Additional Questions &Answers on the Open Offer

The date of this Document is 7 August 2014

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The additional questions and answers below are supplemental to, and should be read in conjunction with, the circular to shareholders of the Bank of Cyprus Public Company Limited dated 30 July 2014 (the "Circular"). Capitalised terms used but not defined below shall have the meanings given to them in the Circular.

The questions and answers set out herein are intended to be generic guidance only and, as such, you should also read the Circular for full details of the matters discussed below. Accordingly, if there is any conflict between this document and the Circular, the Circular shall prevail.

If you are in any doubt about the action to be taken, you are recommended to seek your own personal financial advice immediately from your stockbroker, solicitor, accountant or other appropriate independent financial adviser.

1. What is the Open Offer?

On 4 July 2014, the Bank of Cyprus Public Company Limited (the "**Bank**" or the "**Group**") announced its intention to explore investor interest for a potential capital increase (the "**Capital Increase**") and, on 28 July 2014, the Bank announced the successful private placement (the "**Placing**") of ordinary shares in the Bank for total gross proceeds of €1.0 billion. The Placing constituted phase 1 of the Capital Increase.

The Open Offer constitutes phase 2 of the Capital Increase. In the Open Offer, up to 20% in aggregate of the total number of shares offered to certain qualified investors in phase 1 (which, for the avoidance of doubt represents up to €200 million of share capital) and at the same price as in phase 1 (i.e. €0.24 per share) are offered to existing shareholders. The minimum purchase consideration per investor in the Open Offer is €100,000 (an exemption from the requirement to publish an approved prospectus under the EU Prospectus Directive) and all existing shareholders are able to participate subject to them holding shares in the Bank as of the Record Date (5.00 p.m. on 28 July 2014) and them not being located in an Excluded Territory.

The Open Offer is not a rights issue and therefore requires the disapplication of the shareholders pre-emption rights (as proposed in the Resolutions B set out in the Notice of EGM).

2. Can I participate in the Open Offer?

The terms and conditions of the Open Offer and the eligibility criteria are detailed in the Circular published on the Bank's website on 30 July 2014 (http://www.bankofcyprus.com/en-GB/Start/Investors-Relations/Capital-Increase-2014/Shareholders-Circular-Phase-2/), and notably the "Questions and Answers On the Open Offer" section of the Circular.

3. Why did the Bank not proceed with a rights issue and why are the pre-emptive rights of Existing Shareholders being disapplied?

The Capital Increase (which is a reference to both the Placing and the Open Offer) is not a rights issue and, accordingly, the pre-emptive rights of Existing Shareholders must be disapplied and this is one of the resolutions which will need to be approved by Existing Shareholders representing not less than 75% of the Existing Ordinary Shares voting at the Extraordinary General Meeting. Pre-emptive rights are the rights that existing shareholders have to be offered shares in a company before they are made available to anyone else.

The Board decided to conduct the Capital Increase without granting pre-emptive rights to shareholders in order to facilitate fast execution of the Capital Increase and a higher likelihood of success. The Board is of the view that the disapplication of pre-emptive rights will not unduly prejudice Shareholders as they have been, and are being, provided with the opportunity to participate in each phase of the Capital Increase for which they are eligible and will be provided with the opportunity to participate in the Retail Offer as described in the Circular.

A rights issue would have required an extended timetable, mainly because of the need for the publication of a prospectus compliant with the Prospectus Law and the Prospectus Regulation and requiring regulatory approval. The publication of such a prospectus would have extended the timetable and the rights issue would not itself have provided the Bank with any certainty of success. The Bank decided to proceed with an accelerated process, focusing on the certainty of success and reducing the risks of delays.

4. Why is the nominal value of the ordinary shares being reduced?

The nominal value is the stated value of the ordinary shares and bears no economic relation to the market value of the shares. Under the Companies Law, shares may not be issued at a price below their nominal value.

The Placing Price and Offer Price (i.e. €0.24 per New Ordinary Share) is below the current nominal value of €1.00 per Ordinary Share. As a result, the Bank proposes to reduce the nominal value of an Ordinary Share to €0.10.

5. How does the nominal value reduction affect the share capital of the Bank? Does this affect the book value of the Bank?

It is not uncommon for listed international companies to reduce the nominal value of their share capital. From an accounting and financial perspective, the proposed reduction in the nominal value of the shares will not affect the Bank's equity attributable to owners of the Bank (which is composed of the Bank's "Share Capital" account, "Shares subject to interim orders" account, "Revaluation and other reserves" account and "Accumulated losses" account).

The amount of the capital reduction will be used to write off the existing accumulated losses, with the remainder being booked in a new "Capital reduction reserve fund" account.

The (accounting) movement in the equity attributable to the owners of the Bank will be as follow:

- The existing issued share capital of the Bank is €4,755,710,678.00, divided into 4,755,710,678 fully paid ordinary shares with a nominal value of €1.00 each;

- After the nominal value reduction, the issued share capital of the Bank will be €475,571,067.80 divided into 4,755,710,678 fully paid ordinary shares with a nominal value of EUR 0.10 each (for the avoidance of doubt, it should be noted that the total number of ordinary shares will not be affected by the nominal value reduction);

- The nominal value reduction will result in a share capital reduction of €4,280,139,610.20 (being the difference between the Bank's issued share capital pre and post the nominal value reduction). This amount will be used to extinguish the existing accumulated losses account of the Bank (for a total of €2,327,654,000.00) with the remainder being applied for the creation of a capital reduction reserve fund (for a total of €1,952,485,610.20);

As a result of the nominal value reduction, the total book value of the equity of the Bank will not change. There is no link between the nominal value and the book value of the ordinary shares.

