

# BANK OF CYPRUS PUBLIC COMPANY LIMITED

## PROSPECTUS

DATE: 30 APRIL 2009

*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*

Bank of Cyprus Group



**PUBLIC OFFERING AND LISTING ON THE CYPRUS STOCK EXCHANGE  
AND THE ATHENS EXCHANGE OF UPTO 645.327.822 CONVERTIBLE  
CAPITAL SECURITIES OF NOMINAL VALUE €1,00 EACH**

*Following the approval of the Council of the Cyprus Stock Exchange and Athens Exchange, the Convertible Capital Securities will be listed and traded on the Cyprus Stock Exchange and Athens Exchange.*

**THIS IS AN ENGLISH TRANSLATION OF THE 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.**

LEAD MANAGER



THE CYPRUS INVESTMENT AND SECURITIES CORPORATION LTD

## PROSPECTUS

This 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 these 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 Prospectus and declares that the information contained in this Prospectus 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 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 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**

#### **PUBLIC OFFERING AND LISTING ON THE CYPRUS STOCK EXCHANGE AND THE ATHENS EXCHANGE OF UPTO 645,327,822 CONVERTIBLE CAPITAL SECURITIES OF NOMINAL VALUE €1,00 EACH**

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This 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 offering circular and any other relevant documents or material relating to this offer to persons in these countries.

The 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 (the Prospectus Directive), of Regulation 809/2004 of the Committee of the European Union for the purpose of giving information with regard to the issue of the Convertible Capital Securities. Applications have been made by Bank of Cyprus for (a) 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 and (b) the Convertible Capital Securities to be admitted to listing and trading on the Cyprus Stock Exchange and the Athens Exchange. The approval of the Prospectus should not be considered as a recommendation to invest in the Issuer.

This 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 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" 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 Prospectus should be read and understood in conjunction with supplement hereto and with any other document incorporated herein by reference. More specifically for a discussion of Risks involved in the Convertible Capital Securities see discussion in Section II, Part A, Chapter 1 'RISK FACTORS'.

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## PROFESSIONAL ADVISORS

<b>LEAD MANAGER</b>	The Cyprus Investment and Securities Corporation Ltd EuroLife House 4 Evrou Str. P.O. Box 20597 1660 Nicosia
<b>AUDITORS</b>	Ernst & Young Cyprus Limited 36 Byron Avenue Nicosia Tower Centre P.O. Box 21656 1511 Nicosia Cyprus
<b>LEGAL ADVISERS</b>	Chryssafinis & Polyviou 8 Michael Karaolis Street Anemomylos Office Building 4th Floor Nicosia Cyprus
<b>TRUSTEE:</b>	KPMG Limited 14 Esperidon St. 1087 Nicosia Cyprus
<b>REGISTERED OFFICE OF BANK OF CYPRUS PUBLIC COMPANY LTD</b>	51 Stasinou Street Agia Paraskevi Strovolos 2002 Nicosia Cyprus

***SECTION I***

## **SECTION I : SUMMARY NOTE**

This Summary Note contains a brief description of the operations and business strategy of the Bank of Cyprus Group (“the Group”) and of Bank of Cyprus Public Company Ltd (“Bank of Cyprus”, “the Bank”, “the Company”) as well as a summary of the terms of the issue and listing of the Convertible Capital Securities Issue on the Cyprus Stock Exchange and the Athens Exhnage as are set out in Section II, Part B of this Prospectus.

This Summary Note must be read as an introduction to this Prospectus, and any decision to invest in the Convertible Capital Securities should be based on a consideration of this Prospectus as a whole.

In the event that a claim relating to the information contained in the Prospectus is brought before a court of justice, the plaintiff-investor will bear any potential costs relating to the translation of the Prospectus for the purposes of the legal proceedings. It is noted that civil liability attaches to the persons who have tabled the Prospectus including any translation thereof, and applied for its publication or notification only if the Summary Note is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

## Terms of the Convertible Capital Securities to be issued and listed on the CSE and ATHEX

The following table presents the key terms of the Convertible Capital Securities Issue.

<b>Issuer</b>	Bank of Cyprus Public Company Limited
<b>Securities Offered</b>	Convertible Capital Securities with no maturity
<b>Total issue size</b>	Up to €645.327.822
<b>Nominal Value</b>	€1,00
<b>Issue Price</b>	At par and multiples thereof
<b>Offer and Allotment</b>	<p>Convertible Capital Securities will be offered to all registered shareholders in the ratio of €11 Convertible Capital Securities for every 10 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>Cum priority right Date</b>	7 May 2009, meaning that investors who purchase shares by the market close of the Cyprus Stock Exchange and the Athens Stock Exchange on the 7 May 2009, will be granted with Priority to participate to the Bank’s Convertible Capital Securities issue.
<b>Record Date</b>	12 May 2009
<b>Applications for unsubscribed Convertible Capital Securities</b>	<p>During the Subscription Period, Non-eligible shareholders will be able to submit applications for any unsubscribed Convertible Capital Securities.</p> <p>At the allotment of any unsubscribed Convertible Capital Securities priority will be given to subscriptions of Convertible Bonds 2013/18 holders.</p>
<b>Subscription Consideration Payment</b>	<p>Eligible Shareholders and other applicants may subscribe to the Convertible Capital Securities issue either by paying the corresponding consideration for the Convertible Capital Securities in cash or by exchanging existing Convertible Bonds 2013/18 of an equal nominal value.</p> <p>Any Convertible Bonds 2013/18 that will be exchanged as consideration and accepted by the Bank for subscription to the issue of the Convertible Capital Securities will be cancelled and the Bank will cease to have any obligations in relation to the cancelled Convertible Bonds 2013/18. The Bank will pay the accrued interest for the period 1<sup>st</sup> January 2009 – 5<sup>th</sup> June 2009 on the Convertible Bonds 2013/18 that will be accepted as consideration to this issue of Convertible Capital Securities.</p>
<b>Status</b>	The Convertible Capital Securities constitute direct, unsecured and subordinated securities of the Issuer and rank pari passu without any preference among themselves.



<b>Subordination</b>	<p>The rights and claims of the holders of Convertible Capital Securities 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 Convertible Capital Securities.</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 subordinated issues, which classify as Tier 1 Capital.</li> <li>- have priority solely over the shareholders of the Bank.</li> </ul> <p>No payment in relation to the Convertible Capital Securities will be payable unless the Bank is solvent and will continue to be solvent immediately following such a payment.</p>
<b>Duration</b>	The Convertible Capital Securities are perpetual without a maturity date (refer to “Redemption” clause below).
<b>Coupon</b>	The Convertible Capital Securities will bear a fixed interest rate of 5,50% per annum for the first 10 Interest Payment Periods i.e. until 30 June 2014 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>Interest Payment and Interest Date</b>	<p>Interest will be paid semi-annually in arrears at the end of each Interest Period. The Interest Payment Dates are set as 30 June and 31 December of each year.</p> <p>Each Convertible Capital Security will cease to accrue interest from the redemption/ conversion date.</p>
<b>Conversion Right</b>	The Convertible Capital Securities may be converted at the option of the holder during any Conversion Period.
<b>Conversion Price</b>	€5,50 per ordinary share of the Bank of nominal value €1,00
<b>Conversion Period</b>	15-30 September & 15-31 March
<b>First Conversion Period</b>	15-30 September 2010
<b>Last Conversion Period</b>	15-31 March 2014
<b>Redemption</b>	The Bank may elect to redeem all but not some only of the Convertible Capital Securities, at their principal amount together with the accrued interest, on 30 June 2014 or any other Interest Payment Date thereafter, subject to the prior approval of the Central Bank of Cyprus and provided that the Convertible Capital Securities will be replaced by Tier 1 Capital, unless the Central Bank of Cyprus is satisfied that the Bank’s capital adequacy is satisfactory.
<b>Redemption Price</b>	At par, i.e. €1 per Convertible Capital Security.
<b>Use of Proceeds</b>	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.
<b>Governing Law/ Jurisdiction</b>	The Laws of the Republic of Cyprus.
<b>Listing and Trading</b>	The Convertible Capital Securities will be listed and traded on the Cyprus Stock Exchange and the Athens Exchange, upon receiving all necessary approvals from the competent regulatory authorities.
<b>Lead Manager</b>	The Cyprus Investment and Securities Corporation Limited (CISCO).

## Expected Timeplan

The following table illustrates the timetable of this issue and listing of the Convertible Capital Securities to the CSE and the ATHEX. It is noted that this is an indicative timetable for the purpose of providing an initial time estimate of the required procedure until the commencement of trading of the Convertible Capital Securities on the CSE and the ATHEX.

Date	Event
30/04/2009	Date of publication of the Prospectus.
7/5/2009	Last trading day for the CSE & Athens Stock Exchange including the Priority Right (cum right).
8/5/2009	CSE & Athens Stock Exchange trading day without the Priority Right (ex-right).
12/5/2009	Record date for the Priority Right for subscription to the Convertible Capital Securities Issue
18/5/2009	Dispatch of Allotment Letters for the Priority Right to all Eligible shareholders <i>(not applicable for shareholders of Exempt Countries)</i>
20/5/2009 - 5/6/2009	<b>Subscription period</b> of the Convertible Capital Securities from the Eligible Holders of the Priority and other investors (including Convertible Bond 2013/2018 Holders) at the price of €1 per Convertible Capital Security (not applicable for shareholders of Exempt Countries)
5/6/2009	<b>Last submission date</b> for applications from <b>Eligible Holders with Priority</b> and other investors
17/6/2009	Dispatch of Convertible Capital Securities Allotment letters

The Company will file all relevant documents relating to the listing of the Convertible Capital Securities with both the CSE and the ATHEX within ten working days from the Last Subscription Date for the Convertible Capital Securities.

The date of the introduction for trading of the Convertible Capital Securities will be announced to the CSE and the ATHEX and through the Cypriot and Greek press. The date of the introduction for trading of the Convertible Capital Securities will be within five working days from the date that the listing of the Convertible Capital Securities is approved by both Exchanges.

It is noted that the timetable may be affected by other unforeseen circumstances and may be altered accordingly. Such amendments will be announced to the CSE and the ATHEX and through the Cypriot and Greek press.

## Proceeds of the Issue

The net proceeds of the Issue of up to 645.327.822 Convertible Capital Securities will be used to strengthen the Bank's Tier 1 capital, thus contributing to the maintenance of strong and competitive capital adequacy ratios.

## Risk Factors

Investment in the Bank's Convertible Capital Securities Issue and in its ordinary shares entails a series of risks. Prospective investors must carefully consider the risk factors set out in Section II, Part A, Chapter 1.0 together with all other information included or incorporated by reference into the Prospectus before making an investment decision regarding the Company's Convertible Capital Securities and ordinary shares. If any of the events described in Section II, Part A, Chapter 1.0 'Risk Factors' occurs, the Group, its financial condition or the results of its operations could be adversely and materially affected and, accordingly, the value and market price of the Company's ordinary shares may drop, resulting in a loss of all or part of any investment in the Bank's Convertible Capital Securities and ordinary shares. Furthermore, the risks and uncertainties described in Section II, Part A, Chapter 1.0 may not be the only ones that might be faced by the Group. Additional risks

and uncertainties which are unknown at present or are not currently considered as material, may adversely affect the Group's business operations.

### **History and General Information**

Bank of Cyprus Public Company Ltd was founded in Cyprus in 1899 and was registered as a public limited company under the Cyprus Company Law 18/1922 with registration number 165.

The Bank of Cyprus Group is the leading financial services organisation in Cyprus, with a dynamic presence in Greece and operations in the United Kingdom, Channel Islands, Australia, Russia, and Romania and Ukraine.

The Bank is licensed by the Central Bank of Cyprus and is operating under its Regulation and Supervision.

The Group offers a wide range of financial products and services, which include banking services and finance, leasing factoring, brokerage, fund management, investment banking, general and life insurance services.

In August 2007, the Bank delivering on its strategic plan expanded its operations in Russia and is the first Greek or Cypriot banking institution to enter the Russian market. In October 2008, the Bank successfully completed the acquisition of an 80% interest in CB Uniastrum Bank LLC in Russia.

### **Prospects and Strategy**

The Group has set its strategic priorities for 2009 which aim to create shareholder value on a sustainable basis. The Group monitors very closely the developments in the international credit markets and the macroeconomic environment in Cyprus, Greece and the wider region and takes measures to mitigate and shield itself from any adverse consequences.

The strategic priorities of the Group for year 2009 focus on maintaining the Group's strong liquidity position, improving capital adequacy, increasing efficiency and containing costs, in parallel with the disciplined growth of its operations and the effective management of risks.

The Group expanded to the Russian market in August 2007 through the establishment of a banking subsidiary. After the completion of the acquisition of an 80% interest in CB Uniastrum Bank LLC in Russia in October 2008, the Group decided to operationally merge its two Russian banking units. The merger aims at achieving synergies between the two units and at the same time reducing the costs and improving systems and procedures.

## Selected Financial Information

The following summarized financial information set out below was extracted from the Group's financial statements for years 2006, 2007 and 2008, which have been audited by the Group's external auditors. The Group's external auditors for years 2006 and 2007 were Ernst & Young whilst for the year 2008 were Ernst & Young Cyprus Ltd. The published audited consolidated financial statements for the years 2006 and 2007 were prepared in Cyprus Pounds which was the reporting currency for the Group's financial statements during the relevant period. The conversion from Cyprus Pounds to Euro for the presentation of the following summarized financial information, was effected using the conversion ratio of €1=£0,585274.

The consolidated financial statements give a true and fair view of the financial position of the Group for the years ended 31 December 2006, 2007 and 2008 in accordance with International Financial Reporting Standards as adopted by European Union and the requirements of the Cyprus Companies Law, Cap. 113.

<b>SELECTED FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED INCOME STATEMENTS for the years ended 31 December 2008, 2007 and 2006</b>			
	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>
Net Interest Income	792.151	752.379	612.754
Profit before provisions	653.633	629.091	483.332
Profit before tax	551.614	582.362	383.620
Profit after tax	478.683	490.519	312.855
Profit after Tax attributable to the shareholders of the Company	502.388	485.168	312.855

<b>SELECTED FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET as at December 31</b>			
	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>
Total assets	36.107.216	31.763.190	24.896.761
Total equity	2.056.367	2.005.190	1.545.637
Subordinated loan stock	934.085	668.748	551.231
Share Capital	586.662	483.726	473.144
Debt Securities in Issue	959.169	1.253.690	742.182
Loans and Advances to customers	24.449.316	18.920.921	14.336.277
Customers Deposits	27.935.747	25.178.966	20.725.951

**Shareholder's Equity and Debt Capital as at 31 December 2008:****Debt Capital:**

The debt capital of the Company as at 31 December 2008 was as follows:

	€000
<b>Total Current debt:</b>	-
- Secured	-
- Unsecured	-
<b>Total Non-Current debt:</b>	
- Secured	-
- Unsecured	934.085
<b>Total:</b>	<b>934.085</b>

**Shareholder's equity:**

The share capital of the Company as at 31 December 2008 amounted to €586.662 th., the reserves at €1.454.415 th. and the minority interest shareholder's rights €877.225.

	€000
<b>Share Capital and Reserves:</b>	
- Share capital:	586.662
- Share Premium:	676.949
- Revaluation and Other reserves:	(99.759)
- Retain Earnings:	15.290
- Minority Interest	877.225
<b>Total:</b>	<b>2.056.367</b>

**Total Shareholder's Equity and Debt Capital****2.975.162**

As from 31<sup>st</sup> December 2008 till the date of the current Prospectus, no significant changes occurred on the debt and share capital of the Company.

**Board of Directors and Executive Management**

The Board of Directors of Bank of Cyprus Public Company Limited consists of 15 members:

<b>Theodoros Aristodemou</b>	<i>Non – Executive</i>
<b>Andreas Artemis</b>	<i>Non – Executive Vice-Chairman</i>
<b>George M. Georgiades</b>	<i>Non-Executive, Independent</i>
<b>Anna Diogenous</b>	<i>Non-Executive, Senior Independent Director</i>
<b>Andreas Eliades</b>	<i>Executive - Group Chief Executive Officer</i>
<b>Andreas J. Jacovides</b>	<i>Non-Executive, Independent</i>
<b>Yiannis Kypri</b>	<i>Executive - Group Chief General Manager</i>
<b>Manthos Mavrommatis</b>	<i>Non-Executive, Independent</i>
<b>Christos Mouskis</b>	<i>Non-Executive, Independent</i>
<b>Evdokimos Xenophontos</b>	<i>Non – Executive</i>
<b>Vassilis G. Rologis</b>	<i>Non-Executive</i>
<b>Costas Z. Severis</b>	<i>Non – Executive</i>
<b>Nicos Tsakos</b>	<i>Non – Executive Independent</i>
<b>Costas Hadjipapas</b>	<i>Non - Executive</i>
<b>Christakis G. Christofides</b>	<i>Non – Executive</i>

The Group's Executive Committee comprises 6 members as follows:

<b>Andreas Eliades</b>	Group Chief Executive Officer
<b>Yiannis Kypri</b>	Group Chief General Manager
<b>Antonis Jacouris</b>	Group General Manager International Business and Operations
<b>Vassos Shiarly</b>	Group General Manager Domestic Banking
<b>Christis Hadjimitsis</b>	Group General Manager Finance and Strategy
<b>Nicolas Karydas</b>	Group General Manager Risk Management

### Corporate Governance Code

As a company listed on the Cyprus Stock Exchange (CSE), Bank of Cyprus Public Company Ltd “the Bank”/ “the Company”) has adopted the CSE's Corporate Governance Code and applies its principles. In January 2007 the CSE issued a revised Corporate Governance Code. The Group has complied with all the provisions of the revised Code except provision A.2.3 relating to the introduction of a new criterion in the definition of independent directors. According to this criterion, a director with tenure exceeding nine years is not considered independent. Provision A.2.3 requires that at least 50% of the members of the Board of Directors, excluding the Chairman, are independent non executive directors. The CSE has granted the Company an extension until December 2009 to comply with this provision. As of 15 January 2009 and as at the date of this Report, the Group complies with all the provisions of the revised Code.

In addition, as a company listed on the Athens Exchange, Bank of Cyprus Public Company Ltd follows the provisions of corporate governance of listed companies as laid out in law L3016/2002 of the Hellenic Republic.

### Related Party Transactions

The following table presents the loans and other advances, to members of the Board of Directors, key management personnel of the Bank and connected persons by the Bank or Group subsidiary companies as at 31<sup>st</sup> March 2009 (unaudited) and 31<sup>st</sup> December 2008, 2007 and 2006 (audited):

	2008	2007	2006	Unaudited 31 March 2009	2008	2007	2006
	Number of Directors			€000	€000	€000	€000
<b>Loans and advances to members of the Board of Directors and connected persons:</b>							
- more than 1% of the Group's net assets per director	3	4	4	190.536	196.079	120.598	122.237
- less than 1% of the Group's net assets per director	13	14	14	24.483	24.569	20.339	21.679
	16	18	18	215.019	220.648	140.937	143.916
Loans and advances to key management personnel and connected persons				2.935	2.657	877	894
Total loans and other advances				217.954	223.305	141.814	144.810
<i>Analysis of loans and advances</i>							
- members of the Board of Directors and key management personnel				8.121	7.321	9.814	8.212
- connected persons				209.833	215.984	132.000	136.598
				217.954	223.305	141.814	144.810
Tangible securities				316.477	245.608	223.641	231.960
Interest income				2.474	11.806	8.032	7.685
<i>Deposits of</i>							
- members of the Board of				49.507	78.287	85.965	5.623

Directors and key management personnel				
- connected persons	52.999	66.218	42.654	25.612
	102.506	144.505	128.619	31.235
Interest expense on deposits	1.754	6.992	3.677	550
Debt securities in issue and subordinated loan stock:				
- members of the Board of Directors and key management personnel	13.366	13.800	171	-
- connected persons	1.349	1.569	50	100
	14.715	15.369	221	100
Interest expense on debt securities in issue and subordinated loan stock	254	442	3	5

In addition to loans and advances as at 31 December 2008, there were contingent liabilities in respect of members of the Board of Directors and their connected persons, mainly in the form of documentary credits, guarantees and commitments to lend amounting to €49.689 thousand (2007: €85.017 thousand). Of these, €44.283 thousand (2007: €79.532 thousand) relate to directors and their connected persons, whose total credit facilities exceed 1% of the net assets of the Group per director. There were also contingent liabilities to Group key management personnel and their connected persons amounting to €378 thousand (2007: €326 thousand).

On 31 March 2009, in addition to loans and advances, there were contingent liabilities in respect of members of the Board of Directors and their connected persons, mainly in the form of documentary credits, guarantees and commitments to lend amounting to €54.255 thousand. Of these, €47.568 thousand relate to directors and their connected persons, whose total credit facilities exceed 1% of the net assets of the Group per director. There were also contingent liabilities to Group key management personnel and their connected persons amounting to €355 thousand.

Connected persons include spouses, minor children and companies in which directors or key management personnel hold, directly or indirectly, at least 20% of the voting shares in a general meeting, or act as directors or control the entities in any way. All transactions with members of the Board of Directors and their connected persons are made on normal business terms as for comparable transactions with customers of a similar credit standing. A number of credit facilities have been extended to key management personnel and their connected persons on the same terms as those applicable to the rest of the Group's employees.

#### Fees and emoluments of members of the Board of Directors and Group key management personnel

	Unaudited 31 March 2009	2008	2007	2006
Directors' emoluments	€000	€000	€000	€000
<i>Non executives</i>				
Fees	184	678	740	812
<i>Executives</i>				
Emoluments in executive capacity:				
Salaries and other short term benefits	262	1.065	2.640	1.604
Ex-gratia payment	-	678	-	-
Employer's contributions	17	54	79	50
Retirement benefit plan costs	35	157	186	149
Share options	322	752	9	9
Total emoluments in executive capacity	636	2.706	2.914	1.812
Emoluments of a non executive director who is also an employee of the Company	38	140	97	-
Total fees and emoluments of directors	858	3.524	3.751	2.624
Key management personnel emoluments				
Salaries and other short term benefits	279	881	2.098	1.366

Employer's contributions	13	63	87	73
Retirement benefit plan costs	34	140	195	152
Share options	161	376	17	17
Total key management personnel emoluments	487	1.460	2.397	1.608
<b>Total</b>	<b>1.345</b>	<b>4.984</b>	<b>6.148</b>	<b>4.232</b>

The fees and emoluments of key management personnel comprise the amounts of the Group General Managers, the number of which at 31 December 2008 was four (31 December 2007: six). The fees and emoluments of the executive directors comprise the emoluments of the members of the Group Executive Management team, the number of which at 31 December 2008 was two (31 December 2007: three).

In the context of the Share Options 2008/2010 issued by the Company to the Group's permanent employees, 2.000.000 share options were granted to executive directors, 12.000 were granted to a non-executive director in his capacity as employee of the Company and 1.000.000 were granted to key management personnel at the exercise price of €9,41 per option (fair value of €1,17 per option). The price of the shares of the Company at 31 December 2008 was materially lower than the exercise price of the options.

In the context of the Share Options 2006/2007 issued by the Company to the Group's permanent employees on 30 September 2006, 15.000 share options were granted to the executive directors at the exercise price of €7,38 per option (fair value €1,18 per option) and 18.000 options were granted to key management personnel at the exercise price of €6,32 per option (fair value €1,81 per option). All Share Options 2006/2007 were exercised by their holders during 2007.

During 2007, 10.000 Share Options 2001/2007 which were granted to two non executive directors in 2000 while they were executive directors, were exercised at the price of €5,57 per option. Also during 2007, the executive directors exercised 3.000 Share Options 2001/2007 at the price of €5,57 per option and 15.000 Share Options 2006/2007 at the price of €7,38 per option.

The executive directors participate in the main retirement benefit plan for the Group's permanent employees in Cyprus, which is a defined benefit plan. Their total retirement benefits increased during 2008 by €517 thousand (2007: €1.001 thousand).

#### **Other transactions with related parties**

Mr Andreas Artemis, Vice-Chairman of the Board of Directors of the Company, holds an indirect interest and is Chairman of the Board of Directors of the Commercial General Insurance Ltd group which is engaged in general insurance business. The Commercial General Insurance Ltd group has entered into reinsurance arrangements with General Insurance of Cyprus Ltd, a subsidiary of the Group. The total reinsurance premiums assigned to the Commercial General Insurance Ltd group in 2008 amounted to €920 thousand (2007: €1.218 thousand) and for the three-month period ended 31 March 2009 amounted to €48 thousand.

Mrs Anna Diogenous, member of the Board of Directors of the Company, holds an indirect interest in the company Pylones SA Hellas, which supplies the Company with equipment and services following tender procedures and in the company Unicars Ltd which supplies the Group in Cyprus with cars and related services. The total purchases from these companies in 2008 amounted to €699 thousand (2007: €926 thousand) and for the three-month period ended 31 March 2009 amounted to €112 thousand. In addition, the company Mellon Cyprus Ltd which supplies the Group with equipment is significantly influenced by a person connected to Mrs Anna Diogenous. The total purchases from this company in 2008 amounted to €439 thousand (2007: €899 thousand) and for the three-month period ended 31 March 2009 amounted to €128 thousand.

Mr Costas Z. Severis, member of the Board of Directors of the Company, is the main shareholder of the company D. Severis and Sons Ltd, which is a general agent of the Group's subsidiary, General Insurance of Cyprus Ltd. The total commissions paid to D. Severis and Sons Ltd in 2008 amounted to €147 thousand (2007: €166 thousand) and for the period ended 31 March 2009 amounted to €37 thousand.



## Personnel

As at 31 December 2008 the Group employed 12.127 persons at an international level.

The geographical distribution of personnel as at the following dates was as follows:

	<b>31 March 2009</b>	<b>31 December 2008</b>	<b>31 December 2007</b>	<b>31 December 2006</b>
Cyprus	3.731	3.608	3.424	3.295
Greece	3.184	3.183	3.001	2.603
United Kingdom	186	188	212	204
Russia	4.306	4.354	63	-
Other Countries	824	794	209	90
<b>Total</b>	<b>12.231</b>	<b>12.127</b>	<b>6.909</b>	<b>6.192</b>

## Authorised and Issued Share Capital

The authorised share capital of the Bank is set at €750.000.000 (C£438.955.500) divided into 750.000.000 ordinary Shares of nominal value €1,00 each.

As at the date of this Prospectus the issued share capital of the Bank is €586.661.656 divided into 586.661.656 ordinary Shares of nominal value €1,00 each, that are listed on the Cyprus Stock Exchange and the Athens Exchange.

## Major Shareholders

Bank of Cyprus Public Company Limited is a company with a large number of shareholders amounting as at 31 December 2008 to 77.610 shareholders.

According to the Bank's shareholder register, as at 31 December 2008 7,3% of the share capital of the Company was held by pension/retirement plans funded in Cyprus by the Group and 6,0% was held by investment funds managed by Lone Pine Capital LLC. There are no other shareholders holding more than 5% of the issued share capital of the Company. All shareholders have similar voting rights.

## Memorandum of Association

The objects of establishment of the Company are described in article 3 of its Memorandum of Association. The main objects of establishment of the Company include, among others:

To carry on the business of banking, that of an investment company and that of brokerage of any kind as well as the business of Leasing, of Hire Purchase, of Factoring, of Forfeiting and to establish, manage and carry on branches and agencies in and outside Cyprus and to appoint managers, officers and agents for the purpose of carrying on the same with such powers and on such terms and conditions as may be deemed expedient.

### **Documents available for inspection**

Copies of the following documents may be inspected during working days, between 9.00 a.m. and 12.00 noon, at the Bank's headquarters, 51 Stassinou Street, Ayia Paraskevi, Nicosia, Cyprus during the period that the Prospectus shall be valid:

- (1) Memorandum and Articles of Association of the Company,
- (2) audited financial statements of the Group, the Bank and its subsidiaries for years 2006, 2007 and 2008 and
- (3) Trust – Deed dated 30 April 2009

The Prospectus will be available without charge:

1. In electronic form at:

- the Bank of Cyprus' website, [www.bankofcyprus.com](http://www.bankofcyprus.com)
- the website of the Lead Manager, The Cyprus Investment and Securities Corporation Ltd (CISCO), [www.cisco-online.com](http://www.cisco-online.com)
- the website of the Cyprus Stock Exchange [www.cse.com.cy](http://www.cse.com.cy)
- the website of the Cyprus Securities and Exchange Commission, [www.cysec.gov.cy](http://www.cysec.gov.cy)

2. In printed form at the Head Office of the Manager, The Cyprus Investment and Securities Corporation Ltd (CISCO), EuroLife House, 4 Evrou Street, P.O.Box 20597, 1660 Nicosia.

### **Incorporations by reference**

The Group's consolidated financial statements for years 2006, 2007 and 2008 have been incorporated to the Prospectus by reference pursuant to article 28 of the Commission Regulation 809/2004 of the European Union.

Investors may obtain a free copy of the following:

- (i) consolidated financial statements for year 2006
- (ii) consolidated financial statements for year 2007
- (iii) consolidated financial statements for year 2008

during working days, between 9.00 a.m. and 12.00 noon, from the Bank's headquarters, 51 Stassinou Street, Ayia Paraskevi, Nicosia, Cyprus and the Custody, Shareholders during the period that the Prospectus shall be valid, as well as on the Group's website [www.bankofcyprus.com](http://www.bankofcyprus.com) (under Investor Relations / Annual Report).

## ***SECTION II***

**PART A:**

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## SECTION II

## PART A

## 1.0 RISK FACTORS

Investment in the Bank's Convertible Capital Securities Issue and in its ordinary shares entails a series of risks. Prospective investors must carefully consider the risk factors set out below together with all other information included or incorporated by reference in this the Information Memorandum before making an investment decision regarding the Bank's Convertible Capital Securities which include the option to convert into ordinary shares. If any of the events described below occurs, the Group, its financial condition or the results of its operations could be adversely and materially affected and, accordingly, the value and market price of the Bank's Convertible Capital Securities and ordinary shares may drop, resulting in a loss of all or part of any investment in the Bank's Convertible Capital Securities and ordinary shares. Furthermore, the risks and uncertainties described below may not be the only ones that might be faced by the Group. Additional risks and uncertainties which are unknown at present or are not currently considered as material, may adversely affect the Group's business operations.

**RISKS RELATED TO THE BUSINESS OPERATIONS OF BANK OF CYPRUS GROUP**

*The Group is subject to a number of risks which are beyond its control and if materialized could adversely affect the Group's financial results and lead to problems with the Interest Payment of the Convertible Capital Securities or the principal invested in the Convertible Capital Securities. These risks are presented here below.*

**The Group's operations are subject to risks resulting from the prevailing economic conditions in Cyprus and abroad**

The Group's operations are affected in a large extent from the prevailing economic conditions as well as the economic conditions of specific sectors of the economy in which the Group operates particularly in Cyprus and Greece from where the majority of its income is generated.

Over the past 15 months, the world economy as well as the international financial system have been faced with intense uncertainty and turmoil with the high point being the big problems faced by large international banks, investment banks, insurance and other financial corporations. The problems and dislocation in world economy and the global capital markets have a significant influence in liquidity levels, the fair values of financial assets, the availability of and the terms of credit.

Intense concerns exist for further continuation of the prevailing economic recession and turmoil of the financial system internationally as well as within the countries in which the Group operates. These conditions have in some degree influenced and are expected to continue to influence the Group's income and profitability.

The continuing deterioration and deceleration of the world economies, including the countries in which the Group operates, which are influenced by the level and trends concerning unemployment, the trends of the real estate sector, the course of money markets, bond markets and foreign exchange markets, inflation and liquidity in the global capital markets which might lead to (i) lower levels of demand as well as supply of the products and services offered by the Group, (ii) impairments as well as negative fair value adjustments to the Group's assets, with adverse effects on the Group's operating results, financial condition and prospects.

**The Group's operations are subject to risks resulting from market fluctuations that could adversely affect the Group**

Given the nature of its operations, the Group is subject to a number of market fluctuation risks that result from changes in interest rates, credit spreads, foreign exchange rates and other financial instruments. These fluctuations could have material adverse effects on the Group's operating results, financial condition and prospects.

It is important to note that the Group undertakes a number of market risks during the management of its assets and liabilities and it does not maintain any trading books.

**Interest rate risk**

Interest rate risk is the risk the risk faced by the Group of a reduction of the fair value of future cash flows of a financial instrument because of negative changes in market interest rates. Interest rate risk arises as a result of timing differences on the repricing of assets and liabilities.

Adverse changes in market interest rates, yield curves and the and credit spreads could affect the net interest margin between lending and the deposit interest rates and as a result impact the Group's net interest income.

Increase of interest rates may result in an increase of non-performing loans, decrease in the demand for new loans or limit the Group's ability to grant new loans. A decrease in interest rates may cause, among other, loan prepayments and increased competition for deposits adversely affecting the Groups financial results.

Competitive pressures and/or fixed rates in existing commitments or loan facilities may restrict the Group's ability to increase interest rates in the event of an increase in lending interest rates. Further more, the existence of fixed interest rate term deposits (mainly in Euro), restricts the Group's ability to decrease the cost of its commitments in the event of a decrease in market interest rates.

The equity of the Group is also influenced by changes in market interest rates. The changes in the Group's equity arise from changes in the fair value of fixed rate debt securities classified as 'available-for-sale' as well as from changes in the fair value of derivative financial instruments which are hedging instruments in effective cash flow hedges.

Interest rate risk is measured using interest rate sensitivity gap analysis, where the difference between assets and liabilities repricing in each time band is calculated, separately for each currency. Specific mention of the Group's interest rate risk management is done under note 39 of the Consolidated Financial Statements of the Group for the year 2008 which are incorporated by reference into this Information Memorandum.

**Risk of fluctuation of prevailing share and other stock prices**

The risk of fluctuations in the market price of shares and other traded securities arises from adverse changes in the prices of securities held by the Group.

Changes in the prices of equity securities that are classified as investments at fair value through profit or loss, affect the profit of the Group, whereas changes in the value of equity securities classified as "available for sale" affect the equity of the Group.

In order to control the risk of loss from changes in the price of equities, there are maximum limits for the amounts that can be invested in equity shares in the trading book and other restrictions, like maximum amount invested in a specific issuer, specific industry, etc.

Debt securities price risk is the risk of loss as a result of adverse changes in the prices of debt securities held by the Group. Debt security prices change as the credit risk of the issuers change. The Group invests a significant part of its liquid assets in debt securities issued mostly by governments and banks.

Changes in the prices of debt securities classified as investments at fair value through profit or loss, affect the profit of the Group, whereas changes in the value of debt securities classified as 'available for sale' affect the equity of the Group (assuming no impairment).

In addition, the Group's insurance and investment business are subject to the risk of negative price adjustments in the value of shares and other securities held by the Group or its insurance funds.

Special reference regarding the management of risks arising from market price fluctuations of shares and other securities is done under note 39 of the Consolidated Financial Statements of the Group for the year 2008 which are incorporated by reference in this Information Memorandum.

### **Currency Risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign exchange rate fluctuations expose the Group to risks that arise from transactions in foreign currency as well as changes value of the Group's assets and liabilities denominated in foreign currencies which may affect the Group's financial results and equity. Losses may also arise during the management of the Group's assets/liabilities in foreign countries.

In regards to the Group's international businesses, earnings and net assets are denominated in local currency, which will fluctuate according to the prevailing exchange rates. It is difficult to predict with any accuracy changes in economic or market conditions, and such changes could have a material adverse effect on the Group's operating results, financial condition and prospects.

Special reference to the management of currency risk is done under note 39 of the Consolidated Financial Statements of the Group for the year 2008 which are incorporated by reference in this Information Memorandum.

### ***The Group is subject to risks concerning borrower and counterparty credit quality which could affect the recoverability and value of assets on the balance sheet***

The Group is subject to risks regarding the credit quality of, and the recovery on loans to and amounts due from, customers and market counterparties. Credit risk arises from a potential a non timely settlement of current or prospective obligations from counterparties which results in loss of equity and profit.

It is noted that impaired loans and advances (i.e. those with arrears exceeding 3 months and which are not fully collateralised) will continue to affect the Group's operating results, as in the past. As at 31 December 2008, the Group's impaired loans and advances, represented 3,8% of total Group loans and advances. The majority of impaired loans and advances originate from banking operations in Cyprus. The impaired loans and advances of the loan portfolio in Cyprus represent 4,2% of the Cyprus portfolio.

The Group has taken measures for the improvement of its loan portfolio. These measures include the improvement of its credit approval systems and of its credit rating and credit scoring systems, but also the adoption of detailed and strict procedures for handling overdue amounts. No assurance can be provided that the measures taken by the Bank will effectively contain impaired loans and advances. Furthermore there can be no assurance as to the Bank's satisfaction from the liquidation of collateral.

Future provisions for impaired loans and advances could have a material negative impact on the Group's operating results. In addition, the financial and economic crisis and the slowdown of the world economy may lead to an increase of the percentage of impaired loans and advances.

Changes in the credit quality of the Group's borrowers and counterparties arising from the financial crisis and the adverse changes and slowdown of the world economies as well as Cyprus could reduce the value of the Group's assets, and increase the Group's write downs and allowance for impairment losses.

Factors including higher unemployment, reduced corporate profitability, increased corporate and personal insolvencies and/or increased interest rates may reduce borrowers' ability to repay loans. In addition, the economic crisis may further impact the prospects for the Cypriot (and the global) economy resulting in a deterioration in the value of security held against lending exposures and increase the risk of loss in the event of borrower default.

If the current economic downturn, uncertainty, reduced affordability and lower availability of credit continue, there exists the possibility of an extended economic crisis resulting in falls in house prices and increases in unemployment, which could adversely impact the Group's housing portfolio which is likely to

generate substantial increases in impairment losses which could materially affect the operations, financial condition and prospects of the Group.

Special reference to the management of credit risk is done under note 38 of the Consolidated Financial Statements of the Group for the year 2008 which are incorporated by reference in this Information Memorandum.

***Market conditions have resulted, and may in the future result, in material negative adjustments to the estimated fair values of financial assets of the Group***

The Group maintains investment portfolios and to this extent maintains positions in the markets for shares, bonds and other securities. Any negative fair value adjustments to these securities could have a material adverse effect on operating results, financial conditions or prospect. Financial markets have been subject to significant stress conditions resulting in steep falls in the actual financial asset values. The severity of this phenomenon is exemplified by the current and ongoing crisis in the global financial markets.

The fair value of the Group's financial assets could fall further and therefore result in negative adjustments, particularly in view of current market dislocation. In addition, the value ultimately realised by the Group may be lower than the current fair value. Any of these factors could require the Group to record further negative fair value adjustments, which may have a material adverse effect on its operating results, financial condition or prospects.

***The Group's businesses are, subject to inherent risks concerning liquidity, particularly if current market conditions continue to reduce the availability of traditional sources of funding which could affect the Group's and the ability to meet its financial obligations***

Liquidity risk is the risk that the Group is unable to fully or promptly meet payment obligations and potential payment obligations as and when they fall due. This risk includes the possibility that the Group may have to raise funding at higher cost or sell assets at a discount. The Group's banking business requires a steady flow of funds both to replace existing deposits as they mature and to satisfy customer requests for additional borrowing. Undrawn borrowing facilities are also taken into consideration in managing the liquidity position.

Group assets are mainly funded by deposits. The distribution of sources and the maturity of deposits are actively monitored in order to avoid concentration of funding maturing at any point in time or from a small number of depositors. Moreover, the Group monitors the percentage of fixed deposits that are renewed every quarter and aims to ensure that this percentage is maintained at high levels. The Group relies almost exclusively on stable funding sources in order to finance illiquid assets.

The ability of the Group to access funding sources on favourable economic terms is subject to a variety of factors, including a number of factors outside of its control, such as liquidity constraints, general market conditions and loss of confidence in the Cyprus banking system. In the current environment of unprecedented market volatility, banks' access to traditional sources of liquidity has been and may continue to be significantly restricted which may affect the Group's access to such sources of liquidity.

Liquidity is monitored daily by Group Market Risk Management. The responsibility for the management of liquidity rests with the treasury units at each location, in cooperation with Group Treasury.

Group Market Risk Management is responsible for monitoring the liquidity position of all banking units of the Group in order to ensure compliance with both internal policies and the limits set by the regulatory authorities in the countries where the Group operates.

The liquidity position is assessed under various scenarios, including a bank-specific crisis and a market crisis.

