

## Announcement

# NOTICE OF SHAREHOLDERS' EXTRAORDINARY GENERAL MEETING

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Nicosia, 1 March 2011

Founded in 1899, the Bank of Cyprus Group is the leading Cypriot banking and financial services group. In addition to retail and commercial banking, the Group's activities include finance, factoring, investment banking, brokerage, fund management, life and general insurance. The Group currently operates through a total of 595 branches, of which 211 operate in Russia, 185 in Greece, 143 in Cyprus, 27 in Ukraine, 12 in Romania, 12 in Australia, 4 in the United Kingdom and 1 in the Channel Islands. Bank of Cyprus also has 9 representative offices in Russia, Romania, Ukraine, Canada and South Africa. The Bank of Cyprus Group employs 12.009 staff worldwide.

At 31 December 2010, the Group's Total Assets amounted to €42,64 bn and the Shareholders' Funds were €2,74 bn. The Bank of Cyprus shares are listed on the Cyprus and Athens Stock Exchanges. Additional information can be found on the Group's website [www.bankofcyprus.com](http://www.bankofcyprus.com).



## NOTICE OF EXTRAORDINARY GENERAL MEETING

The Extraordinary General Meeting of the shareholders of Bank of Cyprus Public Company Ltd ("the Bank", "the Company") will be held at the Bank of Cyprus Group Headquarters (51 Stassinos Street, Ayia Paraskevi, Strovolos, Nicosia, Cyprus), on **Wednesday, 23 March 2011 at 11.00 am** to examine the following matters and if necessary approve the following resolutions as indicated:

### **Issue of Convertible Enhanced Capital Securities**

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The Board of Directors, taking into consideration the importance of maintaining high capital adequacy ratios for the continuous expansion of the Group, the global stricter regulatory environment with regards to capital and the importance of further strengthening the capital position ahead of Basel III, has decided to propose at an Extraordinary General Meeting of the shareholders the issue of Convertible Enhanced Capital Securities (CECS) of up to €1.342,4 million the key terms of which are included in the attached document titled "Key terms of Convertible Enhanced Capital Securities issue".

### **Special Resolution**

"To approve and hereby approves the issue by the Bank of convertible enhanced capital securities ("**Convertible Enhanced Capital Securities**") of a total amount of up to €1.342.422.297, the key terms of which are included in the document titled "Key terms of Convertible Capital Securities issue" dated 28 February 2011 which has been sent to shareholders together with the invitation to the current Extraordinary General Meeting and to authorise and hereby authorises the Board of Directors of the Bank to take all necessary actions for the offer and issue of the Convertible Enhanced Capital Securities as well as to determine the remaining terms of the Convertible Capital Securities issue."

### **Increase of Authorised Share Capital of the Company**

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In view of the proposed Convertible Enhanced Capital Securities issue, the increase of the Company's authorised share capital is proposed so that there is available authorised share capital in the event of conversion of the Convertible Enhanced Capital Securities into ordinary shares

### **Resolution pursuant to Article 59A of the Companies Law Cap 113**

"That the authorised share capital of the Company be increased from €1.100.000.000 to €1.500.000.000 by the creation of 400.000.000 new ordinary shares of nominal value €1,00 each which will rank pari passu with the existing ordinary shares of the Company."

### **Amendment of the terms of the Share Options Plan of the Bank, for the employees of the Bank of Cyprus Group, that were approved at the Extraordinary General Meeting of the Bank on 23 June 2009.**

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At its meeting held today, the Board of Directors of the Bank decided to propose for approval by the shareholders of the Bank the following special resolution that proposes the amendment of the exercise price of the Share Options 2008/2010 of the employees of the Group so as to align their exercise price with the Conversion Price of the proposed issue of Convertible Enhanced Capital Securities.

### **Special Resolution**

"To approve and hereby approves the amendment of the term of the Share Options Plan of the Bank regarding the exercise price of the Share Options that was amended and approved by the Extraordinary General Meeting of the Bank on 23 June 2009 and its replacement with the following term:

- The exercise price of the Share Options is €3,30. "

