# BANK OF CYPRUS PUBLIC COMPANY LIMITED

**(The Company was incorporated in Cyprus under the Cyprus Companies Law, Cap. 113)**
**(Company Registration No: HE165)**

# SUPPLEMENTARY PROSPECTUS

## DATE: 12 December 2014

***In compliance with the Provisions of the Commission Regulation (EC) No 809/2004 (as amended) of the European Union and the Public Offer and Prospectus Law of 2005 (as amended)***

**THIS SUPPLEMENTARY PROSPECTUS CONSTITUTES A SUPPLEMENT FOR THE PURPOSES OF SECTION 14 OF THE PUBLIC OFFER AND PROSPECTUS LAW OF 2005 (AS AMENDED) AND IS SUPPLEMENTAL TO, AND SHOULD BE READ IN CONJUNCTION WITH, THE PROSPECTUS DATED 26 NOVEMBER 2014 FOR:**

- THE PUBLIC OFFER TO QUALIFYING SHAREHOLDERS OF UP TO 416,666,667 NEW ORDINARY SHARES AT THE SUBSCRIPTION PRICE OF €0.24 PER NEW ORDINARY SHARE APPROVED AT THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS OF THE BANK HELD ON 28 AUGUST 2014 (THE "**RETAIL OFFER**");
- THE APPLICATIONS FOR ADMISSION TO LISTING AND TRADING ON THE MAIN MARKET OF THE CYPRUS STOCK EXCHANGE ("**CSE**") AND THE ATHENS EXCHANGE ("**ATHEX**") OF THE ORDINARY SHARES ISSUED PURSUANT TO THE RECAPITALISATION, THE LAIKI TRANSFER DECREES AND THE PLACING AND OPEN OFFER (THE "RELEVANT SHARES APPLICATIONS") AS FOLLOWS:
  - 3,873,269,066 ORDINARY SHARES ISSUED TO BAILED IN HOLDERS OF UNINSURED DEPOSITS AND OTHER PRODUCTS OF THE BANK IN ACCORDANCE WITH THE BAIL-IN DECREES;
  - 5,781,443 ORDINARY SHARES ISSUED TO BAILED IN HOLDERS OF SUBORDINATED DEBT SECURITIES OF THE BANK IN ACCORDANCE WITH THE BAIL-IN DECREES;
  - 858,708,764 ORDINARY SHARES ISSUED TO LAIKI BANK PURSUANT TO THE LAIKI TRANSFER DECREES; AND
  - 4,166,666,667 ORDINARY SHARES ISSUED PURSUANT TO THE PLACING AND OPEN OFFER. THE PLACING AND OPEN OFFER CONSTITUTE PHASES 1 AND 2 OF THE BANK'S SHARE CAPITAL INCREASE WHICH WAS APPROVED AT THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS OF THE BANK HELD ON 28 AUGUST 2014,

  (TOGETHER, THE "**RELEVANT SHARES**").
- ASSUMING THERE ARE RETAIL SHARES WHICH ARE VALIDLY SUBSCRIBED FOR UNDER THE RETAIL OFFER, THE APPLICATION FOR ADMISSION TO LISTING AND TRADING ON THE MAIN MARKET OF THE CSE AND ATHEX OF THE RETAIL SHARES ISSUED (THE "**RETAIL SHARES APPLICATION**").

**THIS IS AN ENGLISH TRANSLATION OF THE SUPPLEMENTARY PROSPECTUS ISSUED IN GREEK IN THE FORMAT THAT HAS BEEN APPROVED BY CYSEC AS THE COMPETENT AUTHORITY. THE GREEK TEXT OF THE PROSPECTUS AS APPROVED BY CYSEC IS BINDING. THE ENGLISH TRANSLATION IS FOR INFORMATION PURPOSES ONLY.**

**LEAD MANAGER AND UNDERWRITER RESPONSIBLE FOR DRAWING UP THE SUPPLEMENTARY PROSPECTUS**

**THE CYPRUS INVESTMENT AND SECURITIES CORPORATION LTD**

## SUPPLEMENTARY PROSPECTUS

**This document is important and requires your immediate attention**. If you are in any doubt about the contents of this Supplementary Prospectus, you should consult the Lead Manager, the Cyprus Investment and Securities Corporation Ltd (CISCO) or any other professional duly authorised to give such information.

This Supplementary Prospectus has been prepared in compliance with the provisions of the Public Offer and Prospectus Law of 2005 (as amended) of the Republic of Cyprus and the Commission Regulation (EC) No 809/2004 (as amended) of the European Union.

This Supplementary Prospectus is related to, and should be read in conjunction with, the Bank of Cyprus Public Company Ltd Prospectus dated 26 November 2014. Unless otherwise defined, capitalised terms defined in the Prospectus of the Bank dated 26 November 2014 have the same meaning when used in this Supplementary Prospectus.

The Bank assumes full responsibility for the information contained in this Supplementary Prospectus and declares that the information contained in it is in accordance with the facts and contains no omission likely to affect its import. The Directors of the Bank of Cyprus Public Company Ltd are jointly and severally responsible for the information included in this Supplementary Prospectus and declare that having taken all reasonable care to ensure that such is the case, the information contained in all parts of this Supplementary Prospectus is, to the best of their knowledge, in accordance with the facts and that it contains no omission likely to affect its import.

Shareholders should only rely on the information contained in this Supplementary Prospectus, in the Prospectus dated 26 November 2014 of the Bank and in any documents incorporated by reference into these prospectuses. No person has been authorised to give any information or make any representations other than those contained in this Supplementary Prospectus, in the Prospectus dated 26 November 2014 of the Bank and in any document incorporated by reference into these prospectuses and, if given or made, such information or representation must not be relied upon as having been so authorised by the Bank or CISCO. Neither the delivery of this Supplementary Prospectus nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Bank or the Bank and its consolidated subsidiaries (the “Group”) since the date of this Supplementary Prospectus or that the information in this Supplementary Prospectus is correct as at any time after this date. However, the Bank, in the event of any significant new factor or material mistake or inaccuracy relating to the information included in the Prospectus of the Bank dated 26 November 2014, is required to issue a new supplementary prospectus pursuant to section 14(1) of the Public Offer and Prospectus Law of 2005 (as amended).

The contents of this Supplementary Prospectus or any subsequent communication from the Bank or CISCO or any of their respective affiliates, officers, directors, employees or agents are not to be construed as legal, financial or tax advice. Each Shareholder should consult his, her or its own legal adviser, financial adviser or tax adviser for legal, financial or tax advice.

The Supplementary Prospectus has been approved by CySEC in its capacity as Cyprus's competent authority, only as to the coverage of the required information of the investors as these are provided by the Public Offer and Prospectus Law of 2005 (as amended) of the Republic of Cyprus and the Commission Regulation (EC) No 809/2004 of the European Union. The approval of the Prospectus should not be considered as a recommendation to invest in the Bank.

Application has been made by the Bank for a certificate of approval in relation to the Supplementary Prospectus under Article 18 of Directive 2003/71/EC as implemented in Cyprus to be issued by CySEC to the competent authority in Greece.

### Offering Restrictions

The release, publication or distribution of this Supplementary Prospectus in jurisdictions other than Cyprus and Greece may be restricted by law and, therefore, any persons who are subject to the laws of any jurisdiction other than Cyprus and Greece should inform themselves about, and observe, any applicable requirements. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, subject to certain exceptions, this Supplementary Prospectus should not be distributed, forwarded to or transmitted into the United States, Canada, Australia, South Africa or any Excluded Territory.

This Supplementary Prospectus does not constitute an offer of Retail Shares to any person with a registered address in, or who is resident in, the United States. The Retail Shares have not been and will not be registered under the Securities Act, or with any regulatory authority or under the applicable securities laws of any state or other jurisdiction of the United States, or the relevant laws of any state, province or territory of any other Excluded Territory and the Retail Shares may not be offered, sold, pledged, or otherwise transferred directly or indirectly, within the United States (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities law. This Supplementary Prospectus does not constitute an offer to sell or a solicitation of an offer to buy Retail Shares in any jurisdiction in which such offer or solicitation is unlawful. Neither this Prospectus nor the Application Form will be distributed in or into the United States. There will be no public offering of securities in the United States.

