

**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: 9 March 2012**

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



**THE SUPPLEMENTARY PROSPECTUS IS RELATED TO BANK OF CYPRUS  
PUBLIC COMPANY LIMITED PROSPECTUS DATED  
12 JANUARY 2012**

- Share Capital increase, in the form of Rights Issue, of up to €396,9 mn. The Rights will be issued and allotted at the ratio of one (1) right for each one (1) existing ordinary share to the shareholders and the holders of Eligible Securities as if these securities had been converted into shares on the Record Date, based on their current conversion prices. Every three (3) Rights exercised will be converted to one (1) fully paid new ordinary share of nominal value of €1,00. In addition, bonus shares will be issued and granted in the ratio of one (1) fully paid bonus ordinary share for each one (1) New Share resulting from the Rights Offering.
- Tender Offer for voluntary exchange (“Tender Exchange Offer”) of Convertible Enhanced Capital Securities (“CECS”) via the issue of Mandatory Convertible Notes (“MCN”) of up to €600 mn, to all registered CECS holders for the exchange of CECS of nominal value of €1,00 each with MCN of a corresponding nominal value. The MCN will have a duration of eight calendar days and will be zero coupon. Immediately following the completion of the Tender Exchange Offer and the issuance of the new ordinary shares from the redemption of MCN, bonus shares will be issued and granted in the ratio of one (1) fully paid ordinary bonus share for every three (3) new ordinary shares resulting from the redemption of MCN.

**THIS IS AN ENGLISH TRANSLATION OF THE SUPPLEMENTARY PROSPECTUS ISSUED  
IN GREEK IN THE FORMAT THAT HAS BEEN APPROVED BY THE CYPRUS SECURITIES  
AND EXCHANGE COMMISSION (CYSEC) AS THE COMPETENT AUTHORITY. THE  
GREEK TEXT OF THE SUPPLEMENTARY PROSPECTUS AS IT HAS BEEN APPROVED BY  
CYSEC IS BINDING. THE ENGLISH TRANSLATION IS FOR INFORMATION PURPOSES  
ONLY.**

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

**CISCO**



**THE CYPRUS INVESTMENT AND SECURITIES CORPORATION LTD**

## SUPPLEMENTARY PROSPECTUS

This Supplementary Prospectus is related to the Bank of Cyprus Public Company Ltd Prospectus dated 12 January 2012.

This Supplementary Prospectus has been prepared in compliance with the provisions of the Commission Regulation (EC) No 809/2004 of the European Union, the Public Offer and Prospectus Law of 2005 of the Republic of Cyprus and the Cyprus Company Law Cap. 113.

**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 of the Issue the Cyprus Investment and Securities Corporation Ltd or any other professional duly authorised to give such information, accountants, lawyers, or investment advisors.

Bank of Cyprus assumes full responsibility for the information contained in this Supplementary Prospectus and declares that the information contained herein is in accordance with the facts and contains no omission likely to affect its import. The Directors of Bank of Cyprus are jointly and severally responsible for the information given in the Supplementary Prospectus, and they 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.

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### BANK OF CYPRUS PUBLIC COMPANY LIMITED

**SHARE CAPITAL INCREASE, IN THE FORM OF RIGHTS ISSUE, OF UP TO €396,9 MN. THE RIGHTS WILL BE ISSUED AND ALLOTTED AT THE RATIO OF ONE (1) RIGHT FOR EACH ONE (1) EXISTING ORDINARY SHARE TO THE SHAREHOLDERS AND THE HOLDERS OF ELIGIBLE SECURITIES AS IF THESE SECURITIES HAD BEEN CONVERTED INTO SHARES ON THE RECORD DATE, BASED ON THEIR CURRENT CONVERSION PRICES. EVERY THREE (3) RIGHTS EXERCISED WILL BE CONVERTED TO ONE (1) FULLY PAID NEW ORDINARY SHARE OF NOMINAL VALUE OF €1,00. IN ADDITION, BONUS SHARES WILL BE ISSUED AND GRANTED IN THE RATIO OF ONE (1) FULLY PAID BONUS ORDINARY SHARE FOR EACH NEW SHARE RESULTING FROM THE RIGHTS OFFERING.**

**TENDER OFFER FOR VOLUNTARY EXCHANGE (“TENDER EXCHANGE OFFER”) OF CONVERTIBLE ENHANCED CAPITAL SECURITIES (“CECS”) VIA THE ISSUE OF MANDATORY CONVERTIBLE NOTES (“MCN”) OF UP TO €600 MN, TO ALL REGISTERED CECS HOLDERS FOR THE EXCHANGE OF CECS OF NOMINAL VALUE OF €1,00 EACH WITH MCN OF A CORRESPONDING NOMINAL VALUE. THE MCN WILL HAVE A DURATION OF EIGHT CALENDAR DAYS AND WILL BE ZERO COUPON. IMMEDIATELY FOLLOWING THE COMPLETION OF THE TENDER EXCHANGE OFFER AND THE ISSUANCE OF THE NEW ORDINARY SHARES FROM THE REDEMPTION OF MCN, BONUS SHARES WILL BE ISSUED AND GRANTED IN THE RATIO OF ONE (1) FULLY PAID ORDINARY BONUS SHARE FOR EVERY THREE (3) NEW ORDINARY SHARES RESULTING FROM THE REDEMPTION OF MCN.**