Y. Kypri  
Secretary  
28 February 2011

## NOTES TO THE NOTICE OF THE EXTRAORDINARY GENERAL MEETING:

### ENTITLEMENT TO PARTICIPATE IN THE EXTRAORDINARY GENERAL MEETING

- (1) Any person appearing as a shareholder in the Register of Members of the Bank on the record date is entitled to participate in the Extraordinary General Meeting. Each ordinary share is entitled to one vote. The record date for determining the right to vote at the Extraordinary General Meeting is 16 March 2011. Transactions which will be taking place on 14 March 2011 and thereafter will not be considered in determining the right to vote at the Extraordinary General Meeting. Shareholders who have their shares registered on the Dematerialised Securities System of the Hellenic Exchanges, do not need to block their shares in order to vote and/or be represented at the Extraordinary General Meeting.
- (2) A member entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint a proxy to attend and vote on his behalf. Shareholders may appoint the Chairman of the Meeting or any other person as their proxy. Such proxy need not be a member of the Bank. If a shareholder owns shares in the Bank that are held in more than one Investor Share Code, then that shareholder may, in respect of the Extraordinary General Meeting, appoint separate proxy holders for the shares appearing in each Investor Share Code. A proxy holder holding proxies from several shareholders may cast votes differently for each shareholder. Shareholders who appoint the Chairman or another person as a proxy to vote on their behalf, but wish to specify how their votes be cast, should tick the relevant boxes on the Form of Proxy.
- (3) The instrument appointing a proxy, which is enclosed and has been posted on the Group's website [www.bankofcyprus.com](http://www.bankofcyprus.com) (under Inv. Relations/Press Releases), must be deposited at the registered office of the Bank (51 Stassinou Street, Ayia Paraskevi, Strovolos, 2002 Nicosia, Cyprus, fax +357 22 336258) at least 48 hours before the time of the Meeting.
- (4) If such appointor is a company, the Form of Proxy must bear the name of the company, and be signed by its duly authorised officer/s. In the case of joint shareholders, the Form of Proxy can only be signed by the person whose name appears first in the Register of Members. Shareholders should confirm that the form of proxy has been successfully received by the Bank by calling +357 22121755.
- (5) Shareholders and/or their proxies who will attend the Meeting are requested to carry with them their identity card or other proof of identification.
- (6) Any corporation which is a shareholder of the Company may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or any class of members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company.
- (7) The Articles of the Bank do not provide for participation in the General Meeting by electronic means without the Shareholder attending the Meeting in person at the place where the Meeting is held. Similarly, the Articles do not provide for participation in voting by distance voting.

### VOTING PROCEDURES AT GENERAL MEETINGS

- (8) At any General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded:
  - (a) by the Chairman, or
  - (b) by at least ten members present in person or by proxy, or
  - (c) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting, or
  - (d) by a member or members holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.
- (9) If a poll be demanded in manner aforesaid, it shall be taken at such time (within fourteen days) and place, and in such manner, as the Chairman shall direct, and the result of the poll shall be deemed to be resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn.
- (10) A resolution by a company shall be a special resolution passed at a general meeting by majority of not less than three-fourths of the number of members of the company entitled to vote at the meeting who are present in person or by proxy, for which relevant notice has been given pursuant to Article

135 of the Companies Law, Cap 113 specifying the intention to propose the resolution as a special resolution.

- (11) A resolution pursuant to article 59 A of Companies Law Cap 113 shall be a resolution which has been approved by a properly convened general meeting (a) by a majority of two thirds of the shareholders represented at the meeting or (b) with a simple majority where at least half of the issued share capital of the Bank is represented at the general meeting.

#### **MINORITY RIGHTS AT THE EXTRAORDINARY GENERAL MEETING**

- (12) Pursuant to article 127B of Companies Law Cap 113, shareholders of the Bank have the right (i) to put an item on the agenda of the annual general meeting, provided that the item is accompanied by a written explanation justifying the inclusion of the item or a proposed resolution for approval at the general meeting, and (ii) to table a draft resolution for inclusion in the agenda of a general meeting provided that:
- (a) the shareholder or group of shareholders hold at least 5% of the issued share capital of the Company, representing at least 5% of the voting rights of shareholders entitled to vote at the meeting for which an item has been added on the agenda and
  - (b) the shareholders' request to put an item on the agenda or resolution (as described above) is received by the Bank's Secretary in hard copy or electronically at the addresses indicated below at least 42 days prior to the relevant meeting.

