The Company services all Laiki Bank customers in Cyprus based on existing terms and all employees of Laiki Bank in Cyprus have been transferred to the Group. Details of the acquired assets and liabilities are presented in Note 32.

### **2.5 Recapitalisation of the Company**

Pursuant to the provisions of the 'Bail-in of Bank of Cyprus Public Company Limited Decree' of 2013 and its amendments, the Company has been recapitalised through a bail-in (deposit-to-equity conversion) of uninsured deposits and structured products. The holders of ordinary shares and subordinated loan stock in issue as of 29 March 2013 have contributed to the recapitalisation of the Company through the conversion into shares and absorption of losses by a reduction of the nominal value of shares. Additional information is presented in Notes 20 to 22.

The debt securities in issue by the Company were also bailed-in via conversion into shares. Additional information is disclosed in Note 18.

### **2.6 Exit from Resolution**

Following the completion of the recapitalisation of the Company, the CBC in its capacity as Resolution Authority announced that as of 30 July 2013, the Company was no longer under resolution.

The duties of the Board of Directors were exercised by the members of the interim Board of Directors until the Annual General Meeting of shareholders held on 10 September 2013 when the new Board of Directors was elected.

## **3. Unaudited financial statements**

The Interim Condensed Consolidated Financial Statements of the Group for the nine months ended 30 September 2013 have not been audited by the Group's external auditors.

#### 4. Basis of preparation

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

##### 4.1 Statement of compliance

The Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2013 have been prepared in accordance with the International Accounting Standard applicable to interim financial reporting as adopted by the European Union ("IAS 34").

The Interim Condensed Consolidated Financial Statements do not include all the information and disclosures required for the annual financial statements and should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2012.

#### 5. Accounting policies

##### 5.1 New and amended standards and interpretations

The accounting policies adopted for the preparation of the Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2013 are consistent with those followed for the preparation of the audited Consolidated Financial Statements for the year ended 31 December 2012. In addition, the Group has adopted the following new standards, amendments and interpretations, which did not have a material impact on the Group's Interim Condensed Consolidated Financial Statements:

- IAS 19 'Employee Benefits' (Amended)
- IAS 1 'Financial Statement Presentation' (Amended) - Presentation of Items of Other Comprehensive Income
- IFRS 7 'Financial Instruments: Disclosures' (Amended) - Offsetting Financial Assets and Financial Liabilities
- IFRS 13 'Fair Value Measurement'
- IAS 34 'Interim Financial Reporting and segment information for total assets and liabilities' (Amendment)

Comparatives have been re-presented to reflect the reclassification of the Greek operations disposed during the period, from continuing to discontinued operations. In addition reclassifications to comparative information were made to conform to changes in the presentation in the current period. These reclassifications had no impact on the total loss after tax or equity of the Group.

##### 5.2 Accounting policy for the recapitalisation of the Company through a bail-in of uninsured deposits and debt securities

As described in Note 21, during the period the Company has been recapitalised partly through a bail-in of uninsured deposits and 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 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 is 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.

**5. Accounting policies (continued)**

**5.2 Accounting policy for the recapitalisation of the Company through a bail-in of uninsured deposits and debt securities (continued)**

The Company has 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 to the carrying amount of the liabilities derecognised.

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 is accounted for.

**6. Significant judgements, estimates and assumptions**

The preparation of the financial statements requires the Group's management to make judgements, estimates and assumptions that can have a material impact on the amounts recognised in the financial statements. The accounting policies that are deemed significant to the Group's results and financial position in terms of the materiality of the items to which the policy is applied, and which involve a high degree of judgement including the use of estimates and assumptions, are set out in the Consolidated Financial Statements for the year ended 31 December 2012. The critical judgements, estimates and assumptions are set out below, updated for current developments.

**6.1 Going concern**

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

The conditions that existed during the nine months ended 30 September 2013 (Note 2) and the developments up to the date of approval of these interim condensed consolidated financial statements (Note 35) that have been considered in management's going concern assessment, include amongst others, the following:

**6.1.1 Restructuring plan**

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

The Restructuring Plan defines the strategic objectives and actions the Group should take to create a safer, smaller, more focused institution capable of supporting the prosperity of the Cypriot economy by:

- Rebuilding trust and confidence of both depositors and investors.
- Preserving the Group's status as the cornerstone of the domestic economy, continuing to support both businesses and households.
- Building a resilient institution, able to effectively manage its portfolio of assets and withstand further external shocks and economic turbulence.
- Smoothly integrating the operations of Laiki, maximising synergies and bottom-line impact for the combined entity through the realisation of synergies.
- Enhance the capital adequacy of the Group by internally generating capital through profitability, deleveraging and disposal of non-core assets.

The Restructuring Plan aims to enable the Group to overcome its current difficulties and gradually normalise its performance. The Plan sets specific mid-term financial targets that prioritise the stability and viability of the Group:

- Complying with minimum capital adequacy requirements set forth by the CBC, with core tier 1 remaining above the CBC's target of 9% throughout the Restructuring Plan period. Maintaining a high capital buffer would enable the Group's credit rating to improve, facilitating access to capital markets for funding in the medium term.
- Returning to profitability as the macroeconomic situation stabilises and the Group recovers, but pursue only a modest target return of equity, considering profitability as a secondary priority to capital adequacy.



**6. Significant judgements, estimates and assumptions (continued)**

**6.1 Going concern (continued)**

**6.1.2 Macroeconomic environment in Cyprus**

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

Although the economic situation remains challenging, the economic recession has been less pronounced than originally expected and the economy is proving relatively resilient. The Troika has recently revised its 2013 projection for economic contraction to about 7,7%, about 1% less than its original projection. Going forward, the Troika expects the economy to contract by about 4,8% in 2014 and to recover gradually starting in 2015, driven by non-financial services.

The Troika has recently concluded the second quarterly review of Cyprus' economic programme. The Troika commented that the Cyprus programme is on track. All fiscal targets have been met with considerable margins, reflecting the ambitious fiscal consolidation underway, prudent budget execution, and a less severe deterioration of economic activity than originally projected. Structural reforms are also advancing. Furthermore, since the last review, there has been significant progress toward the recapitalisation and restructuring of the financial sector. This has allowed further relaxation of payment restrictions since July, in line with the government's milestone-based roadmap. The Troika noted that the authorities have made important strides with the recapitalisation and restructuring of the financial sector.

**6.1.3 Regulatory capital ratios**

During the nine months ended 30 September 2013, the Group has suffered significant losses due to the disposal of its Greek operations and the increased provisions for impairment of loans and advances.

As part of the agreement reached between the Troika and the Cyprus government in March 2013, the Group was recapitalised through a bail-in of uninsured depositors (a deposit-to-equity conversion) which was completed in July 2013 and the absorption of accumulated losses by the holders of ordinary shares and debt securities as of 29 March 2013. The Group, as also confirmed by the Resolution Authority, has been capitalised to a level which can sustain expected losses on its loans portfolio.

The Core Tier 1 ratio of the Group at 30 September 2013 stands at 10,2%.

**6.1.4 Liquidity**

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

Since August 2013, the Company has been reinstated by the ECB as an eligible counterparty for monetary policy operations. The combination of the restoration of counterparty status and the approval at the beginning of July 2013 for the use of bonds issued or guaranteed by the Republic of Cyprus resulted in a reduction in funding from ELA, as the Company has access to funding from the ECB under monetary policy operations. Furthermore, ECB funding is provided at a rate that further supports the Company's profitability.

The level of central bank funding (ELA and ECB funding) of the Group as at 30 September 2013 amounts to €11,16 billion, comprising €1,30 billion of ECB funding and €9,86 billion of ELA funding.

Although the Group has received no specific guarantees, the Board of Directors expects that the Group will continue to have access to the central bank liquidity facilities in line with applicable rules.



**6. Significant judgements, estimates and assumptions (continued)**

**6.1 Going concern (continued)**

**6.1.4 Liquidity (continued)**

The Cypriot authorities in March 2013 have introduced certain temporary restrictive measures and capital controls with respect to banking and cash transactions. These measures are allowing the Group some headroom to deal with the significant liquidity squeeze in the local market and the risk of an outflow of deposits. These measures include restrictions on cash withdrawals, compulsory renewal of maturing deposits and restrictions on capital movements.

Following the second quarterly review in November 2013, the Troika has stated that 'payment restrictions will need to continue to be relaxed in line with the published milestone-based roadmap, while safeguarding financial stability'.

**6.1.5 Exposure to Greece**

The continuing severe recession in Greece led to significant impairment losses on loans and advances and on Greek government bonds since 2011. The sale of the Group's banking and leasing operations in Greece to Piraeus Bank in March 2013, in line with the provisions of the Cyprus-Eurogroup agreement, largely eliminated the Group's exposure to the prevailing uncertainties of the Greek economy.

As a result, the Group does not expect any material impact on its capital or liquidity position from continued adverse economic conditions or any further deterioration of the economic environment in Greece.

**6.1.6 Litigation and claims**

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

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

**6.1.7 Profitability**

The difficult operating environment in Cyprus (Note 2) is affecting the Group's profitability.

Cyprus continues to be in recession and economic conditions are expected to deteriorate further. The economic environment is expected to improve as from 2015, posting moderate real GDP growth driven by non-financial services and a decline in unemployment levels. In addition to the increased taxes and other fiscal austerity measures, banks are deleveraging and this will continue to constrain growth. The restrictive measures and capital controls imposed in March 2013 are also constraining private sector activity. More borrowers are expected to default, while collateral values are expected to fall even further, leading to increased levels of non-performing loans and provisions for impairment.

The Group's Restructuring Plan provides for the set up of independent, centralised and specialised delinquency and recovery units and a special projects division to manage selected top exposures, through which the Company aims to proactively and efficiently manage delinquencies and problem loans recoveries in order to contain the increase of problem loans and provisions for impairment expected to arise from the ongoing economic slowdown.

In addition to loan impairment losses, there may be additional valuation adjustments to the carrying amount of other assets, like government and other bonds, investments in subsidiaries and own use property and investment properties.

The Group expects that the Cyprus government will honour all payments related to its public debt and hence will not have a material adverse impact on its capital position from its investments in Cyprus Government bonds.

**6. Significant judgements, estimates and assumptions (continued)**

**6.1 Going concern (continued)**

**6.1.8 Uncertainties**

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

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

- The successful implementation of the Group's restructuring plan and the realisation of the macroeconomic scenario which formed the basis of its preparation.
- The period over which the restrictive measures and capital controls are in place.
- The continuing reliance on and availability of the central bank liquidity facilities.
- The actual outcome of litigation and claims mainly relating to the bail-in of deposits and the absorption of losses by the holders of equity and debt instruments of the Company.

**6.1.9 Going concern assessment**

The Company's management and Board of Directors, taking into consideration the measures taken to support the Cyprus economy and the realised and planned actions as detailed in its Restructuring Plan, is satisfied that the Group has the resources to continue in business for the foreseeable future and therefore the going concern principle is appropriate for the following reasons:

- The Group has been successfully recapitalised.
- The Troika is expected to continue to provide the required financial support to Cyprus as per the signed and recently updated MoU.
- The implementation of additional actions as per the Restructuring Plan which would further improve the capital adequacy and liquidity position of the Group.
- The additional liquidity support, if this is necessary, from the Cyprus government via the issuing of additional government guaranteed bonds.
- The expectation that the Cyprus government will maintain certain temporary restrictive measures and capital controls with respect to banking and cash transactions for as long as required to ensure the stability of the Cyprus banking system.

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

**6.2 Provision for impairment of loans and advances to customers**

The Group reviews its loans and advances to customers to assess whether a provision for impairment should be recorded in the consolidated income statement. In particular, management is required to estimate the amount and timing of future cash flows in order to determine the amount of provision required. 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. Any changes in these estimates or difference between estimates made and actual results could result in significant changes in the amount of required provisions for impairment of loans and advances. The assumptions made for the calculation of the provisions in the period are set out in Note 25.

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 rates 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.

**6. Significant judgements, estimates and assumptions (continued)**

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

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

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

**6.3 Tax**

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

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

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

The Group's accounting policy for property held for own use as well as for investment property requires that it is measured at fair value. In the case of property held for own use valuations are carried out periodically so that the carrying value is not materially different from the fair value, whereas in the case of investment properties the valuation is performed on an annual basis. Valuations are carried out by independent qualified valuers on the basis of current market values, using current prices and recent market transactions.

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

Volatility in the global financial system is reflected in commercial real estate markets including the main markets in which the Group operates, Cyprus and Greece. Following the disposal of the Greek banking and leasing operations during the period, Greece is no longer a main market for the Group.

## **6. Significant judgements, estimates and assumptions (continued)**

### **6.4 Fair value of properties held for own use and investment properties (continued)**

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 15% to 35% 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 (also refer to Note 2).

The Greek economic crisis has had a significant impact on the real estate market. In 2012 and 2013, supply and demand were substantially lower than in the pre-2010 period, with a consequential impact on sale prices, rent values and real estate returns which continued to decline for a fifth consecutive year. There can be no assurance of the successful implementation of the adjustment programme in Greece which makes forecasts for the future developments in the Greek real estate market extremely uncertain.

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

### **6.5 Impairment of available-for-sale investments**

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

Available-for-sale investments in debt securities are impaired when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the investment and the loss event (or events) has an impact on the estimated future cash flows of the investment. The Group's policy in place requires that a review for potential impairment is carried out for individual debt securities when their fair value at the balance sheet 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, and consequently involves a high degree of judgement.

## **7. Segmental analysis**

The Group is organised into operating segments based on the geographic location of each unit. On 26 March 2013, through a Decree issued by the Resolution Authority, the Group disposed of the loans, property and equipment, intangible assets and deposits of its banking and leasing operations in Greece to Piraeus Bank. As a result, the majority of the Greek operations which represented the Group's banking and leasing activities in Greece are presented as discontinued. The remaining operations in Greece which have not been sold to Piraeus Bank are presented within 'Other Countries' due to their small size.

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

The Group's activities in Cyprus cover the provision of banking, financial and insurance services, as well as property and hotel business. The Group's activities in Greece following the disposal of operations to Piraeus Bank include the provision of financial and insurance services, as well as the management of investment property. In the other countries, the Group provides only banking services.

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7. Segmental analysis (continued)

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's Executive Committee. Each segment's capital and the related interest income and expense are adjusted in order to be on the same basis as a percentage of the segment's risk weighted assets, as calculated for capital adequacy purposes in accordance with the relevant regulations of the CBC. The results of each segment are also adjusted to reflect the liquidity surplus/shortfall of each segment. The Group's total profit as presented in the consolidated income statement is not affected.