The following table illustrates the impact of the nominal value reduction:

	31 December 2013 adjusted (1) (in ' €)	**Pro-forma nominal value reduction (in ' €)**
Equity		
Share capital *(adjusted 31 December 2013 for lifting of interim orders)(1)*	4,755,710,678	475,571,068
Capital Reduction Reserve	-	1,952,485,610
Shares subject to interim orders	-	-
Share premium	-	-
Revaluation and other reserves	36,499,000	36,499,000
Accumulated losses	(2,327,654,000)	-
Equity attributable to owners of the Company (unconsolidated)	**2,464,555,678**	**2,464,555,678**
Number of issued ordinary shares	4,755,710,678	4,755,710,678
Equity attributable to owners of the Company per share (unconsolidated)	**0.52**	**0.52**

[1] *As a number of interim orders has been lifted during the period 31 December 2013 – 28 July 2014 the number of the issued share capital has changed since the publication of the 2013 year end financials. As of 28 July 2014, the outstanding share capital is €4,755,710,678.*

6. What is the impact on the Bank's authorized share capital?

The total amount of authorised share capital in the Bank will not be affected; however, the number of authorised shares will be adjusted to reflect the reduction in the nominal value of the shares. As a result, the total book value of the equity of the Bank will not change.

The existing authorised share capital of the Bank is €4,767,759,272.00 divided into 4,767,759,272 ordinary shares with a nominal value of €1.00 each. Post the nominal value reduction, the authorised share capital will be €4,767,759,272.00 divided into 47,677,592,720 ordinary shares of EUR 0.10 each, through the creation of 42,909,833,448 new (but unissued) ordinary shares with a nominal value of EUR 0.10 each which shall rank pari passu in all respects with each other and with all other ordinary shares of the Bank (except , in relation to the other ordinary shares which are listed on CSE and ATHEX, solely with respect to the listing of these ordinary shares). For the avoidance of doubt these unissued authorised shares can not be issues without applying pre-emption rights or following a special resolution of disapplication of such pre-emption rights.

7. Does the nominal value reduction affect my rights as a shareholder?

The proposed operation would not prejudice the rights of shareholders of the Bank. The nominal value reduction shall occur without cancellation of existing shares of the Bank, will affect each of the existing shares in the same manner, and shall be fully imputed on the paid-up share capital (in the manner described in response to question 5 above).

Following the reduction in the Bank's share capital, each share will still represent the same fraction of the Bank's total share capital and, accordingly, the proposed operation will not affect the relative rights attached to the respective shares. For the avoidance of doubt, it should be noted that shareholders will not suffer any dilution solely as a result of the nominal value reduction.

8. **Does the nominal value reduction reduce the value of my shareholding?**

The nominal value reduction does not affect the overall value of your shareholding. The value of your shareholding is determined by the number of ordinary shares you own and the value of an ordinary share in the market. The market value of the shares is determined by investors in the market independently of the nominal value of the shares. For the avoidance of doubt, the value of an ordinary share in the Placing and the Open Offer was set at €0.24 per share. It is expected that continuous quotation for the market value of an ordinary share of the Bank will resume when the shares are eventually admitted to listing on the CSE and ATHEX.

9. **How does the Capital Increase affect the share capital?**

Under the Placing and Open Offer, the Bank will raise total gross proceeds of €1.0 billion. Under the Placing and Open Offer, the issue price per share is €0.24, equivalent of 4,166,666,667 new ordinary shares to be issued. A total of 8,922,377,345 shares will be in issuance post the Capital Increase. Total equity attributable to the owners of the Bank will increase by €1,000,000,000, of which €416,666,667 (equivalent to €0.10 per share to be issued) will be attributable to the 'Share capital' account and €583,333,333 (equivalent to €0.14 per share to be issued) will be attributable to the 'Share premium' account.

The following table illustrates the impact of the Capital Increase:

	31 December 2013 adjusted (1) (in ' €)	**Pro-forma nominal value reduction (in '€)**	**Pro-forma Capital Increase (2) (in '€)**
Equity			
Share capital *(adjusted 31 December 2013 for lifting of interim orders)(1)*	4,755,710,678	475,571,068	892,237,735
Capital Reduction Reserve	-	1,952,485,610	1,952,485,610
Shares subject to interim orders	-	-	-
Share premium	-	-	583,333,333
Revaluation and other reserves	36,499,000	36,499,000	36,499,000
Accumulated losses	(2,327,654,000)	-	-
Equity attributable to owners of the Company (Unconsolidated)	**2,464,555,678**	**2,464,555,678**	**3,464,555,678**
Number of issued ordinary shares	4,755,710,678	4,755,710,678	8,922,377,345
Equity attributable to owners of the Company per share (Unconsolidated)	**0.52**	**0.52**	**0.39**

1 *As a number of interim orders have been lifted during the period 31 December2013 – 28 July 2014 the number of the issued share capital has changed since the publication of the 2013 year end financials. As of 28 July 2014, the outstanding share capital is €4,755,710,678.*

2 *The Pro-forma Capital Increase only includes the €1.0 billion gross proceeds from the Placing and Open Offer and does not account for the up to €100 million to be made available under the Retail Offer (phase 3 of the Capital Increase).*

10. **What is the level of dilution experienced by the existing shareholders?**

The dilution in control experienced by the existing shareholders represents the decline in ownership that the existing shareholders will experience as a result of the Placing. 4,166,666,667 new ordinary shares are issued pursuant to the Placing and Open Offer. This represents 46.7% of the total number of issued ordinary shares which is the maximum dilution in control that the existing shareholders will support should they not participate in the Open Offer.