Delivery Address for Hard Copy:

Secretary  
Bank of Cyprus Public Company Limited  
51 Stasinou Street,  
Strovolos 2002, Nicosia, Cyprus

or by fax at +357 22 379655

Electronic address: [investors@bankofcyprus.com](mailto:investors@bankofcyprus.com)

- (13) Pursuant to section 128C of the Companies Act Chapter 113, shareholders have a right to ask questions related to items on the agenda and to have such questions answered by the Board of Directors of the Company subject to any reasonable measures the Company may take to ensure the identification of shareholders. An answer is not required if (a) it would interfere unduly with preparation for the meeting or the confidentiality or business interests of the Company or (b) an answer has already been given on the Company's website in the form of a "Q&A" or (c) the Chairman deems that it is undesirable in the interests of good order of the meeting that the question be answered. Before the Extraordinary General Meeting, shareholders may submit questions in writing by sending a letter, together with evidence of their shareholding, at least four days before the meeting (i.e. by 19th March 2011) to the Company Secretary of the Bank at Bank of Cyprus, 51 Stasinou, Ayia Paraskevi, Strovolos 2002, Nicosia, Cyprus or by email to [investors@bankofcyprus.com](mailto:investors@bankofcyprus.com).

#### **OTHER INFORMATION AND AVAILABLE DOCUMENTS**

- (14) As at 28 February 2011 (being the latest practicable date to the issue of this Notice), the outstanding issued share capital of the Bank is €894.948.198 divided into 894.948.198 ordinary shares of nominal value €1,00 each.
- (15) The notice to the Extraordinary General Meeting, the Form of Proxy and the proposed resolutions shall be made available in electronic form on the website of the Bank [www.bankofcyprus.com](http://www.bankofcyprus.com) (Investor Relations/Press Releases) and in hard copy at the Bank's Shares and Loan Stock Department, 4 Evrou Street, Eurolife House, Strovolos, Nicosia.

## KEY TERMS OF CONVERTIBLE ENHANCED CAPITAL SECURITIES ISSUE

<b>Issuer</b>	Bank of Cyprus Public Company Limited ("Bank", "Issuer")
<b>Securities Offered</b>	Convertible Enhanced Capital Securities ("CECS")
<b>Total issue size</b>	Up to €1.342.422.297
<b>Nominal Value</b>	€1,00
<b>Issue Price</b>	At par and multiples thereof
<b>Offer and Allotment</b>	<p>CECS will be offered to all registered shareholders in the ratio of €3 CECS for every 2 shares held as at Record Date ("Eligible Shareholders"). The Subscription Priority Right will not be transferable.</p> <p>This issue will not be offered to any shareholders in any country in which, according to the laws of such country, such an offer is illegal or constitutes breach of any applicable law, rule or regulation (e.g. United States, Canada, Australia, South Africa, Japan).</p>
<b>Option to issue CECS in US\$</b>	The Bank offers the option to Eligible Shareholders for the CECS to be issued in US dollars (\$). The Subscription priority right will be offered in Euros and at the close of Subscription lists the amount subscribed in Euros will be converted into US dollars at the conversion rate of €:\$ at the Issue Date of the CECS. The Bank will proceed with the issue of CECS in US dollars provided total subscriptions and allocations to Eligible and Non Eligible Shareholders exceed an aggregate of US\$50m.
<b>Application for unsubscribed CECS</b>	<p>During the Subscription Period, Non-Eligible Shareholders will be able to submit applications for any unsubscribed CECS in Euros (€) or Dollars (\$).</p> <p>At the allotment of any unsubscribed CECS priority will be given to subscriptions of holders of (i) Convertible Bonds 2013/18, (ii) Convertible Capital Securities and (iii) Capital Securities 12/2007, on a pro rata basis.</p>
<b>Subscription Consideration Payment</b>	<p>Eligible Shareholders and other applicants may subscribe to the CECS's issue either by paying the corresponding consideration for the CECS in cash or by exchanging existing issued Tier 1 and Tier 2 instruments and specifically (i) Convertible Bonds 2013/18 (ii) Convertible Capital Securities and Capital Securities 12/2007, of an equal nominal value.</p> <p>Any Convertible Bonds 2013/18, Convertible Capital Securities and Capital Securities 12/2007 (the "Eligible Exchanged Securities") that will be exchanged as consideration and accepted by the Bank for subscription to the issue of the CECS, will be cancelled and the Bank will cease to have any obligations in relation to the cancelled Eligible Exchanged Securities. The Bank will pay the accrued interest on the Eligible Exchanged Securities that will be accepted as consideration to this issue of CECS.</p>
<b>Status and Subordination</b>	<p>The CECS constitute direct, unsecured and subordinated securities of the Issuer and rank pari passu without any preference among themselves.</p> <p>The rights and claims of the holders of CECS of this issue:</p> <ul style="list-style-type: none"> <li>- are subordinated to the claims of the creditors of the Bank, who are: <ul style="list-style-type: none"> <li>• depositors or other unsubordinated creditors of the Bank</li> <li>• subordinated creditors, except those creditors whose claims rank pari passu with the claims of the holders of the CECS.</li> <li>• holders of subordinated Bonds of the Bank.</li> </ul> </li> <li>- rank pari passu with the rights and claims of holders of other junior capital subordinated issues qualifying as Tier 1 capital including but not limited to issues of Capital Securities and Convertible Capital Securities.</li> <li>- have priority over the shareholders of the Bank.</li> </ul> <p>The amount CECS Holders claim in the event a winding-up or administration of the Bank with the Bank being solvent is an amount equal to the principal amount plus accrued interest but no amount of cancelled coupon payments, will be payable.</p> <p>Cancellation of any payment does not constitute an event of default and does not entitle holders to petition for the insolvency of the Bank.</p>
<b>Duration</b>	The CECS are perpetual without a maturity date (refer to "Redemption" clause below).
<b>Coupon in Euros (€)</b>	The CECS will bear a fixed interest rate of 6,50% per annum for the first 10 Interest Payment Periods i.e. until 30 June 2016 and thereafter, a floating interest rate which will be set at the beginning of the each 6-monthly period and will be equal to the 6-month Euribor in force at the beginning of each Interest Payment Period, plus 3,00% per annum.
<b>Coupon in US Dollars</b>	The CECS will bear a fixed interest rate of 6,00% per annum for the first 10 Interest Payment Periods i.e. until 30 June 2016 and thereafter, a floating interest rate which will be set at the beginning of the each 6-monthly period and will be equal to the 6-month Libor in force at the beginning of each Interest Payment Period, plus 3,00% per annum