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

	Cyprus	Russia	Other countries	Total continuing operations	Discontinued operations
<b>Nine months ended 30 September 2013</b>	€000	€000	€000	€000	€000
Net interest income	594.256	74.985	56.622	<b>725.863</b>	<b>46.279</b>
Net fee and commission income	96.694	21.038	7.669	<b>125.401</b>	<b>11.217</b>
Net foreign exchange (losses)/gains	(4.647)	4.209	(1.150)	<b>(1.588)</b>	<b>(14.667)</b>
Net (losses)/gains on financial instrument transactions	(10.507)	-	(5.417)	<b>(15.924)</b>	<b>5.411</b>
Insurance income net of claims and commissions	44.710	-	6.075	<b>50.785</b>	-
Other (expenses)/income	(1.697)	781	(22.929)	<b>(23.845)</b>	<b>(2.070)</b>
	<b>718.809</b>	<b>101.013</b>	<b>40.870</b>	<b>860.692</b>	<b>46.170</b>
Staff costs	(199.165)	(39.437)	(17.748)	<b>(256.350)</b>	<b>(22.241)</b>
Other operating expenses	(108.378)	(35.838)	(21.928)	<b>(166.144)</b>	<b>(55.001)</b>
Restructuring costs (Note 8)	(141.955)	-	-	<b>(141.955)</b>	-
<b>Profit/(loss) before impairment of loans and advances</b>	<b>269.311</b>	<b>25.738</b>	<b>1.194</b>	<b>296.243</b>	<b>(31.072)</b>
Provisions for impairment of loans and advances	(697.145)	(51.958)	(50.345)	<b>(799.448)</b>	<b>(58.908)</b>
Loss on disposal of Greek banking and leasing operations (Note 32)	-	-	-	-	<b>(1.365.624)</b>
Share of profit/(loss) of associates	2.661	-	(784)	<b>1.877</b>	-
<b>Loss before tax</b>	<b>(425.173)</b>	<b>(26.220)</b>	<b>(49.935)</b>	<b>(501.328)</b>	<b>(1.455.604)</b>
Tax	3.385	5.175	(5.502)	<b>3.058</b>	-
<b>Loss after tax</b>	<b>(421.788)</b>	<b>(21.045)</b>	<b>(55.437)</b>	<b>(498.270)</b>	<b>(1.455.604)</b>
Non-controlling interests (loss)	1.634	5.468	2	<b>7.104</b>	-
<b>Loss after tax attributable to the owners of the Company</b>	<b>(420.154)</b>	<b>(15.577)</b>	<b>(55.435)</b>	<b>(491.166)</b>	<b>(1.455.604)</b>

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7. Segmental analysis (continued)

	Cyprus	Russia	Other countries	Total continuing operations	Discontinued operations
<b>Nine months ended 30 September 2012 (re-presented)</b>	€000	€000	€000	€000	€000
Net interest income	411.698	90.200	53.217	555.115	253.765
Net fee and commission income	101.514	24.235	7.038	132.787	34.231
Net foreign exchange gains	19.076	5.200	1.461	25.737	2.306
Net (losses)/gains on financial instrument transactions	(24.216)	-	614	(23.602)	(11.952)
Insurance income net of claims and commissions	40.015	-	7.558	47.573	-
Other income	3.877	952	274	5.103	582
	<b>551.964</b>	<b>120.587</b>	<b>70.162</b>	<b>742.713</b>	<b>278.932</b>
Staff costs	(149.885)	(46.230)	(21.252)	(217.367)	(79.177)
Other operating expenses	(76.290)	(39.731)	(19.855)	(135.876)	(54.191)
<b>Profit before impairment of loans and advances</b>	<b>325.789</b>	<b>34.626</b>	<b>29.055</b>	<b>389.470</b>	<b>145.564</b>
Provisions for impairment of loans and advances	(315.432)	(44.944)	(25.771)	(386.147)	(435.517)
Share of (loss)/profit of associates	(92)	-	57	(35)	-
<b>Profit/(loss) before tax</b>	<b>10.265</b>	<b>(10.318)</b>	<b>3.341</b>	<b>3.288</b>	<b>(289.953)</b>
Tax	(5.137)	(908)	(1.601)	(7.646)	(2.001)
<b>Profit/(loss) after tax</b>	<b>5.128</b>	<b>(11.226)</b>	<b>1.740</b>	<b>(4.358)</b>	<b>(291.954)</b>
Non-controlling interests (loss)	1.601	3.617	4	5.222	-
<b>Profit/(loss) before impairment of GGBs</b>	<b>6.729</b>	<b>(7.609)</b>	<b>1.744</b>	<b>864</b>	<b>(291.954)</b>
Impairment of GGBs and change in fair value of related hedging derivatives after tax				-	80.134
<b>Profit/(loss) after tax attributable to the owners of the Company</b>				<b>864</b>	<b>(211.820)</b>

The Group Executive Committee does not consider the impairment of GGBs and the change in fair value of related hedging derivatives to be part of each segment's operating results, and the related amounts are therefore not distributed to segments in the above analysis.

7. Segmental analysis (continued)

Analysis of total revenue

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

	Cyprus	Russia	Other countries	Total continuing operations	Discontinued operations
<b>Nine months ended 30 September 2013</b>	€000	€000	€000	€000	€000
Banking and financial services	653.495	119.139	33.880	806.514	47.152
Insurance services	45.403	-	6.198	51.601	-
Property and hotel business	1.595	-	-	1.595	-
Total revenue from third parties	700.493	119.139	40.078	859.710	47.152
Inter-segment revenue/(expense)	18.316	(18.126)	792	982	(982)
<b>Total revenue</b>	<b>718.809</b>	<b>101.013</b>	<b>40.870</b>	<b>860.692</b>	<b>46.170</b>
<b>Nine months ended 30 September 2012 (re-presented)</b>					
Banking and financial services	471.190	140.343	70.198	681.731	288.420
Insurance services	41.875	-	7.698	49.573	-
Property and hotel business	1.927	-	(6)	1.921	-
Total revenue from third parties	514.992	140.343	77.890	733.225	288.420
Inter-segment revenue/(expense)	36.972	(19.756)	(7.728)	9.488	(9.488)
<b>Total revenue</b>	<b>551.964</b>	<b>120.587</b>	<b>70.162</b>	<b>742.713</b>	<b>278.932</b>

Analysis of assets

	Cyprus	Russia	Other countries	Total
<b>30 September 2013</b>	€000	€000	€000	€000
<b>Assets</b>	29.608.526	1.577.987	2.684.816	33.871.329
Inter-segment assets				(2.474.629)
<b>Total assets</b>				<b>31.396.700</b>
<b>31 December 2012 (re-presented)</b>				
<b>Assets</b>	23.500.888	2.193.129	10.976.690	36.670.707
Inter-segment assets				(5.638.671)
<b>Total assets</b>				<b>31.032.036</b>

7. Segmental analysis (continued)

Analysis of liabilities

	Cyprus	Russia	Other countries	Total
<b>30 September 2013</b>	€000	€000	€000	<b>€000</b>
<b>Liabilities</b>	26.226.654	1.614.510	3.242.822	31.083.986
Inter-segment liabilities				(2.476.814)
<b>Total liabilities</b>				<b>28.607.172</b>
<b>31 December 2012</b>				
<b>Liabilities</b>	20.569.930	2.194.056	13.573.207	36.337.193
Inter-segment liabilities				(5.640.856)
<b>Total liabilities</b>				<b>30.696.337</b>

Other countries include assets and liabilities of the Greek operations.

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

Other (expenses)/income

	Nine months ended 30 September		Three months ended 30 September	
	2013	2012	2013	2012
	€000	€000	€000	€000
Dividend income	147	144	46	25
Profits/(losses) on sale of stock of property held for sale	51	491	(30)	82
Losses on sale and write-off of property and equipment and intangible assets	(617)	(567)	(33)	(227)
Rental income from investment properties	2.067	810	733	287
(Losses)/profits from revaluation of investment properties (Note 33)	(34.394)	36	(129)	-
Income from hotel activities	1.508	1.873	1.207	1.392
Other income	7.393	2.316	1.915	1.086
	(23.845)	5.103	3.709	2.645

Staff costs

	Nine months ended 30 September		Three months ended 30 September	
	2013	2012	2013	2012
	€000	€000	€000	€000
Salaries	205.178	186.786	66.203	61.916
Employer's contributions to state social insurance and pension funds	30.551	29.332	10.403	8.984
Retirement benefit plan costs	20.621	1.249	6.325	6.029
	256.350	217.367	82.931	76.929
Restructuring costs – Voluntary Retirement Scheme	120.439	-	98.096	-
	376.789	217.367	181.027	76.929



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

**Staff costs (continued)**

The number of persons employed by the Group as at 30 September 2013 was 8.323 (31 December 2012: 10.772).

In January 2013 the Group proceeded with a Voluntary Retirement Scheme (VRS) for its employees in Cyprus, the cost of which is included in staff costs, and amounted to approximately €22 million.

The number of Group employees in Cyprus after the acquisition of Laiki Bank was 5.725. On 2 August 2013 the application process for a Voluntary Retirement Scheme, launched on 8 July 2013, was completed. Following the scheme, 1.370 employees have accepted the terms of the scheme and have left the service of the Group. The Group staff in Cyprus was reduced by 24% to 4.355 employees. The cost of this VRS amounted to about €98 million and is included in staff costs.

**Other operating expenses**

	Nine months ended 30 September		Three months ended 30 September	
	2013	2012	2013	2012
	€000	€000	€000	€000
Operating lease rentals for property and equipment	22.740	21.411	7.800	6.966
Repairs and maintenance of property and equipment	15.510	13.190	5.132	3.810
Depreciation of property and equipment	15.630	12.227	5.649	3.991
Other property-related costs	12.782	11.967	4.934	4.934
Impairment/(reversal of impairment) of property	412	482	(236)	(5)
Advertising and marketing	10.090	16.484	2.133	7.589
Communication expenses	9.751	9.808	3.191	3.435
Printing and stationery	4.063	3.937	1.293	1.617
Amortisation of intangible assets	6.911	9.599	2.690	3.179
Contributions to depositor protection schemes	3.020	7.477	881	2.456
Special levy on credit institutions	16.182	(18.384)	3.858	(27.461)
Provisions and settlements of litigation or claims	743	119	(4.814)	320
Other operating expenses	48.310	47.559	21.944	17.686
	166.144	135.876	54.455	28.517
Advisory and other restructuring costs	21.516	-	8.579	-
	187.660	135.876	63.034	28.517

The special levy on deposits imposed on credit institutions was increased from 0,11% to 0,15% as of 1 January 2013. In accordance with existing legislation, the levy is imposed on deposits as at the end of the previous year and is payable in equal quarterly instalments. In order to take into account the significant decrease in bank deposits, specifically for the year 2013, the levy will be imposed on deposits as at the end of the previous quarter at the rate of 0,0375% per quarter.

## 9. Impairment of Greek Government Bonds

The Group has participated in the exchange offer for Greek Government Bonds (GGBs) which was completed in March/April 2012, on the basis of the terms set out below:

- Write-off of 53,5% of the nominal value of the existing GGBs.
- Receipt of new GGBs with nominal value of 31,5% of the exchanged GGBs, in an amortising structure, from 11 to 30 years (final maturity in 2042). The coupon of the new bonds was set at 2,00% for years 2013-2015, 3,00% for years 2016-2020, 3,65% for year 2021 and 4,30% thereafter (2022-2042).
- Immediate repayment of 15% of the nominal value of exchanged GGBs with short term securities issued by the European Financial Stability Facility (EFSF) with a 1-2 year maturity and bearing market interest rates.
- The payment of accrued interest through EFSF securities with a six-month maturity and bearing market interest rates.
- Receipt of detachable Greek GDP-linked securities with a notional amount equal to the new GGBs of each holder. 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 impairment of GGBs and the change in fair value of related hedging instruments recorded in the consolidated income statement is as follows:

	Nine months ended 30 September	
	2013	2012
	€000	€000
Loss on initial recognition of new GGBs	-	109.308
Change in fair value of related hedging instruments	-	34.265
	-	143.573

During the period ended 30 September 2012 the Group recognised a deferred tax asset of €223.707 thousand relating to the loss on initial recognition of the new GGBs and their subsequent revaluation. This credit has been reversed as at 31 December 2012 since it was no longer expected to be recovered.

The related hedging derivatives have been terminated during 2012.

In December 2012 the Group participated in the voluntary repurchase of new GGBs by the Greek Republic. As a result, the Group disposed of all its GGBs and realised a gain of €96.515 thousand during 2012.

## 10. Tax

	Nine months ended 30 September		Three months ended 30 September	
	2013	2012	2013	2012
	€000	€000	€000	€000
Current tax:				
- Cyprus	1.086	6.932	227	(3.660)
- overseas	3.241	2.862	205	(451)
Cyprus defence contribution	80	148	47	40
Deferred tax	(7.513)	(3.147)	(1.134)	(2)
Prior year tax adjustments	48	851	(32)	(8)
	(3.058)	7.646	(687)	(4.081)

11. Earnings per share

	Nine months ended 30 September		Three months ended 30 September	
	2013	2012	2013	2012
Loss after tax attributable to the owners of the Company (€ thousand)	<b>(1.946.770)</b>	(210.956)	<b>(142.164)</b>	(77.160)
(Loss)/profit after tax attributable to the owners of the Company – continuing operations (€ thousand)	<b>(491.166)</b>	864	<b>(142.164)</b>	6.099
Weighted average number of shares in issue during the period, excluding treasury shares (thousand)	<b>3.171.302</b>	14.826	<b>4.696.136</b>	15.560
Basic and diluted losses per share (cent)	<b>(61,4)</b>	(1.422,9)	<b>(3,0)</b>	(495,9)
Basic and diluted (losses)/earnings per share – continuing operations (cent)	<b>(15,5)</b>	5,8	<b>(3,0)</b>	39,2

The weighted average number of shares in issue during the period ended 30 September 2012 was adjusted to reflect the action implemented (share consolidation) by the decrees issued by the Resolution Authority in 2013 in respect to existing shareholders as at 29 March 2013 (Note 21).

The Convertible Bonds 2013/2018, the Convertible Capital Securities, the Convertible Enhanced Capital Securities and the Share Options 2008/2010 in issue at 30 September 2012 did not constitute potentially dilutive ordinary shares for the purposes of calculating the diluted earnings per share, for the nine months ended 30 September 2012, as their conversion into ordinary shares would reduce losses per share.

12. Investments

	30 September 2013	31 December 2012
Investments	€000	€000
Investments at fair value through profit or loss	<b>23.877</b>	21.818
Investments available-for-sale	<b>267.659</b>	402.547
Investments classified as loans and receivables	<b>2.496.012</b>	710.968
	<b>2.787.548</b>	1.135.333

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

	30 September 2013	31 December 2012
Investments pledged as collateral	€000	€000
Investments available-for-sale	<b>677.341</b>	694.287
Investments classified as loans and receivables	<b>39.741</b>	40.460
	<b>717.082</b>	734.747

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

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12. Investments (continued)

**Reclassification of investments**

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

	Reclassification date	Carrying and fair value on reclassification date	30 September 2013		31 December 2012		Nine months ended 30 September 2013		Effective interest rate on reclassification date
			Carrying value	Fair value	Carrying value	Fair value	Additional loss in the income statement had the debt securities not been reclassified	Additional loss in other comprehensive income had the debt securities not been reclassified	
		€000	€000	€000	€000	€000	€000	€000	
<b>Reclassification of trading investments to:</b>									
- loans and receivables	1 April 2010	34.810	37.972	29.063	39.650	28.105	957	-	1,2% - 4,4%
<b>Reclassification of available-for-sale investments to:</b>									
- loans and receivables	1 October 2008	163.407	166.204	139.318	167.493	131.305	-	(26.886)	4,6% - 4,7%
- loans and receivables	30 June 2011	158.711	186.423	141.768	186.305	116.981	-	(44.655)	2,8% - 6,3%
<b>Reclassification of held to maturity investments to:</b>									
- available-for-sale	1 November 2012	103.067	104.834	104.834	104.252	104.252	-	-	0,4% - 3,1%

### 13. Derivative financial instruments

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

	30 September 2013			31 December 2012		
	Contract amount	Fair value		Contract amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	€000	€000	€000	€000	€000	€000
<b>Trading derivatives</b>						
Forward exchange rate contracts	339.804	378	961	865.684	3.310	5.127
Currency swaps	2.801.410	1.298	33.404	4.989.311	11.128	27.350
Interest rate swaps	743.009	7.757	26.375	285.430	1.299	30.310
Currency options	140.032	3.966	4	40.408	363	363
Equity options	57.549	7.788	7.690	74.118	7.275	7.240
Interest rate caps/floors	6.658	15	293	15.040	3	405
GDP-linked warrants	1.619.732	18.704	-	-	-	-
Commodity-linked derivatives	1.179.822 tonnes	5.923	-	-	-	-
		45.829	68.727	6.269.991	23.378	70.795
<b>Derivatives qualifying for hedge accounting</b>						
Fair value hedges - interest rate swaps	704.279	3.757	57.170	786.663	3.416	90.310
Fair value of net investments - forward exchange rate contracts	250.186	273	8.990	226.072	-	22.721
		4.030	66.160	1.012.735	3.416	113.031
<b>Total</b>		49.859	134.887	7.282.726	26.794	183.826

#### Hedge accounting

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

Changes in the fair value of derivatives designated as fair value hedges, are recognised in the consolidated income statement.

