

## SECOND SUPPLEMENTARY PROSPECTUS DATED 18 JANUARY 2012



### **BANK OF CYPRUS PUBLIC COMPANY LIMITED**

(incorporated in the Republic of Cyprus as a limited liability company under the Cyprus Companies Law, Cap. 113, Registered in Cyprus under no. 165)

### **€5 billion Covered Bond Programme**

This supplement (the **Supplement**) to the base prospectus dated 18 July 2011 (the **Base Prospectus**) constitutes a supplement for the purposes of article 13 of Chapter 1 of Part II of the Luxembourg Law on prospectuses dated 10 July 2005 (the **Luxembourg Law**) and is prepared in connection with the €5 billion covered bond programme (the **Programme**) established by Bank of Cyprus Public Company Limited (the **Issuer**). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus and the supplement dated 6 December 2011 to the Base Prospectus (the **First Base Prospectus Supplement**).

This Supplement has been approved by the *Commission de Surveillance du Secteur Financier* (the **CSSF**) which is the Luxembourg competent authority for the purposes of the Prospectus Directive and relevant implementing measures in Luxembourg for the purposes of giving information with regard to the issue of instruments under the Programme.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### **Purpose of this Supplement**

The purpose of this Supplement is to make the following changes to the Base Prospectus:

1. Paragraph seven of the front page of the Base Prospectus is deleted in its entirety and replaced with the following:  
  
"The Covered Bonds issued under the Programme are expected on issue to be assigned a rating by Moody's Investors Service Limited or its successors (**Moody's**) and Fitch Ratings Ltd. or its successors (**Fitch**). The ratings assigned to the Covered Bonds issued under the Programme may vary depending on which Cover Pool such Covered Bonds have recourse to. With respect to any particular Cover Pool, the Issuer may also issue Covered Bonds which are unrated. Details of the ratings of the Covered Bonds will be specified in the applicable Final Terms. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating organisation."
2. The definition of "Eligible Institution" under the "General Description of the Programme" section on page 7 of the Base Prospectus is deleted in its entirety and replaced with the following:

**"Eligible Institution** means any bank (a) whose short-term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least P-1 by Moody's and whose "Issuer Default Ratings" are at least F1 short-term (but not, for the avoidance of doubt, if such bank's "Issuer Default Ratings" are F1 short-term and such bank is on "rating watch negative") and A long-term (but not, for the avoidance of doubt, if such bank's "Issuer Default Ratings" are A long-term and such bank is on "rating watch negative") by Fitch (or such other ratings that may be agreed by the parties to the Bank Account Agreement and Moody's and notified to Fitch from time to time) and (b) which complies with the requirements for Complementary Assets under Articles 16 to 18 of the Covered Bond Directive and the Complementary Assets Minimum Rating."

3. The following paragraph is added as the third paragraph to the paragraph entitled "Rating Agencies" under the "General Description of the Programme" section on page 8 of the Base Prospectus:

"As at 17 January 2012, Fitch have been appointed to provide ratings for those Series of Covered Bonds with recourse to the Cypriot Cover Pool and the Greek Cover Pool which are to be rated."

4. The last paragraph of the paragraph entitled "Rating Agencies and Ratings" under the "General Description of the Programme" section on page 15 of the Base Prospectus is deleted and replaced with the following:

"Moody's Investor Services Limited is established in the European Union and is registered for the purposes of the EU Regulation on credit rating agencies (Regulation (EC) No.1060/2009), as amended.

Fitch Ratings Ltd. is established in the European Union and is registered for the purposes of the EU Regulation on credit rating agencies (Regulation (EC) No.1060/2009), as amended."

5. Paragraphs one to four of the paragraph entitled "Complementary Assets" under the "General Description of the Programme" section on page 22-23 of the Base Prospectus are deleted and replaced with the following:

"Subject to Article 16, 17 and 18 of the Covered Bond Directive certain complementary assets, which, in addition, (a) satisfy the Complementary Assets Minimum Rating and (b) from time to time, prior to the beginning of each Interest Period, include cash in a sufficient amount to cover the aggregate of amounts set out in items (i) – (iii) inclusive of the Pre-Event of Default Priority of Payments that shall fall due and payable in the next succeeding three-month period based on the three-month EURIBOR rate set two TARGET2 Business Days prior to the start of such Interest Period, (**Complementary Assets**) may be included in a Cover Pool.

Subject to the provisions of the Covered Bond Legislation and (a) and (b) in the paragraph above, such Complementary Assets may be included in a Cover Pool as part of the Basic Collateralisation and the Supervisory Over-collateralisation.

Such Complementary Assets include (i) traded claims against or guaranteed by central or regional governments; (ii) deposits with ECB and central banks; (iii) deposits with multilateral development banks and international organizations having 0% risk weighting for the purposes of Annex VI of The Capital Requirements Directive (Directive 2006/48/EC) (the **CRD**); (iv) deposits with institutions (i.e. credit institutions and investment firms) as defined in Article 3(1)(c) of Directive 2006.49.EC; and (v) traded debt securities issued by institutions falling in item (iv) above.