**Forward-Looking Statements and Risk Factors**

This Supplementary Prospectus includes forward-looking statements. These statements relate to the Bank's future prospects, developments and business strategies. These forward-looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will" and similar terms and phrases, including references to assumptions. These forward-looking statements involve risks, uncertainties and other factors that may cause the actual future results or events to be materially different from those suggested or described in this Supplementary Prospectus. Many of the factors that will determine these results or events are beyond the Bank's control. In view of the risks, uncertainties and assumptions, any projections mentioned herein may not be achieved. The risks described above and in Section 2 (*Risk Factors*) of the Prospectus dated 26 November 2014 of the Bank are not comprehensive. New risks, uncertainties and other factors may emerge from time to time and it is not possible for the Bank to predict all such risk factors, to assess the impact of all risk factors on its business or the extent to which any factor or combination of factors, may cause actual results or events to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, the investor should not place undue reliance on forward-looking statements as a prediction or guarantee of actual results or events.

Qualifying Shareholders must carefully consider all the information included or incorporated by reference in this Supplementary Prospectus and the Prospectus dated 26 November 2014 of the Bank before making an investment decision regarding the Retail Offer. More specifically for a discussion of certain risks in relation to an investment in the Ordinary Shares of the Bank, see the discussion in Section 2.5 (*Risks Relating to the Ordinary Shares*) of the Prospectus dated 26 November 2014 of the Bank.

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## 1.0 SUMMARY NOTE

Section B.7 of the Summary Note of the Prospectus of the Bank dated 26 November 2014 is updated by adding the following:

**B.7** **Historical key financial information accompanied by a narrative description of significant change to the issuer's financial condition and operating results during or subsequent to the period covered by the historical key financial information.**

The following condensed financial information is based on the Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2014.

The Interim Condensed Consolidated Financial Statements of the Group for the nine months ended 30 September 2014 have not been audited by the external auditors of the Group.

**Summary of the Financial Results for the nine months ended 30 September 2014**

**Consolidated Income Statement**

| | For the nine months ended 30 September | |
|---|---|---|
| | **2014** | **2013[1] (restated and represented)** |
| | **(€'000)** | |
| **Continuing operations** | | |
| Turnover ................................................................ | 1,384,742 | 1,472,598 |
| Interest income ...................................................... | 1,139,117 | 1,213,799 |
| Interest expense...................................................... | (348,723) | (505,126) |
| Net interest income ................................................ | 790,394 | 708,673 |
| Fee and commission income .................................. | 139,703 | 142,152 |
| Fee and commission expense ................................. | (8,955) | (17,969) |
| Net foreign exchange losses....................... ............ | (17,206) | (1,279) |
| Net gains/(losses) on financial instruments transactions and disposal of subsidiaries .... ............ | 169,734 | (16,066) |
| Insurance income net of claims and commissions | 35,442 | 50,785 |
| Other income/(expenses) ...................................... | 5,458 | (24,571) |
| **Total income** ......................................................... | **1,114,570** | **841,725** |
| Staff costs .............................................................. | (202,634) | (371,930) |
| Other operating expenses....................................... | (196,338) | (181,414) |
| **Profit before impairment of loans and advances to customers** .................................................. ............ | **715,598** | **288,381** |
| Provisions for impairment of loans and advances to customers ................................................... | (492,289) | (790,413) |
| **Profit/ (loss) before share of profit /(loss) from associates and joint ventures** ............................... | **223,309** | **(502,032)** |
| Share of gain/(loss) from associates and joint ventures | 1,637 | (4,277) |
| **Profit/ (loss) before tax from continuing operations** | **224,946** | **(506,309)** |
| Tax ......................................................................... | (14,988) | 3,152 |
| **Profit/ (loss) after tax from continuing operations** | **209,958** | **(503,157)** |
| **Discontinued operations** | | |
| Loss after tax from discontinued operations ........... | (150,215) | (1,456,871) |
| **Profit/ (loss) for the period** .................................. | **59,743** | **(1,960,028)** |

| | | |
|---|---|---|
| **Attributable to:** | | |
| Owners of the Company - continuing operations | 225,826 | (496,055) |
| Owners of the Company - discontinued operations ........................................................................... | (150,176) | (1,456,869) |
| **Total profit /(loss) attributable to the owners of the Bank.............................................................** | **75,650** | **(1,952,924)** |
| Non-controlling interests - continuing operations ........................................................................... | (15,868) | (7,102) |
| Non-controlling interests - discontinued operations ........................................................................... | (39) | (2) |
| **Profit/ (loss) for the period** .............................. | **59,743** | **(1,960,028)** |

[1] The comparative financial statements have been re-presented to reflect the reclassification of the Group's operations in Ukraine as discontinued operations and have been restated to reflect final adjustments on the acquisition date fair values related to the Laiki Bank acquisition and the reclassification as a joint venture of the Group's interests in Byron Capital Partners Ltd and Marfin Diversified Strategy Fund Plc acquired as part of the Laiki Bank acquisition.

## Consolidated Balance Sheet

| | 30 September 2014 | 31 December 2013 [1] (restated) |
|---|---|---|
| | (€'000) | |
| **Assets** | | |
| Cash and balances with central banks ................. | 839,936 | 1,240,043 |
| Placements with banks........................................... | 1,576,836 | 1,290,102 |
| Investments ............................................................. | 1,904,027 | 2,759,855 |
| Investments pledged as collateral ........................ | 673,770 | 672,809 |
| Derivative financial assets..................................... | 43,502 | 28,765 |
| Loans and advances to customers ....................... | 19,352,151 | 21,764,338 |
| Life insurance business assets attributable to policyholders | 468,540 | 443,579 |
| Property and equipment......................................... | 354,817 | 414,404 |
| Intangible assets...................................................... | 134,830 | 130,580 |
| Assets held for sale................................................. | 517,401 | - |
| Other assets.............................................................. | 1,400,960 | 1,401,833 |
| Investments in associates and joint ventures ....... | 216,100 | 203,131 |
| **Total assets .............................................................** | **27,482,870** | **30,349,439** |
| **Liabilities** | | |
| Amounts due to banks........................................... | 129,985 | 196,422 |
| Funding from central banks ................................. | 8,603,680 | 10,956,277 |
| Repurchase agreements......................................... | 577,478 | 594,004 |
| Derivative financial liabilities.............................. | 71,754 | 83,894 |
| Customer deposits ................................................ | 13,329,795 | 14,971,167 |
| Insurance liabilities................................................ | 575,526 | 551,829 |
| Debt securities in issue ......................................... | 4,715 | 1,515 |
| Other liabilities....................................................... | 400,134 | 251,979 |
| Subordinated loan stock........................................ | 5,178 | 4,676 |
| **Total liabilities** | **23,698,245** | **27,611,763** |

| | | |
|---|---|---|
| **Equity** | | |
| Share capital | 892,238 | 4,683,985 |
| Share premium | 553,373 | – |
| Capital reduction reserve | 1,952,486 | – |
| Shares subject to interim orders | 297 | 58,922 |
| Revaluation and other reserves | 95,531 | 72,251 |
| Retained earnings/(accumulated losses) | 233,726 | (2,151,835) |
| **Equity attributable to owners of the Bank** | **3,727,651** | **2,663,323** |
| **Non-controlling interests** | **56,974** | **74,353** |
| **Total equity** | **3,784,625** | **2,737,676** |
| **Total liabilities and equity** | **27,482,870** | **30,349,439** |

[1] The consolidated balance sheet information at 31 December 2013, presented as comparative information in the interim consolidated financial statement for the nine months ended 30 September 2014, has been restated to reflect final adjustments on the fair value of the net assets that were acquired from Laiki Bank and the reclassification of the Group's interests in Byron Capital Partners Ltd and Marfin Diversified Strategy Fund Plc, that were acquired from Laiki Bank, as joint ventures.

