

Announcement

Agreement for the sale of a loan portfolio in the UK

Nicosia, 18 September 2014

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 280 branches, of which 144 operate in Russia, 130 in Cyprus, 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 6.747 staff worldwide. At 30 June 2014, the Group's Total Assets amounted to €28,6 bn and Total Equity was €2,8 bn.

Bank of Cyprus Public Company Ltd (the “Bank”, the “Group” or the “Company”) has entered into an agreement to sell a UK loan portfolio owned by the Group and largely composed of residential and commercial real estate-backed facilities (the “Loan Portfolio”) to Mars Capital Finance Limited, which is a mortgage lender and administrator regulated by the Financial Conduct Authority of the UK, and to Camael Mortgages Limited, (together the “Purchasers”), which were selected as the successful bidders through a competitive process. The nominal value of the Loan Portfolio, as at the cut-off date for this transaction, was £289 mn (€361 mn¹).

The sale and transfer of the Loan Portfolio is expected to be completed by 31st October 2014.

The transaction will enhance the Group’s liquidity and will have a small positive impact on the Group’s Common Equity Tier 1 capital² due to the release of risk weighted assets.

The Loan Portfolio is not related to the Group’s wholly-owned subsidiary, Bank of Cyprus UK Ltd, but is part of the wider UK loan portfolio transferred to the Group following the acquisition of certain operations of Cyprus Popular Bank Public Co Ltd in March 2013, pursuant to the relevant decrees issued by the Central Bank of Cyprus.

The sale of the Loan Portfolio is in line with the Group’s Restructuring Plan and is part of the Group’s strategy of deleveraging through the disposal of non-core operations and of focusing on core businesses while, at the same time, strengthening its capital and liquidity position.

The above transaction complements the ongoing deleverage of UK loans from the wider UK portfolio transferred from Cyprus Popular Bank Public Co Ltd, noting that an additional £261 mn (€325 mn) of gross loans have been deleveraged at par value since March 2013, through redemptions or refinancing from third parties.

HSBC Bank plc (“HSBC”) has acted as financial adviser to the Bank in relation to the disposal of the above Loan Portfolio.

As required by the Cyprus Stock Exchange and according to paragraph 5.2.1.17(7) of Law 326/2009 (as amended), the transaction is at arm’s length, it does not relate to or affects 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 Law.

Warning/Notes

This press release is not intended to be an invitation or inducement by the Group, HSBC, the Purchasers or any of their officers, employees or agents to buy, sell, subscribe for or underwrite any securities in any jurisdiction.

HSBC is not responsible to anyone other than the Group in connection with the disposal of the Loan Portfolio or for providing the protections afforded to clients of HSBC, nor for providing advice in relation thereto and/or taking responsibility for the contents of this announcement. HSBC is authorized in the United Kingdom by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

¹ Based on the exchange rate as at 30 June 2014

² Based on the latest published Group financial results