The Group maintains at all times a diversified portfolio of highly liquid assets in the principal currencies in which it transacts. Moreover the ratio of liquid assets to total liabilities falling due in the next twelve months is monitored at Group level with the minimum acceptable ratio set at 25%. Liquid assets are



defined as cash, interbank deposits maturing within thirty days and debt and equity securities at discounts prescribed by the regulatory authorities.

Special reference to the management of liquidity risk is done under note 40 of the Consolidated Financial Statements of the Group for the year 2008 which are incorporated by reference in this Information Memorandum.

***The Group is subject to the risk of insufficient capital resources to meet the minimum required by regulators. In addition, the minimum capital adequacy requirements set by the responsible regulating bodies may be amended in the future***

The adequacy of the Group's capital is monitored by reference to the rules established by the Basel Committee on Banking Supervision, as adopted by the Central Bank of Cyprus. In December 2006 the Central Bank of Cyprus issued the Directive for the calculation of the capital requirements and large exposures of banks, ( 'Basel II') adopting the relevant European Union directive.

According to the Consolidated Financial Statements of the Group for the year ending 31 December 2008, the Capital Adequacy Ratio of the Group stood at 11,2% and exceeded the minimum percentage as defined by the Central Bank of Cyprus (8%).

The possibility that the Group is obligated by the regulator body to maintain higher capital levels in the future cannot be excluded, which could result in a decrease in operating flexibility and increase of financing expenses.

In addition, any failure of the Group to maintain its minimum regulatory capital ratios could result in administrative actions or sanctions, which in turn may have a material adverse impact on the Group's operating results, financial condition and prospects.

A shortage of available capital would also affect the ability to continue organic growth or to pursue acquisition or other strategic opportunities.

Special reference to the management of capital is done under note 42 of the Consolidated Financial Statements of the Group for the year 2008 which are incorporated by reference in this Information Memorandum.

***The Group could be negatively affected by the soundness and/or the perceived soundness of other financial institutions, which could result in significant systemic liquidity problems, losses or defaults***

As a result of the financial crisis, the Group is subject to the risk of deterioration of the commercial soundness and/or perceived soundness of other financial services institutions within and outside Cyprus. Financial services institutions that deal with each other are interrelated as a result of trading, investment, clearing, counterparty and other relationships.

The Group routinely executes transactions with counterparties in the financial services industry, commercial banks, investment banks, mutual and hedge funds and other institutional clients, resulting in a significant credit concentration. As a result, the Group is exposed the risk of loss of capital if counterparty financial institutions fail or are otherwise unable to meet their obligations.

A default by, or even concerns about the ability of, one or more financial services institutions could lead to further significant systemic liquidity problems, or losses or defaults by other financial institutions, which could materially and adversely affect the Group's results, financial condition and prospects.

***The Group's borrowing costs and access to the capital markets depend significantly on its credit ratings***

As at the date of this Information Memorandum, the long-term credit ratings for the Bank are A2 (stable outlook) from Moody's Investors Service Inc and BBB+ (stable outlook) from Fitch Rating Ltd.

Reduction in the long-term credit ratings of the Group, could significantly increase borrowing costs, limit its access to the capital markets and trigger additional collateral requirements for secured funding

arrangements. Therefore, a reduction in credit ratings could materially adversely affect the Group's access to liquidity and competitive position and, hence, have a material adverse effect on the Group's business, financial position and results of operations.

***Weaknesses or failures in the Group's internal processes and procedures and other operational risks could have a negative impact on results and could damage the Group's reputation***

The Group's operations are subject to a number of operational risks that could result from inefficiency or failure in internal procedures and systems due to human error, as well as due to external factors, from fraud, misappropriation or theft of assets from the Group, unauthorised transactions, errors, omissions, reduced efficiency and problems with the orderly operation of information systems, other systems and internal procedures of the Group.

The Group manages operational risk via an environment of controls in which the processes are recorded and the transactions are agreed and monitored. The analysis of incidents that is reported in the system of operational risk incidents is conducted on a regular basis and in combination with the results of evaluation workshops of risks which constitute an important tool for the recognition and management of risks that are identified so much for preventive as well as for corrective purposes.

Any weakness in the internal control systems and processes of the Group, within the new environment of world economic crisis in which the Group operates, could have a negative impact on the Group's results. Furthermore, damage to the Group's reputation (including to customer confidence) arising from inadequacies, weaknesses or failures in such systems could have a significant adverse impact on the Group's businesses.

Terrorist acts, other acts of war or hostility, geopolitical, pandemic or other such events and responses to those acts/events may create economic and political uncertainties, which could have a negative impact on Cyprus and international economic conditions generally, and more specifically on the business and results of the Group in ways that cannot necessarily be predicted.

***Political and economic developments in Cyprus and elsewhere could adversely affect the Group's operations***

External factors, such as political and economic developments in Cyprus and overseas, may negatively affect the Group's operations, its strategy and prospects. The Group's financial condition, its operating results as well as its strategy and prospects may be adversely affected by events outside its control, which include but are not limited to:

- Changes in Government policy;
- Changes in the level of interest rates imposed by the European Central Bank;
- Fluctuations in consumer confidence and the level of consumer spending;
- The European Union's regulations and directives relating to the banking and other sectors;
- Political instability or military conflict that impact on Europe and/or on other regions; and
- Taxation and other political, economic or social developments affecting Cyprus, Greece, Russia and other country in which the Group operates.

***The Group's businesses are subject to substantial regulation, and regulatory and governmental oversight. Adverse regulatory developments or changes in government policy could have a significant negative impact on the Group's operating results, financial condition and prospects***

The Group conducts its businesses subject to ongoing regulation and directives. The operations of the Bank are supervised by the Central Bank of Cyprus. All banks in Cyprus, including the Bank, have to comply with the requirements of both the European Union and Cyprus legislation, as well as with the regulatory framework of the Central Bank of Cyprus. Legal or regulatory changes may be introduced in the future either by the European Union or by the Central Bank of Cyprus which may adversely affect the results and financial position of the Group.

The operations of the Cyprus insurance companies are supervised by the Registrar of Insurance Companies. Legal and regulatory changes may be introduced in the future by the European Union or by

the Registrar which may adversely affect the results and financial position of the Group's insurance companies.

In the current market environment, which is witnessing increased levels of government intervention in the banking sector. Future changes in regulation, fiscal or other policies are unpredictable and beyond the control of the Group and could materially adversely affect the Group's business.

Areas where changes could have an adverse impact include, but are not limited to:

- the monetary, interest rate and other policies of central banks and regulatory authorities;
- other general changes in regulatory requirements, such as prudential rules relating to the capital adequacy or liquidity frameworks;
- external bodies applying or interpreting standards or laws differently to those applied by the Group historically;
- changes in competition and pricing environments;
- further developments in the financial reporting environment;
- other unfavourable political, military or diplomatic developments producing social instability or legal uncertainty which, in turn, may affect demand for the Group's products and services.

***The Group is exposed to various forms of litigation risk***

The Group may, from time to time, become involved in legal or arbitration proceedings which may affect its operations and results.

Litigation risk arises from pending or potential legal proceedings against the Group which may result in expenses incurred by the Group.

Furthermore, in the event that legal issues are not properly dealt with by the Group, these may give rise to the unenforceability of contracts with customers, legal actions against the Group, adverse judgments and the diminished reputation of the Group. All these events may disrupt the smooth operation of the Group, possibly reducing the Group's reserves and profits.

Specific reference is done under General Information (Part D) as per the information provided under paragraph 3 (v).

The Group's Management pays special attention to the correct evaluation and monitoring of the risks involved with litigation or assessments issues or other legal matters and asserts that there have not been in the recent past any particular litigation, claims or assessments the outcome of which could have or has had in the recent past a material effect on its financial position and performance of the Group. The Group's Management evaluates and manages the risks involved with litigation, assessments issues or other legal matters.

***The Group is exposed to tax risk***

**Tax risk is the risk associated with changes in taxation rates or law, or misinterpretation of the law. This could result in an increase in tax charges or the creation of additional tax liabilities. Failure to manage this risk adequately could impact the Group materially and adversely.**

***The Group's businesses are conducted in highly competitive environment***

The Group faces intense competition in the markets in which it operates.

In Cyprus, competition originates primarily from commercial banks, co-operative credit and savings institutions, international banking units and insurance companies, which offer similar products and services. As a result of the harmonisation of the Cypriot banking sector to the European Union *acquis communautaire*, banking institutions licensed to operate in the EU are entitled to open branches in Cyprus without having to obtain a permit from the Central Bank of Cyprus, therefore potentially leading to increased competition.

The adoption of the euro as a replacement of the national currency on 1 January 2008 further reduced barriers to entry in the Cypriot market by other European banks and financial services companies leading to increased competition.

In Greece, the Group competes with Greek banks, which control the largest share of the total assets of the banking system as well as with cooperative banks and branches of credit institutions headquartered in European Union member countries.

Should competition intensify due to the entry of foreign banks into Cyprus offering competitive interest rates in deposits and loans compared to those traditionally offered by the Bank, the Bank may face a deterioration in its profit margins. In order to compete with foreign banks, the Bank may have to offer more competitive rates, which may have a negative impact on its profitability. It is also possible that increased competition from foreign banks will adversely affect the results and financial condition of the Bank.

If financial markets remain unstable, financial institution consolidation may accelerate. Moreover, government intervention in the banking sector may impact the competitive position of banks within a country and among international competitors which may be subject to different forms of government intervention, thus potentially putting the Group at a competitive disadvantage to local banks in such jurisdictions.

Any combination of these factors could result in a reduction in the Group's profit.

***The Group could fail to attract or retain senior management or other key employees***

The Group's success depends on the ability and experience of its senior management. The loss of the services of certain key employees, particularly to competitors, could have a material adverse effect on the Group's revenue, profit and financial condition. In addition, the Group's business and its future success will depend on its ability to attract and retain highly skilled and qualified personnel, which cannot be guaranteed.

In addition, failure to manage trade union relationships effectively may result in disruption to the business and its operations causing potential financial loss.

The failure to attract or retain a sufficient number of appropriate personnel could significantly impede the Group's financial plans, growth and other objectives and have a material adverse effect on their business, financial position and results of operations.

**Insurance Risk**

Insurance risk is the risk that an insured event under an insurance contract occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

The above risk exposure is mitigated by the Group through the diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. For that reason, the creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength and credit rating.

***Interruption or violation of the Group's safety of information technology can cause loss of work and other damages***

For contacting its business, the Group relies on information technology systems and telecommunication systems. The Group's Information Technology Department is responsible for the smooth operation of the information technology systems and the telecommunication systems as well as the management of the risks that arise from them.

Any interruption or suspension of the operation or violation of the security of these systems may cause significant problems in the operation of the systems for monitoring of client accounts, booking and administration of client deposits and advances.

The Group cannot assure that such events won't realize or if they realize that they are going to be managed effectively. Any interruption or suspension of the systems could have adverse effects on the Group's financial position and results.

**Retirement benefit plans contingent obligations**

The Group operates several defined benefit retirement plans. The main retirement benefit plans require the payment of contributions to separately administered funds (funded schemes).

The cost of providing benefits for defined benefit plans is estimated separately for each plan using the Projected Unit Credit Method of actuarial valuation from independent actuaries.

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rate of return on plan assets, future salary increases, mortality rates and future pension increases where necessary. The Group sets these assumptions based on market expectations at the balance sheet date using best-estimates for each parameter covering the period over which obligations are to be settled

The Group's benefit retirement plans obligations as at 31 December 2008 are presented under note 9 of the Consolidated Financial Statements for the year 2008. Any amendment of the underlying parameter assumptions used during the actuarial valuations may cause a significant increase of these obligations as well as to the contributions for the cover of any actuarial or operating deficits of the retirement benefit plans.

Gains or losses on the curtailment of a defined benefit plan are recognized when the curtailment occurs which comprises any resulting change in the fair value of plan assets. As a result, negative amendments of the defined benefit retirement plan assets may negatively impact the Group's financial results.

**RISKS RELATED TO THE ISSUE OF THE CONVERTIBLE CAPITAL SECURITIES*****Coupon Cancellation***

The Bank can at its sole discretion cancel any interest payment. If the Bank, at its sole discretion, determines prior to any Interest Payment Date that it is in non-compliance with the required capital adequacy as set by the Central Bank of Cyprus, or the payment of interest will result in non-compliance with the required capital adequacy, then the Bank may elect to cancel such interest payment, subject to the restrictions described in clause “Dividend and Capital Restrictions” as described in Part B Section II.4. The Bank will satisfy such Coupon Cancellation only (i) on the date upon which the Convertible Capital Securities are redeemed and (ii) on the redemption, conversion or amendment of the Terms due to changes of the legal and tax regimes that govern issues of Tier I Capital and particularly issues of Capital Securities. Any Cancelled Interest Payment may be satisfied (except in the event of winding up of the Issuer or in the events as provided under term 6) only with the proceeds of an issue of Shares of the Bank under the Alternative Coupon Satisfaction Mechanism.

The investors will always receive interest payments made in respect of the Convertible Capital Securities in cash. If the Bank cannot satisfy the interest payment in cash, it may cover the interest payment through the issue of shares to the holders of the Convertible Capital Securities after the approval of the issue by an Extraordinary General Meeting of the Bank’s shareholders.

***Perpetual Securities***

The Convertible Capital Securities are perpetual without a maturity date.

***Redemption and Purchase***

The Bank has no obligation to redeem or purchase the Convertible Capital Securities at any time and the Holders have no right to demand their redemption or purchase from the Bank. The Bank has the option, with the prior consent by the Central Bank of Cyprus to redeem in whole the Convertible Capital Securities, at their nominal amount together with any outstanding interest payments, on the 30 June 2014 or on any interest payment date thereafter and provided that the Convertible Capital Securities will be replaced by Tier 1 Capital, unless the Central Bank of Cyprus deems that the Bank has the satisfactory capital adequacy, as well as to purchase the Convertible Capital Securities

***Status and Subordination***

The Convertible Capital Securities constitute direct, unsecured and subordinated securities of the Issuer and rank pari passu without any preference among themselves.

The rights and claims of the holders of Convertible Capital Securities of this issue:

- are subordinated to the claims of the creditors of the Bank, who are:
  - depositors or other unsubordinated creditors of the Bank
  - subordinated creditors, except those creditors whose claims rank pari passu with the claims of the holders of the Convertible Capital Securities.
  - holders of subordinated Bonds of the Bank
- rank pari passu with the rights and claims of holders of other subordinated issues, that satisfy the criteria for inclusion in the Bank’s Tier 1 Capital
- have priority only over the shareholders of the Bank.

No payment in relation to the Convertible Capital Securities will be payable unless the Bank is solvent and will continue to be solvent immediately following such a payment.

***Tier 1 Capital Securities***

Except on a winding-up of the Bank, payments in respect of the principal of, and interest on, the Convertible Capital Securities will be conditional upon the Issuer being solvent at the time of payment, and no payment shall be due to the extent that the Issuer is insolvent or would become insolvent as a result of making such payment.

***Sufficient Share Capital and authorization for the issue of Shares for the repayment of Cancelled Interest Payment***

Any Cancelled Interest Payment can be settled by the Bank through the Alternative Coupon Satisfaction Mechanism, as this is described in Part B Section II. 6 only through the proceeds of a Share issue. In the event that the Bank has not obtained relevant approvals from its shareholders, waiving their pre-emptive rights for the issue of such number of shares for the settlement of the payment of the redemption in full, then the redemption of the Convertible Capital Securities will be postponed until the Bank is in the position to settle the payment according to the Alternative Coupon Satisfaction Mechanism.

The Bank is required to maintain sufficient authorised and unissued share capital as it reasonably deems necessary from time to time, to satisfy any Cancelled Interest Payments through the use of the Alternative Coupon Satisfaction Mechanism.

In addition, the Convertible Capital Securities cannot be redeemed, exchanged or their terms amended unless all (if any) Cancelled Interest Payments are satisfied through the Alternative Coupon Satisfaction Mechanism.

***Dividend and Capital Restriction***

If the Bank cancels an interest payment for any reason then no dividend payment or any other payment (redemption, payment) will be permitted on the ordinary share capital or other Tier 1 securities of the Bank, unless or until the Coupon Payments due on the Convertible Capital Securities have been paid in full.

***Interest rate risk***

The Convertible Capital Securities will bear a fixed interest rate of 5,50% per annum for the first 5 years i.e. until 30 June 2014. Thereafter, any subsequent changes of interest rates may adversely affect the value of the Convertible Capital Securities.

From 30 June 2014 onwards the Convertible Capital Securities will bear a floating interest rate which will be equal to the 6-month Euribor in force at the beginning of each Interest Payment Period, plus 3,00% per annum. As a result of the above terms, the rate and the yield of the Convertible bonds after 30 June 2014 is subject to the 6-month Euribor rate and its fluctuations.

***Issue restrictions for capital securities or debt capital***

Other than those described in Part B, Section II.2, there are no restrictions in terms of the issuance or the value of capital securities issues or subordinated debt issues that rank pari passu with the Convertible Capital Securities. The issuance of such capital securities or debt capital may adversely affect the level of repayment of the claims of the Convertible Capital Securities Holders in case of a winding-up of the Bank and/or increase the possibility of Cancelled Interest Payment of Capital Securities according to their terms.

***Absence of prior Public Market for the Convertible Capital Securities***

The Convertible Capital Securities constitute a new issue of the Bank. Even though the relevant applications for the listing of the Convertible Capital Securities have been filed with the Cyprus Stock Exchange and the Athens Exchange, it is not certain that an active market will exist and that there is going to be satisfactory liquidity for the Convertible Capital Securities.

Moreover the volume of transactions and the liquidity of securities listed on the CSE and the ATHEX fluctuate in relatively lower levels than other developed capital markets. The possibility of disposal of big blocks of securities in Cypriot and the Greek market at any time may be limited.

***Liquidity and price fluctuation of the Convertible Capital Securities***

The liquidity and market price of the Convertible Capital Securities is expected to fluctuate according to the prevailing economic and market conditions and numerous other factors that affect the market price of Convertible Capital Securities and specifically the financial position and prospects of the Bank.

***Effect of the issue of Convertible Capital Securities on the price of the Bank's shares***

The market price of the Banks shares is expected to experience fluctuations which may result from a) the estimates of investors for the conversion of the Convertible bonds b) sale of the Bank's shares by investors who consider the Convertible Capital Securities a more attractive investment.

The above may lead to increased volatility of the price of the Bank's shares.

***Capital Securities may not be a suitable investment for all investors***

Each potential investor in any Convertible Capital Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Convertible Capital Securities, the merits and risks of investing in the Convertible Capital Securities and the information contained or incorporated by reference in this Prospectus;
- ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Convertible Capital Securities and the impact such investment will have on its overall investment portfolio;
- iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Convertible Capital Securities;
- iv) understand thoroughly the terms of the Convertible Capital Securities;
- v) recognise that it may not be possible to sell or make any transfer of the Convertible Capital Securities for a substantial period of time, if at all; and
- vi) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.



**RISK FACTORS RELATING TO THE HOLDERS OF THE CONVERTIBLE BONDS 2013/2018 THAT MAY ELECT TO EXCHANGE THEM WITH CONVERTIBLE CAPITAL SECURITIES**

*Holders of the Bank's Convertible Bonds 2013/2018 prior to making any decision to participate in the issue of the Convertible Capital Securities though a possible exchange of the Convertible Bonds 2013/2018 that they already hold, must study carefully, taking into consideration their own financial position, their investment objectives and investment horizon and the risk factors described in this Information Memorandum and in particular the risk factors described below involving the new issue and the possibility for exchange.*

***Differences between the Convertible Bonds 2013/2018 and the Convertible Capital Securities in reference to their subordination***

The Convertible Bonds 2013/2018 (which are eligible to count as Tier 2 capital of the Bank) are substantially different from the Convertible Capital Securities (which are eligible to count as Tier 1 capital of the Bank). Holders of the Convertible Bonds 2013/2018 should consider the differences which include, inter alia, their subordination and status, their duration, the coupon, their redemption and the timing and price of the option for conversion to shares of the Bank. The full terms and conditions of the Convertible Capital Securities are set out in Part B of this Information Memorandum. In addition, holders of Convertible Bonds 2013/2018 should be aware that any credit ratings assigned to the Convertible Capital Securities by any rating agency may be lower than any credit ratings that might be assigned by any credit rating agency to the Convertible Bonds 2013/2018.

***Uncertainty as to the trading market for the Convertible Bonds 2013/2018 not exchanged***

Any Convertible Bonds 2013/2018 which are not offered for Exchange and/or accepted by the Bank as per the terms set out in Part B Section III and IV of this Information Memorandum, will continue to be listed on the CSE and the ATHEX. To the extent that Convertible Bonds 2013/2018 are exchanged for Convertible Capital Securities, the trading market for the Convertible Bonds 2013/2018 which remain listed on the two stock exchanges following the completion of the issue of the Convertible Capital Securities may be significantly more limited. Such outstanding Convertible Bonds 2013/2018 may command a lower price than a comparable issue of securities with greater market liquidity. A reduced market value may also make the trading price of the remaining Convertible Bonds 2013/2018 more volatile.

As a result, the market price for the Convertible Bonds 2013/2018 that remain outstanding after the completion of the issue of the Convertible Capital Securities may be adversely affected as a result of the exchange incorporated within the Issue of the Convertible Capital Securities.

***Uncertainty as to the liquidity of the trading market for the Convertible Capital Securities***

The Bank does not intend to apply for listing or admission to trading of the Convertible Capital Securities on any securities exchange other than the Cyprus Stock Exchange and the Athens Exchange. The Convertible Capital Securities are securities for which there is no trading market and for which there can be no assurance of future liquidity.

***No obligation to accept offers to exchange***

The Issue of the Convertible Capital Securities are offered with Priority Right to all the Shareholders of the Bank.

The Bank is under no obligation and it is not certain that it will satisfy applications to exchange the Convertible Bonds 2013/2018 with any unsubscribed Convertible Capital Securities unless all the conditions of the Rump placement as described under Part B Section. IV of this Information Memorandum are satisfied. Applications to Exchange Convertible Bonds 2013/2018 with any unsubscribed Convertible Capital Securities may be rejected at the sole discretion of the Bank for any reason and the Bank is under no obligation to holders of Convertible Bonds 2013/2018 to furnish any reason or justification for refusing to accept an application to exchange.

***The holders of Convertible Bonds 2013/2018 should consult their own tax, accounting, financial and legal advisers***

Holders should consult their own tax, accounting, financial and legal advisers regarding the suitability to themselves of the tax or accounting consequences of participating or declining to exchange their Convertible Bonds 2013/2018 and an investment in the Convertible Capital Securities.

The relevant Exchange Ratio (based on nominal value) may not reflect the market value of the corresponding securities upon their listing to the two stock exchanges.

The Convertible Capital Securities will be admitted for trading on the Cyprus Stock Exchange and the Athens Exchange. To the extent that the Convertible Capital Securities are traded, prices of the Convertible Capital Securities will fluctuate greatly depending on the trading volume and the balance between buy and sell orders.

**RISKS RELATED TO THE BANK'S SHARES*****The Cyprus Stock Exchange and the Athens Exchange are less liquid and more volatile than other Exchanges***

Bank of Cyprus shares are traded on the Main Market of the Cyprus Stock Exchange (CSE) and the Athens Exchange (ATHEX). The CSE and ATHEX are less liquid than major markets elsewhere in Europe and the United States. Consequently, holders of Bank of Cyprus shares may face difficulties disposing of their shares, especially in large blocks. The value of the Bank's shares may be adversely affected by sales of substantial amounts of its shares or the perception that such sales could occur.

The CSE and ATHEX have in the past experienced substantial fluctuations in the market prices of listed securities. This has in the past, and may in the future affect, shares of companies listed on the CSE and ATHEX, including the market price and liquidity of Bank of Cyprus shares.

***The price of Bank of Cyprus shares may be volatile***

The market price of the Bank's shares may be subject to wide fluctuations in response to numerous factors, many of which are beyond the Bank's control. These factors include, but are not limited to, the following:

- fluctuations in the Group's results;
- the course of the Cyprus economy;
- potential or actual sale of large blocks of Bank of Cyprus shares in the market;
- changes in financial estimates by equity analysts or the Bank's failure to meet analyst expectations;
- allegations made or proceedings against current or former members of the Bank's Board of Directors and senior management team;
- political instability or military conflict in Cyprus or abroad; and
- the general state of the securities markets.

***Marketability of the shares resulting from the conversion of the Convertible Capital Securities***

No approval has been granted from the Cyprus Stock Exchange (CSE) and Athens Exchange (ATHEX) Councils for the listing of the shares resulting from any conversion of the Convertible Capital Securities.

If for any reason the CSE and ATHEX Councils do not approve the listing of the aforementioned shares on the CSE or ATHEX, the marketability of such shares resulting from the conversion of the Convertible Capital Securities decreases substantially.

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

This Prospectus has been drafted in accordance with the relevant legislation. The 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 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.

This Prospectus contains all information concerning the Company and the issue of the Capital Securities required to be publicised by the Public Offer and Prospectus Law of 2005 of the Republic of Cyprus and the Commission Regulation (EC) 809/2004 and which concerns the Company and the current issue of the Convertible Capital Securities.

This Prospectus, contains all the information necessary for the investors to evaluate the assets, liabilities, financial position, performance and prospects of the Company as well as the rights incorporated in the Bank's Convertible Capital Securities which will be issued and listed on the CSE and Athex.

The Company assumes full responsibility for the information contained in this Prospectus and declares that the information contained in this 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 are also responsible jointly and severally for the information contained in this Prospectus and declare that, having taken all reasonable care to ensure that such is the case, the information and facts contained in it are to the best of their knowledge, in accordance with the facts, complete and true, 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.

In accordance with the provisions of the Public Offer and Prospectus Law of 2005 this Registration Document has been signed by all the Directors of the Bank of Cyprus.

The Cyprus Investment and Securities Corporation (CISCO) Limited 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 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 121800.

- The following departments of Bank of Cyprus :

***In Cyprus***

Shares and Loan Stock Department

Eurolife House, 4 Evrou Street, PO Box 24884, 1398 Nicosia, tel: +357 22121755

***In Greece***

Custody, Registry and Derivatives Clearing Department

26 Feidippidou and Chalkidonos 115 27 Athens

Tel: +30 210 6477555

**Auditors**

The Group's financial statements are audited by external auditors. Ernst & Young, ICPAC Reg. No. S001/047, has audited the Group's consolidated financial statements and the financial statements of the Bank and all its subsidiary companies for the years 2006-2007, and whilst Ernst & Young Ernst & Young Cyprus Ltd, ICPAC Reg. No. E146/062, has audited the Group's consolidated financial statements and the financial statements of the Bank and all its subsidiary companies for the year 2008 except for the following companies: The Cyprus Investment and Securities Corporations Ltd (CISCO) whose financial statements were audited by KPMG Limited, ICPAC Reg. No. E194/028, Bank of Cyprus Mutual Funds Ltd, Kermia Limited (years 2006-2008), Kermia Hotels Ltd (years 2006 – 2008) and Kermia Properties and Investments Ltd (years 2006-2008) whose financial statements were audited by Deloitte Cyprus, ICPAC Reg. No. E047/042 and Cytrustees Investment Public Company Ltd and JCC Payment Systems Ltd whose financial statements were audited by PricewaterhouseCoopers Cyprus, ICPAC Reg. No. E02/008.

### 3.0 SELECTED HISTORICAL FINANCIAL INFORMATION

The following summarized financial information set out below was extracted from the Group's financial statements for years 2006, 2007 and 2008, which have been audited by the Group's external auditors. The Group's external auditors for years 2006 and 2007 were Ernst & Young whilst for the year 2008 were Ernst & Young Cyprus Ltd. The published audited consolidated financial statements for the years 2006 and 2007 were prepared in Cyprus Pounds which was the reporting currency for the Group's financial statements during the relevant period. The conversion from Cyprus Pounds to Euro for the presentation of the following summarized financial information, was effected using the conversion ratio of €1=£0,585274.

The consolidated financial statements give a true and fair view of the financial position of the Group for the years ended 31 December 2006, 2007 and 2008 in accordance with International Financial Reporting Standards as adopted by European Union and the requirements of the Cyprus Companies Law, Cap. 113.

The consolidated financial statements of the Group for the years 2006, 2007 and 2008 are incorporated by reference in this prospectus in accordance with the provisions of article 28 of Law 809/2004 of the European Union Commission.

#### CONSOLIDATED INCOME STATEMENTS for the years ended 31 December 2008, 2007 and 2006

	2008	2007	2006
	€000	€000	€000
<b>Turnover</b>	2.690.380	2.170.650	1.664.673
Interest income	2.098.057	1.728.818	1.285.273
Interest expense	(1.305.906)	(976.439)	(672.519)
Net interest income	792.151	752.379	612.754
Fee and commission income	227.214	210.504	183.434
Fee and commission expense	(9.408)	(12.381)	(10.675)
Foreign exchange income	158.790	46.711	35.520
Net gains on sale, change in fair value and impairment of financial instruments	(59.719)	29.050	25.593
Insurance income	31.590	174.826	210.267
Insurance claims	29.530	(118.376)	(165.157)
Other income	35.104	32.372	14.897
	<b>1.205.252</b>	<b>1.115.085</b>	<b>906.633</b>
Staff costs	(330.988)	(295.597)	(266.342)
Other operating expenses	(220.631)	(190.397)	(156.959)
<b>Profit before provisions</b>	<b>653.633</b>	<b>629.091</b>	<b>483.332</b>
Provisions for impairment of loans and advances	(91.601)	(55.877)	(99.712)
<b>Profit before share of profit of associates</b>	<b>562.032</b>	<b>573.214</b>	<b>383.620</b>
Share of (loss)/profit of associates	(10.418)	9.148	-
<b>Profit before tax</b>	<b>551.614</b>	<b>582.362</b>	<b>383.620</b>
Taxation	(72.931)	(91.843)	(70.765)
<b>Profit after tax</b>	<b>478.683</b>	<b>490.519</b>	<b>312.855</b>
<b>Profit after tax attributable to:</b>			
Minority interest (loss/(profit))	(23.705)	5.351	-
<b>Shareholders of the Company</b>	<b>502.388</b>	<b>485.168</b>	<b>312.855</b>
Basic earnings per share (cent) <sup>1</sup>	<b>87,6</b>	<b>86,3</b>	<b>56,5</b>
Diluted earnings per share (cent) <sup>1</sup>	<b>82,1</b>	<b>86,3</b>	<b>56,5</b>

1. The weighted number of shares for the years 2006 and 2007 has been adjusted for the bonus element of the shares which have resulted from the Dividend Reinvestment Scheme at the payment of dividends. To this respect the earnings per share for the years 2006 and 2007 differ from those in the published audited financial statements for the corresponding years.

**CONSOLIDATED BALANCE SHEET**  
**as at 31 December 2008, 2007 and 2006**

	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>
<i><b>Assets</b></i>			
Cash and balances with central banks	1.017.073	1.325.191	1.169.280
Placements with banks	4.582.076	6.158.367	4.265.176
Investments at fair value through profit or loss	120.000	-	-
Life insurance business assets attributable to policyholders	4.240.719	4.131.148	4.010.566
Loans and advances to customers	447.679	530.610	490.637
Investments available-for-sale and held-to-maturity	24.449.316	18.920.921	14.336.277
Property and equipment	419.395	319.662	262.805
Intangible assets	442.445	82.127	70.348
Other assets	382.850	277.846	291.672
Investment in associate	5.663	17.318	-
<b>Total assets</b>	<b>36.107.216</b>	<b>31.763.190</b>	<b>24.896.761</b>
<i><b>Liabilities</b></i>			
Amounts due to banks	2.832.298	1.233.337	471.031
Repurchase agreements	305.000	435.140	-
Customer deposits	27.935.747	25.178.966	20.725.951
Insurance liabilities	506.447	608.566	561.489
Debt securities in issue	959.169	1.253.690	742.182
Other liabilities	578.103	379.553	299.240
Subordinated loan stock	934.085	668.748	551.231
<b>Total liabilities</b>	<b>34.050.849</b>	<b>29.758.000</b>	<b>23.351.124</b>
<i><b>Equity</b></i>			
Share capital	586.662	483.726	473.144
Share premium	676.949	688.349	583.257
Revaluation and other reserves	(99.759)	186.325	164.721
Retained earnings	877.225	607.668	324.515
<b>Equity attributable to shareholders of the Company</b>	<b>2.041.077</b>	<b>1.966.068</b>	<b>1.545.637</b>
<b>Minority interest</b>	<b>15.290</b>	<b>39.122</b>	<b>-</b>
<b>Total equity</b>	<b>2.056.367</b>	<b>2.005.190</b>	<b>1.545.637</b>
<b>Total liabilities and equity</b>	<b>36.107.216</b>	<b>31.763.190</b>	<b>24.896.761</b>
<i><b>Contingent liabilities and commitments</b></i>			
Contingent liabilities	1.962.350	1.751.677	1.464.738
Commitments	4.249.627	3.417.512	2.720.661

**PART B':        TERMS AND CONDITIONS OF THE ISSUE AND LISTING OF  
CONVERTIBLE CAPITAL SECURITIES AND OTHER  
IMPORTANT INFORMATION**

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## PART B: TERMS AND CONDITIONS OF THE ISSUE AND LISTING OF CONVERTIBLE CAPITAL SECURITIES AND OTHER IMPORTANT INFORMATION

### I. EXPECTED TIMETABLE AND KEY ISSUE TERMS

#### 1. Expected Timetable

The following table illustrates the timetable of this issue and listing of the Convertible Capital Securities to the CSE and the ATHEX. It is noted that this is an indicative timetable for the purpose of providing an initial time estimate of the required procedure until the start of trading of the Convertible Capital Securities on the CSE and the ATHEX.

Date	Event
<b>30/04/2009</b>	Date of approval of the Prospectus for publication.
<b>7/5/2009</b>	Last trading day for the CSE & Athens Stock Exchange including the Priority Right (cum right).
<b>8/5/2009</b>	CSE & Athens Stock Exchange trading day without the Priority Right (ex-right).
<b>12/5/2009</b>	Record date for the Priority Right for subscription to the Convertible Capital Securities Issue
<b>18/5/2009</b>	Dispatch of Allotment Letters for the Priority Right to all Eligible shareholders <i>(not applicable for shareholders of Exempt Countries)</i>
<b>20/5/2009 - 5/6/2009</b>	<b>Subscription period</b> of the Convertible Capital Securities from the Eligible Holders of the Priority and other investors (including Convertible Bond 2013/2018 Holders) at the price of €1 per Convertible Capital Security (not applicable for shareholders of Exempt Countries)
<b>5/6/2009</b>	<b>Last submission date</b> for applications from <b>Eligible Holders with Priority</b> and other investors
<b>17/6/2009</b>	Dispatch of Convertible Capital Securities Allotment letters

The Company will file all relevant documents relating to the listing of the Convertible Capital Securities with both the CSE and the ATHEX within ten working days from the Last Subscription Date for the Convertible Capital Securities.

The date of the introduction for trading of the Convertible Capital Securities will be announced to the CSE and the ATHEX and through the Cypriot and Greek press. The date of the introduction for trading of the Convertible Capital Securities will be within five working days from the date that the listing of the Convertible Capital Securities is approved by both Exchanges.

It is noted that the timetable may be affected by other unforeseen circumstances and may be altered accordingly. Such amendments will be announced to the CSE and the ATHEX and through the Cypriot and Greek press.

2. Key terms of the Convertible Capital Securities Issue

<b>Issuer</b>	Bank of Cyprus Public Company Limited
<b>Securities Offered</b>	Convertible Capital Securities with no maturity
<b>Total issue size</b>	Up to €645.327.822
<b>Nominal Value</b>	€1,00
<b>Issue Price</b>	At par and multiples thereof
<b>Offer and Allotment</b>	<p>Convertible Capital Securities will be offered to all registered shareholders in the ratio of €11 Convertible Capital Securities for every 10 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>Cum priority right Date</b>	7 May 2009, meaning that investors who purchase shares by the market close of the Cyprus Stock Exchange and the Athens Stock Exchange on the 7 May 2009, will be granted with Priority to participate to the Bank's Convertible Capital Securities issue.
<b>Record Date</b>	12 May 2009
<b>Applications for unsubscribed Convertible Capital Securities</b>	<p>During the Subscription Period, Non-eligible shareholders will be able to submit applications for any unsubscribed Convertible Capital Securities.</p> <p>At the allotment of any unsubscribed Convertible Capital Securities priority will be given to subscriptions of Convertible Bonds 2013/18 holders.</p>
<b>Subscription Consideration Payment</b>	<p>Eligible Shareholders and other applicants may subscribe to the Convertible Capital Securities issue either by paying the corresponding consideration for the Convertible Capital Securities in cash or by exchanging existing Convertible Bonds 2013/18 of an equal nominal value.</p> <p>Any Convertible Bonds 2013/18 that will be exchanged as consideration and accepted by the Bank for subscription to the issue of the Convertible Capital Securities will be cancelled and the Bank will cease to have any obligations in relation to the cancelled Convertible Bonds 2013/18. The Bank will pay the accrued interest for the period 1<sup>st</sup> January 2009 – 5<sup>th</sup> June 2009 on the Convertible Bonds 2013/18 that will be accepted as consideration to this issue of Convertible Capital Securities.</p>
<b>Status</b>	The Convertible Capital Securities constitute direct, unsecured and subordinated securities of the Issuer and rank pari passu without any preference among themselves.

## SECTION II

### Part B

<b>Subordination</b>	<p>The rights and claims of the holders of Convertible Capital Securities 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 Convertible Capital Securities.</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 subordinated issues, which classify as Tier 1 Capital.</li> <li>- have priority solely over the shareholders of the Bank.</li> </ul> <p>No payment in relation to the Convertible Capital Securities will be payable unless the Bank is solvent and will continue to be solvent immediately following such a payment.</p>
<b>Duration</b>	The Convertible Capital Securities are perpetual without a maturity date (refer to “Redemption” clause below).
<b>Coupon</b>	The Convertible Capital Securities will bear a fixed interest rate of 5,50% per annum for the first 10 Interest Payment Periods i.e. until 30 June 2014 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>Interest Payment and Interest Date</b>	<p>Interest will be paid semi-annually in arrears at the end of each Interest Period. The Interest Payment Dates are set as 30 June and 31 December of each year.</p> <p>Each Convertible Capital Security will cease to accrue interest from the redemption/ conversion date.</p>
<b>Conversion Right</b>	The Convertible Capital Securities may be converted at the option of the holder during any Conversion Period.
<b>Conversion Price</b>	€5,50 per ordinary share of the Bank of nominal value €1,00
<b>Conversion Period</b>	15-30 September & 15-31 March
<b>First Conversion Period</b>	15-30 September 2010
<b>Last Conversion Period</b>	15-31 March 2014
<b>Redemption</b>	The Bank may elect to redeem all but not some only of the Convertible Capital Securities, at their principal amount together with the accrued interest, on 30 June 2014 or any other Interest Payment Date thereafter, subject to the prior approval of the Central Bank of Cyprus and provided that the Convertible Capital Securities will be replaced by Tier 1 Capital, unless the Central Bank of Cyprus is satisfied that the Bank’s capital adequacy is satisfactory.
<b>Redemption Price</b>	At par, i.e. €1 per Convertible Capital Security.
<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 Convertible Capital Securities, until before the end of the Last Conversion Period, a Special Automatic Conversion Period is activated, during which the holders of Convertible Capital Securities may convert their Convertible Capital Securities.
<b>Coupon Deferral</b>	If the Bank, at its sole discretion, determines prior to any interest payment date that it is in non-compliance with the required capital adequacy as set by the Central Bank of Cyprus, or the payment of interest will result in non-

	compliance with the required capital adequacy, then the Bank may elect to defer such interest payment, subject to the restrictions described in clause “Dividend and Capital Restrictions” below.
<b>Dividend and Capital Restriction</b>	If the Bank defers an interest payment for any reason then no dividend payment or any other payment (redemption, purchase) will be permitted on the ordinary share capital or other Tier 1 securities of the Bank, unless or until the Coupon Payments due on the Convertible Capital Securities have been paid in full.
<b>Alternative Coupon Satisfaction Mechanism</b>	The investors will always receive interest payments made in respect of the Convertible Capital Securities in cash. However, if the Bank defers an interest payment, then any such deferred interest payment may be satisfied by the Bank and through the issue of ordinary shares to the Holders of the Convertible Capital Securities following an approval of a shareholders’ Extraordinary General Meeting.
<b>Insufficiency</b>	The Bank is required to maintain sufficient authorised and unissued share capital as it reasonably deems necessary from time to time, to satisfy any Alternative Interest Payments through the use of the Alternative Coupon Satisfaction Mechanism.
<b>Substitution, Variation, Redemption for Regulatory / Legal Purposes</b>	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 Convertible Capital Securities together with any accrued interest outstanding. Alternatively, the Convertible Capital Securities, with the consent of the Central Bank of Cyprus, may be exchanged or their terms may be varied so that they will constitute securities of lower ranking in accordance with the Central Bank of Cyprus regulations in force.
<b>Use of Proceeds</b>	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.
<b>Governing Law/ Jurisdiction</b>	The Laws of the Republic of Cyprus.
<b>Listing and Trading</b>	The Convertible Capital Securities will be listed and traded on the Cyprus Stock Exchange and the Athens Exchange, upon receiving all necessary approvals from the competent regulatory authorities.
<b>Lead Manager</b>	The Cyprus Investment and Securities Corporation Limited (CISCO).