Section C.6 of the Summary Note of the Prospectus of the Bank dated 26 November 2014 is updated by adding the following:

**C.6 Admission to Trading**

Following the relevant applications by the Bank, the CSE Council (subject to the submission of certain documents) and the Stock Markets Steering Committee of the Hellenic Exchanges approved the listing and trading on the CSE in relation to 8,904,425,940 Ordinary Shares of the Bank of Cyprus Public Company Ltd, which is comprised of:

- 3,873,269,066 Ordinary Shares issued to bailed in holders of uninsured deposits and other products of the Bank in accordance with the Bail-in Decrees;
- 5,781,443 Ordinary Shares issued to bailed in holders of subordinated debt securities of the Bank in accordance with the Bail-in Decrees;
- 858,708,764 Ordinary Shares issued to Laiki Bank pursuant to the Laiki Transfer Decrees; and
- 4,166,666,667 Ordinary Shares issued pursuant to the Placing and Open Offer. The Placing and Open Offer constitute phases 1 and 2 of the Bank's Share Capital Increase which was approved at the EGM held on 28 August 2014.

Following the above announcements, the date of the admission of the Relevant Shares to listing and trading on the CSE and ATHEX, as well as the lifting of the trading suspension of the Listed Shares by the CSE and ATHEX, was determined, by the two exchanges, on 16 December 2014.

## 2.0 INFORMATION ON THE DRAFTING OF THE SUPPLEMENTARY PROSPECTUS – PERSONS RESPONSIBLE

This Supplementary Prospectus constitutes a supplement for the Prospectus dated 26 November 2014 of the Bank.

This Supplementary Prospectus has been prepared in accordance with the relevant legislation.

This Supplementary Prospectus has been approved by CySEC only as to the coverage of the required information of the investors, as these are provided by the Public Offer and Prospectus Law of 2005 (as amended) of the Republic of Cyprus and the Commission Regulation (EC) No 809/2004 of the European Union. The approval of the Prospectus should not be considered as a recommendation to invest in the Bank.

The Bank assumes full responsibility for the information contained in this Supplementary Prospectus and declares that the information contained in the Supplementary Prospectus is in accordance with the facts and contains no omission likely to affect its import. The Directors of the Bank of Cyprus Public Company Ltd are jointly and severally responsible for the information included in this Supplementary Prospectus and declare that having taken all reasonable care to ensure that such is the case, the information contained in all parts of this Supplementary Prospectus is, to the best of their knowledge, in accordance with the facts and that it contains no omission likely to affect its import.

This Supplementary Prospectus has been signed by the following Directors of the Bank:

| | |
|---|---|
| Dr. Josef Ackermann | Chairman and Independent Director |
| Wilbur L. Ross | Vice-Chairman and Independent Director |
| Vladimir Strzhalkovskiy | Vice-Chairman and Independent Director |
| John Patrick Hourican | Chief Executive Officer and Executive Director |
| Dr. Christodoulos Patsalides | Finance Director and Executive Director |
| Arne Berggren | Non-Executive and Independent Director |
| Maksim Goldman | Non-Executive and Non-Independent Director |
| Marios Kalochoritis | Non-Executive and Independent Director |
| Michael Spanos | Non-Executive and Senior Independent Director |
| Ioannis Zographakis | Non-Executive and Independent Director |

The Cyprus Investment and Securities Corporation Limited (CISCO) in its capacity as Lead Manager declares that, having taken all responsible care to ensure that such is the case, the information contained in this Supplementary Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Investors interested to obtain further information may contact the following during their regular business schedule:

**The Lead Manager**

The Cyprus Investment and Securities Corporation Limited (CISCO)
Leoforos Lemesou, 154, 2025 Strovolos, Nicosia, PO Box 20597, tel: +357 121800.

**The following departments of Bank of Cyprus:**

***In Cyprus***

Shares & Loan Stock Department
Eurolife House, 4 Evrou Street, PO Box 24884, 1398 Nicosia
tel: +357 22126055

Investors Relations
51 Stassinou Street, Ayia Paraskevi, Strovolos, 2002 Nicosia
tel:+357 22122239

## 3.0 FINANCIAL RESULTS OF THE GROUP FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

On 26 November 2014, the Board of Directors of Bank of Cyprus Public Company Limited approved the Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2014.

The information presented in the sections below is derived from the Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2014.

The Interim Condensed Consolidated Financial Statements of the Group for the nine months ended 30 September 2014 have not been audited by the external auditors of the Group.

### 3.1 Financial information for the nine months ended 30 September 2014

Sections 3.2 and 3.10 of the Prospectus of the Bank dated 26 November 2014 are updated by adding the following:

**Consolidated Income Statement**

| | For the nine months ended 30 September | |
|---|---|---|
| | **2014** | **2013[1] (restated and represented)** |
| | **(€'000)** | |
| **Continuing operations** | | |
| Turnover ................................................................ | 1,384,742 | 1,472,598 |
| Interest income ...................................................... | 1,139,117 | 1,213,799 |
| Interest expense...................................................... | (348,723) | (505,126) |
| Net interest income ................................................ | 790,394 | 708,673 |
| Fee and commission income .................................. | 139,703 | 142,152 |
| Fee and commission expense ................................. | (8,955) | (17,969) |
| Net foreign exchange losses....................... | (17,206) | (1,279) |
| Net gains/(losses) on financial instruments transactions and disposal of subsidiaries .............................. | 169,734 | (16,066) |
| Insurance income net of claims and commissions | 35,442 | 50,785 |
| Other income/(expenses) ....................................... | 5,458 | (24,571) |
| **Total income** ......................................................... | **1,114,570** | **841,725** |
| Staff costs............................................................... | (202,634) | (371,930) |
| Other operating expenses ....................................... | (196,338) | (181,414) |
| **Profit before impairment of loans and advances to customers** .................................................. | **715,598** | **288,381** |
| Provisions for impairment of loans and advances to customers .................................................................. | (492,289) | (790,413) |
| **Profit/ (loss) before share of profit /(loss) from associates and joint ventures** ................................................ | **223,309** | **(502,032)** |
| Share of gain/(loss) from associates and joint ventures | 1,637 | (4,277) |
| **Profit/ (loss) before tax from continuing operations** | **224,946** | **(506,309)** |
| Tax ......................................................................... | (14,988) | 3,152 |
| **Profit/ (loss) after tax from continuing operations** | **209,958** | **(503,157)** |
| **Discontinued operations** | | |
| Loss after tax from discontinued operations ....... | (150,215) | (1,456,871) |
| **Profit/ (loss) for the period** .............................. | **59,743** | **(1,960,028)** |
| | | |
| **Attributable to:** | | |
| Owners of the Company - continuing operations | 225,826 | (496,055) |
| Owners of the Company - discontinued operations | (150,176) | (1,456,869) |
| **Total profit /(loss) attributable to the owners of the Bank** ........................................................................... | **75,650** | **(1,952,924)** |
| Non-controlling interests - continuing operations | (15,868) | (7,102) |
| Non-controlling interests - discontinued operations | (39) | (2) |
| **Profit/ (loss) for the period** .............................. | **59,743** | **(1,960,028)** |

[1] The comparative financial results for the nine months ended 30 September 2014 have been re-presented to reflect the reclassification of the Group's operations in Ukraine as discontinued operations and have been restated to reflect final adjustments on the acquisition date fair values related to the Laiki Bank acquisition and the reclassification as a joint venture of the Group's interests in Byron Capital Partners Ltd and Marfin Diversified Strategy Fund Plc, acquired as part of the Laiki Bank acquisition.