<b>Interest Payment and Interest Date</b>	<p>Interest will be paid semi-annually in arrear at the end of each Interest Period. The Interest Payment Dates are set as 30 June and 31 December of each year. The first Interest Payment Date will be 31 December 2011 and it will cover the period from the Issue Date until 31<sup>st</sup> December 2011.</p> <p>Each CECS will cease to accrue interest from the redemption/ purchase/ conversion date.</p>
<b>Conversion Right</b>	CECS may be converted at the option of the holder during any Conversion Period.
<b>Conversion Price</b>	€3,30 per ordinary share of the Bank of nominal value €1,00 and will be subject to customary adjustments as more fully described in the Prospectus.
<b>Conversion Period</b>	1-15 March, 15-31 May, 1-15 September and 15-30 November of each year with the Conversion Period commencing on the First Conversion Date and ending on the Last Conversion Date.
<b>First Conversion Date</b>	1 <sup>st</sup> September 2011
<b>Last Conversion Date</b>	31 <sup>st</sup> May 2016
<b>Redemption</b>	The Bank may, on its own initiative, elect to redeem all but not some of the CECS, at their principal amount together with accrued interest, on 30 June 2016 or any other Interest Payment Date thereafter, subject to the prior approval of the Central Bank of Cyprus and provided that the CECS will be replaced by Tier 1 Capital of equal or better quality.
<b>Change of Control Protection</b>	If a Public Offer for the Bank's Shares or any other change of control event occurs on any date from the Issue Date of the CECS, until Redemption, a Special Automatic Conversion Period is activated, during which the CECS' holders may convert their CECS.
<b>Optional Coupon Cancellation</b>	The Bank may, at its sole discretion, taking into account its specific financial and solvency condition, elect to cancel an interest payment on a non cumulative basis, subject to the restrictions described in clause "Dividend and Capital Restrictions" below. Any coupon not paid is no longer due and payable by the Bank. Cancellation of a coupon payment does not constitute an event of default of interest payment and does not entitle holders to petition for the insolvency of the Bank.
<b>Mandatory Coupon Cancellation</b>	Upon breach of applicable minimum solvency requirements, or insufficient Distributable Items, the Bank will be required to cancel interest payments on the CECS. The Central Bank of Cyprus may require, in its sole discretion, on the basis of the assessment of the financial and solvency situation of the Bank for the next three years, that the Bank should cancel interest payments on CECS. "Distributable Items" means, the net profit of the Bank for the financial year ending immediately prior to the relevant coupon payment date together with any net profits and retained earnings carried forward from any previous financial years and any net transfers from any reserve accounts in each case available for the payment of distributions to ordinary shareholders of the Bank.
<b>Dividend and Capital Restrictions</b>	If an interest payment is cancelled due to Optional Coupon Cancellation or Mandatory Coupon Cancellation then no dividend payment or any other payment (redemption, purchase) will be made on the ordinary share capital or other discretionary Tier 1 securities of the Bank, unless or until Coupon Payment on the CECS resumes.
<b>Mandatory Conversion</b>	If a Contingency Event or Viability Event occurs, the CECS shall be mandatorily converted into Ordinary Shares at a Mandatory Conversion Price as defined below.
<b>Contingency Event</b>	<p>Contingency Event means the Bank has given notice that either (i) its Core Tier 1 Ratio (prior to Basel III Regulation Date) or Common Equity Tier 1 Ratio (on or after Basel III Regulation Date) is below 5% or (ii) the Central Bank of Cyprus, determines that the Bank is in non-compliance with the required capital adequacy regulatory limits of Total Capital Ratio. In either case a Contingency Event Conversion should take place.</p> <p>Based on the assessment of the financial and solvency situation of the Bank and due to actual or expected losses, the Bank may determine in consultation with the Central Bank of Cyprus or the Central Bank of Cyprus may require in its sole discretion, that a breach of the minimum Core Tier 1 Ratio, Common Equity Tier 1 Ratio or Total Capital Ratio, as the case may be, is likely in the near future and thus a Contingency Event Conversion should take place.</p>
<b>Viability Event</b>	Viability Event occurs if (i) the Central Bank of Cyprus determines that the conversion of the CECS (together with other non viability instruments that pursuant to their terms or by other operation of law, are capable of being converted into equity) is required to improve the capital adequacy and financial position of the Bank to prevent insolvency and/or (ii) if the Central Bank of Cyprus determines that the Bank requires public sector support to prevent it from becoming insolvent, bankrupt or unable to pay a material amount of its debts or (iii) other similar circumstances.

