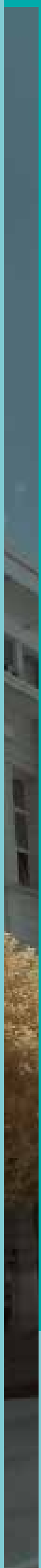
Cyprus Cooperative Bank

Condensed Consolidated Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2017



Nicosia, 29 September 2017

Condensed Consolidated Financial Statements
For the six months ended 30 June 2017

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Officers

Committee:

Christakis Taoushanis	- Independent non-Executive Chairman
Lambros Pieri	- Independent non-Executive Vice Chairman
Panicos Pouros	- Independent non-Executive Member – Senior Independent Officer
George Kittos	- Independent non-Executive Member
Charalambos Christodoulides	- Independent non-Executive Member
George Hadjinicolas	- Independent non-Executive Member
Kypros Ellina	- Non-Independent non-Executive Member
Adonis Pegasiou	- Non-Independent non-Executive Member
Nicholas Hadjiyiannis	- Executive Member
Stavros Iacovou	- Executive Member

Chief Executive Officer:

Nicholas Hadjiyiannis

Senior Management:

Stavros Iacovou	- Senior Manager, Operations and Administrative Services Division
Varnavas Kourounas	- Senior Manager, NPL Management Senior Division
Marios Papadopoulos	- Senior Manager, Market Operations Senior Division
Lambros Papalambrianou	- Chief Financial Officer
Charalambos Frantzeskos	- Senior Manager, Technology Senior Division
Yiannos Stavrinides	- Strategy and Transformation Division Manager
Maria Agathocleous	- Chief Risk Officer
Maria Aristidou	- Chief Compliance Officer
Maria Ioannou	- Chief Internal Audit Officer
Christos Koutsioupis	- Head of Information Security Unit

Registered office:

8 Gregori Afxentiou Street
1096 Nicosia
P.O. 24537
1389 Nicosia, Cyprus

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2017

	Note	**30 June 2017 €'000**	30 June 2016 €'000
Continuing Operations			
Interest income		**207.096**	235.084
Interest expense		**(81.182)**	(91.947)
Net interest income		**125.914**	143.137
Income from fees and commissions		**17.036**	16.516
Expenses for fees and commissions		**(1.071)**	(825)
Other net gains	7	**1.354**	3.002
Other income		**5.261**	2.107
Total net income		**148.494**	163.937
Staff costs	8	**(46.586)**	(47.381)
Depreciation		**(4.380)**	(4.112)
Other operating expenses	9	**(30.561)**	(35.054)
Total expenses		**(81.527)**	(86.547)
Operating profit before provisions for impairment		**66.967**	77.390
Impairment charge on financial assets available for sale	10	**(7.708)**	-
Increase in provisions for impairment of loans and other advances and other provisions to cover credit risk	14, 20	**(67.916)**	(22.507)
(Loss)/profit before tax		**(8.657)**	54.883
Taxation	11	**(389)**	(8.315)
Net (loss)/profit for the period from continuing operations		**(9.046)**	46.568
Discontinued Operations			
Net Profit for the period from discontinued operations	13	**1.049**	3.241
Net (loss)/profit for the period		**(7.997)**	49.809
(Loss)/profit for the period attributable to:			
Equity holders of the Bank		**(7.977)**	48.972
Non-controlling interests		**(20)**	837
		(7.997)	49.809
(Basic and diluted loss) / basic and diluted profit per share (€cent) from continuing and discontinued operations attributable to the equity holders of the Bank	12	**(0,13)**	0,81
(Basic and diluted loss) / basic and diluted profit per share (€cent) from continuing operations attributable to the equity holders of the Bank	12	**(0,15)**	0,77

The notes on pages 9 to 59 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Note	**30 June 2017 €'000**	30 June 2016 €'000
Net (loss)/profit for the period		**(7.997)**	49.809
Other comprehensive income:			
Items that will not be reclassified in subsequent periods to profit or loss:			
Change in the fair value of land and buildings		**(49)**	(2.065)
Tax on other comprehensive income	11	**25**	810
		(24)	(1.255)
Items that may be reclassified in subsequent periods to profit or loss:			
Financial assets available for sale - fair value gain		**18.935**	(14.946)
		18.935	(14.946)
Other comprehensive income/(expense) for the period, net of tax		**18.911**	(16.201)
Total comprehensive income for the period		**10.914**	33.608
Total comprehensive income for the period attributable to:			
Equity holders of the Bank		**10.951**	32.679
Non-controlling interests		**(37)**	929
		10.914	33.608

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2017

	Note	**30 June 2017 €'000**	31 December 2016 €'000
ASSETS			
Cash		**108.759**	105.571
Deposits with central banks		**3.323.842**	3.733.233
Deposits with other banking institutions		**40.157**	43.656
Loans and other advances to customers	14	**8.557.220**	8.761.556
Inventories		**2.057**	2.226
Properties held for sale		**143.901**	121.825
Financial assets available for sale		**976.546**	682.526
Investment properties		**231.516**	238.650
Property, plant and equipment		**235.929**	239.427
Intangible assets		**5.972**	4.904
Deferred tax assets	16	**38.112**	38.121
Other assets		**44.186**	45.525
		13.708.197	14.017.220
Non-current assets and disposal groups held for sale	18.2	**82.535**	83.571
Total assets		**13.790.732**	14.100.791
LIABILITIES			
Amounts due to other banking institutions		**87.959**	84.300
Deposits and other customer accounts		**12.245.551**	12.567.961
Other loans		**21.195**	21.202
Loan for the repayment of refugee deposits		**36.534**	36.534
Deferred tax liabilities	16	**35.376**	35.409
Other liabilities		**119.444**	118.189
		12.546.059	12.863.595
Non-current liabilities and disposal groups held for sale	18.2	**10.549**	11.695
Total liabilities		**12.556.608**	12.875.290
EQUITY			
Share Capital	17	**1.690.113**	1.690.113
Reserves		**(479.196)**	(487.856)
Equity attributable to equity holders of the Bank		**1.210.917**	1.202.257
Non-controlling interests		**23.207**	23.244
Total equity		**1.234.124**	1.225.501
Total equity and liabilities		**13.790.732**	14.100.791
Contingent liabilities and commitments	20	**459.055**	468.927

The notes on pages 9 to 59 form an integral part of these condensed consolidated financial statements.

CONDENSED ONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2017

	Share Capital €'000	Prepaid Share Reserve €'000	Fair value reserve-land and buildings €'000	Fair value reserve-financial assets available-for-sale €'000	Merger Reserve €'000	Statutory reserve €'000	Dilution of shares nominal value reserve €'000	Profit available for distribution €'000	Total €'000	Non-controlling interests €'000	Total €'000
Balance at 1 January 2017	1.690.113	-	141.821	34.275	44.720	(794.395)	85.723	-	1.202.257	23.244	1.225.501
Total comprehensive income/(expenses)											
Net loss for the period	-	-	-	-	-	-	-	(7.977)	(7.977)	(20)	(7.997)
Other comprehensive income/(expenses), net of tax	-	-	(7)	18.935	-	-	-	-	18.928	(17)	18.911
Transfer of depreciation due to property revaluation	-	-	-	-	-	-	-	-	-	-	-
Transfer from fair value reserve – land and buildings to profit available for distribution	-	-	(1.006)	-	-	1.006	-	-	-	-	-
	-	-	(1.013)	18.935	-	1.006	-	(7.977)	10.951	(37)	10.914
Transactions with owners of the Bank											
Transfer of Loss for the period	-	-	-	-	-	(7.977)	-	7.977	-	-	-
	-	-	-	-	-	(7.977)	-	7.977	-	-	-
Changes in ownership interests in subsidiaries											
Other transfers	-	-	-	-	-	(2.291)	-	-	(2.291)	-	(2.291)
Balance at 30 June 2017	1.690.113	-	140.808	53.210	44.720	(803.657)	85.723	-	1.210.917	23.207	1.234.124

The notes on pages 9 to 59 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the period ended 30 June 2016

	Share Capital €'000	Prepaid Share Reserve €'000	Fair value reserve-land and buildings €'000	Fair value reserve-financial assets available-for-sale €'000	Merger Reserve €'000	Statutory reserve €'000	Dilution of shares nominal value reserve €'000	Profit available for distribution €'000	Total €'000	Non-controlling interests €'000	Total €'000
Balance at 1 January 2016 (restated)	1.515.113	175.000	145.810	51.654	43.913	(803.956)	85.723	-	1.213.257	27.676	1.240.933
Total comprehensive income/(expense)											
Net profit for the period	-	-	-	-	-	-	-	48.972	48.972	837	49.809
Other comprehensive income/(expenses), net of tax			(891)	(15.402)					(16.293)	92	(16.201)
Transfer of depreciation due to property revaluation	-	-	(15)	-	-	15	-	-	-	-	-
Transfer from fair value reserve – land and buildings to profit available for distribution	-	-	2.484	-	-	(2.484)	-	-	-	-	-
	-	-	1.578	(15.402)	-	(2.469)	-	48.972	32.679	929	33.608
Transactions with owners of the Bank											
Issue of Shares	369.712	(175.000)	-	-	-	-	(194.712)	-	-	-	-
Dilution of shares nominal value	(194.712)	-	-	-	-	-	194.712	-	-	-	-
Transfer of profit for the period	-	-	-	-	-	48.972	-	(48.972)	-	-	-
	175.000	(175.000)	-	-	-	48.972	-	(48.972)	-	-	-
Changes in ownership interests in subsidiaries											
Other transfers	-	-	(150)	289	-	4.570	-	-	4.709	(4.709)	-
Balance at 30 June 2016	1.690.113	-	147.238	36.541	43.913	(752.883)	85.723	-	1.250.645	23.896	1.274.541

The notes on pages 9 to 59 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2017

	Note	**30 June 2017 €'000**	30 June 2016 €'000
Cash flows from operating activities			
(Loss)/profit before tax		**(6.982)**	58.602
Adjustments for:			
Provision for impairment of loans and other advances	14	**67.916**	22.507
Depreciation of property, plant and equipment		**3.745**	4.067
Amortisation of computer software		**635**	307
Loss/(gain) from disposal of property, plant and equipment		**333**	(4)
Gain on disposal of financial assets available for sale		**-**	(5.817)
(Gain)/loss on disposal of properties held for sale		**(988)**	274
(Gain)/loss on disposal of investment properties		**(726)**	26
Impairment charge on property, plant and equipment		**27**	918
Impairment charge on financial assets available for sale		**7.708**	-
Fair value loss on investment properties		**104**	1.149
Impairment charge on properties held for sale		**-**	453
Write off of property, plant and equipment		**38**	181
Charge for impairment of discontinued operations		**1.780**	-
Income from financial assets available for sale		**-**	(18.652)
Cash flows from operating activities before changes in:		**73.590**	64.011
Deposits with central banks		**1.392**	1.444
Deposits with other banking institutions		**2.197**	(1.127)
Loans and other advances to customers		**134.371**	178.206
Inventories		**643**	(1.457)
Intangible Assets		**-**	(40)
Properties held for sale		**-**	(12.705)
Other assets		**388**	(15.444)
Amounts due to other banking institutions		**3.659**	11.718
Other loans		**(7)**	33
Deferred income		**92**	88
Deposits and other customer accounts		**(322.410)**	(256.878)
Other liabilities		**3.245**	16.254
Cash flows used in operating activities		**(102.840)**	(15.897)
Tax paid		**266**	(946)
Net cash flows used in operating activities		**(102.574)**	(16.843)

The notes on pages 9 to 59 form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the six months ended 30 June 2017

	30 June 2017 €'000	30 June 2016 €'000
Cash flows from investing activities		
Income from investments in financial assets available for sale	**-**	18.652
Payment for acquisition of intangible assets	**(1.703)**	(333)
Payment for acquisition of property, plant and equipment	**(3.247)**	(3.272)
Payment for acquisition of properties held for sale	**(28.309)**	-
Payment for acquisition of financial assets available for sale	**(395.950)**	(221.371)
Payment for acquisition of investment properties	**(61)**	(249)
Proceeds from disposal of properties held for sale	**7.221**	796
Proceeds from disposal of financial assets available for sale	**109.321**	187.385
Proceeds from disposal of property, plant and equipment	**1.781**	60
Proceeds from disposal of investment properties	**7.919**	2.211
Net cash flows used in investing activities	**(303.028)**	(16.121)
Cash flows from financing activities		
Proceeds from other loans	-	-
Net cash flows from financing activities	**-**	-
Net decrease in cash and cash equivalents	**(405.602)**	(32.964)
Cash and cash equivalents at beginning of period	**3.754.468**	3.121.274
Cash and cash equivalents at the end of the period	**3.348.866**	3.088.310

The notes on pages 9 to 59 form an integral part of these condensed consolidated financial statements

The condensed consolidated financial statements for the six months ended 30 June 2017 have not been audited by the external auditors of the Group.

1. General

1.1 Incorporation

The Cyprus Cooperative Bank Limited (former Cooperative Central Bank) (the "Bank" or "'CCB") was founded in Cyprus in 1937 (registration number 88) as a Cooperative Limited liability company in accordance with Article 11 of the Cooperative Companies Law of 1923 and 1937. Its registered office is located at 8 Gregori Afxentiou Street, 1096 Nicosia, P.O. 24537, 1389 Nicosia.

1.1.1 The Group

CCB is the main shareholder of the 18 Cooperative Credit Institutions ("CCIs") and it also exercises control over companies with trading activities.

1.1.2 Legal Merger

On 20 December 2016, the Committee of the Bank has decided that the Bank, as the accepting company, to proceed with a legal merger with the eighteen (18) CCIs, in accordance with the provisions of Part X (Articles 49F-49ΣΤ) of the Cooperative Societies Law. For the above mentioned merger, the Committee held a Special General Meeting on 30 December 2016, where they approved the resolution relevant to the legal merger of the 18 CCIs with CCB.

On 26 June 2017, a Special General Meeting of the CCB shareholders was held, during which they unanimously approved:

1. The authorization of the CCB Committee to take all necessary actions and apply to CySec and the CSE for the listing of the total issued share capital of CCB, which comprises of 6.036.120.911 ordinary shares of nominal value €0.28 each, in the Main Market of the CSE.
2. The proposed amendments of the Special Regulations of the Bank in relation to the forthcoming legal merger of the 18 CCIs with the Bank and the listing of the shares of the Bank in the Main Market of the CSE.

On 7 July 2017, the Board of Directors of ECB approved the legal merger of the 18 CCIs with CCB and set as the date of transfer of the assets and liabilities of each CCI to CCB the 1 July 2017. The approval of the ECB was submitted to the Companies Registrar for Cooperative Societies. On 21 July 2017, the Deputy Commissioner of Cooperative Societies approved the transfer of the assets and liabilities of the 18 CCIs to the Cyprus Cooperative Bank Ltd (former Cooperative Central Bank Ltd) with effect from 1 July 2017.