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This offer for a Share Capital increase in the form of the Rights Issue and the tender offer for voluntary exchange (“Tender Exchange Offer”) of Convertible Enhanced Capital Securities (“CECS”) with Mandatory Convertible Notes (the “Offer”), is only applicable in Cyprus, Greece and the United Kingdom and is only addressed to persons that can legally accept it. More specifically, and in compliance with relevant securities law in the following countries, this offer is not addressed in any way (in writing or otherwise), directly or indirectly, within or to the United States, Canada, Australia, South Africa, or Japan, or to any other country in which according to the laws of such a country, this Offer or the postage / distribution of this offering circular is illegal or constitutes breach of any applicable law, rule or regulation. For this reason, it is forbidden to address, distribute, send or otherwise promote copies of this Supplementary Prospectus and any other relevant documents or material relating to this Offer to persons in these countries or the subsequent participation by any person of these countries in the current Rights Issue and issue of Mandatory Convertible Notes.

The Supplementary Prospectus has been approved by the Cyprus Securities and Exchange Commission (“CySEC”) in its capacity as Cyprus competent authority for the purposes of Directive 2003/71/EC, of Regulation 809/2004 of the Committee of the European Union for the purpose of giving information with regard to the Rights Issue and Tender Exchange Offer. The approval of the Supplementary Prospectus should not be considered as a recommendation to invest in the Issuer.

Applications have been made by Bank of Cyprus for a certificate of approval under Article 18 of Directive 2003/71/EC as implemented in Cyprus to be issued by the Cyprus Securities and Exchange Commission to the competent authority in Greece and United Kingdom.

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 the section entitled “Risk Factors” of the Company’s Prospectus dated 12 January 2012 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.

This Supplementary Prospectus should be read and understood in conjunction with supplement hereto and the Company’s Prospectus dated 12 January 2012. Prospective investors must carefully consider all the information included or incorporated by reference in this Supplementary Prospectus before making an investment decision regarding the Rights and the decision regarding the acceptance of the Tender Exchange Offer of Convertible Enhanced Capital Securities with Mandatory Conversion Notes. More specifically for a discussion of Risks involved in the Rights, Mandatory Convertible Notes and their subsequent subscription/conversion into Shares of the Company see discussion in Section II, Part A, Chapter 1 ‘Risk Factors’ of the Company’s Prospectus dated 12 January 2012.

**THIS IS AN ENGLISH TRANSLATION OF THE SUPPLEMENTARY PROSPECTUS ISSUED IN GREEK IN THE FORMAT THAT HAS BEEN APPROVED BY THE CYPRUS SECURITIES AND EXCHANGE COMMISSION (CYSEC) AS THE COMPETENT AUTHORITY. THE GREEK TEXT OF THE PROSPECTUS AS IT HAS BEEN APPROVED BY CYSEC IS BINDING. THE ENGLISH TRANSLATION IS FOR INFORMATION PURPOSES ONLY.**

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## 1.0 PROFESSIONAL ADVISORS

<b>Lead Manager &amp; Underwriter responsible for drawing up the Prospectus:</b>	The Cyprus Investment and Securities Corporation Limited (CISCO)
<b>Independent Auditors:</b>	Ernst & Young Cyprus Ltd
<b>Legal Advisers:</b>	Chryssafinis & Polyviou
<b>Registered Office Of Bank Of Cyprus Public Company Ltd</b>	51 Stasinou Street Agia Paraskevi Strovolos 2002 Nicosia, Cyprus

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

This Supplementary Prospectus is related to the Bank of Cyprus Public Company Ltd Prospectus dated 12 January 2012.

This Supplementary Prospectus has been drafted in accordance with the relevant legislation. This Supplementary Prospectus has been approved by the Cyprus Securities and Exchange Commission as Cyprus competent authority for the purposes of Directive 2003/71/EC (the Prospectus Directive) which has approved the contents of this Supplementary Prospectus 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 of the Republic of Cyprus and the Commission Regulation (EC) 809/2004 of the European Union.

The Company assumes full responsibility for the information contained in this Supplementary Prospectus and declares that the information contained in this 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 Limited signing this Supplementary Prospectus, are also responsible jointly and severally for the information contained in this Supplementary Prospectus and declare that, having taken all reasonable care to ensure that such is the case, (a) the information and facts contained in it are to the best of their knowledge, in accordance with the facts, complete and true, (b) there are no other facts and no other events have taken place, the omission of which could affect the import of the information contained in it and (c) save as disclosed in the Supplementary Prospectus no legal actions or claims of material importance are pending or threatened against the Company or the Group that could materially affect the Group's financial condition

In accordance with the provisions of the Public Offer and Prospectus Law of 2005 this Supplementary Prospectus has been signed by the following Directors of the Bank:

Theodoros Aristodemou	Chairman – Non Executive Director
Andreas Artemis	Vice Chairman – Non Executive – Independent Director
Andreas Eliades	Executive Director
Yiannis Kypri	Executive Director
Yiannis Pechlivanides	Executive 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 the 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)  
Eurolife House, 4 Evrou Street, PO Box 20597, 1660 Nicosia, tel: +357 22121700.