<b>Mandatory Conversion Price</b>	<p>The CECS will be converted into a number of Ordinary Shares determined by dividing the principal amount of each CECS by the higher of the Floor Price and the Mandatory Conversion Price in effect on the relevant Mandatory Conversion Date.</p> <p>Mandatory Conversion Price means at any time when the Ordinary Shares are admitted to trading on a recognised Stock Exchange in respect of a Mandatory Conversion Date the lowest of (a) a ceiling price of €3,30 (subject to customary adjustments for corporate action events) and (b) 80% of the volume weighted average of the reference Market price of an Ordinary Share on the 5 Business Days prior to the Contingency Event or Viability Event notice</p> <p>The Floor Price means the nominal value of each Ordinary Share (being at the Issue Date €1,00).</p>
<b>Substitution, Variation, Redemption for Regulatory / Legal Purposes</b>	<p>In case of changes in the laws or the relevant regulations of the Republic of Cyprus or the Central Bank of Cyprus, the Bank may, with the prior consent of the Central Bank of Cyprus, redeem all the CECS together with any accrued interest outstanding. Alternatively, the CECS, with the consent of the Central Bank of Cyprus, may be exchanged or their terms may be varied so that they continue to qualify as Tier 1 securities in accordance with the Central Bank of Cyprus regulations in force, subject to certain conditions as more fully described in the prospectus.</p>
<b>Risk Factors</b>	<p>There are certain factors that may affect the Issuer's ability to fulfil its obligations under CECS. Certain of these factors include liquidity risks, market risks, credit risks, operational risks, legal and regulatory risks among others. In addition there are certain risks which are material for assessing the risks associated with CECS. These include the fact that CECS may not be a suitable investment for all investors, certain risks relating to the structure of the CECS including that they are mandatorily convertible into Ordinary Shares on the occurrence of a Contingency or Viability Event and certain market risks.</p>
<b>Use of Proceeds</b>	<p>The net proceeds of the Issue will be used to strengthen the Bank's Tier 1 capital, thus contributing to the maintenance of strong and competitive capital adequacy ratios.</p>
<b>Governing Law/ Jurisdiction</b>	<p>The Laws of the Republic of Cyprus.</p>
<b>Listing and Trading</b>	<p>The CECS will be listed and traded on the Cyprus Stock Exchange and the Athens Exchange, upon receiving all necessary approvals from the competent regulatory authorities.</p>
<b>Sole Lead Manager</b>	<p>The Cyprus Investment and Securities Corporation Limited (CISCO).</p>
<b>Joint Structuring Advisors</b>	<p>Barclays Capital      HSBC Bank plc</p>

Nicosia, 28 February 2011