#### *Fair value hedges*

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

### 13. Derivative financial instruments (continued)

#### Hedge accounting (continued)

##### *Hedges of net investments*

The Group's consolidated balance sheet is affected by exchange differences between the Euro and all non-Euro functional currencies of overseas subsidiaries and branches. The Group hedges its structural currency risk when it considers that the cost of such hedging is within an acceptable range (in relation to the underlying risk). This hedging is effected by financing with borrowings in the same currency as the functional currency of the overseas subsidiaries and branches and forward exchange contracts. As at 30 September 2013, deposits and forward exchange rate contracts amounting to €390.568 thousand (31 December 2012: €385.882 thousand) have been designated as hedging instruments and have given rise to a profit of €22.746 thousand (31 December 2012: loss of €12.063 thousand) which was recognised in the 'Foreign currency translation reserve' in equity, against the profit or loss from the retranslation of the net assets of the overseas subsidiaries and branches.

### 14. Fair value of financial instruments

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

	30 September 2013		31 December 2012	
	Carrying value	Fair value	Carrying value	Fair value
	€000	€000	€000	€000
<b>Financial assets</b>				
Cash and balances with central banks	1.227.121	1.227.121	1.272.424	1.272.424
Placements with banks	1.350.718	1.350.718	1.768.836	1.768.836
Investments at fair value through profit or loss	23.877	23.877	21.818	21.818
Investments available-for-sale	945.000	945.000	1.096.834	1.096.834
Investments classified as loans and receivables	2.535.753	2.351.237	751.428	590.192
Derivative financial assets	49.859	49.859	26.794	26.794
Loans and advances to customers	22.575.164	22.070.733	24.374.531	24.374.531
Life insurance business assets attributable to policy holders	422.500	422.500	483.106	483.106
Other assets	28.797	28.797	53.275	53.275
<b>Total financial assets</b>	<b>29.158.789</b>	<b>28.469.842</b>	29.849.046	29.687.810
<b>Financial liabilities</b>				
Funding from central banks and amounts due to banks	11.580.927	11.580.927	341.044	341.044
Repurchase agreements	614.766	614.766	607.773	607.773
Derivative financial liabilities	134.887	134.887	183.826	183.826
Customer deposits	15.467.965	15.316.441	28.442.152	28.442.152
Debt securities in issue	509	509	44.775	43.914
Subordinated loan stock	6.869	6.206	133.294	49.511
Other liabilities	69.218	69.218	168.840	168.840
<b>Total financial liabilities</b>	<b>27.875.141</b>	<b>27.722.954</b>	29.921.704	29.837.060

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 fair value of loans and advances to customers is based on present value of expected cash flows. The expected cash flows are adjusted for expectations on the credit quality of the borrowers.

The fair value of insured deposits is equivalent to their carrying value. For the remaining deposits the fair value was determined by discounting the present value of future cash flows. The discount rate takes into account current market rates and the credit profile of the Company.

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**14. Fair value of financial instruments (continued)**

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

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

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

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

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

	Level 1	Level 2	Level 3	Total
<b>30 September 2013</b>	€000	€000	€000	€000
<b>Financial assets</b>				
<i>Trading derivatives</i>				
Forward exchange rate contracts	-	378	-	<b>378</b>
Currency swaps	-	1.298	-	<b>1.298</b>
Interest rate swaps	-	7.757	-	<b>7.757</b>
Currency options	-	3.966	-	<b>3.966</b>
Equity options	-	7.788	-	<b>7.788</b>
Interest rate caps/floors	-	15	-	<b>15</b>
GDP-linked warrants	-	18.704	-	<b>18.704</b>
Commodity-linked derivatives	-	5.923	-	<b>5.923</b>
<i>Derivatives designated as fair value hedges</i>				
Interest rate swaps	-	3.757	-	<b>3.757</b>
<i>Derivatives for fair value of net investments</i>				
Forward exchange rate contracts	-	273	-	<b>273</b>
<i>Investments at fair value through profit or loss</i>				
Trading investments	8.910	-	-	<b>8.910</b>
Other investments at fair value through profit or loss	128	14.839	-	<b>14.967</b>
<i>Investments available-for-sale</i>	783.696	44.762	116.542	<b>945.000</b>
	<b>792.734</b>	<b>109.460</b>	<b>116.542</b>	<b>1.018.736</b>

14. Fair value of financial instruments (continued)

	Level 1	Level 2	Level 3	Total
30 September 2013	€000	€000	€000	€000
<b>Financial liabilities</b>				
<i>Trading derivatives</i>				
Forward exchange rate contracts	-	961	-	961
Currency swaps	-	33.404	-	33.404
Interest rate swaps	-	26.375	-	26.375
Currency options	-	4	-	4
Equity options	-	7.690	-	7.690
Interest rate caps/floors	-	293	-	293
<i>Derivatives designated as fair value hedges</i>				
Interest rate swaps	-	57.170	-	57.170
<i>Derivatives for fair value of net investment</i>				
Forward exchange rate contracts	-	8.990	-	8.990
	-	134.887	-	134.887

	Level 1	Level 2	Level 3	Total
31 December 2012	€000	€000	€000	€000
<b>Financial assets</b>				
<i>Trading derivatives</i>				
Forward exchange rate contracts	-	3.310	-	3.310
Currency swaps	-	11.128	-	11.128
Interest rate swaps	-	1.299	-	1.299
Currency options	-	363	-	363
Equity options	-	7.275	-	7.275
Interest rate caps/floors	-	3	-	3
<i>Derivatives designated as fair value hedges</i>				
Interest rate swaps	-	3.416	-	3.416
<i>Investments at fair value through profit or loss</i>				
Trading investments	7.863	-	-	7.863
Other investments at fair value through profit or loss	449	13.506	-	13.955
<i>Investments available-for-sale</i>	1.068.688	27.650	496	1.096.834
	1.077.000	67.950	496	1.145.446



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14. Fair value of financial instruments (continued)

	Level 1	Level 2	Level 3	Total
31 December 2012	€000	€000	€000	€000
<b>Financial liabilities</b>				
<i>Trading derivatives</i>				
Forward exchange rate contracts	-	5.127	-	5.127
Currency swaps	-	27.350	-	27.350
Interest rate swaps	-	30.310	-	30.310
Currency options	-	363	-	363
Equity options	-	7.240	-	7.240
Interest rate caps/floors	-	405	-	405
<i>Derivatives designated as fair value hedges</i>				
Interest rate swaps	-	90.310	-	90.310
<i>Derivatives for fair value of net investment</i>				
Forward exchange rate contracts	-	22.721	-	22.721
	-	183.826	-	183.826

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

	Other investments at fair value through profit or loss	Available-for-sale investments	Trading derivatives	
			Assets	Liabilities
2013	€000	€000	€000	€000
1 January	-	496	-	-
Acquired through business combinations	-	145.758	-	-
Disposals	-	(8.995)	-	-
Unrealised losses recognised in the consolidated statement of other comprehensive income	-	(19.922)	-	-
Realised losses recognised in the consolidated income statement	-	(795)	-	-
<b>30 September</b>	-	116.542	-	-
<b>2012</b>				
1 January	85	496	156	(1.432)
Realised (losses)/gains recognised in the consolidated income statement	(85)	-	(156)	726
Disposals	-	-	-	706
<b>31 December</b>	-	496	-	-

**14. Fair value of financial instruments (continued)**

During 2012 and during the nine months ended 30 September 2013 there were no significant transfers from Level 1 to Level 2.

**15. Loans and advances to customers**

	<b>30 September 2013</b>	31 December 2012
	<b>€000</b>	€000
Loans and advances to customers	<b>24.928.467</b>	26.520.517
Hire purchase and finance lease debtors	<b>508.862</b>	1.530.070
Gross loans and advances to customers	<b>25.437.329</b>	28.050.587
Provisions for impairment of loans and advances to customers (Note 25)	<b>(2.862.165)</b>	(3.676.056)
	<b>22.575.164</b>	24.374.531

Further analyses with respect to credit risk of loans and advances to customers and provisions for impairment are presented in Note 25.

**16. Other assets**

	<b>30 September 2013</b>	31 December 2012
	<b>€000</b>	€000
Debtors	<b>21.310</b>	26.400
Stock of property held for sale	<b>14.040</b>	11.624
Investment properties	<b>455.976</b>	316.378
Taxes refundable	<b>49.255</b>	41.459
Deferred tax asset	<b>479.207</b>	50.829
Retirement benefit plans assets	<b>1.610</b>	1.610
Reinsurers' share of insurance contract liabilities	<b>69.301</b>	65.927
Prepaid expenses	<b>6.538</b>	5.004
Receivable relating to acquisitions and disposals of operations	<b>243.264</b>	-
Other assets	<b>195.906</b>	94.529
	<b>1.536.407</b>	613.760

The increase in the deferred tax assets relates mainly to the Laiki Bank tax losses transferred to the Company as a result of the acquisition. Deferred tax assets of €417.000 thousand arise from tax losses carried forward and can be set off against the future profits of the Company for a period of 15 years at a tax rate of 12,5%. Deferred tax assets of €40.687 thousand relate to tax losses expiring within 5 years. The remaining deferred tax asset of €21.520 thousand relate to tax losses with no expiry date.

### 17. Funding from central banks

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

	30 September 2013	31 December 2012
	€000	€000
Emergency Liquidity Assistance	9.856.019	-
Monetary policy operations	1.301.031	-
	<b>11.157.050</b>	-

As at 31 December 2012 the Group had no funding under the ELA and the Company had, as at that date, been suspended by the ECB from participation in monetary policy operations.

The amount of ELA funding as at 30 September 2013 includes €9,1 billion ELA funding which was acquired as part of the transferred assets and liabilities of Laiki Bank as at 29 March 2013 following a decision by the Resolution Authority (Note 32). This ELA funding of Laiki Bank of €9,1 billion was effectively lower by €1,2 billion (Note 32) as Laiki Bank had advanced to the Company on 26 March 2013 an amount of €1,2 billion to finance the sale of the Group's Greek operations.

Since August 2013, the Company has been reinstated by the ECB as an eligible counterparty for monetary policy operations. This enables the Company to resort to monetary policy operations which may be used for ELA repayment.

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

### 18. Debt securities in issue

	Contractual interest rate	30 September 2013	31 December 2012
		€000	€000
<b>Medium term senior debt</b>			
SEK 100 million 2010/2014	Return of specific shares	-	11.990
€2 million 2010/2016	DJ EUROSTOXX 50 index	-	1.897
USD 2 million 2010/2016	S&P 500 index	-	1.502
		-	15.389
<b>Other debt securities in issue</b>			
RUB Certificates of Deposit and Promissory Notes	11%	17	28.894
Interest-free loan from the European Development Bank	-	492	492
		509	29.386
		<b>509</b>	<b>44.775</b>

**18. Debt securities in issue (continued)**

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.

During the recapitalisation process of the Company in 2013, eligible debt securities in issue by the Company were bailed in and were thus converted into ordinary shares. Additional information is presented in Note 21.

**Medium term senior debt**

The Company maintains a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €4.000 million (31 December 2012: €4.000 million). No bonds are currently in issue under the EMTN Programme.

**Short term commercial paper**

The Company maintains a Euro Commercial Paper (ECP) Programme with an aggregate nominal amount up to €1.000 million (31 December 2012: €1.000 million). According to the terms of the Programme, the Commercial Paper is issued in various currencies at a discount and pays no interest. Each issue has a maturity period up to 364 days and is unlisted. No commercial paper is currently in issue.

**Other debt securities in issue**

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

**Covered Bonds**

During 2011, a €5.000 million Covered Bonds Programme was set up under the Cyprus Covered Bonds legislation and the Covered Bonds Directive of the CBC.

Under the Programme, the Company issued in July and December 2011 covered bonds of €700 million and €1.000 million, respectively. 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.

On 29 June 2012 and 25 March 2013, covered bonds of €150 million and €550 million respectively issued in July 2011 were cancelled.

The liability from the issue of covered bonds is not presented in debt securities in issue in the consolidated balance sheet as all the bonds issued are held by the Company.

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

**Bonds guaranteed by the Cyprus Government**

In accordance with the terms of the decrees issued by the Resolution Authority for the acquisition of Laiki Bank, the Company assumed the rights and obligations of Laiki Bank in its role as issuer of two Government Guaranteed Bonds of €500 million each. The bonds were issued by Laiki Bank on 14 November and 27 November 2012 respectively and had a maturity of 364 days. The maturity of the bonds was extended in November 2013 for a further period of one year. The bonds bear annual fixed interest rate at 5%. The bonds are guaranteed by the Cyprus Government and are issued in accordance with the relevant legislation and decrees on the Granting of Government Guarantees for the Conclusion of Loans and/or the Issue of Bonds by Credit Institutions Law. The liability from the issue of these bonds is not presented within 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. The bonds are listed on the Cyprus Stock Exchange.

## **19. Other liabilities**

Other liabilities at 30 September 2013 include deferred tax liabilities of €48.108 thousand (31 December 2012: €45.232 thousand) and retirement benefit plan liabilities of €32.908 thousand (31 December 2012: €38.270 thousand).

In addition, a negative amount of €60.182 thousand representing shares subject to interim orders (Note 21) is included within other liabilities.

### **19.1 Pending litigation and claims**

A number of customers have filed actions against the Company alleging that they were misled into purchasing bonds and capital securities and claim various remedies including the return of the money they have paid. The Company is contesting the said claims, which are pending before the Court. In another development, the CBC has conducted an investigation and found that the Company breached certain regulatory requirements concerning the 2009 issue of Convertible Capital Securities, but not any regulatory requirements concerning the 2011 issue of CECS. The CBC imposed upon the Company a fine of €4 thousand. The Company has filed a recourse before the Supreme Court against the ruling and the imposition of a fine by the CBC.

The Cyprus Securities and Exchange Commission has conducted an investigation against the Company concerning alleged non-disclosure of important information, specifically the information provided on the amount of the capital shortfall as determined by the European Banking Authority and the amount of requested state aid in June 2012. It was held that the Company was in breach of the law and the Commission has imposed an administrative fine upon the Company of €70 thousand. It has also imposed fines upon certain of the then members of the Board of Directors. The Company intends to file a recourse before the Supreme Court against the Commission's decision and the fine imposed upon it.

Following the issue of the Decrees in respect of the bailed-in depositors, a number of the affected depositors 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. Actions on the part of affected depositors are filed before the District Courts and their objective is to obtain damages for the loss allegedly sustained by the depositors as a result of the Law and the Decrees issued thereafter. 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 Company is taking active steps to obtain the discharge and cancellation of the said interim orders and is defending the actions of depositors vigorously. The said actions are being contested by the Company and are pending before the District Courts.

The position of the Company is that the Resolution Law and the Decrees take precedence over all other Laws and management assesses that it is probable that the interim orders issued will be lifted and the said deposits will be eventually converted into equity.

There are also numerous claims filed by shareholders and holders of debt securities as of 29 March 2013 whose shares were applied for the absorption of losses of the Company. Such proceedings have been filed before the Supreme Court of Cyprus. The objective of these proceedings before the Supreme Court is to obtain the annulment (i.e. cancellation and setting aside) of the Decrees of the Resolution Authority as unconstitutional and/or unlawful and/or irregular. These proceedings are still at an early stage. The Company is appearing in these proceedings as an interested party. Both the Government of the Republic and the Resolution Authority are taking the view that the relevant Law and Decrees are lawful and constitutional. As matters now stand, both the Resolution Law and the Decrees issued thereunder are constitutional and lawful, in that they were properly enacted and have not so far been annulled by a Court of Law.