### **• 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 22121755

#### ***In Greece***

Custody, Shareholders & Derivatives Clearing Department  
26 Feidippidou and Chalkidonos 115 27 Athens  
Tel: +30 210 7765222

### **3.0 BANK OF CYPRUS GROUP PRELIMINARY FINANCIAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011**

On 21 February 2012 the Board of Directors of Bank of Cyprus Public Company Limited approved the preliminary financial results of the Group for the year ended 31 December 2011.

The Group achieved the profitability targets set for 2011, excluding the impairment of Greek Government Bonds (GGBs), despite the continuing negative economic developments in the main markets in which it operates, and achieving increased profit before provisions and increased profit before tax and impairment of GGBs for 2011. Profit before provisions and the impairment of GGBs reached €805 mn, noting an increase of 11% compared to €725 mn for 2010 and profit after tax excluding the impairment of GGBs reached €312 mn compared to €306 mn for 2010, noting an increase of 2%. Including the impairment of GGBs, losses after tax amounted to €1.011 mn.

The Group has reduced the book value of its GGBs by 60% of their nominal value. The after tax impairment of GGBs, including related hedging costs, amounted to €1.323 mn for 2011. At 31 December 2011 the book value after impairment of the GGBs held by the Group amounted to €975 mn.

The final audited financial results of the Group could potentially be materially different from the preliminary results due to the final determination of the impact of the Private Sector Involvement (“PSI”) scheme for the restructuring of Greek public debt on the Group’s financial results (see paragraph 5.0).

The Group is strengthening its capital base via the Capital Strengthening Plan which is expected to be completed in March 2012. The Plan includes a Rights Offering to raise up to €397 mn and a voluntary exchange of Convertible Enhanced Capital Securities with ordinary shares of up to €600 mn. In addition, the Group is proceeding with other actions to strengthen its capital adequacy ratios, including the effective management of risk weighted assets and the strengthening of its capital base from profits in order to comply with the required regulatory capital adequacy ratios.

In order to further strengthen its capital base and its liquid funds, the Group signed on 16 December 2011 a binding agreement to sell its subsidiary bank in Australia, Bank of Cyprus Australia Ltd, which was completed on 1 March 2012 (see paragraph 10.0). The sale has a positive contribution of around €77 mn to the Group’s regulatory capital. The sale will improve the Group’s liquid funds by around €250 mn.

Upon the completion of the Capital Strengthening Plan in its entirety, the pro-forma Core Tier 1 capital ratio and Tier 1 capital ratio as at 31 December 2011 would have been 9,1% and 10,5% respectively.

The Preliminary Financial Results of the Group for the year ended 31 December 2011 have not been audited by the Group’s statutory independent auditors.

<b>Analysis of Group Results and Other Financial Information</b>	<b>2011</b>	<b>2010</b>
	<b>€000</b>	<b>€000</b>
Net interest income	1.168	1.041
Net fee and commission income	232	231
Foreign exchange income and gains from financial instruments	49	110
Insurance income net of insurance claims	61	59
Other income	31	9
<b>Total income</b>	<b>1.541</b>	<b>1.450</b>
Personnel expenses	443	430
Other operating expenses	293	295
<b>Total expenses</b>	<b>736</b>	<b>725</b>
<b>Profit before provisions</b>	<b>805</b>	<b>725</b>
Provisions for impairment of loans and advances	(426)	(375)
Share of loss of associate	(1)	(2)
<b>Profit before tax</b>	<b>378</b>	<b>348</b>
Taxation	(73)	(46)
Non - controlling interests (loss)	7	4
<b>Profit after tax</b>	<b>312</b>	<b>306</b>
Impairment of Greek Government Bonds and change in fair value of related hedging instruments	(1.323)	-
<b>(Loss)/Profit after tax and impairment of Greek Government Bonds</b>	<b>(1.011)</b>	<b>306</b>