**Consolidated Balance Sheet**

| | 30 September 2014 | 31 December 2013[1] (restated) |
|---|---|---|
| | (€'000) | |
| **Assets** | | |
| Cash and balances with central banks | 839,936 | 1,240,043 |
| Placements with banks | 1,576,836 | 1,290,102 |
| Investments | 1,904,027 | 2,759,855 |
| Investments pledged as collateral | 673,770 | 672,809 |
| Derivative financial assets | 43,502 | 28,765 |
| Loans and advances to customers | 19,352,151 | 21,764,338 |
| Life insurance business assets attributable to policyholders | 468,540 | 443,579 |
| Property and equipment | 354,817 | 414,404 |
| Intangible assets | 134,830 | 130,580 |
| Assets held for sale | 517,401 | - |
| Other assets | 1,400,960 | 1,401,833 |
| Investments in associates and joint ventures | 216,100 | 203,131 |
| **Total assets** | **27,482,870** | **30,349,439** |
| **Liabilities** | | |
| Amounts due to banks | 129,985 | 196,422 |
| Funding from central banks | 8,603,680 | 10,956,277 |
| Repurchase agreements | 577,478 | 594,004 |
| Derivative financial liabilities | 71,754 | 83,894 |
| Customer deposits | 13,329,795 | 14,971,167 |
| Insurance liabilities | 575,526 | 551,829 |
| Debt securities in issue | 4,715 | 1,515 |
| Other liabilities | 400,134 | 251,979 |
| Subordinated loan stock | 5,178 | 4,676 |
| **Total liabilities** | **23,698,245** | **27,611,763** |
| **Equity** | | |
| Share capital | 892,238 | 4,683,985 |
| Share premium | 553,373 | – |
| Capital reduction reserve | 1,952,486 | – |
| Shares subject to interim orders | 297 | 58,922 |
| Revaluation and other reserves | 95,531 | 72,251 |
| Retained earnings/(accumulated losses) | 233,726 | (2,151,835) |
| **Equity attributable to owners of the Bank** | **3,727,651** | **2,663,323** |
| **Non-controlling interests** | **56,974** | **74,353** |
| **Total equity** | **3,784,625** | **2,737,676** |
| **Total liabilities and equity** | **27,482,870** | **30,349,439** |

[1] The consolidated balance sheet information at 31 December 2013, presented as comparative information in the interim consolidated financial statement for the nine months ended 30 September 2014, has been restated to reflect final adjustments on the fair value of the net assets that were acquired from Laiki Bank and the reclassification of the Group's interests in Byron Capital Partners Ltd and Marfin Diversified Strategy Fund Plc, that were acquired from Laiki Bank, as joint ventures.

For the purposes of the analysis of income statement presented in Section 3.2, as well as the announcement of the Financial Results of the Bank as at 27 November 2014, the below adjustments were included in the Consolidated Income Statement to ensure comparability in relation to previous periods.

1. Total profit from the disposal of assets, as analysed below, amounting to €174 million has been reclassified from "net gains / (losses) on financial instruments" to net gains from the disposal of "non-core assets". This total profit is analysed as follows: (i) the profit on disposal of the stake in Banca Transilvania (€47 million), (ii) the profit on the disposal of loan exposure in Serbia (€27 million) and (iii) the profit from the early part repayment of the Cyprus Government Bond (€100 million).

2. Restructuring costs amounting to €32 million have been reclassified from total expenses to restructuring costs.

3. Loss on disposal of the operations in Ukraine amounting to €114 million has been reclassified from loss from discontinued operations to net gains/(losses) on disposal of non-core assets.

4. Profit after tax and before restructuring costs, discontinued operations and disposal of non-core operations, per the announcement, includes loss attributable to non-controlling interests amounting to €15 million.

The Consolidated Income Statement is presented below after the above reclassifications, as shown in the announcement of the Bank dated 27 November 2014, for the Group's Financial Results for the nine months ended 30 September 2014 and for the purposes of the analysis in Section 3.2.2 below. It is noted that information on the first, second and third quarter of 2014 is based on the relevant announcement of the Bank dated 27 November 2014 and it has not been audited by the external auditors of the Bank.

| **Consolidated Income Statement** | | | | | |
|---|---|---|---|---|---|
| | **Nine months ended 30 September** | | **3Q2014** | **2Q2014** | **1Q2014** |
| **€ million** | **2014** | **2013 (restated and represented)** | | | |
| Net interest income | 790 | 709 | 244 | 279 | 267 |
| Net fee and commission income | 131 | 124 | 43 | 43 | 45 |
| Net foreign exchange (losses) /gains and net (losses) /profits/on other financial instruments | (21) | (17) | (5) | (30) | 14 |
| Insurance income net of insurance claims | 35 | 51 | 10 | 12 | 13 |
| Other income/(expenses) | 6 | (25) | (1) | 6 | 1 |
| Total income | 941 | 842 | 291 | 310 | 340 |
| Staff costs | (202) | (251) | (67) | (68) | (67) |
| Other operating expenses | (165) | (161) | (55) | (53) | (57) |
| Total expenses | (367) | (412) | (122) | (121) | (124) |
| Profit before provisions for impairment of customer loans, restructuring costs and discontinued operations | 574 | 430 | 169 | 189 | 216 |
| Provisions for impairment of customer loans | (492) | (790) | (163) | (183) | (146) |
| Share of profit/(loss) from associates | 2 | (4) | (2) | 2 | 2 |
| **Profit/(loss) before tax, restructuring costs and discontinued operations** | **84** | **(364)** | **4** | **8** | **72** |
| Tax | (15) | 3 | (5) | (8) | (2) |
| Loss attributable to non - controlling interests | 15 | 7 | 7 | 6 | 2 |
| **Profit/ (loss) after tax and before restructuring costs, discontinued operations and net profit on disposal of non-core assets** | **84** | **(354)** | **6** | **6** | **72** |
| Restructuring costs | (32) | (142) | (11) | (16) | (5) |
| Loss from discontinued operations | (36) | (91) | - | - | (36) |
| Net profit/(loss) on disposal of non-core asset | 60 | (1,366) | - | 60 | - |
| **Profit/(loss) after tax** | **76** | **(1,953)** | **(5)** | **50** | **31** |

[1] Net profit from the disposal of non-core assets for the nine months ended 30 September 2014 is made up of a loss from the disposal of the Ukrainian operations (€114 million), profit from the disposal of the investment in Banca Transilvania (€47 million), profit from the disposal of the loans in Serbia (€27 million) and profit from the early repayment of a sovereign bond issued by the Republic of Cyprus (€100 million). Net loss on disposal of non-core operations for the nine months ended 30 September 2013 consists of loss from the disposal of Greek banking and leasing operations.

The table below presents the reconciliation in income statement between the Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2014 and the above Income Statement as presented in the announcement of the Bank dated 27 November 2014 for the Group Financial Results for the nine months ended 30 September 2014.

| **€ million** | **Per Financial Statements** | **Reclassification** | **Per the announcement** |
|---|---|---|---|
| Net Interest Income | 790 | - | 790 |
| Net fee and commission income | 131 | - | 131 |
| Insurance income net of insurance claims | 35 | - | 35 |
| Net foreign exchange profit/ (loss) and net profit/loss from other financial instruments | 153 | (174)[1] | (21) |
| Other income | 6 | - | 6 |
| **Total income** | 1,115 | (174) | 941 |
| Total expenses | (399) | 32[2] | (367) |
| Profit before provisions for impairment of customer loans, restructuring costs and discontinued operations | 716 | (142) | 574 |
| Provisions for impairment of customer loans | (492) | - | (492) |
| Share of profit from associates | 2 | - | 2 |
| **Profit/(loss) before tax, restructuring costs and discontinued operations** | **226** | **(142)** | **84** |
| Tax | (15) | - | (15) |
| Loss attributable to non-controlling interests | - | 15 | 15 |
| **Profit/(loss) after tax and before restructuring costs, discontinued operations and net profit from disposal of non-core assets** | **211** | **(127)** | **84** |
| Restructuring costs | - | (32) | (32) |
| Loss from discontinued operations | (150) | 114 | (36) |
| Net profit from disposal on non-core assets | - | 60[3] | 60 |
| **Profit after tax** | **61** | **15** | **76** |
| **Attributable to:** | | | |
| **owners of the Company (profits)** | **76** | **-** | **76** |
| **non-controlling interests (loss)** | **15** | **(15)**[4] | **-** |

1 As explained in the reclassification 1 above.

2 As explained in the reclassification 2 above.

3 The net profit on disposal of non-core assets for the nine months ended on 30 September 2014 comprises of loss on disposal of the Ukrainian operations (€114 million), the profit on disposal of the stake in Banca Transilvania (€47 million), the profit on disposal of the loans in Serbia (€27 million) and the profit from the early partial repayment of the Cyprus Government Bond (€100 million). The net loss on disposal of non-core assets for the nine months ended on 30 September 2014 comprises the loss on disposal of Greek banking and leasing operations.