## 19. Other liabilities (continued)

### 19.1 Pending litigation and claims (continued)

In May 2013, a bailed-in depositor of the Company had assigned his rights arising from the deposit he held with the Company to a third party, who filed a claim in the Commercial Court of Kiev against the Company and its subsidiary in Ukraine. A judgement was issued against the Company and its subsidiary in Ukraine by the Court of first instance for the amount of €11 million. The Group filed an Appeal against this judgement. The Supreme Commercial Court of Ukraine has cancelled the judgement and terminated the proceedings entirely on the grounds of lack of jurisdiction of the Ukrainian Courts. The injunctive relief measures have been lifted in full.

A second case of a bailed-in depositor of the Company had assigned his rights under the deposit he held with the Company to a third party, who filed a claim for the amount of \$7 million against the Company and a Ukrainian legal entity (under a guarantee agreement with the Claimant). On 10 July 2013 the Kiev District Court issued injunctive relief measures and arrested all movable property of the Company in Ukraine as well as all corporate rights of the Company in its subsidiaries, Omix Finance LLC, Leasing Finance LLC and Corner LLC. The shares of the Group in PJSB Bank of Cyprus were also arrested by a respective court ruling. The Company appealed against the rulings. The case is currently pending at the Kyiv Appellate Court, whose potential decision would not be final, and the losing party would have a possibility to challenge it further to the Specialised Higher Court of Ukraine for Civil and Criminal Cases. Given the finding of lack of jurisdiction in the case mentioned previously, the Group expects that this case will have the same outcome.

The Cyprus Securities and Exchange Commission is carrying out investigations in respect of:

- The Group's exposure to GGBs. In this respect, the Commission has issued its decision for part of its investigation where it held that the Company was in breach of the law and it has imposed an administrative fine upon the Company of €160 thousand. It has also imposed fines upon certain of the then members of the Board of Directors. The Company has filed a recourse before the Supreme Court against the fine imposed upon it.
- The fact that the Group has not published its Annual Financial Statements for the year 2012 within the legally prescribed time limits.

The above investigations are in progress and therefore their final outcome cannot currently be assessed.

## 20. Subordinated loan stock

	Contractual interest rate	30 September 2013	31 December 2012
		€000	€000
Subordinated Bonds in USD 2013/2014/2015	2,50%	6.869	6.922
Convertible Bonds 2013/2018 (€573 million)	Six-month Euribor plus 1,00%	-	27.103
Convertible Capital Securities (€645 million)	5,50%	-	76.775
Capital Securities 12/2007 (€126 million)	Three-month Euribor plus 1,25%	-	22.494
		6.869	133.294

The subordinated loan stock is not secured and the rights and claims of their holders are subordinated to the claims of depositors and other creditors of the Company, but have priority over those of other shareholders of the Company.

The Convertible Bonds, the Convertible Capital Securities and the Capital Securities have contributed in the recapitalisation of the Company in 2013 through their conversion into ordinary shares in accordance with a series of decrees issued by the CBC under its capacity as Resolution Authority and pursuant to the provisions of the Resolution of Credit and Other Institutions Law, 2013. Additional information is presented in Note 21.

**20. Subordinated loan stock (continued)**

The Company maintains a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €4.000 million (31 December 2012: €4.000 million). The Company does not have any subordinated loan stock in issue under the EMTN Programme.

The Subordinated Bonds in USD 2013/2014/2015 were issued by CB Uniastrum Bank LLC and mature as follows: USD 2 million on 31 December 2013, USD 2,5 million on 31 December 2014 and USD 2 million on 31 December 2015. The interest rate can be changed unilaterally by the issuer at any time until maturity.

**21. Share capital**

**Issued share capital**

Issued	30 September 2013		31 December 2012	
	Shares (thousand)	€000	Shares (thousand)	€000
<b>1 January</b>	<b>1.795.141</b>	<b>1.795.141</b>	899.528	899.528
Issue of shares	-	-	159.683	159.683
Bonus issue	-	-	303.743	303.743
Conversion of Convertible Enhanced Capital Securities	-	-	432.187	432.187
Bail-in of deposits	<b>3.806.581</b>	<b>3.806.581</b>	-	-
Bail-in of Convertible Bonds 2013/2018, Capital Securities 12/2007 and Convertible Capital Securities	<b>122.541</b>	<b>122.541</b>	-	-
Conversion of CECS into shares	<b>459.399</b>	<b>459.399</b>	-	-
Reduction in nominal value of share capital	<b>(2.353.349)</b>	<b>(2.353.349)</b>	-	-
Acquisitions (Note 32)	<b>844.014</b>	<b>844.014</b>	-	-
	<b>4.674.327</b>	<b>4.674.327</b>	1.795.141	1.795.141

The nominal value of each share is €1,00.

Pursuant to the Cyprus-Eurogroup agreement (Note 2), the Company has been recapitalised through a bail-in (deposit-to-equity conversion) of uninsured deposits and a conversion of debt securities into ordinary shares. The holders of ordinary shares and debt securities as of 29 March 2013 have contributed to the recapitalisation of the Company through a reduction of the nominal value of shares issued which was used for 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 CBC in its capacity as Resolution Authority (collectively the 'Bail-in Decrees').

Pursuant to Article 6(4) of the Resolution of Credit and Other Institutions Law of 2013, the implementation of resolution measures under the Bail-in Decrees shall not activate any contractual clause or statutory provision that would be activated in case of bankruptcy or insolvency or upon the occurrence of another event which may be considered as a credit event or an event equivalent to insolvency.

## 21. Share capital (continued)

### Issued share capital (continued)

#### *Bail-in of depositors as of 26 March 2013*

As per the provisions of the Decree, 37,5% of the uninsured deposits at the Company as of 26 March 2013 were converted to Class A shares of the Company, 22,5% remained frozen and were subject to partial or total conversion to Class A shares of the Company, and 30% remained frozen and were subject to partial or total conversion to a time deposit.

On 30 July 2013, the CBC in its capacity as Resolution Authority, issued a decision whereby an additional 10% of the eligible uninsured deposits was converted to equity, revising the total percentage of eligible deposits converted to equity to 47,5%. The debt securities in issue by the Company (Note 18) were also bailed-in via conversion into shares, pursuant to Amended Decrees No. 2 and 3. As a result of the bail-in, the Company issued 3.806.581 thousand new Class A shares of €1,00 each. These shares were subsequently converted to ordinary shares.

According to the Amended Decrees No. 2 and No. 3 each Class A share of nominal value €1,00 was split into 100 Class A shares of a nominal value €0,01 each and each resulting Class A share was subsequently converted into 1 ordinary share of a nominal value €0,01 each.

#### *Holders of debt securities as of 29 March 2013*

The Bail-in Decrees provide that the subordinated debt and claims of the Company include subordinated debt and claims up to Tier 2 capital, including Tier 1 capital. In this respect, the following securities were included:

- Convertible Bonds 2013/2018 (Note 20)
- Capital Securities 12/2007 (Note 20)
- Convertible Capital Securities (Note 20)
- Convertible Enhanced Capital Securities (Note 22)

According to the Decrees:

- The subordinated debt and claims have been converted to Class D shares at a conversion rate of 1 Class D share of €1,00 nominal value, for each €1,00 of principal amount of such subordinated debt and claims.
- The subordinated debt and claims issued in foreign currency and in particular the Convertible Enhanced Capital Securities issued in US Dollars have been converted to Class D shares at a conversion rate of €1,00 nominal value shares for each equivalent of €1,00 principal amount of Convertible Enhanced Capital Securities calculated based on the exchange rate €1: \$1,2861 as contained in the reference exchange rates published by the ECB on 26 March 2013.

According to the Amended Decrees No. 2 and 3, the following have been effected:

- Reduction of the nominal value of all Class D shares from €1,00 each to Class D shares of nominal value of €0,01 each.
- The total amount of the reduction in the capital from the reduction of the nominal value of the issued Class D shares was utilised for the absorption of accumulated losses of the Company.
- Each Class D share of nominal value of €0,01 was converted to an Ordinary Share of €0,01 each.

As a result of the above, the Convertible Bonds 2013/2018, the Capital Securities 12/2007, the Convertible Capital Securities and the Convertible Enhanced Capital Securities in issue as of 29 March 2013 were converted to 581.941 thousand Class D shares of €1,00 nominal value each. The nominal value of these shares was reduced to €0,01 per share and the reduction was applied for the absorption of losses of the Company. These shares were subsequently consolidated and converted to 5.819 thousand ordinary shares of nominal value €1,00 each.



**21. Share capital (continued)**

**Issued share capital (continued)**

All Ordinary Shares resulting from the above corporate actions would comprise the sole class of shares of the Company and each share ranks *pari passu* and has the same voting and dividend rights with the other Ordinary Shares.

*Holders of ordinary shares as of 29 March 2013*

According to the Decree, all shareholder rights in relation to the ordinary shares were suspended from the entry into force of the relevant Decree until the Class D reconversion date.

According to the Amended Decrees No. 2 and No. 3 the nominal value of each ordinary share was reduced from €1,00 each to €0,01 each. The total amount of the reduction in the capital from the reduction of the nominal value of the issued ordinary shares has been utilised for the absorption of accumulated losses of the Company. As a result of the above amendments, the number of ordinary shares in issue as at 29 March 2013 was adjusted to 17.913 thousand.

Following the conversion of Class A, Class B, Class C and Class D shares to Ordinary Shares as described in the Amended Decrees No. 2 and 3, every 100 Ordinary Shares of nominal value €0,01 each registered to the same shareholder were consolidated and converted to one Ordinary Share of nominal value of €1,00 each. Any remaining Ordinary Shares of 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 absorption of the accumulated losses of the Company.

*Issue of shares on acquisition of Laiki Bank*

The Resolution Authority, pursuant to Decrees issued, required the Company to issue shares to Laiki Bank equal to 18,056371% of the total issued share capital of the Company, representing consideration for the assets and liabilities acquired by the Group on 29 March 2013 (Note 32). Accordingly, 844.014 thousand ordinary shares of €1,00 nominal value each, were issued to Laiki Bank.

Following the above-mentioned changes in the Company's share capital, the issued share capital of the Company as at the reporting date and the date of approval of these interim condensed consolidated financial statements amounts to €4.674.327 thousand divided into 4.674.327 thousand ordinary shares of a nominal value of €1,00 each.

All issued ordinary shares carry the same rights.

**Shares subject to interim orders**

Following the issue of the Bail-in Decrees, a number of the affected depositors have filed claims against the Company and other parties (CBC, Ministry of Finance, etc) on the ground, *inter alia*, that the 'Resolution of Credit and Other Institutions Law of 2013' and the various Decrees issued by virtue of the Law to implement the bail-in, were in conflict with the Constitution of the Republic and the European Convention of Human Rights. In some of the actions, interim orders were issued prohibiting the Company from treating the deposits of the applicants in question as bailed-in, i.e. converted into shares. The said actions are being contested by the Company and are pending before the District Courts.

The shares which as per the bail-in Decree correspond to the deposits which are subject to these interim orders amount to 60.182 thousand ordinary shares of a nominal value €1,00 each. These shares 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'.

**21. Share capital (continued)**

**Treasury shares of the Company**

Shares of the Company held by entities controlled by the Group and by associates are deducted from equity on the purchase, sale, issue or cancellation of such shares. No gain or loss is recognised in the consolidated income statement. The number of these shares at 30 September 2013 was 21.004 thousand (31 December 2012: 73.331 thousand). Treasury shares include 298 thousand shares resulted from the conversion of CECS of a nominal value of €29.794 thousand, which were held by the Group. The total cost of acquisition of treasury shares was €91.396 thousand (31 December 2012: €40.865 thousand).

Part of these shares held by entities controlled by the Group resulted from the bail-in of deposits that these entities maintained with the Company and in accordance with the provisions of Company Law, these shares must be sold within one year from their acquisition.

In addition, the life insurance subsidiary of the Group held, as at 30 September 2013, a total of 2.776 thousand (31 December 2012: 16.031 thousand) shares of the Company, as part of its financial assets which are invested for the benefit of insurance policyholders. The cost of acquisition of these shares was €2.817 thousand (31 December 2012: €21.463 thousand).

**Share premium reserve**

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

**22. Convertible Enhanced Capital Securities**

	<b>30 September 2013</b>	31 December 2012
	<b>€000</b>	€000
<b>1 January</b>	<b>428.835</b>	862.233
Conversion into shares	<b>(429.580)</b>	(432.187)
Exchange difference	<b>745</b>	(1.211)
<b>30 September 2013/31 December 2012</b>	<b>-</b>	428.835

The CECS have contributed to the recapitalisation of the Company in 2013 through their conversion into ordinary shares in accordance with a series of decrees issued by the CBC under its capacity as Resolution Authority and pursuant to the provisions of the Resolution of Credit and Other Institutions Law, 2013. Additional information is presented in Note 21.

The Company proceeded with a mandatory coupon cancellation for the period since 31 December 2011.

**23. Cash and cash equivalents**

	<b>30 September 2013</b>	30 September 2012
	<b>€000</b>	€000
Cash and non obligatory balances with central banks	<b>883.192</b>	2.447.287
Treasury bills repayable within three months	<b>199.407</b>	99.365
Placements with banks with original maturity less than three months	<b>707.098</b>	1.472.299
	<b>1.789.697</b>	4.018.951

**24. Analysis of assets and liabilities by expected maturity**

	30 September 2013			31 December 2012		
	Less than one year	Over one year	Total	Less than one year	Over one year	Total
	€000	€000	€000	€000	€000	€000
<b>Assets</b>						
Cash and balances with central banks	866.313	360.808	1.227.121	753.454	518.970	1.272.424
Placements with banks	524.407	826.311	1.350.718	1.546.727	222.109	1.768.836
Investments	253.080	3.251.550	3.504.630	390.226	1.479.854	1.870.080
Derivative financial instruments	22.435	27.424	49.859	16.041	10.753	26.794
Life insurance business assets attributable to policyholders	16.234	419.916	436.150	18.901	476.855	495.756
Loans and advances to customers	3.040.568	19.534.596	22.575.164	5.770.991	18.603.540	24.374.531
Property, equipment and intangible assets	38	614.055	614.093	5.973	600.775	606.748
Other assets	495.018	1.041.389	1.536.407	230.844	382.916	613.760
Investments in associates	-	102.558	102.558	-	3.107	3.107
	<b>5.218.093</b>	<b>26.178.607</b>	<b>31.396.700</b>	<b>8.733.157</b>	<b>22.298.879</b>	<b>31.032.036</b>
<b>Liabilities</b>						
Amounts due to banks	354.313	69.564	423.877	260.695	80.349	341.044
Funding from central banks	-	11.157.050	11.157.050	-	-	-
Repurchase agreements	36.579	578.187	614.766	31.813	575.960	607.773
Derivative financial instruments	58.004	76.883	134.887	65.043	118.783	183.826
Customer deposits	5.754.825	9.713.140	15.467.965	11.126.769	17.315.383	28.442.152
Insurance liabilities	98.585	447.851	546.436	101.322	502.848	604.170
Debt securities in issue	509	-	509	29.386	15.389	44.775
Other liabilities	135.262	119.551	254.813	293.771	45.532	339.303
Subordinated loan stock	2.114	4.755	6.869	-	133.294	133.294
	<b>6.440.191</b>	<b>22.166.981</b>	<b>28.607.172</b>	<b>11.908.799</b>	<b>18.787.538</b>	<b>30.696.337</b>

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, funding from central banks has been included in the over one year column since it is expected that it will continue to be required and available. It is noted however that contractual maturity is under one year.

Loans and advances to customers in Cyprus are classified based on the contractual repayment schedule with the exception of the overdrafts accounts and the impaired loans net of provisions, which are classified in the over one year time band.