<b>Geographical Sector Analysis of Results and Other Financial Information</b>								
<b>Analysis does not include the impairment of Greek Government Bonds</b>								
	<b>Cyprus</b>		<b>Greece</b>		<b>Russia</b>		<b>Other countries</b>	
<b>€ mn</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Net interest income	609	523	332	310	130	119	97	89
Net fee and commission income	135	127	52	51	34	41	11	12
Foreign exchange income and gains from financial instruments	39	76	1	22	8	9	1	3
Insurance income net of insurance claim	51	48	10	11	--	--	--	--
Other income	15	5	6	1	7	2	3	1
<b>Total income</b>	<b>849</b>	<b>779</b>	<b>401</b>	<b>395</b>	179	171	112	<b>105</b>
Personnel expenses	227	225	121	113	62	63	33	29
Other operating expenses	121	117	83	88	59	62	30	28
<b>Total expenses</b>	<b>348</b>	<b>342</b>	<b>204</b>	<b>201</b>	121	125	63	<b>57</b>
<b>Profit before provisions</b>	<b>501</b>	<b>437</b>	<b>197</b>	<b>194</b>	58	46	49	<b>48</b>
Provisions for impairment of loans and advances	(132)	(145)	(217)	(184)	(54)	(25)	(23)	(21)
Share of loss of associate	(1)	(2)	--	--	--	--	--	--
<b>Profit/(loss) before tax</b>	<b>368</b>	<b>290</b>	<b>(20)</b>	<b>10</b>	4	21	26	<b>27</b>
Taxation	(57)	(39)	(6)	1	(4)	(4)	(6)	(4)
Non - controlling interests (loss/(profit))	4	5	--	--	3	(1)	0	0
<b>Profit/(loss) after tax</b>	<b>315</b>	<b>256</b>	<b>(26)</b>	<b>11</b>	3	16	20	<b>23</b>

<b>Condensed Balance Sheet</b>	<b>31 December 2011</b>	<b>31 December 2010</b>
	<b>€000</b>	<b>€000</b>
Cash and balances with central banks	1.375	2.242
Placements with banks and reverse repurchase agreements	2.844	5.385
Debt securities, Treasury bills and equity investments	3.951	5.346
Net loans and advances to customers	27.367	27.725
Other assets	2.298	1.940
<b>Total assets</b>	<b>37.835</b>	<b>42.638</b>
Amounts due to banks and repurchase agreements	3.852	4.620
Customer deposits	29.654	32.953
Debt securities in issue	50	84
Other liabilities	1.362	1.222
Subordinated loan stock	128	931
<b>Total liabilities</b>	<b>35.046</b>	<b>39.810</b>
Share capital	900	895
Share premium reserve	1.165	1.160
Convertible Enhanced Capital Securities	862	-
Revaluation and other reserves	3	(186)
(Accumulated losses)/retained earnings	(225)	868
<b>Shareholder's equity</b>	<b>2.705</b>	<b>2.737</b>
Non controlling interest	84	91
<b>Total equity</b>	<b>2.789</b>	<b>2.828</b>
<b>Total liabilities and equity</b>	<b>37.835</b>	<b>42.638</b>

The main financial highlights for the year ended 31 December 2011 are set out in the tables below:

<b>Main financial highlights for 2011</b>			
<b>€ mn</b>	<b>Change</b>	<b>2011</b>	<b>2010</b>
Total Income	+6%	1.541	1.450
Profit before provisions and impairment of Greek Government Bonds (GGBs)	+11%	805	725
Profit before tax excluding GGBs impairment	+8%	378	348
Profit after tax excluding GGBs impairment	+2% **	312**	306
Impairment of GGBs and change in fair value of related hedging derivatives (after tax)	-	(1.323)	-
(Loss)/Profit after tax and GGBs impairment	-	(1.011)	306
Earnings per share excluding GGBs impairment	-9,5 cent	30,9 cent	40,4 cent
Return on Equity excluding GGBs impairment	-1,3 p.p.*	10,6%	11,9%
Cost / Income	-2,2 p.p.*	47,8%	50,0%
Net Interest Margin	+32 b.p.*	2,98%	2,66%

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

b.p. = basis points, 100 b.p. = 1 percentage point (1%)

\*\* Excluding the special tax on banks in Cyprus of €19 mn profit reached €331 mn noting an 8% increase

<b>Main financial highlights for 2011</b>			
	<b>Change</b>	<b>2011</b>	<b>2010</b>
Total Loans (€ bn)	+4%	28,9	27,9 <sup>1</sup>
Total Deposits (€ bn)	-7%	29,7	32,11
Loans to Deposits <sup>2</sup>	+8,2 p.p.*	92,3%	84,1%
Non-performing loans ratio	+2,9 p.p.*	10,2%	7,3%

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

<sup>1</sup> Loans and deposits for the financial year 2010 have been adjusted to exclude the Australian operations

<sup>2</sup> Net loans to deposits

- **Significant increase in total income:** Total income for 2011 noted an increase of 6% reaching €1.541 mn, demonstrating the Group's ability to achieve increasing income even in adverse economic conditions.
- **Improved efficiency:** The cost to income ratio has improved to 47,8% for 2011 from 50,0% for 2010 due to the increase in total income and the contained increase of expenses.
- **Significant increase in profit before provisions:** The improved efficiency led to a significant increase in profit before provisions and impairment of GGBs for 2011. Profit before provisions and impairment of GGBs reached €805 mn for 2011, noting an increase of 11% compared to 2010 (€725 mn).
- **Improvement of interest margin:** The Group's net interest margin reached 2,98% for 2011, a significant increase of 32 basis points compared to 2,66% for 2010.
- **Healthy liquidity:** The Group has a healthy liquidity position with a loans to deposits ratio of 92%, minimal repayments of debt obligations in the next two years and minimal reliance on wholesale funding. The ratio of deposits to total assets ratio was 78% at 31 December 2011.
- **Adequate return on equity:** The return on equity excluding the impairment of GGBs (10,6% for 2011) was maintained at satisfactory levels in a particularly challenging environment.
- **Loans and deposits:** At 31 December 2011 Group loans and deposits were €28,9 bn and €29,7 bn respectively.
- **Effective credit risk management:** The non-performing loans ratio reached 10,2% at 31 December 2011 compared to 8,6% at 30 September 2011 and 7,3% at 31 December 2010. The provisions coverage ratio (provisions as % of non-performing loans) amounted to 51% at 31 December 2011. The coverage ratio including tangible collateral amounted to 118%.