**II. TERMS & CONDITIONS OF THE CONVERTIBLE CAPITAL SECURITIES**

The issue of the Convertible Capital Securities with priority for subscription by shareholders was decided at the Board of Directors' meeting on 25 February 2009. The Extraordinary General Meeting of the Bank's Shareholders which was convened on 2 April 2009 for this purpose, authorised the issue of up to 645.327.822 Convertible Capital Securities of nominal value €1,00 each, with priority for subscription granted to shareholders.

The Priority for Subscription to the issue will be granted to the Bank's Shareholders registered at the Central Depository/ Registry of the CSE and the Dematerialized Securities System (DSS) of the Hellenic Exchanges as at the Record Date on 12/5/2009. From 8/5/2009 onwards, the Bank's shares will be traded without the Priority (ex-priority) for Subscription to the current Convertible Capital Securities issue. Consequently, the 7/5/2009 is set as the Cum Priority Date for the determination of the Eligible Holders of the Priority for Subscription, meaning that investors who purchase shares by the market close of the Cyprus Stock Exchange and the Athens Stock Exchange on the 7/5/2009, will be granted with Priority to participate to the Bank's Convertible Capital Securities issue.

The Bank will issue up to 645.327.822 Convertible Capital Securities of nominal value €1,00 each with a subscription priority right of €11 (Eleven Euro) worth of Convertible Capital Securities of nominal value €1,00 each, for every 10 (ten) shares held as at Record Date.

**1. Size of Issue, Form, Denomination and Title*****(a) Size of issue***

The size of the current issue will be up to €645.327.822.

***(b) Nominal Value, Issue price and Denomination***

The Convertible Capital Securities will be issued at par in principle amounts of €1,00 each and higher integral multiples thereof.

***(c) Titles***

The Bank has applied for the listing of the Convertible Capital Securities on the CSE and the ATHEX and waits for the relevant approvals from the responsible bodies of the two exchanges. Once the Convertible Capital Securities are listed, the register of holders of Convertible Capital Securities will be maintained in dematerialized form by the Central Registry/ Depository of the CSE and the Dematerialized Securities System (DSS) of the ATHEX.

The Convertible Capital Securities will be traded on the CSE and the ATHEX with ticker and ISIN codes, which will be allocated by the two exchanges upon the approval for the listing of the Convertible Capital Securities.

**2. Status*****(a) Status and Subordination of the Convertible Capital Securities***

The Convertible Capital Securities are direct and unsecured subordinated obligations of the Bank, ranking pari passu without any preference among themselves.

The rights and claims of the holders of Convertible Capital Securities of this issue:

- (i) are subordinated to the claims of the creditors of the Bank, who are:
  - depositors or other unsubordinated creditors of the Bank

- subordinated creditors, except those creditors whose claims rank pari passu with the claims of the holders of the Convertible Capital Securities.
  - holders of subordinated Bonds of the Bank.
- (ii) rank pari passu with the rights and claims of holders of other subordinated issues, which qualify as Tier 1 Capital of the Bank.
- (iii) have priority solely over the shareholders of the Bank.

***(b) Subordination***

***(i) Condition to Payment by the Bank***

The rights and claims of the Holders and Couponholders are subordinated to the claims of the creditors of the Bank. Accordingly, payments in respect of or arising from the Convertible Capital Securities (and the issue of Bank Shares in accordance with Condition 6), are conditional upon the Bank being solvent at the time of payment by the Bank and no principal or coupon payments shall be due and payable in respect of the Convertible Capital Securities (including the issue of Bank Shares in accordance with Condition 6) except to the extent that the Bank could make such payment and still be solvent immediately thereafter.

For the purposes of this Prospectus, the Bank shall be considered to be solvent if (a) it is able to pay its debts to its Senior Creditors as they fall due and (b) its Assets exceed its Liabilities (other than its Liabilities to persons who are not Senior Creditors). For the purposes of this Condition 2(b)(i), any reference to a payment by the Bank in respect of a Convertible Capital Security shall be deemed to include a purchase of such Convertible Capital Security by the Bank.

***(ii) Solvency Claims***

Amounts in respect of principal or coupon payments in relation to the conditions referred to in Condition 2(b)(i), which are not settled on the date upon which they would otherwise be due and payable, will be payable by the Bank in a winding-up or administration of the Bank as provided in Condition 3 and in any redemption pursuant to Condition 7(b) or 7(c). A Solvency Claim shall not bear interest.

***(iii) Seniority of Tier 1 Securities***

As long as the Convertible Capital Securities remain in issue, the Bank shall not issue any preference shares or other similar securities (independent of name or description) which classify as Tier 1 capital, if such preference shares or similar securities will have priority over (in respect of capital distribution or interest payment or other amounts) the Convertible Capital Securities. This restriction shall not apply if the Trust Deed and the Convertible Capital Securities are modified accordingly so that the holders of Convertible Capital Securities acquire such rights as those to be included in preference shares or similar securities, which will be required for the Convertible Capital Securities to rank pari passu and have equivalent rights in respect of capital distributions or interest payments or other amounts, with the aforementioned other securities.

***(iv) Set-off***

Subject to applicable law, no Holder may exercise, claim or plead any right of set-off in respect of any amount owed to it by the Bank arising under or in connection with the Convertible Capital Securities and each Holder shall, by virtue of his holding of any Convertible Capital Security, be deemed to have waived all such rights of set-off.

**(c) Reserve to be put towards the losses of the Bank**

If the condition to payment set out in Condition 2(b)(i) is not satisfied, any sums which would otherwise have been payable in respect of the Convertible Capital Securities but are not paid by reason of such condition to payment, will be available to be put towards the losses of the Bank.

**(d) Solvency reports**

Any report as to the solvency of the Bank by the Board of Directors of the Bank or its Auditors or, if the Bank is in a winding-up, its liquidator or, if the Bank is in administration, its administrators, shall, in the absence of manifest error, be treated and accepted by the Bank, the Trustee and the Holders as correct and sufficient evidence thereof.

**3. Winding-Up or Administration**

If the Bank is in a winding-up or in administration, there shall be payable by the Bank in respect of each Convertible Capital Security, such amount, if any, as would have been payable to the Holder if, on the day prior to the commencement of the winding-up or administration and thereafter, such Holder were the holder of one of a Tier 1 class securities in the capital of the Bank, and so rank ahead of the holders of all other classes of issued shares in the capital of the Bank, but rank junior to the claims of Senior Creditors (as defined in the section "Definitions") by reference to which the amount payable in a winding-up or administration of the Bank is determined, on the assumption that the amount that the Holder was entitled to receive in respect of each Convertible Capital Security on a return of assets in such winding-up or administration, was an amount equal to the principal amount of the relevant Convertible Capital Security. No amount in respect of accrued coupon payments, including Coupon Deferrals, will be payable.

On a winding-up or administration of the Issuer, there may be no surplus assets available to meet the claims of the Holders after the claims of the parties ranking senior to the Holders (as provided in Condition 3) have been satisfied.

**4. Coupon Deferral**

The Bank makes Coupons Payments on the corresponding Coupon Payment Dates, in accordance with these Terms & Condition of the Convertible Capital Securities. If the Bank, at its sole discretion, determines prior to any Coupon Payment Date that it is in non-compliance with the required capital adequacy as set by the Central Bank of Cyprus, or the Coupon Payment will result in non-compliance with the required capital adequacy, then the Bank may elect to defer such Coupon Payment, subject to the restrictions described below. Such Coupon Payment may be deferred after giving notice of such election to the Trustee and the Holders, of not less than 10 Business Days prior to the relevant Coupon Payment Date. The Bank shall only be obliged to satisfy any Deferred Coupon Payment upon the occurrence of the first of the following to occur: (i) redemption of the Convertible Capital Securities in accordance with Condition 7(b); and (ii) redemption, substitution or variation of the terms of the Convertible Capital Securities in accordance with Condition 7(c).

If the Bank gives such notice in accordance with this Condition 4, the following Dividend and Capital restrictions shall apply from the date the notice is given until the Bank satisfies the next Coupon Payment.

For the purposes of this Condition, "Dividend and Capital Restrictions" means:

- (a) the Bank shall not declare or pay any distribution or dividend, or make any other payment on the ordinary share capital or other Tier 1 securities of the Bank,
- (b) the Bank shall not redeem, purchase, or otherwise acquire its share capital or any Other Tier 1 securities (save where those shares or securities being redeemed, purchased or acquired are replaced contemporaneously by an issue of shares or securities of the same aggregate principal amount and the same ranking on a return of assets on a winding-up or administration or in respect

of a distribution or payment of dividends or any other amounts thereunder to those shares or securities being redeemed, purchased or acquired).

Any such Deferred Coupon Payment will be satisfied only through the issue of Ordinary Shares of the Bank in accordance with Condition 6.

Notwithstanding any other provision in these Conditions or the Trust Deed, the deferral of any Coupon Payment by virtue of this Condition 4 or Condition 2(b)(i) shall not constitute a default for any purpose on the part of the Bank. Any Coupon Payment so deferred shall not, except in the circumstances provided in Condition 6(d), bear interest.

## **5. Coupon Payment**

### ***(a) Coupon***

The Convertible Capital Securities will bear a fixed interest rate of 5,5% per annum for the first five years i.e. up to and including 30 June 2014, and thereafter a floating interest rate which will be set at the beginning of each Coupon Payment Period and will be in force for each corresponding Coupon Payment Period.

The floating interest rate will be equal to the 6-month Euribor in force at the beginning of each Coupon Payment Period, plus 3,00% per annum. At the date of this Prospectus, the 6-month Euribor rate is 1,57%. Information for past and future rates of Euribor can be retrieved from [www.euribor.org](http://www.euribor.org).

### ***(b) Coupon Payment Date***

Interest is payable (in accordance with Conditions 2(b)(i), 2(b)(ii), 4, 6(d), 6(e) και 5(f)) on a semi-annual basis in arrears at the end of each Coupon Payment Period. The first coupon payment falls due on 31 December 2009 for the period from the date of issue (included) until 31 December 2009 (included). Each Convertible Capital Security will cease to bear interest from the day of its redemption.

Interest will be paid to the Holders registered on the registry of Convertible Capital Securities Holders as at the relevant record date. The Bank will announce the Coupon Payment record date in a timely manner prior to each Coupon Payment Date.

The Bank will announce the next Coupon Payment Date, as provided in Condition 13.

Interest Payment Dates are set as follows:

30 June  
31 December

### ***(c) Method of Payment***

Coupon Payments will be made by means of a cheque which will be mailed to the Holder's address, or by transfer to a bank account maintained with the Bank of Cyprus, following the Holder's instructions. If the Convertible Capital Securities are registered in the name of two or more persons as joint owners, the cheque will be posted to the address of the person whose name is listed first on the Holders Register or it will be transferred to the account indicated by the joint owners. Coupon Beneficiaries for any Coupon Period will be deemed the Holders registered in the Convertible Capital Securities Registry as at the record date, as this will be announced.

### ***(d) Interest Calculation Basis***

Interest will be calculated on the basis of actual days elapsed for every Coupon Period divided by 360.



***(e) Interest Accrual as at Redemption/ Conversion***

Each Convertible Capital Security will cease to bear interest (i) where the Conversion Right shall have been exercised by its Holder, from the Coupon Payment Date immediately preceding the relevant Conversion Date or (ii) where such Convertible Capital Security is being redeemed or repaid, from the due date for redemption or repayment thereof unless payment of principal is improperly withheld or refused, in which event interest will continue to accrue and be payable at the Interest Rate until the day on which all sums due in respect of the Convertible Capital Securities up to that day, are received by or on behalf of the relevant Holder or the day after the Trustee has notified the Convertible Capital Securities Holders of receipt of all sums due in respect of all the Convertible Capital Securities up to that day.

***(f) Payments Subject to Fiscal Laws***

All payments in accordance with this Condition are subject, in all cases, to any applicable fiscal or other laws and regulations and in accordance to the legislation in force regarding the Income Tax and the Special Contribution to the Defense Fund laws (or any other laws that replace or are enforced in addition to these). All applicable subscriptions and/or taxes will be deducted in accordance with Condition 10.

***(g) Suspension***

Subsequently to any take-over offer or any reorganisation, restructuring or scheme of arrangement, the Bank may, after giving notice to the Trustee and the Holders, select to suspend its obligation for satisfying any Payment in accordance with Condition 6.

In such an event, the Bank shall determine the appropriate amendments (if any) to these Conditions (and any other relevant documents) in order to preserve substantially the economic effect for the Holders, of a holding of the Convertible Capital Securities prior to the Suspension.

Upon any such determination being reached, the Bank shall, without any requirement for the consent or the approval of the Holders or Couponholders, effect the amendments that has determined as appropriate, together with any necessary consequential changes to these Conditions and to any other relevant documents, whereupon the satisfaction of any Payment by the method contemplated in Condition 6 shall no longer be subject to the Suspension.

***(h) Payments on Business Days***

If the date for payment of any amount in respect of any Convertible Capital Security or Coupon, or any later date on which any Convertible Capital Security or Coupon is presented for payment, is not a business day, then the Holder thereof shall not be entitled to payment at that place of payment of the amount payable until the next following business day at that place of payment, and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition 5(h), "business day" means any day (not being a Saturday, Sunday or a bank holiday) on which commercial banks and foreign exchange markets which settle payments in Euro are open in Cyprus, Greece and in any relevant place of payment.

***(i) Publication of Coupon Rate and Coupon Payment Date***

With the conversion of the Coupon Rate to floating after the first five years, the Bank shall cause notice of the Coupon Rate in respect of each relevant Coupon Period and the corresponding Coupon Payment Date, to be given to the Trustee and any stock exchange or other relevant authority on which the Convertible Capital Securities are, for the time being, listed or admitted to trading and, in accordance with Condition 13, the Holders, in each case as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

The Coupon Rate and the corresponding Coupon Payment Date may subsequently be amended without notice in the event of any extension or shortening of the relevant period in accordance with these Conditions or in the event of proven or manifest error.

**6. Alternative Coupon Satisfaction Mechanism****(a) Alternative Coupon Satisfaction Mechanism (ACSM)**

Each ACSM Payment must be satisfied in accordance with Condition 5(c), subject to the condition that if Condition 4 “Coupon Deferral” applies and the Relevant Payment Date is deferred, such Coupon Deferral may be satisfied by the Bank in full only through the issue of Ordinary Shares and their allotment to the Beneficiary Holders of the Convertible Capital Securities or to the Trustee for the purposes of, and in accordance with, this Condition 6.

**(b) Issue of Ordinary Shares**

Any ACSM Payment shall be satisfied in cash subsequent to the issue and sale of Ordinary Shares, in accordance with Conditions 6(c), 6(d) and 5(g) and after the observance of the relevant procedures as these are provided for by the Memorandum of the Bank:

- (i) on the date of Redemption, the Bank will pay the Coupon Payment to the Beneficiaries,
- (ii) the Trustee shall use reasonable endeavours to ensure that the Coupon Payment has been paid in cash to the Beneficiaries as soon as practicable,
- (iii) If, following the procedure contained above, the proceeds of the issue of the Ordinary Shares will not result in a sum at least equal to the relevant Coupon Payment as at the Relevant Date on which the Coupon Payment becomes due, the Bank shall take such steps as are reasonably necessary to ensure that, through issuing additional Ordinary Shares on one or more further occasions, a sum at least equal to the relevant Coupon Payment will be available to satisfy the relevant Coupon Payment in full on its due date.

The Bank shall, from time to time, maintain a sufficient number of authorised but unissued Ordinary Shares as the Bank may deem required to be issued in accordance with this Condition 6 for the purposes of satisfying in full any deferred Coupon Payment.

**(c) Insufficiency and issue of ordinary shares to Beneficiaries**

Where the Bank elects or is required to satisfy the Coupon Deferral Payment in accordance with the provisions of Condition 6 but does not have adequate cash, the Bank will notify the Trustee and the Holders that the relevant Coupon Deferral will not be satisfied due to the events stated in this Condition. In such a case, the Coupon Deferral Payment will be satisfied through the issue to the Beneficiaries or to the order of the Trustee of Ordinary Shares as required by the provisions of this Condition 6 then, subject to Conditions 6(c), 6(d) and 5(g) by close of business in Cyprus and Greece on or before the seventh Business Day prior to the relevant ACSM Payment Date, the Bank will, subject to it having the necessary corporate authorisations in place, issue and allot in favour of the Beneficiaries such number of Ordinary Shares (the “Payment Ordinary Shares”) as, in the determination of the Bank and the Trustee, will have a market value as near as practicable to, but not less than, the relevant ACSM Payment to be satisfied in accordance with this Condition 6. If the sum resulting from this issue of Ordinary Shares does not satisfy the Coupon Deferral in full, then the relevant Payment will not be satisfied until a sufficient amount of Ordinary Shares is authorised to be issued to satisfy in full the relevant Coupon Deferral Payment and, until such time, the Bank shall not be entitled to exercise its option pursuant to any of Conditions 7(b) or 7(c) to redeem, substitute or vary the terms of any of the Convertible Capital Securities. The Bank shall give notice to the Trustee of the relevant Coupon Payment Date and the date the relevant notice was given.

In case where, in a general or extra-ordinary meeting, a proposed resolution to increase the ordinary share capital is voted down, such resolution will be proposed thereafter to every annual general meeting or any extra-ordinary general meeting; the Capital and Dividend Restrictions will come to effect from the first mentioned notice (in paragraph (i)) up to the date the resolution is voted by the shareholders and in the case where the Capital and Dividend Restrictions is in force in accordance with Condition 4, up to the date (if later) the Restrictions cease to be in force.

**(d) Market Disruption**

Notwithstanding the provisions of Condition 6(b), if there exists, in the opinion of the Bank, a Market Disruption Event on or after the 15<sup>th</sup> Business Day preceding any Coupon Deferral Payment Date, then the Bank may give a notice to the Trustee and the Holders as soon as possible after the Market Disruption Event has arisen or occurred, whereupon the relevant Coupon Payment may be deferred until such time as the Market Disruption Event, in the opinion of the Bank, no longer exists.

Any such deferred Coupon Payment will be satisfied as soon as practicable following such time as the Market Disruption Event, in the opinion of the Bank, no longer exists. Interest shall not accrue on such deferred Coupon Payment, unless, as a consequence of the existence of the relevant Market Disruption Event, the Bank does not satisfy the relevant Coupon Payment for a period of 14 days or more after the relevant Payment Date, in which case interest shall accrue on such deferred Payment from (and including) the relevant Payment Date to (but excluding) the date on which such deferred Payment is satisfied. Any such interest shall accrue in accordance with Condition 5 and shall be satisfied only in accordance with this Condition 6, as soon as reasonably practicable after the relevant deferred Payment is satisfied.

**7. Redemption, Substitution, Variation or Purchase****(a) No Fixed Redemption Date**

The Capital Securities are perpetual securities in respect of which there is no fixed redemption date and the Bank shall (subject to the provisions of Conditions 2 and 3) have the right to redeem them on 30 June 2014 or any subsequent Coupon Payment Date, with the prior approval of the Central Bank of Cyprus, in accordance with the provisions of Condition 7(b) or in the circumstances provided for in Condition 5.

**(b) Issuer's Call Option**

Subject to Condition 2(b)(i), the Bank may, by giving not less than 30 nor more than 60 days' notice to the Holders (in accordance with Condition 13) and the Trustee, elect to redeem all, but not some only, of the Convertible Capital Securities on 30 June 2014 or any subsequent Coupon Payment Date. Any such notice for redemption will stipulate the specific redemption date.

Any redemption of Convertible Capital Securities is subject to the prior approval of the Central Bank of Cyprus provided that the Convertible Capital Securities will be replaced by Tier 1 capital, unless the Central Bank of Cyprus is satisfied that the Bank's capital adequacy is satisfactory.

**(c) Redemption, Substitution or Variation**

If, in the opinion of the Bank, any variation or proposed variation in the legislation or relevant regulations of the Republic of Cyprus leads to unfavourable financial or tax consequences for the Bank in respect of the issue of Convertible Capital Securities or the Convertible Capital Securities are no longer considered as Tier 1 capital by the Central Bank of Cyprus, the Bank may, at any time, subject to the prior approval of the Central Bank of Cyprus (and without any requirement for the consent or the approval of the Holders but after giving notice to the Trustee and the Holders in accordance with Condition 13), act as follows:

- (i) substitute all, but not some only, of the Convertible Capital Securities with lower Tier securities, the terms of which will retain any rights that might arise from the terms of this issue in relation to payable claims.

or

- (ii) vary the terms of these Convertible Capital Securities so that they become lower Tier securities with terms which will retain any rights that might arise from the terms of this issue in relation to payable claims.

or

- (iii) redeem all, but not some only, of the Convertible Capital Securities or any lower Tier securities replacing the Convertible Capital Securities by either substitution or variation in the terms, and any payable claims.

***(d) Purchase***

The Bank may, subject to the prior approval of the Central Bank of Cyprus and in the circumstances provided for in Condition 2(b)(i), at any time purchase Convertible Capital Securities in any manner and at any price. Transactions effected by the Company that pursuant to this clause will not be in violation to the Law on Insider Dealing and Market Manipulation (Market Abuse) of 2005 of the Republic of Cyprus - N116(I) 2005.

Convertible Capital Securities purchased by the Bank may be held, reissued or resold or, at the option of the Bank canceled.

***(e) Cancellation***

All Convertible Capital Securities so redeemed by the Bank will be cancelled and may not be reissued or resold. The obligations of the Bank in respect of any Convertible Capital Securities so cancelled, shall be discharged.

Transactions effected by the Company that pursuant to this clause will not be in violation to the Law on Insider Dealing and Market Manipulation (Market Abuse) of 2005 of the Republic of Cyprus - N116(I) 2005.

***(f) Trustee Not Obligated to Monitor***

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists within this Condition 7 or whether a Suspension under Condition 5(g) has occurred and will not be responsible to Holders for any loss arising from any failure by it to do so.

Unless and until the Trustee has actual knowledge of the occurrence of any event or circumstance within this Condition 7 or the occurrence of a Suspension under Condition 5(g), it shall be entitled to assume that no such event or circumstance exists.

**8. Non-Payment when due**

Notwithstanding any of the provisions below in Condition 8, the right to institute winding-up proceedings is limited to circumstances where payment has become due. No Principal or Coupon Payment will be due unless, according to Condition 2(b)(i), the Bank is solvent at the time of payment or the Bank remains solvent immediately after making such payment. Also, in the case of any Coupon Payment, such Payment will not be due if the Bank has elected to defer that Payment pursuant to Condition 4 or if the circumstances referred to in any of Conditions 6(c), 6(d) or 5(g) then apply. The Trust Deed contains provisions entitling the Trustee to claim from the Bank, inter alia, the fees, expenses and liabilities incurred by it in carrying out its duties under the Trust Deed. The restrictions on commencing winding-up proceedings described below, will not apply to any such claim.

- (a) If the Bank shall not make payment in respect of the Convertible Capital Securities (in the case of payment of Principal or Coupon, Coupon Deferral Payment, or any other payment included in the provisions of the Trust Deed in relation to non payment in full) for a period of 30 days or more after the due date, the Bank shall be deemed to be in default under the Trust Deed and the holders of Convertible Capital Securities, the Coupon Beneficiaries and the Trustee may, notwithstanding the provisions of Condition 8(b), institute proceedings in the Republic of Cyprus (but not elsewhere) for the winding-up of the Bank, provided that it shall not have the right to institute such proceedings if the Bank withholds or refuses any such payment (i) in order to comply with any fiscal or other law or regulation or with the order of any court of competent jurisdiction, in each case applicable to such payment, the Convertible Capital Security, the Bank, or the holder of

- the Convertible Capital Security or Coupon Beneficiary or (ii) in case of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice as to such validity or applicability given at any time during the said period of 30 days by independent legal advisers.
- (b) Subject to the provisions of Condition 6, the Trustee may, at its discretion and without further notice, institute such proceedings against the Bank as it may think fit to enforce any term or condition binding on the Bank under the Trust Deed, the Convertible Capital Securities or the Coupons, provided that the Bank shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.
- (c) The Trustee shall not be bound to take any of the actions referred to in Conditions 8(a) or (b) above against the Bank to enforce the terms of the Trust Deed, the Convertible Capital Securities or the Coupons unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the holders of at least one-fifth in principal amount of the Convertible Capital Securities then outstanding and (ii) it shall have been indemnified and/or secured to its satisfaction.
- (d) No Holder or Couponholder shall be entitled to proceed directly against the Bank to institute proceedings for the winding-up of the Bank or to prove in any winding-up of the Bank unless the Trustee, having become so bound to proceed, fails to do so within a reasonable period, in which case the Holder or Couponholder shall have only such rights against the Bank as those which the Trustee is entitled to exercise.

## **9. Conversion of the Convertible Capital Securities to Shares**

The Holder of each Convertible Capital Security shall have the right to convert such Convertible Capital Security into Shares credited as fully paid, as hereinafter provided.

The Shares of the Bank of Cyprus are traded on the Cyprus Stock Exchange with ticker symbol BOCY and ISIN number CY000010011 and on the Athens Exchange with ticker symbol KYIIP and ISIN number CY000010011. Information on the shares of the Bank and the trading on the CSE and the ATHEX is available on the Bank of Cyprus webpage ([www.bankofcyprus.com](http://www.bankofcyprus.com)) and the webpages of CSE ([www.cse.com.cy](http://www.cse.com.cy)) and ATHEX ([www.athex.gr](http://www.athex.gr)).

The Bank undertakes, at any time during which the Convertible Capital Securities may be converted to shares, to keep available, authorised but unissued such a number of Shares, that would satisfy the Convertible Capital Securities' conversion and the subsequent issue of Shares arising from the conversion.

### (a) Conversion Periods

The Holder of each Convertible Capital Security shall have right to convert such Convertible Capital Security into Shares (as provided in the conversion procedures, in Condition 9(i)) during the following Conversion Periods:

Year	Conversion Period
2010	15-30 September
2011	15-31 March & 15-30 September
2012	15-31 March & 15-30 September
2013	15-31 March & 15-30 September
2014	15-31 March

If the last Conversion Date of any Conversion Period is not a business day, then such Conversion Period will be considered to have ended at the latest business day before the last.

### (b) Conversion Price

The initial Conversion Price is €5,50 per Ordinary Share of nominal value of €1,00 each. The Conversion Price is subject to adjustment in the circumstances described in Condition 9(c).

The number of new fully paid shares issued on conversion of the Convertible Capital Securities, shall be determined by dividing the principal amount of the relevant Convertible Capital Securities thereof being converted, by the Conversion Price in effect during the relevant Conversion Period. Fractions of Shares will not be issued on conversion and the relevant Holder will be paid, by means of a cheque or transfer to a bank account maintained with the Bank of Cyprus, the principal amount of the relevant Convertible Capital Securities converted but not summing up to an integer number of Shares.

Shares resulting upon the conversion during any Conversion Period, will be registered to the name of the Holder on the last date of any Conversion Period which will be regarded as the Allocation Date for the new Shares.

### (c) Adjustment of the Conversion Price

Upon the happening of any of the events described below, the Conversion Price shall be adjusted as follows:

- i. If and whenever there shall be a consolidation, reclassification, or subdivision in relation to the Ordinary Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such consolidation, reclassification or subdivision by the following fraction  $\frac{A}{B}$  where:
 

A = is the aggregate number of Ordinary Shares in issue immediately before such consolidation, reclassification or subdivision, as the case may be; and

B = is the aggregate number of Ordinary Shares in issue immediately after such consolidation, reclassification or subdivision, as the case may be.

Such adjustment shall become effective on the date the consolidation, reclassification or subdivision, as the case may be, takes effect and notice will be given as provided in Condition 13.

- ii. If and whenever the Bank shall issue any ordinary shares credited as fully paid to the Shareholders by way of capitalization of profits or reserves other than (1) where such ordinary shares issued instead of the whole or part of a Dividend in cash which the Shareholders could otherwise have received or (2) where the Shareholders may elect to receive a Dividend in cash in lieu of such

Ordinary Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction  $\frac{A}{B}$  where:

A = is the aggregate nominal amount of the issued Ordinary Shares immediately before such issue as described in (ii) above; and

B = is the aggregate nominal amount of the issued Ordinary Shares immediately after such issue as described in (ii) above.

Such adjustment shall become effective on the relevant issue date as described in Condition (ii) above and notice will be given as provided in Condition 13.

- iii. If and whenever the Bank shall pay or make any Capital Distribution (as defined below) to Shareholders the Conversion Price shall be adjusted in accordance with the result of the following calculation:

New Conversion Price = Conversion Price  $\times \left[ \frac{(A - B)}{A} \right]$ , where:

A = is the closing Share Price on the CSE, on the last trading day that the Share trades cum-dividend.

B = is the portion of the Capital Distribution attributable to one ordinary share.

“Capital Distribution” means (a) any Dividend which is expressed as or declared by the Issuer’s Board of Directors to be a capital distribution, extraordinary dividend, extraordinary distribution, special dividend, special distribution or return of value to shareholders or any analogous or similar term, in which case the Capital Distribution shall be the value of such Dividend or (b) any portion of the total dividend per share (DPS) exceeding an amount equal to 70% of basic earnings per share (EPS) or (c) any purchase, redemption or share buy-back by the Bank or any person performing such purchase, redemption or share buy-back on behalf of the Bank at an average price per share (purchased, redeemed or bought-back) exceeding 105% of the average closing price of the Share at the last five trading sessions of the CSE. The Capital Distribution per ordinary Share in (c) shall be the portion of the average cost per share purchased, redeemed or bought back that exceeds 105% of the average closing price of the Share on the previous five trading sessions of the CSE multiplied by the number of shares purchased, redeemed or bought back and divided by the total number of Shares outstanding prior to such purchase, redemption or buy-back.

Such adjustment in the Conversion Price shall take place on the first date that the Shares trade ex-such Capital Distribution.

For the purposes of this condition the term Dividend includes any dividend payment made in ways other than cash, such as dividends in kind by a way of allotment of share in subsidiary companies, spin-offs, or else. In such case the value of the dividend in kind shall be calculated by the market value of the dividend in kind at the payment date or if such value cannot be calculated, the Bank shall appoint an independent professional adviser to calculate such value.

- iv. If and whenever the Bank shall issue Ordinary Shares to Shareholders as a class by a way of rights, options, warrants, or other rights to subscribe for or purchase any Ordinary Shares, in each case at a price of per Ordinary Share which is less than 95 per cent of the current Market Price per Ordinary Share on the trading day immediately preceding the date of the first public announcement of the terms of the issue or grant of such Ordinary Shares, options, warrants or other rights, the Conversion Price shall be adjusted using the following formula:

$$\text{New Conversion Price} = \left[ \left( \frac{A \times C}{A + B} \right) + \left( \frac{B \times D}{A + B} \right) \right] \times \frac{E}{C}$$

where:

- A = is the number of ordinary share in issue immediately before such announcement;  
B = is the number of new ordinary share issued as described in (iv) above;  
C = is the average closing price of the Share traded on the CSE and the ATHEX during the last five trading sessions where the Share was traded cum-rights, warrants, options or the right to subscribe or purchase shares issued as described in (iv) above;  
D = is the exercise or subscription or purchase price of one new ordinary share issued as described in (iv) above;  
E = is the Conversion Price in force at the last trading day before the Share was traded ex-Rights, ex-Options or Ex-Warrants or Ex-the right to subscribe in such issue as described in (iv) above.

Alternatively the Bank has the option to extend such rights, options, warrants or other rights to subscribe for such issues as described in (iv) above, to the Holders of the Convertible Capital Securities, as if the Convertible Capital Securities had been converted to ordinary shares on the previous day of such issue and if the Bank elects to extend such an offer to subscribe or purchase ordinary shares to the Holders of Convertible Capital Securities then the Conversion Price shall not be adjusted.

***(d) Appointment of Independent Professional***

If the Bank (in consultation with the Trustee) shall decide that the Conversion Price should be adjusted as a result of any other event not described above and which would require an adjustment of the Conversion Price, then the Bank shall appoint at its own cost, an Independent Financial Professional to calculate a fair adjustment to the Conversion Price and the relevant date of such an adjustment in the Conversion Price. The written opinion of the Independent Financial Professional on the adjustment of the Conversion Price shall be conclusive and binding on all concerned, save in the case of manifest error.

***(e) Employee Share Schemes***

No adjustment will be made to the Conversion Price where Ordinary Shares or other Securities (including rights, warrants and options) are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of employees of the Bank in any such case pursuant to any employee share or option scheme.

***(f) Dividend Reinvestment Schemes***

No adjustment will be made to the Conversion Price where Ordinary Shares are issued pursuant to a Dividend Reinvestment Scheme.

***(g) Rounding Down and Notice of Adjustment to the Conversion Price***

On any adjustment, if the adjusted Conversion Price is not an integral multiple of €0,01 the resultant Conversion Price shall be rounded down to the nearest whole multiple of €0,01. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent (1%) of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time.

The Conversion Price shall not in any event be reduced to below the nominal value of the Ordinary Shares and the Bank undertakes that it shall not take any action and shall procure that no action is taken that would otherwise result in an adjustment to the Conversion Price to below such nominal value.

Notices regarding adjustments to the Conversion Price will be given by the Bank to the Holders and the Trustee in accordance to the provisions of Condition 13.



***(h) Special Automatic Conversion Period***

**(i) Public Offer for the Share Capital of the Bank**

If and whenever a Public Offer is announced for the acquisition of part of the whole of the share capital of the Bank on any day from the Issue Date and before the end of the last Conversion Period, then a Special Automatic Conversion Period is activated, which shall begin on the first day of acceptance by the Shareholders of such Public Offer and will end 60 calendar days after the end of the Public Offer.

During the Special Automatic Conversion Period a Change of Control Conversion Price shall be determined as set out below:

$$\text{COCCP} = \text{OCP} / [1 + (\text{CP} \times c/t)]$$

where:

COCCP = the Change of Control Conversion Price, valid only during the activation of a Special Automatic Conversion Period

OCP = is the Conversion Price in effect immediately prior to the activation of a Special Automatic Conversion Period.

CP = 25 per cent (expressed as a fraction)

c = the number of days from and including the date of activation of a Special Automatic Conversion Period to but excluding the Last Conversion Date.

t = the number of days from and including the date of this Prospectus to but excluding the Last Conversion Date.

If such Public Offer as described above is declared successful, the Holders of the Convertible Capital Securities have the option to elect a redemption of the Convertible Capital Securities at their par value and the payment of any accrued interest.

In case that a motion or resolution is presented to the General Meeting of the Shareholders of the Bank relating to any consolidation, amalgamation or merger of the Bank with any other cooperation or in the case of any sale or transfer of all or substantially all, of the assets of the Bank, and such a resolution is presented at a General Meeting of the Shareholders of the Bank prior to the Last Conversion Period, then automatically a Automatic Special Conversion Period is activated. During this Automatic Special Conversion Period, which commences on the date of convention of such a General Meeting and lasts 60 calendar days after the date of such a General Meeting or upto the date of the General Meeting if such a motion or resolution is not approved by the General Meeting, Convertible Capital Securities Holders may convert their Convertible Capital Securities at the Change of Control Conversion Price as described above.

**(ii) Consolidation, Amalgamation or Merger of the Bank**

In the case of any consolidation, amalgamation or merger of the Bank with any other corporation (other than a consolidation, amalgamation or merger in which the Bank is the continuing corporation), or in the case of any sale or transfer of all, or substantially all of the assets of the Bank, the Bank will notify the Holders and the Trustee of such event and take such steps as shall be required by the Trustee (including the execution of a supplemental deed to or amending the Trust Deed) to ensure that each Convertible Bond then outstanding will be converted into such securities or property assets receivable upon such consolidation, amalgamation, merger, sale or transfer by a holder of the number of Ordinary Shares which would have become liable to be issued upon exercise of the Convertible Capital Securities immediately prior to such consolidation, amalgamation, merger, sale or transfer. Such supplemental deed, or amendment will provide for

adjustments in the terms of the Convertible Capital Securities. The above provisions of this paragraph (ii) will apply mutatis mutandis to any subsequent consolidations, amalgamations, mergers, sales or transfers.

**(i) Conversion Procedure**

**Conversion Period**

The Holders of Convertible Capital Securities may elect to convert their Convertible Capital Securities into Ordinary Shares of the Bank between 15-30 September and 15-31 March each year with the First Conversion Period being between 15-30 September 2010 and the Last Conversion Period between 15-31 March 2014.

As provided in 9(h)(i), in the case of corporate events described in 9(h)(i), an Automatic Special Conversion Period may be enforced allowing the Holders to exercise their right to convert their Convertible Capital Securities into Ordinary Shares of the Bank, later than the standard Conversion Periods.

**Procedure for Conversion**

The application for Conversion by the Holder shall be considered irrevocable once delivered to the Bank.

Each Convertible Capital Security entitles its Holder to convert to Ordinary Shares of the Bank at a Conversion Price of €5,50 per share or as adjusted. Holders of Convertible Capital Securities may apply for the Conversion of Convertible Capital Securities only during the set Conversion Periods. Fractions of Ordinary Shares resulting from the conversion of the Convertible Capital Securities into shares will not be issued upon the conversion and the Holders will be granted the integral number of shares not including any fractional shares. The Holders will be compensated (by means of a cheque which will be mailed to the Holder's address, or by transfer to a bank account maintained with the Bank of Cyprus, following the Holder's instructions) for the nominal value that corresponds to the fractional shares resulting from the conversion of the Convertible Capital Securities for which the conversion right was exercised but which did not sum up to an integral number of shares.

The Bank shall notify the Holders and the Trustee as provided in Condition 13, at least 30 days prior to the beginning of each Conversion Period, of the exact conversion procedure for Convertible Capital Securities traded on the CSE and the ATHEX, subject to the relevant laws, rules and regulations in Cyprus and Greece at the time of such Conversion Period.

**(j) Interest on Conversion**

If and whenever the Holder elects to convert Convertible Capital Securities into Ordinary Shares, the interest accrued shall cease to be calculated and accrued as of the previous Interest Payment Date.

**(k) Ordinary Shares**

Ordinary Shares issued as a result of Conversion will be fully paid and shall rank pari passu in all respects with the fully paid Ordinary Shares in issue on the relevant Issue Date and shall be entitled to any Dividend Payment with a record date after the issue date of the New Shares. The New Shares shall not be entitled to receive any dividends paid before such relevant record date.

The Bank shall, subject to the provisions of the applicable laws, rules and regulations, promptly proceed to all necessary filings and applications for the listing for trading of the New Ordinary Shares issued upon Conversion on the CSE and the ATHEX, respectively.

**(l) Automatic Conversion during the last Conversion Period**

If at the end of the last Conversion Period, the Share Price exceeds the Conversion Price and there are Convertible Capital Securities which the Holders have not elected to convert, the Bank, at its discretion may elect to automatically Convert these Convertible Capital Securities within 45 days from the end of the

last Conversion Period, after having received irrevocable commitments for the purchase of the Ordinary Shares issued upon Conversion at a price higher than the Conversion Price.

The Bank shall pay the Holders of the Convertible Capital Securities that were converted under the Automatic Conversion during the last Conversion Period, the par value of the Convertible Capital Securities and the net proceeds from the sale of the Ordinary Shares issued as a result of the Automatic Conversion during the last Conversion Period which exceed the principal.