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

For customer deposits, the analysis has assumed that the Company will exercise its option to renew the frozen deposits for a further equal term. The decision as to whether this option will be renewed will be taken in January 2014, in consultation with the CBC and the Ministry of Finance in accordance with the provisions of the relevant decree. A percentage of customer deposits in Cyprus maturing within one year was transferred in the over one year time band, based on the observed actual customer behaviour given the restrictive measures.

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

**25. Risk management – Credit risk**

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

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

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

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

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

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

The Group's policy regarding the definition of impaired loans and advances and the determination of the level of provisions for impairment is described in Note 2 of the consolidated financial statements for year 2012.

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

25. Risk management – Credit risk (continued)

Maximum exposure to credit risk

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

	30 September 2013	31 December 2012
	€000	€000
Balances with central banks	1.042.938	1.008.653
Placements with banks	1.350.718	1.768.836
Trading investments - debt securities	42	96
Debt securities at fair value through profit or loss	14.967	13.955
Debt securities classified as available-for-sale and loans and receivables	3.284.370	1.783.730
Derivative financial instruments	49.859	26.794
Loans and advances to customers	22.575.164	24.374.531
Debtors	21.310	26.400
Reinsurers' share of insurance contract liabilities	69.301	65.927
Other assets	439.170	94.529
<b>On-balance sheet total</b>	<b>28.847.839</b>	<b>29.163.451</b>
<i>Contingent liabilities</i>		
Acceptances and endorsements	19.961	12.971
Guarantees	1.275.129	1.546.572
<i>Commitments</i>		
Documentary credits	10.789	15.879
Undrawn formal standby facilities, credit lines and other commitments to lend	2.395.166	2.723.837
<b>Off-balance sheet total</b>	<b>3.701.045</b>	<b>4.299.259</b>
<b>Total credit risk exposure</b>	<b>32.548.884</b>	<b>33.462.710</b>

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

**Maximum exposure to credit risk (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.

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

	<b>30 September 2013</b>	31 December 2012
<b>On-balance sheet</b>	<b>€000</b>	€000
Cyprus	<b>24.940.519</b>	16.620.681
Greece	<b>237.178</b>	8.324.201
Russia	<b>1.506.417</b>	2.008.588
United Kingdom	<b>1.443.203</b>	1.326.359
Romania	<b>425.453</b>	560.007
Ukraine	<b>295.069</b>	323.615
	<b>28.847.839</b>	29.163.451
<b>Off-balance sheet</b>		
Cyprus	<b>3.177.465</b>	2.484.945
Greece	<b>339.400</b>	1.567.365
Russia	<b>158.628</b>	199.749
United Kingdom	<b>21.002</b>	23.428
Romania	<b>4.053</b>	23.349
Ukraine	<b>497</b>	423
	<b>3.701.045</b>	4.299.259

**Credit risk concentration**

There are restrictions on loan concentrations which are imposed by the Banking Law in Cyprus and the relevant Directive of the CBC. According to these restrictions, the banks are prohibited from lending more than 25% of the shareholders' equity to a single customer group.

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

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

**Collateral and other credit enhancements**

*Loans and advances to customers*

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

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

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

*Other financial instruments*

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

The Group has chosen the ISDA Master Agreement for documenting its derivatives activity. It provides the contractual framework within which dealing activity across a full range of over-the-counter (OTC) products is conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement, if either party defaults. In some 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 cash or securities. 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.

25. Risk management – Credit risk (continued)

Credit quality of loans and advances to customers

	30 September 2013			31 December 2012
	Gross loans before fair value on initial recognition	Fair value adjustment on initial recognition	Gross loans after fair value on initial recognition	Gross loans
	€000	€000	€000	€000
Neither past due nor impaired	12.026.973	(208.823)	11.818.150	17.402.119
Past due but not impaired	6.456.019	(224.271)	6.231.748	5.752.371
Impaired	8.918.809	(1.531.378)	7.387.431	4.896.097
	<b>27.401.801</b>	<b>(1.964.472)</b>	<b>25.437.329</b>	28.050.587

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

Fair value adjustment on initial recognition relates to the loans and advances to customers acquired as part of the Laiki Bank acquisition (Note 32). In accordance with the provisions of IFRS 3, this adjustment has decreased the gross balance of loans and advances to customers. However, for IFRS 7 disclosure purposes as well as for credit risk monitoring, the aforementioned adjustment is not presented within the gross balances of loans and advances.

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

	30 September 2013	31 December 2012
	€000	€000
Past due:		
- up to 30 days	1.094.086	1.102.785
- 31 to 90 days	1.298.231	1.854.459
- 91 to 180 days	1.909.866	873.830
- 181 to 365 days	1.507.613	798.306
- over one year	646.223	1.122.991
	<b>6.456.019</b>	5.752.371

The fair value of the collateral that the Group holds (to the extent that they mitigate credit risk) in respect of loans and advances to customers that are past due but not impaired as at 30 September 2013 is €5.294.223 thousand (31 December 2012: €4.601.146 thousand).



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

**Credit quality of loans and advances to customers (continued)**

*Impaired loans and advances to customers on an individual basis*

	30 September 2013		31 December 2012	
	Gross Loans and advances	Fair value of collateral	Gross Loans and advances	Fair value of collateral
	€000	€000	€000	€000
Cyprus	8.330.232	5.510.267	2.877.827	1.822.899
Greece	-	-	1.519.603	753.377
Russia	270.538	175.227	279.518	178.137
United Kingdom	71.773	75.539	57.351	30.229
Romania	155.529	116.035	76.480	51.570
Ukraine	90.737	66.164	85.318	61.996
	<b>8.918.809</b>	<b>5.943.232</b>	4.896.097	2.898.208

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

**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 totally or partially.

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 credit facilities are those facilities for which the Group has modified the repayment programme (extension of the grace period, suspension of the obligation to repay one or more instalments, reduction in the instalment amount and/or elimination of overdue instalments relating to capital or interest) and current accounts/overdrafts for which the credit limit has been increased with the sole purpose of covering an excess. Loans repaid by monthly instalments for which the elimination or suspension of maximum two monthly instalments per year is part of the original loan terms or is part of the documented policies of the Group, and accordingly no specific approval is required for the said elimination or suspension, but is up to the borrower's discretion to exercise this right, are not considered as rescheduled loan facilities.

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

Rescheduled loans are monitored by the Credit Risk Department. For example, the trends of re-default are closely monitored and analysed in order to identify the drivers for the re-defaults.

Rescheduled loans are assessed as a separate group within each portfolio for the purposes of impairment calculation.

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25. Risk management – Credit risk (continued)

Forbearance (continued)

The below tables show 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.

*Rescheduled loans and advances to customers*

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	Total
	€000	€000	€000	€000	€000	€000	€000
<b>30 September 2013</b>							
1 January	3.394.783	1.657.988	113.217	58.264	63.039	64.336	5.351.627
Disposal of Greek operations	-	(1.302.984)	-	-	-	-	(1.302.984)
New loans and advances rescheduled in the period	2.559.281	-	194.574	15.140	32.581	21.152	2.822.728
Assets no longer rescheduled (including repayments)	(1.152.847)	(355.004)	(28.242)	(3.373)	(17.274)	(28.124)	(1.584.864)
Applied in writing off rescheduled loans and advances	(11)	-	-	-	-	-	(11)
Interest accrued on rescheduled loans and advances	157.060	-	15.743	2.035	1.998	2.553	179.389
Exchange adjustments	158	-	(17.428)	(1.139)	(399)	(2.051)	(20.859)
<b>30 September</b>	<b>4.958.424</b>	<b>-</b>	<b>277.864</b>	<b>70.927</b>	<b>79.945</b>	<b>57.866</b>	<b>5.445.026</b>
<b>31 December 2012</b>							
1 January	1.843.527	1.099.737	54.266	94.855	66.609	58.875	3.217.869
New loans and advances rescheduled in the year	1.895.156	1.497.983	107.045	1.335	26.174	21.341	3.549.034
Assets no longer rescheduled (including repayments)	(540.332)	(945.395)	(53.312)	(37.989)	(32.611)	(15.523)	(1.625.162)
Applied in writing off rescheduled loans and advances	-	-	-	(5.022)	-	-	(5.022)
Interest accrued on rescheduled loans and advances	197.500	3.912	3.025	2.428	3.360	1.476	211.701
Exchange adjustments	(1.068)	1.751	2.193	2.657	(493)	(1.833)	3.207
<b>31 December</b>	<b>3.394.783</b>	<b>1.657.988</b>	<b>113.217</b>	<b>58.264</b>	<b>63.039</b>	<b>64.336</b>	<b>5.351.627</b>

In addition to the above, the loans acquired from Laiki Bank include €1.958.124 thousand of rescheduled loans.

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25. Risk management – Credit risk (continued)

Forbearance (continued)

*Analysis of rescheduled loans and advances to customers*

	Cyprus	Russia	United Kingdom	Romania	Ukraine	Total
<b>30 September 2013</b>	€000	€000	€000	€000	€000	€000
<b>By economic activity</b>						
Trade	427.374	61.229	849	8.916	1.756	<b>500.124</b>
Manufacturing	186.919	31.469	56	1.983	1.412	<b>221.839</b>
Hotels and catering	338.288	-	8.799	6.599	6.495	<b>360.181</b>
Construction	826.817	15.063	15.068	5.978	9.659	<b>872.585</b>
Real estate	766.861	-	39.709	34.620	23.642	<b>864.832</b>
Private individuals	1.744.090	2.790	794	-	8.684	<b>1.756.358</b>
Professional and other services	390.192	167.313	5.652	21.068	4.734	<b>588.959</b>
Other sectors	277.883	-	-	781	1.484	<b>280.148</b>
	<b>4.958.424</b>	<b>277.864</b>	<b>70.927</b>	<b>79.945</b>	<b>57.866</b>	<b>5.445.026</b>
<b>By customer sector</b>						
Corporate	2.068.745	246.830	37.091	67.966	49.294	<b>2.469.926</b>
Small and medium-sized enterprises (SMEs)	1.152.056	28.244	33.748	11.979	5.577	<b>1.231.604</b>
Retail						
- housing	1.366.481	2.541	65	-	261	<b>1.369.348</b>
- credit cards	392	-	-	-	-	<b>392</b>
- consumer and other	370.750	249	23	-	2.734	<b>373.756</b>
	<b>4.958.424</b>	<b>277.864</b>	<b>70.927</b>	<b>79.945</b>	<b>57.866</b>	<b>5.445.026</b>

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25. Risk management – Credit risk (continued)

Forbearance (continued)

Analysis of rescheduled loans and advances to customers (continued)

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	Total
31 December 2012	€000	€000	€000	€000	€000	€000	€000
<b>By economic activity</b>							
Trade	263.551	113.294	17.901	369	210	10.462	<b>405.787</b>
Manufacturing	63.668	89.909	7.219	75	1.488	379	<b>162.738</b>
Hotels and catering	239.384	296.273	-	11.229	971	4.951	<b>552.808</b>
Construction	937.094	205.160	10.282	12.144	3.966	10.560	<b>1.179.206</b>
Real estate	615.446	154.365	-	27.975	18.821	24.394	<b>841.001</b>
Private individuals	839.420	530.828	-	1.117	1.823	8.492	<b>1.381.680</b>
Professional and other services	249.147	128.241	77.815	5.355	26.867	3.868	<b>491.293</b>
Other sectors	187.073	139.918	-	-	8.893	1.230	<b>337.114</b>
	<b>3.394.783</b>	<b>1.657.988</b>	<b>113.217</b>	<b>58.264</b>	<b>63.039</b>	<b>64.336</b>	<b>5.351.627</b>
<b>By customer sector</b>							
Corporate	1.995.147	603.348	97.686	35.832	50.413	55.865	<b>2.838.291</b>
Small and medium-sized enterprises (SMEs)	589.460	499.786	12.986	22.357	10.803	5.802	<b>1.141.194</b>
Retail							
- housing	635.409	396.576	2.322	71	881	172	<b>1.035.431</b>
- credit cards	327	-	-	-	-	-	<b>327</b>
- consumer and other	174.440	158.278	223	4	942	2.497	<b>336.384</b>
	<b>3.394.783</b>	<b>1.657.988</b>	<b>113.217</b>	<b>58.264</b>	<b>63.039</b>	<b>64.336</b>	<b>5.351.627</b>

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25. Risk management – Credit risk (continued)

Forbearance (continued)

*Credit quality of rescheduled loans and advances to customers*

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	Total
<b>30 September 2013</b>	€000	€000	€000	€000	€000	€000	€000
Neither past due nor impaired	2.306.662	-	174.905	42.360	16.034	3.053	<b>2.543.014</b>
Past due but not impaired	1.532.247	-	53.058	19.199	41.985	24.732	<b>1.671.221</b>
Impaired	1.119.515	-	49.901	9.368	21.926	30.081	<b>1.230.791</b>
	<b>4.958.424</b>	<b>-</b>	<b>277.864</b>	<b>70.927</b>	<b>79.945</b>	<b>57.866</b>	<b>5.445.026</b>
<b>31 December 2012</b>							
Neither past due nor impaired	2.200.463	871.475	97.446	40.642	25.694	19.390	<b>3.255.110</b>
Past due but not impaired	773.395	672.857	3.939	5.086	34.796	16.268	<b>1.506.341</b>
Impaired	420.925	113.656	11.832	12.536	2.549	28.678	<b>590.176</b>
	<b>3.394.783</b>	<b>1.657.988</b>	<b>113.217</b>	<b>58.264</b>	<b>63.039</b>	<b>64.336</b>	<b>5.351.627</b>

BANK OF CYPRUS GROUP  
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25. Risk management – Credit risk (continued)

Forbearance (continued)

*Fair value of collateral held for rescheduled loans and advances to customers*

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	Total
<b>30 September 2013</b>	€000	€000	€000	€000	€000	€000	€000
Neither past due nor impaired	2.059.731	-	172.695	42.338	12.200	3.053	<b>2.290.017</b>
Past due but not impaired	1.366.973	-	52.290	18.985	12.708	23.193	<b>1.474.149</b>
Impaired	936.328	-	39.982	5.196	21.698	17.600	<b>1.020.804</b>
	<b>4.363.032</b>	<b>-</b>	<b>264.967</b>	<b>66.519</b>	<b>46.606</b>	<b>43.846</b>	<b>4.784.970</b>
<b>31 December 2012</b>							
Neither past due nor impaired	1.837.569	619.427	40.263	40.504	9.183	19.389	<b>2.566.335</b>
Past due but not impaired	642.094	552.064	3.580	5.086	8.047	14.675	<b>1.225.546</b>
Impaired	303.889	78.111	8.162	9.365	2.282	18.774	<b>420.583</b>
	<b>2.783.552</b>	<b>1.249.602</b>	<b>52.005</b>	<b>54.955</b>	<b>19.512</b>	<b>52.838</b>	<b>4.212.464</b>

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

25. Risk management – Credit risk (continued)

Forbearance (continued)

*Provision for impairment of rescheduled loans and advances to customers*

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	Total
<b>30 September 2013</b>	€000	€000	€000	€000	€000	€000	€000
Individual impairment	357.839	-	17.716	4.173	2.795	13.188	<b>395.711</b>
Collective impairment	181.977	-	14.347	49	257	-	<b>196.630</b>
	<b>539.816</b>	-	<b>32.063</b>	<b>4.222</b>	<b>3.052</b>	<b>13.188</b>	<b>592.341</b>
<b>31 December 2012</b>							
Individual impairment	280.682	57.344	3.324	3.170	541	11.097	<b>356.158</b>
Collective impairment	98.965	-	3.457	50	277	-	<b>102.749</b>
	<b>379.647</b>	<b>57.344</b>	<b>6.781</b>	<b>3.220</b>	<b>818</b>	<b>11.097</b>	<b>458.907</b>