The following Complementary Assets, which must also (a) satisfy the Complementary Assets Minimum Rating and (b) from time to time, prior to the beginning of each Interest Period, include cash in a sufficient amount to cover the aggregate of amounts set out in items (i) – (iii) inclusive of the Pre-Event of Default Priority of Payments that shall fall due and payable in the next succeeding

three-month period based on the three-month EURIBOR rate set two TARGET2 Business Days prior to the start of such Interest Period, may be included in a Cover Pool as part of the Basic Collateralisation and the Supervisory Over-collateralisation for Covered Bonds collateralised by primary assets other than public claims as per article 17 and article 18 of the Covered Bond Directive:"

6. The following paragraph shall be inserted immediately after sub-paragraph (h) of the paragraph entitled "Complementary Assets" under the "General Description of the Programme" section on page 24 of the Base Prospectus:

**"Complementary Assets Minimum Rating**

**Complementary Assets Minimum Rating** means, in relation to Complementary Assets which are sovereign bonds, treasury bills or securities issued by a Member State or whose issuer is the central government of a country referred to in Article 14 (2)(f) of the Covered Bond Directive, a rating at least equal to the current ratings of all Series of Covered Bonds then outstanding."

7. The words "As at the date of this Prospectus, Contractual Over-collateralisation does not apply to any Cover Pool." appearing on the fifth paragraph of page 26 of the Base Prospectus shall be deleted in their entirety and be replaced with the following words:

"As at 17 January 2012, Contractual Over-collateralisation shall apply to the Greek Cover Pool."

8. The following words shall be inserted after the words "ascribed to such party by Moody's" appearing in the second line of the second paragraph of the sub-section entitled "Change of counterparties" in the "Risk Factors" section on page 46 of the Base Prospectus:

"and the short-term and long-term "Issuer Default Ratings" ascribed to such party by Fitch".

9. The following words shall be inserted at the end of the second paragraph under the heading "Credit rating risk" in the "Risk Factors" section on page 50 of the Base Prospectus:

"and as at 17 January 2012 by Fitch Ratings Ltd."

10. The following words shall be inserted as item (iii) under the sub-heading entitled "Ratings of Covered Bonds" in the "Risk Factors" section on page 57 of the Base Prospectus:

"(iii) (in relation to Fitch) their probability of default but also incorporate an element of recovery should default occur. Credit ratings assigned by Fitch exclude event risk, such as a change in legislation governing a jurisdiction's covered bond framework, or the merger of an issuer with another entity."

11. The words "(or, in the case of Moody's, affirmation)" appearing in the second paragraph under the heading "The Trustee may agree to modifications to the Transaction Documents without the Covered Bondholders' or Cover Pool Creditors' prior consent" in the "Risk Factors" section on page 58 of the Base Prospectus shall be deleted and replaced with the following words:

"(or affirmation)".

12. The second paragraph entitled "Ratings" under Part B of the "Form of Final Terms" section on page 116 shall be deleted in its entirety and replaced with the following:

"The Covered Bonds to be issued have been rated:

[Moody's: [●]]

[Fitch: [●]]

[[Other]: [●]]

*(The above disclosure should reflect the rating allocated to Covered Bonds of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

*N.B. Consult the relevant Rating Agency in relation to Covered Bonds which may have a Final Redemption Amount of less than 100.0 % of the nominal value.*

*[Moody's/Fitch] [is/are] established in the European Union and [is/are] registered for the purposes of the EU Regulation on credit rating agencies (Regulation (EC)No.1060/2009), as amended. As such [Moody's/Fitch] [is/are] included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.*

*[Other] is established in the European Union and [has made an application to be (but as at the date hereof is not)]/[is] registered for the purposes of the EU Regulation on credit rating agencies (Regulation (EC)No.1060/2009), as amended."*

13. The first paragraph of the sub-section entitled "Complementary Assets" in the "Summary of the Covered Bond Legislation" section on page 126 of the Base Prospectus shall be deleted in its entirety and replaced with the following:

"Complementary Assets may be included in a Cover Pool. Subject to the provisions of the Covered Bond Legislation, such Complementary Assets, which, in addition, (a) satisfy the Complementary Assets Minimum Rating and (b) from time to time, prior to the beginning of each Interest Period, include cash in a sufficient amount to cover the aggregate of amounts set out in items (i) – (iii) inclusive of the Pre-Event of Default Priority of Payments that shall fall due and payable in the next succeeding three-month period based on the three-month EURIBOR rate set two TARGET2 Business Days prior to the start of such Interest Period may be included in a Cover Pool as part of the Basic Collateralisation and the Supervisory Over-collateralisation."

14. The following words shall be inserted at the end of items (iii) and (iv) in the sub-section entitled "Contractual Over-collateralisation" in the "Summary of the Covered Bond Legislation" section on page 129 of the Base Prospectus:

"by Moody's".