## **10. Tax Regime**

As at the date of this Prospectus, the following provisions apply in accordance with the tax laws. It is implied that if any amendments are made to the legislation, the existing provisions at the time will apply.

### ***(a) Investors***

In cases where the interest income is subject to special contribution to the Defense Fund, the calculated amount for the special contribution will be withheld at the source and will be subtracted from the interest income amount to be paid.

#### **(i) Individuals – Cypriot residents**

Pursuant to the provisions of the Income Tax Law of 2002, interest income is exempt from income tax. Interest income received by or credited to any person from the ordinary carrying on of any business, including any interest closely connected with the ordinary carrying on of the business, is not exempt but is included in the calculation of the profit of the business.

Pursuant to the provisions of the Special Contribution to the Defense Fund Law of 2002, every individual who is a tax resident of the Republic, is subject to Special Contribution to the Defense Fund at a rate of 10% on any interest income received or accrued. Interest income received by or credited to any person from the ordinary carrying on of any business, including any interest closely connected with the ordinary carrying on of the business, is not subject to Special Contribution to the Defense Fund.

An individual, whose total annual income including interest does not exceed the amount of €12,000, has the right to a refund of the tax withheld on interest in excess of the amount corresponding to 3%.

#### **(ii) Provident Funds**

Interest accruing to Provident Funds is subject to Special Contribution to the Defence Fund at a rate of 3%.

#### **(iii) Legal persons – Cypriot residents**

Pursuant to the provisions of the Income Tax Law of 2002, 50% of the interest income is exempt from Income Tax. Interest income received by or credited to any person from the ordinary carrying on of any business, including any interest closely connected with the ordinary carrying on of the business, is not exempt but is included in the calculation of the profit of the business for the purposes of Income tax.

Pursuant to the Special Contribution to the Defence Fund Law of 2002, as of 1 January 2003 onwards, any interest income received by or credited to any person who is a tax resident of the Republic, is subject to Special Contribution to the Defence Fund at a rate of 10% on any interest income received or accrued. Interest income received by or credited to any person from the ordinary carrying on of any business, including any interest closely connected with the ordinary carrying on of the business, is not subject to Special Contribution to the Defence Fund.

(iv) **Non-Cypriot residents**

An investor who is not a tax resident in the Republic, will be taxed in the country in which he is a tax resident in accordance with the corresponding tax regime of that investor. Where a Double Taxation Avoidance Treaty exists between the Republic of Cyprus and the country in which the investor is a tax resident, the interest income received by or credited to the investor will be taxed in accordance with the provisions of this Treaty.

The interest income accruing to non Cypriot tax resident investors, is not subject to Special Contribution to the Defense Fund of 10%, provided that the investor has submitted to the Bank of Cyprus the corresponding questionnaire for verifying the term “Non-Cypriot residents” for the corresponding year. This questionnaire must be submitted to the Bank of Cyprus every year.

**(b) The Bank**

The Bank is registered in the Republic of Cyprus as a legal person (public company). The Bank is subject to tax in accordance with the provisions of the applicable at the time tax legislation of the Republic and in accordance with the tax legislation of other countries in which the Bank or its subsidiaries or branches or its branches carry on their business.

**11. Offer of Convertible Capital Securities to non-Cypriot residents**

Persons whose permanent residence is outside the Republic of Cyprus are entitled to purchase Convertible Capital Securities pursuant to the applicable at the time regulations of the Central Bank of Cyprus regarding the Monitoring of Foreign Currency.

The Capital Movement Law of the Republic of Cyprus does not affect the implementation of article 17(1) of the Banking Law of the Republic. Under the provisions of article 17(1) of the Banking Law, it is forbidden to anyone, either with an associate or associates, to have the control of a bank registered in the Republic of Cyprus or its parent company, unless it obtains the prior approval of the Central Bank of Cyprus (control is defined as (i) ownership of 10% or more of the voting rights at any general meeting of the company or its parent company, or (ii) the ability of a person to determine in any way the election of the majority of the directors of the company or its parent company).

The Convertible Capital Securities are not offered within or to the United States, Canada, Australia, South Africa or Japan, or to any other country in which, under its laws, the offering of Convertible Capital Securities is illegal or constitutes violation of any applicable legislation, law or regulation.

**12. Trust Deed**

By way of a Trust Deed dated 30 April 2009, the Bank has appointed KPMG Limited as Trustee of the Issue of the Convertible Capital Securities. The Trust Deed will be available for inspection at the Bank's registered office, at 51 Stasinou Street, Ayia Paraskevi, Strovolos 2002, Nicosia and at the Bank's Custody, Shareholders and Derivatives Clearing Department in Greece, at Feidipidou 26 and Chalkidonos, 11527 Athens. In accordance with the Trust Deed, the Trustee is responsible for the safekeeping of the rights of the Holders of the Convertible Capital Securities. The Trust Deed includes provisions for the indemnification of the Trustee and its acquittal from liability.

Pursuant to Condition 12(c), but notwithstanding the provisions of Condition 19 of the Trust Deed, a duly convened general meeting of the Holders of the Convertible Capital Securities has the power, by a special resolution, to approve any person appointed by the Bank as Trustee of the Trust Deed, or if there is no Trustee, or the Trustee position is vacant and the Bank refuses or omits, for a period longer than 30 days since the Trustee ceased to exist or the Trustee position became vacant, to appoint any person or persons as Trustee or Trustees to fill the vacancy.

Pursuant to Condition 19 of the Trust Deed, the Bank has the statutory power to appoint a new Trustee, but any such appointment of a new trustee should be, before such Trustee assumes its duties, approved by a special resolution of the Holders of the Convertible Capital Securities. However, the General Meeting should not deny such approval without just cause.

### **13. Notices / Announcements**

Notices to Convertible Capital Securities holders shall be deemed to have been given either (i) when the notices are mailed by post to the Holders' address as this appears in the Central Registry/ Depository of the Cyprus Stock Exchange, as well as in the Dematerialised Securities System (DSS) of the Greek Stock Exchanges and shall be deemed to have been given on the fourth day after the date of mailing or (ii) when the notices will be published to at least one daily newspaper in Cyprus and Greece. Provided that the Convertible Capital Securities are listed, any announcement on the ATHEX and the CSE shall be deemed as notice to the Holders.

All announcements relating to the Convertible Capital Securities will be posted on the website of the Bank ([www.bankofcyprus.com](http://www.bankofcyprus.com)). All announcements will be sent to the CSE and the ATHEX for publication.

### **14. Additional Issues**

The Bank is at liberty from time to time, without the consent of the Holders, to create and issue further Convertible Capital Securities which will rank *pari passu* in all respects with the Convertible Capital Securities of this Issue.

Pursuant to the provisions of Condition 2(b)(iii), the Bank has the right, without the consent of the Holders, to proceed with the issue of any other Convertible Capital Securities or other securities with terms as to the subordination, interest, premium/ discount, or redemption/ repayment or any other manner, as the Bank may think fit.

### **15. Listing and Trading**

The Convertible Capital Securities will be listed and traded on the Cyprus Stock Exchange and the Athens Exchange, upon receiving all necessary approvals from the competent regulatory authorities.

### **16. Applicable Law/ Jurisdiction**

The operation of the Bank is governed by the Companies Law, Chapter 113. The announcement of information and data is deemed adequate.

The Trust Deed and the Convertible Capital Securities are governed by, the laws of the Republic of Cyprus.

The Courts of the Republic of Cyprus are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed and the Convertible Capital Securities and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed and the Convertible Capital Securities may be brought in such courts.

### **17. Use of Proceeds**

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.

**III. APPLICATION PROCEDURE FOR THE ELIGIBLE HOLDERS OF THE PRIORITY FOR SUBSCRIPTION TO THE CONVERTIBLE CAPITAL SECURITIES ISSUE****1. Priority for Subscription for eligible shareholders**

The current Convertible Capital Securities Issue is offered to all Bank of Cyprus shareholders, according to the provisions of Article 3 of the Bank's Articles of Association. The Bank's shareholders will be granted Priority for Subscription to the issue of the Convertible Capital Securities at the ratio of €11 worth of Convertible Capital Securities for every 10 shares held on the Record Date. Priority for Subscription to the issue will be granted to the Bank's Shareholders registered at the Central Depository/ Registry of the CSE and the Dematerialized Securities System (DSS) of the Hellenic Exchanges on 12 May 2009 (the "Eligible Holders"). As of the 8<sup>th</sup> of July 2008 and onwards, the Bank's shares will be traded without the Priority for Subscription to the current issue, i.e., investors who will purchase shares by the market close of the Cyprus Stock Exchange and the Athens Stock Exchange on the 7<sup>th</sup> of July 2008, will be granted with priority to participate to the Bank's Convertible Capital Securities Issue.

Allotment Letters for the Priority for Subscription will be sent to Cyprus, Greece, the United Kingdom and all other Member States of the European Union. Allotment Letters for the Priority for Subscription will not be sent to Exempt Countries.

The subscription to the Convertible Capital Securities Issue by investors of Exempt Countries is prohibited. In the event that such investors subscribe to the Convertible Capital Securities Issue and the Bank becomes aware of this fact, the Bank will cancel such a subscription and will return the subscription monies to the investor.

The Priority for Subscription to the issue of the Convertible Capital Securities can be exercised within the Subscription Period which commences on 20 May 2009 and ends on 5 June 2009. The Final Subscription Date to the Convertible Capital Securities Issue on the basis of the Priority for Subscription is the 5<sup>th</sup> of June 2009.

The Priority for Subscription is not transferable to third parties and will not be traded on the electronic trading platform of the CSE and the ATHEX.

The Eligible Holders of the Priority for Subscription can only subscribe for an integer number of units of Convertible Capital Securities.

**2. Procedure for the Exercise of the Priority for Subscription to the Convertible Capital Securities Issue by Eligible Holders****(i) Procedure for the Exercise of the Priority for Subscription in Cyprus**

The Exercise Period of the Priority for Subscription by Eligible Holders in Cyprus, commences on 20 May 2009 and ends on 5 June 2009. **The Final Subscription Date to the Convertible Capital Securities Issue on the basis of the Priority for Subscription is the 5<sup>th</sup> of June 2009.**

The relevant Allotment Letters for the Priority for Subscription, which will also represent the Subscription Form which will state, among others, the number of Convertible Capital Securities each shareholder is entitled to, will be dispatched on 18 May 2009. Eligible Holders may apply for a larger number of Convertible Capital Securities than those allotted to them on the basis of their Priority for Subscription, in accordance with the Allotment Procedure described in Part IV. The Eligible Holders will be able to apply for a smaller number of Convertible Capital Securities from the one they are entitled to on the basis of their Priority for Subscription, on the same Allotment Letters for the Priority for Subscription.

In order to subscribe for Convertible Capital Securities, Eligible Holders to the Priority of Subscription, should duly complete and submit the Allotment Letter sent to them and pay promptly the corresponding

consideration of the subscription amount (€1 for every Convertible Capital Security), either in cash or by exchanging Convertible Bonds 2013/2018 of an equal nominal value, by 1:30 p.m. of the Final Subscription Date for the Eligible Holders of the Priority for Subscription, i.e. 5 June 2009.

Furthermore, Eligible Holders need to state (a) their Investor Share Code (b) their DSS Securities Account and (c) the designated Operator of their Securities Account.

The Convertible Bonds 2013/2018 to be exchanged as consideration for subscription to the new issue of the Convertible Capital Securities of the Bank, will be cancelled and any obligations of the Bank in respect of any Convertible Bonds 2013/2018 so cancelled, shall be discharged. For all Convertible Bonds 2013/2018 which will be accepted as consideration for subscribing to the new issue of Convertible Capital Securities, the Bank will pay the corresponding interest that accrues for the period from 1 January 2009 to 5 June 2009.

**The payment for the subscription to the Convertible Capital Securities, either in cash or by exchanging Convertible Bonds 2013/2018 of an equal nominal value, can take place at all branches of Bank of Cyprus.**

Cheques may be cashed by the Bank upon receipt. Duly completed and signed Allotment Letters for the Priority for Subscription accompanied by the relevant cheque, shall constitute sufficient evidence that the cheque is good for payment when presented. In the event of bounced cheques, it shall be deemed that the Eligible Holder has not exercised the Priority for Subscription to the Convertible Capital Securities granted.

It is noted that for investors to be able to participate in the Convertible Capital Securities Issue, they need to have an active Investor Share Code and a Securities Account on the CSE so that the Convertible Capital Securities allotted to them, can be credited to their account. Their Investor Share Code and their Securities Account will be printed on the Allotment Letter for the Priority for Subscription. In addition, investors should, by completing the Operator's number on the Allotment Letter, state their designated Operator under whom the Convertible Capital Securities allotted to them will be assigned. If the investors do not wish to designate an Operator, they must complete on the Subscription Form the code number 9999999999 in order for the Convertible Capital Securities to be transferred to the CSE Special Account of the Investors Share Code, the Operator of which is the Cyprus Stock Exchange. It is advised that investors designate an Operator for their Convertible Capital Securities and avoid the transfer of their Convertible Capital Securities to the CSE Special Account, so that they will be able to trade their Convertible Capital Securities as soon as they are admitted for trading.

The submission of the Allotment Letter for Priority for Subscription and the acceptance of the offered Convertible Capital Securities as evidenced by the signature of the Holder render the acceptance of the Convertible Capital Securities irrevocable.

Eligible Holders of the Priority for Subscription to the Convertible Capital Securities Issue may, if they wish, subscribe for part of the Convertible Capital Securities they are entitled to. In such case, Eligible Holders must submit their Allotment Letter for Priority for Subscription duly completed and signed in respect to the number of Convertible Capital Securities they wish to subscribe for, and pay the corresponding consideration on the basis of €1 for every Convertible Capital Securities, either in cash or by exchanging Convertible Bonds 2013/2018 of an equal nominal value to that of the number of Convertible Capital Securities they wish to subscribe for.

Upon the exercise of the Priority for Subscription to the Convertible Capital Securities Issue and payment of the subscription monies, the offer will be deemed as having been accepted based on the terms of the Convertible Capital Securities Issue, as presented in this Prospectus and in the Bank's Memorandum and Articles of Association. **If Eligible Holders do not pay the consideration for the exercise of their Priority Right for Subscription to Convertible Capital Securities by 1:30 p.m. of the Final Subscription Date for Eligible Holders of the Priority for Subscription i.e. on 5 June 2009, this offer shall be deemed as having been rejected.**

**(ii) Procedure for the Exercise of the Priority for Subscription in Greece**

The Exercise Period of the Priority for Subscription by Eligible Holders in Greece, commences on 20 May 2009 and ends on 5 June 2009. **The Final Subscription Date to the Convertible Capital Securities Issue on the basis of the Priority for Subscription is the 5<sup>th</sup> of June 2009, 1:30 p.m.**

The relevant Allotment Letters for the Priority for Subscription, which will also represent the Subscription Form which will state, among others, the number of Convertible Capital Securities each shareholder is entitled to, will be dispatched on 18 May 2009. Eligible Holders may apply for a larger number of Convertible Capital Securities than those allotted to them on the basis of their Priority for Subscription, in accordance with the Allotment Procedure described in Part IV. The Eligible Holders will be able to apply for a smaller number of Convertible Capital Securities from the one they are entitled to on the basis of their Priority for Subscription, on the same Allotment Letters for the Priority for Subscription.

The subscription to the Convertible Capital Securities Issue on the basis of the Priority of Subscription which will be allocated to the registered shareholders of the Bank as at the Record Date, on 12 May 2009, will take place during the aforementioned Subscription Period as follows:

- to all the branches of Bank of Cyprus, or
- through the Operators (other than the Athens Central Depository) of the holders' DSS Securities Accounts (brokerage firm or custodian) by submitting the relevant documents and with the prior consent of such Operator.

Cheques may be cashed by the Bank upon receipt. Duly completed and signed Allotment Letters for the Priority for Subscription accompanied by the relevant cheque, shall constitute sufficient evidence that the cheque is good for payment when presented. In the event of bounced cheques, it shall be deemed that the Eligible Holder has not exercised the Priority for Subscription to the Convertible Capital Securities granted.

In order to exercise their Priority Right for Subscription, Eligible Holders should duly complete and submit the relevant Allotment Letter for the Priority for Subscription that was sent to them and submit:

- (i) their Tax Identification Number
- (ii) their Identity card or passport
- (iii) a copy of the DSS printout

Furthermore, Eligible Holders are required to state (a) their Investor Share Code (b) their DSS Securities Account and (c) the designated Operator of their Securities Account.

**At the same time, the Eligible Holders must pay in cash to a special account held by the Bank, the corresponding consideration on the basis of €1 for every Convertible Capital Securities, or by exchanging Convertible Bonds 2013/2018 of an equal nominal value to that of the number of Convertible Capital Securities they wish to subscribe for.**

It is noted that for investors to be able to participate in the Convertible Capital Securities Issue, they need to have an active Investor Share Code and a Securities Account on the DSS so that the Convertible Capital Securities allotted to them, can be credited to their account. Their Investor Share Code and their Securities Account will be printed on the Allotment Letter for the Priority for Subscription. In addition, investors should, by completing the Operator's number on the Allotment Letter, state their designated Operator under whom the Convertible Capital Securities allotted to them will be assigned. If the investors do not wish to designate an Operator, they must complete on the Subscription Form the code number 9999999999 in order for the Convertible Capital Securities to be transferred to the Special Account of the Investors Share Code, the Operator of which is the Hellenic Exchanges. It is advised that investors designate an Operator for their Convertible Capital Securities and avoid the transfer of their Convertible Capital Securities to the Hellenic Exchanges' Special Account, so that they will be able to trade their Convertible Capital Securities as soon as they are admitted for trading.



The submission of the Allotment Letter for Priority for Subscription and the acceptance of the offered Convertible Capital Securities as evidenced by the signature of the Holder render the acceptance of the Convertible Capital Securities irrevocable.

Eligible Holders of the Priority for Subscription to the Convertible Capital Securities Issue may, if they wish, subscribe for part of the Convertible Capital Securities they are entitled to. In such case, Eligible Holders must submit their Allotment Letter for Priority for Subscription duly completed and signed in respect to the number of Convertible Capital Securities they wish to subscribe for, and pay the corresponding consideration on the basis of €1 for every Convertible Capital Securities, either in cash or by exchanging Convertible Bonds 2013/2018 of an equal nominal value to that of the number of Convertible Capital Securities they wish to subscribe for.

Upon the exercise of the Priority for Subscription to the Convertible Capital Securities Issue and payment of the subscription monies, the offer will be deemed as having been accepted based on the terms of the Convertible Capital Securities Issue, as presented in this Prospectus and in the Bank's Memorandum and Articles of Association. **If Eligible Holders do not pay the consideration (either in cash or by exchanging Convertible Bonds 2013/2018 of an equal nominal value to that of the number of Convertible Capital Securities they wish to subscribe for) for the exercise of their Priority Right for Subscription to Convertible Capital Securities by 1:30 p.m. of the Final Subscription Date for Eligible Holders of the Priority for Subscription i.e. on 5 June 2009, this offer shall be deemed as having been rejected.**

### **3. Convertible Capital Securities Allotment Letters**

The Allotment Letters for the Convertible Capital Securities will be sent to the Holders of Convertible Capital Securities on 17 June 2009.

**IV. PROCEDURE FOR THE APPLICATION TO THE DISTRIBUTION OF ANY CONVERTIBLE CAPITAL SECURITIES NOT SUBSCRIBED BY THE HOLDERS OF THE PRIORITY FOR SUBSCRIPTION TO THE CONVERTIBLE CAPITAL SECURITIES ISSUE**

In the event that the Convertible Capital Securities Issue is not covered by the existing shareholders the Board of Directors will distribute any unsubscribed Convertible Capital Securities at its absolute discretion.

For the purpose of allocating any unsubscribed Convertible Capital Securities, a subscription period of irrevocable applications from any interested investors (shareholders or not including Convertible Bond 2013/2018 holders) in Cyprus and Greece, will run parallel to the Subscription Period of the Eligible Holders. Interested investors, shareholders or not, including Convertible Bond 2013/2018 Holders, are able to submit applications, by paying the corresponding subscription amount, either in cash or by exchanging Convertible Bonds 2013/2018 of an equal nominal value. In the distribution of any unsubscribed Convertible Capital Securities, priority will be given to the Convertible Bond 2013/2018 Holders.

For the purpose of allocating any unsubscribed Convertible Capital Securities and submission of irrevocable applications from interested investors, the price of the unsubscribed Convertible Capital Securities is set by the Bank's Board of Directors to €1 as the nominal value of the Convertible Capital Securities.

**1. Applications from the public for any unsubscribed Convertible Capital Securities*****Distribution period of any unsubscribed Convertible Capital Securities***

The subscription period for any unsubscribed Convertible Capital Securities will run parallel to the Subscription Period of the eligible shareholders i.e. from 20 May 2009 until 5 June 2009.

***Subscription Application Procedure***

Irrevocable Applications for the subscription of any unsubscribed Convertible Capital Securities from the general investing public (including Convertible Bond 2013/2018 Holders) must be completed and submitted on a separate application form which will be available from all Bank of Cyprus branches in Cyprus and Greece.

Investors submitting irrevocable applications for the subscription to any unsubscribed Convertible Capital Securities, must subscribe for the Convertible Capital Securities on a value basis in Euro (€) and pay promptly the corresponding subscription amount on the basis of €1 for every Convertible Capital Security, either in cash or by exchanging Convertible Bonds 2013/2018 of an equal nominal value.

In the distribution of any unsubscribed Convertible Capital Securities priority will be given to the Convertible Bond 2013/2018 Holders. The Convertible Bonds 2013/2018 to be deposited as consideration for subscription to the new issue of the Convertible Capital Securities of the Bank, will be cancelled and any obligations of the Bank in respect of any Convertible Bonds 2013/2018 so cancelled, shall be discharged. For all Convertible Bonds 2013/2018 which will be accepted as consideration for subscribing to the new issue of Convertible Capital Securities, the Bank will pay the corresponding interest that accrues for the period from 1 January 2009 to 5 June 2009.

It is noted that for investors to be able to participate in the Convertible Capital Securities Issue they need to have an active Investor Share Code and a Securities Account on the CSE or the DSS so that the Convertible Capital Securities that they will subscribe to, can be credited to their account. In addition to the above, investors should also state their designated Operator for the Convertible Capital Securities that will be allotted to them, by completing the Operator's number on the Allotment Letter / Subscription Form. In the event the investors do not wish to designate an Operator they must complete on the Subscription Form the code number 999999999 in order for the Convertible Capital Securities to be transferred to the Special Account of the Investors Share Code, whose Operator is the Cyprus Stock Exchange / Hellenic Exchanges. It is advised that investors designate an Operator for their Convertible

Capital Securities and avoid the transfer of their Convertible Capital Securities to the Special Account, so that they are able to trade their Convertible Capital Securities as soon as they are introduced for trading.

In the event that during the procedure for the listing of the Convertible Capital Securities on the CSE and the ATHEX there are incidences where due to missing or wrong information regarding the Investor Share Code and the Securities Account as this will be provided by investors at the time of the application, then the relevant Convertible Capital Securities will be temporarily registered in a nominee account in order to facilitate the listing of the Convertible Capital Securities on the CSE and the ATHEX. The Bank undertakes to transfer the Convertible Capital Securities in question to their rightful owners upon the correction and/or completion of the wrong and/or missing data.

The unsubscribed Convertible Capital Securities will be allocated at the sole discretion of the Bank's Board of Directors. In the event that the subscription applications received from non shareholders and institutional investors are not satisfied in full or in part, then the funds paid (all or part of it) will be refunded together with all accrued interest calculated at 5,5% on an annual basis for the period 20 May 2009 - 5 June 2009.

In the event that the subscription applications received from non Eligible Holders who pay the corresponding subscription amount in cash are not satisfied in full or in part, then the subscribed amount (part or whole) will be refunded back to the subscribers with accrued interest 5,5% per annum for the period 20 May 2009 – 5 June 2009.

In the event that the subscription applications received from non shareholders and institutional investors who wish to pay the corresponding consideration by exchanging Convertible Bonds 2013/2018 of an equal nominal value are not satisfied in full or in part, then the Convertible Bond 2013/2018 will remain to their owners with the in force terms.

## **2. Convertible Capital Securities Allotment Letters**

The Convertible Capital Securities Allotment Letters will be sent to the Convertible Capital Securities Holders on 17 June 2009.

**PART C: BANK OF CYPRUS GROUP****INFORMATION ON THE BANK OF CYPRUS GROUP**

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## PART C: INFORMATION ON BANK OF CYPRUS GROUP

### 1.0 GENERAL INFORMATION

Bank of Cyprus Public Company Ltd was founded in Cyprus in 1899 and was registered as a public limited company under the Cyprus Company Law 18/1922 with registration number 165.

The Bank of Cyprus Group is the leading financial services organisation in Cyprus, with a dynamic presence in Greece and operations in the United Kingdom, Channel Islands, Australia, Russia, Romania and Ukraine.

The Bank is licensed by the Central Bank of Cyprus and is operating under its Regulation and Supervision.

The Group offers a wide range of financial products and services, which include banking services, finance, leasing, factoring, brokerage, fund management, investment banking and general and life insurance services.

As of 31<sup>st</sup> December 2008, the Bank's market share in deposits and loans<sup>1</sup> (including the cooperative societies) in Cyprus amounts to 30,5% and 29,2%, respectively. The Bank operates 143 branches in Cyprus.

The Bank has been operating in Greece since 1991. The expansion of the Bank's Greek operations started in 1999. The Bank operates 160 branches in Greece. At the 31<sup>st</sup> December 2008, the market share of the Bank in deposits and loans in Greece amounted to 3,8 %<sup>2</sup>. Kyprou Leasing, subsidiary company of the Bank, ranks second<sup>3</sup> in the market of leasing in Greece (18% market share).

The Bank is well established in the United Kingdom, where it operates five branches.

The Group's international activities were further enhanced in 2000 with the operation of a wholly owned subsidiary bank in Australia, which operates ten branches.

In March 2007, the Bank expanded its operations in Romania with the provision of leasing services. In July 2007, the first banking branch became operational in Bucharest. Today the Bank operates nine branches.

In August 2007, the Bank delivering on its strategic plan expanded its operations in Russia and is the first Greek or Cypriot banking institution to enter the Russian market. In October 2008, the Bank successfully completed the acquisition of an 80% interest in Uniastrum Bank in Russia. Founded in 1994 and headquartered in Moscow Uniastrum Bank has the 9th largest distribution network in Russia, consisting of over 210 outlets. Uniastrum has a strong presence in Moscow and in another 42 regions of Russia.

In May 2008, the Bank acquired 97,2% of the share capital of the Ukrainian bank AvtoZAZBank and provides banking services in Ukraine.

The Bank has representative offices in Russia, Canada, Ukraine and South Africa and a liaison office in Romania.

As at 31 December 2008 the Group employed 12.127 persons.

The Group's Total Assets at 31 December 2008 amounted to €36,11 billion. The Group's Shareholders' Funds at 31 December 2008 amounted to €2,06 billion.

As at 31 December 2008, the Group's capital adequacy ratio stood at 11,2%.

<sup>1</sup> Source: Bank of Cyprus based on figures of the Central Bank of Cyprus

<sup>2</sup> Source: Bank of Cyprus Group based on figures of Bank of Greece

<sup>3</sup> Source: Bank of Cyprus Group based on market figures

Moody's Investor Services, Inc. affirmed Bank of Cyprus with a long term credit rating of A2 (stable outlook). Fitch Ratings Ltd affirmed Bank of Cyprus with a BBB+ rating (stable outlook).

The long-term rating reflects the ability of a business to pay off its long-term liabilities and is denoted with a letter from A to C. Within this spectrum, there are different degrees of each rating, which Moody's denotes them by a number from 1 to 3, whilst Fitch combines them with a plus or negative sign. Credit rating assists investors in their assessment of the market value and the investment risk level of a business.

The Head Office and Group Headquarters of Bank of Cyprus are located at 51 Stassinou Street, Ayia Paraskevi, Strovolos, 2002 Nicosia, Cyprus (telephone number: +357-22-122100).

The following table includes Group's Financial Highlights and Footings based on the audited financial statements for the years ended 31 December 2006, 2007 and 2008.

### Group Financial Highlights

	2008	2007	2006
	€000	€000	€000
Profit before tax	551.614	582.362	383.620
Profit after tax attributable to shareholders	502.388	485.168	312.855
Earnings per share <sup>1</sup>	87,6 cents	86,3 cents	56,5 cents
Cost/income	44,9%	43,8%	46,7%
Return on Equity	25,1%	27,6%	21,7%

1. The weighted number of shares for the years 2006 and 2007 has been adjusted for the bonus element of the shares which have resulted from the Dividend Reinvestment Scheme at the payment of dividends. To this respect the earnings per share for the years 2006 and 2007 differ from those in the published audited financial statements for the corresponding years.

### Group Financial Footings

	2008	2007	2006
	€000	€000	€000
Loans	24.449.316	18.920.921	14.336.277
Deposits	27.935.747	25.178.966	20.725.951
Shareholders funds	2.056.367	2.005.190	1.545.637

**2.0 BRIEF HISTORY**

On 1 January 1899 a group of Cypriot businessmen, headed by Ioannis Economides, an important business and social figure, founded the “Nicosia Savings Bank”, the first Cypriot banking institution which evolved into today’s Bank of Cyprus Group.

“Nicosia Savings Bank” gradually gained the trust of the people of Nicosia and in December 1912, after a petition by its members to the British High Commissioner in 1909, was transformed into a company (equivalent to the Greek “Societe Anonyme”) and changed its name to Bank of Cyprus.

In 1930 it was registered as a limited liability company and started to offer a full range of banking services as the main local bank.

In 1943 it merged with Bank of Famagusta and Bank of Larnaca. In the years that followed it merged with banking institutions from other towns which enabled it to extend its reach all over the island. Its image was completely transformed and it adopted the ancient Cypriot coin with the inscription “KOINO KYΠPIQN” (“Common to all Cypriots”) as its emblem.

In 1951 it entered the insurance sector with the founding of General Insurance of Cyprus. In 1955 it opened its first overseas branch to serve the Cypriot community in London. In 1960 with the creation of the independent Republic of Cyprus it was at the forefront of building and organising the new state.

The Cyprus economy suffered a major setback with the Turkish invasion of Cyprus in 1974 and the occupation that followed. Bank of Cyprus Ltd, even though severely afflicted itself, played a major part in the rebuilding of the country and its economy.

During the 1980s the Bank experienced a period of impressive growth. It significantly increased its capital base and moved into new financial sectors.

The Bank established its first branch in Greece in 1991 as the Group embarked on its course of globalisation. In the 1990s the Group focused on upgrading its technology in preparation for the new millennium.

In August 1999, as provided with a Restructuring Plan, Bank of Cyprus Ltd became the holding and Listed Public Company of the Group, replacing Bank of Cyprus (Holdings) Ltd, which became inactive.

In November 2000, Bank of Cyprus shares were admitted to trading on the main Market of the Athens Exchange.

In 2007, the Group expanded its operations in Romania and Russia by successfully securing all related permissions for the commencement of its banking services (*See “important milestones during the Group’s History” below*).

In 2008, the Bank successfully completed the acquisition of the Ukrainian Bank JSC AvtoZAZBank and at the same time signed and completed the agreement for the acquisition of an 80% interest in Uniastrum Bank LLC in Russia, consisting of over 210 outlets (*See “Important Milestones during the Group’s History” below*).

### 3.0 IMPORTANT MILESTONES DURING THE GROUP'S HISTORY

The most important milestones during the Group's history of over one hundred years are described herebelow:

<b>1899</b>	Establishment and operation of the "Nicosia Savings Bank".
<b>1912</b>	Nicosia Savings Bank renamed "Bank of Cyprus" and recognised as a public company.
<b>1943</b>	Bank of Cyprus merges with banking institutions in other towns and expands throughout Cyprus. Ancient Cyprus coin bearing the inscription "Koinon Kypriou" (common to all Cypriots) adopted as the Bank's emblem.
<b>1944</b>	Establishment of Mortgage Bank of Cyprus.
<b>1951</b>	Establishment of General Insurance of Cyprus.
<b>1955</b>	Establishment of Bank of Cyprus (London).
<b>1964</b>	Establishment of Bank of Cyprus Finance Corporation.
<b>1973</b>	Reorganisation of the Group, with the establishment of Bank of Cyprus (Holdings) to take over the shares of Bank of Cyprus and all its subsidiaries.
<b>1982</b>	Acquisition of the operations of Chartered Bank in Cyprus. Establishment of The Cyprus Investment and Securities Corporation (CISCO).
<b>1983</b>	Acquisition of Kermia by the Group. Representative Offices opened in Greece and Australia.
<b>1984</b>	Establishment of the Bank of Cyprus Cultural Foundation.
<b>1989</b>	Establishment of the life insurance company EuroLife.
<b>1991</b>	Bank of Cyprus opens its first branch in Greece. Establishment of the Bank of Cyprus Medical Foundation.
<b>1992</b>	Establishment of Bank of Cyprus Factors.
<b>1993</b>	Establishment of ABC Factors, the first factoring company in Greece. Karmazi Properties & Investments acquired and renamed Kermia Properties & Investments.
<b>1995</b>	Representative Office opened in South Africa. Museum of the History of Cypriot Coinage founded.
<b>1996</b>	The first Greek-speaking offshore bank, Bank of Cyprus (Channel Islands) established in Guernsey, Channel Islands. Representative Office opened in Canada (Toronto).
<b>1997</b>	Kyprou Leasing established in Greece. Opening of the first branch of Bank of Cyprus in the United Kingdom.
<b>1998</b>	Representative Office opened in Russia (Moscow). Kyprou Mutual Fund Management Company (AEDAK) established in Greece. Opening of the Bank of Cyprus Oncology Centre.
<b>1999</b>	Group restructuring, with shares of Bank of Cyprus (Holdings) being replaced by Bank of Cyprus shares. Representative Office opened in Bucharest. "Oikade" educational programme launched.
<b>2000</b>	Listing of the Group's share on the Athens Exchange. Establishment of Bank of



	Cyprus Australia and operation of its first branches. Electronic banking introduced to provide alternative service channels (internet, telephone, WAP).
<b>2001</b>	Kyprou Asfaltistiki, a branch of General Insurance of Cyprus, and Kyprou Zois a branch of EuroLife, open in Greece. Greek company Victory Securities acquired and renamed Kyprou Securities. Sale of 50% stake in ABC Factors to Alpha Bank.
<b>2002</b>	Bank of Cyprus Factors starts providing factoring services in Greece.
<b>2004</b>	Merger of Bank of Cyprus (London) and the UK branch of Bank of Cyprus.
<b>2005</b>	Merger of the operations of Bank of Cyprus Factors and Bank of Cyprus Finance Corporation with Bank of Cyprus. 100 <sup>th</sup> branch opened in Greece.
<b>2006</b>	Commencement of leasing operations in Romania through the establishment of the leasing subsidiary Cyprus Leasing (Romania).
<b>2007</b>	Banking services commenced in Romania and Russia.
<b>2008</b>	Commencement of banking services in Ukraine through the acquisition of AvtoZAZbank. Acquisition of 80% of Uniastrum Bank in Russia and expansion into the retail banking sector of the local market.

**4.0 PRIMARY OBJECTIVES**

According to article 3 of the Bank's Memorandum of Association, as amended, the primary objectives of its establishment are:

1. To carry on the business of banking, that of an investment company and that of brokerage of any kind as well as the business of leasing, of hire purchase, of factoring, of forfeiting and to establish, manage and carry on branches and agencies in and outside Cyprus and to appoint managers, officers and agents for the purpose of carrying on the same with such powers and on such terms and conditions as may be deemed expedient.
2. To lend or advance money on such security and on such terms and conditions as may be thought fit or without security; to discount, buy, sell and deal in bills of exchange, promissory notes, coupons, drafts, Bills of Lading, warrants, debentures, scrip and other instruments and securities, whether negotiable or not and to carry out any transactions relevant thereto; to grant and issue letters of credit and circular notes; to buy, sell and deal in gold and silver in bullion and specie, goods, merchandise and produce and any other transactions relevant thereto. To acquire, hold, issue on commission, underwrite and deal with stocks, funds, shares, debentures, debenture stock, bonds, obligations, securities and investments of all kinds, and to carry on any other transaction relevant thereto. To negotiate loans and advances, to receive money and valuables on deposit or for safe custody or otherwise, to collect and transmit dividends and interest and other moneys and securities of all kinds, and to manage, develop, realise and turn to account any personal property and transact all kinds of agency business commonly transacted by bankers. To afford the services of transmission of money, of issuing and managing methods of payment, including credit cards, traveler's cheques and banker's drafts.
3. To acquire any such shares, stock, debentures, debentures stock, bonds, notes, obligations or securities by original subscription, contract, tender, purchase, exchange, underwriting, participation in syndicates or otherwise, and whether or not fully paid up and to subscribe for the same subject to such terms and conditions (if any) as may be thought fit.
4. To exercise and enforce all rights and powers conferred by or incident to the ownership of any such shares, stock, obligations or other securities, including, without prejudice to the generality of the foregoing, of such powers of veto or control as may be conferred by virtue of the holding by the Company of some special proportion of the issued or nominal amount thereof and to provide managerial and other executive, supervisory and consultant services for or in relation to any company in which the Company is interested, upon such terms as may be thought fit.
5. To undertake and execute any trust, the undertaking whereof may seem desirable and also to undertake the offices of executor, administrator, receiver, treasurer or auditor, and to keep for any company, government authority or body any registers to any stocks, fund, shares or securities and to undertake any duties in relation to the subscription of transfers, the issue of certificates or otherwise.
6. To establish and to manage mutual funds, unit trusts, investments, investment companies and investment trusts in Cyprus and elsewhere and to advise generally in relation to the said activities or any of them and to demand and charge for such services on a fee basis or on a commission basis or on a profit-sharing basis or on a participation basis or otherwise or to perform such services or any of them gratuitously.
7. To establish companies and associations for the prosecution or execution of undertakings, works, projects, or enterprises of any description, whether of a private or public character in Cyprus or elsewhere and to acquire, underwrite and dispose of shares and interests in such companies or associations or in any other company or association or in the undertakings thereof.
8. To undertake and carry out insurance business of any kind and of any nature including life assurance business, industrial assurance business, bond investment insurance business, fire insurance business, accident insurance business, marine aviation and transit insurance business, employer's liability insurance business, workmen's compensation insurance business, burglary and theft insurance business and any other insurance business.

9. To purchase, take on lease or in exchange, hire, erect, construct or otherwise acquire and hold any estate or interest in Cyprus or in any country or place where the Company proposes to establish or has established any branch or agency or transacts or is proposing to transact business, any offices, houses, buildings, lands, easements, licenses or rights, and any real or personal property of any kind necessary or convenient for the Company's business and to sell and let such of them or such portions thereof as may not be required for occupation by the Company.

The remaining objectives of the Bank are detailed in its Memorandum, which is a public document and has been filed with the Registrar of Companies in Cyprus.

## 5.0 GROUP STRUCTURE

The following table presents the principal subsidiaries and affiliates of the Bank, that along with the Bank of Cyprus Public Company Limited form the Bank of Cyprus Group. The table illustrates the country of incorporation of each company, its activities and the Bank's percentage shareholding in each of them as at 31 December 2008.