### 3.1 Analysis of Preliminary Results for the year ended 31 December 2011

#### Geographical analysis of profitability

The Group has achieved satisfactory profitability excluding the impairment of GGBs, having increased its recurring income for 2011. Profit before provisions and the impairment of GGBs reached €805 mn for 2011, recording an annual increase of 11%. Profit after tax, excluding the impairment of GGBs reached €312 mn which is an annual increase of 2%. Excluding the special tax on banks in Cyprus, of €19 mn profit reached €331 noting an increase of 8%.

In Cyprus, profit before provisions for 2011 reached €501 mn which is an annual increase of 15% compared to 2010. Profit after tax excluding the impairment of GGBs for 2011 reached €315 mn which is an increase of 23% compared to 2010.

In Greece, profit before provisions for 2011 reached €197 mn, compared to €194 mn for 2010. Loss after tax excluding the impairment of GGBs for 2011 was €26 mn versus a profit of €11 mn for 2010 as a result of higher provisions and tax.

In Russia, profit before provisions for 2011 reached €58 mn recording an annual increase of 29% compared to €46 mn for 2010. Profit after tax for 2011 reached €3 mn compared to €16 mn for 2010 as a result of higher provisions.

Profit after tax for other countries (Australia, United Kingdom, Ukraine and Romania) reached €20 mn. Profit after tax for the financial year 2011 includes profits of €6 mn from the operations of BOC Australia.

### **Net Interest Income and Net Interest Margin**

By adjusting its pricing policy for the new economic environment, the Group increased its net interest income for 2011. Net interest income for 2011 reached €1.168 mn, recording an annual increase of 12%.

The net interest margin of the Group continued to increase and in the fourth quarter of 2011 reached 3,34% compared to 3,11% for the third quarter of 2011 and 2,72% for the fourth quarter of 2010. The net interest margin for 2011 reached 2,98% recording a significant increase of 32 basis points compared to 2010 (2,66%).

### **Income from fees and commissions, foreign exchange income and net gains from financial instruments**

Net fee and commission income amounted to €232 mn for 2011 compared to €231 mn for 2010.

Foreign exchange income and gains from financial instruments for 2011 amounted to €49 mn versus €110 mn for 2010.

### **Greek Government Bonds**

On 26 October 2011, the Eurozone summit announced a revised support plan for Greece, which includes a decision for the restructuring of Greek public debt with the voluntary exchange of existing GGBs held by private investors (see paragraph 5.0).

The Group has reduced the book value of its GGBs by 60% of their nominal value. The after tax impairment of GGBs, including related hedging costs, amounted to €1.323 mn for 2011. At 31 December 2011 the book value after impairment of the GGBs held by the Group amounted to €975 mn.

The final audited financial results of the Group could potentially be materially different from the preliminary results due to the final determination of the impact of the Private Sector Involvement scheme for the restructuring of Greek public debt on the Group's financial results (see paragraph 5.0).

The table below sets out information regarding the GGBs as at 31 December 2011.

€ mn	Nominal value	Book value pre-impairment	Impairment recognised in Profit and Loss	Book value post-impairment
Available for Sale	13	3	10	3
Loans and Receivables	1.828	1.758	1.187	872
Held to maturity	247	247	148	99
<b>Total bonds which have been impaired</b>	<b>2.088</b>	<b>2.008</b>	<b>1.345</b>	<b>974</b>
Fair value through profit and loss	4	1	-	1
<b>Total bonds</b>	<b>2.092</b>	<b>2.009</b>	<b>1.345</b>	<b>975</b>

The pre-impairment book value of the GGBs of €2.009 mn and the impairment recognised in the profit and loss of €1.345 mn include an amount of €364 mn relating to the cost of hedging the GGBs up to the date of their impairment as well as changes in the fair value of derivatives used to hedge their interest rate risk.

## Expenses

Total expenses for 2011 amounted to €736 mn which is an increase of 2% compared to €725 mn for 2010. Despite the increase, the significant increase in Group income led to a noteworthy improvement in the cost to income ratio which reached 47,8% noting a decrease of 2,2% compared to 2010 (50,0% for 2010).

Employee costs amounted to €443 mn recording an increase of 3% compared to 2010 while other operating expenses (excluding employee costs) amounted to €293 mn, recording a reduction of 1% compared to 2010.