15. Item (vi) of the sub-section entitled "Contractual Over-collateralisation" in the "Summary of the Covered Bond Legislation" section on page 129 of the Base Prospectus shall be deleted in its entirety and replaced as follows:

"(vi) with respect to Covered Bonds rated by any Rating Agency other than Moody's and/or Fitch, the Issuer may decrease the level of Contractual Over-collateralisation, by decreasing the OC Percentage at any time, provided that it has received (A) consent to such decrease in the OC Percentage from the Competent Authority, (B) a Rating Agency Confirmation from Moody's and (C) Fitch has been notified of such decrease in OC Percentage.

16. The sub-section entitled "Bank Account Agreement" in the "Description of the Principal Documents" on pages 209-210 of the Base Prospectus shall be deleted in its entirety and replaced with the following:

**"Bank Account Agreement**

Pursuant to the terms of the Bank Account Agreement entered into on the Programme Closing Date between the Account Bank, the Issuer and the Trustee, the Issuer will maintain with the Account Bank the Bank Accounts, which will be operated in accordance with the Covered Bond Legislation and the terms of the Trust Deed.

If the short term, unsecured, unsubordinated and unguaranteed debt obligations of the Account Bank cease to be rated P-1 by Moody's and the "Issuer Default Ratings" of the Account Bank falls below F1 short-term (which, for the avoidance of doubt, shall be the case if such bank's "Issuer Default Ratings" are at F1 short-term and such bank is on "rating watch negative") or A long-term (which, for the avoidance of doubt, shall be the case if such bank's "Issuer Default Ratings" are at A long-term and such bank is on "rating watch negative") by Fitch (or such other ratings that may be agreed between the parties to the Bank Account Agreement and Moody's and notified to Fitch from time to time), then unless the Account Bank within 30 calendar days of such occurrence obtains an unconditional and unlimited guarantee (in a form acceptable to Moody's and notified to Fitch) of its obligations under the Bank Account Agreement from a financial institution whose short term, unsecured, unsubordinated and unguaranteed debt obligations are rated P-1 by Moody's and whose "Issuer Default Ratings" are at least F1 short-term (but not, for the avoidance of doubt, if such bank's "Issuer Default Ratings" are F1 short-term and such bank is on "rating watch negative") and A long-term (but not, for the avoidance of doubt, if such bank's "Issuer Default Ratings" are A long-term and such bank is on "rating watch negative") by Fitch (or such other ratings that may be agreed between the parties to the Bank Account Agreement and Moody's and notified to Fitch from time to time) and provided that Moody's has provided a Rating Agency Confirmation and Fitch and any other Rating Agency has been notified, then:

- the Bank Account Agreement will be terminated in respect of the Account Bank; and
- the Bank Accounts will be closed and all amounts standing to the credit thereof shall be transferred to accounts held with a bank whose short term, unsecured, unsubordinated and unguaranteed debt obligations are rated at least P-1 by Moody's and whose "Issuer Default Ratings" are at least F1 short-term (but not, for the avoidance of doubt, if such bank's "Issuer Default Ratings" are F1 short-term and such bank is on "rating watch negative") and A long-term (but not, for the avoidance of doubt, if such bank's "Issuer Default Ratings" are A long-term and such bank is on "rating watch negative") by Fitch (or such other ratings that may be agreed between the parties to the Bank Account Agreement and Moody's and notified to Fitch from time to time).

The costs of the Account Bank arising from any remedial action taken by the Account Bank, following its short term, unsecured, unsubordinated and unguaranteed debt obligations ceasing to be rated at least P-1 by Moody's or its "Issuer Default Ratings" ceasing to be rated at least F1 short-term (which, for the avoidance of doubt, shall be the case if such bank's "Issuer Default Ratings" are at F1 short-term and such bank is on "rating watch negative") or A long-term (which, for the avoidance of doubt, shall be the case if such bank's "Issuer Default Ratings" are at A long-term and such bank is on "rating watch negative") by Fitch (or such other ratings that may be agreed between the parties to the Bank Account Agreement and Moody's and notified to Fitch from time to time) shall be borne by the Account Bank.

The Bank Account Agreement will be governed by English law. "

Copies of such documents incorporated by reference may be obtained from (i) the registered office of the Issuer at Bank of Cyprus Public Company Limited, 51 Stassinos Street, Ayia Paraskevi, Strovolos, 2002 Nicosia, Cyprus and/or (ii) the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in or incorporated by reference in the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in the First Base Prospectus Supplement and this Supplement, there has been no significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of Covered Bonds issued under the Programme since the publication of the Base Prospectus.

In accordance with Article 13 paragraph 2 of the Luxembourg Law, investors who have already agreed to purchase or subscribe for the securities before this Supplement is published have the right, exercisable within a time limit of two working days after the publication of this Supplement, to withdraw their acceptances.

This Supplement will be published on the website of the Luxembourg Stock Exchange.