With the approval of the Transaction Agreements, all assets and liabilities of the 18 CCIs have been transferred to CCB. In addition, CCB succeeds the 18 CCIs in all rights and obligations whereas all their instruments, contracts and other legal documents remain in force.

With the approval of the Transaction Agreements, the operating licenses of the 18 CCIs as provided by CCB / ECB have been revoked and the Registrar has cancelled the registration of the 18 CCIs (i.e. transferring companies), which have been dissolved since the approval date of the Transfer Agreements (i.e. 21 July 2017).

1.1.3 Change of Name

On 24 July 2017, the Deputy Commissioner of Cooperative Societies has registered the new Special Regulations and the Bank has been renamed to Cyprus Cooperative Bank Ltd. Under the Cooperative Societies Law, the change of name of the Bank does not affect any right or obligation of the Bank or its officers, or any legal or arbitration proceedings pending may be continued by or against the Bank under its new name.

1. General (continued)

1.1 Incorporation (continued)

1.1.4 Changes to officers and professional advisors

On 19 July 2016, following the approval of the Supervisory Mechanism, the Committee unanimously approved the appointment of Mrs. Susana Poyiadjis as a non-executive independent member and Mr. Kypros Ellinas as a non-executive member. On 29 July 2016, following the approval of the Supervisory Mechanism, the Committee unanimously approved the appointment of Mr. Christakis Taoushanis as a non-executive independent member and Mr. Adonis Pegasiou as a non-executive member.

On 10 August 2016, the Committee met in plenary session of its non-executive members to resolve for the establishment of the Committee as a body and it was decided that Mr. Christakis Taoushanis would be the Chairman of the Committee and Mr. Lambros Pieri the Vice Chairman of the Committee.

Mrs. Susana Poyiadjis submitted her resignation as a member of the Committee, with effect from 11 April 2017.

1.2 Public finance adjustment program and operating environment

1.2.1 Macroeconomic environment in Cyprus

In 2016, Cyprus economy experienced growth for the second consecutive year following the recession. The commitment of the authorities to comply with the program for economic adjustment has brought significant results in various areas, with economic recovery starting in early 2015 and the high unemployment rate decreasing. Despite the above, Cyprus economy is still facing risks and the main priority of the authorities and banks remains the management of the high level of Non-performing Loans ("NPLs").

In real terms the growth of Cyprus' Gross Domestic Product (GDP) for 2016 has been estimated to 2,9%, according to data from the Statistical Service of Cyprus. The economic growth as at the second quarter of 2017 was positive to +3,6% compared to the corresponding quarter of 2016. After adjusting the GDP for the seasonal fluctuations and the working days, the growth is estimated at +3,5%. The European Commission report states that GDP growth is expected to reach 2,5% in 2017 before it reaches 2,3% in 2018.

On June 2017, the downward trend of unemployment continued. The positive developments in the labor market and the economy in general are expected to have a positive effect on the Group's results.

The real estate prices and the real estate sales have increased, as the amount of sales contracts submitted to the Land Registry Department has risen.

The tourist industry continues its upward trend, while presenting an increase equal to 16,6% in the first half of 2017 compared to the corresponding period of 2016.

Economic Adjustment Program

On 7 March 2016, the Cyprus Government announced its intentions to exit the European Stability Mechanism ("ESM") program without the need for a succession arrangement and at the same time cancelled the IMF program that was scheduled to end on 14 May 2016. In an announcement, Eurogroup supported the decision of the Cyprus Government to exit the program, while the IMF congratulated Cyprus for its achievements but noted the need of continuing the structural reforms. The ESM program ended officially on 31 March 2016. The European Stability Mechanism disbursed €6,3 billion in total to Cyprus whereas the International Monetary Fund disbursed an additional amount of €1 billion.

1. General (continued)

1.2 Public finance adjustment program and operating environment (continued)

1.2.1 Macroeconomic environment in Cyprus (continued)

Credit Ratings

On 22 October 2016, Fitch Ratings ("Fitch") has upgraded the long term evaluation of Cyprus in the foreign and local currency by one point to "BB-" rating from "B+" and at the same time it has assessed the prospects of the Cyprus outlook to positive. Fitch emphasizes that Cyprus continues to present positive progress following the banking crisis of 2013, while its exit from the memorandum was performed in the context of achieving the financial and economic objectives, its success in lifting capital controls, and the placement of controls over the restructuring of the banking sector. In the context of an assessment published on 21 April 2017, Fitch maintained its evaluation to "BB-" relevant to the long term foreign and domestic currency debt, as well as the positive outlook of Cyprus, emphasizing the economic prospect and the risks associated with the private and public debt.

On 16 May 2016, Fitch noted that the exit of the United Kingdom from the EU ('Brexit') would weigh on the economies of other EU countries. Fitch does not anticipate any immediate negative impact on the credit ratings of EU member states, however, the impact is estimated to be determined in the short term, based on the economic and political impact of Brexit. In the same report, it is estimated that Cyprus is one of the countries that will have a significant impact from Brexit, due to its large exports to the UK.

On 28 July 2017, Moody's Investors Services upgraded Cyprus' long-term credit rating to "Ba3" from "B1" while maintaining the prospects of the Cyprus Economy to positive.

On 15 September 2017, Standard & Poor's retained the credit rating of Cyprus at "BB +" but revised its prospects from steady to positive, after taking into consideration estimates for the future growth of the economy and the evolution of the fiscal position.

Financial Sector

According to the data of the Central Bank of Cyprus, deposits in the banking system increased in 2016 following three years of decline, amounting to €49,0 billion by the end of 2016. The deposits noted a slight decrease of an amount of €0,5 billion by June 2017,

With regards to the amount of total advances in the Banking System of Cyprus, in June 2017 a decrease was noted to €54,3 billion from €55,2 billion in December 2016.

According to the data from the Central Bank of Cyprus, the non-performing loans decreased by the end of April 2017 to €23,2 billion from €23,8 billion in December 2016, which represents a decrease of €652 million. As a result, the ratio of non-performing loans to the total loans, was reduced from 47,2% in December 2016 to 46,1% in April 2017. It is worth noting that from December 2014 to April 2017 there was an overall decrease in non-performing loans of €4,2 billion or 15,3%. The downward trend in non-performing loans is due to increased repayments, successful restructurings completed by the end of the monitoring period and which are reclassified into the category of performing loans, write-offs and debt settlement through real estate exchange.

1. General (continued)

1.2 Public finance adjustment program and operating environment (continued)

1.2.1 Macroeconomic environment in Cyprus (continued)

Other significant developments

Following the exit of the Cyprus Government from the economic adjustment program on 1 April 2016, the tradable bonds issued and fully guaranteed by the Cyprus Government are no longer subject to the temporary criteria set out by ECB for accepting these bonds as a safeguard for the acts of the Eurosystem. The temporary acceptance from ECB enabled the use of these bonds as collateral so as to raise liquidity within the framework of transaction of the monetary policy of the Eurosystem, despite the fact that the minimum requirements of credit rating were not fulfilled. From that day onwards, the minimum credit rating limits apply to these bonds held by the Bank and this results in not being accepted as collaterals.

However, it is noted that, from 1 June 2016, the Central Bank of Cyprus approved the provisional inclusion in available cash, for the purpose of calculating prudential liquidity ratios, of the Cyprus Government securities acquired before 2 June 2016 or of the future exposures in Cyprus Government Securities that relate to renewing exposures of those held on 2 June 2016. In those securities a 10% valuation haircut on their market value will be applied. The internal and prudential liquidity ratios are still within acceptable limits despite the above.

Legal Framework

The Parliament enacted amendments in legislation enabling the waiver of fees in cases of transfer of credit facilities from one financial institution to another, reduction in transfer fees to 50% (where the sale of property is subject to VAT, it is completely relieved from any transfer fees), exemption from Capital Gains Tax for properties that will be bought by 31 December 2016. The obligation for the submission and the collection of real estate taxes and the real estate tax were abolished as of 1 January 2017. At the beginning of 2016 Central Bank of Cyprus issued application guidelines for the implementation of the law that regulates the sale of credit facilities.

The Parliament approved in December 2015 a series of laws aiming to expedite the restructuring of credit facilities in cases where property of the borrower is recovered from the lender against credit facilities. The amendments will expire in two years. In the case of a restructured mortgage recovered from a credit institution, any gain is exempt from tax, transfer fees or special defense tax.

On 11 February 2016, the Parliament proceeded to the adoption of two laws aiming for the harmonization with the European Directive 2014/59/EE for the recovery and redemption of financial institutions ('BRRD').

The purpose of laws and regulations is the harmonization of national legislation with the provisions of the EU directive on deposit guarantee schemes and certain provisions of the Directive for establishing a framework for the recovery and resolution of credit institutions and investment firms relating to financing of Sanitation Fund arrangements.

Among others, it is provided that the deposit guarantee system of credit and other institutions will guarantee the deposits covered by such system and compensation will be given within seven working days. It is also provided coverage for the deposits exceeding €100 thousand, for a specific period of time, on certain kinds of deposits that serve social purposes and harmonization of the scope and level of covered depositors within European Union and cooperation among deposit guarantee systems within the European Union.

1. General (continued)

1.2 Public finance adjustment program and operating environment (continued)

1.2.1 Macroeconomic environment in Cyprus (continued)

Legal Framework (continued)

The Resolution Fund is under the management of the deposit guarantee system. At the same time, financing of funds from contributions and establishing a minimum level of contributions will be required in advance. The contributions will be based on covered deposits and the risk profile of the institutions.

In February 2017, the House of Representatives plenary voted arrangements to reduce the regulatory capital requirement of domestic banks from 2,5% to 1,25%. The reserve will gradually increase to 2,5% over three years. The law includes new provision so that the capital maintenance requirements set out in the applicable legislation are formulated as follows:

a. The capital conservation reserve until 31 December 2016 shall consist of a "Common Equity Tier 1 Capital" with a value equal to 0,625% of the total risk-weighted exposure amounts of the licensed credit institution incorporated in the Republic.

b. The capital conservation reserve for the period from 1 January 2017 to 31 December 2017 shall consist of a "Common Equity Tier 1 capital" amounting to 1,25% of the total risk-weighted exposure amounts of the licensed credit institution incorporated in the Republic.

c. The capital conservation reserve for the period from 1 January 2018 to 31 December 2018 shall consist of a "Common Equity Tier 1 capital" with a value equal to 1,875% of the total risk-weighted exposure amounts of the licensed credit institution incorporated in the Republic.

Finally, on 20 March 2017, the European Central Bank published the final directive for non-performing loans to banks. The Directive is in effect from the date of its publication and, although not binding, banks should explain and substantiate any discrepancies during the Supervisory Review and Assessment Process of the Single Supervisory Mechanism. The disclosures required by the Non-performing Loans Directive are expected to be implemented for reference dates from 2018 onwards.

1.2.2 Regulatory framework

The supervision of the Group has been taken over by the European Central Bank and the Central Bank of Cyprus in the context of the Single Supervisory Mechanism ("SSM"). The supervisory framework is dynamic and its requirements may be amended with potential impacts for instance on capital adequacy.

1.3 Principal Activities

The main activities of the Group, which have not changed from the previous year, is the provision of banking and financial services and the carrying out of trading services. All activities are carried out in Cyprus.

1.4 Turnover

The turnover of the Group represents interest income, fees and commissions and other income.

2. Basis of preparation

2.1 Statement of compliance

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard, IAS 34 "*Interim Financial Reporting".* They do not include all the information required for a complete set of International Financial Reporting Standards financial statements. However, selected explanatory notes are included to explain events and transactions that are significant for the understanding of the changes in the financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2016.

2.2 Functional and presentation currency

The condensed consolidated financial statements are presented in Euro (€), which is the functional currency of the Bank and its subsidiaries. The amounts presented in the condensed consolidated financial statements are rounded to the nearest thousand unless when stated otherwise. The functional currency is the currency of the primary economic environment in which the Group operates and the currency in which the elements of the condensed consolidated financial statements are measured.

2.3 Basis of measurement

The condensed consolidated financial statements have been prepared under the historical cost convention, as amended in regards to the fair value estimate of land and buildings, investment properties and financial assets available for sale.

2.4 Going concern basis

Taking into consideration the recent developments in the economic environment of Cyprus, as stated in notes 1.2 and 3.1 to 3.7 of the condensed consolidated financial statements, the Management and the Committee of the Bank have been assured on the basis of the analysis in note 3.8, that the Group has the means to continue on a going concern basis for the next twelve months and therefore the condensed consolidated financial statements have been prepared under the going concern principle.

3. Use of estimates and judgments

The preparation of the condensed consolidated financial statements requires from Management to make estimates, judgments and assumptions that can have a material impact on the accounting principles of the Group and the related amounts of assets and liabilities, disclosures of contingent liabilities and commitments as at the preparation date of the financial statements as well as the amounts of income and expenses. Despite the fact that these calculations are based on the best knowledge of the Management in relation to current conditions and actions, the actual results may deviate from such estimates.

The estimates and underlying assumptions are evaluated continuously. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

The significant estimates that have been made by Management that affect the application of accounting policies of the Group and the judgment that has been used, are the same as those that have been applied in the consolidated financial statements as at and for the year ended 31 December 2016.

3. Use of estimates and judgments (continued)

3.1 Provision for impairment of loans and other advances to clients

The Group examines advances to customers to assess whether the provision needs to be recognized in the statement of profit and loss and reflected in the loan impairment account. The Group examines whether there are reasonable indications of potential losses in the customer loan portfolio, both on an individual and collective basis.

As an indication, the following events may be considered by the Group as being an indication for impairment. It is understood that an isolated event may not by itself be an indication of impairment nor does the absence of such a specific event exclude the existence of a potential impairment:

1. Credit facilities that are classified as being non-performing
2. Restructured exposures that are classified as performing
3. Significant and long term decrease in the debtor's total income/future cash flows
4. Significant deterioration in the borrower's lending capacity
5. Credit facilities for which a provision has been partially estimated
6. Macroeconomic indications that may affect expected future cash flows of the borrower, such as rising unemployment and declines in property prices.

The amount of the impairment loss on loans to customers who are being individually reviewed is calculated as the difference between the carrying amount of the claim and the recoverable amount of the collateral value and the present value of the client's future cash flows. The value of the collateral is a crucial factor in the calculation of the impairment loss. Estimated future cash flows associated with the disposal of collaterals are based on assumptions on a number of factors (e.g. property price fluctuations, selling costs, sale value) and therefore the actual losses may vary. Any reductions in the fair value of these collaterals will also mean a further increase in the required impairment provisions. In cases where it can be adequately documented that the recoverable amount is greater than previously expected, a reduction in the amount of the impairment is permitted. Indicatively, such cases may consist of customers who have repaid a greater proportion of the debt than was anticipated in the customer's previous assessment along with the reversal of the events that had previously led to impairments.

For exposures that were individually examined and not impaired, as well as facilities that were not individually assessed, potential losses are collectively considered and evaluated. In order to determine the collective forecasts for each exposure, a standard approach is adopted and models are used. The credit portfolio is split into groups with associated credit risk characteristics (e.g. existence of collaterals, types of collateral, loan category, existence of deferred amounts) which are evaluated separately for impairment. The segmentation ensures homogeneity and presentation of similar credit behavior among customers in each category.