Country of incorporation	Activities	Participation (Direct and Indirect)
<b>Cyprus</b>		
Mortgage Bank of Cyprus Ltd	Commercial bank	100,00%
The Cyprus Investment and Securities Corporation Ltd (CISCO)	Commercial bank	100,00%
General Insurance of Cyprus Ltd	Investment banking	100,00%
EuroLife Ltd	General insurance	100,00%
Kermia Ltd	Life insurance	100,00%
Kermia Properties & Investments Ltd	Property trading and development	100,00%
Kermia Hotels Ltd	Property trading and development	100,00%
BOC Ventures Ltd	Hotel business	100,00%
Tefkros Investments Ltd	Management of venture capital investments	100,00%
Bank of Cyprus Mutual Funds Ltd	Investment fund	100,00%
JCC Payment Systems Ltd	Inactive	45,00%
Cytrustees Investment Public Company Ltd	Credit card transactions processing	49,90%
Interfund Investment Plc	Closed - end investment company	22,83%
Diners Club (Cyprus) Ltd	Closed - end investment company	100,00%
BOC Russia (Holdings) Ltd	Diners Club credit card facilities	80,00%
<b>Greece</b>		
Bank of Cyprus Public Company Ltd (branch)	Commercial bank	100,00%
Kyprou Leasing SA	Leasing	100,00%
Kyprou Commercial SA	Financing of motor vehicles and other consumer products	100,00%
Kyprou Securities SA	Investment banking	100,00%
Kyprou Mutual Fund Management Company (Kyprou AEDAK)	Management of mutual funds	100,00%
Kyprou Properties SA	Property management	100,00%
Kyprou Insurance Services Ltd	General insurance brokers	100,00%
Kyprou Zois (branch of EuroLife Ltd)	Life insurance	100,00%
Kyprou Asfalistiki (branch of General Insurance of Cyprus Ltd)	General insurance	100,00%
<b>United Kingdom</b>		
Bank of Cyprus United Kingdom (branch)	Commercial bank	100,00%
<b>Channel Islands</b>		
Bank of Cyprus (Channel Islands) Ltd	Commercial bank	100,00%
Tefkros Investments (CI) Ltd	Investment fund	100,00%
<b>Australia</b>		
Bank of Cyprus Australia Ltd	Commercial bank	100,00%
<b>Romania</b>		
Bank of Cyprus Romania (branch)	Commercial bank	100,00%

Cyprus Leasing Romania IFN SA	Leasing	100,00%
Otherland Properties Dorobanti SRL	Property holding company	100,00%
<b>Russia</b>		
LLC CB Bank of Cyprus	Commercial bank	100,00%
Cyprus Leasing LLC	Leasing	100,00%
CB Uniastrum Bank LLC	Commercial bank	80,00%
Uniastrum Leasing LLC	Leasing	80,00%
<b>Ukraine</b>		
JSC AvtoZAZbank	Commercial bank	99,71%

## 6.0 REVIEW OF GROUP OPERATIONS

### 6.1 Bank of Cyprus Public Company Ltd

Bank of Cyprus Public Company Ltd is the holding company of the Bank of Cyprus Group. The Bank provides a wide range of financial products and services to retail and business clients and public organisations. The Bank holds a leading position in Cyprus, operating through a network of 143 service branches and has a significant presence abroad. The Bank firstly established its presence in Greece in 1991 and it has gradually expanded throughout the country ever since. Currently, the Bank provides a full range of financial services through a network of 160 branches. In 1997, the Bank established a branch in London. At present, the Bank operates through 5 branches which mainly provide financial services to the Cypriot and Greek community. In 2007, the Bank entered the Romanian market with the provision of leasing services and the establishment of two retail branches. The Bank currently operates nine branches in Romania. In May 2008, the Bank completed the agreement for the acquisition of 97% of the share capital of JSC AvtoZAZBank – established in 1991, which provides a full range of banking and financial services in Ukraine through a network of 33 branches. In addition, in August 2007, the Bank commenced officially its operations in Russia after having established a subsidiary company which is mainly concentrated in the area of corporate lending, exploiting in this way its well established relationship with its customers. In October 2008 the Group completed the procedure for the acquisition of 80% of the share capital of CB Uniastrum Bank LLC in Russia. CB Uniastrum Bank LCC was founded in 1994 and is headquartered in Moscow and has the 9th largest distribution network in Russia, consisting of more than 210 branches and sub-offices. Uniastrum Bank is a universal commercial bank with a strong presence in Moscow and in another 42 regions of Russia. In the beginning of 2009, the Group decided to proceed with the merger of operations of its two banking units in Russia. The completion of the procedure is expected to be finalized during the first six months of 2009. In addition, the Bank operates through Representative Offices in Russia, Canada, Ukraine, South Africa, and Romania.

### 6.2 Group Operations in Cyprus

#### 6.2.1 Retail Banking

##### *Branch network and product development*

The Bank of Cyprus has adopted a multidimensional approach in the servicing of retail clients in Cyprus, Greece and other countries in which it operates.

The Group's network of branches, supported by a full range of alternative distribution channels, covers the requirements of retail clients in full. The Bank offers a complete range of products in competitive prices, like deposits, investment and insurance products, advances, business, consumer and housing loans, credit cards and current accounts. The Bank continuously develops its infrastructure through automation and centralisation, which contribute to the decrease of the Bank's expenses and provide a faster service to the client.

At the same time, Bank of Cyprus has managed, with the support of technology, to timely anticipate the needs of each and every customer. As a result, the Bank is now ideally positioned to offer the right product to selected target groups of customers at the right time. The Bank uses a combination of promotional

channels, such as personalised letters, text messages (SMS) and personal contact by bank staff, thus strengthening the effectiveness of sales activities and improving its communication with customers.

Bank of Cyprus is now the established pioneer in the card sector, well ahead of the competition in terms of market share thus proving that it moves dynamically in terms of its approach to new products and customer satisfaction.

Card usage figures showed an increase during the last years, highlighting the trust placed by cardholder customers in the products and services offered by Bank of Cyprus. The Bank currently offers VISA, MasterCard, Diners Club and American Express cards.

### ***Alternative Distribution Channels***

The Direct Banking Division provides its subscribers with the facility to conduct their banking transactions easily, quickly and securely 24 hours a day, seven days a week via the internet or by phone thereby offering speed of service. The number of retail and corporate subscribers increases rapidly every year, and from 2007 to 2008, it rose by 37%.

One of the major advantages of using the Direct Banking Division's alternative channels is the lower transaction costs compared to traditional customer service methods. This enables the Bank to offer internet transactions at a low cost or entirely free of charge.

The Direct Banking Division received for a second time an award from Global Finance magazine, which selected Bank of Cyprus as the Best Consumer Internet Bank in Cyprus for 2008.

The Direct Banking Division always remains close to customers and their requirements through surveys that it conducts. Its immediate plans include the further upgrading of Internet and mobile telephone Banking, with the additional support of the Russian language and the further expansion of transactions that current and potential subscribers may carry out.

### **6.2.2 Small And Medium Sized Enterprises Sector**

The basic distribution channel of the Small and Medium Sized Enterprises (SME) is composed by 18 Business Centres which operate all over Cyprus. Within the framework of improving the quality of the Bank's customer service, there is an ongoing effort regarding potential changes in the procedures and the systems of the Business Centres.

The Bank's strategic target is the development of an infrastructure, that will be responsible to provide support to the Bank's "front line" and the best possible management of its relationship with each customer.

### **6.2.3 Corporate Banking Sector**

Bank of Cyprus is the first choice for all Corporate Banking Customers in Cyprus who are offered the highest standard of service through its 10 Corporate Banking Centres and 50 Customer Relationship Officers.

The objective of providing the best possible service is not confined to meeting customers' financing needs, but also includes an ongoing effort to develop a partnership-based relationship with each customer and to add value to their business.

Maintaining an excellent service for corporate business customers implies the provision of a comprehensive range of services and products. At the same time, there is a need for cooperation and coordination with other Group companies and divisions, and the provision of fast, flexible and suitable solutions for each financing need. As part of its efforts to constantly improve and expand its range of products and services, Bank of Cyprus intends to launch new financing options which are tailored to meet the requirements of the new generation of business projects (marinas, golf courses, desalination plants).

**6.2.4 Factoring services**

The Factoring division commenced operations in 1992 and during that period it has managed to establish itself as the key player in the factoring industry, both in the domestic and international fields. The division is involved with the provision of Factoring services, cheque and invoice discounting regarding both domestic and international transactions. Apart from the provision of working capital financing, the division provides sales ledger administration, debtor collection services and insurance services.

In response to customer requirements, the Factoring Division has updated its services by introducing a new innovative product that provides credit insurance on receivables and can be combined to any of the existing products of the Division. This particular service is being provided to numerous customers, who enjoy the benefit of a credit assessment and credit insurance of their customer base in these times of serious financial instability and uncertainty, especially in terms of solvency levels.

**6.2.5 International Business Units**

The International Business Units (IBUs) have been operating in Cyprus since 1991. There are currently four units, one in each city Nicosia, Limassol, Larnaca and Paphos. The IBUs offer flexible and adaptable services designed to continuously satisfy the requirements of this constantly changing market.

The prime objective of the IBUs continues to be the provision of the highest quality service to the Bank's customers and associates. In order to ensure that this objective is achieved, in 2008 the Bank reorganised the entire International Banking Services Division, which includes the IBUs and Representative Offices. It also obtained ISO 9001:2000 certification, thereby demonstrating the Group's commitment to the provision of high quality services.

**6.2.6 Private Banking**

The Private Banking Division of Bank of Cyprus has offices in Cyprus, Greece and the Channel Islands providing an integrated range of top quality international investment and financial services to high net worth individuals and institutional investors with significant funds for investment. By working closely with other Group units in Cyprus and abroad, the Division ensures that its customers are provided with a highly professional service in all the countries in which the Group operates. The products and services offered by Private Banking include:

- Deposit schemes in the main international currencies.
- Innovative structured products.
- Mutual funds offering geographical, currency and other forms of diversification
- International brokerage services for equities and bonds
- Foreign Currency transactions

**6.2.7 Investment Services**

The Cyprus Investment and Securities Corporation (CISCO)

CISCO provides a full spectrum of investment services covering brokerage, fund management and investment banking services. Since the Common Platform became operational in October 2006, CISCO has been operating as a remote member of the Athens Exchange (ATHEX) executing trades on the ATHEX

CISCO's main strategic objective continues to be to maintain its leading role in its three sectors of activity. Immediate objectives are again to increase turnover, offer new innovative products and services, expand its customer base and exploit two-way synergies with the Group.

**6.2.8 Insurance Services**

The Group undertakes general insurance business through its subsidiary company, General Insurance Company of Cyprus, which is based in Cyprus.

The Group also undertakes life insurance business through its subsidiary company, EuroLife, which is based in Cyprus.

**6.2.8.1 General Insurance of Cyprus Ltd**

The General Insurance of Cyprus was founded in 1951 by Bank of Cyprus. The company specialises in the general insurance business in Cyprus and provides a wide range of insurance plans, which cover completely all personal and business insurance requirements.

By applying sound insurance principles, both in terms of pricing and risk taking and the rational expansion of each business line, the company maintains an insurance portfolio that is unique in the Cyprus insurance market in terms of composition and quality. This strategy has not prevented the Company from expanding further, maintaining a market share of 12,3% in 2007 as confirmed by the official statistics released by the Office of the Superintendent of Insurance.

The Company's success can also be attributed to its clear strategy which is based on a professional approach, selling insurance products using the latest bancassurance methods, exploiting the potential offered by modern technology and providing ongoing training and development for its staff.

**6.2.8.2 EuroLife**

EuroLife specialises in the life insurance business in Cyprus and provides a wide range of modern and flexible insurance products.

EuroLife continued to perform well in 2008, with a higher growth rate than the market, thereby consolidating its leading position and increasing its share of the life assurance market.

The steady rise in EuroLife's performance and its remarkable success are the result of the following significant factors:

- direct, high-quality customer service,
- high levels of professionalism,
- sound investment strategy and management,
- reliable staff, and
- the effective utilisation of synergies with the Group.

EuroLife's objective is to maintain its high rates of production and its leading position in the life assurance market and to increase its market shares in all sectors. Investments in both innovation and technology will continue apace.

**6.2.9 Property and Development Management*****Kermia and Kermia Properties & Investments***

Both Kermia and Kermia Properties & Investments specialise in developing, selling and managing properties, with activities mainly in Nicosia and Limassol. During 2008, there was a significant drop in the property demand due to the impact of the global financial crisis on the property sector

Kermia and Kermia Properties & Investments have a number of valuable plots of land for sale and/or development mainly in Nicosia and Limassol. Despite the economic slowdown in the property market, the profitability of the two companies Kermia and Kermia Properties and Investments was maintained at satisfactory levels.



### **6.3 Group Operations in Greece**

#### **6.3.1 Group Operations in Greece**

The Bank has been operating in Greece since 1991. The dynamic expansion of the Bank's Greek operations started in 1999. The Bank operates 160 branches in Greece offering a wide range of financial products and services..

Bank of Cyprus continued its success in the Greek market strengthening its position against the competition, achieving higher growth rates than the market and increasing its market share in all sectors.

This success was mainly achieved by expanding the branch network to 160 branches throughout Greece and by promoting competitive and innovative products through effective customer-oriented practices which strengthen the customer base and raise the profile of the Bank and its products.

Bank of Cyprus Greece achieved a significant increase in deposits, which enhanced its liquidity, market share and position as one of the preferred choices of the saving public.

At the same time, by focusing on loans to retail customers and businesses, it achieved growth rates in consumer, mortgage and business loans that are significantly higher than those of the market.

#### **6.3.2 Small And Medium Sized Enterprises (SMES)**

The considerable contribution made by Small and Medium-sized Enterprises (SMEs) both to gross domestic product and to overall job numbers puts this sector at the vanguard of the Greek economy.

Recognising on the one hand the importance of SMEs to the development of the local economy and on the other hand the need to provide them with specialised services, Bank of Cyprus now has 80 Business Centres in Greece.

The Bank has the infrastructure needed to provide immediate service to SMEs. With fast and flexible procedures and products tailored to individual industries (tourism, project finance, renewable energy sources etc.) alongside traditional banking products (start-up capital using overdraft facilities, permanent working capital, asset financing, investment financing, debenture loans, leasing, factoring etc.).

#### **6.3.3 Alternative Distribution Channels**

The Alternative Distribution Channels Division in Greece include Automatic Teller Machines (ATMs), Internet Banking, Phone Banking and Online Trading and are available to both retail customers and businesses.

The Bank had a network of 207 ATMs in Greece at the end of 2008. New technology is being introduced for ATMs and cards in order to prevent and deal with theft of card information.

The Internet Banking, Phone Banking and Online Trading services provide customers with the facility to monitor their relationship with the Bank (balances and statements for bank accounts, cards, factoring, mutual funds and equity portfolio) and to carry out banking and brokerage transactions with considerable benefits to customers, such as a lower cost of transactions.

#### **6.3.4 Corporate Banking and Shipping Division**

The Corporate Banking Division offers a broad range of services and specialised financial tools to corporate customers and organisations. Despite the adverse international climate, both direct and indirect financing are considered to be positive. This increase was achieved both by enhancing the volume of work with existing customers and by attracting new customers. It is worth noting that despite the crisis there was a substantial increase in commissions from this sector and arrears were kept at low levels.

It is noted that in July 2007 the Group's shipping division commenced operations offering financing and other services in the Greek Shipping sector. The Bank's financing services to the shipping sector were very well received by the shipping community

### **6.3.5 Leasing**

#### ***6.3.5.1 Kyprou Leasing***

Over the ten years since its incorporation in 1997, Kyprou Leasing has grown into one of the leading leasing companies in the market, having acquired a broad customer base and ranking second, a position it has maintained for the last number of years. It has obtained ISO 9001 certification from TÜV CERT for its leasing services and pursues a consistent policy of offering high-quality, up to date and efficient services. According to the most recent statistics available, Kyprou Leasing has a market share of over 18%<sup>4</sup>.

Relying on its highly trained officers and on investments in ongoing improvements, it has created flexible and specialised products for both equipment leasing and property leasing, thereby meeting the needs of Self-employed businessmen, such as doctors, lawyers etc. and every type of business. It also works with selected equipment suppliers (vendor leasing), thereby boosting mutual sales through the financing of vendors' customers.

#### ***6.3.5.2 Kyprou Factors***

Kyprou Factors commenced operations in April 2002, offering factoring services. The division continued to grow its business in 2008 and improved its performance across the board, maintaining at the same time its market share, despite the intense competition and the unfavourable economic conditions in the sector. Kyprou Factors ranks third in the Greek factoring sector, in terms of turnover<sup>5</sup>.

At the same time, special attention is given to the organisational and operational improvements of Kyprou Factors with the basic aim of upgrading its information system by automating customer data processing, completing the online customer information system on the Internet (e-factoring) and improving administration information systems.

The comparative advantages of the Division are the Group's high level of expertise and long-term experience in providing these specific services, the emphasis on organisation and operations using leading-edge technology, its flexibility and ability to take decisions quickly in cooperation with the relevant approval authorities, its close cooperation with the Bank's network, its presence throughout Greece, the high standard of services provided and the professionalism and high quality of its human resources.

### **6.3.6 Asset Management and Investment Services**

#### ***6.3.6.1 Investment Banking***

The services carried out by the Investment Banking Division concentrated in consultancy services to companies wishing to float on the Athens Exchange's newly-established Alternative Market, which offers more flexible listing criteria for small companies compared to the markets for Large and Small/Mid cap companies. In 2008, the Investment Banking Division acted as consultant to three companies whose shares are now being traded on the Alternative Market of the Athens Exchange.

The Bank's strategic objectives are on the one hand to continue and enhance its activity in listings on the Alternative Market of the Athens Exchange and on the other hand to broaden the scope of its activities by advising listed companies on other matters (such as issuing share capital, issuing bonds, mergers and acquisitions).

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<sup>4</sup> Source: Bank of Cyprus Group based on market figures

<sup>5</sup> Source: Bank of Cyprus Group based on market figures

**6.3.6.2 Asset Management - Kyprou AEDAK**

2008 was a year of extreme volatility on the international capital markets. As a result of its sound fund management strategy during the year, Kyprou AEDAK helped to maintain the high qualitative characteristics of the investments of its mutual funds. Most of the mutual funds managed by Kyprou AEDAK outperformed their reference indices and achieved better than average returns in their respective categories.

Kyprou AEDAK offered two new mutual funds in 2008, the Kyprou Euribor Return (EUR) Foreign Bond Mutual Fund and the Kyprou Libor Return (USD) Foreign Bond Mutual Fund. These two funds aim to achieve returns that are at least equal to the 3-month Euribor and Libor respectively and are designed for investors with a medium-term investment horizon and a conservative investment profile, wishing to invest in high-quality bonds with relatively low risk.

Kyprou AEDAK, in line with its key target to meet investors' investment objectives and requirements by offering specialised services, has extended its range of services and now provides:

- investment advice, and
- discretionary investment portfolio management.

In addition to the mutual funds offered by Kyprou AEDAK, the Bank's branch network also offers mutual funds managed by the Swiss bank UBS.

Kyprou AEDAK's investment strategy continues to focus on achieving returns which are higher than the reference indices with the lowest possible investment risk. The Bank's strategic objective in relation to third party investment products continues to be the development of this business by adding to the range of products, increasing the number of partners, creating composite products and providing administrative support for sales.

**6.3.6.3 Kyprou Securities**

Kyprou Securities operates in Greece offering brokerage services for trading on the Athens Exchange, Athens Derivatives Exchange and the Cyprus Sock Exchange.

Kyprou Securities, operating in the new trading environment created after the implementation of the MIFID directive, placed significant emphasis on its reorganisation, the revision of its internal procedures and the broadening of its range of investment services to include:

- Market-making of shares listed on the Athens Exchange (Alternative and Main markets).
- Trading of shares on foreign exchanges.
- Setting up of the Investment Research and Analysis Division which prepares company research and valuation reports.

Its strategic objectives include the immediate provision of quality services to its customers and the broadening of the range of services provided by fully setting up the foreign derivatives trading unit and upgrading the webtrading internet service.

**6.3.7 Insurance Services****6.3.7.1 Kyprou Asfalistiki**

General Insurance of Cyprus operates in the Greek insurance market through its branch registered under the name of Kyprou Asfalistiki. Since it was first established about seven years ago, Kyprou Asfalistiki has grown dynamically both in terms of the volume of insurance business generated and profitability. It has also managed to build up insurance reserves solely from its own sources of income.

Kyprou Asfalistiki offers all general insurance services with the exception of motor insurance and insurance relating to legal protection, letters of credit and warranties. Its main objective continues to be the provision of insurance services to Bank of Cyprus customers through the creation of products that offer comprehensive coverage, which can be tailored to meet the specialised requirements of specific sectors of

the market. Products are marketed through the Bank's branch network whereas more specialised customer requirements are serviced by the highly-trained staff of Kyprou Asfalistiki.

The key policy of Kyprou Asfalistiki is to maintain the high level of professionalism of its officers and apply a customer-oriented approach to management, which ensures that it can offer Bank of Cyprus customers the best possible insurance service.

#### **6.3.7.2 Kyprou Zois**

Kyprou Zois operates as a branch of EuroLife in the Greek life assurance market. The aim of Kyprou Zois is to market insurance products which:

- relate to the services and products offered by Bank of Cyprus in Greece both to consumers and business clients,
- are marketed through the Bank's established distribution channels using methods which are an extension of those used for banking products, and
- can be mass marketed to groups of the Bank's customers.

Kyprou Zois offers life assurance policies on all types of Bank of Cyprus loan products for private individuals, consumers and business professionals. The insurance products linked to mortgage, business, consumer and personal loans and credit cards have achieved levels of market penetration, which are among the highest in the Greek banking market. Stand-alone products have also been developed for accident, pension planning and also with children as beneficiaries, which are being marketed by customer service officers of the Bank's branches and also using direct marketing aimed at the Bank's customer base.

Kyprou Zois presents a stable expansionary strategy over the years, making it one of the most profitable companies in the Greek insurance market.

### **6.4 Group Operations in other countries**

#### **6.4.1 United Kingdom**

The Group commenced operations in the United Kingdom (UK) in 1955 and currently operates through five branches. The strategy and future plans of Bank of Cyprus UK include the following:

- Continue to review credit risk policies and strengthen credit analysis processes.
- Continue to offer competitive deposit rates and drive for self-funding of the Bank.
- Continue to contain costs through effective cost management.
- Revamp the Bank's website to ensure it is attractive, contemporary and user-friendly.
- Capitalise on opportunities arising from the Group's international customer base.
- Launching of the High Quality Banking Centre for high net worth UK and international customers in central London

#### **6.4.2 Australia**

In 2000 the Group expanded its banking operations in Australia through a wholly owned subsidiary company. Bank of Cyprus Australia mainly targets the Hellenic community of Australia and seeks to enhance its position by providing an alternative choice against the large banks of Australia, while continuing to add value to the Group with the provision of alternative banking products and services for SMEs.

#### **6.4.3 Channel Islands**

Bank of Cyprus (Channel Islands) offers innovative deposit and lending products to Group's customers. It also provides its Private Banking customers with investment and brokerage services.

**6.4.4 Romania**

Bank of Cyprus Romania commenced operations in late July 2007, offering integrated financial products and services.

In 2008, Bank of Cyprus Romania continued to expand organically, significantly increasing its loan volumes, particularly in the corporate banking sector. The bank continued to expand its branch network in Bucharest and two other major cities, Constanta and Ploiesti, offering a wide range of financial products and high quality services.

During 2008 the Bank's branch network reached nine branches. Four of the branches focus on servicing SME customers while there is a specialised team at the head office which services corporate clients. The Bank places special emphasis on the expansion of the retail sector and the enrichment of its customer portfolio.

It is worth mentioning that the Bank maintained a sound approach in both its business and retail lending activities, thus creating a solid foundation for its future growth. Bank of Cyprus aims to improve the operational set-up of its branch network in order to provide more specialised and diversified high quality services to its customers.

For 2009, and in light of the global financial crisis, the main pillars of the Action Plan of Romania are the maintenance of the quality of its portfolio, the selective development of the SME and corporate sectors, the containment of costs and deposit gathering to allow the Bank to become self funded.

Within this framework the goals of Bank of Cyprus Romania include:

- Consolidation of its market position by attracting sound business opportunities that are available.
- Cross selling to customers, aiming to become their main bank.
- Identification of the economic sectors that attract EU funding and seeking lending opportunities to creditworthy businesses operating in these sectors.
- Setting up of a high net worth banking unit and focus on the delivery of a high quality, personalised service.

**6.4.5 Russia**

Bank of Cyprus is the first commercial bank from the Greek-speaking world to establish an official full banking presence in Russia.

The Group commenced operations in the fast growth Russian market when it established a subsidiary bank in August 2007, providing banking services to corporate customers and SMEs, and a leasing company. In order to complete its expansion in the Russian market, the Group needed to expand into the retail banking sector and attract liquidity from the domestic Russian market so as to optimise its performance relative to risk. This expansion into the retail banking sector was achieved in November 2008 through the acquisition of Uniastrum Bank which has the ninth largest branch network in the Russian market with over 210 branches.

Uniastrum Bank is well positioned to capture the Russian retail banking potential. It was founded in 1994 and is headquartered in Moscow. Its network of branches is located in the most economically active regions in Russia, which account for approximately 85% of the country's GDP and the Bank operates in every city with an official population of over 600,000 people. Uniastrum Bank offers an extensive range of products to the retail banking sector and enjoys high brand recognition. As of June 2008, Uniastrum was ranked 36th by retail loans. The Bank has an excellent deposit gathering capability and is ranked 15th by retail deposits.

In the beginning of 2009 the Group decided to operationally merge its two Russian banking units, Bank of Cyprus Russia and Uniastrum Bank. The aim of this merger is to generate synergies between the two units more quickly, while at the same time minimising costs and optimising systems and procedures.

**6.4.6 Ukraine**

The acquisition of the Ukrainian bank AvtoZAZbank was completed in May 2008. Following its acquisition by the Group, particular focus was placed on loan growth, especially in the corporate sector. The Bank's loan book increased considerably as a result of this endeavour. At the same time, the Group started the process of turning the Bank into a modern European bank specialising in the three core sectors, retail, SMEs and corporate sectors. The Group has decided to change the bank's name from AvtoZAZbank to Bank of Cyprus. At the end of 2008, the bank operated 33 branches in various regions of Ukraine, including Kiev and Odessa.

The global financial crisis had a marked impact on the Ukrainian economy in the final quarter of 2008, significantly affecting its monetary system, and by extension, its banking system. Pursuant to the crisis, the country faced acute shortage of liquidity in conjunction with the deterioration of the exchange rate of its national currency, thus causing serious problems for numerous domestic banks.

Despite these adverse economic developments, AvtoZAZbank was not significantly affected by these developments, shielded by its strong capital base and its loan portfolio that is backed by collateral. In order to avoid potential risks it was decided to restrict future lending, especially to the corporate sector. At the same time, due to the conservative stance demanded by economic conditions prevailing in the country, the main emphasis in 2009 will be on developing the retail and SME sectors, with specific focus on becoming self-funded through the growth of domestic deposits.

**6.4.7 Representative Offices**

The Group's Representative Offices continued their successful presence abroad in 2008, making a significant contribution to the growth of the Group's operations. They have a dynamic presence in South Africa, Canada, Russia, and Ukraine. Moreover a Liaison Office operates in Romania. Their experienced and skilled staff provide information on and access to the entire range of Group services. The Representative Offices provide Group customers with a high level of service wherever they are, thereby bridging geographical distances.

The two Representative Offices in Russia, based in Moscow and St. Petersburg, were very successful. Due to the rapid growth of the economies of the former Soviet Union and the opportunities arising there, the Bank has filed an application with the Russian authorities to open another two Representative Offices based in Ekaterinburg and Samara. At the same time, it has started working closely with Uniastrum Bank in order to make use of the synergies generated by the acquisition.

The Representative Office in Ukraine began its successful operation in April 2008. The Liaison Office in Bucharest was also opened in July 2008. It is responsible for deploying the synergies that exist between the Bank in Cyprus and Romania.

The other two Representative Offices, in South Africa and Canada, continued their successful operation in 2008. These offices mainly serve the Greek speaking communities in these two countries, thereby helping to maintain financial and other links between Greek emigrants and Greece and Cyprus.

**6.5 Other Group operations****6.5.1 Group Treasury**

Group Treasury is responsible for the proactive management of the Group's assets and liabilities based on a strategy laid down by the Group's Asset and Liability Committee (ALCO).

Group Treasury participates in the money and bond markets and manages the Group's liquidity risk with the objective of increasing Group profitability through the effective management of liquid funds and wholesale funding. Liquid funds are placed mainly in interbank deposits and liquid bonds with high credit ratings. Funds are raised mainly through bond issuance programmes in Cyprus and abroad and from other sources, such as interbank loans.

Group Treasury also participates in the currency and derivatives markets for the effective management of exchange and interest rate risks within strict limits set by the ALCO.

The provision of services to customers, either through the branch network or by direct access to Group Treasury, has always been an ambition and primary objective of the Division.

Cyprus Treasury has a dominant position on the foreign exchange market. Bank of Cyprus was rated by the internationally renowned journal, Global Finance, as the best bank in Cyprus in the foreign exchange sector.

### **6.5.2 Group Risk Management**

In view of the global financial crisis and the new environment that emerges, the three Risk Management divisions (credit, market and operational) are called to perform an increasingly significant task. The framework for effective risk management in all areas has already been set and the specialised risk monitoring and measurement methods are being systematically upgraded in line with the relevant Basel II guidelines.

#### ***Credit Risk Management***

The Group places great importance on the effective management of credit risk. This is achieved through a combination of highly trained and specialised staff and appropriate credit risk assessment systems.

##### ***Capital Adequacy***

The calculation of the Group's capital adequacy in 2008 was performed using the Standardised Approach. In parallel, the Group continues to set out the foundations for the implementation of the Internal Ratings-Based (IRB) Approach for credit risk.

##### ***Measurement and Assessment***

An important element of risk management is the development of new and the ongoing improvement of existing systems for assessing the creditworthiness of Group borrowers.

In the retail banking sector, credit scoring systems are used for new customers and behavioural scoring systems for existing customers. Both are continuously upgraded, so that both the customers and the risks undertaken can be carefully assessed.

During 2008 the development of the new upgraded version of the Integrated Rating System was completed. This system uses a common base (the Moody's Risk Advisor system platform) for the credit risk assessment of both SMEs and Corporate customers. The aim of this new system is to facilitate the more accurate assessment of a customer's creditworthiness as well as the calculation of the overall credit risk taken on by the Bank.

##### ***Loan Sanctioning Policy***

The current economic crisis is expected to directly or indirectly adversely affect vital sectors of the economies in which the Group operates, especially those of tourism and real estate. In view of the economic crisis, the Group's lending criteria mentioned above have become even stricter and will keep being revised according to the changing circumstances.

#### ***Market Risk Management***

The Group Market Risk Management Unit is responsible for measuring and monitoring market risk, liquidity risk and credit risk with correspondent banks and countries.

The Group Asset and Liability Committee (ALCO) sets out the policy for the management of these risks and approves the level of acceptable risk and limits, which are ratified by the Risk Committee of the Board of Directors.

The monitoring of these risks at Group level is carried out by market risk officers located in the countries in which the Group operates.

The crisis in the financial markets that escalated during the second half of 2008 has intensified the need for daily monitoring and analysis of both liquidity risk and credit risk with other banks. Sensitivity analysis and crisis scenario calculations were also performed for all market risks. The small trading books that the Group had been operating were closed as a result of the crisis.

*Interest Rate Risk*

In order to control the risk from changes in interest rates, limits have been set for the maximum annual loss of net interest income, for the next three years and small limits for open interest rate positions in the over three-years period. There is also a limit for the impact of a 2% change in interest rates on the economic value of the Group equal to 10% of Group capital.

*Currency Risk*

In order to manage currency risk, the ALCO has approved open position limits, which are lower than those set by the Central Bank of Cyprus. There is also a Value at Risk limit.

The foreign exchange trading book that used to operate, has been terminated during 2008 as a result of the world financial crisis.

*Liquidity risk*

The Group Market Risk Management Unit monitors the Group's liquidity position and ensures adherence to the various limits set by the regulatory authorities and the Board of Directors.

*Credit risk with correspondent banks and countries*

During 2008, as a result of the financial crisis and the problems faced by many banks, the Group has significantly restricted both the number of banks with which it has limits, as well as the maximum duration of the transactions. The internal model that relied mostly on the bank's credit rating is no longer followed. Limits are allocated to those banks that have a significant share of their local market, strong financial position and high probability of obtaining support from the local government in case of difficulty. The financial developments, changes in ratings and other news are monitored daily and the limits are adjusted whenever considered necessary.

***Operational Risk Management***

The Group Operational Risk Management Division continued working on the development of specialised methods for identifying, evaluating and measuring the operational risks faced by the Group, to allow for proper monitoring and timely identification of any shortcomings and their mitigation.

Potential losses from operational risks may occur in all the Group's activities as a result of inefficiency or failure of internal processes or systems caused either by external events or human error. Consequently, a wide range of possible scenarios which are difficult to foresee are included under the umbrella of operational risks. The global financial crisis has altered the environment in which the Group operates and this is expected to increase the possibility of losses arising from operational risks. Nonetheless, with proper operational risk management it is possible to limit any adverse consequences that may result.

The regular analysis of the operational risk incidents recorded on the incident reporting system together with the results of risk assessment workshops are important tools for the identification and management of risks both for preventive as well as for corrective purposes.

Risk assessment workshops are held for every operating unit of the Group. These workshops are attended by senior management of the unit being assessed, as well as representatives of the IT and Operations departments. Following the identification of the operational risks, the participants are called on to evaluate the risk as low, medium or high based on their experiences. An action plan is then formulated for the medium and high risks identified, outlining the corrective actions that need to be taken or additional controls to be placed in order to mitigate the risk as far as possible.



***Legal Risk***

Legal risk is defined as the risk of damages, outflows or losses that the Group may be called upon to pay to third parties resulting from acts and/or omissions of the Group or its employees that may be proved to constitute violations of its legal obligations.

Internal Legal Services in Cyprus is responsible for the management of the Group's legal risk, working in close cooperation with the legal departments and relevant business units of the countries in which the Group operates. Internal Legal Services also works in close cooperation with external legal counsel in all countries in which the Group operates. The experience gained by Internal Legal Services over the years and the expertise of its officers in various legal areas ensures the right approach in all areas of legal risk. Particular emphasis is given to contracts entered into by the Group so as to ensure compliance with the legal, regulatory and supervisory framework and at the same time to provide the counterparty (customer, associate, employee etc) with all the necessary information regarding its commitments towards the Group.

The senior management of the Group places great importance on the proper measurement and monitoring of the risks associated with litigation and other legal issues.

***Group Compliance Unit***

Compliance Risk is defined as the risk of legal or regulatory sanctions, material financial loss or loss of reputation the Group may suffer as a result of a failure to comply with laws, regulations and codes of conduct.

Integrity and honour are the basic principles of the Group wherever it operates. It is committed to preserve these principles through the adoption, implementation and maintenance of a compliance policy and an effective compliance program. The responsibilities of the Unit are to:

- advise, guide and educate Senior Management on compliance issues,
- assist, advise and support management in fulfilling its compliance obligations,
- develop policies, procedures and manuals relevant to compliance,
- monitor and communicate legal and regulatory developments,
- identify, document and assess compliance risks, and
- educate management and key staff.

Responsibility for compliance rests with the management of the Group's various business units, which, with the guidance and assistance of the Group Compliance Unit, will ensure compliance with laws, regulations and codes through appropriate procedures, manuals and systems.

In pursuit of the above objectives, Group Compliance has:

- drafted the compliance governance policy manual,
- updated its policies, procedures, systems and staff training to account for the third EU Money Laundering Directive,
- implemented the relevant EU Regulation for audit trail on electronic transfers, and
- initiated and monitored compliance projects at Group level with new legislation and codes such as MiFID, customer complaints procedure, etc.

## **7.0 PERSONNEL**

As at 31 December 2008 the Group employed 12,127 persons at an international level. Based on the Group's medium and long term policy, the Group recruits competent and qualified young personnel who possess the necessary academic qualifications or work experience mainly within the finance and economic sectors. New recruitments fill positions of strategic importance and undertake a quick-paced and dynamic training program after which they are placed in positions in branches or divisions mainly in the field of business development and financing.

Given the importance placed in the on-going education and training of the personnel, the personnel participate in a number of seminars aimed towards the development of their technical knowledge and capabilities. The improvement of their work quality, the growth of their knowledge and capabilities as well as their identification with the philosophy and the objectives of Bank, are of major importance in the planning and development of the educational programs. The education of personnel is conducted through internal educational programs as well as through the participation in external educational programs.

The geographical distribution of personnel as at the following dates was as follows:

	<b>31 March 2009</b>	<b>31 December 2008</b>	<b>31 December 2007</b>	<b>31 December 2006</b>
Cyprus	3,731	3,608	3,424	3,295
Greece	3,184	3,183	3,001	2,603
United Kingdom	186	188	212	204
Russia	4,306	4,354	63	-
Other Countries	824	794	209	90
<b>Total</b>	<b>12,231</b>	<b>12,127</b>	<b>6,909</b>	<b>6,192</b>

The Group operates a number of retirement benefit programs for almost all of its personnel. Special reference is provided in note 9 of the Group's Consolidated Financial Statements for the year ended 2008 which are incorporated by reference in this Prospectus.