4 As explained in the reclassification 4 above.

### 3.2 Analysis of Financial Results for the nine months ended 30 September 2014

Sections 3.10 and 3.11 of the Prospectus of the Bank dated 26 November 2014 are updated by adding the following:

#### 3.2.1 Balance Sheet Analysis

***Capital Base***

The Group's shareholders' equity at 30 September 2014 totalled €3,785 million, following the €1 billion share capital increase completed in September 2014. The CET1 ratio (transitional basis) increased to 15.4% at 30 September 2014 (compared to 10.4% and 11.3% at 31 December 2013 and 30 June 2014 respectively). Adjusting for Deferred Tax Assets, the CET1 ratio (fully-loaded basis) totalled 14.9% at 30 September 2014.

After the pre-emptive capital increase, the Bank passed the ECB's Comprehensive Assessment, as announced on 26 October 2014. The share capital increase generated a comfortable capital buffer, ensuring that the Bank could withstand even the adverse stress scenario envisaged by the authorities. Accordingly, as a result of the application of the AQR and the stress test, and taking into account the capital increase, the AQR Adjusted CET1 ratio (based on transitional arrangements as of 1 January 2014) was estimated at 11.53%, the Adjusted CET1 ratio after the baseline scenario was estimated at 11.62% (compared to a minimum required of 8%) and the Adjusted CET1 ratio after the adverse scenario was estimated at 5.85% (compared to a minimum required of 5.5%).

As part of Phase 3 of its Share Capital Increase[1], the Bank will proceed with a Retail Offer of up to €100 million of new ordinary shares for subscription by existing shareholders at €0.24. Assuming a full take up of the Retail Offer, there will be a 40 basis points positive impact on the Bank's regulatory capital ratios.

| **Reconciliation of Group Equity to CET 1** | |
|---|---|
| **(€ billion)** | **Nine months ended 30 September 2014** |
| Group Equity per financial statements | 3.78 |
| Less: Intangibles and other deductions | (0.03) |
| Less: In force value (Insurance companies) | (0.10) |
| Less: Non banking subsidiaries reserves, adjustments on Minority Interest and other items | (0.10) |
| Less: Revaluation reserves and other unrealised items transferred to Tier 2 | (0.05) |
| **CET 1 (transitional)** | **3.51** |
| **Less: Adjustments to fully loaded (mainly DTA)** | **(0.10)** |
| **CET 1 (fully loaded)** | **3.41** |
| **RWA** | **22.86** |
| **CET 1 ratio (fully loaded)** | **14.9%** |

[1] The Share Capital Increase was approved by the shareholders of the Bank at the Extraordinary General Meeting held on 28 August 2014 and Phases 1 and 2 were completed on 18 September 2014.

***Deposits and Loans***

The Group's total deposits were €13,330 million at 30 September 2014, compared to €14,971 million at 31 December 2013 declining by 11.0%. The Group's total deposits at 30 June 2014 amounted to €13,803 million. The reduction in the stock of deposits during the third quarter of 2014 reflects the on-going deleverage with customers using their savings to reduce their borrowings, the release of €600 million of blocked decree deposits at the end of July 2014, the public debate during the period regarding the foreclosure and insolvency legislation and seasonality factors.

Despite the reduction in the stock of deposits, post April 2014, the Bank experienced customer inflows[2] for every month with the exception of August 2014.

At 30 September 2014, deposits in Cyprus accounted for 84% of Group deposits, deposits in the United Kingdom for 10% and deposits in Russia for 6%. The Bank's deposit market share[3] in Cyprus was 24.9% at 30 September 2014, compared to 27.5% and 25.5% at 31 December 2013 and 30 June 2014 respectively.

Customer deposits remain the primary source of funding and accounted for 48% of assets as at 30 September 2014. The ratio of net loans to deposits totalled 148% at 30 September 2014, at a similar level as at 30 June 2014 and totalled 145% at 31 December 2013.

In addition to the restrictive measures applicable for the Cypriot banking system as a whole, additional restrictive measures applicable to the Bank's deposits affected by the bail-in[4] were introduced. Out of the €2.8 billion initial amount of blocked decree deposits, more than €2.5 billion have been released earlier than expected, while the remaining will be automatically released upon maturity on 31 January 2015. The majority of the deposits released have remained with the Bank, evidencing the growing confidence of customers towards the Bank.

The Bank's deleveraging efforts continue with gross loans declining by 2.2% during the third quarter of 2014 to €24.742 million as at 30 September 2014[5] and declining by 7.5% during the nine months ended 30 September 2014, mainly due to the disposal of Ukrainian operations and the disposal of the loans portfolio in Serbia. In total, there was a 13% reduction of gross loans between 30 June 2013 and 30 September 2014. Gross loans in Cyprus totalled €21.881 million and accounted for 88% of gross loans at 30 September 2014.

The Bank continues to be the single largest credit provider in Cyprus with a 40.5%[6] market share as at 30 September 2014. Loans in Russia (€1.2 billion) and loans in the UK operations (€1.1 billion) accounted for 5% and 4% of total loans respectively.

The Group's customer exposures in accordance with the new business lines are as follows: corporate loans[7] accounted for 20% of gross loans at 30 September 2014, SME[8] loans accounted for 10%, whereas mortgages and consumer loans accounted for 16% and 8%, respectively. The RRD handles 46% of gross loans which are made up of: Mid and Large Corporates 22%, SMEs 6% and loans in Recoveries 18%. In terms of exposures by economic sector, loans in the construction sector and in real estate development accounted for 17% and 15%, respectively of gross loans at 30 September 2014.

[2] Customer flows are defined as the difference between changes in stock of customer deposits and changes in stock of gross customer loans.

[3] Based on CBC data.

[4] The Enforcement of Temporary Restrictive Measures on Transactions of Bank of Cyprus Public Company Ltd in case of Emergency of 2013 issued by the Ministry of Finance on 30 July 2013. Deposits totalling €2.8 billion (about 37.4% of the uninsured deposits) remained blocked in the form of three equal fixed term deposits with terms of 6, 9, and 12 months respectively, beginning 1 August 2013. The Bank had the right to renew them for an additional equal term at the same interest rates, depending on market conditions. Once these deposits are unblocked, the funds are subject to the general restrictive measures applicable at the time.

[5] Gross loans are presented before the deduction of the provisions amounting to €3.1 billion, fair value adjustment on initial recognition relating to Laiki's loans amounting to €1.6 billion and include loans held for sale amounting to €672 million (Note 28 of the Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2014).

[6] Based on Central Bank of Cyprus data.

[7] Corporate clients for the Cyprus loan portfolio are businesses that have total loans above €6 million and turnover of above €10 million. The Corporate sector includes loans booked in the International Business and Wealth Management Divisions.

[8] SME clients for the Cyprus loan portfolio are businesses that have total loans less than €6 million and turnover less than €10 million.

***Eurosystem Funding***

The Bank's Eurosystem funding reliance stands at €8,604 million as at 30 September 2014, comprising ELA of €7,684 million and ECB of €920 million. Proceeds from the €1 billion share capital increase completed in September 2014 and from deleverage were used to reduce ELA by €1.1 billion during the third quarter of 2014 to €7,684 million as at 30 September 2014 (accounting for 28% of total assets) from €8,784 million as at 30 June 2014 (31% of total assets) and from €9,556 million at 31 December 2013 (31% of total assets). At 30 June 2013, ELA amounted to €11,107 million (34% of total assets). The ECB funding during the third quarter of 2014 was reduced by €480 million to €920 million as at 30 September 2014, from €1,400 million as at 30 June 2014 (31 December 2013: €1,400 million). Post 30 September 2014, ELA was reduced by a further €180 million and ECB funding was reduced by a further €30 million.