In the calculation of the collective estimates, quantitative parameters, such as the probability of default, the loss rate in case of a loan default, the likelihood of transition to a worse situation than the existing one, as well as the likelihood of curing, are computed and applied. All parameters are calculated per portfolio of similar characteristics and are based on the recent historical experience of the Group. The past experience of loss is supplemented by estimates from the Management to assess whether the current economic conditions are such that the actual level of the inherent losses is greater or lesser than that resulting from past experience.

For each segment of exposures, the probability of default, is defined as the ratio of the outstanding balance of loans defaulted in a one-year period over the balance of the total loans serviced at the beginning of the year. A similar methodology is used to calculate the roll rates and the cure rates. For the purpose of calculating the loss rate, the average of the difference between the book value of the facility and the recoverable amount resulting from the present value of the collateral and the future cash flow from the customer's operations is calculated for each portfolio category.

3. Use of estimates and judgments (continued)

3.1 Provision for impairment of loans and other advances to clients (continued)

The process of estimating the impairments is based on several assumptions. The main assumptions are related to the Group's view on the future value of the properties, the time required to realize the value of the collateral, the sale costs, the forced sale discount of the value of a property which has been set for sale and the assumption that in some cases future cash flows will show similar behavior to those of the recent past. For the calculation of the current and future value of real estate properties, an appropriate indicator is used based on forecasts for the macroeconomic conditions as well as other factors affecting property prices.

According to the assumptions adopted by the Group, a reduction is applied on the future value of real estate, which is approximately 30% compared to the impairment (forced sale discount) on the value of a real estate held for sale and the costs of sale, while the average annual revaluation of the future value of real estate is 2%, with the average duration of liquidating a property being estimated at approximately 6 years. There has been no significant change in the assumptions since December 2016.

The total amount of the impairment provision is sensitive to changes in the underlying assumption and parameters adopted. Indicatively, the changes in cumulative impairment as at 31 December 2016 are shown in the following simulations:

Simulation	Impact on cumulative impairment (€)
Decrease by 5% in the impairment of the value of real estate upon liquidation	+145million
Increase by 5% in the impairment of the value of real estate upon liquidation	-154million
Decrease by 1% in the annual average revaluation of the future real estate value	+135million
Increase by 1% in the annual average revaluation of the future real estate value.	-129million
Increase the duration of the liquidation process by 1 year	+84million
Decrease the duration of the liquidation process by 1 year	-85million

It is noted that the Group also provides loans and other advances secured by guarantees of the Republic of Cyprus. The Group does not recognize any provision for impairment for such advances due to the existence of these government guarantees. This Group decision is a result of judgment. On the basis of the existing evidence, the Group believes that the Government has complied with all the obligations arising from the existing agreements with the Group and therefore has not recognized provisions for this segment of loans.

The total amount of impairment of loans and advances of the Group is, by nature, uncertain because of its sensitivity to economic and credit conditions as well as to the subjectivity that exists in the determination of certain assumptions. Any variations in the assumptions made may lead to changes in the amount of the provision required. The methodology and assumptions used in order to determine impairments are reviewed at regular intervals. It is likely that the actual circumstances in the next financial year will differ from the assumptions made, resulting in significant adjustments in the book value of advances.

3. Use of estimates and judgments (continued)

3.2 Cooperative Sector Restructuring Plan

In December 2015, CCB submitted a revised Restructuring Plan with the purpose of meeting the supervisory capital requirements as assessed by the Single Supervisory Mechanism of the European Central Bank (SSM). On 17 December 2015 the Ministry of Finance issued a Decree with which the decision of the Council of Ministers on 14 December 2015 for the recapitalization of CCB through an increase of the share capital of €175 million, was implemented.

On 18 December 2015, the European Commission approved the revised restructuring plan and the additional state aid of €175 million in favor of CCB and the affiliated CCIs in line with EU state aid rules, which was implemented prior to the year-end 2015. The recapitalization of CCB was completed through the increase of existing share capital by €175 million. The coverage of the increase was realized by the independent Recapitalization Fund, in exchange for participation in the ownership structure of CCB.

On 6 May 2016, it was announced in the Cyprus Government Gazette that pursuant to the provisions of the Decree issued by the Ministry of Finance, the recapitalization of CCB was completed by increasing its share capital. The changes in the ownership structure were finalized in the independent valuation report which was in accordance with the provisions of the Decree. The aforementioned Decree established the share’s nominal value, the rights and the participation rate of each shareholder, these being the Republic of Cyprus, the Recapitalization Fund and Cooperative Holding Companies of the CCIs. Additionally, in accordance to the Decree, the percentage of CCB’s holding in the ownership structure of each CCI amounts to 100%.

According to the provisions of the aforementioned Decree:

By 31 December 2016, CCB will take all necessary actions and will receive all necessary approvals in order to be in a position for a possible listing in the Cyprus Stock Exchange by the end of June 2017. CCB will take all necessary measures in order to be ready for a possible listing in the primary market of the Cyprus Stock Exchange (“CSE”) or in the Alternative Market of CSE, should they fail to meet the prerequisites for listing in the primary market.

By 30 September 2018, CCB will have to introduce for listing at least 25% of its total paid up share capital.

In the case where the issue of shares is made through a public call, the existing shareholders, except the Cyprus Government and the Recapitalisation Fund, will have the first call to buy an amount proportionate to their existing shareholding, while an amount which will not exceed 25% of the total issuance percentage will be made available to the public and the remaining percentage to a limited group of individuals through private offering.

Subsequently, CCB will have to proceed with the issue of new shares following the above procedure, as follows:

(i) with a percentage of 25% of the paid up share capital, before the listing of CCB on the CSE, in a period of 9 months from the date of the Initial Public Offering (“IPO”) and no later than 30 June 2019,

(ii) with a percentage of 25% of the paid up share capital before the listing of the CCB on the CSE, in a period of 18 months from the date of the Initial Public Offering (“IPO”) and no later than 30 June 2020.

Following the last issue, the combined shareholding of the Republic of Cyprus and the Restructuring Fund in the ownership structure of CCB should not exceed 25%.

The Decree states that in the event where CCB generates equity deficit from December 2016 to September 2018, compared to the supervisory requirements, CCB’s procedures for entering the CSE through the issue of new shares may commence earlier than the set date. According to the Decree, CCB will not proceed in introducing its shares in the CSE in the case where the Republic of Cyprus and the Restructuring Fund dispose of their shares, within the aforementioned time limits until 30 June 2020, by holding a joint shareholding not exceeding 25% of the issued CCB share capital.

3. Use of estimates and judgments (continued)

3.2 Cooperative Sector Restructuring Plan (continued)

According to the provisions of the aforementioned Decree (continued)

It is clarified that the shares held by the Republic of Cyprus and the Restructuring Fund will be made available through private offering towards strategic investors including international financial institutions, large cooperatives or commercial banks, insurance companies, investment or pension funds, as well as to any other sizeable institutional investor in the financial service sector.

In relation to the Management of the Group, the Decree states that the Committee of CCB will consist of eleven members out of which two are executive members, two non-executive members and seven are independent non-executive members. The committee of each CCI will consist of three executive members, out of which two will be CCI's personnel and one from CCB's personnel up to the date of transfer of the CCIS' personnel to CCB. Following the transfer, the committee of each CCI will consist of three executive members, which will be CCB's personnel.

According to the Decree, the Minister of Finance with the approval of the Central Bank and of the Parliamentary Finance Committee appoints the non-executive and independent non-executive members of CCB's Committee. The appointment of the members of the Committee is validated through a General Meeting of CCB's shareholders. Additionally, the CCB's Committee has the power to appoint, dismiss and replace CCIs' Committee Members. Their appointment is subject to the approval of the Central Bank of Cyprus, in accordance with the criteria of competence and suitability, that the Central Bank determines.

The additional state aid is accompanied by supplementary restructuring measures which will be implemented gradually until the end of the restructuring period. Included among these measures is the centralization of Division/ Units of the CCS, with the aim to improve its operations and obtain prudent management and cost efficiency, including the absorption process of SEM by CCB. Additionally, the Group will proceed with the disposal of commercial non-credit participation and other non-core activities by the end of 2018, as per the revised Restructuring plan.

All the personnel of the CCIs has been transferred to CCB by 30 September 2016. The total annual remuneration of the senior management and any other member of CCB and CCI, will not exceed 80% of the annual remuneration of the Chief Executive Officer, as defined in the respective Budget of the Republic Act. Finally, according to the Decree all the non-financial assets of CCB and the 18 CCIs along with all immovable property but excluding property equipment, have been transferred to a new company, which is a 100% subsidiary of CCB.

Progress of the implementation of the revised Restructuring Plan

Ownership structure of CCB:

According to the ministerial Decree issued by the Ministry of Finance, Article 14 on the "Restructuring of Financial Institutions Laws 2011 to 2015", on 6 May 2016, the ownership structure of the CCB was as follows:

% ownership structure of CCB after capital aid of €175 million	
Republic of Cyprus	77,34%
Recapitalization Fund	21,88%
Holding Company CCB	0,78%
Holding Companies CCIs	0
Total	100%

3. Use of estimates and judgments (continued)

3.2 Cooperative Sector Restructuring Plan (continued)

Progress of the implementation of the revised Restructuring Plan (continued)

Transfer of non-financial assets of CCIs and CCB to a Special Purpose Vehicle:

A Special Purpose Vehicle (SPV) was registered on 25 May 2016 with the name "CCSRE Real Estate Company Ltd" and CCB is the sole shareholder (as per the relevant ministerial decree issued by the Ministry of Finance). By the end of June 2016, the transfer of non-financial assets of CCB and CCIs to the SPV was completed, including all immovable property and excluding the equipment.

Centralization of the Divisions/Units of CCB:

According to the CCB's strategy framework the CCB proceeded with the implementation of the necessary reforms in order to upgrade the operations of the CCS and obtain prudent management and cost efficiency. The centralization of the following Divisions / Units of the CCB has been completed:

Description	Implementation Schedule
Internal Audit Unit	31 December 2015
Senior Technology Division	31 January 2016
Compliance Unit	31 March 2016
Risk Management Unit	31 May 2016
Credit Control Department	31 May 2016
Human Resource Division	31 May 2016
Organization and Methods Division	30 June 2016
Movable and Immovable Property Department	30 June 2016
Documentation and Administration of Credit Facilities Division	31 October 2016
Senior Finance and Accounting Division	31 October 2016
Tenders Department	31 December 2016

Cost reduction / Efficiency Improvement:

On 15 September 2016, the 2nd Voluntary Retirement Scheme was completed and as a result 78 employees exited the sector.

It is noted that the first phase of the CCIs' branch network rationalization project, which was initiated on the basis of the provisions of the Restructuring Plan, has been completed. As a result, the branches had been reduced to 251 by the end of December 2015. On 30 June 2017 the number of branches has been reduced to 243 (31 December 2016: 246). It is noted a further branch reduction to 176 branches on 31 August 2017.

3. Use of estimates and judgments (continued)

3.2 Cooperative Sector Restructuring Plan (continued)

Progress of the implementation of the revised Restructuring Plan (continued)

Commercial and other non-core activities:

Commercial Non-Credit Participations

There is a commitment to divest the participations of CCS to commercial non credit companies by the end of 2018. In this respect, following the completion of valuations by independent valuation firms, divestment proposals have been submitted by the entities of the commercial cooperative sector for all the major commercial participations of the CCS, which have been approved by the BoD of CCB. The sale agreements for the agreed transactions, which involve all the major commercial participations, have already been drafted and are expected to be signed within 2017. The disposal of PEAL Troodos Ltd to the existing shareholders, has already been completed.

Commercial Activities

Regarding the divestment of commercial activities, all activities have been divested.

Listing of CCB shares in the CSE *(IPO readiness assessment):*

The final signed Prospectus was submitted to the Cyprus Securities and Exchange Commission (CySEC) on 22 December 2016. The CySEC sent a letter of approval of the CCB's Prospectus on 22 December 2016. Moreover, following the instructions of the Cyprus Stock Exchange (CSE), the Bank submitted the signed Annexes 4 and 7 for the application of the CCB, thus ensuring the pre-approval by the CSE. The Bank has proceeded with the submission of a new prospectus to CySec on 2 June 2017 concerning (a) the Public Offering of up to 1.509.030.228 ordinary shares of the Bank by the Republic of Cyprus pursuant to a decision of the Council of Ministers as published in the Official Gazette of the Republic of Cyprus on 7 July 2017 and (b) the listing of the total issued share capital of the Bank in the CSE. Furthermore, on 13 June 2017, the Bank submitted to the CSE Annexes 6 and 7 relevant to the application for the listing of its shares.

Legal merger of CCIs with CCB:

In December 2016, the management of CCB decided to recommend the legal merger of the CCIs with CCB as part of implementation of the strategy for restructuring of the CCS. The decision on the legal merger of the CCIs with CCB was approved by the General Meeting of the shareholders on 30 December 2016.

On 7 July 2017, the Board of European Central Bank (ECB) approved the legal merger of CCIS with CCB and set 1 July 2017 as the date of transfer of all assets and liabilities from the CCIS to CCB. The approval of the ECB was notified to the Commissioner for Cooperative Societies. On 21 July 2017, the Deputy Commissioner of Cooperative Societies approved the transfer of the assets and liabilities of the 18 CCIs to CCB with effect from 1 July 2017.

Furthermore, on 24 July 2017, the Special Regulations and the new name of the Bank were registered by the Deputy Commissioner of Cooperative Societies. Based on the Cooperative Societies Laws 1985 to 2016, the change of name of the Bank does not affect any right or obligation of the Bank or its officers. In particular, the name of the Bank was changed from Cooperative Central Bank Limited to Cyprus Cooperative Bank Ltd.

Transfer of staff from CCIs to CCB:

After the registration of the 18 Transfer Agreements by the Commissioner of Cooperative Societies, CCI employees have been transferred to CCB in accordance with the Conservation and Entitlement of Rights Employees in the Transfer of Enterprise, Installations or Business or Establishment Divisions, Laws 2000 (N.104(I)/2000), as amended.

3. Use of estimates and judgments (continued)

3.3 Regulatory Capital Indicators

The Capital Adequacy ratios of CCB (Total Capital, Tier 1 Capital, and Common Equity Tier 1 Capital) on 30 June 2017 amounted to 15,52% compared to 15,42% on 31 December 2016. The change in Capital Adequacy ratios is mainly due to the reduction in the risk weighted assets, mainly due to the reduction of the loan portfolio, and a slight increase in regulatory capital. Capital Adequacy indicators were calculated in accordance with Regulation (EU) No 575/2013 and the Directive 2013/36/EU regarding the minimum capital requirements for Credit Institutions and Investment Companies, dated 26 June 2013, which entered into force on 1 January 2014 and the relevant circulars and laws of the Central Bank of Cyprus.