## 8.0 BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

### 8.1 Board of Directors

The Bank's Board of Directors comprises of 15 members:

<p><b>Theodoros Aristodemou</b> (Non – Executive Chairman)</p>	<p>He was born in 1951. He is a graduate of the Economics Science department of the University of Athens. He is the founder and Chairman of Aristo Developers Ltd Group of companies with activities in Cyprus and overseas. He is member of the Board of Directors of several companies. He served as Chairman of the Paphos Chamber of Commerce and Industry, Vice-Chairman of the Cyprus Chamber of Commerce and Industry, Chairman of other organisations, a member of the Tourism Advisory Committee, a member of the Board of Directors of the Cyprus Telecommunications Authority, Cyprus Airways and the Cyprus International Institute for the Environment and Public Health in association with the Harvard School of Public Health. He is a member of the Board of Directors of Bank of Cyprus since 1991 and he served as Chairman of the Divisional Board of Bank of Cyprus Greece from 2005 to 2008. In May 2008 he was elected Chairman of the Board of Directors of Bank of Cyprus.</p>
<p><b>Andreas Artemis</b> (Vice-Chairman)</p>	<p>He was born in 1954. He studied Civil Engineering at the Queen Mary and Imperial Colleges of London University and holds a B.Sc. (Engineering) and an M.Sc. degree. He is Chairman of the Board of Directors of the Commercial General Insurance Group and member of the Board of Directors of a number of other companies. He is also a member of the Board of Directors of the Cyprus Employers and Industrialists Federation and of the Council of the Cyprus Red Cross Society. He has served for a number of years on the Board of Directors of the Cyprus Telecommunications Authority and since 1996 he is the Honorary Consul General of South Africa in Cyprus. He is a member of the Board of Directors of Bank of Cyprus since March 2000 and Vice-Chairman since May 2005.</p>
<p><b>George M. Georgiades</b> (Non-Executive, Independent)</p>	<p>He was born in 1946. He is a businessman and a business consultant for the hotels and tourism sector. He is a graduate of the Lausanne University in Switzerland and holds a degree in Economics and Business Administration. He also studied hotel management at the Centre International de Glion in Switzerland and attended a post-graduate hotel management course at Cornell University in the USA. He is Chairman of the Board of Directors of General Insurance of Cyprus, Vice-Chairman of the Cyprus Association of Directors and a member of the Board of Directors of various public and other companies in Cyprus. He is also a member of the Board of the Cyprus Chamber of Commerce and Industry and the Limassol Chamber of Commerce and Industry. He is Honorary Chairman of the Cyprus Hotel Managers Association. He was Chairman of the Board of the Cyprus International Institute for the Environment and Public Health in Association with the Harvard School of Public Health (2005-2008), Chairman of the Board of Governors of the Electricity Authority of Cyprus (1999-2005) and Chairman of the Board of Governors of the Cyprus Broadcasting Corporation (1994-1996).</p>

<p><b>Anna Diogenous</b> (<i>Non-Executive, Senior Independent Director</i>)</p>	<p>She was born in 1947. She holds a B.Sc. (Econ.) degree from the London School of Economics. She is Executive Chairperson of P.M. Tseriotis Ltd (the holding company of the Tseriotis Group of Companies). She is a member of the Board of Directors of various companies. She served as a Board member of the Junior School in Nicosia.</p>
<p><b>Andreas Eliades</b> (<i>Group Chief Executive Officer</i>)</p>	<p>He was born in 1955. He holds a degree in Economics from the Athens School of Economics and Commercial Sciences and an M.Sc. in Economics with distinction from the London School of Economics. He joined Bank of Cyprus in 1980. In 1991, upon the establishment of Bank of Cyprus Greece, he was appointed Country Manager. In 1998 he became Group General Manager of Bank of Cyprus Greece, having responsibility of the Group's growth in Greece. In 2005, he was appointed Group Chief Executive Officer and in 2006 he was also appointed as a member of the Bank of Cyprus Group Board of Directors.</p>
<p><b>Andreas J. Jacovides</b> (<i>Non-Executive, Independent</i>)</p>	<p>He was born in Nicosia in 1936. He studied Law at the University of Cambridge (M.A., LL.B, LL.M with Double First Class Honours), the Inns of Court (Barrister-at-Law) and the Harvard Law School (Henry Fellow). He served for 14 years as Ambassador of Cyprus to the USA (including the World Bank and the International Monetary Fund / Signatory of the MIGA Convention), to Germany and the United Nations, and was accredited to a number of other countries (Canada, Brazil, Ecuador, Austria, Denmark) and organizations (IAEA, UNIDO, ICAO, OAS, etc), as well as Permanent Secretary of the Ministry of Foreign Affairs. He also served for 15 years as elected member of the UN International Law Commission, Commissioner of the UN Compensation Commission and Arbitrator/Senior Judge of the Claims Resolution Tribunal for Dormant Swiss Accounts, as a member of the Committee for the Protection of Minorities of the Council of Europe and of various bodies of the Commonwealth. He is currently an international lawyer and consultant, Patron of the American Society of International Law and an Arbitrator with the ICSID of the World Bank and other international bodies (Law of the Sea, OSCE). He is a member of the Board of Directors of other Cypriot and foreign organisations (including the A.G. Leventis Foundation and the Institute for the Study of Diplomacy, Georgetown University). He has written many studies on scientific subjects and he is an honorary citizen of many American cities and honorary doctor of American Universities. He has been decorated by the governments of Greece and Austria and he is an Honorary Fellow of St. John's College, Cambridge</p>

<b>Yiannis Kypri</b> <i>(Group Chief General Manager)</i>	<p>He was born in 1951. He studied Economics at the London School of Economics on a scholarship and obtained his degree with distinction in 1974. In 1978, he returned to Cyprus holding the professional qualification of Chartered Accountant and worked for two years at the international audit firm Ernst &amp; Young. In 1980, he joined the Bank of Cyprus Group and in 1982, he was appointed Chief Accountant of the Bank. From 1993 until 2004 he held the position of Group General Manager Finance. On 1st January 2005 he was appointed Group Chief General Manager. He was a founding member and served as Chairman of the Cyprus Public Companies Association for six years. He is the Chairman of the Bank of Cyprus Cultural Foundation and a Trustee of the Bank of Cyprus Oncology Centre. In 2006 he was appointed as a member of the Board of Directors of the Bank of Cyprus Group.</p>
<b>Manthos Mavrommatis</b> <i>(Non-Executive, Independent)</i>	<p>He was born in Nicosia in 1957. He holds a B.Sc. (Econ.) degree from the London School of Economics and an MBA from the Business School of the University of Chicago. He is the General Manager of the family business and a member of the Board of other private companies. He served as Chairman of the Cyprus Youth Organisation and as a member of the Board of the Cyprus State Fairs Authority. He served as Chairman of the Board of the Nicosia Chamber of Commerce and Industry. He was elected Chairman of the Cyprus Chamber of Commerce and Industry in 2005. He is the Honorary-Consul of Mexico in Cyprus. After the accession of Cyprus to the European Union he represented the Cyprus Chamber of Commerce and Industry for two years in the European Economic and Social Committee (EESC) in Brussels, which is the institutional body at European level for social partners. He represented Cyprus in the EESC in relation to the Lisbon Strategy for competition and entrepreneurship. He is member of the Executive Committee of Eurochambers and of the Balkan Chambers. He is a member of the Board of the Cyprus International Institute of Management and of the Board of Trustees of the Research and Educational Institute of Cyprus.</p>
<b>Christos Mouskis</b> <i>(Non-Executive, Independent)</i>	<p>He was born in Limassol in 1964. He studied Business Administration and Marketing in the USA. He is Executive Chairman of Muskita Holdings Ltd, holding company of the Muskita Group, which is a diversified group of companies employing more than one thousand people in Cyprus and overseas. The group's activities include aluminium manufacturing and the hotel industry. The activities also extend to the real estate sector in Cyprus and Europe. He is also an active member of various organisations including General Insurance of Cyprus and the Cyprus International Institute for the Environment and Public Health in Association with the Harvard School of Public Health. He is a current and founding member of the Association of Cyprus Tourist Enterprises.</p>

<p><b>Evdokimos Xenophontos</b> (Non – Executive)</p>	<p>He was born in 1938. He studied in London on a scholarship from the Republic of Cyprus and obtained the professional qualification of Chartered Accountant in 1962. During the period 1963-1967, he worked as an Audit Manager for the international audit firm Ernst &amp; Young in Cyprus. In 1967 he was appointed Chief Accountant of Bank of Cyprus and in 1974 he became General Manager of Bank of Cyprus (Holdings), which, until August 1999, was the holding company of the Group. In 1993 he assumed the role of Group Chief General Manager, a position that he held until the end of 2004 when he retired from executive duties. He is Chairman of the Board of Directors of JCC Payment Systems, the Cyprus Anticancer Society and the Cyprus branch of the UK Institute of Directors. He served as Chairman of the Institute of Certified Public Accountants of Cyprus and as a board member of the Cyprus Institute of Genetics and Neurology and of the Cyprus Electricity Authority for a number of years.</p>
<p><b>Vassilis G. Rologis</b> (Non-Executive)</p>	<p>He was born in 1942. He studied Law and Business Administration, with specialisation in Marketing, in the United Kingdom. He has worked in the United Kingdom and in Greece. He was Vice-Chairman of the Cyprus Chamber of Commerce and Industry (1990-1996) and Chairman from 1996 until 2005. From 1980 to 1994 he was a member of the Board of Directors and from 1994 to 2005 he was Chairman of General Insurance of Cyprus. He served as Chairman of Cyprus Airways and Eurocypria Airlines (1993-1997). During 2001-2002, he served as Chairman of the Association of Balkan Chambers. He is a member of the Board of Directors of the Eurochambers, based in Brussels. He is a member of the Finance Advisory Committee, the Commerce and Industry Advisory Committee and the Cyprus delegation at the International Labour Organisation. In 2004, he was elected Vice-Chairman of the Bank and in 2005 he was elected Chairman of the Board of Directors of the Bank. In 2006 he resigned from the Chairmanship. He remains a member of the Board of Directors of Bank of Cyprus and he is a member of the Remuneration and Nomination Board Committees. He is also the Chairman of the UK Divisional Board and of Bank of Cyprus Channel Islands. In 2007 he was elected Chairman of the International Chamber of Commerce Cyprus and in December 2008 he was elected Honorary Chairman by the Annual General Meeting of the Cyprus Chamber of Commerce and Industry.</p>
<p><b>Costas Z. Severis</b> (Non – Executive)</p>	<p>He was born in 1949. He studied Economics (MA Honours) at the University of Cambridge. He is Honorary Consul of Finland in Cyprus since 1989. His main business activities are paper import and insurance. He is also a member of the Board of Directors of the Cyprus Employers and Industrialists Federation and of other public companies.</p>

<b>Nicos Tsakos</b> <i>(Non – Executive Independent)</i>	<p>He was born in 1963. Nikolas Tsakos has been involved in ship management since 1981. From 1982 to 1985, he was Shipping and Operations Manager of Tsakos Shipping and Trading Ltd in the USA with a focus on the off-shore energy sector. He received his BA Degree in Economics and Political Science from Columbia University in 1985 and his Masters Degree in Shipping, Trade and Finance in 1987 from the City University Business School of London. He served as officer in the Hellenic Navy in 1988. He is the Founder, President and CEO of Tsakos Energy Navigation (TEN) Limited, a pioneering company and one of the oldest listed Greek shipping companies. He has received various awards most recently ‘Lloyd’s List award for the Best Tanker Operator in 2006’, ‘EUROPE’s 500 award in 2005’, ‘Lloyd’s List award to HELMEPA for achievement for clean and safe seas in 2004’ and ‘Best Maritime Manager of the New Generation’ award by the magazine ‘Business Administration Bulletin’ at the Academy of Athens. He is an active member of the Hellenic Marine Environment Protection Association (ex-Chairman), the Independent Tanker Owners Organisation (Council member), the Union of Greek Shipowners, the Greek Shipping Co-operation Committee, the Greek Committee of Det Norske Veritas, the American Bureau of Shipping, the Bureau Veritas and the UK P&amp;I Club.</p>
<b>Costas Hadjipapas</b> <i>Non - Executive</i>	<p>He was born in 1958. He holds a degree (BSc) in Business Administration and Economics from the Graduate School of Industrial Studies of Thessaloniki. In 1981, he joined the Bank of Cyprus Group. He has worked in various departments and has comprehensive knowledge of banking operations. He has held a number of positions and is currently the Regional Manager in Paphos. He is a member of the Board of Directors of the Cyprus Banking Employees Union.</p>
<b>Christakis G. Christofides</b> <i>Non – Executive</i>	<p>He was born in 1948. He holds a B.Sc. Hons degree in Chemical Engineering from Birmingham University and an MBA from City University. He is a Chartered Engineer and a member of the Institution of Chemical Engineers of the United Kingdom. He is Honorary Consul General of Austria in Cyprus. He is a businessman, supplying raw materials to industries in Cyprus and Greece.</p>

The business address of all Board of Directors is the Bank’s registered office 51 Stasinou Street, Ayia Paraskevi, Strovolos, 2002 , Nicosia, Cyprus.

#### ***Changes in the Board***

Mr Theodoros Aristodemou was elected as Chairman of the Board of Directors on 14 May 2008, being the date of the Annual General Meeting during which Mr Eleftherios P. Ioannou retired due to his having reached 75 years of age. On the same date, Messrs Michalis Sarris and Nikolas P. Tsakos were elected as new members of the Board of Directors. During 2008, Messrs Charilaos G. Stavrakis, Michalis Sarris and Andreas Pittas resigned from the Board of Directors on 29 February 2008, 26 May 2008 and 11 September 2008 respectively. Mr Christos S. Pantzaris also resigned from the Board of Directors on 15 January 2009 given that, in accordance with the Articles of Association of Bank of Cyprus, he had to retire by the next Annual General Meeting due to having reached 75 years of age.

**8.1.1 Board Committees**

Specific responsibilities have been delegated to Committees of the Board. The Terms of Reference of the Committees are based on the relevant provisions of the Corporate Governance Code and the relevant Directive of the Central Bank of Cyprus.

***Audit Committee***

As at the date of approval of this Prospectus the majority of the members of the Audit Committee were independent Directors:

- Costas Z. Severis, Chairman
- Evdokimos Xenophontos
- George M. Georgiades (independent)
- Andreas J. Jacovides (independent)
- Manthos Mavrommatis (independent)

The Audit Committee reviews, inter-alia, the Group's financial statements, reports prepared by Group Internal Audit and reports on the Group's system of internal controls and its effectiveness.

The Audit Committee confirms that it is satisfied with the independence of Group Internal Audit, which reports directly to the Board of Directors through the Audit Committee. Group Internal Audit is organisationally independent of units with executive functions and is not subordinated to any other unit of the Bank.

The Audit Committee also recommends the appointment or retirement and the remuneration of the Group's external auditors. The objectivity and independence of the Group's external auditors is safeguarded through monitoring, by the Audit Committee, of their relationship with the Group, including the monitoring of the balance between audit and auxiliary non-audit services.

***Remuneration Committee***

As at the date of approval of this report by the Board of Directors the majority of the members of the Remuneration Committee were independent Directors:

- Anna Diogenous, Chairman (independent)
- Vassilis G. Rologis
- Christos Mouskis (independent)
- Nicolaos P. Tsakos (independent)

The Committee considers and makes recommendations to the Board on matters relating to the remuneration of Executive Directors and Senior Executive Management, as well as the overall Group remuneration policy. Shareholders at the Annual General Meeting approve the remuneration of Directors in their capacity as members of the Board based on the Recommendations of the Remuneration Committee.

***Nominations and Corporate Governance Committee***

As at the date of approval of this report by the Board of Directors the members of the Nominations and Corporate Governance Committee were:

- Manthos Mavrommatis, Chairman (independent)
- Andreas Artemis (independent)
- Vassilis G. Rologis
- Christakis G. Christofides
- Anna Diogenous (independent)

The Committee makes recommendations to the Board for the appointment of new Directors in order to fill vacant positions on the Board as well as for the re-election of retiring Board members, taking into consideration the relevant factors and criteria. The Committee is responsible for the formulation of the succession plans of the Board. Additionally the Committee has general responsibility for the application of corporate governance principles by the Group.



#### ***Risk Committee***

As at the date of approval of this report by the Board of Directors the members of the Risk Committee were:

- Georgios M. Georgiades, Chairman (independent)
- Andreas Artemis
- Costas Z. Severis
- Andreas Eliades, Group Chief Executive Officer
- Costas Hadjipapas

The Committee examines, inter-alia, the Group's risk management policies and systems and their effectiveness, and makes recommendations to the Board of Directors regarding these matters. The Risk Committee together with the Audit Committee ensure that there is a spherical perception and management of risks.

#### ***Regional Boards for International Operations***

In light of the Group's continued volume growth and recent expansion to new markets, the Board of Directors has set up regional boards which are responsible for the monitoring of the international operations in each market and which report to the Board of Directors. Specifically, boards have been set up for the monitoring of the Group's operations in Russia, Ukraine, Romania and the United Kingdom. The aim is for the boards to assist the Board of Directors to carry out its duties more effectively.

#### ***Regional Board United Kingdom***

Vassilis G. Rologis (Chairman), Costas Z. Severis (Vice-Chairman), Andreas Artemis, John D. Buddle, Andreas J. Iacovides, Demetris P. Ioannou, Iacovos Koumi, Spyros Neophytou, Philip H. Nunnerley, Vassos Shiaryl, Antonis Jacouris, Christakis G. Christofides.

#### ***Regional Board Ukraine***

Christos Mouskis (Chairman), Manthos Mavrommatis (Vice-Chairman), Andreas Artemis, George M. Georgiades, Anna Diogenous, Kyriakos Iacovides, Evdokimos Xenophontos, Antonis Jacouris, Costas Hadjipapas.

#### ***Regional Board Romania***

Christos Mouskis (Chairman), Anna Diogenous (Vice-Chairperson), Andreas Artemis, George M. Georgiades, Kyriakos Iacovides, Manthos Mavrommatis, Evdokimos Xenophontos, Antonis Jacouris, Costas Hadjipapas.

#### ***Regional Board Russia***

Andreas Artemis (Chairman), George M. Georgiades (Vice-Chairman), Nikolas Karydas, Manthos Mavrommatis, Christos Mouskis, Vassilis G. Rologis, Antonis Jacouris, Nikolas P. Tsakos, Christis Hadjimitsis.

## **8.2 Group's Executive Directors and General Managers**

The Group's Executive Committee comprises 6 members as follows:

<b>Andreas Eliades</b>	<b>Group Chief Executive Officer</b> (see Board of Directors)
<b>Yiannis Kypri</b>	<b>Group Chief General Manager</b> (see Board of Directors)

<b>Antonis Jacouris</b>	<b>Group General Manager International Business and Operations</b> - He was born in 1947. In 1973 he obtained the professional qualification of Chartered Accountant (FCA). During the period 1973-1980 he worked with the international audit firm Coopers & Lybrand (now PricewaterhouseCoopers) at their London, Rotterdam and Athens offices. In 1980 he joined Bank of Cyprus and served as manager at various posts. In 1993, he was promoted to Group General Manager Support Services, a position which he held until October 2003. After a year in the position of Group General Manager Credit Risk he became Group General Manager Information and Operations. In addition to these duties, for six months from September 2007, he assumed the position of General Manager of Bank of Cyprus Greece. As of March 2008 he assumed the post of Group General Manager International Banking and Operations, responsible for the banking operations of the Group in Romania, Russia, Ukraine, UK and Australia, as well as Group Operations, Information Technology, Organisation and Methods and Human Resources.
<b>Vassos Shiarly</b>	<b>Group General Manager Domestic Banking</b> - He was born in 1948. In 1966 he graduated from high school in London. He studied accounting and worked for 19 years in various accounting firms in London. His last employment before his return to Cyprus in 1985 was with Coopers & Lybrand, where he held the position of Senior Manager. In 1985, he joined the Bank of Cyprus Group, and later took over the position of Senior Manager of the Customer Management Services Unit. During the period 1998-2003 he held the position of Group General Manager Branch Banking. Since November 2003 he holds the position of Group General Manager Domestic Banking.
<b>Christis Hadjimitsis</b>	<b>Group General Manager Finance and Strategy</b> - He was born in 1957. In 1976 he graduated from the English School in Nicosia. He studied economics at the London School of Economics and obtained his degree with distinction. He worked for the accounting firm Peat Marwick, Mitchell & Co London and in 1985 he returned to Cyprus having obtained the title of Chartered Accountant, with a specialisation in banking and financial services. From 1985 until 1988 he worked for Peat Marwick, Mitchell & Co in Cyprus. In 1988 he was recruited by the Bank of Cyprus Group and in 1992 he was appointed Financial Controller of the Bank. From 1995 until 2004 he held the position of Group Financial Controller. In 2005 he was appointed Group General Manager Finance with responsibility, among others, for the Group Finance and Group Strategic Planning Divisions. On 7 February 2008 he became Group General Manager Finance and Strategy and his duties were extended with the additional responsibility for the Mergers and Acquisitions Unit. He also served for a number of years as a member of the Board of Directors of the Cyprus Public Companies Association and of the Advisory Committee of the Cyprus Stock Exchange for the FTSE/CySE20.
<b>Nicolas Karydas</b>	<b>Group General Manager Risk Management</b> - He was born in 1955. He has a degree in Business Administration from the Athens Graduate School of Economics and Business Science and an M.Soc.Sc. in Accounting from the University of Birmingham. From 1980 to 1982 he worked at the Central Bank of Cyprus. During the period 1982 to 1986 he worked for Deloitte Haskins & Sells in London and in 1985 he obtained the professional qualification of Chartered Accountant. From 1986 until 2004 he worked at the Central Bank of Cyprus where he held various positions including Manager of the Domestic Bank Supervision Department and Internal Auditor of the Central Bank. He joined the Bank of Cyprus Group in November 2004 and took up the position of Group General Manager Risk Management.

**8.3 Corporate Governance Code**

As a company listed on the Cyprus Stock Exchange (CSE), Bank of Cyprus Public Company Ltd “the Bank”/ “the Company”) has adopted the CSE’s Corporate Governance Code and applies its principles. In January 2007 the CSE issued a revised Corporate Governance Code. The Group has complied with all the provisions of the revised Code except provision A.2.3 relating to the introduction of a new criterion in the definition of independent directors. According to this criterion, a director with tenure exceeding nine years is not considered independent. Provision A.2.3 requires that at least 50% of the members of the Board of Directors, excluding the Chairman, are independent non executive directors. The CSE has granted the Company an extension until December 2009 to comply with this provision. As of 15 January 2009 and as at the date of this Report, the Group complies with all the provisions of the revised Code.

In addition, as a company listed on the Athens Exchange, Bank of Cyprus Public Company Ltd follows the provisions of corporate governance of listed companies as laid out in law L3016/2002 of the Hellenic Republic.

**8.4 Statements of the Members of the Board of Directors and Senior Management**

The members of the Board of Directors and Senior Management of the Company made the following statements:

- (i) There is no family relationship or relationship by marriage of up to second degree, with any members of the administrative, management or supervisory bodies or senior management of the Company.
- (ii) They have not been convicted in relation to fraudulent offences for the previous five years.
- (iii) They have not been associated with any bankruptcies, receiverships or liquidations for the previous five years.
- (iv) No official public incrimination and/or sanctions have been made against them by statutory or regulatory authorities (including designated professional bodies) and they have never been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of the Company or from acting in the management or conduct of the affairs of the Company, for the previous five years.
- (v) There are no conflicts of interests between their duties as members of the administrative, management or supervisory bodies of the Company and their private or other interests. There are two service contracts with the Group Executive Managers Messrs Andreas Eliades and Yiannis Kypri. The service contracts of the Group Executive Managers have a five-year duration and on expiry are submitted to the Nominations Committee and subsequently to the Board of Directors for renewal. The service contracts include a clause for compensation in the event of an unjustified early termination. The compensation payable is the greater of either two annual salaries or the balance of the salaries payable until the expiry of the contract.
- (vi) There has been no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any of them was selected as a member of the administrative, management or supervisory bodies or member of senior management
- (vii) With the exception of any restrictions deriving from the current legislation, they do not have any contractual restriction on the disposal within a certain period of time of their holdings in the Company’s securities.

### 8.5 Participation of Directors and Executive Management Team in the Board of other Companies

#### 8.5.1 Participation of the members of the Board of Directors in the boards of directors of other companies

The following table presents the participation of the members of the Board of Directors in the boards of directors of other companies (in the last five years (excluding Group's subsidiaries)).

#### **THEODOROS ARISTODEMOU**

Company Name	Type of Company	Position in the Board	Notes
ARISTO DEVELOPERS LTD	Public	CEO	
RANDI GOLFERS LTD	Private	Member	
ARTHA ESTATES LTD	Private	CEO	
BETTER DAYS ENTERPRISES LTD	Private	Member	
AMITY DESIGNS LTD	Private	Member	
CHRIS LIVERAS INVESTMENTS LTD	Private	Member	
TITANIA CINEMAS ENTERPRISES LTD	Private	Member	
I.V. EDUCATIONAL MANAGEMENT SERVICES LTD	Private	CEO	
MAGIOKO LTD	Private	Member	
I.T.C. TANAGRA ESTATES LTD	Private	Member	
PAFIA TV LTD	Private	Member	
ARISTO KTHMATIKH LTD	Private	Member	
KENTORIA ESTATES LTD	Private		
VENUS ROCK ESTATES LTD	Private	Member	
G.A. GABRIELIDES LTD	Private	Member	
GABS HOLDING LTD	Private	Member	
KORADJISSA INVEST. LTD	Private	Member	
PENDESOS COAST LTD	Private	Member	
SKYLARK TRAVEL LTD	Private	Member	
SKYLARK INSURANCE LTD	Private	Member	
KADMOS LTD	Private	CEO	
ATLAS INVEST & DEVELOPERS LTD	Private	Member	
DIAS INVEST LTD	Private	Member	
EUROSTAR INVEST & DEVELOPERS LTD	Private	Member	
LANDMARK INVEST & DEVELOPERS LTD	Private	Member	
FUTURE DEVELOPMENT GROUP	Private	Member	
EURODEVELOPMENT	Private	Member	
SILVER CAPITAL HOLDINGS LTD	Private	CEO	
RELANCE INVESTMENTS LTD	Private	Member	
KEBE	Institute	Member	Has been a Member in the last 5 year period
A & A SUPER APHRODITE LTD	Private	Member	Has been a Member in the last 5 year period
ARISTO INVESTMENTS LTD	Private	Member	Has been a Member in the last 5 year period
T & R ARISTODEMOU LTD	Private	Member	Has been a Member in the last 5 year period
C.A.C. PAPANTONIOU PUBLIC COMPANY LTD	Public	Member	Has been a Member in the last 5 year period

## SECTION II

### Part A

#### **ANDREAS ARTEMIS**

Company Name	Type of Company	Position in the Board	Notes
COMMERCIAL GENERAL INSURANCE LIMITED	Private	Chairman	
J.C. CHRISTOPHIDES (HOLDINGS) LIMITED	Private	Member	
AKINITA CHARALAMBOUS AND AVRAS ARTEMI LTD	Private	Member	
CITY FINANCE COMPANY LIMITED	Private	Member	
MEDRISK MANAGEMENT SERVICES LIMITED	Private	Member	
N.J. DIMITRIOU (INSURANCES) LIMITED	Private	Member	
AIXMH AE	Private	Chairman	
MIDAS AE	Private	Chairman	
IKTINOS AE	Private	Chairman	
CLEANTHIS CHRISTOPHIDES LIMITED	Private	Member	Has been a Member in the last 5 year period
J.C. CHRISTOPHIDES (INVESTMENTS) LIMITED	Private	Member	Has been a Member in the last 5 year period
CITY MANAGEMENT SERVICES LIMITED	Private	Member	Has been a Member in the last 5 year period
WARWICK INSURANCE CO LIMITED	Private	Member	Has been a Member in the last 5 year period
KION MANAGEMENT LIMITED	Private	Member	Has been a Member in the last 5 year period
INNOVATIVE DISTRIBUTORS OF ENGINEERING APPLICATIONS LTD	Private	Member	Has been a Member in the last 5 year period
CLERKLAND CONSULTANTS LTD	Private	Member	Has been a Member in the last 5 year period
ACTIVA INSURANCE SA	Private	Chairman	Has been a Member in the last 5 year period

#### **GEORGE GEORGIADES**

Company Name	Type of Company	Position in the Board	Notes
CYPRUS INTERNATIONAL INSTITUTE FOR THE ENVIRONMENT PUBLIC HEALTH – HARVARD SCHOOL OF PUBLIC HEALTH	Institute	Chairman	
LOUIS PUBLIC LTD	Public	Member	
LOUIS HOTELS LTD	Public	Member	
CYPRUS LIMNI RESORTS & GOLF COURSES PLC	Public	Member	
CHR. GEORGIADES LTD	Private	CEO	
GEORGE M GEORGIADES & ASSOCIATES	Private	CEO	
MANOTEL LTD	Private	CEO	
CYPRUS ASSOCIATION OF DIRECTORS	Association	Vice chairman	
KEVE	Institute	Member	
EVEL	Institute	Member	
OPTIONS CASSOULIDES PUBLIC LTD	Public	Member	Has been a Member in the last 5 year period

**ANNA DIOGENOUS**

Company Name	Type of Company	Position in the Board	Notes
P. M. TSEROTIS LTD	Private	Chairman	
P.M.T. (HOLDINGS) LTD	Private	Chairman	
UNICARS LTD	Private	Member	
UNICARS EMPORIKI LTD	Private	Member	
UNICARS SERVICES LTD	Private	Member	
UNILEVER PMT INDUSTRIES LTD	Private	Chairman	
PYLONES (GREECE) S.A.	Private	Member	
EVESTOR HOLDING LTD	Private	Member	
ASPA TRADING LTD	Private	Member	
TSEROTIS CONSUMER GOODS LTD	Private	Chairman	
TGA INSURANCE AGENCIES LTD	Private	Chairman	
E.P.T (HOLDINGS) LTD	Private	Chairman	
ALPHADIO LTD	Private	Member	Has been a Member in the last 5 year period
ALGEANNA INVESTMENTS LTD	Private	Member	Has been a Member in the last 5 year period
ALGEANNA ESTATES LTD	Private	Member	Υπήρξε Member κατά την τελευταία πενταετία
TELEDEV EAST LTD	Private	Member	Has been a Member in the last 5 year period
SYNERGY INVESTMENTS LTD	Private	Member	Has been a Member in the last 5 year period

**ANDREAS ELIADES**

Company Name	Type of Company	Position in the Board	Notes
No participation			

**ANDREAS IACOVIDES**

Company Name	Type of Company	Position in the Board	Notes
LEPTOS CALYPSO HOTELS LTD	Public	Member	
A. G. LEVENTIS FOUNDATION	Charitable Foundation	Member	

**YIANNIS KYPRI**

Company Name	Type of Company	Position in the Board	Notes
No participation			

**MANTHOS MAVROMMATIS**

Company Name	Type of Company	Position in the Board	Notes
CHR. MAVROMMATIS & SONS LTD	Private	Chairman	
CHR. MAVROMMATIS (PUMPS) LTD	Private	Member	
LINETTE LTD	Private	Member	
MENEOU PLANTATIONS LTD	Private	Member	
HELLENIC TECHNICAL ENTERPRISES LTD	Private	Member	
APOLLO INVESTMENT FUND		Member	Has been a Member in the last 5 year period

**CHRISTOS MOUSKIS**

Company Name	Type of Company	Position in the Board	Notes
MUSKITA ALUMINIUM INDUSTRIES LTD	Public	Member	
MUSKITA HOTELS LTD	Private	Chairman	
MUSKITA TOURIST ENTERPRISES LTD	Private	Chairman	
G.M.LATOUR (ALAMINOS) LTD	Private	Member	
MUSKITA REALTY LTD	Private	Chairman	
MUSKITA HOLDINGS LTD	Private	Chairman	
MUSKITA INVESTMENTS LTD	Private	Member	
COSTA LIVERDOS SUCCESSORS HOTELIERS LTD	Private	Chairman	
C.M.LEISURE CONSULTANCY SERVICES LTD	Private	Chairman	
EMBAL ALUMINIUM NICOSIA LTD	Private	Member	
EMEKTAL ALUMINIUM LTD	Private	Member	
G.M. HOTELS TOURIST ENTERPRISES S.A.	Private	Member	
NEOLAND PROPERTIES LTD	Private	Member	
CYPRUS INTERNATIONAL INSTITUTE FOR THE ENVIRONMENT AND PUBLIC HEALTH IN ASSOCIATION WITH THE HARVARD SCHOOL OF PUBLIC HEALTH	Institute	Member	
ASSOCIATION OF CYPRUS TOURIST ENTERPRISES (ACTE)	Association	Member	
G.M. HOTELS TOURIST ENTERPRISES S.A	Private	Chairman	
M.K. CHR. INVESTMENTS LTD	Private	Chairman	
Q.L.S. QUALITY LAUNDRY SERVICES LTD	Private	Chairman	
RAWLTON HOLDINGS LTD	Private	Chairman	
CHRISTOS MOUSKIS INVESTMENTS LTD	Private	Chairman	

**EVDOKIMOS XENOPHONTOS**

Company Name	Type of Company	Position in the Board	Notes
CYPRUS ANTICANCER ASSOCIATION	Association	Chairman	
JCC PAYMENT SYSTEMS	Private	Chairman	

**VASSILIS ROLOGIS**

Company Name	Type of Company	Position in the Board	Notes
No participation			

**COSTAS SEVERIS**

Company Name	Type of Company	Position in the Board	Notes
D. SEVERIS & SONS LTD	Private	Chairman	
SEVERIS BROS LTD	Private	Chairman	
Z & A SEVERIS (ESTATE) LTD	Private	Member	
A.Z.S. LTD	Private	Member	
ANTIGONE SEVERIS HOLDINGS LTD	Private	Chairman	
CYPRUS UNITED OILS LTD	Private	Member	
C & R SEVERIS ESTATES LTD	Private	Chairman	
C & R INVESTMENTS LTD	Private	Chairman	
ONASAGORAS PROPERTIES LTD	Private	Member	
SYNERGY INVESTMENTS LTD	Private	Chairman	
ITTL TRADE TOURIST & LEISURE PARK LIMITED	Private	Member	
ERMES DEPARTMENT STORES LTD	Private	Vice-Chairman	
PAULIG SERVICES LTD	Private	Member	
SOLARTE INVESTMENTS LTD	Private	Chairman	
COSTAS & RITA SEVERIS FOUNDATION		Chairman	
MEDOCHEMIE LTD	Private	Member	Has been a Member in the last 5 year period

### **NICOS TSAKOS**

Company Name	Type of Company	Position in the Board	Notes
TSAKOS ENERGY NAVIGATION (TEN) LTD	Public	Chairman	

### **COSTAS HADJIPAPAS**

Company Name	Type of Company	Position in the Board	Notes
No participation			

### **CHRISTAKIS CHRISTOPHIDES**

Company Name	Type of Company	Position in the Board	Notes
F.J. CLASSIC LIVING LTD	Private	CEO	
G.G. CHRISTOPHIDES INDUSTRIAL LTD	Private	CEO	

### **Participation of Bank's Executives in the Boards of other Companies**

The Group's executives do not participate in the boards of other Companies other than subsidiaries of the Group.

## **9.0 INFORMATION ON THE LOAN AND SHARE CAPITAL OF THE GROUP**

### **9.1 Authorised and Issued Share Capital**

#### **9.1.1 Authorised Share Capital**

The authorised share capital of the Bank is set at €750.000.000 (C£438.955.500) divided into 750.000.000 ordinary Shares of nominal value €1,00 each.

#### **9.1.2 Issued Share Capital**

As at 31 December 2007, the issued and fully paid share capital of the Bank was £283.111.541,50 divided into 566.223.083 ordinary Shares of nominal value £0,50 each.

On 1 January 2008, date of the introduction of the Euro as the new official currency of the Republic of Cyprus, the nominal value of the Company's shares was converted from C£0,50 to €1,00. As a result of this change the issued share capital of the bank was converted to €566.223.083 divided into 566.223.083 ordinary Shares of nominal value €1,00 each.

As at the date of this Prospectus the authorised share capital of the Bank is €586.661.656 divided into 586.661.656 ordinary Shares of nominal value €1,00 each, that are listed on the Cyprus Stock Exchange and Athens Exchange.

### ***Dividend Reinvestment Plan***

The Company has in force a Dividend Reinvestment Plan under which all shareholders have the option to reinvest all or part of their dividend in shares of the Company at a discount on the market value of the shares. For the final dividend of 2008 the discount is set at 10%.

### ***Share-based payments – share options***

In 2000, the Company granted Share Options 2001/2007 to all Group employees who were in service at 31 December 2000. The total number of Share Options granted was 3.216.700 and they gave the holder the right to buy one share of the Company at the price of C£3,26 per option (as adjusted after the rights issue



in December 2005). The Share Options 2001/2007 were exercisable by their holders from 31 January 2004 to 31 December 2007.

In 2006, the Company granted Share Options 2006/2007 to all permanent employees of the Group in Cyprus and Greece who were in service at 30 September 2006 (grant date) provided they remained in service until 31 March 2007. The number of Share Options 2006/2007 issued was 4,283,300. The exercise price of the options had been set at C£3,70 and the exercise period was from 31 March 2007 to 30 June 2007 and was extended until 31 August 2007. During the exercise period, 4,189,106 options were exercised, as a result of which the Company's share capital and share premium increased by C£2,095 thousand and C£13,415 thousand respectively, while 60,353 options during 2007 were forfeited because of the departure of their holders from the Group.

Pursuant to a special resolution at the Annual General Meeting dated 14 May 2008, it was approved the establishment of a Share Options Plan for the allotment of share options to the employees of the Bank of Cyprus Group. According to this resolution, the Board was authorised to issue up to 15 million shares of the Company.

Following the aforementioned approval, the Board of Directors decided on the 28<sup>th</sup> May 2008, the establishment of the Share Options Plan 2008/2010. The Share Options granted within the context of the Share Options 2008/2010 Plan will result, once exercised, until the expiry of the Plan in a total issue of 12,5 million shares. The Share Options 2008/2010 will be granted to the permanent staff of the Group in Cyprus and Greece, as well as those employed under contract (except seasonal staff) who are in its employment as at 28 May 2008. The exercise price of the Share Options 2008/2010 has been set at €9,41. On 31 December 2009 2/3 of the total Share Options granted will be vested to each beneficiary. The remaining 1/3 of the total Share Options granted will be vested to the beneficiaries on 31 December 2010. The Exercise Periods of the Share Options 2008/2010 are set from 1 January – 31 March for 2011 and 2012 and also from 1 November – 31 December 2012. The Share Options 2008/2010 will not be transferable, nor will they be listed or traded on organised exchange.

The Bank's Share Capital as from January 1<sup>st</sup> 2006 until the date of the Prospectus evolved as follows:

As at 1 January 2006, the issued and fully paid share capital of the Bank was £272.657.813,50 divided into 545.315.627 ordinary Shares of nominal value £0,50 each.

- (i) On 5 May 2006, the issued share capital of the Bank increased by 323.816 ordinary shares, which have resulted from the exercise of 323.816 Share Options on 31 March 2006 by 508 beneficiaries (staff of the Bank of Cyprus Group) at the exercise price of £3,26 per new share, according to the 19 April 2000 resolution of the Bank's Extraordinary General Meeting and the 19 January 2001 resolution of the Bank's Board of Directors. After the above increase, the Bank's share capital rose to £272.819.722 divided into 545.639.443 ordinary shares, of a nominal value of £0,50 each.
- (ii) On 27 July 2006, the issued share capital of the Bank increased by 503.690 ordinary shares, which have resulted from the exercise of 503.690 Share Options on 30 June 2006 by 757 beneficiaries (staff of the Bank of Cyprus Group) at the exercise price of £3,26 per new share, according to the 19 April 2000 resolution of the Bank's Extraordinary General Meeting and the 19 January 2001 resolution of the Bank's Board of Directors. After the above increase, the Bank's share capital rose to £273.071.566,50 divided into 546.143.133 ordinary shares, of a nominal value of £0,50 each.
- (iii) Under the terms of the Dividend Reinvestment Plan, for the dividend paid on 27 June 2006, 3,391.194 new ordinary shares of a nominal value of £0,50 each were issued. The shares were issued to the shareholders who participated in the Bank's Dividend Reinvestment Plan at a discount of 10% to the weighted average closing price of the share on the Cyprus Stock Exchange and the Athens Exchange during the first five days after the relevant ex-dividend date. The price at which the shares were issued is £3,49 (€6,05) per share. Following the above issue, the Bank's issued share capital rose to £274.767.163,50 divided into 549.534.327 ordinary shares, of a nominal value of £0,50
- (iv) On 24 October 2006, the issued share capital of the Bank increased by 406.147 ordinary shares,

which have resulted from the exercise of 406.147 Share Options on 30 September 2006 by 608 beneficiaries (staff of the Bank of Cyprus Group) at the exercise price of £3, 26 per new share, according to the 19 April 2000 resolution of the Bank's Extraordinary General Meeting and the 19 January 2001 resolution of the Bank's Board of Directors. After the above increase, the Bank's share capital rose to £274.970.237,00 divided into 549.940.474 ordinary shares, of a nominal value of £0,50 each.

- (v) Under the terms of the Dividend Reinvestment Plan, for the dividend paid on 11 December 2006, 3.127.833 new ordinary shares of a nominal value of £0,50 each were issued. The shares were issued to the shareholders who participated in the Bank's Dividend Reinvestment Plan at a discount of 10% to the weighted average closing price of the share on the Cyprus Stock Exchange and the Athens Exchange during the first five days after the relevant ex-dividend date. The price at which the shares were issued is £5,07 per share. Following the above issue, the Bank's issued share capital rose to £276.534.153,50 divided into 553.068.307 ordinary shares, of nominal value £0,50 each.
- (vi) On 25 January 2006, the issued share capital of the Bank increased by 770.840 ordinary shares, which have resulted from the exercise of 770.840 Share Options on 31 December 2006 by 1.211 beneficiaries (staff of the Bank of Cyprus Group) at the exercise price of £3,26 per new share, according to the 19 April 2000 resolution of the Bank's Extraordinary General Meeting and the 19 January 2001 resolution of the Bank's Board of Directors. After the above increase, the Bank's share capital rose to £276.919.573,50 divided into 553.839.147 ordinary shares, of nominal value of £0,50 each.
- (vii) On 25 April 2007, the issued share capital of the Bank increased by 328.963 ordinary shares, which have resulted from the exercise of 328.963 Share Options on 31 March 2007 by 495 beneficiaries (staff of the Bank of Cyprus Group) at the exercise price of £3,26 per new share, according to the 19 April 2000 resolution of the Bank's Extraordinary General Meeting and the 19 January 2001 resolution of the Bank's Board of Directors. After the above increase, the Bank's share capital rose to £277.084.055,00 divided into 554.168.110 ordinary shares, of nominal value of £0,50 each.
- (viii) On 23 May 2007, the issued share capital of the Bank increased by 3.162.241 ordinary shares, which have resulted from the exercise of 3.162.241 Share Options on 30 April 2007 by 4.229 beneficiaries (staff of the Bank of Cyprus Group) at the exercise price of £3,70 (€6,351 ) per new share and the exercise of 5.000 Share Options by 1 beneficiary (staff of the Bank of Cyprus Group) at the exercise price of £4,32 (€7,42 1), according to the 19 April 2000 resolution of the Bank's Extraordinary General Meeting and the 14 September 2006 resolution of the Bank's Board of Directors. After the above increase, the Bank's share capital rose to £278.667.675,50 divided into 557.335.351 ordinary shares, of a nominal value of £0,50 each.
- (ix) On 4 July 2007, the issued share capital of the Bank increased by 3.162.241 ordinary shares, which have resulted from the exercise of Share Options 2006/2007 on 31 May 2007 by 986 beneficiaries (staff of the Bank of Cyprus Group) at the exercise price of £3,70 (€6,34\* ) per new share and by two beneficiaries (staff of the Bank of Cyprus Group) at the exercise of C£4,32 (€7,41\*), according to the 19 April 2000 resolution of the Bank's Extraordinary General Meeting and the 14 September 2006 resolution of the Bank's Board of Directors. After the above increase, the Bank's share capital rose to £279.044.264 (€470.077.967,13) divided into 558.088.528 ordinary shares, of a nominal value of £0,50 each.
- (x) Under the terms of the Dividend Reinvestment Plan, for the dividend paid on 26 June 2007, 3.770.158 new ordinary shares of a nominal value of C£0, 50 each were issued. The shares were issued to the shareholders who participated in the Bank's Dividend Reinvestment Plan at a discount of 10% to the weighted average closing price of the share on the Cyprus Stock Exchange and the Athens Exchange during the first five days after the relevant ex-dividend date. The price at which the shares were issued is £6,63 per share. Following the above issue, the Bank's issued share capital rose to £280.929.343,00 divided into 561.858.686 ordinary shares, of nominal value £0,50 each.
- (xi) On 18 July 2007, the issued share capital of the Bank increased by 175.735 ordinary shares, which have resulted from the exercise of 175.735 Share Options on 30 June 2007 by 259 beneficiaries (staff of the Bank of Cyprus Group) at the exercise price of £3,26 (€5,59) per new share, according to the 19 April 2000 resolution of the Bank's Extraordinary General Meeting and the 19 January

2001 resolution of the Bank's Board of Directors. After the above increase, the Bank's share capital rose to £281.017.210,50 divided into 562.034.421 ordinary shares, of a nominal value of £0,50 each.

