Announcement

Capital Strengthening Plan

Nicosia, 3 November 2011

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Founded in 1899, the Bank of Cyprus Group is the leading Cypriot banking and financial services group. In addition to retail and commercial banking, the Group's activities include finance, factoring, investment banking, brokerage, fund management, life and general insurance. The Group currently operates through a total of 610 branches, of which 219 operate in Russia, 185 in Greece, 141 in Cyprus, 35 in Ukraine, 12 in Romania, 13 in Australia 4 in the United Kingdom and 1 in the Channel Islands. Bank of Cyprus also has 9 representative offices in Russia, Romania, Ukraine, Canada, Serbia and South Africa. The Bank of Cyprus Group employs 11.841 staff worldwide.

At 30 June 2011, the Group's Total Assets amounted to €41,80bn and the Shareholders' Funds were €3,70 bn. The Bank of Cyprus shares are listed on the Cyprus and Athens Stock Exchanges. Additional information can be found on the Group's website www.bankofcyprus.com.

The Board of Directors of Bank of Cyprus Public Company Ltd (the “Bank” or the “Group”) at its meeting held on 2 November 2011 examined, among other issues, the latest developments in the Eurozone and the general economic environment in the main markets in which the Group operates.

The Board of Directors also examined the structure of the Group’s capital base in light of the increased regulatory capital requirements especially regarding Core Tier 1 capital and the potential impact on the Group from possible further impairment of the Greek Government Bonds (“GGBs”) portfolio.

The Board of Directors, taking into account the above, has decided to strengthen the Group’s capital base through a Capital Strengthening Plan (the “Plan”) which includes:

- Share Capital Increase through a pre-emptive **Rights Offering** to raise up to €396mn.The rights (“Rights”) will be issued and allocated in the ratio of one Right for each existing ordinary share. Every three Rights that are exercised will be converted into one new ordinary share of nominal value €1,00 (“New Share”) at the subscription price of €1,00 per New Share. In addition, Bonus Shares will be issued and granted as fully paid in the ratio of one Bonus Share for each New Share arising from the exercise of the Rights.

- **Voluntary exchange of Convertible Enhanced Capital Securities (CECS)** via the issue of up to €600 mn Mandatory Convertible Notes (MCN) of nominal value €1,00 each and Tender Exchange Offer offered exclusively to existing CECS holders. The holders of CECS may exchange their CECS with MCN of equivalent nominal value. The MCN will not bear interest and will mature eight calendar days following their date of issue. On maturity of the MCN, the Bank will redeem each MCN with the issue of one fully paid New Share. In addition, Bonus Shares will be issued and granted in the ratio of one Bonus Share for every three New Shares arising from the conversion of MCN.

The main terms of the Capital Strengthening Plan are set out below.

The Rights Offering and the issue of the Mandatory Convertible Notes will be concurrent. The Board of Directors will call an Extraordinary General Meeting to obtain the relevant approvals from the shareholders including waiving of pre-emption rights by shareholders and the increase of the authorised share capital of the Bank from €1.500.000.000 to €3.000.000.000 with the creation of 1.500.000.000 new ordinary shares of the Bank of nominal value €1,00.

As at 30 June 2011, the Group’s shareholders’ equity amounted to €3,7 bn and its Core Tier 1 capital ratio and Tier 1 capital ratio amounted to 8,0% and 11,6%, respectively. Upon the completion of the Plan in its entirety, the pro-forma Core Tier 1 capital ratio and Tier 1 capital ratio as at 30 June 2011 are estimated at 12,1% and 13,4% respectively.

With the completion of the Plan, the Group expects to meet the additional capital requirements as specified by the European Banking Authority. In addition, with the completion of the Plan and based on current conditions, the Group will be in a position to absorb an impairment of 50% - 60% on its portfolio of GGBs and it is expected to satisfy the minimum regulatory capital requirements of a Core Tier 1 ratio of 8,0% and a Tier 1 ratio of 9,5%. With the completion of the Plan and taking into account the Group’s internally generated capital through profits and other actions, including the effective management of risk-weighted assets, the Group is expected to be in a position to absorb possible additional shocks which could potentially occur.

Despite the challenging environment of the last few years, the Bank has improved its recurring profitability and its liquidity. As at 30 June 2011, the Bank maintains a loan to deposits ratio of 86%, has minimal reliance on wholesale funding (deposits to total assets of 78% at 30 June 2011) and limited refinancing needs over the next two years. The strong liquidity, the conservative funding structure and the further strengthening of the Group’s capital position with the completion of the Plan provide a strong competitive advantage given the prevailing adverse conditions.

The Group’s financial results for the nine months ended 30 September 2011 will be announced on 29 November 2011.

Statement of the Chairman of the Board of Directors, Mr Theodoros Aristodemou:
"With the completion of the Plan, the Group strengthens its capital base and safeguards the interests of its shareholders, clients and employees. Our response to the prevailing uncertainties is the continued strengthening of the Bank."

