



## Announcement

### Share Capital Increase: Placing and Open Offer

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- Successful €1 billion capital increase through private placement of new shares (Phase 1)
  - Common Equity Tier 1 ratio (CRD IV/CRR - fully loaded basis) expected to be 15,1%, significantly ahead of European peers
  - Proceeding with phase 2 with offer to existing shareholders of up to 20% of shares offered in phase 1 by way of an open offer
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Nicosia, 28 July 2014

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#### **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 300 branches, of which 130 operate in Cyprus, 164 in Russia, 1 in Romania, 4 in the United Kingdom and 1 in the Channel Islands. Bank of Cyprus also has 5 representative offices in Russia, Ukraine, China and South Africa. The Bank of Cyprus Group employs 6.898 staff worldwide. At 31 March 2014, the Group's Total Assets amounted to €29,4 bn and Total Equity was €2,7 bn.

Further to the announcement by the Bank of Cyprus Public Company Ltd (the “Bank” or the “Group”) on 15 July 2014 of the intention to explore investor interest for a potential **share capital increase** via a phased non-pre-emptive issue of ordinary shares (the “Capital Raising”), the Bank announces the successful private placement (the “Placing”) of 4.166.666.667 new ordinary shares at a price per share of €0,24 (the “Placing Price”) with total gross proceeds of €1 billion. The Placing completes phase 1 of the Capital Raising, which was open to qualified investors (as defined in the EU Prospectus Directive and in Article 2 of the Cyprus Public Offer and Prospectus Law), and similarly qualified institutional investors in other jurisdictions, both new investors and existing shareholders. The Placing was comfortably oversubscribed confirming the strong interest from institutional investors for the Bank. The shares were allocated to a broad range of institutional investors from Europe, North America and Russia, including a number of international investors introduced by WL Ross & Co LLC and the European Bank for Reconstruction and Development (“EBRD”). The closing of the Placing is subject to a clawback of up to 20% in favour of the Bank of Cyprus’ existing shareholders under phase 2 of the Capital Raising and the satisfaction of certain conditions, including the passing of shareholder resolutions at an extraordinary general meeting of the Bank’s shareholders (the “EGM”) required to approve and implement the Capital Raising.

All material information which was provided to investors in connection with the Placing will be available on the Bank’s website [www.bankofcyprus.com](http://www.bankofcyprus.com) (select Investor Relations/Capital Increase 2014).

The Bank also announces that it is proceeding with phase 2 of the Capital Raising. Phase 2 will consist of an open offer to existing shareholders (the “Open Offer”) which will provide existing shareholders with the opportunity to subscribe, over a period of 15 business days starting from 31 July 2014, for up to 20% in aggregate of the total number of shares offered to qualified investors in the first phase and at the same price as the Placing Price. The minimum purchase consideration per existing shareholder in the Open Offer will be €100.000 (which is an exemption under the EU Prospectus Directive from the requirement to produce an approved prospectus) and all existing shareholders (whether or not qualified investors) are eligible to participate subject to certain restrictions on offerings to overseas shareholders. The Bank will publish on its website [www.bankofcyprus.com](http://www.bankofcyprus.com) (select Investor Relations/Capital Increase 2014) a circular to its shareholders in relation to the Open Offer and the EGM and further details on the Open Offer and the EGM can be found in this circular.

Allocations to investors in phase 1 will be adjusted to accommodate the shares subscribed for by existing shareholders in the Open Offer through the clawback so that the total gross proceeds raised from phase 1 and the Open Offer will remain at €1 billion. The closing of the Open Offer is subject to the same conditions as the Placing in phase 1. Assuming these conditions are satisfied, the Bank's issued ordinary share capital will reach €892.237.734,50 divided into 8.922.377.345 ordinary shares of nominal value of €0,10 each upon the closing of the private Placing and the Open Offer.

The new shares to be issued under the private Placing and the Open Offer will be unlisted at the time of issue. However, the Bank intends to proceed with the listing for the entire class of its ordinary shares on the Cyprus Stock Exchange and the Athens Exchange as soon as reasonably practicable. Admission of the ordinary shares to trading on these exchanges is expected to take place before the end of the year.