### 3.2 Credit Risk Management

The quality of the Group's loan portfolio remains at adequate levels taking into consideration the continuing economic crisis. At 31 December 2011, the ratio of loans in arrears for longer than three months which are not fully covered by tangible collateral ("non-performing loans") over the total loans of the Group (non-performing loans ratio) was 10,2%, compared to 8,6% at 30 September 2011 and 7,3% at 31 December 2010.

At 31 December 2011, the relevant ratio was 9,5% in Cyprus (30 September 2011: 8,3%) and 11,6% in Greece (30 September 2011: 10,0%).

The Group, taking into consideration the macro-economic environment and the deterioration of the loan portfolio, increased the charge for the impairment of loans, which reached 1,48% of total loans for 2011, compared to 1,35% for 2010.

The coverage ratio (provisions/NPLs) amounted to 51% at 31 December 2011. The remaining balance of NPLs is fully covered by tangible collateral, with the coverage ratio including tangible collateral amounting to 118%.

### 3.3 Balance Sheet Analysis

#### Group Loans

At 31 December 2011 Group loans amounted to €28,9 bn recording an annual increase of 4%<sup>3</sup>.

<b>Analysis of Loans by Geographic Sector at 31.12.2011</b>			
	<b>€ mn</b>	<b>annual ±%</b>	<b>Contribution</b>
Cyprus	14.931	8%	52%
Greece	9.983	-2%	35%
Russia	2.004	6%	7%
Other countries	1.954	0%	6%
<b>Group</b>	<b>28.872</b>	<b>4%</b>	<b>100%</b>

#### Group Deposits

The Group's total deposits at 31 December 2011 reached €29,7 bn recording an annual decrease of 7%<sup>4</sup>.

The Group's healthy liquidity position, with a loans to deposits ratio of 92% and its minimal reliance on wholesale funding (deposits to total assets ratio of 78% at 31 December 2011) provide the Group with a competitive

<sup>3</sup> The annual change has been calculated excluding BOC Australia

<sup>4</sup> The annual change has been calculated excluding BOC Australia

advantage particularly in the adverse conditions prevailing in international money markets and the intense competition on deposits evident in the main markets in which the Group operates.

During 2011, the Group completed two issues of Covered Bonds of €700 mn and €1bn which further strengthened its liquidity.

<b>Analysis of Deposits by Geographic Sector at 31.12.2011</b>			
	<b>€ mn</b>	<b>annual ±%</b>	<b>Contribution</b>
Cyprus	19.166	-3%	65%
Greece	7.699	-21%	26%
Russia	1.294	+16%	4%
Other countries	1.495	+3%	5%
<b>Group</b>	<b>29.654</b>	<b>-7%</b>	<b>100%</b>

### **Capital Base**

At 31 December 2011, the Group's shareholder funds amounted to €2,70 bn. At 31 December 2011 the Group's total capital adequacy ratio, including the impairment of GGBs, reached 9,2% with the core tier 1 ratio at 5,1% and the tier 1 ratio at 8,9%.

Upon the completion of the Capital Strengthening Plan in its entirety, the Group's pro-forma core tier 1 ratio, tier 1 ratio and total capital adequacy ratio at 31 December 2011 would have been 9,1%, 10,5% and 10,8% respectively.

It is noted that the regulatory authorities have significantly raised the minimum capital adequacy ratios with minimum ratios of 8,0% for Core Tier 1, 9,5% for Tier 1 (previously 4%) and 11,5% for the total capital adequacy ratio (previously 8%). The Group's capital adequacy ratios are lower than those required by the Central Bank of Cyprus. The Group expects that with the completion of the Capital Strengthening Plan, internally generated capital through profits and effective management of risk weighted assets it will be in a position to cover the minimum required ratios within a reasonable period of time.

### **4.0 PROSPECTS**

Excluding the impairment of GGBs, the Group has achieved the profitability targets for 2011, and remains in a position to face the challenges of the economic environment. In the current environment, the Group continues to focus on maintaining its organic profitability, healthy liquidity, satisfactory capital adequacy and effective risk management.

### **5.0 GREEK GOVERNMENT BONDS**

On 26 October 2011, the Eurozone summit announced a revised support plan for Greece, which includes a decision for the restructuring of Greek public debt with the voluntary exchange of existing GGBs held by private investors. On 21 February 2012 the terms of the restructuring plan and exchange of the bonds have been determined and on 24 February 2012 the Ministerial Council of the Hellenic Republic approved these terms.

The exchange offers and/ or consent solicitations will permit private sector holders to exchange bonds selected to participate in PSI for (i) new bonds to be issued by the Republic on the PSI settlement date having a face amount equal to 31,5% of the face amount of their exchanged bonds, (ii) European Financial Stability Facility notes with a maturity date of two years or less from the PSI settlement date and having a face amount equal to 15% of the face amount of their exchanged bonds, and (iii) detachable GDP-linked securities issued by the Republic having a notional amount equal to the face amount of each holder's new bonds. On the PSI settlement date, the Republic

will also deliver short-term EFSF notes in discharge of all unpaid interest accrued up to 24 February 2012 on exchanged bonds.