***Loan portfolio quality***

The quality of the Group's loan portfolio continues to be challenged primarily by the on-going recession in Cyprus and the delay in the introduction of the appropriate legislation in the hands of the Bank to enable it to engage effectively with borrowers in Cyprus.

**Loans past due for more than 90 days** (90+ DPD)[9] totalled €12,978 million at 30 September 2014 and accounted for 52% of gross loans (90+ DPD ratio). 90+ DPD remained at the same level compared to 31 December 2013 and increased by 3% or €387 million during the third quarter of 2014, compared to an increase of 4% or €459 million during the second quarter of 2014, adjusting for the disposal of the Ukrainian operation and of loan portfolio in Serbia. The increase in the 90+ DPD primarily relates to the Cypriot operations where the on-going recessionary conditions are negatively affecting the performance of the retail and SME portfolio. The provisioning coverage ratio of 90+ DPD[10] totalled 38% at 30 September 2014, while taking into account tangible collateral at fair value, 90+ DPD are fully covered.

**Non performing loans (NPLs) calculated as per the Central Bank of Cyprus (CBC)** rules effective from 1 July 2013[11], totalled €14,735 million at 30 September 2014 (compared to €14,042 million and €14,581 million at 31 December 2013 and 30 June 2014 respectively) and accounted for 60% of gross loans. The provisioning coverage ratio of NPLs totalled 34% at 30 September 2014. As at 30 September 2014, the difference between NPLs and 90+ DPD totalled €1,757 million, reflecting the fact that restructured loans remain classified as NPLs for a longer period. As at 30 September 2014, the NPLs ratio comprises (a) **Loans that have been restructured and are less than 90 days past due** (9% of gross loans) and (b) **Loans more than 90 days past due or Loans that have been restructured and are more than 90 days past due** (51% of gross loans).

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[9] Loans in arrears for more than 90 days (90+ DPD) are defined as loans with a specific provision (impaired loans) and loans past-due for more than 90 days, but not impaired and include loans held for sale (Note 28 of the Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2014).

[10] Defined as accumulated provisions as a percentage of gross loans in arrears for more than 90 days (90+ DPD).

[11] Non-Performing Loans (NPL) as per the Central Bank of Cyprus Directive: In accordance with the directive, a loan is considered as non-performing when it shows arrears of more than 90 days or if it has been restructured and at the time of restructuring presented arrears for a period of more than 60 days, regardless of tangible or other collateral. More specifically a NPL is defined as a loan which has arrears (of interest or capital or any other charges) for a period of more than 90 days, an overdraft in excess of more than 5% of its contractual limit on a continuous basis for a period of more than 90 days (the excess of 5% is not applicable as from 1/1/2014) and a restructured facility which at the time of restructuring was classified as NPL or has arrears/excesses for a period of more than 60 days. Restructured loans remain as NPLs for 6 months following the commencement of the new repayment schedule of capital instalments or in the case of gradual increasing instalments, six months from the first month from which the higher instalment is due. In case of lump-sum payments at maturity, the loan remains as NPL until its maturity. It is noted that the European Banking Authority (EBA) has published its final reporting standards on forbearance and non-performing exposures. It is anticipated that before the end of the current year these standards will be enacted into law and with their implementation, the current Directive of the Central Bank of Cyprus for the Definition of Non-Performing Loans and Restructured Credit Facilities will be suspended. As a result, the data on non-performing and Restructured Credit Facilities will differ.

| Breakdown of NPLs (as per statements submitted to CBC) | 30.09.2014 (€ million) | 30.09.2014 % of gross loans | 30.06.2014 (€ million) | 30.06.2014 % of gross loans | 31.12.2013 (€ million) | 31.12.2013 % of gross loans |
|---|---|---|---|---|---|---|
| Loans that have been restructured and are less than 90 days past due | 2,272 | 9% | 2,357 | 9% | 1,682 | 6% |
| Loans more than 90 days past due or Loans that have been restructured and are more than 90 days past due | 12,463 | 51% | 12,224 | 49% | 12,360 | 47% |
| **Non-performing loans (as per statements submitted to CBC)** | **14,735** | **60%** | **14,581** | **58%** | **14,042** | **53%** |
| **90+ DPD (as per financial statements definition)** | **12,978** | **52%** | **12,591** | **50%** | **13,003** | **49%** |

### 3.2.2 Income Statement Analysis

***Analysis of income and expenses***

Net interest income for the nine months ended 30 September 2014 was €790 million (compared to €709 million for the nine months ended 30 September 2013), while the net interest margin was 4.03% (compared to 3.52% for the nine months ended 30 September 2013). Both net interest income and net interest margin continue to be affected by the current situation in Cyprus and the current composition of the Group's funding whereby 31% of the Group's balance sheet was funded by Eurosystem funding (ECB funding and ELA) as at 30 September 2014. The increase in net interest income during the nine months ended 30 September 2014, compared to the corresponding period of the previous year is mainly due to interest income from assets and liabilities acquired from Laiki Bank in March 2013, which are included for nine months in the current period and for six months in the comparative period. The net interest income for the third quarter of 2014 was €244 million (compared to €279 million in the second quarter of 2014) and the net interest margin was 3.83% (compared to 4.26% in the second quarter of 2014). The decrease in net interest income during the third quarter of 2014 was mainly due to the part repayment of a government bond of €950 million by the Cyprus Republic and the decrease in interest margin due to lower borrowing rates.

Non-interest income (total revenue less net interest income) for the third quarter of 2014 was €47 million, compared to €31 million for the second quarter of 2014 and €73 million for the first quarter of 2014. The fluctuation in non-interest income reflects the fact that the second quarter was negatively affected by the impairment of Laiki related exposures as per the March 2013 decrees that were transferred to the Bank (totalling €32 million).

Total income for the nine months ended 30 September 2014 was €941 million (compared to €842 million for the nine months ended 30 September 2013). The increase in total revenue during the nine months ended 30 September 2014, compared to the corresponding period of the previous year is mainly due to increased net interest income as analysed above. Total revenue for the third quarter of 2014 was €291 million, compared to €310 million in the second quarter of 2014.

Total expenses for the nine months ended 30 September 2014 amounted to €367 million, of which 55% related to staff costs (€202 million) and 45% to other operating expenses (€165 million). The cost to income ratio for the nine months ended 30 September 2014 was 39%. The total expenses for the comparative period of 2013 amounted to €412 million, of which 61% relate to staff costs (€251 million) and 39% relate to other operating expenses (€161 million). The cost to income ratio for the nine months ended 30 September 2013 stood at 49%. The decrease in total expenses during the nine months ended 30 September 2014, compared to the corresponding period of the previous year is mainly due to decreased staff costs in 2014 which was caused mainly due to the reduction in the number of staff after the Voluntary

Retirement Scheme for the staff in Cyprus during 2013. Total expenses for the third quarter of 2014 were €122 million, (compared to €121 million in the second quarter of 2014). The cost to income ratio for the third quarter of 2014 was 42% (compared to 39% in the second quarter of 2014).

***Profit before provisions for impairment of customer loans, restructuring costs and discontinued operations***

Profit before provisions for impairment of customer loans, restructuring costs and discontinued operations for the nine months ended 30 September 2014 was €574 million (compared to €430 million for the nine months ended 30 September 2013). The increase in profit before provisions for impairment of customer loans, restructuring costs and discontinued operations during the nine months ended 30 September 2014, compared to the corresponding period of the previous year is mainly due to increased net interest income and decreased staff costs. Profits before provisions for impairment of customer loans, restructuring costs and discontinued operations for the third quarter of 2014 amounted to €169 million, compared to €189 million in the second quarter of 2014.

***Provisions for impairment of customer loans***

Provisions for impairment of customer loans for the nine months ended 30 September 2014 were €492 million (compared to €790 million for the nine months ended 30 September 2013), with the provisioning charge accounting for 2.6% of gross loans on an annualised basis (compared to 3.8% for the nine months ended 30 September 2013[12]). The decrease in provisions for impairment of customer loans for the nine months ended 30 September 2014, compared to the corresponding period of the previous year is mainly due to increased provisions during the nine months ended 30 September 2013 in Cyprus. The provisions for impairment of customer loans for the third quarter of 2014 were €163 million (compared to €183 million during the second quarter of 2014) representing 2.6% of the total portfolio on an annualised basis (compared to 2.8% during the second quarter of 2014). As at 30 September 2014, accumulated provisions, including the fair value adjustment on initial recognition of the portfolio acquired from Laiki, reached €4,948 million (compared to €4,879 million at 30 June 2014 and €4,979 million at 31 December 2013) and amounted to 20.0% of gross loans (compared to 19.3% at 30 June 2014 and 18.6% at 31 December 2013).