It is noted that the minimum capital adequacy to be held by each credit institution is determined on an annual basis by the SSM under Pillar II, and in particular the SREP (Supervisory Review and Examination Procedure). In the context of the SREP for 2016, the minimum Tier 1 capital ratio for 2017 is set at 11,50% and the Bank is subject to a distribution dividend limitation to shareholders. The Group exceeds the minimum indicator that was in effect at 30 June 2017.

According to a decision sent by the ECB to the CCB in December 2016 in the framework of the supervisory dialogue, the minimum capital ratio applicable from 1 January 2017 is 11,75% (Total SREP Capital Requirement 'TSCR') consisting of minimum regulatory capital 8% (CET1 of 4,5%, Additional Tier 1 and Tier 2 1,5% and 2% respectively) and additional Pillar II funds 3,75%. The Bank is subject to a dividend distribution restriction and, additionally, the ECB under Pillar II has notified the CCB of a non-public call for an additional stock of Class 1 Common Equity Fund. The Bank should cover regulatory capital buffers that currently include the Capital Conservation Buffer, which the CBC had set at 1,25% resulting in a total liability of 13%.

In addition, the combined capital buffer requirement for the Cyprus Cooperative Bank includes:

- The security buffer O-SII (Other Systemically Important Institutions) which has been set at 1% and will be implemented progressively over a period of four years starting from 1 January 2019,
- The Countercyclical Capital Buffer, which the CBC has set at 0% for exposures in Cyprus up to 31/12/2017 (the CBC revises this buffer on a quarterly basis and informs the bank with a relevant letter), and
- A Systemic Risk Buffer that has not yet been determined.

3.4 Liquidity

Customer deposits decreased by 2,56% compared to December 2016 amounting to €12.246 million (December 2016: €12.568 million). The total of the Group's cash and deposits with banking institutions as at 30 June 2017 decreased by €410 million and reached €3.473 million (December 2016: €3.882 million).

As at 30 June 2017, the Group's liquid assets amounted to €4,158 billion out of which approximately €3 million related to liquidity that can be provided from the Euro system, by pledging bonds. As indicated in note 1.2.1 securities issued by the Republic of Cyprus are subject to restrictions when included in liquid assets. It is noted that despite the above, the internal and the supervisory liquidity ratios are still within the acceptable limits.

The Management and the Committee of CCB review on a regular basis the liquidity position of the Group, which continues to have access to the liquidity facilities of CBC, as per the existing rules, when it is necessary. As at 30 June 2017 the Group, has not used the ECB's emergency liquidity assistance (ELA).

3. Use of estimates and judgments (continued)

3.5 Profitability

The operating profit for the six months ended 30 June 2017 amounted to €67 million (30 June 2016: €77 million) while provisions for loan impairment amounted to €70 million (30 June 2016: €23 million) and accumulated provisions to €3,4 billion (December 2016: €3,3 billion).

The reduced profitability from operations and the increased provisions for loan impairment, forming the net loss for the period to €9 million (30 June 2016: net profit €47 million.).

The condition of the Cypriot economy and the macroeconomic environment affect directly the profitability of the Group. Since 2011 and up to the first quarter of 2015, significant recession percentages have been noted. In 2016 the Cypriot economy showed positive growth rates for the second consecutive year, slightly offsetting the recession in previous years. The high unemployment rate, which is currently on a downward trend, is expected to continue to negatively affect the ability of individual borrowers to repay their loans. In 2017 and 2018 positive growth rate beyond 1% and further reduction in unemployment are expected, thus improving the outlook of the economy.

3.6 Strategic Orientation

As mentioned in note 1.1.2 on December 2016, a Special General Meeting of the Bank approved the legal merger of the 18 CCIs with CCB. Following the legal merger, CCB developed a new strategic orientation under the name "Agenda 2022", which is focused on the operation of a single bank. The strategy and the business plan as determined in "Agenda 2022" enhances the mission of CCB which concentrates in the reduction of the high NPLs percentage, the improvement of the sustainability of the business model and the excellent customer service.

The main themes presented in "Agenda 2022" are the forceful reduction of the level of MNPLs, the acquisition of substantial access to capital markets and ensuring and enhancing the sustainability of the business model.

As part of the implementation of the business plan, CCB based on a decision of the General Meeting dated 17 July 2017, decided to set up a consortium for the effective management of NPLs and its real estate, with Altamira Asset Management SA ("Altamira"). Altamira specializes in managing NPLs and real estate in Europe with €65 billion managed portfolio. The agreement will be for a period of approximately 10 years, does not include sale or other asset alienation from the CCB and includes exclusively the management of real estate and NPLs.

At the same time, CCB has chosen Citigroup to act as a global coordinator in an effort to increase equity capital and attract international investors during the first half of 2018. Citigroup is a leading global banking group with significant and longstanding presence in Southeastern Europe.

3.7 Uncertainties

The Management and Committee of the Bank are not in a position to predict precisely all of the developments that could influence the Cyprus economy and, as a result what impact, if any, they might have on the future financial performance, cash flows, financial position and capital of the Group. The Management and Committee of the Bank, continues to closely monitor the economic developments and take measures to maintain the Group's viability and manage the current situation, as well as possible future negative developments.

The ability of the Group to continue as a going concern depends on:

- The progress of the Cyprus economy, the progress of property prices in Cyprus, the ability of borrowers to repay their debt obligations and the ability to effectively realize the collateral on non-performing loans. These factors materially affect the value of the provision for impairment and, consequently, the capital adequacy of the Group.

3. Use of estimates and judgments (continued)

3.7 Uncertainties (continued)

- The developments of the international economic environment and especially in markets and economies affecting Cyprus.
- The continuation of the successful implementation of the amended Restructuring Plan of the Group and the new strategic plan as disclosed in note 3.6.
- The continuing need to maintain liquidity to satisfactory levels and the availability of emergency liquidity mechanisms via the CBC.
- The changes and requirements of the regulatory framework, which constantly evolves to stricter requirements, including the introduction of the Bank Recovery and Resolution Directive (BRRD) and the Minimum requirement for own funds and eligible liabilities (MREL), the full implementation of the CRD IV Directive and the adoption of the new International Financial Reporting Standard 9.
- The changes and requirements for capital adequacy as defined in the SREP and more generally the supervisory requirements, including the acceleration of the rate of decrease of the NPLs and the adoption of more conservative assumptions in the assessment of impairments such as the adoption of a zero increase in the property price index for the calculation of the provisions and the time period for liquidation of the collateral.

3.8 Evaluation of going concern

The Management and the Committee of the Bank, having taken into consideration the uncertainties as mentioned in note 3.7 and strategic orientation as mentioned in note 3.6, and taking into consideration that:

- The Group maintains sufficient capital base which exceeds the minimum capital ratio set by the recent evaluation of the SSM,
- The liquidity ratios which are deemed adequate, while the Group maintains access to alternative sources of raising liquidity,
- The credit ratings of the Cyprus economy by the International Credit Rating Agencies improved during 2017 and the prospects for the Cyprus economy, according to the European Commission, are positive,

they are satisfied that the Group has the means to continue its operating activities in the next twelve months and as such the condensed consolidated financial statements will continue to be prepared on the going concern basis.

4. Significant accounting policies

The principal accounting policies adopted in the preparation of these condensed consolidated financial statements are the same with the applicable accounting policies that have been adopted for the preparation of the consolidated financial statements of the Group for the year ended 31 December 2016.

5. Basis of Consolidation

The condensed consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank (its subsidiaries). Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of the Bank's subsidiaries are included in the condensed consolidated statement of profit or loss and other comprehensive income from the date that the control was effective until the date the control ceases.

Income and expenses of subsidiaries acquired or disposed off during the period are included in the condensed consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interest even if this results in the non-controlling interests having a deficit in balance.

5. Basis of Consolidation (continued)

Non-controlling interest represents equity of subsidiaries that are not related directly or indirectly with the Bank and of which the Group has not agreed any extra term with the non-controlling interest which create to the Group as a total a significant obligation which give rise to a financial liability. In every business combination, the Group may choose to measure the non-controlling interest either at fair value or at the proportionate amount of the net identifiable assets of the subsidiary.

Non-controlling interest is classified under equity in the condensed consolidated statement of financial position, separately from equity attributable to the Bank's shareholders. Non-controlling interest is presented in the condensed consolidated statement of profit or loss and other comprehensive income as allocation of the total profit or loss for the year, between the non-controlling interest and the Bank's shareholders.

Changes in shareholding interests of a subsidiary of the Group that do not result in loss of control are considered as transactions of equity and the relevant adjustments are being made in relation to the shareholders of the Bank and non-controlling interest, in the condensed consolidated statement of changes in equity, so as to reflect the change in ownership, but there are no adjustments in the amount of goodwill and no profit or loss is recognised.

When the Group has lost control over a subsidiary, this is considered as disposal of shares and as a result any profit or loss that occurs is recognised in the results. Any interest recognised in the subsidiary during the day of the loss of control, is recognised at fair value and this amount is recognised at fair value from the initial recognition of the financial asset.

Balances and transactions which are eliminated during consolidation

Balances and transactions with companies of the Group as well as unrealised profits or losses incurred from transactions between them, are eliminated during the preparation of the condensed consolidated financial statements. Unrealised losses incurred from transactions between companies of the Group are eliminated in the same way as unrealised profits, but only to the extent that there is no evidence for impairment in value.

6. Segmental analysis

	Banking, financial and insurance services €'000	Trading activities €'000	Transactions between segments €'000	Total €'000
Six months ended 30 June 2017				
Net interest income/(expenses)	126.004	(90)	-	125.914
Net fees and commissions income	15.965	-	-	15.965
Other income/(losses)	6.338	8.695	(76)	14.957
Total net income	148.307	8.605	(76)	156.836
Staff costs	(46.548)	(1.908)	-	(48.456)
Depreciation	(4.312)	(487)	419	(4.380)
Other operating expenses	(30.608)	(3.045)	76	(33.577)
Total expenses	(81.468)	(5.440)	495	(86.413)
Operating profit before provisions for impairment	66.839	3.165	419	70.423
Impairment charge on financial assets available for sale	(7.708)	-	-	(7.708)
Increase in provisions for impairment of loans and other advances and other provisions to cover credit risk	(67.916)	-	-	(67.916)
Profit/(loss) before tax	(8.785)	3.165	419	(5.201)

6. Segmental analysis (continued)

	Banking, financial and insurance services €'000	Trading activities €'000	Transactions between segments €'000	Total €'000
Six months ended 30 June 2016				
Net interest income/(expenses)	143.254	(117)	-	143.137
Net fees and commissions income	15.688	3	-	15.691
Other income/(losses)	5.119	9.213	(89)	14.243
Total net income	164.061	9.099	(89)	173.071
Staff costs	(47.165)	(2.612)	-	(49.777)
Depreciation	(3.995)	(435)	-	(4.430)
Other operating expenses	(35.021)	(2.823)	89	(37.755)
Total expenses	(86.181)	(5.870)	89	(91.962)
Operating profit before provisions for impairment	77.880	3.229	-	81.109
Increase in provisions for impairment of loans and other advances and other provisions to cover credit risk	(22.507)	-	-	(22.507)
Profit before tax	55.373	3.229	-	58.602

During 2016, the operational merger of the Cooperative Computer Society Ltd (S.E.M) with CCB was completed. Therefore, in 2016 S.E.M. is included in the banking, financial and insurance services sector while in 2015 in trading activities. Related expenses and comparative amounts have been reclassified from the gross profit of the commercial sector which is included in the category of "Other income" to "Staff costs" (Note 8) and "Other operating expenses" (Note 9), in order to reflect the changes in the structure.

7. Other net gains

	30 June 2017 €'000	30 June 2016 €'000
Net (loss)/gain from disposal of property plant and equipment	**(333)**	4
Net gain/(loss) from disposal of property held for sale	**988**	(275)
Net gain/(loss) from disposal of investment properties	**726**	(26)
Impairment charge on property, plant and equipment	**(27)**	(918)
Impairment charge on investment properties	**-**	(453)
Net fair value loss on investment properties	**-**	(967)
Net gain from disposal of financial assets available for sale	**-**	5.817
Other losses	**-**	(180)
	1.354	3.002

During the period for the six months ended 30 June 2016 a gain was recognized for the disposal of participation interest in Visa Europe Limited for an amount of €5.8 million.

8. Staff Costs

	30 June 2017 €'000	30 June 2016 €'000
Wages and Salaries	**38.951**	39.466
Social Insurance and other Government funds	**3.716**	3.672
Other Contributions to other funds	**1.720**	1.883
Special Contribution	**-**	181
Contributions to provident fund	**1.836**	1.813
	46.223	47.015
Other staff costs	**363**	366
	46.586	47.381
Number of employees at the end of the period (including Committee Members in their executive capacity)	**2.905**	2.961

The remuneration of the members of the Committee is disclosed in note 21.1.

The Group, other than the mandatory contributions to Social Insurance and other Government funds, based on the collective work agreements, contributes to the following which are included in other contributions to other funds:

a) Medical scheme:
Medical scheme is provided to employees, as follows:
- Through the Health Fund of the Cyprus Bank Workers Union to which the Group contributes a defined contribution of 2,50% on the total emoluments of the year.
- Through the Pancyprian Cooperative Health Fund, to which the Group contributes a defined contribution of 4% on the total emoluments of the year.
- Through predefined insurance plans of companies represented by the Group.

b) Life insurance premium:
Group life insurance is provided to employees through predefined schemes of Insurance Companies which are represented by the Group.

In addition, the Group operates defined contribution plans, the employees' Provident Funds, which prepare separate financial statements and provide their members with defined benefits upon retirement or early termination of service pursuant to their Articles of Association. The employer's current contribution is 7% for the Bank and 5% for the CCIs. The equivalent contribution for the employee is 3-10% for the Bank and 3-12% for the CCIs.

<u>CCS Voluntary Retirement Plan:</u>

On 16 August 2016, the Group established the Voluntary Retirement Plan, which ended on 15 September 2016. The Plan was accepted by 78 individuals from the CCS, of which 58 people from the Credit Sector and 20 people from the Commercial Sector, whose activities are gradually being phased out.

The total cost of the Plan amounted to €4.2 million. This amount, in addition to the compensation amount corresponding to each member of staff on the basis of the provisions of the Plan, includes an estimate of the cost of the additional benefits granted to the staff that accepted the Plan and relate to:
• medical care, for a period of three years from the date of departure or until the normal retirement date – whichever is the soonest,• life insurance coverage for a period of three years from the date of departure or until the normal retirement date - whichever is the soonest, and

• payment of the transferred annual leave of up to two years including any outstanding balance of 2016 up to the date of departure.

The first two benefits cease to apply in the case where the staff member who accepted the Plan is employed in another organization.