The new bonds that will be issued by the Hellenic Republic on the PSI settlement date will mature on 2042, gradually amortize commencing on the 11<sup>th</sup> anniversary of the issue date and pay interest as follows:

- 2,0% per annum for payment dates in 2013, 2014 and 2015
- 3,0% per annum for payment dates in 2016, 2017, 2018, 2019 and 2020
- 3,65% per annum for payment date in 2021
- 4,3% per annum for payment dates in 2022 and thereafter.

Interest will accrue from 24 February 2012.

Notwithstanding the above, there are still various aspects of the matter which have not been clarified and/or agreed yet. It should be noted that the finalization of the various matters not yet clarified and the possible final impact of the voluntary debt exchange for Greek Government Bonds, could have a significant adverse effect on the final audited financial results of the Group as compared to the preliminary results.

The Board of Directors of Bank of Cyprus Public Company Ltd (the Bank), in its meeting held on 7 March 2012 decided unanimously to participate in the voluntary debt exchange offers for Greek Government Bonds made by the Hellenic Republic on 24 February 2012 by tendering for exchange all securities which are subject to these offers owned by it for its own account and consenting to and voting in favour of the proposed amendments to their terms.

## 6.0 CREDIT RATING

The following table presents the most recent credit ratings of the Bank in accordance with Moody's Investor Services Inc. (22 November 2011) and Fitch Ratings Ltd estimations (2 February 2012).

Credit Rating Agencies and Investment grades	Rating
<b>Moody's Investor Services Inc.</b> <i>(last date of rating 22/11/2011)</i>	
Outlook	On review for possible further downgrade
Deposit and senior debt ratings	Ba2/Not Prime
Bank financial strength	D-
<b>Fitch Ratings Ltd</b> <i>(last date of rating 02/02/2012)</i>	
Outlook	Negative
Long-term issuer default rating	BB+
Short-term issuer default rating	B
Viability rating	bb-
Support rating	3



## **7.0 APPOINTMENT OF NEW DIRECTOR**

The Board of Directors of Bank of Cyprus Public Company Ltd, at its meeting held on 9 February 2012, decided the appointment of Mr. Elias Neocleous as a non-executive member of the Board of Directors, with immediate effect.

Mr. Neocleous is a partner at a major law firm and is the head of the corporate and commercial department and the specialized unit of Banking, Finance and Tax law. Mr. Neocleous is a law graduate from Oxford University and is a barrister of the Inner Temple. In 1993 he was admitted to the Cyprus Bar.

The appointment of Mr. Neocleous enhances the board with well qualified professionals.

## **8.0 CHANGES IN THE GROUP'S STRUCTURE**

Bank of Cyprus Group on the 13th January 2012 announced that Mr. V. Shiarly, Group Chief General Manager, in light of the expiry of his contract on 31st December 2012, has handed over his executive duties and will continue as an advisor to the Group for the remainder of his contract.

## **9.0 TRANSACTION WITH RELATED PARTY**

In accordance with article 137 of the Cyprus Securities and Cyprus Stock Exchange Laws of 1993-2009, the Bank of Cyprus Group on 29 February 2012 announced that it has purchased property for an amount of €185.000 from a company which is influenced by connected persons of Mr. V. G. Rologis, member of the Bank of Cyprus Board of Directors. The Board of Directors was informed of the relationship of the Director who did not participate in the approval of the transaction by the Board of Directors. The value of the transaction was determined based on external independent valuations and an internal valuation.

## **10.0 COMPLETION OF SALE OF BANK OF CYPRUS AUSTRALIA LTD**

Bank of Cyprus on the 1<sup>st</sup> of March 2012, has completed the sale of its subsidiary bank in Australia, Bank of Cyprus Australia Ltd ("BOCA"), to Bendigo and Adelaide Bank Limited.

The sale consideration amounts to €105 mn. The sale has a positive impact of about €280 mn on the Group's liquid funds. In addition, the sale results in a positive impact on the Group's capital adequacy ratios. Specifically, the transaction gives rise to a positive impact of around €80 mn on Bank of Cyprus' capital buffer as calculated in the Capital Exercise carried out by the European Banking Authority ("EBA") in cooperation with the Central Bank of Cyprus. The Group profit from the sale is estimated at around €9 mn.

As at 31 December 2011, BOCA had total loans as well as total deposits of €1,1 bn.

As already stated in the Group's related announcement dated 16 December 2011, the decision to sell BOCA is in line with the Group strategy of further strengthening its capital position and its liquid funds.

## **11.0 CAPITAL STRENGTHENING PLAN OF BANK OF CYPRUS**

In the context of the Capital Strengthening Plan of Bank of Cyprus which includes a share capital increase in the form of a Rights Issue and a Tender Offer for voluntary exchange of Convertible Enhanced Capital Securities ("CECS") via the issue of Mandatory Convertible Notes ("MCN") as announced on 3 November 2011, 1.190.851.716 Rights have been listed on the CSE and ATHEX on 23 February 2012. The number of the Company's Rights in accordance with the issued share capital and the Eligible Securities (i.e the Convertible Bonds 2013/2018, Convertible Capital Securities, Convertible Enhanced Capital Securities ("CECS") of the Company as if these securities had been converted into ordinary shares on the Record Date for the Rights Issue), amounts to 1.190.859.410, out of which 7.694 relate to fractions which were ignored at the level of each investor.