- (xii) On 25 July 2007, the issued share capital of the Bank increased by 241.837 ordinary shares, which have resulted from the exercise of 241.837 Share Options on 30 June 2007 by 335 beneficiaries (staff of the Bank of Cyprus Group) at the exercise price of £3,70 (€6,341 ) per new share, according to the 19 April 2000 resolution of the Bank's Extraordinary General Meeting and the 14 September 2006 resolution of the Bank's Board of Directors. After the above increase, the Bank's share capital rose to £281.138.129,00 divided into 562.276.258 ordinary shares, of a nominal value of £0,50 each.
- (xiii) On 26 September 2007, the issued share capital of the Bank increased by 26.851 ordinary shares resulted from the exercise of 26.851 Share Options on 31 August 2007 by 57 beneficiaries (staff of the Bank of Cyprus Group) at the exercise price of £3,70 (€6,33) per new share, according to the resolution of the Bank's Extraordinary General Meeting of 19th April 2000 and the Bank's Board of Directors resolutions of 14th September 2006 and 12th July 2007. After the above increase, the Bank's share capital rose to £281.151.554,50 divided into 562.303.109 ordinary shares, of a nominal value of £0,50 (€0,8423) each.
- (xiv) On 31 October 2007, the issued share capital of the Bank increased by 36.530 ordinary shares resulted from the exercise of 36.530 Share Options on 30 September 2007 by 55 beneficiaries (staff of the Bank of Cyprus Group) at the exercise price of £3,26 (€5,59) per new share, according to the 19 April 2000 resolution of the Bank's Extraordinary General Meeting and the 19 January 2001 resolution of the Bank's Board of Directors. After the above increase, the Bank's share capital rose to £281.169.819,50 divided into 562.339.639 ordinary shares, of a nominal value of £0,50 each.
- (xv) Under the terms of the Dividend Reinvestment Plan, for the dividend paid on 12 December 2007, 3.627.865 new ordinary shares of a nominal value of £0,50 each were issued. The shares were issued to the shareholders who participated in the Bank's Dividend Reinvestment Plan at a discount of 10% to the weighted average closing price of the share on the Cyprus Stock Exchange and the Athens Exchange during the first five days after the relevant ex-dividend date. The price at which the shares were issued is £6,78 per share. Following the above issue, the Bank's issued share capital rose to £282.983.752,00 divided into 565.967.504 ordinary shares, of nominal value £0,50 each.
- (xvi) On 23 January 2008, the issued share capital of the Bank increased by 36.530 ordinary shares resulted from the exercise of from the exercise of 255.579 Share Options on 31 December 2007 by 365 beneficiaries (staff of the Bank of Cyprus Group) at the exercise price of £3,26 (€5,57) per new share, according to the 19 April 2000 resolution of the Bank's Extraordinary General Meeting and the 19 January 2001 resolution of the Bank's Board of Directors. After the above increase, the Bank's share capital on 31 December 2007 amounted to £283.111.541,50 divided into 566.223.083 ordinary shares, of a nominal value of £0,50 each.
- (xvii) As at 1 January 2008, the nominal value of the share capital of the Company was increased to €1,00 per share. Share premium amounting €82.497 thousand (C£48.284 thousand) was applied for the increase in the nominal value of the shares, so that the number of issued shares remained the same.
- (xviii) Under the terms of the Dividend Reinvestment Plan, for the dividend paid on 10 June 2008, 7.186.618 new ordinary shares of a nominal value of €1,00 each were issued. The shares were issued to the shareholders who participated in the Bank's Dividend Reinvestment Plan at a discount of 10% to the weighted average closing price of the share on the Cyprus Stock Exchange and the Athens Exchange during the first five days after the relevant ex-dividend date. The price at which the shares were issued is €7,74 per share. Following the above issue, the Bank's issued share capital rose to €573.409.701,00 divided into 573.409.701,00 ordinary shares, of nominal value €1,00 each.
- (xix) Within the framework of the Dividend Reinvestment Plan, for the dividend paid on 9 December 2008, 13.251.955 new ordinary shares of a nominal value of €1,00 each were issued. The shares were issued to the shareholders who participated in the Bank's Dividend Reinvestment Plan at a discount of 15% to the weighted average closing price of the share on the Cyprus Stock Exchange and the Athens Exchange during the first five days after the relevant ex-dividend date. The price at

which the shares were issued is €2,71 per share. Following the above issue, the Bank's issued share capital rose to €586.661.656,00 divided into 586.661.656,00 ordinary shares, of nominal value €1,00 each.

### 9.2 Major Shareholders

Bank of Cyprus Public Company Limited is a company with a large number of shareholders amounting as at 31 December 2008 to 77.610 shareholders.

As at 31 December 2008 7,3% of the share capital of the Company was held by pension/retirement plans funded in Cyprus by the Group and 6,0% was held by investment funds managed by Lone Pine Capital LLC. There are no other shareholders holding more than 5% of the issued share capital of the Company. All shareholders have similar voting rights.

### 9.3 Directors Shareholding interest

The Shareholding Interest of the Directors of the Company as at 31 March 2008 was as follows:

Director's Name	Number of shares (directly)	Number of shares (indirectly)	Total number of shares	Holding %
Theodoros Aristodemou	3.031.118	88	3.031.206	0,517
Andreas Artemis	38.713	1.958.172	1.996.885	0,340
Vassilis G. Rologis	4.291	4.305	8.596	0,001
Christos S. Pantzaris	340.957	230.014	570.971	0,097
Costas Z. Severis	504.770	2.007.312	2.512.082	0,428
Evdokimos Xenophontos	1.075	0	1.075	0,000
Christakis G. Christofides	243.000	160.501	403.501	0,069
Anna Diogenous	49.309	921.817	971.126	0,166
Georgios M. Georgiades	1.129	202.047	203.176	0,035
Andreas Jacovides	120.000	0	120.000	0,020
Christos Mouskis	2.653	167.237	169.890	0,029
Manthos Mavrommatis	151.462	38.190	189.652	0,032
Andreas Eliades	24.931	0	24.931	0,004
Yiannis Kypri	26.803	5.261	32.064	0,005
Costas Hadjipapas	1.500	2.074	3.574	0,001

As at 31 December 2008, the key management of the Group and their connected persons held in total 289.304 ordinary shares of the Bank (0,49%).

## 9.4 Subordinated Loan Stock

	Contractual interest rate	2008	2007	2006
		€000	€000	€000
Subordinated Bonds 2008/2013 (€200 million)	Three-month Euribor plus 1,00%	-	202.227	197.813
Subordinated Bonds 2011/2016 (€200 million.)	Three-month Euribor plus 0,60%	187.748	197.222	191.461
Capital Securities Series A (€111 million)	Base rate plus 1,00%	-	91.229	110.576
Capital Securities Series B (€51 million)	Base rate plus 1,00%	50.713	51.381	51.381
Capital Securities 12/2007 (€126 million)	Three-month Euribor plus 1,25%	124.034	126.689	-
Convertible Bonds 2013/2018 (€573 million)	7,50% until June 30 2009 and six-month Euribor plus 1% thereafter	563.726	-	-
Subordinated Bonds in Ukrainian Hryvnia 12/2016	12,0%	1.806	-	-
Subordinated Bonds in US Dollars 2013/2014/2015	2,5%	6.058	-	-
<b>Total</b>		<b>934.085</b>	<b>668.748</b>	<b>551.231</b>

The subordinated loan stock issued by the Company is not secured and the rights and claims of loan stockholders are subordinated to the claims of depositors and other creditors of the Company, but have priority over those of the shareholders of the Company. The Subordinated Bonds are classified as Tier 2 Capital and the Capital Securities as Tier 1 Capital for capital adequacy purposes.

**Subordinated Bonds**

In 2003 the Company established a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €4.000 million (2007: €2.000 million).

Under the EMTN Programme, the Bank has the flexibility to issue, according to its needs, senior debt and/or subordinated debt in all major currencies.

Under this Programme, the Company issued on October 2003 €200 million 2008/2013 bonds, maturing in October 2013. The interest rate of the Bonds was set at the three-month Euribor plus 1,00% until October 2008, increasing to plus 2,20% thereafter. The Company had the option to call the Bonds during or after October 2008 and has exercised this option in October 2008, redeeming the Bonds at par. The Bonds were listed on the Luxembourg Stock Exchange.

In May 2006, the €200 million 2011/2016 bonds maturing in May 2016. The Company has the option to call the Bonds in whole during or after May 2011. The interest rate of the Bonds was set at the three-month Euribor plus 0,60% until May 2011, increasing to plus 1,60% thereafter. The Bonds are listed on the Luxembourg Stock Exchange.

The subordinated bonds denominated in Ukrainian Hryvnia maturing 31 December 2016 were issued by JSC AvtoZAZbank in May 2008.

The Subordinated Bonds in US Dollars 2013/2014/2015 were issued by CB Uniastrum Bank LLC. These bonds mature as follows: US\$ 2 million on 31 December 2013, US\$ 2,5 million on 31 December 2014 and US \$2 million on 31 December 2015. Interest can be changed unilaterally by the lender at any time until maturity.

***Convertible Bonds***

In July 2008, the Company issued Convertible Bonds 2013/2018 in Euro, with nominal value of €573.410 thousand, maturing in June 2018. The Convertible Bonds bear a fixed interest rate of 7,50% per annum until 30 June 2009 and floating interest rate thereafter, set at the six-month Euribor plus 1,00% until June 2013 and plus 3,00% thereafter. The bonds can be converted to shares at the price of €10,50 per share. The conversion periods are between 15-31 March for years 2011-2013 and 15-30 September for years 2010-2012. The bonds may be redeemed at the option of the Company on or after September 2013, subject to the prior consent of the Central Bank of Cyprus. The Convertible Bonds are listed on the Cyprus Stock Exchange and Athens Exchange.

***Capital Securities***

Capital Securities Series A amounting to €111 million and Series B amounting to €51 million were issued in Cyprus Pounds in February 2003 and March 2004 respectively. On 20 December 2007 the Company completed the issue of Capital Securities 12/2007 amounting to €126 million. The Capital Securities have no maturity date, but may be redeemed in whole at the option of the Company, subject to the prior consent of the Central Bank of Cyprus, at their nominal amount together with any outstanding interest payments, five years after their issue date or on any interest payment date thereafter.

The Group exercised its option to redeem in whole the Capital Securities Series A at par on 20 February 2008. Capital Securities Series B bear a floating interest rate, which is equal to the base rate at the beginning of each three-month period plus 1,00%. The interest rate of Capital Securities 12/2007 was fixed at 6,00% per annum for the first six months and floating thereafter, equal to the three-month Euribor plus 1,25%. The Capital Securities Series B and 12/2007 are listed on the Cyprus Stock Exchange.

On 9 April 2009, the Bank announced its decision to exercise its option to redeem in whole the Capital Securities Series B. The redemption date will be 20 May 2009.

## 9.5 Debt Securities in Issue

Debt Securities in issue as presented in the audited financial statement of the Group for the financial years 2008, 2007 and 2006 are as follows:

	<b>Contractual interest rate</b>	<b>2008 €000</b>	<b>2007 €000</b>	<b>2006 €000</b>
<b>Medium term senior debt</b>				
€500 million 2007/2010	Three-month Euribor plus 0,20%	480.130	492.209	-
million 2006/2009	Three-month Euribor plus 0,33%	286.350	289.162	296.441
€300 million 2005/2008	Three-month Euribor plus 0,30%	-	300.478	295.772
€30 million 2008/2011	Three-month Euribor plus 0,65%	30.349	-	-
US\$50 million 2008/2013	Six-month Libor plus 0,50%	36.275	-	-
€3 million 2003/2008	Three-month Euribor plus 0,45%	-	3.023	2.980
RUB 1.500 million 2010	14%	1.651	-	-
RUB 1.000 million 2009	11%	2.073	-	-
		836.828	1.084.872	595.193
<b>Short term commercial paper</b>				
- Euro	-	74.933	160.926	32.554
- US Dollars	-	20.092	7.400	113.943
		95.025	168.326	146.497
<b>Other debt securities in issue</b>				
RUB Certificates of Deposit and Promissory Notes	10,8%	26.824	-	-
Interest-free loan from the European Development Bank	-	492	492	492
<b>Total</b>		<b>959.169</b>	<b>1.253.690</b>	<b>742.182</b>

Debt securities in issue are not secured and the rights and claims of debt security holders rank pari passu with the claims of depositors and other creditors of the Group.

The fair value of the Group's debt securities in issue at 31 December 2008 was €921.523 thousand (2007: €1.243.574 thousand).

### *Medium term senior debt*

The Company has established a Euro Medium Term Note (EMTN) Programme with an aggregate nominal amount up to €4.000 million (2007: €2.000 million).

Under the EMTN Programme, the Bank has the flexibility to issue, according to its needs, senior debt and/or subordinated debt in all major currencies.

Under this Programme, the Company issued in April 2008, €30 million 2008/2011, which offers debt holders a put option at par during or after October 2008 which has not been exercised.

In May 2008, €100 million 2008/2013, which offered debt holders a put option at par during or after November 2008. This option was exercised in November 2008.

In July 2008, US\$50 million 2008/2013, which offered debt holders a put option at par during or after January 2009. This option was exercised in January 2009.

In June 2008, the €300 million 2005/2008 issued in June 2005 was redeemed at par.

Under the EMTN Programme, the Company also issued in June 2006, €300 million 2006/2009 bonds, with floating interest rate and an issue price of 99,942%. In June 2007, €500 million 2007/2010 bonds,

with floating rate and an issue price of 99,915%. The €3 million 2003/2008 was repaid at maturity in November 2008 at par.

The RUB 1.500 million 2010 and RUB 1.000 million 2009 Bonds were issued at par by CB Uniastrum Bank LLC in April 2007 and February 2006 and mature in April 2010 and February 2009, respectively. During 2008 the issuer has made a public offer and has substantially bought back these bonds at par.

The issues of €500 million 2007/2010, €300 million 2006/2009, €30 million 2008/2011 and US\$50 million 2008/2013 are listed on the Luxembourg Stock Exchange. The RUB 1.500 million 2010 and the RUB 1.000 million 2009 issues are listed on the Moscow Interbank Currency Exchange (MICEX).

The three-month Euribor fluctuated during 2008 between 2,9% and 5,4% (2007: 3,7%-5,0%) per annum.

#### ***Short term commercial paper***

In 2006 the Company established a Euro Commercial Paper (ECP) Programme with an aggregate nominal amount up to €1.000 million (2007: €1.000 million). According to the terms of the Programme, the Commercial Paper is issued in various currencies at a discount and pays no interest. Each issue has a maturity period up to 364 days and the Commercial Paper is unlisted.

#### ***Other debt securities in issue***

The RUB Certificates of Deposits and Promissory Notes were issued by CB Uniastrum Bank LLC at par, are unlisted and have maturities up to one year.

### **9.6 Use of Cash Flows accrued from the issue of share capital or subordinated loans or other debt securities**

Group's cash flows accrued from the issue of share capital or subordinated loans or other debt securities were used to strengthen the Bank's capital base and to reinforce Group's liquidity.

As at 31 December 2008 the Capital Adequacy Ratio of the Group stood at 11,2%. The Group believes that this ratio is adequate for its ongoing activities.



**9.7 Capital Adequacy**

In December 2006 the Central Bank of Cyprus issued a Directive to local banks on the Calculation of the Capital Adequacy Ratio and Large Exposures that enact the provisions of the European Union Directives 2006/48/EC and 2006/49/EC, that are the European Union's version of Basel II capital adequacy rules.

The Bank of Cyprus is implementing the new Capital Adequacy rules from 1 January 2007. It is adopting the Standardised approach for both Credit and Operational Risk. According to the Standardised approach, risk weights are assigned to exposures according to their credit rating and to the exposure class to which they belong. For exposures with institutions and corporates the risk weight also depends on the term of the exposure (more favourable risk weights apply where the exposure is under three months).

For derivative contracts (such as swaps, forwards and options) the credit risk equivalent amount is calculated using the mark-to-market method.

The Central Bank of Cyprus requires each bank to maintain a minimum ratio of capital to risk weighted assets (which include off balance sheet items) of 8% per cent. The Central Bank may impose an additional capital charge for risks not covered under Pillar 1. It should be noted that the 8 per cent ratio is applicable from January 2007 when the new Capital Adequacy rules came into force. For banks not implementing the new rules, the minimum ratio will continue to be 10 per cent. At least 50 per cent. of the capital used in the calculation must be Tier I capital and the rest Tier II.

Tier I or core capital includes the following:

- \* Share capital, such as ordinary and preference shares,
- \* Retained profit reserves,
- \* Certain other published reserves, and
- \* Hybrid capital instruments (up to 15 per cent. of Tier I capital).

Tier II, or supplementary capital includes:

- \* Revaluation reserves,
- \* Subordinated debt, and
- \* General provisions for bad and doubtful debts provided that they are not tax deductible.

A bank's Tier II capital should not exceed its Tier I capital. Additionally there are limitations as to the maximum amount of certain Tier II capital items that can be included in the calculation of a bank's capital requirements. Specifically, the total amount of fixed term subordinated debt is not allowed to exceed 50 per cent of Tier I capital.

## 10.0 DIVIDEND POLICY

The Board of Directors continuously monitor and adjust the dividend policy of the Group by taking into account market conditions, the results of the Group and the Group's capital requirements for expansion of its activities.

The dividend policy of the Group for the last 15 years is summarized as follows:

Financial Year	Record Date		Amount	Total amount for the year	Nominal Value per share
1993	18 October 1993 (interim)		£0,06	£0,15	£1,00
	20 April 1994 (final)		£0,09		
1994	20 September 1994 (interim)		£0,06	£0,15	£1,00
	26 April 1995 (final)		£0,09		
1995	17 October 1995 (interim)		£0,06	£0,18	£1,00
	28 March 1996 (final)		£0,12		
1996	15 October 1996 (interim)		£0,06	£0,18	£1,00
	24 April 1997 (final)		£0,12		
1997	9 October 1997 (interim)		£0,06	£0,18	£1,00
	16 April 1998 (final)		£0,12		
1998	9 October 1998 (interim)		£0,08	£0,23	£1,00
	8 April 1999 (final)		£0,15		
1999	30 September 1999 (interim)		£0,04	£0,12	£0,50
	11 April 2000 (final)		£0,08		
2000	6 October 2000 (interim)		£0,05	£0,13	£0,50
	10 May 2001 (final)		£0,08		
2001	4 October 2001 (interim)		£0,05	£0,13	£0,50
	14 May 2002 (final)		£0,08		
2002	<i>No dividends paid</i>				
2003	<i>No dividends paid</i>				
2004	30 May 2005 (final)		£0,04	£0,04	£0,50
2005	27 June 2006 (final)		£0,07	£0,07	£0,50
2006	24 November 2006 (interim)		£0,07	£0,17	£0,50
	8 June 2007 (final)		£0,10		
2007	26 November 2007 (interim)		£0,11	£0,26	£0,50
	23 May 2008 (final)		£0,15		
2008	21 November 2008 (interim)		€0,15	€0,27	€1,00
	25 May 2009 (final)		€0,12*		

At its meeting held on February 25, 2009 the Board of Directors of the Bank decided to propose at the Shareholders' Annual General Meeting to be held on Wednesday, 13 May 2009, the distribution of a dividend of €0,12 per share, in addition to the interim dividend of €0,25 per share paid to the Company's Shareholders on December.

*\*subject to the approval of the Annual General Meeting to be held on 13 May 2009*

**11.0 PROPERTY**

The Group's property is comprised of land and premises meant for the Bank's operations. The net book value of the Group's property comprises of:

<b>31 December</b>	<b>2008 € 000</b>	<b>2007 € 000</b>	<b>2006 € 000</b>
Freehold Property	346.915	262.892	204.567
Improvements on leasehold property	29.152	21.911	23.124
<b>Total</b>	<b>376.067</b>	<b>284.803</b>	<b>227.691</b>

Property includes land amounting to €105.196 thousand (2007: €104.534 thousand) for which no depreciation is charged. The latest revaluation of the Group's freehold property was performed for JSC AvtoZAZbank and for CB Uniastrum LLB at 31 October 2008 and 31 December 2008 respectively, and for the rest of the Group at 30 June 2007. These valuations were carried out by independent qualified valuers, on the basis of market value, using observable prices and recent market transactions. The total revaluation surplus at 31 December 2008 amounted to €128.739 thousand (2007: €119.059 thousand) and is included in the revaluation reserve.

The net book value of freehold property, on a cost less accumulated depreciation basis, as at 31 December 2008 would have amounted to €219.231 thousand (2007: €144.274 thousand).

There were no major encumbrances on the Group's property assets as at 31 December 2008, 2007 and 2006.

**12.0 INVESTMENTS**

The Group's major investments during the last three fiscal periods are presented as follows:

	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>
Investments at fair value through profit and loss (Note 12.1)	334.371	528.379	404.242
Investments available-for-sale (Note 12.2)	3.053.729	3.477.143	3.601.892
Investments held-to-maturity (Note 12.3)	309.851	125.626	4.432
Investments classified as loans and receivables (Note 12.4)	542.768	-	-
<b>Total</b>	<b>4.240.719</b>	<b>4.131.148</b>	<b>4.010.566</b>

**12.1 Investments at fair value through profit or loss**

	2008	2007	2006
	€000	€000	€000
Debt Securities	311.175	462.178	381.910
Equity Securities	21.106	63.606	22.332
Mutual Funds	2.090	2.595	-
<b>Total</b>	<b>334.371</b>	<b>528.379</b>	<b>404.242</b>
<b>Debt Securities</b>			
Cyprus Government	281.488	414.989	350.793
Other Governments	1.869	3.034	856
Banks and other Corporations	27.346	43.682	29.784
Cyprus local authorities	472	473	477
	<b>311.175</b>	<b>462.178</b>	<b>381.910</b>
<b>Equity Securities</b>			
Listed on the Cyprus Stock Exchange	6.283	25.508	5.736
Listed on other stock exchanged	11.766	35.272	-
Unlisted	3.057	2.826	16.596
	<b>21.106</b>	<b>63.606</b>	<b>22.332</b>
<b>Mutual Funds</b>	<b>2.090</b>	<b>2.595</b>	<b>-</b>
<b>Total</b>	<b>334.371</b>	<b>528.379</b>	<b>404.242</b>

On 9 February 2007, the Group completed the sale of its shares in Universal Life Insurance Public Co. Ltd (amounting to 22% of the share capital of that company) for €10,4 million. The book value of the above shares at the date of disposal and at 31 December 2006 amounted to €10,4 million.

Investments at fair value through profit or loss for the year 2007 included €345.544 thousand of debt securities pledged as collateral under repurchase agreements with central banks.

**12.2 Investments available-for-sale**

	2008	2007	2006
	€000	€000	€000
Treasury Bills	-	-	71.014
Debt Securities	3.029.540	3.400.189	3.467.622
Equity Securities	24.189	76.954	63.256
<b>Total</b>	<b>3.053.729</b>	<b>3.477.143</b>	<b>3.601.892</b>
<b>Treasury Bills</b>			
Cyprus Government	-	-	71.014
<b>Debt Securities</b>			
Cyprus Government	187.211	444.016	504.769
Other Governments	648.704	879.851	790.420
Local authorities	2.134	1.317	1.610
Banks and other corporations	2.191.491	2.075.005	2.170.823
<b>Total</b>	<b>3.029.540</b>	<b>3.400.189</b>	<b>3.467.622</b>
<b>Geographical dispersion by country of issuer</b>			
Cyprus	223.361	447.392	508.707

**SECTION II*****Part A***

Greece	584.212	514.854	390.236
United Kingdom and Ireland	444.963	475.696	449.176
France	303.674	316.196	346.908
Germany	182.549	205.014	287.045
Other European countries	388.097	596.269	702.076
U.S.A and Canada	681.678	598.749	546.583
Australia	141.614	153.878	199.623
Other countries	16.288	13.760	14.991
Supranational organizations	63.104	78.381	22.277
	<b>3.029.540</b>	<b>3.400.189</b>	<b>3.467.622</b>
<b>Equity Securities</b>			
Listed on the Cyprus Stock Exchange	19.359	73.408	61.014
Listed on other stock exchanges	3.590	1.907	1.563
Unlisted	1.240	1.639	679
	<b>24.189</b>	<b>76.954</b>	<b>63.256</b>
<b>Treasury Bills</b>			
Cyprus Government	-	-	71.014
	-	-	<b>71.014</b>
<b>Total</b>	<b>3.053.729</b>	<b>3.477.143</b>	<b>3.601.892</b>

Available-for-sale investments for the year 2008 included €7.737 thousand (2007: €117.039 thousand) of debt securities which have been determined to be individually impaired, €312.356 thousand (2007: €183.106 thousand) of debt securities pledged as collateral under repurchase agreements with banks and €516.735 thousand (2007: Nil) of debt securities pledged as collateral under funding received from central banks.

## SECTION II

### Part A

#### 12.3 Investments held-to-maturity

	2008	2007	2006
	€000	€000	€000
<b>Debt Securities</b>			
Cyprus Government	2.431	2.428	-
Other Governments	284.610	-	-
Local authorities	4.579	1.088	-
Banks and other corporations	17.974	121.854	4.432
Cyprus public companies	257	256	-
	<b>309.851</b>	<b>125.626</b>	<b>4.432</b>
<i>Geographical dispersion by country of issuer</i>			
Cyprus	3.761	3.773	-
Greece	76.520	-	-
United Kingdom and Ireland	142.134	3.451	3.629
Russia	16.121	-	-
Other European countries	71.315	94.909	803
Other countries	-	23.493	-
	<b>309.851</b>	<b>125.626</b>	<b>4.432</b>

Included in held-to-maturity investments are €3.855 thousand of debt securities which have been determined to be individually impaired.

The fair value of held-to-maturity investments and loans and receivables investments at 31 December 2008 was €293.467 thousand (2007: €119.597 thousand) and €537.895 thousand (2007: Nil) respectively.

#### 12.4 Investments classified as loans and receivables

	2008	2007	2006
	€000	€000	€000
<b>Treasury Bills</b>			
Cyprus Government	373.000	-	-
<b>Debt Securities</b>			
Cyprus Government	169.768	-	-
	<b>542.768</b>	-	-

## 12.5 Reclassification of investments

### Reclassification of trading investments

In accordance with the provisions of the Amended IAS 39, in light of the rare circumstances arising as a result of the deterioration of the world's markets that have occurred in 2008, the Group identified the investments which on 1 July 2008 did not intend to trade or sell in the foreseeable future. These investments in debt securities were reclassified from trading to available-for-sale investments. The book value of the reclassified debt securities which is equal to their fair value, is presented below:

	1 July 2008	31 December 2008
	€000	€000
Investments held for trading reclassified as available-for-sale	17.385	15.454

Had the Group not reclassified the debt securities on 1 July 2008, the income statement would have included losses from change in the fair value of these securities of €1.845 thousand which, following the reclassification, were recorded in the revaluation reserve for available-for-sale investments in equity.

For the six months from 1 January to 30 June 2008, the loss recognised in the income statement as a result of the change in the fair value of the reclassified debt securities, amounted to €1.341 thousand (2007: loss of €1.440 thousand).

As at 1 July 2008, effective interest rates on the reclassified debt securities ranged from 5,3% to 7,4% with expected recoverable cash flows of €30 million.

### Reclassification of available-for-sale investments

In accordance with the provisions of the Amended IAS 39, the Group has reclassified certain available-for-sale debt securities to loans and receivables as from 1 October 2008, in view of the fact that there was no active market for these debt securities and the Group did not have the intention to sell these securities in the foreseeable future. The book value and fair value of the reclassified debt securities, is presented below:

	1 October 2008	31 December 2008	
	Book value and fair value	Book value	Fair value
	€000	€000	€000
Available-for-sale investments reclassified to loans and receivables	169.196	169.768	164.895

Had the Group not reclassified these debt securities on 1 October 2008, the Group's equity would have included losses from change in fair value of these debt securities of €4.158 thousand, that would have been included in the revaluation reserve for available-for-sale investments.

For the nine months from 1 January to 30 September 2008, the loss recognised in equity within the revaluation reserve for available-for-sale investments as a result of the change in the fair value of the reclassified investments, amounted to €766 thousand.

As at 1 October 2008, effective interest rates on the reclassified available-for-sale debt securities ranged from 4,6% to 4,7% with expected recoverable cash flows of €221 million.

### 13.0 SEGMENTAL ANALYSIS

The Group has three principal business segments: (a) banking and financial services, (b) life and general insurance business, and (c) property and hotel business.

The Group's business is conducted in the following geographic segments:

- (a) Cyprus,
- (b) Greece, and
- (c) other countries, principally the United Kingdom, Australia, Russia, Romania and Ukraine.

This share of profit of associates is included in the banking and financial services segment in Cyprus.

Generally, pricing between the different segments is based on market rates. The analysis by geographic segment is based on the location of the entity recording the transaction.

Even though the activities of some of the Group entities are interdependent, the analyses by business activity and geographic segment are presented without adjustments for the cost of the net investment, the allocation of the benefit of earnings on the Group's capital and of Group head office expenses, as such adjustments are subjective.

The primary reporting format is by business segment.

### 13.1 Business Segments

	Banking and Financial Services	Insurance Business	Property and hotel business	Total
2008	€000	€000	€000	€000
<b>Turnover</b>	2,515,924	171,918	5,768	<b>2,693,610</b>
Inter-segment turnover	(546)	(2,245)	(439)	<b>(3,230)</b>
Turnover with third parties	2,515,378	169,673	5,329	<b>2,690,380</b>
<b>Profit before tax</b>	491,997	42,306	17,311	<b>551,614</b>
<b>Assets</b>	35,406,567	685,962	62,999	<b>36,155,528</b>
Inter-segment assets				<b>(48,312)</b>
Total assets				<b>36,107,216</b>
<b>Liabilities</b>	33,491,543	561,757	16,232	<b>34,069,532</b>
Inter-segment liabilities				<b>(18,683)</b>
Total liabilities				<b>34,050,849</b>
<b>Capital expenditure</b>	50,343	1,057	533	<b>51,933</b>
<b>Depreciation and amortisation</b>	30,774	1,070	328	<b>32,172</b>



## SECTION II

### Part A

	Banking and Financial Services	Insurance Business	Property and hotel business	Total
2007	€000	€000	€000	€000
<b>Turnover</b>	2.000.985	152.949	19.324	<b>2.173.258</b>
Inter-segment turnover	(413)	(1.493)	(702)	<b>(2.608)</b>
Turnover with third parties	2.000.572	151.456	18.622	<b>2.170.650</b>
<b>Profit before tax</b>	522.864	45.320	14.178	<b>582.362</b>
<b>Assets</b>	30.991.204	760.705	55.557	<b>31.807.466</b>
Inter-segment assets				<b>(44.276)</b>
Total assets				<b>31.763.190</b>
<b>Liabilities</b>	29.116.106	639.781	15.010	<b>29.770.897</b>
Inter-segment liabilities				<b>(12.897)</b>
Total liabilities				<b>29.758.000</b>
<b>Capital expenditure</b>	42.016	1.162	139	<b>43.317</b>
<b>Depreciation and amortisation</b>	29.415	1.283	298	<b>30.996</b>

	Banking and Financial Services	Insurance Business	Property and hotel business	Total
2006	€000	€000	€000	€000
<b>Turnover</b>	1.511.023	131.660	21.990	<b>1.664.673</b>
<b>Profit before tax</b>	346.176	29.672	7.772	<b>383.620</b>
<b>Assets</b>	24.191.000	684.895	59.236	<b>24.935.131</b>
Inter-segment assets				<b>(38.370)</b>
Total assets				<b>24.896.761</b>
<b>Liabilities</b>	22.761.061	584.682	20.554	<b>23.366.297</b>
Inter-segment liabilities				<b>(15.173)</b>
Total liabilities				<b>23.351.124</b>
<b>Capital expenditure</b>	23.456	499	92	<b>24.047</b>
<b>Depreciation and amortisation</b>	30.469	1.269	263	<b>32.001</b>

## SECTION II

### Part A

#### 13.2 Geographical Segments

	Cyprus	Greece	Other Countries	Total
2008	€000	€000	€000	€000
<b>Turnover</b>	1.718.757	894.032	298.975	2.911.764
Inter-segment turnover	(51.803)	(153.965)	(15.616)	(221.384)
Turnover with third parties	1.666.954	740.067	283.359	2.690.380
<b>Assets</b>	22.365.087	14.415.926	3.854.845	40.635.858
Inter-segment assets				(4.528.642)
Total assets				36.107.216
<b>Capital expenditure</b>	13.407	22.910	15.616	51.933

	Cyprus	Greece	Other Countries	Total
2007	€000	€000	€000	€000
<b>Turnover</b>	1.416.460	698.715	183.386	2.298.561
Inter-segment turnover	(19.444)	(89.163)	(19.304)	(127.911)
Turnover with third parties	1.397.016	609.552	164.082	2.170.650
<b>Assets</b>	19.240.733	12.259.641	2.488.209	33.988.583
Inter-segment assets				(2.225.393)
Total assets				31.763.190
<b>Capital expenditure</b>	11.362	25.827	6.128	43.317

	Cyprus	Greece	Other Countries	Total
2006	€000	€000	€000	€000
<b>Turnover</b>	1.126.621	500.032	114.888	1.741.541
Inter-segment turnover	(23.196)	(39.663)	(14.009)	(76.868)
Turnover with third parties	1.103.425	460.369	100.879	1.664.673
<b>Assets</b>	14.743.925	9.770.933	2.186.270	26.701.128
Inter-segment assets				(1.804.367)
Total assets				24.896.761
<b>Capital expenditure</b>	9.531	12.463	2.053	24.047

## 14.0 FINANCIAL INFORMATION

## 14.1 Group Financial Information

The following summarized financial information set out below was extracted from the Group's financial statements for years 2006, 2007 and 2008, which have been audited by the Group's external auditors. The Group's external auditors for years 2006 and 2007 were Ernst & Young whilst for the year 2008 were Ernst & Young Cyprus Ltd. The published audited consolidated financial statements for the years 2006 and 2007 were prepared in Cyprus Pounds which was the reporting currency for the Group's financial statements during the relevant period. The conversion from Cyprus Pounds to Euro for the presentation of the following summarized financial information, was effected using the conversion ratio of €1=£0,585274.

The consolidated financial statements give a true and fair view of the financial position of the Group for the years ended 31 December 2006, 2007 and 2008 in accordance with International Financial Reporting Standards as adopted by European Union and the requirements of the Cyprus Companies Law, Cap. 113. The consolidated financial statements of the Group for the years 2006, 2007 and 2008 are incorporated by reference in this prospectus in accordance with the provisions of article 28 of Law 809/2004 of the European Union Commission.

**CONSOLIDATED INCOME STATEMENTS**  
**for the years ended 31 December 2008, 2007 and 2006**

	2008	2007	2006
	€000	€000	€000
<b>Turnover</b>	2.690.380	2.170.650	1.664.673
Interest income	2.098.057	1.728.818	1.285.273
Interest expense	(1.305.906)	(976.439)	(672.519)
Net interest income	792.151	752.379	612.754
Fee and commission income	227.214	210.504	183.434
Fee and commission expense	(9.408)	(12.381)	(10.675)
Foreign exchange income	158.790	46.711	35.520
Net gains on sale, change in fair value and impairment of financial instruments	(59.719)	29.050	25.593
Insurance income	31.590	174.826	210.267
Insurance claims	29.530	(118.376)	(165.157)
Other income	35.104	32.372	14.897
	<b>1.205.252</b>	<b>1.115.085</b>	<b>906.633</b>
Staff costs	(330.988)	(295.597)	(266.342)
Other operating expenses	(220.631)	(190.397)	(156.959)
<b>Profit before provisions</b>	<b>653.633</b>	<b>629.091</b>	<b>483.332</b>
Provisions for impairment of loans and advances	(91.601)	(55.877)	(99.712)
<b>Profit before share of profit of associates</b>	<b>562.032</b>	<b>573.214</b>	<b>383.620</b>
Share of (loss)/profit of associates	(10.418)	9.148	-
<b>Profit before tax</b>	<b>551.614</b>	<b>582.362</b>	<b>383.620</b>
Taxation	(72.931)	(91.843)	(70.765)
<b>Profit after tax</b>	<b>478.683</b>	<b>490.519</b>	<b>312.855</b>
<b>Profit after tax attributable to:</b>			
Minority interest (loss)/(profit)	(23.705)	5.351	-
<b>Shareholders of the Company</b>	<b>502.388</b>	<b>485.168</b>	<b>312.855</b>
Basic earnings per share (cent) <sup>1</sup>	87,6	86,3	56,5
Diluted earnings per share (cent) <sup>1</sup>	82,1	86,3	56,5

1. The weighted number of shares for the years 2006 and 2007 has been adjusted for the bonus element of the shares which have resulted from the Dividend Reinvestment Scheme at the payment of dividends. To this respect the earnings per share for the years 2006 and 2007 differ from those in the published audited financial statements for the corresponding years.