9. Other operating expenses

	30 June 2017 €'000	30 June 2016 €'000
Taxes and licenses	**75**	952
Electricity	**903**	1.425
Cleaning and water supply	**647**	586
Insurance premiums	**1.059**	1.206
Repairs and renovations	**354**	798
Telephone and postage	**1.841**	755
Stationery and printing	**1.403**	1.370
Maintenance of equipment	**2.580**	3.160
Other consultancy fees	**601**	731
Other professional fees	**4.116**	6.256
Special levy on deposits	**9.318**	9.438
Remuneration of non-executive Committee members	**224**	157
Transportation costs	**392**	343
Advertising	**1.013**	1.156
Rents	**399**	385
Security expenses	**686**	543
Professional subscriptions	**349**	307
Valuation expenses	**645**	1.131
Other expenses	**3.956**	4.355
	30.561	35.054

According to the "Imposition of Special Tax on Credit Institution Law of 2011 to 193 (I) / 2015" each credit institution is obliged to pay special tax calculated on the total deposits of each credit institution in the Republic on a quarterly basis, as these were recorded at the end of the previous quarter, at the rate of 0,0375%. From 1 January 2015 until 31 December 2021, 35/60 of the total revenue accruing from the submitted special tax will be transferred to an account held at the Central Bank for the benefit of the Recapitalization Fund, which is set up under the provisions of the "Establishment and Operation of the Independent Fund for Recapitalization Law of 2015". From 1 January 2022 onwards, all revenue from the special tax will be transferred to the Fixed Fund.

The Special Deposit Tax is calculated quarterly based on the deposits of credit institutions in the Republic at the end of the previous quarter, with a percentage of 0,0375%. The special tax charged on other operating expenses for the six months ended 30 June 2017 amounts to €9.318 thousand (June 2016: €9.438 thousand).

10. Impairment in financial assets available for sale

During the period, an impairment loss was recognized in the value of the investment in Cooperative Central Holdings Limited of €7.7 million.

11. Tax

11.1 Tax recognised in profit or loss for the period

	30 June 2017 €'000	30 June 2016 €'000
Corporation tax - current period	**-**	2.791
Corporation tax - prior years	**261**	(159)
Defence contribution - current period	**126**	62
Defence contribution - prior years	**2**	1
Capital gains tax	**-**	231
Deferred tax - debit	**-**	5.389
	389	8.315

11.2 Tax recognized in other comprehensive income

	30 June 2017 €'000	30 June 2016 €'000
Revaluation of land and buildings	**25**	810

Tax recognized in other comprehensive income for the revaluation of land and buildings from continuing operations amounts to €33 thousands.

The corporation tax rate is 12,5%. The Group is subject to tax on income arising from transactions with non-members.

In accordance with article 13 of the Income Tax Law 118(I)/02, any tax losses of the Group companies in Cyprus which are not offset against taxable profits of other Group companies in Cyprus, are carried forward and offset against future taxable profits. Based on an amendment to the Income Tax Law issued on 21 December 2012, tax losses for the years from 2006 onwards, can be carried forward and set off only against taxable profits for the next five years.

Based on the International Accounting Standard 12, the Group recognized by the end of the period deferred taxation amounting to €38.062 thousand arising from tax losses and/or provisions that were not accounted for the determination of taxable income (Note 16).

Gross rents (minus 25%) received by the Group are subject to defense contribution at the rate of 3%.

12. (Loss)/profit per share

(Basic and diluted loss) / basic and diluted profit per share
The amounts of (basic and diluted loss)/basic and diluted profit per share is based on the (loss)/profit attributable to equity holders of the Bank, the weighted average number of issued shares as at the period end and the weighted average number of issued shares during the period is as follows:

	30 June 2017			30 June 2016		
	Continuing operations	**Discontinued operations**	**Total**	Continuing operations	Discontinued operations	Total
(Loss)/profit attributable to equity holders of the Bank (€thousands)	**(9.046)**	**1.069**	**(7.977)**	46.197	2.775	48.972
Weighted average number of issued shares during the period (thousands)	**6.036.121**	**6.036.121**	**6.036.121**	6.036.121	6.036.121	6.036.121
Basic (loss)/profit per share (€cent)	**(0,15)**	**0,02**	**(0,13)**	0,77	0,04	0,81
Adjusted weighted average number of shares (thousands)	**6.036.121**	**6.036.121**	**6.036.121**	6.036.121	6.036.121	6.036.121
Diluted (loss)/profit per share (€cent)	**(0,15)**	**0,02**	**(0,13)**	0,77	0,04	0,81

On 30 June 2017 and 30 June 2016, the diluted (loss)/profit per share is the same with the basic (loss)/profit per share because there were no issued warrants or other financial assets convertible into shares (Note 13, Note 17).

13. Discontinued Operations

Pursuant to the provisions of the revised Restructuring Plan (Note 3.2), the Group has drafted sale agreements for the commercial non credit participations in New Sevegep Ltd, SOPAZ Ltd and Comarine Ltd. These agreements have been sent to the Registrar of Cooperative Enterprises for review and approval. Once the agreements are approved, the parties will proceed to implementation, which are expected to be signed within 2017. Additionally, on 26 July 2016, the disposal of PEAL Troodos Ltd has been completed.

As a result of the above, as at 31 December 2016 the results of these companies were categorized as discontinued operations, whereas the assets and liabilities of the companies that were not disposed off by 31 December 2016 are presented separately in the Group's Statement of Financial Position as " Non-Current assets / liabilities and disposal groups held for sale " (Note 18).

The results of these commercial sector participations that are included in the Condensed Consolidated Statement of Profit or Loss are presented below. The comparative figures of the Condensed Consolidated Statement of Profit or Loss have been adjusted to reflect last year’s results of these companies as discontinued operations, as this classification was not made in the previous year.

13. Discontinued operations (continued)

Results of discontinued operations

	30 June 2017 €'000	30 June 2016 €'000
Interest income	**76**	79
Transactions between sectors	**(76)**	(79)
Interest expense	**(166)**	(187)
Transactions between sectors	**166**	187
Net interest income	**-**	-
Other net gains	**(105)**	(182)
Transactions between sectors	**-**	-
Other income	**8.447**	9.316
Total net income	**8.342**	9.134
Staff costs	**(1.870)**	(2.396)
Depreciation	**(419)**	(318)
Other operating expenses	**(3.092)**	(2.790)
Transactions between sectors	**495**	89
Total expenses	**(4.886)**	(5.415)
Profit from discontinued operations before tax	**3.456**	3.719
Tax	**(627)**	(478)
Profit for the period from discontinued operations	**2.829**	3.241
Loss from impairment of discontinued operations	**(1.780)**	-
Net profit for the period from discontinued operations	**1.049**	3.241

Out of the total loss from continuing operations of €9.046 thousand (2016: profit of €46.568 thousand) an amount of €9.046 thousand (2016: profit of €46.197 thousand) is attributable to equity holders of the Bank and an amount of €nil thousand (2016: profit of €371 thousand) is attributable to non-controlling interests. Out of the total profit from discontinued operations of €1.049 thousand (2016: €3.241 thousand) an amount of €1.069 thousand (2016: profit of €2.775 thousand) is attributable to equity holders of the Bank and a loss amounted to €20 thousand (2016: profit of €466 thousand) is attributable to non-controlling interests.

An amount of €47 thousand has been recognized in the Group's other comprehensive income in respect of discontinued operations.

Discontinued operations have no material impact on the Group's operating, investing and financing cash flows for the six months ending 30 June 2017 and 30 June 2016. The results of discontinued operations are included in Trading Activities in note 6 of the condensed consolidated financial statements and the effect on the profit / (loss) per share is presented in note 12.

14. Loans and other advances to customers

	30 June 2017 €'000	31 December 2016 €'000
Loans and advances to customers	**11.752.730**	11.974.970
Advances for the repayment of refugee deposits	**36.758**	36.758
Long term advances for agricultural development	**19.415**	19.428
	11.808.903	12.031.156
Accrued interest	**129.498**	2.636
	11.938.401	12.033.792
Provisions for impairment	**(3.381.181)**	(3.272.236)
	8.557.220	8.761.556

Analysis of loans and other advances to customers by category:

	30 June 2017 €'000	31 December 2016 €'000
Current accounts	**807.427**	849.136
Term loans	**10.943.160**	11.123.518
Other debtors	**2.143**	2.316
	11.752.730	11.974.970

Provisions for impairment:

	Individual and collective provision for doubtful debts €'000	**IBNR €'000**	**Total €'000**
1 January 2016 (Restated)	3.340.277	108.971	3.449.248
Interest of impaired loans	423.043	-	423.043
Unwinding of discount	(210.024)	-	(210.024)
Charge for the year	99.413	13.924	113.337
Write offs and other transfers	(503.340)	(28)	(503.368)
31 December 2016/1 January 2017	3.149.369	122.867	3.272.236
Interest of impaired loans	197.571	-	197.571
Unwinding of discount	(95.447)	-	(95.447)
Charge for the period	128.128	(58.163)	69.965
Write offs and other transfers	(63.065)	(79)	(63.144)
30 June 2017	3.316.556	64.625	3.381.181

The amount of €69.965 thousand charged for the period includes receivables related to loans written off for an amount of €4.844 thousand and direct write-offs for an amount of €1.169 thousand.

14. Loans and other advances to customers (continued)

The breakdown of loans and other advances to customers based on their remaining contractual maturity is shown below:

	30 June 2017 €'000	31 December 2016 €'000
Repayment analysis:		
On demand	**1.700.862**	2.201.335
Within three months	**113.774**	100.871
Between three months and one year	**316.268**	348.908
Between one to five years	**1.687.373**	1.898.108
Over five years	**8.120.124**	7.484.570
	11.938.401	12.033.792
Provisions for impairment	**(3.381.181)**	(3.272.236)
	8.557.220	8.761.556

The non-performing loans as at 30 June 2017, amounted to €7.178.682 thousand (December 2016: €7.216.753 thousand) and they represent 60,1% of the total portfolio of loans and other advances to customers (December 2016: 60,0%).

The analysis of non-performing loans is disclosed in note 25 and is presented according to the new Directive of the European Banking Authority ("EBA").

According to the definition of EBA, the following advances are considered as non-performing: (i) Significant advances that present past due balances more than 90 days, or (ii) Advances for which the debtors cannot fully repay their obligations without the sale of collateral, or (iii) Customer advances for which the Bank took legal actions against them, or Advances of bankrupt customers, or Advances for which the Bank has recognized a provision for impairment or write off, or (iv) Advances that have been restructured twice in a period of two years, or (v) Advances that have been restructured and during the monitoring period (2 years) were past due for a period for more than 30 days.

The Group's exposure to credit risk, regarding loans and other advances to customers, is reported in note 22.1 of the condensed consolidated financial statements.

Advances with terms that were renegotiated and forbearance policy

The net advances with terms that were renegotiated are analyzed below by sector:

	30 June 2017 €'000	31 December 2016 €'000
Trading sector	**92.889**	88.044
Construction and real estate entities	**260.627**	256.073
Manufacturing entities	**62.026**	56.354
Tourism entities	**59.617**	53.771
Other entities	**301.296**	288.090
Individuals	**2.100.157**	2.012.734
Total	**2.876.612**	2.755.066

Analysis of loans by geographical region:

	30 June 2017 €'000	31 December 2016 €'000
Cyprus	**8.557.220**	8.761.556
	8.557.220	8.761.556

14. Loans and other advances to customers (continued)

The Group proceeds to write-off of loans, and equivalent provisions for impairments, whose recovery is considered remote and for which it retains the legal right of collection. The amount of these loans at the end of the period amounts to €587.258 thousand (December 2016: €558.981 thousand).

15. Investments in subsidiaries

The significant financial entities and entities with exclusively trading operations whose figures were consolidated are presented below:

Name	Country of incorporation	% of ownership 30 June 2017	% of ownership 31 December 2016	Main Activities
Troodos Cooperative Credit Society Ltd	Cyprus	100	100	Financial
Paphos Cooperative Savings Society Ltd	Cyprus	100	100	Financial
Limassol Cooperative Savings Society Ltd	Cyprus	100	100	Financial
Strovolos Cooperative Credit Society Ltd	Cyprus	100	100	Financial
Famagusta-Larnaka Cooperative Savings Society Ltd	Cyprus	100	100	Financial
Nicosia Cooperative Savings Society Ltd	Cyprus	100	100	Financial
Telecommunications Energy and Banks Employees Cooperative Savings Society Ltd	Cyprus	100	100	Financial
Ledra Cooperative Credit Society Ltd	Cyprus	100	100	Financial
Allileggyis Cooperative Credit Society Ltd	Cyprus	100	100	Financial
Lakatamia-Deftera Cooperative Credit Society Ltd	Cyprus	100	100	Financial
Makrasyka-Larnaka-District of Famagusta Cooperative Credit Society Ltd	Cyprus	100	100	Financial
Cyprus Educational Cooperative Savings Society Ltd	Cyprus	100	100	Financial
Cyprus Police and Military Cooperative Savings Society Ltd	Cyprus	100	100	Financial
Kokkinochoria Cooperative Credit Society Ltd	Cyprus	100	100	Financial
Periferiaki Limassol Cooperative Credit Society Ltd	Cyprus	100	100	Financial
Periferiaki Nicosia Cooperative Credit Society Ltd	Cyprus	100	100	Financial
Tamassos-Orinis and Pitsilias Cooperative Credit Society Ltd	Cyprus	100	100	Financial
Cyprus Civil Servants Cooperative Building and Savings Society Ltd	Cyprus	100	100	Financial
Pancyprian Cooperative Confederation Ltd	Cyprus	91,24	91,24	Trading
Cooperative Computer Society (S.E.M) Ltd	Cyprus	-	-	Trading
NEW SEVEGEP LTD	Cyprus	83,57	83,57	Trading
SOPAZ Ltd	Cyprus	91,50	81,35	Trading
Newfields Ltd	Cyprus	100	100	Trading
Comarine Ltd	Cyprus	59,48	59,48	Trading
Cooperative Federation of Carob Supply of Limassol Ltd	Cyprus	90,98	90,98	Trading
Cooperative Federation of Carob Supply of Larnaka Ltd	Cyprus	100	100	Trading
Cooperative Federation of Carob Supply of Paphos Ltd	Cyprus	98,78	98,78	Trading
Cooperative Federation of Carob Supply Ltd	Cyprus	66,67	66,67	Trading
CCSRE Real Estate Company Ltd	Cyprus	100	100	Real Estate Management

At the end of the period, CCB was exercising full control over the Cooperative Credit Institutions (Note 15.1). CCSRE Real Estate Company Ltd was established in 2016 and is a 100% subsidiary.

15. Investments in subsidiaries (continued)

15.1 Changes in ownership interests of subsidiaries

On 6 May 2016, in accordance with the terms of the relevant decree of the Ministry of Finance, the Group acquired the additional 1% of all Cooperative Credit Institutions previously owned by the minority shareholding thus increasing its ownership percentage from 99% to 100%.

As a result, the Group presents:

(a) Decrease in minority interests of €4.709 thousand,
(b) Decrease in the fair value reserve – land and buildings of €150 thousand,
(c) Increase in the fair value reserve for financial assets available for sale of €289 thousand, and
(d) Increase in the statutory reserve of €4.570 thousand.