The following table illustrates the timetable of the share capital increase through the issue of Rights:

<b>Date</b>	<b>Event</b>
<b>23/02/2012 - 12/03/2012</b>	Rights Trading period on the CSE and ATHEX.
<b>23/02/2012 - 19/03/2012</b>	Rights Subscription Period for shareholders and Eligible Securities Holders registered on the Central Depository/Registry of the CSE and for shareholders and Eligible Securities Holders registered on the DSS of the Hellenic Exchanges and period for Pre-registration Applications.  <i>(not applicable for shareholders and Eligible Securities Holders of Exempt Countries).</i>
<b>19/03/2012</b>	Final Subscription Date of the Rights and Pre-registration Applications.  <i>(not applicable for shareholders and Eligible Securities Holders of Exempt Countries),</i>
<b>20/3/2012</b>	Issue date for the New Shares arising from Rights Subscription and the respective Bonus Shares

The following table illustrates the timetable of the Voluntary Tender Exchange Offer for the exchange of CECS with the issue of MCN:

<b>Date</b>	<b>Event</b>
<b>23/02/2012- 19/03/2012</b>	Acceptance period of the Voluntary Tender Exchange Offer.  <i>(not applicable for Eligible CECS Holders of Exempt Countries)</i>
<b>19/03/2012</b>	Last date of Acceptance Period of Voluntary Tender Exchange Offer.  <i>(not applicable for Eligible CECS Holders of Exempt Countries)</i>
<b>20/03/2012</b>	Issue date of MCN.
<b>27/03/2012</b>	Date of redemption of MCN with New Shares.

It is noted that the Company has submitted a request to Cyprus Stock Exchange and Athens Exchange for the suspension of the trading of the 818.780.911 CECS of nominal value €1,00 and the 94.926.112 CECS of nominal value \$1,00 as from Wednesday, 14 March 2012 till Monday, 26 March 2012 (included) so as to secure the proper operation of the market and to ensure that the procedure of the applications for the acceptance of the redemption of CECS with MCN is completed correctly.

## **12.0 BOARD OF DIRECTORS PARTICIPATION IN THE CAPITAL STRENGTHENING PLAN**

It is noted that, at the date of the current Supplementary Prospectus, the chairman of Bank of Cyprus Group Mr. Theodoros Aristodemou and the Group Chief Executive Officer Mr. Andreas Eliades have directly and indirectly proceeded with the exercise of the Rights granted to them and the persons related to them. They have also accepted the Voluntary Tender Exchange Offer for the exchange of CECS they or their related persons own with MCN of a corresponding nominal value in euro.

### **13.0 EXPENSES OF THE ISSUE**

The total expenses of the Capital Strengthening Plan will also include a selling fee to a number of brokerage firms, that amounts to 2,5% on the value of New Shares that will arise from Preregistration applications procured by the brokerage firms.

### **14.0 INCORPORATE BY REFERENCE**

The Group's unaudited preliminary financial results for the year ended 31 December 2011 have been incorporated to the current Supplementary Prospectus by reference pursuant to article 28 of the Commission Regulation 809/2004 of the European Union. This information is included in the announcement "Report and Explanatory Statement: Preliminary Group Financial Results for the year ended 31 December 2011".

Investors may obtain a free copy of the announcement "Report and Explanatory Statement: Preliminary Group Financial Results for the year ended 31 December 2011" 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 the Supplementary Prospectus shall be valid, as well as on the Group's website [www.bankofcyprus.com](http://www.bankofcyprus.com) (select Investor Relations / Announcements).

### **15.0 WITHDRAWAL RIGHT**

According to the provisions of article 14(1)(6) and 14(1)(7) of the Public Offer and Prospectus Law of 2005, investors who have agreed or have been bound in any manner prior to the publication of the supplement to the prospectus to purchase or acquire by registration securities, in respect of which the prospectus refers to, based on the information contained in the Prospectus dated 12 January 2012, may withdraw their application or acceptance. The withdrawal right is exercised within three working days from the publication of the supplement to the prospectus.

## **DIRECTORS DECLARATIONS**

The present Supplementary Prospectus of Bank of Cyprus Public Company Limited dated 9 March 2012 has been signed by the following Directors of the Company. The Directors of the Company ensure that to the best of their knowledge and belief (after taking all reasonable care), the information contained in this Supplementary Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

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Theodoros Aristodemou      Chairman – Non Executive

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Andreas Artemis              Vice Chairman – Non Executive - Independent Director

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Andreas Eliades              Executive Director

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Yiannis Kypri                 Executive Director

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Yiannis Pechlivanides      Executive Director

## **LEAD MANAGER'S DECLARATION**

The present Supplementary Prospectus of Bank of Cyprus Public Company Limited dated 9 March 2012 has been signed by the Lead Manager of the issue 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 the 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)