***Profit after tax excluding one-off items***

Profit after tax excluding one-off items (relating to restructuring costs, discontinued operations and net profit from disposal of non-core assets) for the nine months ended 30 September 2014 totalled €84 million (compared to a loss of €354 million for the nine months ended 30 September 2013). The decrease in losses/ increase in profits after tax excluding one-off items for the nine months ended 30 September 2014 compared to the corresponding period of 2013 is mainly due to increased interest income and decreased provisions for impairment of loans. Profit after tax excluding one-off items for the third quarter of 2014 totalled €6 million, at the same level as the second quarter of 2014. Profit after tax excluding one-off items in Cyprus during the nine months ended 30 September 2014 totalled €171 million (compared to losses of €284 million during the corresponding period of 2013).

***One-off items***

One-off items (relating to restructuring costs, discontinued operations and net profit from disposal of non-core assets) for the nine months ended 30 September 2014 totalled €8 million (compared to a loss of €1,599 million for the comparative period of 2013). Restructuring costs for the nine months ended 30 September 2014 totalled €32 million (compared to €142 million for the nine months ended 30 September 2013) and relate mainly to payments to external consultants and other expenses, including expenses for the transfer of land relating to the restructuring process. Loss from discontinuing operations for the nine months ended 30

[12] The ratios are calculated before the fair value adjustment on initial recognition relating to Laiki's loans amounting to €1,6 billion (compared to €1,8 billion on 31 March 2014 and €1,9 billion on 31 December 2013).

September 2014 totalled €36 million (compared to €91 million for the nine months ended 30 September 2013). During the nine months ended 30 September 2014, there was a profit of €60 million from the disposal of non-core assets which is made up of a loss from the disposal of the Ukrainian operations of €114 million, profit from the disposal of the investment in Romanian Banca Transilvania of €47 million, profit from the disposal of the loan portfolio in Serbia of €27 million and profit from the partly early repayment of a sovereign bond issued by the Republic of Cyprus of €100 million while the loss on disposal of non-core operations for the comparative period of 2013 amounted to €1,366 million and relates to disposal of Greek banking and leasing operations.

***Profit after tax***

Profit after tax attributable to the owners of the Bank for the nine months ended 30 September 2014 totalled €76 million (compared to losses of €1,953 million for the nine months ended 30 September 2013). Loss after tax attributable to the owners of the Bank for the third quarter of 2014 totalled €5 million, compared to a profit of €50 million for the second quarter of 2014. Profit after tax for the second quarter was positively affected by gains of €60 million from the disposal of non-core operations.

The Interim Condensed Consolidated Financial Statements of the Group for the nine months ended 30 September 2014 have not been audited by the external auditors of the Group.

**3.3 Key Performance Indicators and Restructuring Plan progress report**

Section 3.4.1 of the Prospectus of the Bank dated 26 November 2014 is updated by adding the following.

Following consultation between the Bank and the Central Bank of Cyprus, the following Key Performance Indicators (KPIs), including medium-term targets, have been selected reflecting the priorities of the Group: asset quality, funding, capital and efficiency. These will be published on a quarterly basis in order for the public to assess the progress of the Restructuring Plan and the financial performance of the Group.

The below table shows the said KPIs, the medium-term target for each KPI (set at December 2017, which is the end of the Restructuring Plan period) and the latest statistics for each KPI.

| **BOC Group Key Performance Indicators** | | **Actual Dec-2013** | **Actual Sep-2014** | **Medium-Term Target Dec-2017** |
|---|---|---|---|---|
| **Asset Quality** | 90+ Days Past Due provision coverage | 38% | 38% | >50% |
| | Provisioning charge (Cost of Risk) (ytd) | 3.7% | 2.6% | <1.5% |
| | 90+ Days Past Due € million | 13,003 | 12,978 | <10,000 |
| **Funding** | Loans to Deposits ratio (net) | 145% | 148% | <150% |
| **Capital** | Common Equity Tier 1 capital ratio (transitional) | 10.4% | 15.4% | >10% |
| | Leverage ratio (Assets/Equity) | 11.1x | 7.3x | <12x |
| **Efficiency** | Cost-to-Income ratio (ytd) | 47% | 39% | <45% |
| | Net Interest Margin (ytd) | 3.54% | 4.03% | >2.5% |
| | Number of Branches in Cyprus | 133 | 130 | 125 |
| | Group Employees in Cyprus | 4,247 | 4,229 | <4,100 |

Source: Announcement of the Bank dated 27 November 2014 for the Financial Results of the Group for the nine months ended 30 September 2014.

### 3.3.1 Commentary about the evolution of Key Performance Indicators

This section relates to Section 3.4.2 of the Prospectus of the Bank dated 26 November 2014 and updates it by adding the following.

***Asset quality***

The provisioning coverage of 90+ DPD totalled 38% at 30 September 2014, at a similar level as at 31 December 2013. The annualised provisioning charge for the nine months ended 30 September 2014 was 2.6%, compared to a provisioning charge of 3.7% for the year ended 31 December 2013.

***Funding***

The net loans to deposits ratio totalled 148% at 30 September 2014, compared to 145% at 31 December 2013.

***Capital***

The Common Equity Tier 1 capital ratio (on a transitional basis) increased to 15.4% at 30 September 2014, compared to 10.4% as adjusted in accordance with CRD IV/CRR on a transitional basis for 31 December 2013. The leverage ratio has improved to 7.3x at 30 September 2014, compared to 11.1x at 31 December 2013.

***Efficiency***

The cost to income ratio for the nine months ended 30 September 2014 was 39%, compared to a ratio of 47% for the year ended 31 December 2013. The net interest margin for the nine months ended 30 September 2014 was 4.03%, compared to 3.54% for the year ended 31 December 2013. Branches in Cyprus have been reduced to 130 units as at 30 September 2014compared to 133 units as at 31 December 2013. The number of Group employees in Cyprus totalled 4,229 as at 30 September 2014, compared to 4,247 employees at 31 December 2013.

### 3.3.2 Commentary about the operational progress of the Restructuring Plan

This section relates to Section 3.4.3 of the Prospectus of the Bank dated 26 November 2014 and updates it by adding the following.

***Deleverage***

The Group has disposed its Ukrainian operations, its investment in Romanian Banca Transilvania and the loan portfolio in Serbia. During the third quarter of 2014, the Bank sold assets in Romania (related to the owner of the JW Marriott Bucharest Grand Hotel). Post 30 September 2014, the Bank sold the excess loan portfolio in the UK inherited from ex-Laiki and largely comprising of residential and commercial real estate-backed facilities. The Bank is running a process to dispose of its remaining Romanian loan and real estate portfolio. Also the Bank has appointed advisors to assess its strategic options relating to its Russian assets. The Bank continues its efforts to dispose of real estate related assets in Cyprus and Greece.

## 4.0 ADMISSION TO LISTING ON THE CSE AND ATHEX OF THE RELEVANT SHARES

This section updates Section 4.4 of the Prospectus of the Bank dated 26 November 2014 by adding the following.

Following the relevant applications by the Bank, the CSE Council (subject to the submission of certain documents) and the Stock Markets Steering Committee of the Hellenic Exchanges approved the listing and trading on the CSE in relation to 8,904,425,940 Ordinary Shares of the Bank, which is comprised of:

- 3,873,269,066 Ordinary Shares issued to bailed in holders of uninsured deposits and other products of the Bank in accordance with the Bail-in Decrees;

- 5,781,443 Ordinary Shares issued to bailed in holders of subordinated debt securities of the Bank in accordance with the Bail-in Decrees;

- 858,708,764 Ordinary Shares issued to Laiki Bank pursuant to the Laiki Transfer Decrees; and

- 4,166,666,667 Ordinary Shares issued pursuant to the Placing and Open Offer. The Placing and Open Offer constitute phases 1 and 2 of the Bank's Share Capital Increase which was approved at the EGM held on 28 August 2014.