The following summarize the effect of the change in the Group's participation in the credit sector companies:

	€'000
Total equity attributable to shareholders on 1 January 2016	392.542
Effect of the increase in the percentage holding	4.709
Increase in share capital	107.800
Increase in equity	431.164
Share of total comprehensive income	(373.560)
Total equity attributable to shareholders on 31 December 2016	**562.655**

On 26 July 2016, the Group proceeded with the sale of its shareholding in PEAL Troodos Ltd. The sale does not have a significant impact on the Group's results.

On 24 August 2016 the Group received the final approval from the supervisory authorities to proceed with the merger of the Cooperative Computer Society Ltd with CCB and as mentioned in note 1.1.2 on 1 July 2017, the above-mentioned CCIs were merged with CCB. In addition, as from 1 July 2017, Nea Sevegep Ltd and Comarine Ltd are not controlled by CCB.

16. Deferred tax

Deferred tax is calculated in full on all temporary differences under the liability method using the applicable tax rates (Note 11).

Deferred tax assets are recognised on tax losses and tax claims that have not been realized as well as taxable temporary differences only when it is probable that there will be future taxable profits against which they can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to an appropriate level where it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured based on the tax rates that are expected to be applied in the period in which the assets will be realised or the liability will be settled, taking into consideration the tax rates and laws that have been enacted or substantially enacted until the reporting date.

Based on the International Accounting Standard 12, the Group recognized at the end of the period deferred tax liability of €38.062 thousand arising from the tax losses and provisions which have not been taken into account in the determination of taxable income. Deferred tax was recognized on the basis of profitable forecasts of the Management of the Bank and the estimation of the reversal of provisions (which are based on the available data, including historical profitability levels). This demonstrates that the group is in a position to achieve taxable profits against which the deferred tax can be utilized. Total tax losses carried forward as at 30 June 2017 amount to €475.365 thousand (2016: €479.243 thousand).

17. Share capital

	30 June 2017 Number of shares	**30 June 2017 €'000**	31 December 2016 Number of shares	31 December 2016 €'000
Authorised				
6.224.904.542 shares at €0,28 each	**6.224.904.542**	**1.742.973**	6.224.904.542	1.742.973
Issued and fully paid				
On 1 January	**6.036.120.911**	**1.690.113**	1.183.682.464	1.515.113
Issue of shares	**-**	**-**	331.431.360	369.712
Decrease in nominal value of shares	**-**	**-**	-	(194.712)
	6.036.120.911	**1.690.113**	1.515.113.824	1.690.113
Denomination of nominal value			6.036.120.911	1.690.113

The total issued and fully paid share capital on 30 June 2017 was 6.036.120.911 shares of nominal value €0,28 each.

On 6 May 2016 a decree of the Minister of Finance was published in the Cyprus Government Gazette according to which the nominal value of each share was reduced from €1,28 to €1,1155, and 331.431.360 shares of nominal value €1,1155 were issued to the Recapitalisation Fund and the Cooperative Holding Companies of the CCIs, regardless of any contrary provisions of the Cooperative Companies Law, any law governing the Capital markets and the Stock Exchange Law and Regulations and Regulatory Administrative Acts issued under all the above laws, as amended or replaced from time to time. Following the above issue, the participating interest of the Republic of Cyprus in CCB's ownership structure amounts approximately to 77% and the interest of the Recapitalisation Fund approximately to 22%.

Subsequently, in accordance to the Decree, the nominal value of each share was divided to €0,28 by issuing to the existing shareholders approximately four shares of nominal value €0,28 for every one share held of nominal value €1,1155. The above referred division does not affect the total nominal value of the shares held by the shareholders prior to the division nor each shareholder's stake in the ownership structure of CCB.

18. Non-current assets and liabilities and disposal groups of assets and liabilities held for sale

As per note 13, pursuant to the provisions of the revised Restructuring Plan, the Group has drafted the sale agreements for the commercial non credit participations in New Sevegep Ltd, SOPAZ Ltd and Comarine Ltd. These agreements have been sent to the Registrar of Cooperative Enterprises for review and approval. Once the agreements are approved, the parties will proceed to the implementation of the agreements, which are expected to be completed by the end of the second quarter of 2017. As a result, the assets and liabilities of these companies are presented separately in the Group's Statement of Financial position as "Non-current assets / liabilities and disposal groups of assets / liabilities held for sale".

18.1 Impairment losses associated with discontinued operations

Impairment losses of € 10.480 thousand for impairment of assets and liabilities held for sale and related to discontinued operations are measured at the lower of their carrying amount and fair value less costs to sell and are included in "Net loss for the period from discontinued operations" in the condensed consolidated statement of profit or loss and other comprehensive income. These losses were allocated to property, plant and equipment and intangible assets.

18. Non-current assets and liabilities and disposal groups of assets and liabilities held for sale (continued)

18.2 Non-current assets and liabilities of discontinued operations

On 30 June 2017, discontinued operations were carried at fair value less costs to sell and included the following assets and liabilities:

	30 June 2017 €'000	30 June 2016 €'000
Non-current assets and disposal groups held for sale		
Cash	54	24
Deposits with other banking institutions	659	178
Inventories	13.950	14.423
Financial assets available for sale	5.701	5.690
Investment properties	43.424	43.527
Property, plant and equipment	630	1.641
Deferred tax assets	-	11
Other assets	18.117	18.077
	82.535	**83.571**
Non-current liabilities and disposal groups held for sale		
Deferred tax liabilities	6.339	5.931
Other liabilities	4.210	5.764
	10.549	**11.695**

Fair value hierarchy

The calculation of the non-recurring fair value for the disposal group held for sale has been categorized at Level 3 of the fair value based on the data used in the valuation technique.

The Group's exposure to market risk with respect to non-current assets and liabilities and disposal groups of assets and liabilities held for sale is reported in note 22.2 of the condensed consolidated financial statements.

19. Reserves

The movement in reserves is disclosed in the condensed consolidated statement of changes in equity.

The profit for distribution relates to the net profit or losses for the period which is transferred to statutory reserve.

19.1 Prepaid share reserve

The prepaid share reserve was created under the revised Restructuring Plan which requires changes in the ownership structure of the Group (Note 3.2).

19.2 Fair value reserve

The fair value reserve for land and buildings arises from the revaluation of land and buildings. When the revalued land or buildings are disposed, the portion of the revaluation reserve that relates to that asset is transferred directly to profit for distribution.

The fair value reserve for financial assets available for sale represents accumulated gains and losses arising on the revaluation of financial assets available for sale that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss, if those assets were disposed or impaired.

19. Reserves (continued)

19.3 Merger reserve

The merger reserve is substantially created from the merger of the CCIs and trading sector companies under the common control of CCB. The share capital amounts of the CCIs and trading sector companies are transferred into this reserve.

19.4 Statutory reserve

The statutory reserve required by law is created as per the article 41(1) of the Cooperative Companies Law no. 22 of 1985, as subsequently amended. The reserve is distributed as per the Recapitalization of Cooperative Central Bank / Central Body Decree of 2013, as subsequently amended.

19.5 Dilution of shares nominal value reserve

The dilution of shares nominal value reserve is created by reducing the nominal value of shares. In 2014, the nominal value of the shares was reduced from €8,54 to €1,28 and in 2016 the nominal value was reduced to €1,1155.

In accordance to the Decree, the nominal value of each share was divided to €0,28 by issuing to the existing shareholders approximately four shares of nominal value €0,28 for every one share held of nominal value €1,1155. The above division does not affect the total nominal value of the shares held by the shareholders prior to the division, nor each shareholder’s percentage stake in the ownership structure of CCB.

19.6 Deemed distribution

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for Defense of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% will be payable on such deemed dividend to the extent that the owners (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profits refer are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. The special defense contribution is paid by the company on behalf of the owners.

20. Contingent liabilities and commitments

In order to address the needs of its customers, the Group conducts business involving guarantees and credit limits which at the reporting date remained unutilized. Additionally, the Group has obtained commitments for capital expenditure for which contracts were signed at the reporting date but have not yet incurred. These facilities and liabilities are not included in the condensed consolidated statement of financial position and their nominal values as at 30 June 2017 are presented below:

	30 June 2017 €'000	31 December 2016 €'000
Contingent liabilities		
Guarantees	**56.021**	56.180
Commitments		
Undrawn or partly utilized limits of advances and loans	**399.634**	409.672
Documentary credits	**535**	917
Commitments for capital expenditure	**2.865**	2.158
	403.034	412.747
	459.055	468.927

20. Contingent liabilities and commitments (continued)

The maturity of the above contingent liabilities and commitments of the Group are as follows:

	30 June 2017 €'000	31 December 2016 €'000
Within one year	**133.939**	159.701
Between one and five years	**120.732**	142.524
Over five years	**204.384**	166.702
	459.055	468.927

Letters of guarantees are irrevocable commitments by which the Group is responsible to pay a specific amount to the beneficiary in the event of a customer's default on his contractual obligations.

Undrawn or partly utilized limits on advances and loans are commitments to provide credit facilities to customers. The credit facilities are provided for a fixed period of time, are reviewed at regular intervals and can be cancelled by the Group at any time.

Documentary credits are commitments by the Group to make payments to third parties provided that the terms of the documentary credit are satisfied, which include the presentation of the bill of lading and/or other documents.

The Group has recognised a decrease in provision of €2.049 thousand deriving from the above guarantees and documentary credits for the six months ended 30 June 2017. The respective accumulated provisions as at 30 June 2017 amounted to €1.466 thousand (2016: €3.515 thousand).

Capital expenditure for which contracts were signed at the reporting date but have not yet materialized are as follows:

	30 June 2017 €'000	31 December 2016 €'000
Property, plant and equipment	**2.865**	2.158
	2.865	2.158

20.1. Contingent tax liabilities

Income tax returns which are submitted to tax authorities are subject to review by the tax authorities. Upon future review of the current and previous years' income tax returns, of the Group and its subsidiaries by the tax authorities, there is a possibility that additional taxes will be imposed in the year under examination. The Committee is unable to assess the amount of these potential tax liabilities.

20.2 Commitments from Legal Claims

On 30 June 2017, there were pending legal claims against the Bank and the CCIs in relation to their activities. The Bank and the CCIs in consultation with their legal advisors examine the cases and, based on the legal advice they receive, the necessary accounting treatment is made on the basis of the provisions of International Accounting Standard 37 "Provisions, Contingent Liabilities and Contingent Assets". According to the provisions of IAS 37, "Provisions, Contingent Liabilities and Contingent Assets", paragraph 92, no further information is disclosed that may prejudge the Group's position in dispute with other parties.

21. Related party transactions

The ownership structure of the Cyprus Cooperative Bank Ltd is described in detail in note 3.2.

All transactions with members of the Committee and key management personnel, including their affiliated parties, are carried out on an arm's length basis. Related parties include spouses, children and entities in which the members of the Committee/key management personnel hold, directly or indirectly, at least 20% of the voting rights in a general meeting or they are directors or in any way have control.

21. Related party transactions (continued)

Regarding key management personnel, a number of facilities has been provided on the same finance terms as those of the Group's personnel.

The following transactions were carried out with related parties:

21.1 Committee and key management remuneration

The remuneration of Committee Members and other key management personnel was as follows:

	30 June 2017 €'000	30 June 2016 €'000
Committee Members		
Executive members:		
Wages and salaries	**132**	132
Employer contributions to various funds	**18**	20
Non-Executive members:		
Rights of Non-Executive Members	**203**	65
Employer Contributions to various funds	**-**	-
Key management personnel		
Wages and salaries	**326**	451
Employer Contributions to various funds	**55**	83
	734	751

The remuneration of non-executive members of the Committee, includes fees which are paid to members in order to cover expenses for the performance of their duties.

Key management personnel consist of the Senior Management of the Bank. The Senior Management of the Bank as at the date of issuance of the condensed consolidated financial statements is presented in page 1. The remuneration of key management personnel, includes the remuneration of management personnel who have undertaken other tasks within the organization during the year.

Wage Analysis of Executive Committee members

	30 June 2017 €'000	**30 June 2016 €'000**
Nicholas Hadjiyiannis	**93**	93
Stavros Iacovou	**39**	39
Total	**132**	**132**

21. Related party transactions (continued)

21.1 Committee and key management remuneration (continued)

Rights of non-Executive members analysis

	30 June 2017 €'000	30 June 2016 €'000
Charalambos Christodoulides	**21**	20
George Hadjinicolas	**21**	11
George Kittos	**21**	11
Panikos Pouros	**22**	12
Lambros Pieri	**28**	11
Christakis Taoushanis	**38**	-
Adonis Pegasiou	**20**	-
Kypros Ellinas	**20**	-
Susana Poyiadjis	**12**	-
Total	**203**	65

21.2 Loans and other advances

	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	Number		€'000	€'000
Members of the Committee and related parties:				
Less than 1% of the net assets of the Group per member of the Committee	**2**	**2**	**33**	**125**
Key management personnel and related parties	**8**	**10**	**990**	**2.009**
Total on 30 June	**10**	**12**	**1.023**	**2.134**

There are no credit facilities to independent members of the Committee. The balances of loans and other advances of key management personnel include outstanding balances of the Senior Management of the Bank as at the reporting date.

21.3 Deposits

	30 June 2017 €'000	31 December 2016 €'000
Members of the Committee and related parties	**506**	1.387
Key management personnel and related parties	**761**	1.224
Total	**1.267**	2.611

The balances of deposits of key management personnel include outstanding balances of the Senior Management of the Bank as at the reporting date.

21. Related party transactions (continued)

21.4 Contingent liabilities and commitments involving related parties

In addition, on 30 June 2017, there were contingent liabilities and commitments relating to guarantees and unutilized credit limits as follows:

	30 June 2017 €'000	31 December 2016 €'000
Members of the Committee and related parties	**174**	81
Key management personnel and related parties	**411**	364
Total	**585**	445

21.5 Exposure to the Republic of Cyprus

	30 June 2017 €'000	31 December 2016 €'000
Bonds and Loans	**1.248.709**	943.956
Guarantees for loans and other advances to clients	**419.830**	428.187

22. Financial Risk Management

Financial Risk Factors

The Bank is developing a comprehensive risk management framework which aims to an effective monitoring and management of risks on a condensed consolidated basis. The framework aims to:

- The measurement and monitoring of the main types of risks which the Group is exposed,
- The development of policies and procedures for undertaking and managing each risk,
- The compliance with supervisory obligations including maintaining sufficient capital.

The Committee and the Risk Management Committee are responsible for the management of risks. In accordance with the regulatory requirements, an independent Risk Management Department has been established which submits regular reports and recommendations and aims to develop appropriate methodologies for managing risks.

The most significant risks to which the Group is exposed to are credit risk, market risk, liquidity risk, capital risk management, counterparty risk and operational risk.

The Committee and the Risk Management Committee assess on a systematic basis the risk concentrations especially when it relates to advances and takes all necessary actions for managing those risks.

Mitigation methods are explained below:

22.1 Credit risk

Credit risk arises from the customers' inability to repay their loans and other advances and fulfill their contractual obligations. The quality of the loan portfolio is monitored on a systematic basis and provisions for impairment are recognized for specific or other losses that might relate to the portfolio.

