Bank of Cyprus Group

Announcement

Agreement for the sale of Uniastrum Bank and certain other Russian assets

Nicosia, 17 July 2015

- The Group has reached another milestone in its deleveraging and de-risking strategy
- The transaction results in an improvement of approximately 30 basis points in Common Equity Tier 1 capital ratio due to the reduction of approximately €700 mn in risk weighted assets
- The sale reduces the Group’s overall net exposure in Russia to €114 mn, expected to be reduced over time
- The sale follows a similar disposal in Ukraine and completes the disposal of the Group’s overseas banking subsidiaries identified for sale

Group Profile

Founded in 1899, Bank of Cyprus Group is the leading banking and financial services group in Cyprus. The Group provides a wide range of financial products and services which include retail and commercial banking, finance, factoring, investment banking, brokerage, fund management, private banking, life and general insurance. The Group operates through a total of 259 branches, of which 130 operate in Cyprus, 123 in Russia, 1 in Romania, 4 in the United Kingdom and 1 in the Channel Islands. Bank of Cyprus also has representative offices in Russia, Ukraine and China. The Bank of Cyprus Group employs 6.715 staff worldwide. At 31 March 2015, the Group’s Total Assets amounted to €26,7 bn and Total Equity was €3,5 bn.

EUROMONEY AWARDS FOR EXCELLENCE 2015

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Bank of Cyprus Public Company Ltd (the “Bank” or the “Group”) has reached an agreement to sell the majority of its Russian operations, comprising (i) its holding[1] of 80% in its Russian banking subsidiary, CB Uniastrum Bank LLC, and its holding of 80% in its Russian leasing subsidiary, Leasing Company Uniastrum Leasing LLC, and (ii) certain other Russian loan exposures, to Mr Artem Avetisyan, the majority shareholder in Bank Regional Credit, and to entities under the control of Mr Artem Avetisyan. The sale is subject to regulatory approvals and is expected to be completed by the end of the third quarter of 2015.

The decision to sell the Russian operations is part of the Group’s strategy of focusing on core businesses and markets and disposing of operations that are considered as non-core. With the disposal of this major overseas banking subsidiary, the Group has reached another milestone in its deleveraging and de-risking strategy, and has eliminated future potential risks relating to its Russian operations, including any liquidity risks.

During the fourth quarter of 2014, the Group’s operations in Russia were reclassified and treated as a disposal group held for sale. In light of the deteriorating economic conditions in Russia since mid-December 2014, the Bank proceeded to reassess its operations in that country and significantly increased the level of provisions for impairment of its loans and other assets, reflecting a deliberately more conservative stance regarding the Russian economic outlook and significantly reducing the Group’s exposure to Russia. Specifically, the Bank recorded €289 mn of provisions for impairment during the fourth quarter of 2014 and the first quarter of 2015 in relation to its Russian operations. In addition to these provisions, an impairment loss of €84 mn was recognised against the carrying value of non-current assets within IFRS 5 measurement scope during the fourth quarter of 2014.

This sale allows the Group to de-risk its balance sheet by approximately €700 mn and allows the release of risk weighted assets of approximately €700 mn. The sale improves its regulatory capital position, with a positive impact of around 30 basis points on the Group’s Common Equity Tier 1 capital ratio[2]. The transaction has been effected for a nominal consideration of €7 mn and results in an accounting loss of €29 mn[3], €24 mn of which is caused by the technical unwinding of a foreign currency translation reserve. The remaining €5 mn reflects a loss against the net book value of the assets and validates the accuracy of the write downs taken previously.

Following the disposal, the overall net exposure of the Group in Russia will be limited to €114 mn relating to loans and real estate assets, expected to be reduced over time. It is noted that this transaction does not affect the Bank’s presence in Russia through its two representative offices in Moscow and St. Petersburg.

CB Uniastrum Bank LLC operates a network of c.120 branches, focusing both on individuals and businesses in Russia, and employs c.2000 staff.

Deutsche Bank AG, London Branch, has acted as financial advisor and Linklaters as legal advisor to the Bank in connection with this transaction.

As required by the Cyprus Stock Exchange and according to paragraph 5.2.1.17(7) of the Decision of the Council of the CSE Concerning the CSE Market 379/2014 (as amended), the transaction is at arm’s length, it does not relate to or affect the interests of the Company’s Secretary or of any “designated person” in accordance with the meaning given to the aforementioned term in article 137(3) of the Cyprus Securities and Stock Exchange Law 14(I)/1993 (as amended).

[1] Through the intermediary subsidiary BOC Russia (Holdings) Limited, which owns 100% of the share capital of CB Uniastrum Bank LLC and 100% of Leasing Company Uniastrum Leasing LLC.
[2] Based on the latest published Group financial results for the quarter ended 31 March 2015.
[3] Based on the latest published Group financial results for the quarter ended 31 March 2015.