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

**Provision for impairment of loans and advances to customers**

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

	Cyprus	Greece	Russia	Other countries	Total
<b>2013</b>	€000	€000	€000	€000	€000
1 January	1.779.343	1.528.224	238.472	130.017	<b>3.676.056</b>
Disposal of Greek operations	-	(1.572.528)	-	-	<b>(1.572.528)</b>
Exchange adjustments	4.347	-	(17.895)	(1.951)	<b>(15.499)</b>
Applied in writing off impaired loans and advances	(1.701)	(7.781)	(4.266)	(8.822)	<b>(22.570)</b>
Interest accrued on impaired loans and advances	(53.293)	(6.634)	(420)	(2.816)	<b>(63.163)</b>
Collection of loans and advances previously written off	304	-	-	1.209	<b>1.513</b>
Charge relating to discontinued operations	-	58.908	-	-	<b>58.908</b>
Charge for the period	711.879	-	51.958	35.611	<b>799.448</b>
<b>30 September</b>	<b>2.440.879</b>	<b>189</b>	<b>267.849</b>	<b>153.248</b>	<b>2.862.165</b>
<b>Individual impairment</b>	<b>1.847.027</b>	<b>189</b>	<b>127.771</b>	<b>135.526</b>	<b>2.110.513</b>
<b>Collective impairment</b>	<b>593.852</b>	<b>-</b>	<b>140.078</b>	<b>17.722</b>	<b>751.652</b>
<b>2012</b>					
1 January	649.025	632.012	148.430	76.045	<b>1.505.512</b>
Exchange adjustments	(525)	-	4.569	815	<b>4.859</b>
Applied in writing off impaired loans and advances	(6.360)	(17.649)	-	(8.811)	<b>(32.820)</b>
Interest accrued on impaired loans and advances	(28.425)	(18.354)	(1.547)	(2.981)	<b>(51.307)</b>
Collection of loans and advances previously written off	2.220	-	-	(716)	<b>1.504</b>
Charge relating to discontinued operations	-	435.517	-	-	<b>435.517</b>
Charge for the period	315.432	-	44.944	25.771	<b>386.147</b>
<b>30 September</b>	<b>931.367</b>	<b>1.031.526</b>	<b>196.396</b>	<b>90.123</b>	<b>2.249.412</b>
<b>Individual impairment</b>	<b>694.458</b>	<b>720.587</b>	<b>100.168</b>	<b>79.467</b>	<b>1.594.680</b>
<b>Collective impairment</b>	<b>236.909</b>	<b>310.939</b>	<b>96.228</b>	<b>10.656</b>	<b>654.732</b>

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



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

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

Assumptions have been made about the future changes in property values, as well as the timing for the realisation of the collateral and for taxes and expenses on the repossession and subsequent sale of the collateral. For example, it has been assumed that the market value of residential property in Cyprus is expected to decline by a further 12% in the next two years. In the case of commercial property and stock of land for real estate development in Cyprus, the decline in market value is expected to be about 26%. The timing of collection from collateral has been estimated to be 2,5 years for loans that have been managed by the Recoveries Division for at least 2 years, 4,5 years for loans that have been managed by the Recoveries Division for less than 2 years and 5 years for all other loans.

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

Indicatively, if the actual recoverable amount of impaired loans from collateral in Cyprus portfolio is lower than the amount estimated as at 30 September 2013 by 5% and 10%, then provisions for impairment of loans and advances would increase by €118.545 thousand and €246.825 thousand respectively. Alternatively, if the collateral value in Cyprus increased by 5% and 10% then the provisions for impairment of loans and advances would decrease by €107.089 thousand and €207.998 thousand respectively.

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25. Risk management – Credit risk (continued)

Analysis of loans and advances to customers

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	Gross loans before fair value adjustment on initial recognition	Fair value adjustment on initial recognition	Gross loans after fair value adjustment on initial recognition
30 September 2013	€000	€000	€000	€000	€000	€000	€000	€000	€000
<b>By economic activity</b>									
Trade	2.614.314	-	291.110	49.679	19.137	19.182	2.993.422	(227.000)	2.766.422
Manufacturing	853.395	-	131.323	34.391	24.130	13.897	1.057.136	(69.402)	987.734
Hotels and catering	1.634.986	-	-	173.468	106.314	6.898	1.921.666	(112.901)	1.808.765
Construction	3.901.138	-	67.888	45.721	26.439	15.286	4.056.472	(343.951)	3.712.521
Real estate	3.101.321	-	184.526	943.852	220.998	90.656	4.541.353	(414.051)	4.127.302
Private individuals	7.951.500	676	427.812	44.929	3.933	63.400	8.492.250	(359.110)	8.133.140
Professional and other services	1.734.986	-	474.006	58.900	72.008	100.353	2.440.253	(191.908)	2.248.345
Other sectors	1.748.106	-	43.014	100.094	5.673	2.362	1.899.249	(246.149)	1.653.100
	<b>23.539.746</b>	<b>676</b>	<b>1.619.679</b>	<b>1.451.034</b>	<b>478.632</b>	<b>312.034</b>	<b>27.401.801</b>	<b>(1.964.472)</b>	<b>25.437.329</b>
<b>By customer sector</b>									
Corporate	10.154.394	-	907.772	776.512	430.876	239.303	12.508.857	(1.042.563)	11.466.294
Small and medium-sized enterprises (SMEs)	5.278.576	-	284.095	613.034	43.997	25.350	6.245.052	(553.547)	5.691.505
Retail									
- housing	5.203.138	-	45.217	36.956	1.832	15.739	5.302.882	(123.770)	5.179.112
- credit cards	182.415	-	104.355	47	-	6	286.823	(22.639)	264.184
- consumer and other	2.721.223	676	278.240	24.485	1.927	31.636	3.058.187	(221.953)	2.836.234
	<b>23.539.746</b>	<b>676</b>	<b>1.619.679</b>	<b>1.451.034</b>	<b>478.632</b>	<b>312.034</b>	<b>27.401.801</b>	<b>(1.964.472)</b>	<b>25.437.329</b>

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25. Risk management – Credit risk (continued)

Analysis of loans and advances to customers (continued)

	Cyprus	Greece	Russia	United Kingdom	Romania	Ukraine	Total
31 December 2012	€000	€000	€000	€000	€000	€000	€000
<b>By economic activity</b>							
Trade	1.621.879	1.337.611	398.902	55.489	27.278	21.462	<b>3.462.621</b>
Manufacturing	518.754	1.197.493	179.067	15.525	28.226	12.956	<b>1.952.021</b>
Hotels and catering	914.486	1.130.222	-	115.327	108.375	8.534	<b>2.276.944</b>
Construction	2.420.212	1.013.129	78.885	56.583	25.504	15.538	<b>3.609.851</b>
Real estate	1.715.884	651.750	183.669	484.948	223.221	91.777	<b>3.351.249</b>
Private individuals	5.323.545	2.611.578	521.945	53.594	42.515	78.660	<b>8.631.837</b>
Professional and other services	1.425.792	503.640	614.806	51.883	81.185	98.938	<b>2.776.244</b>
Other sectors	932.384	992.254	47.250	657	13.850	3.425	<b>1.989.820</b>
	<b>14.872.936</b>	<b>9.437.677</b>	<b>2.024.524</b>	<b>834.006</b>	<b>550.154</b>	<b>331.290</b>	<b>28.050.587</b>
<b>By customer sector</b>							
Corporate	7.082.512	3.470.307	1.199.608	321.927	453.600	242.810	<b>12.770.764</b>
Small and medium-sized enterprises (SMEs)	2.276.659	2.739.550	366.649	472.642	53.292	29.558	<b>5.938.350</b>
Retail							
- housing	3.740.856	1.634.263	58.976	33.584	18.739	20.792	<b>5.507.210</b>
- credit cards	120.658	155.727	102.966	-	-	7	<b>379.358</b>
- consumer and other	1.652.251	1.437.830	296.325	5.853	24.523	38.123	<b>3.454.905</b>
	<b>14.872.936</b>	<b>9.437.677</b>	<b>2.024.524</b>	<b>834.006</b>	<b>550.154</b>	<b>331.290</b>	<b>28.050.587</b>

As at 31 December 2012, in Greece the 'corporate' sector and 'other sectors' include loans to government-controlled businesses amounting to €252.588 thousand which according to the European Banking Authority are classified as sovereign debt (Note 28).

## 26. 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.

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 the Group's both the risk of unexpected increases in the cost of funding and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

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

### Management structure

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

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

The ALCO of each unit is responsible for monitoring the liquidity position of its unit and ensuring compliance with the approved policies. The ALCO is responsible for setting the policies for the effective management and monitoring of liquidity across the Group. It also monitors the liquidity position of its major banking units at least monthly. After the March 2013 events, the ALCO monitors mostly the stock of liquid assets and the cash outflows of the bank in Cyprus, since these are considered to be of utmost importance.

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

### Restriction on withdrawal of deposits

It should be noted that, following the bail-in, various capital controls have been put in place, that prohibit customers from withdrawing their deposits, even if placed in instant access accounts. There are limits on the maximum cash that can be withdrawn per day. There are also limits on the maximum amount that can be transferred to banks abroad and to other local banks. These limits apply per month and are different for physical and legal persons. Moreover, on the maturity of a fixed deposit, there are limits as to the amount that can be transferred to an instant access account.

### Monitoring process

#### *Daily*

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

**26. Risk management – Liquidity risk and funding (continued)**

**Monitoring process (continued)**

*Weekly*

The Group Market Risk Management prepares a weekly report of Euro and foreign currency liquidity mismatch which is submitted to the CBC. Group Treasury prepares projections of expected inflows and outflows covering a two months period.

*Monthly*

GMRM prepares tables indicating compliance with internal and regulatory liquidity ratios, for all banking units and for the Group and submits them to the ALCO. It also calculates the expected flows under a stress scenario and compares them with the projected available liquidity buffer.

*Quarterly*

Until March 2013, the Board of Directors was informed of compliance with internal and regulatory liquidity ratios for each banking unit and for the Group on at least a quarterly basis. From May 2013 onwards, the Board is informed about the liquidity position of the Group on a more frequent basis.

*Periodic*

The liquidity position is assessed under various scenarios, including simulation of Group-specific crisis and market-wide crisis.

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 the ALCO. The latter submits the updated policy with its recommendations to the Board Risk Committee for approval. The approved policy is notified to the CBC.

*Liquidity ratios*

The ratio of liquid assets to total deposits and other liabilities falling due in the next twelve months is prepared monthly by GMRM and monitored by ALCO. Liquid assets are defined as cash, interbank deposits maturing within thirty days and debt and equity securities at discounts 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:

	<b>30 September 2013</b>	31 December 2012
	<b>%</b>	<b>%</b>
30 September 2013/31 December 2012	<b>10,42</b>	8,79
Average ratio	<b>11,01</b>	14,99
Highest ratio	<b>14,42</b>	23,93
Lowest ratio	<b>8,69</b>	7,08

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

	<b>30 September 2013</b>	31 December 2012
	<b>%</b>	<b>%</b>
30 September 2013/31 December 2012	<b>145,91</b>	85,70
Average ratio	<b>124,44</b>	91,65
Highest quarter ratio	<b>154,91</b>	93,85
Lowest quarter ratio	<b>85,70</b>	85,70

**26. Risk management – Liquidity risk and funding (continued)**

**Monitoring process (continued)**

*Liquidity ratios (continued)*

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) by the CBC.

As a result of further deterioration in the economic conditions at the beginning of 2013 and increased customer deposit outflows, the Group obtained funding from the CBC in February 2013.

The acquisition of certain operations of Laiki Bank by the Group as a result of the agreement between Cyprus and the Eurogroup of 25 March 2013 resulted in an amount of approximately €9,1 billion ELA funding as at the date of acquisition to be assumed by the Group. The Group currently has limited access to interbank and wholesale markets which combined with a reduction in deposits in Cyprus has resulted in increased reliance on central bank funding. As at 30 September 2013, the funding from the ELA amounted to €9,85 billion (Note 17).

The carrying value of the Group's encumbered assets as at 30 September 2013 and 31 December 2012 respectively are summarised below:

	<b>30 September 2013</b>	31 December 2012
Asset type pledged as collateral:	<b>€000</b>	€000
- cash and other liquid assets	<b>504.947</b>	707.749
- other investment securities	<b>3.252.115</b>	853.617
- loans and advances	<b>14.753.630</b>	1.830.000
- property	<b>92.534</b>	-
<b>Total encumbered assets</b>	<b>18.603.226</b>	3.391.366

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

Securities are mainly used as collateral for repurchase transactions as well as for covered bonds, while loans are mainly used as collateral for Eurosystem transactions and covered bonds.

Cash and other liquid assets include amounts placed with banks as collateral under ISDA agreements of €293.201 thousand (31 December 2012: €388.817 thousand) which are not immediately available for use by the Group but are released once the transactions are terminated.

Loans and advances indicated as encumbered as at 30 September 2013 are mainly used as collateral for funding from the CBC. As at 31 December 2012 they comprise of loans and advances used as collateral for the two covered bonds issued by the Company and retained by the Group (Note 18).

**27. Risk management – Other risks**

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

**27. Risk management – Other risks (continued)**

**Operational risk**

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people (internal fraud), systems and external events (external fraud and natural disasters). The definition also includes legal risk, but does not include strategic or reputational risk or other risks leading to indirect losses or opportunity costs.

The Group recognises that the control of operational risk is concerned fundamentally with good management practices. To that effect, the overall Group strategy is geared towards risk prevention rather than relying on the adequacy of capital charges. The Group's operational risk policy aims primarily at managing operational risk in an effective and proactive manner and secondly at assessing and quantifying this risk.

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 avoidance of operational losses which will have a negative impact on the Group's profitability and corporate objectives.

The operational risk management framework adopted by the Group is based on three lines of defence. According to this framework, governance and risk ownership structure 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. 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. 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.

Year 2013 is extremely challenging from an operational risk management perspective due to the occurrence of several events which gave rise to a number of important operational risk drivers. These risk drivers impinged upon a wide spectrum of the Group's operations.

More specifically, following the Eurogroup decisions in March 2013, IT-related operational risks emerged due to the complexity and tight deadlines faced in the process of the timely and effective application of IT systems in relation to the Decrees issued by the Resolution Authority for the bail-in of deposits and the capital controls. The risks concerned increased due to the need for rapid software development, without this being supported by business analysis. Also, several operational risks have emerged on the day-to-day operations of the Group due to the absorption of the Laiki Bank operations in Cyprus and in relation to the process of integrating the IT systems and procedures of the Group with those of Laiki Bank.

Furthermore, there was a significant rise in litigation against the Group by stakeholders who were affected by the adverse consequences of the Eurogroup decisions on the Group's operations and the economy as a whole, leading to a deepening recession.

Risks relating to the potential loss of significant human capital and valuable executives of the Company arose due to the process of downsizing of the Group and the Voluntary Retirement Scheme that had been offered to employees, which was completed in August 2013. Physical downsizing of operations involving the sale of the Greek operations and branch closures in Cyprus in such a short time span also leads to a number of potential operational risks. Specifically, following the sale of Greek operations, the management of the remaining assets in Greece poses operational challenges to the Group.

During the nine months ended 30 September 2013, a number of regulatory changes were implemented, leading to demand for new software and procedures development, which need to be managed effectively.

The Group is experiencing high levels of non-performing loans and loans in arrears. Under these circumstances, there might be an increase in credit losses due to credit boundary operational risk events. Such events relate to operational failures in the lending process, which in case the facilities were repaid

normally would never have triggered any losses. Nevertheless, due to these operational risk failures, higher credit losses might be experienced.

## **27. Risk management – Other risks (continued)**

### **Operational risk (continued)**

Group Operational Risk Management is using various best practice methodologies and tools, which are continuously adapted by the Group to effectively identify, measure, assess and when possible proactively manage operational risks.

Operational risk loss events are classified and recorded in the Group's internal loss database to enable risk identification, corrective action and statistical analysis. In the period January to September 2013, 250 loss events with potential loss over €1.000 were recorded. For the corresponding period in 2012, 365 loss events were recorded.