22. Financial Risk Management (continued)

22.1 Credit risk (continued)

The Group applies effective controls and procedures and obtains sufficient collaterals so as to minimize the possibility of loss from credit risk.

Credit risk concentration
There are restrictions regarding the concentration of credit risk from the Banking Law of Cyprus and the relevant directive issued by the Central Bank of Cyprus. According to these restrictions, banks are not allowed to lend more than 25% of their capital base to a single customer and its related parties taking into account the effect of credit risk mitigation techniques. As at 30 June 2017, the Group was in compliance with the above restrictions.

Maximum Exposure to credit risk ignoring collaterals
The table below reflects the worst case scenario of credit risk exposure of the Group without taking into account any collaterals held. In order to estimate the effect of the risk, as stated above, for the assets included in the condensed consolidated statement of financial position the carrying amounts were used.

Maximum exposure to credit risk:

	30 June 2017 €'000	31 December 2016 €'000
Deposits with central banks	**3.323.842**	3.733.233
Deposits with other banking institutions	**40.157**	43.656
Loans and other advances to customers (Note 14)	**11.938.401**	12.033.792
Other receivables	**33.446**	35.327
Total	**15.335.846**	15.846.008
Contingent liabilities (Note 20)	**56.021**	56.180
Commitments (Note 20)	**403.034**	412.747
Total not included on the condensed consolidated statement of financial position	**459.055**	468.927
Total credit risk exposure	**15.794.901**	16.314.935

As shown above, 75,6% of the total credit risk exposures arise from loans and advances to customers and 21,0% from deposits with Central Banks.

22.1.1 Impaired advances

If the Group assesses that the total amount of the capital and interest due may not be recovered according to the contractual terms of the loan or the relevant agreement, it classifies these advances as impaired.

22. Financial Risk Management (continued)

22.1 Credit risk (continued)

22.1.2 Non impaired advances

The Group's advances which were assessed individually and no impairment was identified are classified in risk grades as follows:

Grade 1 (Low Risk):
Advances which were past due up to 90 days and are performing.

Grade 2 (Medium Risk):
Advances which were past due up to 90 days and are non-performing and advances which were past due between 91 and 180 days.

Grade 3 (High Risk):
Advances which were past due over 180 days or are impaired.

22.1.3 Advances which are past due but not impaired

Includes loans for which, even if the repayment of the capital and interest due is past due according to the contractual obligations, the Group based on its evaluation does not assess that they should be impaired, because of the amount of collateral or/and the schedule of repayment of the amounts due.

22.1.4 Advances with conditions that were renegotiated

The Group, where it deems as beneficial, renegotiates the terms of advances for cases in which customers apply for renegotiation, as they are not in the position to repay according to the initial terms, either because of their adverse financial position or any other reason.

On 30 June 2017, the Group renegotiated the repayment terms on loans of €2.876.612 thousand (December 2016: €2.755.066 thousand), which related mainly to loans to individuals.

Under the new definition of EBA, restructuring of a client's facilities is considered to be any change of the terms and/or conditions of the advances in order to deal with existing or expected financial difficulties of the client to repay the advances in accordance with the existing repayment schedule, or full or partial refinancing of the problematic advance.

A restructured non-performing advance remains classified as non-performing for 12 months following the restructuring date. After the lapse of the above mentioned period for the classification of restructured advances as non-performing, the advance will be classified as non-performing only if it fulfills the criteria for the classification of non-performing facilities according to the new definition of EBA, if any delays occur or if there are concerns about the full repayment of the advance according to the revised repayment schedule.

Based on the above categories, advances to customers of the Group are presented in the tables below:

22. Financial Risk Management (continued)

22.1 Credit risk (continued)

22.1.4 Advances with conditions that were renegotiated (continued)

30 June 2017

	Loans and advances to customers €'000	Deposits with other banking institutions €'000	Total €'000
Carrying amount	8.557.220	40.157	8.597.377
Impaired loans:			
Grade 3 (high risk)	6.123.144	-	6.123.144
Individually impaired	(3.316.556)	-	(3.316.556)
Carrying amount	2.806.588	-	2.806.588
Advances with terms that were renegotiated	1.688.864	-	1.688.864
Past due but not impaired:			
Grade 1 (low risk)	371.252	-	371.252
Grade 2 (medium risk)	151.984	-	151.984
Grade 3 (high risk)	631.386	-	631.386
Carrying amount	1.154.622	-	1.154.622
Analysis of past due:			
0-30 days	293.756	-	293.756
30-60 days	112.686	-	112.686
60-90 days	64.915	-	64.915
90 days+	683.265	-	683.265
Carrying amount	1.154.622	-	1.154.622
Advances with terms that were renegotiated	286.556	-	286.556
Neither past due nor impaired:			
Grade 1 (low risk)	4.660.635	40.157	4.700.792
Carrying amount	4.660.635	40.157	4.700.792
Advances with terms that were renegotiated	901.192	-	901.192
Balances after individual impairment	8.621.845	40.157	8.662.002
Collective impairment	(64.625)	-	(64.625)
Total carrying amount	8.557.220	40.157	8.597.377

22. Financial Risk Management (continued)

22.1 Credit risk (continued)

22.1.4 Advances with conditions that were renegotiated (continued)

31 December 2016	Loans and advances to customers €'000	Deposits with other banking institutions €'000	Total €'000
Carrying amount	8.761.556	43.656	8.805.212
Impaired loans:			
Grade 3 (high risk)	6.984.276	-	6.984.276
Individually impaired	(3.149.369)	-	(3.149.369)
Carrying amount	3.834.907	-	3.834.907
Advances with terms that were renegotiated	2.047.576	-	2.047.576
Past due but not impaired:			
Grade 1 (low risk)	489.622	-	489.622
Grade 2 (medium risk)	19.639	-	19.639
Grade 3 (high risk)	143.253	-	143.253
Carrying amount	652.514	-	652.514
Analysis of past due:			
0-30 days	379.873	-	379.873
30-60 days	79.547	-	79.547
60-90 days	43.606	-	43.606
90 days+	149.488	-	149.488
Carrying amount	652.514	-	652.514
Advances with terms that were renegotiated	95.396	-	95.396
Neither past due nor impaired:			
Grade 1 (low risk)	4.397.002	43.656	4.440.658
Carrying value	4.397.002	43.656	4.440.658
Advances with terms that were renegotiated	612.094	-	612.094
Balances after individual impairment	8.884.423	43.656	8.928.079
Collective impairment	(122.867)	-	(122.867)
Total carrying amount	8.761.556	43.656	8.805.212

22. Financial Risk Management (continued)

22.1 Credit risk (continued)

22.1.5 Collateral

Based on Group's policy, the amount of credit facilities granted should be based on the repayment capabilities of the relevant counterparties. Furthermore, for the hedging and mitigation of credit risk the Group obtains collaterals, the nature of which is set by the Group's policies.

The main collaterals held by the Group include mortgages over properties, pledging of cash, government and bank guarantees, charges over assets of businesses as well as corporate and personal guarantees.

22.2 Market risk

Market risk is the risk of financial loss arising from sudden changes in foreign currency rates, interest rates and prices of financial instruments. The risk is managed by the Assets and Liabilities Committee (ALCO) so as to be maintained within acceptable limits.

For the efficient management of risks arising from interest rate and exchange rate fluctuations, the Assets and Liabilities Committee (ALCO) of the Group has defined specific strategies and has set limits on open positions for every risk.

22.3 Currency risk

Currency risk is the risk of financial loss arising from adverse changes in foreign currency rates when there is a net position (asset or liability) in one or more foreign currencies. The Bank's Management sets open foreign currency position limits, on a total basis for all currencies and for each currency separately, which are monitored on a continuous basis.

22.4 Interest rate risk

Interest rate risk is the risk of decrease in the value of financial instruments or in net interest income as a result of adverse movements in the market interest rates. Interest rate risk arises due to timing differences on the reprising of interest rates on assets and liabilities. The Group monitors on a continuous basis interest rates fluctuations and the exposure of its assets and liabilities which are subject to interest rate fluctuations and take all necessary measures for managing this risk.

22.5 Investment price risk

Price risk arises from adverse changes in the prices of the investments held by the Group. The Group's investments are classified as available for sale and therefore changes in the investment prices affect the Group's capital.

The Group monitors on a daily basis a complete set of early warning indicators aiming at the early recognition of adverse fluctuations in the value of investments and takes all necessary actions to limit the impact on equity.

22.6 Liquidity risk

Liquidity risk is the risk of financial loss arising from a potential inability of CCB to meet its current payment obligations without suffering additional costs. The monitoring of liquidity risk concentrates on balancing cash inflows and outflows in various time periods, ensuring that under normal circumstances CCB/CB would be in a position to respond to its cash obligations.

CCB as the banker of CCIs and having the role of the borrower of extraordinary need, has a primary goal to maintain assets at "high liquidation", where these assets are available for direct liquidation, in case of emergency.

For the efficient management of liquidity risk, CCB/CB monitors the liquidity risk associated with its daily activities, through daily monitoring of various liquidity ratios and carrying out stress testing on a quarterly basis, as required by the relevant directives/circulars of the Central Bank of Cyprus. In addition, it applies methodologies for assessing liquidity needs, which are expected to occur in the following year under hypothetical liquidity crisis scenarios as part of its internal liquidity adequacy assessment process.

22. Financial Risk Management (continued)

22.6 Liquidity risk (continued)

Furthermore, CCB/CB calculates the Liquidity Coverage Ratio and Net Stable Funding Ratio on a monthly and quarterly basis respectively, as required by the European Regulation 575/2013 in the context of Basel III on a European level and the harmonization of the European supervisory framework.

The following table shows the index for liquid assets denominated in foreign currency, as required by the relevant Directive of the Central Bank of Cyprus for the Prudential Liquidity held in foreign currency:

	30 June 2017 %	31 December 2016 %
On 30 June /31 December	**33,9**	34,2
Average for the period/year	**33,8**	31,9
Maximum quarterly index	**33,9**	34,2
Minimum quarterly index	**33,6**	29,4
Minimum supervisory Index	**20,0**	20,0

The Group meets the supervisory liquidity requirements for the euro.

The following table shows the index for liquid assets denominated in foreign currency, as required by the relevant Directive of the Central Bank of Cyprus for the Prudential Liquidity held in foreign currency:

	30 June 2017 %	31 December 2016 %
On 30 June /31 December	**115,5**	117,6
Average for the period/year	**117,4**	115,3
Maximum quarterly index	**119,2**	117,6
Minimum quarterly index	**115,5**	113,0
Minimum supervisory Index	**70,0**	70,0

The Group meets the supervisory liquidity requirements for foreign currencies.

22. Financial Risk Management (continued)

22.7 Other risks

22.7.1 Capital risk management

The primary regulatory authority, which determines and monitors the Group's capital requirements is the SSM.

On 26 June 2013, the European Parliament and the Council approved the Regulation (EU) no.575/2013 (Capital Requirements Regulation- CRR), which relates to the prudential supervision requirements for credit institutions, as well as the Directive 2013/36/EU (Capital Requirements Directive IV- CRD IV), which relates to the access to the activities of credit institutions and the prudential supervision of credit institutions (Basel III).

In August 2014, CBC has issued a Directive for the purposes of determining the Distinctive Discretions and the Transitional Provisions provided by Regulation (EU) no. 575/2013, by exercising its power pursuant to the article 41 of the Business of Credit Institutions Law of 1997 to (no. 4) of 2013 and under Regulation (EU) no. 575/2013.

The Basel III directive consists of the following pillars:

Pillar I – Minimum capital requirements:
Pillar I refers to the minimum capital requirements of the credit institution, so as the exposure of the Group to credit risk, market risk and operational risk is adequately covered.

Pillar II – The supervisory review process:
Pillar II links the regulatory capital requirements to the banking institutions' internal capital adequacy assessment procedures (ICAAP) and to the reliability of its internal control structures. The purpose of Pillar II is to promote the communication between supervising authorities and banking institutions on a continuous basis and the reliability of the banks' capital needs in relation to their risks.

Pillar III – Disclosure of information:
Pillar III requires, amongst others, the disclosure of information regarding the risk management policies and procedures of the banking institution, the results of the calculations of minimum capital requirements, as well as information regarding the composition of the institution's capital. The relevant disclosures are published on the website of the Cyprus Cooperative Bank Ltd.

In the context of legislative and regulatory demands for the consolidation of the CCIs into a central organization as per the instructions of the European Union, the Cyprus Cooperative Bank Ltd assumed the role of central organization, defined as 'Central Body'. The Central Body started to operate on 1 January 2008. Cyprus Cooperative Bank Limited, by assuming its new role of the Central Body in compliance with the European Directive 2000/12/EC, as recast with the Directive 2006/48/EC, relating to the taking up and pursuit of business of credit institutions and the Cooperative Societies Rules of 2004, guaranteed the commitments of affiliated CCIs so that the latter be exempted from the regulatory provisions of the Directive on an individual basis. The above Directive and the Rules provide that, the exempted provisions must be satisfied by the Central Body and the affiliated CCIs on a consolidated basis.

The Group's equity entirely comprises of Common Equity Tier 1 Capital which includes issued share capital and reserves (including revaluation reserve). Common Equity Tier 1 Capital is reduced by the participation of the affiliated CCIs, the intangible assets and the amount of deferred tax assets which depends on the future profitability and does not arise from temporary differences, subject to the provisions of the CRR and the transitional provisions of CBC.

The capital adequacy of the Group is monitored by Management every quarter. The required information is submitted every quarter to CBC, for calculating the capital requirements and large exposures on a collective basis.

It is noted that the minimum capital adequacy to be met by each credit institution is determined on an annual basis by the SSM under Pillar II, and in particular under the Supervisory Review and Examination Procedure (SREP). In the context of the SREP for 2016, the minimum Tier 1 capital ratio for 2017 is set at 11,50% and the Bank is subject to a distribution dividend limitation to shareholders. The Group exceeds the minimum indicator that was in force at 30 June 2017.

22. Financial Risk Management (continued)

22.7 Other risks (continued)

22.7.1 Capital risk management (continued)

According to a decision sent by the ECB to CCB in December 2016 in line with the supervisory framework, the minimum capital adequacy ratio applicable from 1 January 2017 is 11,75% (Total SREP Capital Requirement 'TSCR'), consisting of minimum regulatory capital 8% (CET1 of 4,5%, Additional Tier 1 and Tier 2, 1,5% and 2% respectively) and additional capital Pillar II 3,75%. In addition, under Pillar II ECB has notified CCB of a non-public call to maintain an additional Class 1 Common Equity Fund. The Bank should maintain capital reserves provided by the regulatory framework that currently include the Capital Conservation Buffer, which the CBC had set at 1,25%, resulting in a total liability of 13%.

In addition, the combined capital buffer requirement for the CCB includes:

- the security buffer O-SII (Other Systemically Important Institutions) which has been set at 1% and will be implemented progressively over a period of four years starting from 1 January 2019,
- the Countercyclical Capital Buffer, which CBC has set at 0% for exposures in Cyprus until 30/6/2017 (CBC revises this buffer on a quarterly basis and informs the bank with a relevant letter); and
- the Systemic Risk buffer which has not yet been determined until today.