Following the above announcements, the date of the admission of the Relevant Shares to listing and trading on the CSE and ATHEX, as well as the lifting of the trading suspension on the Listed Shares by the CSE and ATHEX, was determined, by the two exchanges, on 16 December 2014.

## 5.0 APPOINTMENT OF SENIOR INDEPENDENT DIRECTOR

This section relates to Section 3.18.4 of the Prospectus of the Bank dated 26 November 2014 and updates it by adding the following.

The Board of Directors of the Bank, at its meeting held on 26 November 2014, appointed Mr. Michael Spanos as a Senior Independent Director.

In addition, the Board of Directors appointed Mrs. Katia Santis as Company Secretary in order to replace Mr. Panayiotis Agapiou.

**6.0 INTEREST IN ORDINARY SHARES OF DIRECTORS**

This section rectifies Section 3.14.2 of the Prospectus of the Bank dated 26 November 2014.

In particular, the number of shares held indirectly and in total by Mr Vladimir Strzhalkovskiy as at 26 November 2014 amounted to 222,066,079 and not 224,982,745 as indicated in Section 3.14.2. Accordingly, the percentage participation of Mr Vladimir Strzhalkovskiy in the share capital of the Bank as at 26 November 2014 was 2.49% rather than 2.52% as indicated in Section 3.14.2. Consequently, the table in Section 3.14.2 is replaced by the following.

| | | Number of shares | | | |
|---|---|---|---|---|---|
| | **Name** | **Direct Shareholding** | **Indirect Shareholding** | **Total** | **Percentage of issued share capital (%)** |
| 1 | Dr. Josef Ackermann (Chairman)......... | - | - | - | - |
| 2 | Wilbur J. Ross, Jr. (Vice Chairman)[1] ...... | - | 138,890,809 | 138,890,809 | 1.56 |
| 3 | Vladimir Strzhalkovskiy (Vice Chairman)[2]........ | - | 222,066,079 | 222,066,079 | 2.49 |
| 4 | Michael Spanos .................................... | 28,595 | - | 28,595 | 0.0003 |
| 5 | John Patric Hourican ........................... | - | - | - | - |
| 6 | Arne Berggren ...................................... | - | - | - | - |
| 7 | Maksim Goldman ................................ | - | 143,821 | 143,821 | 0.0016 |
| 8 | Dr. Christodoulos Patsalides................ | 3,390 | - | - | 0.0000 |
| 9 | Marios Kalochoritis............................. | - | - | - | - |
| 10 | Ioannis Zographakis ............................ | - | 32 | 32 | 0.0000 |

(1) Shares are owned by two collective investment funds WLR Recovery Fund V, LP and WLR V Parallel ESC, LP managed by W.L.Ross & Co LLC of which Mr Wilbur L. Ross, Jr is the Chairman.

(2) The indirect holding is derived from the holdings of controlled entities (more than 20% of voting rights) namely Bolerstone Trading Limited and Nessan Associates Ltd

**7.0 COVERED BOND**

This section updates Section 3.11.3 of the Prospectus of the Bank dated 26 November 2014 by adding the following.

The Bank currently has in issue a €1 billion covered bond that is placed as collateral with the Central Bank of Cyprus with respect to the Bank's ELA funding. There is growing investor interest in this covered bond and the Bank is considering placing this bond (or part of it) with institutional investors in the near future, subject to market conditions. Furthermore, depending on market conditions and investor appetite, the Bank will assess the possibility of selling senior unsecured bonds to institutional investors. Proceeds from accessing the debt markets shall contribute to the reduction of the Bank's ELA funding.

## 8.0 INCORPORATION BY REFERENCE

The Group's unaudited Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2014 have been incorporated in this Supplementary Prospectus pursuant to article 28 of the Commission Regulation 809/2004 (as amended) of the European Union.

| Incorporation by Reference | Document | Pages |
|---|---|---|
| Unaudited Interim Condensed Financial Statements for the nine months ended 30 September 2014 | Unaudited Interim Condensed Financial Statements for the nine months ended 30 September 2014 | 1-101 |

Investors may obtain a free copy of the Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2014 during working days, between 9.00 a.m. and 12.00 noon, from the Bank's headquarters, 51 Stassinou Street, Ayia Paraskevi, Nicosia, Cyprus during the period that this Supplementary Prospectus shall be valid, as well as on the Group's website www.bankofcyprus.com (select Investor Relations / Financial Results).

## 9.0 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Interim Condensed Consolidated Financial Statements for the nine months ended 30 September 2014 may be inspected during working days, between 9.00 a.m. and 12.00 p.m., at the Bank's headquarters, 51 Stassinou Street, Ayia Paraskevi, Nicosia, Cyprus during the period that this Supplementary Prospectus shall be valid.

This Supplementary Prospectus, as it has been approved by the Cyprus Securities and Exchange Commission, will be available in electronic form on the following websites:

(i) the Bank of Cyprus' website, www.bankofcyprus.com;

(ii) the website of the Lead Manager, the Cyprus Investment and Securities Corporation Ltd (CISCO), www.cisco.bankofcyprus.com;

(iii) the website of the Cyprus Stock Exchange, www.cse.com.cy; and

(iv) the website of the Cyprus Securities and Exchange Commission, www.cysec.gov.cy.

## 10.0 WITHDRAWAL RIGHTS

Qualifying Shareholders wishing to exercise the withdrawal rights under Articles 14(6) and 14(7) of the Public Offer and Prospectus Law of 2005 (as amended) ("**Withdrawal Rights**") after the issue by the Bank of a prospectus supplementing the Prospectus dated 26 November 2014 of the Bank (if any), provided that it contains significant new elements as to the issuer or as to the securities or reveals material mistakes or inaccuracies relating to the information included in the Prospectus of the Bank dated 26 November 2014, which arise prior to the latest date of the Retail Offer and the allocation of the Retail Shares, must do so by lodging a written notice of withdrawal, which shall not include a notice sent by fax or any other form of electronic communication, that must include the full name, address and details of the CSE or DSS Securities Account of the person wishing to exercise such statutory withdrawal rights so as to be received by a Branch Officer no later than two Business Days after the date on which the supplementary prospectus is published. Notice of withdrawal given by any other means or which is received after expiry of such period will not constitute a valid withdrawal.

**DIRECTORS' DECLARATION**

This Supplementary Prospectus of the Bank of Cyprus Public Company Limited dated 12 December 2014 has been signed by the following Directors of the Bank. The Directors signing this Supplementary Prospectus declare that having taken all reasonable care to ensure that such is the case, the information contained in this Supplementary Prospectus is, to the best of their knowledge, in accordance with the facts and that it contains no omission likely to affect its import:

| | |
|---|---|
| Dr. Josef Ackermann | Chairman and Independent Director |
| Wilbur L. Ross | Vice-Chairman and Independent Director |
| Vladimir Strzhalkovskiy | Vice-Chairman and Independent Director |
| John Patrick Hourican | Chief Executive Officer and Executive Director |
| Dr. Christodoulos Patsalides | Finance Director and Executive Director |
| Arne Berggren | Non-Executive and Independent Director |
| Maksim Goldman | Non-Executive and Non-Independent Director |
| Marios Kalochoritis | Non-Executive and Independent Director |
| Michael Spanos | Non-Executive and Senior Independent Director |
| Ioannis Zographakis | Non-Executive and Independent Director |

**LEAD MANAGER'S DECLARATION**

The present Supplementary Prospectus of the Bank of Cyprus Public Company Limited dated 12 December 2014 has been signed by the Lead Manager of the Retail Offer, The Cyprus Investment and Securities Corporation Limited, which declares that, having taken all responsible care to ensure that such is the case, the information contained in this Supplementary Prospectus is to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

The Cyprus Investment and Securities Corporation Limited (CISCO)