The Group uses risk self assessment methodology to identify key operational risk drivers and important risks on a departmental level. These assessments are done on a regular or ad hoc basis. Key risk indicators are utilised to monitor trends on operational risk exposures and to serve as warning signals to trigger action. Action plans for managing the major operational risks identified are formulated so as to control/mitigate, transfer, avoid or retain the risks. Decision making on the treatment of each risk is made by the appropriate level of management.

Escalation procedures are in place for the timely internal reporting of risks and incidents to the appropriate level of management so as to facilitate decision making for the necessary risk control activities.

The internal audit and compliance functions of the Group also provide assurance in relation to Group-wide operational risk management and the effectiveness of the Group's internal control system through continuous monitoring of activities and reporting.

According to the Group's established procedures, the operational risk management unit is involved in the introduction of new products, the evaluation of new and amended procedures, group policies, new technology systems, new services with the objective of assisting in the identification and assessment on arising risks and recommendations on their treatment. Also, the operational risk management unit is responsible to understanding the operational risks associated with the outsourcing agreements the Group is engaged in and ensures that effective risk management policies and practices are in place to manage the risk of outsourcing activities.

The Group aims to increase awareness of its employees on operational risk issues through ongoing staff training.

The Group also has insurance policies to cover unexpected operational losses through a number of insurers and reinsurers.

Business Continuity Plans and Disaster Recovery Plans are being developed for all markets in which the Group operates to ensure continuity and timely recovery after a catastrophic event.

## **28. 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 million, is presented below. These countries are: Cyprus, Greece, Ireland, Italy, Russia, Romania, Ukraine, Portugal and Spain.

The Group had no exposure to Greek government bonds at 30 September 2013 or 31 December 2012. The sovereign exposures to the other countries other than Cyprus were not considered to be impaired at 30 September 2013 and 31 December 2012, despite the financial difficulties of these countries, as the situation is not severe enough to impact the future cash flows of these countries' sovereign securities, except in relation to exchanged Cyprus government bonds as described below.



**28. 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 5-10 year maturities. The Group accepted the above offer and participated in the exchange with bonds of total nominal value of €180 million. 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 is 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 is 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 nine months ended 30 September 2013, the Group has recognised impairment losses of €6.927 thousand relating to the exchanged bonds.

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

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

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28. Sovereign exposure (continued)

Credit risk

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

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

	Cyprus	Greece	Ireland	Italy	Russia	Romania	Ukraine
30 September 2013	€000	€000	€000	€000	€000	€000	€000
Deposits with central banks	360.131	-	-	-	46.770	10.770	9.001
Placements with banks	57.835	155.858	-	38.960	73.327	235.904	2.915
Investments in sovereign debt securities							
- available-for-sale investments	1.320	-	48.393	51.457	2.075	-	-
- loans and receivables	2.534.365	-	-	-	-	-	-
- fair value through profit or loss	13.805	-	-	-	-	-	-
Investments in debt securities of banks and other corporations							
- available-for-sale investments	1.241	290	-	-	-	-	1
- loans and receivables	1.388	-	-	-	-	-	-
- fair value through profit or loss	42	-	-	-	-	-	1.034
Loans and advances to customers (before provisions)	21.575.275	676	-	-	1.619.679	478.632	312.034
Derivative financial assets	244	-	-	90	-	-	-
<b>Total on balance sheet</b>	<b>24.545.646</b>	<b>156.824</b>	<b>48.393</b>	<b>90.507</b>	<b>1.741.851</b>	<b>725.306</b>	<b>324.985</b>
Contingent liabilities	943.429	339.400	-	-	7.510	288	50
Commitments	2.234.036	-	-	-	151.117	3.765	447
<b>Total off balance sheet</b>	<b>3.177.465</b>	<b>339.400</b>	<b>-</b>	<b>-</b>	<b>158.627</b>	<b>4.053</b>	<b>497</b>
<b>Total exposure to credit risk</b>	<b>27.723.111</b>	<b>496.224</b>	<b>48.393</b>	<b>90.507</b>	<b>1.900.478</b>	<b>729.359</b>	<b>325.482</b>

Loans and advances to customers for Cyprus are presented net of the fair value adjustment on loans and advances acquired from Laiki Bank (Note 25). On 30 September 2013 the revaluation reserve of available-for-sale investments includes losses amounting to €7.595 thousand (31 December 2012: €10.822 thousand) relating to the above sovereign debt securities and losses amounting €250 thousand (31 December 2012: €359 thousand) relating to debt securities of banks and other corporations.

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28. Sovereign exposure (continued)

Credit risk (continued)

	Cyprus	Greece	Ireland	Italy	Russia	Romania	Ukraine
31 December 2012	€000	€000	€000	€000	€000	€000	€000
Deposits with central banks	363.170	82.459	-	-	122.669	23.855	6.595
Placements with banks	60.500	5.538	-	7.071	144.825	35.039	3.450
Investments in sovereign debt securities							
- available-for-sale investments	1.134	-	47.602	51.536	2.197	6.603	-
- loans and receivables	749.981	-	-	-	-	-	-
- fair value through profit or loss	13.042	-	-	-	-	-	-
Investments in debt securities in banks and other corporations							
- available-for-sale investments	985	-	-	-	-	-	3
- loans and receivables	1.447	-	-	-	-	-	-
- fair value through profit or loss	96	-	-	-	-	-	464
Loans and advances to customers (before provisions)	14.872.936	9.437.677	-	-	2.024.524	550.154	331.290
Derivative financial assets	259	-	-	-	-	-	-
<b>Total on balance sheet</b>	<b>16.063.550</b>	<b>9.525.674</b>	<b>47.602</b>	<b>58.607</b>	<b>2.294.215</b>	<b>615.651</b>	<b>341.802</b>
Contingent liabilities	779.089	757.992	-	-	15.685	2.033	33
Commitments	1.705.856	809.373	-	-	184.064	21.316	390
<b>Total off balance sheet</b>	<b>2.484.945</b>	<b>1.567.365</b>	<b>-</b>	<b>-</b>	<b>199.749</b>	<b>23.349</b>	<b>423</b>
<b>Total exposure to credit risk</b>	<b>18.548.495</b>	<b>11.093.039</b>	<b>47.602</b>	<b>58.607</b>	<b>2.493.964</b>	<b>639.000</b>	<b>342.225</b>

**28. Sovereign exposure (continued)**

**Credit risk (continued)**

The analysis of loans and advances to customers for the countries above is set out in Note 25.

In Cyprus, loans and advances to customers include loans to local authorities, semi-governmental organisations and government controlled businesses of €177.493 thousand (31 December 2012: €118.000 thousand). In addition, contingent liabilities and commitments include an amount of €18.389 thousand for these entities (31 December 2012: €25.502 thousand). At 31 December 2012 loans and advances to customers in Greece included loans of €118.025 thousand which were secured by Greek Government guarantees. There were no loans secured by Greek Government guarantees at 30 September 2013.

**Liquidity risk**

The table below presents the Group's sovereign debt securities exposure to countries which have entered or have applied to the European Support Mechanism (Greece, Ireland, Portugal, Spain and Cyprus) based on the remaining contractual maturity of the financial assets.

	On demand and up to one month	Between one and three months	Between three months and one year	Between one and five years	Over five years	Total
<b>30 September 2013</b>	€000	€000	€000	€000	€000	€000
<b>Cyprus</b>						
- available-for-sale	-	-	-	1.320	-	<b>1.320</b>
- loans and receivables	99.986	99.421	1.664.483	367.215	303.260	<b>2.534.365</b>
- fair value through profit or loss	-	-	-	13.805	-	<b>13.805</b>
	<b>99.986</b>	<b>99.421</b>	<b>1.664.483</b>	<b>382.340</b>	<b>303.260</b>	<b>2.549.490</b>

<b>Ireland</b>						
- available for sale	-	-	<b>15.586</b>	<b>32.807</b>	-	<b>48.393</b>

<b>31 December 2012</b>						
<b>Cyprus</b>						
- available-for-sale	1.009	-	-	125	-	<b>1.134</b>
- loans and receivables	-	99.377	12.607	510.974	127.023	<b>749.981</b>
- fair value through profit or loss	-	-	-	13.042	-	<b>13.042</b>
	<b>1.009</b>	<b>99.377</b>	<b>12.607</b>	<b>524.141</b>	<b>127.023</b>	<b>764.157</b>

<b>Ireland</b>						
- available for sale	-	-	-	-	<b>47.602</b>	<b>47.602</b>

The Cyprus Government Bond of €1.6 billion is due on 1 July 2014 and has unilateral roll over option up to July 2017.

Irish Government bonds have been valued under Level 1 and Cyprus Government Bonds under Level 2.

In June 2013, Cyprus Government Bonds with notional amount of €180 million and maturities between one and five years, were exchanged with Cyprus Government Bonds maturing over five years.

As at 30 September 2013 and 31 December 2012 the Group had no sovereign debt security exposure to Spain, Portugal and Greece.

## 29. Capital management

The capital adequacy regulations which govern the Group's operations are established by the CBC through its Directive for the Calculation of the Capital Requirements and Large Exposures.

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.

In July 2011, the CBC amended its Directive for capital requirements, introducing a new ratio for core tier 1 capital. The minimum level of the new ratio was set at 8% for the period until 30 December 2012. After that date, the minimum level of the ratio increases gradually based on the percentage of Group assets over the gross domestic product of the Republic of Cyprus.

The Directive also sets the minimum level of tier 1 capital as the minimum level of core tier 1 ratio plus 1,5%. In addition, it sets the minimum total capital ratio as the tier 1 ratio plus 2,0%. As a result, the minimum required ratios for tier 1 and total capital as at 31 December 2012 and 30 September 2013 are 10,2% and 12,2%, respectively.

The MoU, signed between the Cyprus government and the Troika in 2013 provides that the CBC will increase the minimum core tier 1 capital ratio to 9% by 31 December 2013.

In addition, the CBC may impose additional capital requirements for risks which are not covered by the provisions of Pillar I.

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.

**29. Capital management (continued)**

The capital adequacy ratios of the Group at 30 September 2013 are presented below:

	<b>30 September 2013</b>	31 December 2012
<b>Regulatory capital</b>	<b>€000</b>	€000
Core original own funds (core tier 1)	<b>2.333.692</b>	(407.284)
Original own funds (tier 1)	<b>2.333.692</b>	119.695
Additional own funds (tier 2)	<b>58.541</b>	248.892
Carrying value of insurance companies	-	(171.680)
<b>Total regulatory capital</b>	<b>2.392.233</b>	196.907
Risk weighted assets – credit risk	<b>21.051.688</b>	19.318.362
Risk weighted assets – market risk	<b>77.952</b>	3.014
Risk weighted assets – operational risk	<b>1.840.086</b>	2.258.476
<b>Total risk weighted assets</b>	<b>22.969.726</b>	21.579.852
	<b>%</b>	<b>%</b>
Core tier 1 ratio	<b>10,2</b>	(1,9)
Tier 1 ratio	<b>10,2</b>	0,6
Tier 2 ratio	<b>0,2</b>	1,2
<b>Total capital ratio</b>	<b>10,4</b>	0,9
<b>Minimum ratios per the CBC Directive</b>		
Core tier 1 ratio	<b>8,7</b>	8,7
Tier 1 ratio	<b>10,2</b>	10,2
<b>Total capital ratio</b>	<b>12,2</b>	12,2

On 25 March 2013, the Cypriot government and the Eurogroup reached an agreement for a financial assistance facility of up to €10 billion, which is conditional upon the implementation of an extensive programme of policy reforms. The Eurogroup agreement provided that the Group would be recapitalised through a bail-in of its uninsured depositors and the absorption of losses by its shareholders and bondholders.

The Company was under resolution from 25 March 2013 until 30 July 2013, a period during which it was recapitalised and restructured in accordance with the decrees issued by the CBC in its capacity as Resolution Authority, in accordance with the Resolution of Credit Institutions and Other Institutions Law of 2013.

The total regulatory capital during the nine months ended 30 September 2013 has been positively affected by the issue of shares by the Company (Note 21) and negatively affected by the losses for the period. The recapitalisation was implemented via the bail-in of uninsured depositors (through the conversion of 47,5% of uninsured deposits and structured products into equity) and the contribution of debt security holders.

The Group's Core Tier 1 and Tier 1 ratios at 30 September 2013 comply with the minimum ratios required by the CBC. The total capital ratio does not comply with the minimum ratio set by the CBC.

The regulatory capital as at 30 September 2013 includes 'Shares subject to interim orders' (Note 21) which amounted to €60.182 thousand.

**30. Related party transactions**

	<b>30 September 2013</b>	31 December 2012
	<b>€000</b>	€000
Loans and advances:		
- members of the Board of Directors and key management personnel	<b>2.721</b>	5.028
- connected persons	<b>4.772</b>	29.053
	<b>7.493</b>	34.081
Deposits:		
- members of the Board of Directors and key management personnel	<b>1.617</b>	19.260
- connected persons	<b>17.008</b>	21.948
	<b>18.625</b>	41.208
Debt securities in issue, subordinated loan stock and CECS:		
- members of the Board of Directors and key management personnel	-	56
- connected persons	-	2
	-	58

The above table does not include balances for members of the Board of Directors and their connected persons who resigned during the period.

Interest income and expense from related parties for the nine months ended 30 September 2013 amounted to €418 thousand and €453 thousand (corresponding period of 2012: €8.749 thousand and €2.846 thousand) respectively.

In addition to loans and advances, there were contingent liabilities and commitments in respect of members of the Board of Directors and their connected persons, mainly in the form of documentary credits, guarantees and commitments to lend amounting to €234 thousand (31 December 2012: €16.124 thousand). There were no contingent liabilities and commitments to other key management personnel and their connected persons at 30 September 2013 (31 December 2012: €77 thousand).

The total unsecured amount of the loans and advances and of the contingent liabilities and commitments to members of the Board of Directors, key management personnel and other connected persons (using forced-sale values for tangible collaterals and assigning no value to other types of collateral) at 30 September 2013 amounted to €3.267 thousand (31 December 2012: €4.191 thousand).

**30. Related party transactions (continued)**

During the nine months ended 30 September 2013 the Group also had the following transactions with connected persons: reinsurance premiums amounting to €56 thousand (corresponding period of 2012: €131 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 (corresponding period of 2012: €270 thousand) from Pylones SA Hellas and Unicars Ltd in which Mrs Anna Diogenous holds an indirect interest; purchases of equipment amounting to €89 thousand (corresponding period of 2012: €441 thousand) from Mellon Cyprus Ltd which is significantly influenced by a person connected to Mrs Anna Diogenous; insurance commissions amounting to €29 thousand (corresponding period of 2012: €92 thousand) to D. Severis and Sons Ltd which is owned by Mr Costas Z. Severis; and rent amounting to €71 thousand (corresponding period of 2012: nil) 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 (corresponding period of 2012: €102 thousand). Mr Xanthos Vrachas who was appointed on the Board on 10 September 2013 is a director of Universal Insurance Agency Ltd to which the Group paid €9 thousand relating to insurance transactions. 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.

During the nine months ended 30 September 2012 immovable property amounting to €185 thousand was acquired by a company that is being influenced by connected persons of Mr Vassilis G. Rologis.

There are no material related party transactions and balances which took place after the reporting period for both the members of the interim board of Directors and the members of the new Board who were elected at the Annual General Meeting.

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

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



30. Related party transactions (continued)

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

	Nine months ended 30 September	
	2013	2012
	€000	€000
<b>Director emoluments</b>		
<i>Executives</i>		
Salaries and other short term benefits	311	981
Termination benefits	84	-
Employer's contributions	20	54
Retirement benefit plan costs	12	109
	427	1.144
<i>Non-executives</i>		
Fees	232	457
Emoluments of a non-executive director who is also an employee of the Company	107	134
Total directors' emoluments	766	1.735
<b>Other key management personnel emoluments</b>		
Salaries and other short term benefits	448	428
Termination benefits	216	-
Employer's contributions	37	34
Retirement benefit plan costs	54	51
Total other key management personnel emoluments	755	513
<b>Total</b>	<b>1.521</b>	<b>2.248</b>

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

The Executive directors' emoluments include the two executive directors up to 29 March 2013, the Special Administrator (25 March to 21 June 2013) and the interim Group Chief Executive Officer (from 29 May 2013 to 10 September 2013).