**CONSOLIDATED BALANCE SHEET**  
**as at 31 December 2008, 2007 and 2006**

	<b>2008</b>	<b>2007</b>	<b>2006</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>
<b>Assets</b>			
Cash and balances with central banks	1.017.073	1.325.191	1.169.280
Placements with banks	4.582.076	6.158.367	4.265.176
Investments at fair value through profit or loss	120.000	-	-
Life insurance business assets attributable to policyholders	4.240.719	4.131.148	4.010.566
Loans and advances to customers	447.679	530.610	490.637
Investments available-for-sale and held-to-maturity	24.449.316	18.920.921	14.336.277
Property and equipment	419.395	319.662	262.805
Intangible assets	442.445	82.127	70.348
Other assets	382.850	277.846	291.672
Investment in associate	5.663	17.318	-
<b>Total assets</b>	<b>36.107.216</b>	<b>31.763.190</b>	<b>24.896.761</b>
<b>Liabilities</b>			
Amounts due to banks	2.832.298	1.233.337	471.031
Repurchase agreements	305.000	435.140	-
Customer deposits	27.935.747	25.178.966	20.725.951
Insurance liabilities	506.447	608.566	561.489
Debt securities in issue	959.169	1.253.690	742.182
Other liabilities	578.103	379.553	299.240
Subordinated loan stock	934.085	668.748	551.231
<b>Total liabilities</b>	<b>34.050.849</b>	<b>29.758.000</b>	<b>23.351.124</b>
<b>Equity</b>			
Share capital	586.662	483.726	473.144
Share premium	676.949	688.349	583.257
Revaluation and other reserves	(99.759)	186.325	164.721
Retained earnings	877.225	607.668	324.515
<b>Equity attributable to shareholders of the Company</b>	<b>2.041.077</b>	<b>1.966.068</b>	<b>1.545.637</b>
<b>Minority interest</b>	<b>15.290</b>	<b>39.122</b>	<b>-</b>
<b>Total equity</b>	<b>2.056.367</b>	<b>2.005.190</b>	<b>1.545.637</b>
<b>Total liabilities and equity</b>	<b>36.107.216</b>	<b>31.763.190</b>	<b>24.896.761</b>
<b>Contingent liabilities and commitments</b>			
Contingent liabilities	1.962.350	1.751.677	1.464.738
Commitments	4.249.627	3.417.512	2.720.661

## 14.2 Analysis of Group Financial Results

### 14.2.1 Group Financial Results for the year 2008

- Profit after tax attributed to the Company's shareholders for 2008 reached €502 million compared to €485 million for 2007, recording an increase of 4%.
- Group return on equity was maintained at a satisfactory level (25,1%) in a particularly demanding and negative environment.
- The Group maintained its efficiency with the cost to income ratio for 2008 remaining at low levels (44,9%).
- Despite the negative economic environment the high quality of the Group's loan portfolio was maintained and at 31 December 2008 the relevant ratio stood at 3,8% (2007: 3,8%). The provision charge was contained at 0,4% (2007: 0,3%) of total loans.
- The strong liquidity of the Group allowed the unhindered growth of operations in Cyprus, Greece and the new markets resulting in a significant annual increase of total Group loans by 29%.
- There was a successful increase of the customer base and an annual increase of deposits by 11%.
- Cost growth was contained (14%) at rates lower than the rate of growth of business volumes (29%).
- The Group maintained its strong liquidity with a loan to deposit ratio of 90%.
- The above results include:
  - the positive results of actions taken by the Group for hedging foreign exchange risk. The foreign exchange income for 2008 reached €159 million from €47 million in 2007 mainly as result of gains from transactions for hedging foreign exchange risk.
  - losses of €36 million from the sale and change in the fair value of financial instruments compared to €24 million gains for 2007 as a result of the significant drop in the capital markets.
- The contribution to profitability of the Group's operations in its two main geographic markets, Cyprus and Greece, has been significant. Profit after tax in Cyprus reached €401 million, including the significant gains from transactions for hedging foreign exchange risk. In Greece, profit after tax for 2008 reached €74 million in parallel with the very satisfactory growth rates of loans and deposits.
- The Group results in the new markets were positive in all the countries of operation. Profit after tax for 2008 reached €3 million each for Russia (excluding Uniastrum) and Romania and €1 million for Ukraine. The net profit of Uniastrum Bank for 2008 reached €16 million and its contribution to the total profits of the Group for 2008 amounted to €5 million, as only the last two months of its 2008 profits were consolidated.

The Group monitors the developments in the international credit markets as well as the macroeconomic environment in Cyprus, Greece and in the surrounding regions and takes measures to shield itself and mitigate any consequences. The strategic priorities of the Group focus on maintaining the Group's strong liquidity position, strengthening capital adequacy and managing risk effectively.

**14.2.2 Group Financial Results for the years 2007 and 2006**

The profit after tax attributed to the Company's shareholders for 2007 recorded an annual increase of 55% compared to 2006. There was a significant improvement in all of the Group's performance indicators during 2007, with the return on equity ratio increasing to 27,6% and the cost to income ratio decreasing to 43,6% and the ratio of non-performing loans to total loans improving to 3,8% at 31 December 2007. The fast growth rate of the Group's banking operations in Cyprus and Greece, combined with the very positive course of the Group's insurance operations contributed to the profitability improvement.

The improvement of profitability is the result of the following:

- Increase of business volumes (31% in loans and 21% in deposits).
- Increase of income (increase of net interest income by 23%, fees and commission income by 15% and insurance income by 25%).
- Containment of cost growth at rates lower (15%) than those of the growth of business volumes.
- Further improvement in loan quality, with a resultant decrease of the annual provision charge to 0,3% of total loans.

*Group's Loans*

The Group's loans before provisions reached €19,50 bn at 31 December 2007, recording an annual increase of 31%. The Group's total loans in Cyprus at 31 December 2007 amounted to €9,57 bn, recording an annual increase of 38%. In Greece, the annual rate of increase in the Group's loans reached 22%, with the Greek loan portfolio reaching €7,92 bn at 31 December 2007.

At 31 December 2007, Group loans before provisions in the United Kingdom and Australia increased by 9% and 39% respectively, reaching €1,27 bn and €401 mn, respectively.

In the new markets, Russia and Romania, the Group's loan portfolio at 31 December 2007 reached €342 million.

*Non- Performing Loans (NPLs)*

During 2007, the improvement in the quality of the Group's loan portfolio was the result of, among others:

- Collections of overdue amounts.
- Lower inflow of new NPLs as a result of the continuous improvement of credit risk management.

Specifically, the total amount of loans in arrear for longer than three months which are not fully covered by collateral ("non performing loans") has decreased to €747 mn, an 11% decline in absolute numbers since 31 December 2006.

The ratio of NPLs to total Group loans at 31 December 2007 was 3,8% compared to 5,6% at 31 December 2006.

*Group Deposits*

The Group's total deposits recorded a significant increase of 21% and on 31 December 2007 they reached €25,18 bn, enhancing its liquidity. As at 31 December 2007, 79% of Group's assets were funded by customer deposits and only 11% by wholesale funding.

*Shareholders' Funds*

At 31 December 2007, the Group shareholders' funds amounted to €2,01 bn, recording a significant increase of 27% since 31 December 2006. The Group capital adequacy ratio per Basel II requirements stood at 12,7% and the core tier 1 ratio at 9,7%.

*Net Interest Income and Net Interest Margin (NIM)*

Net interest income reached €752 mn, recording an annual increase of 23%. The increase is primarily attributable to the significant increase in the Group's footings in Cyprus and Greece, as well as to the improvement in the net interest margin (NIM) of the Group's operations in Cyprus. The Group net interest margin (NIM) for 2007 remained stable at 2,81%, compared to 2006.

The NIM of the Group's operations in Cyprus increased from 2,38% for 2006 to 2,53% for 2007, primarily as a result of the higher growth rate in loans compared to deposits and the increased margin on foreign currency deposits.

The NIM of the Group's operations in Greece stood at 2,87% for 2007 compared to 3,14% for 2006 as a result of the comparatively higher growth rate of mortgage loans compared to the growth rates of other sectors, as mortgage loans earn a lower spread due to their low-risk nature. In addition, the Group's net interest margin fell due to the short term impact of the widening of the spread between the Euro base rate and the Euribor.

#### *Income from Insurance Business*

The growth of the Group's insurance operations was significant with an increase in new business premiums of 27% in life insurance and 13% in general insurance. Total income from insurance business recorded a 25% annual increase, reaching €56 mn. The insurance business contributed 8% to Group profit before tax amounting to €45 mn, recording an annual increase of 53%.

#### *Expenses*

Total expenses for 2007 amounted to €486 mn, with the annual rate of increase of 15% being significantly lower than the rate of increase in loans (31%). Despite the significant investments for the expansion of the Group's network in Greece and the start up expenses in Russia and Romania, the cost to income ratio improved to 43,6% for 2007 compared to 46,7% for 2006 mainly as a result of an increase in productivity.

## 15.0 PROSPECTS

The Group has set its strategic priorities for 2009 which aim to create shareholder value on a sustainable basis. The Group's performance for 2008 reaffirms its successful planning processes and the emphasis placed by the Group in addressing the economic crisis. The Group monitors very closely the developments in the international credit markets and the macroeconomic environment in Cyprus, Greece and the wider region and takes measures to mitigate and shield itself from any adverse consequences.

The strategic priorities of the Group for year 2009 focus on maintaining the Group's strong liquidity position, improving capital adequacy, increasing efficiency and containing costs, in parallel with the disciplined growth of its operations and the effective management of risks.

The Group aims to safeguard its liquidity position in Cyprus and Greece, minimising any adverse impact on its profitability. Emphasis will be given on the review of pricing of both existing and new loans, so that the price better reflects the liquidity conditions of the market. Emphasis will also be placed on customer service and product offering to further strengthen the bonds between the Group and its customers.

The Group expanded to the Russian market in August 2007 through the establishment of a banking subsidiary which initially focused on the corporate and SME sector, capitalising on the Group's existing customer relationships. The Group's strategic goals provided for the funding of the loans from liquidity attracted from the local market. For the attainment of this goal, expansion of a retail network was essential. In this direction, the Group completed the acquisition of an 80% interest in CB Uniastrum Bank LLC in Russia in October 2008. Founded in 1994 and headquartered in Moscow, CB Uniastrum Bank LLC has the 9th largest distribution network in Russia, consisting of over 210 outlets. CB Uniastrum Bank LLC has a strong presence in Moscow and in another 42 regions of Russia and has a good mix of retail and small business portfolio. CB Uniastrum Bank LLC is self funded through its own growing deposit base which is supported by high brand awareness. At the beginning of 2009, the Group decided to operationally merge its two Russian banking units. The merger aims at achieving synergies between the two units and at the same time reducing the costs and improving systems and procedures.

The Group entered the Romanian market in 2007 and offers banking and leasing services. The Group aims to selectively expand its client base in Romania, always through careful risk management and monitoring.

In May 2008, the Group completed the acquisition of the Ukrainian bank JSC AvtoZAZbank. Through this acquisition, the Group aims to provide full banking services in Ukraine, leveraging on its significant number of client relationships established via the international banking sector in Cyprus with businesses operating in this country. The current Ukrainian economic conditions are particularly demanding and the Group's priority is the careful selection of customers.

The Group's objective in expanding into new markets is the long-term diversification of its assets and income streams. Countries that have been targeted are those in which the Group has existing client relationships, which have significant population, low banking sector penetration and higher than European Union (EU) average economic growth rates. Interest rate spreads in these countries are markedly higher than the EU average spreads and therefore, combined with careful risk management and gradual building of economies of scale, can lead to higher profitability margins in the medium term.



**PART D: STATUTORY AND OTHER INFORMATION****1.0 EXTRACTS FROM THE ARTICLES OF ASSOCIATION**

Extracts from the Company's Articles of Association relating to voting rights, rights for profit distribution, rights in the case of a winding up and other rights are presented below:

**SHARES**

- "3. Subject to any directions to the contrary that may be contained in a Special Resolution passed at the General Meeting of the Company, all new shares and/or other securities which give the right to purchase shares in the Company and/or which may be converted into shares in the Company, shall before issue be offered to the members of the Company in proportion (pro-rata) to the shares held by them on a date fixed by the Board of Directors. Such offer shall be made to the members by a notice in writing specifying the number of shares and/or other securities which give the right to purchase shares in the Company and/or which may be converted into shares in the Company, to which the member is entitled and limiting a time period within which the offer should be accepted, otherwise it will be deemed to be declined. If until the expiration of the said time period, no notification is received from the person to whom the offer was made or to whom the rights have been allotted, that he accepts all or any part of the offered shares or other securities which give the right to purchase shares in the Company or which may be converted into shares in the Company, the directors may dispose of the same in such manner, as they may think most beneficial to the Company. If, owing to any inequality in the number of the new shares of the other securities which give the right to purchase shares in the Company or which may be converted into shares in the Company and the number of shares held by members entitled to have the offer of such new shares or such other new securities that give the right to purchase shares in the Company or which may be converted into shares in the Company, any difficulty shall arise in the apportionment of such new shares and/or other securities amongst the members, such difficulty, shall, in the absence of directions by the Company in General Meeting to the contrary, be determined by the Directors.

**VOTES OF MEMBERS**

67. If two or more persons are jointly entitled to a share, then in voting upon any question the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the other registered holders of the share and for this purpose seniority shall be determined by the order in which the names stand in the register of members.
68. A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, through any person appointed by the court, and any such person may, on a poll, vote by proxy.
69. Save as herein expressly provided, no member other than a member duly registered and who shall have paid everything for the time being due from him and payable to the Company in respect of his shares, shall be entitled to vote on any question either personally or by proxy, or to be reckoned in a quorum at any General Meeting.
71. Votes may be given either personally or by proxy. On a show of hands a member (other than a corporation) present only by proxy shall have no vote, but a proxy or representative of a corporation may vote on a show of hands. A proxy need not be a member of the Company.
72. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if such appointor is a corporation under its common seal, if any, and, if none, then under the hand of some officer duly authorised in that behalf.
73. The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or an officially certified copy thereof, shall be deposited at the office at least forty-eight hours before the time appointed for holding the meeting or adjourned meeting at which the person named

in such instrument proposes to vote or in the case of a poll not less than twenty-four hours before the time appointed for taking the poll, and, in default, the instrument of proxy shall not be treated as valid.

**DIRECTORS**

79. The number of Directors (10) shall not be less than ten nor more than eighteen (18).
80. The remuneration of the Directors shall from time to time be determined by the Company in General Meeting. The Directors may also be paid all travelling, hotel and other expenses incurred by them in attending and returning from meetings of the Board of Directors or any committee of the Directors or General Meetings of the Company or in connection with the business of the Company.

**ROTATION OF DIRECTORS**

92. At the First and every subsequent Annual General Meeting of the Company one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the nearest number to one-third, shall retire from office.
93. The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day those to retire shall unless they otherwise agree among themselves be determined by lot.

**MANAGING DIRECTOR**

119. The Directors may from time to time appoint one or more of their body to the office of Managing Director for such period and on such terms as they think fit, and, subject to the terms of any agreement entered into in any particular case, may revoke such appointment.
120. A Managing Director shall receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) as the Directors may determine.

**DIVIDENDS AND RESERVE**

126. The Company in General Meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors.
127. The Directors may from time to time pay to the members such interim dividends as appear to the directors to be justified by the profits of the Company.
128. No dividend shall be paid otherwise than out of profits.
129. The Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors, be applicable for any purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Directors may from time to time think fit. The Directors may also without placing the same to reserve carry forward any profits which they may think prudent not to divide.
130. Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but no amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this regulation as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.

131. The Directors may deduct from any dividend payable to any member all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.
132. Any General Meeting declaring a dividend or bonus may direct payment of such dividend or bonus wholly, or partly by the distribution of specific assets and in particular of paid up shares, debentures or debenture stock of any other company or in any one more of such ways, and the Directors shall give effect to such resolution, and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient, and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.
133. Any dividend, interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the register of members or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, bonuses or other moneys payable in respect of the shares held by them as joint holders.
134. No dividend shall bear interest against the Company.

**CAPITALISATION OF PROFITS**

140. The Company in General Meeting may upon the recommendation of the Directors resolve that it is desirable to capitalize any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and accordingly that such sum be set free for distribution amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportions on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such members respectively or paying up in full unissued shares or debentures of the Company to be allotted and distributed credited as fully paid up to and amongst such members in the proportion aforesaid, or partly in the one way and partly in the other, and the Directors shall give effect to such resolution. Provided that a share premium account and a capital redemption reserve fund may, for the purpose of this regulation, only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.

**WINDING UP**

141. If the Company shall be wound up the liquidator may, with the sanction of an Extraordinary Resolution of the Company and any other sanction required by the Law, divide amongst the members in specie or kind the whole or any part of the assets of the Company (whether they consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any other securities whereon there is any liability."

## 2.0 RELATED PARTY TRANSACTIONS -DIRECTORS AND KEY MANAGEMENT EMOLUMENTS

### 2.1 Related Party Transactions

(i) The following table presents the loans and other advances, to members of the Board of Directors, key management personnel of the Bank and connected persons by the Bank or Group subsidiary companies as at 31<sup>st</sup> March 2009 (unaudited) and 31<sup>st</sup> December 2008, 2007 and 2006 (audited):

	2008	2007	2006	Unaudited 31March 2009	2008	2007	2006
	Number of Directors			€000	€000	€000	€000
Loans and advances to members of the Board of Directors and connected persons:							
- more than 1% of the Group's net assets per director	3	4	4	190.536	196.079	120.598	122.237
- less than 1% of the Group's net assets per director	13	14	14	24.483	24.569	20.339	21.679
	16	18	18	215.019	220.648	140.937	143.916
Loans and advances to key management personnel and connected persons				2.935	2.657	877	894
Total loans and other advances				217.954	223.305	141.814	144.810
Analysis of loans and advances							
- members of the Board of Directors and key management personnel				8.121	7.321	9.814	8.212
- connected persons				209.833	215.984	132.000	136.598
				217.954	223.305	141.814	144.810
Tangible securities				316.477	245.608	223.641	231.960
Interest income				2.474	11.806	8.032	7.685
Deposits of							
- members of the Board of Directors and key management personnel				49.507	78.287	85.965	5.623
- connected persons				52.999	66.218	42.654	25.612
				102.506	144.505	128.619	31.235
Interest expense on deposits				1.754	6.992	3.677	550
Debt securities in issue and subordinated loan stock:							
- members of the Board of Directors and key management personnel				13.366	13.800	171	-
- connected persons				1.349	1.569	50	100
				14.715	15.369	221	100
Interest expense on debt securities in issue and subordinated loan stock				254	442	3	5

In addition to loans and advances as at 31 December 2008, there were contingent liabilities in respect of members of the Board of Directors and their connected persons, mainly in the form of documentary credits, guarantees and commitments to lend amounting to €49.689 thousand (2007: €85.017 thousand).

Of these, €44.283 thousand (2007: €79.532 thousand) relate to directors and their connected persons, whose total credit facilities exceed 1% of the net assets of the Group per director. There were also contingent liabilities to Group key management personnel and their connected persons amounting to €378 thousand (2007: €326 thousand).

On 31 March 2009, in addition to loans and advances, there were contingent liabilities in respect of members of the Board of Directors and their connected persons, mainly in the form of documentary credits, guarantees and commitments to lend amounting to €54.255 thousand. Of these, €47.568 thousand relate to directors and their connected persons, whose total credit facilities exceed 1% of the net assets of the Group per director. There were also contingent liabilities to Group key management personnel and their connected persons amounting to €355 thousand.

Connected persons include spouses, minor children and companies in which directors or key management personnel hold, directly or indirectly, at least 20% of the voting shares in a general meeting, or act as directors or control the entities in any way. All transactions with members of the Board of Directors and their connected persons are made on normal business terms as for comparable transactions with customers of a similar credit standing. A number of credit facilities have been extended to key management personnel and their connected persons on the same terms as those applicable to the rest of the Group's employees.

## 2.2 Fees and emoluments of members of the Board of Directors and Group key management personnel

	Unaudited 31 March 2009	2008	2007	2006
	€000	€000	€000	€000
<b>Directors' emoluments</b>				
<i>Non executives</i>				
Fees	184	678	740	812
<i>Executives</i>				
Emoluments in executive capacity:				
Salaries and other short term benefits	262	1.065	2.640	1.604
Ex-gratia payment	-	678	-	-
Employer's contributions	17	54	79	50
Retirement benefit plan costs	35	157	186	149
Share options	322	752	9	9
Total emoluments in executive capacity	636	2.706	2.914	1.812
Emoluments of a non executive director who is also an employee of the Company	38	140	97	-
Total fees and emoluments of directors	858	3.524	3.751	2.624
Key management personnel emoluments				
Salaries and other short term benefits	279	881	2.098	1.366
Employer's contributions	13	63	87	73
Retirement benefit plan costs	34	140	195	152
Share options	161	376	17	17
Total key management personnel emoluments	487	1.460	2.397	1.608
<b>Total</b>	<b>1.345</b>	<b>4.984</b>	<b>6.148</b>	<b>4.232</b>

The fees and emoluments of key management personnel comprise the amounts of the Group General Managers, the number of which at 31 December 2008 was four (31 December 2007: six). The fees and emoluments of the executive directors comprise the emoluments of the members of the Group Executive Management team, the number of which at 31 December 2008 was two (31 December 2007: three).

In the context of the Share Options 2008/2010 issued by the Company to the Group's permanent employees, 2.000.000 share options were granted to executive directors, 12.000 were granted to a non-executive director in his capacity as employee of the Company and 1.000.000 were granted to key management personnel at the exercise price of €9,41 per option (fair value of €1,17 per option). The price of the shares of the Company at 31 December 2008 was materially lower than the exercise price of the options.

In the context of the Share Options 2006/2007 issued by the Company to the Group's permanent employees on 30 September 2006, 15.000 share options were granted to the executive directors at the exercise price of €7,38 per option (fair value €1,18 per option) and 18.000 options were granted to key management personnel at the exercise price of €6,32 per option (fair value €1,81 per option). All Share Options 2006/2007 were exercised by their holders during 2007.

During 2007, 10.000 Share Options 2001/2007 which were granted to two non executive directors in 2000 while they were executive directors, were exercised at the price of €5,57 per option. Also during 2007, the executive directors exercised 3.000 Share Options 2001/2007 at the price of €5,57 per option and 15.000 Share Options 2006/2007 at the price of €7,38 per option.

The executive directors participate in the main retirement benefit plan for the Group's permanent employees in Cyprus, which is a defined benefit plan. Their total retirement benefits increased during 2008 by €517 thousand (2007: €1.001 thousand).

### **2.3 Other transactions with related parties**

Mr Andreas Artemis, Vice-Chairman of the Board of Directors of the Company, holds an indirect interest and is Chairman of the Board of Directors of the Commercial General Insurance Ltd group which is engaged in general insurance business. The Commercial General Insurance Ltd group has entered into reinsurance arrangements with General Insurance of Cyprus Ltd, a subsidiary of the Group. The total reinsurance premiums assigned to the Commercial General Insurance Ltd group in 2008 amounted to €920 thousand (2007: €1.218 thousand) and for the period ended 31 March 2009 amounted to €48 thousand.

Mrs Anna Diogenous, member of the Board of Directors of the Company, holds an indirect interest in the company Pylones SA Hellas, which supplies the Company with equipment and services following tender procedures and in the company Unicars Ltd which supplies the Group in Cyprus with cars and related services. The total purchases from these companies in 2008 amounted to €699 thousand (2007: €926 thousand) and for the period ended 31 March 2009 amounted €112 thousand. In addition, the company Mellon Cyprus Ltd which supplies the Group with equipment is significantly influenced by a person connected to Mrs Anna Diogenous. The total purchases from this company in 2008 amounted to €439 thousand (2007: €899 thousand) and for the period ended 31 March 2009 amounted to €128 thousand.

Mr Costas Z. Severis, member of the Board of Directors of the Company, is the main shareholder of the company D. Severis and Sons Ltd, which is a general agent of the Group's subsidiary, General Insurance of Cyprus Ltd. The total commissions paid to D. Severis and Sons Ltd in 2008 amounted to €147 thousand (2007: €166 thousand) and for the period ended 31 March 2009 amounted to €37 thousand.

### **3.0 OTHER STATUTORY INFORMATION**

- (i) There has been no significant change in the financial position of the Bank or the Group since 31 December 2008.
- (ii) There has been no adverse change in the prospects of the Bank or of the Group since 31 December 2008.
- (iii) As from 1<sup>st</sup> January 2008, first date of adoption of the Euro as the official currency in the Republic of Cyprus, the currency relating to the operations of the Bank and its subsidiaries has changed to Euro from Cyprus Pound. To this end as from 1<sup>st</sup> January 2008 all assets and liabilities of the Bank and its subsidiaries have been converted to Euro, based on the fixing rate of €1 = £0,585274.

- (iv) Moreover the nominal value of the Company's Shares has been converted to €1,00 per share from £0,50.
- (v) As at the date of the Prospectus, no legal actions or claims of material importance are pending or threatened against the Company or the Group with the exception of the following:
  - (i) The court of New York has issued a judgement in relation to the application which was pending before it for the payment by the Company of an amount up to \$77 million (€55 million) plus interest since May 2001, which specific customers allegedly hold with the Company. The judgement was issued on 12 March 2007 and the court ruled that at the time of service of the application there were no funds within its jurisdiction in the name of the specific customers and as a result the claim for the payment of the said amount to the applicants was rejected. An appeal was filed by the petitioner but this was not perfected within the prescribed time limits and the issue is considered by the Group as de facto closed.
  - (ii) In September 2006, the 'Trustees of the AremisSoft Corporation Liquidating Trust' filed civil actions against the Company for at least \$50 million (€36 million), their main claim being that the Company, in breach of its obligations to AremisSoft, permitted the principal shareholder of AremisSoft to execute transactions leading to the appropriation by him of significant sums belonging to AremisSoft. In August 2007, a federal judge granted the Company's motion to dismiss that case and found that the appropriate forum for the trial of the case is the judicial system in Cyprus. On 28 August 2007, the Trustees filed an application for reconsideration of the judgement issued by the court, which was denied on 31 March 2009. On 14 April 2009, the Trustees filed a further application for reconsideration of the court's denial of the application. The Group does not expect to have any material financial impact as a result of the law suit.
  - (iii) The United States Attorney for the Southern District of New York, pursuant to a coordination agreement with the Trustees of the AremisSoft Corporation Liquidating Trust, filed on 15 October 2007 a civil action against the Company based on very similar allegations as the ones set out in the Trustees of the AremisSoft Corporation Liquidating Trust's civil action already dismissed by the federal judge. Despite the fact that the Company did not engage in any conduct in the United States, the US Attorney's civil suit claims that the Company violated US Law by enabling the principal shareholder of AremisSoft to fraudently transfer \$162 million of proceeds through accounts maintained with the Company. On 31 March 2009, a judgement was issued dismissing this civil action. On 14 April 2009, the US Attorney filed a motion to amend the judgement, reinstate the action and grant it leave to file an amended complaint. The Company does not expect to have any material financial impact as a result of the civil actions, because the civil claims are, in its view, factually and legally without merit.
- (vi) There are no, nor have there been any in the recent past, legal or arbitration proceedings in which the Group has been or is engaged in, which may have, or have had a significant effect on the financial position of the Company or any of its subsidiaries.
- (vii) There are no financial contracts entered into by the Company which are fundamentally material to the activities of the Company or of the Group.
- (viii) Save as disclosed in the Prospectus, as at the date of the Prospectus neither the Company nor the Group had any other borrowings or indebtedness in the nature of bonds, loan stock, borrowing, or any other mortgage or charges on the Company's assets.
- (ix) Except for the members of the Executive Management there are no existing service contracts between the Company and its employees or of the employees of any of its subsidiaries, the termination of which will entail the payment of compensation, if terminated without cause.
- (x) Save as disclosed in Part B, Section 9.0 there are no other employee share option schemes.

- (xi) As at the date of the Prospectus there has been no disruption in the activities of the Company that has to date or would in the future significantly affect the financial position of the Company or its subsidiaries.
- (xii) There are no patents or licenses, industrial, commercial or financial contracts that would be of fundamental importance to the business or profitability and on which the Company or any of its subsidiaries are dependant.
- (xiii) During the current or immediately preceding financial year there was no public offer by any third parties in respect of the Company's or any subsidiary's shares. Bank of Cyprus proceeded with the following acquisitions.
  - On 26 May 2008 the Group acquired 97,2% of the share capital of the Ukrainian Bank JSC AvtoZAZbank. In December 2008 the Group's shareholding in JSC AvtoZAZbank increased to 99.7% following the injection of additional capital by the Company. The total acquisition cost of €59.704 thousand comprised a cash payment of €57.882 thousand and costs of €1.822 thousand directly attributable to the acquisition. The Group's consolidated financial statements include the results of JSC ArtoZAZbank since the date of the acquisition.
  - On 31 October 2008, the Group completed the acquisition of 80% of the share capital of CB Uniastrum Bank LLC and Uniastrum Leasing LLC in Russia. These companies were acquired 100% by BOC Russia (Holdings) Ltd which is 80% owned by the Company. The acquisition cost paid in cash comprises a cash payment of €449.835 thousand and costs of €5.638 thousand directly attributable to the acquisition. The two founding shareholders of the acquired companies currently leading their management maintain (through BOC Russia (Holdings) Ltd a 10% interest each.
- (xiv) Save as disclosed in the Prospectus and the documents incorporated by reference to the Prospectus, as at the date of the Prospectus, the directors of the Company have not made any firm commitments on principal future investments or acquisitions.
- (xv) During the two years preceding the date of the Prospectus, no material contract has been entered into by the Company which is outside its normal course of business.

#### **4.0 CONSENTS**

- (i) The independent accountants Ernst & Young have given and have not withdrawn their written consent presented below relating to the references to their name in the form and context in which they appear in the Prospectus.

30 April 2009

Board of Directors  
Bank of Cyprus Public Company Ltd  
Nicosia

Dear Sirs,

#### **Prospectus for the Issue and Listing of Convertible Capital Securities**

We are the auditors of Bank of Cyprus Public Company Ltd for the years 2006 – 2008.

The financial statements of the Company and the Group at 31 December 2006, 2007 and 2008 were audited by us in accordance with International Standards on Auditing. We have issued unqualified opinions on these financial statements.



With this letter, we give and do not withdraw our consent for:

- a) the inclusion of our reports within the Prospectus dated 30 April 2009 in the form and format those are presented and
- b) for the references to our name in the form and context in which they appear in the Prospectus dated 30 April 2009, for which you, as Directors, are solely responsible.

**Ernst & Young Cyprus Limited**

*Chartered Accountants*

- (ii) The Lead Manager of the issue, The Cyprus Investment and Securities Corporation Ltd (CISCO) has given and has not withdrawn its written consent to the references to its name in the form and context in which it appears.

30 April 2009

Board of Directors  
Bank of Cyprus Public Company Ltd  
Nicosia

Dear Sirs,

With this letter, we give and do not withdraw our consent for the references to our name in the form and context in which it appears in the Prospectus of Bank of Cyprus Public Company Ltd dated 30 April 2009, for which you, as Directors, are solely responsible.

**The Cyprus Investment and Securities Corporation Ltd (CISCO)**

- (iii) The solicitors Messrs Chryssafinis & Polyviou have given and have not withdrawn their written consent.

30 April 2009  
Board of Directors  
Bank of Cyprus Public Company Limited  
Nicosia

Dear Sirs,

The undersigned Chryssafinis & Polyviou, lawyers in Nicosia, hereby confirm the following regarding the Prospectus of Bank of Cyprus Public Company Ltd dated 30 April 2009:

The aforementioned company is incorporated and operates in accordance with the Cyprus Companies Law, Cap. 113 and has the power to issue shares to the public.

The information in the Prospectus under “Statutory and other Information on the Issuer and its Share Capital” is in accordance with the details and documents to be found in the records of the Company as these are kept in the Companies Registry at the Department of the Registrar of Companies and Official Receiver.

We authorise the Cyprus Securities and Exchange Commission to publicise, at its discretion, any of the information which appears in the present confirmation to the public or any other party, if it deems this necessary.

**Chryssafinis & Polyviou**

- (iv) The Prospectus has been presented to the Board of Directors of the Company and has been approved. The Directors of the Company, who have taken all reasonable care to ensure that such is the case, accept responsibility for the accuracy, correctness and completeness of the information

contained in the Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

## **5.0 DOCUMENTS AVAILABLE FOR INSPECTION**

- (ii) The documents attached to the copy of the Prospectus as filed with the Cyprus Securities and Exchange Commission were the consent letters described in Section 4.0 above.
- (iii) Copies of the following documents may be inspected during working days, between 9.00 a.m. and 12.00 noon, at the Bank's headquarters, 51 Stassinou Street, Ayia Paraskevi, Nicosia, Cyprus and during the period that the Prospectus shall be valid:
  - (1) Memorandum and Articles of Association of the Company,
  - (2) written consents and certificates, as set out in Section 4.0 above,
  - (3) audited financial statements of the Group, the Bank and its subsidiaries for years 2006, 2007 and 2008.
  - (4) The Trust Deed dated 30 April 2009.

The Prospectus as it has been approved by the Cyprus Securities Exchange Commission will be available in electronic form as follows:

- i. the Bank of Cyprus' website, [www.bankofcyprus.com](http://www.bankofcyprus.com)
- ii. the website of the Lead Manager, The Cyprus Investment and Securities Corporation Ltd (CISCO), [www.cisco-online.com](http://www.cisco-online.com)
- iii. the website of the Cyprus Stock Exchange [www.cse.com.cy](http://www.cse.com.cy)
- iv. the website of the Cyprus Securities and Exchange Commission, [www.cysec.gov.cy](http://www.cysec.gov.cy)

## **6.0 INCORPORATIONS BY REFERENCE**

The Group's consolidated financial statements for years 2006, 2007 and 2008 have been incorporated to the Prospectus by reference pursuant to article 28 of the Commission Regulation 809/2004 of the European Union.

Investors may obtain a free copy of the following:

- (i) consolidated financial statements for year 2006
- (ii) consolidated financial statements for year 2007
- (iii) consolidated financial statements for year 2008

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 Prospectus shall be valid, as well as on the Group's website [www.bankofcyprus.com](http://www.bankofcyprus.com) (select Investor Relations / Annual Report).

## Part E

## DEFINITIONS

<b>6 month Euribor</b>	Euro Interbank Offered Rate is the rate at which euro interbank term deposits within the euro zone are offered by one prime bank to another prime bank. (Published every business day at 11:00 CET for spot value T+2).
<b>Assets</b>	The total non consolidated assets of the Bank as these are presented in the balance sheet, which is included in the latest audited financial statements, adjusted for contingencies and post balance sheet events as per the decision of the Directors, the Auditors or the Receiver as the case may be.
<b>ATHEX</b>	The Athens Exchange.
<b>Bank, Issuer, Company</b>	Bank of Cyprus Public Company Limited.
<b>Business Day</b>	Any day (except Saturday, Sunday or bank holiday) during which commercial banks and foreign currency markets providing settlements in Euro, in Cyprus, Greece and any other point of payment.
<b>Capital Adequacy Regulations</b>	The regulations and circulars of the Central Bank of Cyprus regarding capital adequacy, at any given time
<b>Capital and Dividend Restrictions</b>	Has the meaning defined in Part A, Chapter II, Condition 4
<b>Capital Securities</b>	Capital Securities issued by the Bank which are included in the Subordinated loan stock of the Bank. The Capital Securities are classified as Tier I Capital and are perpetual securities in respect of which there is no fixed redemption date. The Bank may elect to redeem all, but not some only, of the Convertible Capital Securities with the prior approval of the Central Bank of Cyprus.
<b>Central Bank</b>	The Central Bank of Cyprus.
<b>Claims in the case of winding up</b>	Has the meaning provided in Part A, Chapter II, Condition 3.
<b>Conversion Period</b>	The period as defined in Part A, Conditions 9a of this Prospectus, during which the Holders of the Convertible Capital Securities may elect to exercise their Conversion Right to ordinary shares of the Bank.
<b>Conversion Price</b>	The price at which the Holders of Convertible Capital Securities may exercise their right to convert them into ordinary shares of the Company during the stated Conversion Periods and any adjustments to it as provided in the relevant terms and conditions of this Prospectus.
<b>Conversion Right</b>	The right of the Convertible Capital Securities Holder to elect to convert them into ordinary share of the Bank as provided in the terms and conditions of this Prospectus.
<b>Convertible Capital</b>	Up to €645.327.822 Convertible Capital Securities in accordance with the

**SECTION II*****Part E***

<b>Securities</b>	terms of this Prospectus.
<b>Coupon Deferral</b>	Any Interest Payment, or part of it, which the Bank, according to Condition 4, elected to defer and which has not been satisfied.
<b>CSE</b>	The Cyprus Stock Exchange.
<b>Cyprus Securities and Exchange Committee</b>	The Cyprus Securities and Exchange Committee.
<b>Directors</b>	The members of the Board of Directors of the Bank of Cyprus Public Company Limited.
<b>Dividend Reinvestment Scheme</b>	The Bank's Dividend Reinvestment Scheme as is in force today and any other similar plan that replaces it or is approved by the Bank.
<b>Eligible Holders, Priority Holders</b>	The Priority for Subscription to the issue will be granted to the Bank's Shareholders registered at the Central Depository/ Registry of the CSE and the Dematerialized Securities System (DSS) of the Hellenic Exchanges as at the Record Date on 12/5/2009. From 8/5/2009 onwards, the Bank's shares will be traded without the Priority (ex-priority) for Subscription to the current Convertible Capital Securities issue. Consequently, the 7/5/2009 is set as the Cum Priority Date for the determination of the Eligible Holders of the Priority for Subscription, meaning that investors who purchase shares by the market close of the Cyprus Stock Exchange and the Athens Stock Exchange on the 7/5/2009, will be granted with Priority to participate to the Bank's Convertible Capital Securities issue. The 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).
<b>Employee Share Option Scheme</b>	The Employee Share Option Scheme as approved by the shareholders' Annual General Meeting on May 14 2008 and any other scheme that replaces it or subsequently follows it.
<b>Group</b>	Bank of Cyprus Public Company Limited and its subsidiary companies.
<b>Holder</b>	The Holder of Convertible Capital Securities as registered on the Convertible Capital Securities Register of the Bank.
<b>Interest</b>	The interest payable to the Convertible Capital Securities Holders for the Interest Period in reference.
<b>Interest Payment</b>	For every Interest Payment Date, the total Interest payable for the period ending on the Interest Payment Date.
<b>Interest Payment Beneficiaries</b>	In addition to the Holders as defined above, Holders that have sold Convertible Capital Securities during an ex-interest period and as such are not defined as Holders but have a claim as to the Interest Payment at the relevant Interest Payment Date.
<b>Interest Payment Date</b>	The 30th of June and the 31st of December of each year, starting 31 December 2009.
<b>Interest Period</b>	The period from and including the Issue Date, to and not including, the First Interest Payment Date, and each continuing period from and including the Interest Payment Date, to and not including the next Interest Payment Date.

<b>Issue Date</b>	The 6th of June 2009, the date of issue of the Convertible Capital Securities.
<b>Liabilities</b>	The total non-consolidated liabilities of the Bank as these are presented in the balance sheet, which is included in the latest audited financial statements, adjusted for contingencies and post balance sheet events as per the decision of the Directors, the Auditors or the Receiver as the case may be.
<b>Merger or Combination</b>	As defined in the Company's Act Cap. 113.
<b>New Shares</b>	The new ordinary shares of the Bank to be issued as a result of Conversion of Convertible Capital Securities as provided in the Terms and Conditions in this Prospectus.
<b>Other Tier I Capital</b>	Any other securities classified as Tier I Capital and which in the case of solvency of the Bank or dividend or profit distribution, or other payments, they rank pari passu with the Convertible Capital Securities, provided that the Convertible Capital Securities are still classified as Tier I Capital.
<b>Payment</b>	Any Interest Payment, Interest Deferral, Deferred Interest Payment or interest not defined as Interest Payment.
<b>Prospectus</b>	The current Prospectus in accordance under which the Convertible Capital Securities will be issued and admitted for trading on the CSE and the ATHEX.
<b>Public Offer</b>	As defined in Law 41(I)/2007 of the Republic of Cyprus or as otherwise amended.
<b>Register</b>	The Register of the Convertible Capital Securities Holders held by the Share and Loan Stock Department of the Bank. The Holders registered on the Register of the Convertible Capital Securities Holders held by the Central Depository/Registry of the CSE and the Dematerialized Securities System (DSS) of the Hellenic Exchanges
<b>Shares</b>	The ordinary shares of the Bank.
<b>Special Conversion Period</b>	Any conversion period as defined above, other than the stated Conversion Periods, as provided in Part A, Condition 9 (h) of this Prospectus.
<b>Subsidiary company</b>	Has the meaning provided in Companies Act cap. 113.
<b>Tier I Capital</b>	As defined in the Capital Adequacy Regulations.
<b>Tier I Securities</b>	Securities issued by the Bank and classified as Tier I Capital.
<b>Tier II Capital</b>	As defined in the Capital Adequacy Regulations.
<b>Tier II Securities</b>	Securities issued by the Bank and classified as Tier II Capital.
<b>Trust Deed</b>	The Trust Deed dated 30 April 2009 between the Bank and the Trustee.
<b>Trustee</b>	KPMG Ltd as the trustee for the Holders and any of the Trustee's replacements.

**DIRECTOR'S DECLARATIONS**

The present Prospectus of Bank of Cyprus Public Company Limited dated 30 April 2009 has been signed by the 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 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	Non – Executive Chairman
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Andreas Artemis	Vice Chairman – Non Executive
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George M. Georgiades	Non-Executive, Independent
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Anna Diogenous	Senior Independent Director- Non Executive
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Andreas Eliades	Executive Director
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Andreas Iacovides	Independent - Non Executive
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Yiannis Kypri	Executive Director
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Manthos Mavrommatis	Non-Executive, Independent
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Christos Mouskis	Non-Executive, Independent
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Evdokimos Xenophontos	Non-Executive
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Vasillis G. Rologis	Non-Executive
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Costas Z. Severis	Non-Executive
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Nicolaos P. Tsakos	Non-Executive, Independent
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Costas Hadjipapas	Non Executive
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Christakis Christofides	Non Executive
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**LEAD MANAGER'S DECLARATION**

The present Prospectus of Bank of Cyprus Public Company Limited 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