In addition, in phase 3 ("the Retail Offer") of the share capital increase, the Bank expects to offer up to €100 million of new ordinary shares (in addition to those sold in phases 1 and 2) for subscription by all existing shareholders (excluding those who had participated in the Placing unless they were existing shareholders prior to the Placing) prior to any listing of the shares on the Cyprus Stock Exchange and the Athens Exchange (subject to necessary regulatory approvals). Phase 3 will be a retail offer for which an approved prospectus for the purposes of the EU Prospectus Directive will be prepared in order to allow for maximum shareholder participation. The subscription price for the shares in phase 3 will be the same as in phase 1 and phase 2 of the Capital Raising.

HSBC and Credit Suisse acted as Lead Placing Agents, with Deutsche Bank and VTB Capital acting as Co-Lead Placing Agents. CISCO was the Local Placing Agent.

As at 31 March 2014, the Bank's Common Equity Tier 1 ratio was 10,6%. The capital increase of €1 billion, combined with deleveraging actions completed after the first quarter of 2014, are expected to strengthen the Bank's Common Equity Tier 1 ratio (CRD IV/CRR<sup>1</sup> – transitional basis) to 15,6% and its Common Equity Tier 1 ratio (CRD IV/CRR – fully loaded basis) to 15,1%<sup>2</sup>.

In addition to strengthening the Bank's capital base, the Capital Raising provides the following additional strategic benefits:

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<sup>1</sup> As from 1 January 2014, the new Capital Requirements Regulations (CRR) and amended Capital Requirements Directive IV (CRD IV) became effective.

<sup>2</sup> After elimination of deferred tax asset in excess of the threshold amounts (10%/15%) of Common Equity Tier 1 capital.

- Pro-actively increases the Bank's ability to confidently meet regulatory tests and withstand potential exogenous shocks;
- Improves stakeholders' confidence in the Bank;
- Expedites the implementation of the Group's Restructuring Plan;
- Improves funding options, facilitating the Bank's access to capital markets;
- Provides a path to the Bank's listing of its ordinary shares; and
- Positions the Bank to stimulate and benefit from the recovery of the Cypriot economy.

Dr Christis Hassapis, Chairman of Bank of Cyprus Group commented:

"This successful Placing will significantly strengthen the Bank's capital position and is an essential step in the restructuring of the Group.

The strengthened capital position will improve stakeholders' confidence in the Bank and enhance funding options available to the Bank. The fact that high calibre institutional investors were interested and participated successfully in this exercise is a testament to their confidence in the Bank and also in the economy of Cyprus. As the leading bank in Cyprus, the Bank will contribute to and benefit significantly from improving economic fundamentals and confidence in its home market."

John Hourican, CEO of Bank of Cyprus Group, commented:

"The success of the private placing demonstrates the confidence that international institutional investors have in the Bank's turnaround and the economic recovery in Cyprus, only a year after the Bank exited resolution status. We are delighted with the quality of investors and the broad investor base including international investors introduced by WL Ross, the EBRD as well as other institutional investors which we believe have a long-term view. We are pleased to welcome them as new shareholders and we appreciate the continued support of our existing shareholders.

This significant investment, which is the biggest single foreign direct investment into Cyprus, will help to ensure that Bank of Cyprus becomes one of the best capitalised banks in Europe. It also enables us to accelerate the implementation of the Bank's Restructuring Plan.

We remain committed to supporting the Cypriot economic recovery, serving our customers and delivering value for our shareholders."

Wilbur L. Ross, Founder and Chairman of WL Ross & Co. LLC, stated:

"In co-operation with the senior management of the Bank of Cyprus, we were pleased to assist with the introduction of international investors who are committed to buying about 40 percent of this placement. Subject to regulatory approvals, we intend to play an active role in the rejuvenation of the Bank of Cyprus and are eager to find additional investment

opportunities in Cyprus. This country had been thriving prior to the European financial crisis and we believe it is well on its way toward recovery."