The other key management personnel emoluments include the emoluments of the Senior Group Executive Management up to 29 March 2013 and the remuneration of the Executive Committee since the date of their appointment as members of the Executive Committee.

The termination benefits relate to payments to an executive director and to the Senior Group General Manager who left the Group on 29 March 2013. The termination benefits include notice period paid in accordance with their employment contracts.

**31. Group companies**

The main companies and branches included in the interim consolidated financial statements of the Group, their country of incorporation, their activities and the percentage held by the Company (directly or indirectly) as at 30 September 2013 are:

Company	Country	Activities	Percentage holding (%)
Bank of Cyprus Public Company Ltd	Cyprus	Commercial bank	N/A
The Cyprus Investment and Securities Corporation Ltd (CISCO)	Cyprus	Investment banking, asset management and brokerage	100
General Insurance of Cyprus Ltd	Cyprus	General insurance	100
EuroLife Ltd	Cyprus	Life insurance	100
Kermia Ltd	Cyprus	Property trading and development	100
Kermia Properties & Investments Ltd	Cyprus	Property trading and development	100
Kermia Hotels Ltd	Cyprus	Hotel business	100
BOC Ventures Ltd	Cyprus	Management of venture capital investments	100
Tefkros Investments Ltd	Cyprus	Investment fund	100
Bank of Cyprus Mutual Funds Ltd	Cyprus	Inactive	100
Cytrustees Investment Public Company Ltd	Cyprus	Closed-end investment company	55
Diners Club (Cyprus) Ltd	Cyprus	Club credit card facilities	100
BOC Russia (Holdings) Ltd	Cyprus	Intermediate holding company	80
Finerose Properties Ltd	Cyprus	Financing services	100
Hydrobius Ltd	Cyprus	Special purpose entity	-
Laiki Capital Public Co Ltd	Cyprus	Holding company	67
Laiki Financial Services Ltd	Cyprus	Investment banking, asset management and brokerage	67
Laiki Factors Ltd	Cyprus	Factoring and invoice discounting	100
PanEuropean Ltd	Cyprus	Investment company	100
Philiki Ltd	Cyprus	Investment company	100
Cyprialife Ltd	Cyprus	Investment company	100
JCC Payment Systems Ltd	Cyprus	Card processing transaction services	75
Bank of Cyprus Public Company Ltd (branch of the Company)	Greece	Commercial bank	N/A
Kyprou Leasing SA	Greece	Leasing	100
Kyprou Commercial SA	Greece	Financing of motor vehicles and other consumer products	100
Kyprou Securities SA	Greece	Investment banking	100
Kyprou Asset Management AEDAK	Greece	Management of funds	100
Kyprou Properties SA	Greece	Property management	100
Kyprou Zois (branch of EuroLife Ltd)	Greece	Life insurance	100
Kyprou Asfalistiki (branch of General Insurance of Cyprus Ltd)	Greece	General insurance	100
Bank of Cyprus UK Ltd (formerly BOC Advances Ltd)	United Kingdom	Commercial bank	100
BOC Financial Services Ltd	United Kingdom	Financial advice on investment products and life insurance	100

31. Group companies (continued)

Company	Country	Activities	Percentage holding (%)
Misthosis Funding Plc	United Kingdom	Special purpose entity	-
Misthosis Funding (Holding) Ltd	United Kingdom	Special purpose entity	-
Bank of Cyprus (Channel Islands) Ltd	Channel Islands	Commercial bank	100
Tefkros Investments (CI) Ltd	Channel Islands	Investment fund	100
Bank of Cyprus Romania (branch of the Company)	Romania	Commercial bank	N/A
Cyprus Leasing Romania IFN SA	Romania	Leasing	100
S.C. ONT Carpati S.A.	Romania	Hotel business	94
CB Uniastrum Bank LLC	Russia	Commercial bank	80
Leasing Company Uniastrum Leasing	Russia	Leasing	80
MC Investment Assets Management LLC	Russia	Special purpose entity	-
PJSB Bank of Cyprus	Ukraine	Commercial bank	100
LLC Ikos Finance	Ukraine	Financing services	100
Kyprou Finance (NL) B.V.	Netherlands	Financing services	100

In addition to the above companies at 30 September 2013, the Company held 100% shareholding in the companies below. The main activity of these companies is the ownership and management of immovable property and other assets.

**Cyprus:** Timeland Properties Ltd, Cobhan Properties Ltd, Bramwell Properties Ltd, Elswick Properties Ltd, Birkdale Properties Ltd, Newington Properties Ltd, Innerwick Properties Ltd, Lameland Properties Ltd, Longtail Properties Ltd, Limestone Properties Ltd, Samarinda Navigation Co. Ltd, Turnmill Properties Ltd, Fairford Properties Ltd, Inverness Properties Ltd, Dinmont Properties Ltd, Lendrick Properties Ltd, Sunnybridge Properties Ltd, Caraway Properties Ltd, Citlali Properties Ltd, Endar Properties Ltd, Ramendi Properties Ltd, Ligitimo Properties Ltd, Thames Properties Ltd, Ikosia 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, Drysdale Properties Ltd, Snowfield Properties Ltd, Medaland Properties Ltd, Stamoland Properties Ltd, Ecnaland Properties Ltd, Tebane Properties Ltd, Cranmer Properties Ltd, Calomland Properties Ltd, Vieman Ltd, Les Coraux Estates Ltd, Natakou Company Ltd, Karmazi (Apartments) Ltd, Kermia Palace Enterprises Ltd, Oceania Ltd, Dominion Industries Ltd, Ledra Estates Ltd, Eurolife Properties Ltd, Elias Houry Estates Ltd, Auction Yard Ltd, Laiki Bank (Nominees) Ltd, Laiki Lefkothea Center Ltd, Labancor Ltd, Imperial Life Assurance Ltd, Philiki Management Services Ltd, Laiki EDAK Ltd, Nelcon Transport Co. Ltd, Steparco Ltd, Joberco Ltd, Zecomex Ltd, Domita Estates Ltd, Memdes Estates Ltd, Obafemi Holdings Ltd and Pamaco Platres Complex 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, Threerich Real Estates SRL, Loneland Properties SRL, Unknownplan Properties SRL and Frozenport Properties SRL.

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

**Cyprus:** Otherland Properties Ltd, Pittsburg Properties Ltd, Battersee Properties Ltd, Trecoda Properties Ltd, Bonayia Properties Ltd, Bocaland Properties Ltd, Buchuland Properties Ltd, Commonland Properties Ltd, Romaland Properties Ltd, BC Romanoland Properties Ltd, Blindingqueen Properties Ltd, Fledgego Properties Ltd, Janoland Properties Ltd, Threerich Properties Ltd, Loneland Properties Ltd, Unknownplan Properties Ltd, Frozenport Properties Ltd, Gosman Properties Ltd and Salecom Ltd.

**31. Group companies (continued)**

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

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

**32. Acquisitions and disposals**

**32.1 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 until the date of the disposal are presented as discontinued operations (Note 7). The loss on disposal of the Greek operations is presented in the table below.

	€000
<b>Assets</b>	
Property and equipment and intangible assets	97.231
Loans and advances	7.769.075
	<b>7.866.306</b>
<b>Liabilities</b>	
Customer deposits	7.653.682
Net assets disposed	212.624
Cash paid	1.153.000
<b>Loss on disposal</b>	<b>1.365.624</b>

**32.2 Acquisition of certain operations of Cyprus Popular Bank Public Company Ltd**

As part of the agreement with Eurogroup, the Company acquired all of the insured deposits and the majority of the loans and assets of Laiki Bank. All employees of Laiki Bank in Cyprus have been transferred to the Company. This was effected through the 'Sale of Certain Operations of Cyprus Popular Bank Public Company Ltd' Decree issued on 29 March 2013 and subsequent decrees which provided for the acquisition of assets and liabilities, mainly insured deposits and ELA funding of Laiki Bank by the Company. These assets included all assets of Laiki Bank in Cyprus, the loans of the Laiki Bank in UK and selected assets of Laiki Bank in Greece. The results of Laiki Bank are fully consolidated from the date of acquisition.

As prescribed by the Decree issued on 29 March 2013, the Resolution Authority was required to perform a valuation of the assets and liabilities transferred from Laiki Bank to the Company and to determine a fair compensation for Laiki Bank with no right of further compensation. The Resolution Authority appointed an independent international firm to carry out a valuation of assets and liabilities transferred by Laiki Bank to the Company. The consideration transferred for this transaction (being shares of the Company) was determined and enforced by the Resolution Authority pursuant to the Decree for the 'Issue of Bank of Cyprus Share Capital to compensate Laiki Bank' issued on 30 July 2013. In accordance with the above Decree, this was set at 18,1% of the total share capital of the Company with no further right for additional compensation. Accordingly, 844.014 thousand shares of a nominal value of €1,00 each were issued to Laiki Bank.

**32. Acquisitions and disposals (continued)**

**32.2 Acquisition of certain operations of Cyprus Popular Bank Public Co Ltd (continued)**

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 is not able to establish a reliable measure of the fair value of the shares issued at the date of this transaction.

IFRS 3 does not provide any guidance for cases where the fair value of the consideration cannot be reliably measured. Hence the Company has referred to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', which provides that in the absence of an IFRS that specifically applies to a transaction, event or condition, management shall use its judgement in developing and applying an accounting policy.

By analogy to other standards that deal with the exchange of assets, the Company has concluded that it is appropriate to determine the fair 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.

As a result of applying the above accounting treatment, no goodwill or bargain purchase arises on this transaction.

*Fair value of identifiable assets and liabilities*

For the determination of the fair value of the identifiable assets and liabilities and contingent liabilities, which is currently in progress, the Company is using the services of an independent international firm.

*Provisional accounting for the business combination*

As of the date of approval of these interim condensed financial statements, the Company was still in the process of obtaining all the information necessary to identify and measure all of the various components of the business combination as of the acquisition date in accordance with the standard. Therefore, at the date of these financial statements, the Company has included provisional amounts and any adjustments arising will later be recognised retrospectively as if the accounting recognition of the business combination was completed on the acquisition date.

**32. Acquisitions and disposals (continued)**

**32.2 Acquisition of certain operations of Cyprus Popular Bank Public Company Ltd (continued)**

*Provisional fair values of the identifiable assets and liabilities acquired*

The table below sets out the provisional fair value of the identifiable assets and liabilities acquired from Laiki Bank.

<b>Provisional fair value recognised on acquisition</b>	<b>€000</b>
<b>Assets</b>	
Cash and balances with central banks	406.531
Placements with banks	1.296.840
Amount receivable from the Company	1.153.000
Investments	2.569.096
Loans and advances to customers	8.644.912
Property, plant and equipment and intangible assets	118.072
Deferred tax asset	417.000
Investments in associates	106.865
Other assets	354.010
<b>Total assets</b>	<b>15.066.326</b>
<b>Liabilities</b>	
Amounts due to banks	1.233.564
Funding from central banks	9.102.528
Customer deposits	4.181.358
Other liabilities	125.498
<b>Total liabilities</b>	<b>14.642.948</b>
<b>Total identifiable net assets at fair value</b>	<b>423.378</b>
<b>Fair value of consideration transferred (comprising 844.014 thousand shares of nominal value €1,00 each)</b>	<b>423.378</b>
<b>Analysis of cash flows on acquisition</b>	
Total cash flows acquired, of which:	<b>2.856.371</b>
Cash and cash equivalents	<b>1.126.302</b>
Consideration paid in cash	-

**32.3 Acquisition of certain assets and liabilities of Laiki (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.

**32.4 Disposal of certain assets and liabilities of Bank of Cyprus Romania**

On 25 April 2013, in accordance with a decree issued by the Resolution Authority, the Company's Romanian Branch disposed to Marfin Bank (Romania) SA assets amounting to €82 million which include certain customer loans and related collateral, cash and other liquid assets and customer deposits amounting to €77 million. The loss on disposal amounts to €4.482 thousand and is included in net losses on financial instrument transactions, in the consolidated income statement.

**32. Acquisitions and disposals (continued)**

**32.5 Step acquisition**

Following the acquisition of certain operations of Laiki Bank, the Company's holding in JCC Payment Systems Ltd ('JCC') which provides cards processing transaction services has 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.

**32.6 Dissolution and liquidation of subsidiaries**

In 2012 the subsidiaries Katoikia I Holdings Ltd, Katoikia I Mortgage Finance Plc and Kyprou Insurance Services Ltd were dissolved. The net profit from the process of dissolution amounted to €45 thousand.

On 20 December 2012 the relevant procedures started for the liquidation of S.C. ONT Carpati S.A.

**32.7 Transfer of banking business of subsidiary**

On 25 June 2012 the banking business carried out by the UK branch (Bank of Cyprus UK) was transferred to a wholly owned banking subsidiary of the Group, Bank of Cyprus UK Ltd. Bank of Cyprus UK Ltd is registered in the UK.

**33. Other information**

- The total capital expenditure of the Group for the nine months ended 30 September 2013 amounted to €24.385 thousand (corresponding period of 2012: €26.562 thousand).
- The Group's policy is to revalue its properties periodically (between 3 to 5 years). The prevailing economic conditions in Cyprus during 2013 were indications that the fair value of properties in Cyprus could be materially different to their carrying amounts as at the balance sheet date. As a result, property revaluations were performed as at 30 June 2013. The result of these revaluations was a net loss on revaluation of €16.372 thousand which was recognised in the consolidated statement of comprehensive income and an impairment loss of €412 thousand which was recognised in the consolidated income statement for own use properties, as well as a revaluation loss of €34.394 thousand for investment properties recognised in the consolidated income statement. The valuations were carried out by independent qualified valuers, on the basis of market values using observable prices and/or recent market transactions depending on the type and location of the property.
- On 22 October 2013 Mr Igor Lojevsky resigned from the Board of Directors.
- On 23 October 2013 the Board of Directors decided the appointment of Mr John Patrick Hourican as Group Chief Executive Officer and on 27 November 2013 he was also appointed as member of the Board of Directors.
- On 29 November 2013 the adjourned Annual General Meeting was completed. It discussed the Consolidated Financial Statements for the year 2012 and the shareholders were informed about the reappointment of the auditors.

**34. Investments in associates****Carrying value of the investment**

	<b>30 September 2013</b>	31 December 2012
	<b>€000</b>	€000
CNP Laiki Insurance Holdings Ltd	<b>98.092</b>	-
Interfund Investments Plc	<b>2.388</b>	2.917
Aris Capital Management LLC	<b>2.078</b>	-
Rosequeens Properties SRL	-	190
Grand Hotel Enterprises Society Ltd	-	-
	<b>102.558</b>	3.107

The Group's investments in associates comprise of CNP Laiki Insurance Holdings Ltd and Aris Capital Management LLC (shareholding 49,9% and 30% respectively, transferred to the Group following the acquisition of certain operations of Laiki Bank), Interfund Investments Plc (shareholding of 23%), Grand Hotel Enterprises Society Ltd (shareholding of 30%) and Rosequeens Properties SRL (shareholding 33%). The carrying value of Rosequeens Properties SRL and Grand Hotel Enterprises Society Ltd is restricted to zero.

**35. Events after the reporting date**

On 18 July 2013, the Group agreed the sale of its subsidiary Kyprou Asset Management AEDAK to Alpha Trust Mutual Fund Management S.A., subject to the approval of the relevant regulatory authorities. The transaction was completed on 7 October 2013 and the loss on the transaction will not have any significant impact on the Group results.