Statement of the Group Chief Executive Officer, Mr Andreas Eliades:
"In a period of uncertainty, the Group acts promptly and proactively in response to the increased regulatory requirements proceeding with measures which significantly strengthen its capital base with the aim of increasing market confidence. The Group's robust capital base, strong liquidity and satisfactory recurring profitability are a strategic advantage in the current challenging times and place the Bank in an advantageous position."

CAPITAL STRENGTHENING PLAN

A) Principal terms of the Rights Offering

- The Rights will be issued and allocated in the ratio of one Right for each existing share. Every three Rights subscribed will be converted into one New Share at the subscription price of €1,00 each. The nil paid Rights will be listed on the Athens Exchange (ATHEX) and the Cyprus Stock Exchange (CSE) for a minimum period of ten working days upon receipt of relevant approvals from the relevant authorities in Cyprus and Greece.

- The subscription price per New Share is €1,00 each payable in cash.

- Bonus Shares will be issued and granted in the ratio of one Bonus Share for each New Share which will arise from the Rights Offering following the subscription of the Rights and the issue of New Shares.

- Nil paid Rights will also be offered to holders of securities of the Bank which, according to their terms of issue, can be converted to shares (Convertible Bonds 2013/2018, Convertible Capital Securities, Convertible Enhanced Capital Securities (CECS), together "Eligible Securities") as if these securities had been converted into shares on the day before this announcement, based on their current conversion prices.

- Based on the current conversion prices of the aforementioned Eligible Securities, for every €1.000 nominal value of Eligible Securities, their holders will receive Rights, irrespective of whether they accept the offer for exchange into MCN, as follows:

Eligible Securities	Conversion Price	Rights to be granted for every €1.000 nominal value
Convertible Enhanced Capital Securities	**€3,30**	**303 Rights**
Convertible Capital Securities	**€4,24**	**236 Rights**
Convertible Bonds 2013/2018	**€8,11**	**123 Rights**

  The number of Rights which will be granted to the holders of CECS issued in US Dollars will be calculated using the €:$ exchange rate on the record date of the Rights Offering. Fractional Rights will be ignored.

- Upon completion of the Rights Offering, the Bank will issue up to 792,6 mn New Shares (up to 396,3 mn new ordinary shares from the exercise of Rights and up to 396,3 mn New Shares from the subsequent issue and granting of Bonus Shares).

- Investors subscribing for the Rights may Preregister (Preregistration Right) for any New Shares as a result of unsubscribed Rights, for any amount, at the subscription price of €1,00 per New Share. In the event that there are insufficient New Shares to satisfy all Preregistration applications, the allocation of New Shares will be in the following order: (i) pro-rata to applicants for an amount equal to two times the number of New Shares arising from their subscribed Rights, (ii) for applications up to 100.000 New Shares, and (iii) at the discretion of the Board of Directors. The

New Shares which may be allocated through Preregistration, will be granted Bonus Shares in the ratio of one Bonus for each New Share.

- In accordance with the terms of issue of the Eligible Securities, their respective conversion prices will not be adjusted as the present Rights Offering is also extended to them.

B) Principal terms of the Mandatory Convertible Notes

- Bank of Cyprus will make a Tender Exchange Offer for the voluntary exchange of Convertible Enhanced Capital Securities with Mandatory Convertible Notes for an amount up to €600 mn in nominal value.
- The Tender Exchange Offer will be offered to registered CECS holders on the record date for the exchange of CECS with nominal value of €1,00 each with MCN of a corresponding nominal value.
- The holders of CECS issued in US Dollars will be eligible to participate in the Tender Exchange Offer for the exchange of their CECS with MCN of a corresponding nominal value in Euro, calculated using the €:$ exchange rate on the record date of the Tender Exchange Offer as will be accordingly announced by the Bank. Fractional MCN will be ignored.
- The MCN will not be transferable, will not bear interest and will mature eight calendar days following their date of issue. On maturity of the MCN, the Bank will redeem each MCN with the issue of one New fully paid share. In addition, Bonus Shares will be issued and granted in the ratio of one Bonus Share for every three New Shares which will be received by each MCN holder as a result of the full settlement of MCN with New Shares.
- If the acceptance of the Tender Exchange Offer exceeds the aggregate amount of €600 mn MCN, the final allocation of MCN will be on a pro-rata basis of the subscribed amount.
- Upon the completion of the MCN issue in its entirety and their conversion into shares, the Bank will issue up to 800mn shares (up to 600mn new ordinary shares from the conversion of MCN and up to 200mn new ordinary shares from the subsequent issue and granting of Bonus Shares).

The Cyprus Investment and Securities Corporation Limited (CISCO) has been appointed by the Bank to act as Lead Manager.

<u>Preliminary indicative timetable</u>

The Bank expects the Capital Strengthening Plan to be completed by the end of January 2012, subject to all relevant regulatory approvals being granted. The detailed timetable will be included in the Prospectus as will be approved by the Cyprus Securities and Exchange Commission and will be announced accordingly.