During December 2015, the Group increased its equity by €175 million (Note 3.2). The capital increase was achieved following the submission of a capital plan which was prepared based on the relevant circular (the Decision) issued by the ECB on 27 November 2015.

For the six months ended 30 June 2017 and for the year ended 31 December 2016, the Group complied with all capital requirements, as presented below:

	30 June 2017 €'000	**31 December 2016** €'000
Equity		
Common Equity Tier 1 capital	**1.168.375**	1.166.564
Total risk weighted assets	**7.528.694**	7.567.224
	%	%
Common Equity Tier 1 Capital ratio	**15,52**	15,42

Leverage Ratio

The leverage ratio is a useful tool which helps a credit institution to specify its capital adequacy and restrict the extent, to which it can utilize its capital base.

According to the provisions of Regulation (EE) no. 575/2013 of the European Parliament and the Council as well as the suggestions of the Basel Committee for the banking supervision, a bank shall maintain a leverage ratio of at least 3%, which means that its total assets cannot be more than 33 times of its eligible Tier 1 capital.

At 30 June 2017, the Group's Leverage Ratio was estimated at 8,47% (compared to 8,3% on 31 December 2016), meaning that total assets are 11,8 times more than available eligible Tier 1 capital.

22. Financial Risk Management (continued)

22.7 Other Risks (continued)

22.7.2 Counterparty risk

Counterparty risk arises from the risk of loss due to the probability that a counterparty, with which the Group enters into a specific transaction, defaults before the final settlement of the transaction.

The Bank's Assets and Liabilities Committee (ALCO) approved a specific model for the determination of limits regarding the exposures in other countries and banking institutions of Cyprus and abroad. The limits are mainly determined based on the credit rating of the counterparty, as it is set by recognized international credit-rating agencies, and the maturity period of the placement/investment. The model is revised at least annually or whenever the economic conditions require it.

The Market and Liquidity Risk Management Department, monitors on a regular basis, any changes of the counterparties' credit ratings and of the countries for which the Group has set limits and distributes timely the relevant information to the responsible functions for taking the necessary measures and corrective actions. At the same time, a daily limit monitoring procedure has been set, so as to identify deviations and avoid breaches of the set limits.

22.7.3 Operational risk

Operational risk refers to the financial loss due to inadequate or failed internal processes, human resources and systems or from external events.

Operational risk includes legal risk and compliance risk but excludes the strategic and reputational risk.

The Bank's Risk Management Unit ("RMU") is responsible for setting the overall Operational Risk Management Framework and Governance. In this context the Operational Risk Management Framework has been established in order to define, inter alia, the roles and responsibilities of all business, supporting and control units of the Bank. It also determines the specific policies and procedures related to the Collection of Operational Risk Events, the Risk & Control Self-Assessment (RCSA) as well as the setting of Key Risk Indicators (KRIs) for the monitoring of high risk areas. The management of operational risk is also directly related with the preparation of action plans/implementation of corrective measures when deemed necessary aiming to increase the operational efficiency of the procedures and human resources respectively and as a result the improvement of the quality of services to the clients.

The collection of operational risk events is carried out through a specialized IT system operated by the Operational Risk Liaisons/Ambassadors established in every business unit of the Bank.

Moreover, the RMU, through special educational programs aims to the continuous training of personnel in operational risk management issues in order to create the appropriate culture.

23. Fair value of financial instruments

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants in the principal or, in the absence of it, the most advantageous market to which the Group has access to at the measurement date. The fair value of the liability reflects the effect of non-performance risk.

Fair value of loans and other advances is approximately equal to their book value in the condensed consolidated statement of financial position, net of the provisions for impairment.

23. Fair value of financial instruments (continued)

23.1 Measurements of fair value recognized in the condensed consolidated statement of financial position

The Group uses the following hierarchy to determine and disclose fair value:

- Level 1: fair value measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: fair value measurements based on information other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements based on valuation techniques that include information for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities recognised in the condensed consolidated financial statements at fair value, the Group determines whether transfers have been made between the levels in the hierarchy by re-evaluating the classification at the end of each period.

The table below presents an analysis of the Group's assets at fair value, or assets for which the fair value is disclosed, based on the hierarchy level:

30 June 2017	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Financial assets available for sale				
Investments in debt securities	780.680	171.916	-	952.596
Investments in shares	17.229	6.721	-	23.950
	797.909	178.637	-	976.546
Properties held for sale	-	-	143.901	143.901
Investment properties	-	-	231.516	231.516
Properties held for own use	-	-	222.470	222.470
Total	**797.909**	**178.637**	**597.887**	**1.574.433**

23. Fair value of financial instruments (continued)

23.1 Measurements of fair value recognized in the condensed consolidated statement of financial position (continued)

31 December 2016	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Financial assets available for sale				
Investments in debt securities	208.046	443.066	-	651.112
Investments in shares	16.680	14.734	-	31.414
	224.726	457.800	-	682.526
Properties held for sale	-	-	121.825	121.825
Investment properties	-	-	238.650	238.650
Properties held for own use	-	-	225.515	225.515
Total	**224.726**	**457.800**	**585.990**	**1.268.516**

There were not any transfers between the different levels during the year.

The table below shows the reconciliation between the initial and the final balance for assets whose fair value measurement is classified in Level 3 of the hierarchy:

30 June 2017	Level 3			
	Properties held for sale €'000	Investment properties €'000	Properties held for own use €'000	Total €'000
Opening balance	121.825	238.650	225.515	585.990
Total gains or losses:	-	-	-	-
- in the statement of profit or loss	-	-	(1.949)	(1.949)
Additions for the period	28.309	59	656	29.024
Disposals for the period	(6.233)	(7.193)	(1.746)	(15.172)
Transfers from / (to) other property categories	-	-	(6)	(6)
Closing balance	**143.901**	**231.516**	**222.470**	**597.887**

31 December 2016	Level 3			
	Properties held for sale €'000	Investment properties €'000	Properties held for own use €'000	Total €'000
Opening balance	100.338	282.560	246.632	629.530
Total gains or losses:				
- in the statement of profit or loss	(8.207)	(3.890)	(7.239)	(19.336)
- in the statement of total other comprehensive income	-	-	44	44
Additions for the year	32.743	831	5.059	38.633
Disposals for the year	(3.864)	(5.230)	(953)	(10.047)
Transfers from / (to) other property categories	815	(35.621)	(18.028)	(52.834)
Closing balance	**121.825**	**238.650**	**225.515**	**585.990**

24. Analysis of performing and non-performing loans

30 June 2017	Total loan portfolio				Accumulated impairment losses			
		of which non-performing	of which advances with conditions that were renegotiated			of which non-performing advances	of which advances with conditions that were renegotiated	
				of which non-performing advances				of which non-performing advances
	€000	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Total advances*	**11.938.401**	**7.178.682**	**2.876.612**	**2.171.948**	**3.381.181**	**3.316.556**	**667.065**	**649.108**
General governments	695.832	35.512	32.361	23.320	11.161	7.834	6.026	5.784
Other financial businesses	2.668	339	294	149	135	95	4	0
Non-financial businesses	1.686.543	1.188.324	480.584	404.517	624.557	610.877	150.190	146.536
of which: small and medium sized businesses	932.377	614.986	237.750	191.397	313.653	305.935	73.756	72.225
of which: trading and real estate businesses	327.551	276.173	117.756	107.013	150.729	149.997	40.809	40.649
Per segment								
1. Construction	158.862	113.864			54.906			
2. Wholesale and retail trade	235.670	157.263			84.413			
3. Real estate businesses	721.070	603.106			323.200			
4. Accommodation, food and beverage services	122.368	87.986			32.004			
5. Other segments	448.573	226.105			130.034			
Private Individuals	9.553.358	5.954.507	2.363.373	1.743.962	2.745.328	2.697.750	510.845	496.788
of which: Housing loans	4.519.977	2.300.223	1.122.813	778.855	970.043	952.012	196.845	191.105
of which: Consumer loans	4.500.099	3.256.490	1.070.688	833.699	1.606.445	1.580.362	266.128	260.014

* Excluding loans to central banks and credit institutions.

24. Analysis of performing and non-performing loans (continued)

31 December 2016	Total loan portfolio	of which non-performing	of which advances with conditions that were renegotiated	of which non-performing advances	Accumulated impairment losses	of which non-performing advances	of which advances with conditions that were renegotiated	of which non-performing advances
	€000	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
Total advances*	**12.033.792**	**7.216.753**	**2.755.066**	**2.142.789**	**3.272.236**	**3.149.369**	**652.228**	**623.719**
General governments	700.676	36.127	32.271	24.348	10.696	7.950	6.364	6.147
Other financial businesses	2.715	328	297	147	267	165	60	48
Non-financial businesses	1.697.163	1.207.541	454.962	386.033	605.445	580.032	144.664	139.202
of which: small and medium sized businesses	920.791	604.857	211.972	174.051	309.694	292.205	68.232	65.405
of which: trading and real estate businesses	328.257	277.680	118.891	104.684	142.546	139.273	39.341	38.223
Per segment								
1. Construction	158.137	107.978			52.777			
2. Wholesale and retail trade	250.127	165.435			87.037			
3. Real estate businesses	719.962	606.814			309.175			
4. Accommodation, food and beverage services	117.113	99.092			36.895			
5. Other segments	451.824	228.222			119.561			
Private Individuals	9.633.238	5.972.757	2.267.536	1.732.261	2.655.828	2.561.222	501.140	478.322
of which: Housing loans	4.546.937	2.303.450	1.092.852	785.043	958.574	908.704	203.648	191.993
of which: Consumer loans	4.551.445	3.268.106	1.010.503	814.089	1.536.264	1.496.653	250.260	241.074

* Excluding loans to central banks and credit institutions.

25. Loan portfolio analysis as at 30 June 2017 based on the date the loans were issued

	Total loan portfolio			Advances to non-financial businesses			Advances to other financial businesses			Advances to Individuals		
		Non-performing advances	Accumulated Provisions		Non-performing advances	Accumulated Provisions		Non-performing advances	Accumulated Provisions		Non-performing advances	Accumulated Provisions
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Within 1 year	825.857	523.762	131.509	162.321	99.993	32.450	1.428	0	30	662.108	423.769	99.029
1 – 2 years	834.896	451.139	113.771	118.570	67.398	20.242	145	0	4	716.181	383.741	93.525
2 - 3 years	263.262	80.973	18.069	33.848	15.567	4.184	0	0	0	229.414	65.406	13.885
3 - 5 years	1.285.654	658.903	297.910	182.232	124.811	67.983	226	103	4	1.103.196	533.989	229.923
5 - 7 years	2.787.173	1.595.200	782.159	456.289	293.942	163.331	277	0	3	2.330.607	1.301.258	618.825
7 - 10 years	3.918.548	2.476.956	1.369.094	958.007	416.941	247.295	88	61	9	2.960.453	2.059.954	1.121.790
Over 10 years	2.023.011	1.391.749	668.669	471.109	205.183	100.234	504	175	85	1.551.398	1.186.391	568.350

25. Loan portfolio analysis as at 31 December 2016 based on the date the loans were issued (continued)

	Total loan portfolio			Advances to non-financial businesses			Advances to other financial businesses			Advances to Individuals		
		Non-performing advances	Accumulated Provisions		Non-performing advances	Accumulated Provisions		Non-performing advances	Accumulated Provisions		Non-performing advances	Accumulated Provisions
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Within 1 year	916.246	633.439	150.720	136.467	93.023	26.955	1.441	-	26	778.338	540.416	123.739
1 – 2 years	622.885	309.918	85.993	87.316	47.389	16.112	151	-	12	535.418	262.529	69.869
2 - 3 years	188.256	70.489	27.054	32.365	21.279	9.806	1	-	-	155.890	49.210	17.248
3 - 5 years	1.814.436	917.883	409.595	252.433	177.270	93.583	254	98	59	1.561.749	740.515	315.953
5 - 7 years	3.321.487	1.925.732	906.131	561.311	363.567	189.796	351	54	36	2.759.825	1.562.111	716.299
7 - 10 years	3.608.521	2.209.352	1.103.593	1.064.371	381.375	198.930	72	56	57	2.544.078	1.827.921	904.606
Over 10 years	1.561.961	1.149.940	589.151	263.575	159.765	80.960	447	120	77	1.297.939	990.055	508.114

26. Events after the reporting period

The significant events after the reporting period are presented in notes 1.2, 3.2 and 15.

27. Correction of errors

As per the provisions of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the Group has identified an error in the recognition of interest income and the valuation of loans which has an impact on the presentation of prior years' financial statements.

The error was mainly due to misinterpretation and inadequate implementation of the applicable laws, which provide for the responsibilities of the lender in relation to the contractual obligations arising from loan contracts, where the base interest rate is linked to the base rate of the European Central Bank or the Euribor ("reference interest rates"). The loan contracts were substantially issued in the period from 2007 to 2011, i.e. before and after the accession of Cyprus to the Eurozone and the adoption of the Euro on the 1/1/2008. Due to the significant deviation of the cost of deposits in Cyprus from the aforementioned reference interest rates, a number of Cooperative Credit Institutions either unilaterally changed the reference interest rate stated in the loan contracts due to misinterpretation of the contractual clauses, or did not follow as they ought to have done the reduction in the reference interest rates of the loan contracts, or they increased the interest rate margin without previously satisfying the requirements set out in the applicable laws. It should be noted that in a number of cases, the borrowers were notified of the change either through an announcement in the daily newspapers or by personal notification letters or other forms of communication. The Board of CCB, on the basis of recent legal opinions that were received in 2017, following a relevant decision of the Financial Ombudsman, has adopted the view that the abovementioned practices are not compatible with a reasonable legal interpretation of the relevant terms of the loan contracts and applicable legislation and it has decided that, based on an assessment of the circumstances and legal merits of each case, to reimburse interest overcharges to those customers that were affected from the error. The decision affects non-settled loans and loans that have been settled after 2011. The decision does not affect cases that have been decided in Court or by an Arbitrator and which will continue to be handled in the course of handling non-performing loans and advances.

The error identified has been corrected by restating the comparative amounts affected in the prior periods of the consolidated financial statements for the year ended 31 December 2016.

27. Correction of errors (continued)

The impact of the error on the condensed consolidated financial statements of the Group for year ended 30 June 2016 is summarized in the table below:

(i) Condensed Consolidated Statement of Profit or Loss::

	Impact of correction of error		
	Balance as previously reported	**Corrections/ adjustments**	**Restated balance**
	€'000	**€'000**	**€'000**
For the period ended 30 June 2016			
Interest income	238.691	(3.607)	235.084
Increase in provisions for impairment of loans and other advances	(20.669)	(1.838)	(22.507)
Net loss for the year	55.254	(5.445)	49.809
Total expenses for the year	39.053	(5.445)	33.608
Basic and diluted loss per share (€cent) (Note 12)	0,90	(0,09)	0,81