

Announcement

Covered bonds become eligible assets for Eurosystem credit operations

Nicosia, 2 October 2015

- Covered bonds become eligible for Eurosystem credit operations, following the upgrade of their credit rating to Baa3 from B1 by Moody's Investors Service
- ECB eligibility provides access to ECB funding to repay ELA
- €1,4 bn of ELA repaid since 30 June 2015, with ELA reduced to a current level of €4,5 bn
- In total, ELA has been reduced by €6,9 bn since its peak of €11,4 bn in April 2013

Group Profile

Founded in 1899, Bank of Cyprus Group is the leading banking and financial services group in Cyprus. The Group provides a wide range of financial products and services which include retail and commercial banking, finance, factoring, investment banking, brokerage, fund management, private banking, life and general insurance. The Group operates through a total of 135 branches, of which 129 operate in Cyprus, 1 in Romania, 4 in the United Kingdom and 1 in the Channel Islands. Bank of Cyprus also has representative offices in Russia, Ukraine and China. The Bank of Cyprus Group employs 4.600 staff worldwide. At 30 June 2015, the Group's Total Assets amounted to €25,4 bn and Total Equity was €3,5 bn.

Bank of Cyprus Public Company Ltd (the “Bank” or the “Group”) announces that retained mortgage covered bonds have become eligible assets for Eurosystem credit operations, following a rating upgrade to Baa3 from B1 by Moody’s Investors Service. The rating of the covered bonds is placed at the same level as the Baa3 local currency country risk ceiling for Cyprus.

Moody’s raised the rating of the Bank’s mortgage covered bonds, following amendments to the Bank’s Covered Bond Programme documentation, which converted the covered bonds to conditional-pass-through covered bonds and increased over-collateralisation for the covered bonds on a committed basis¹.

Following the upgrade to an investment grade rating, the covered bonds have become eligible collateral for the Eurosystem credit operations and, therefore, have been placed as collateral for accessing funding from the ECB. Through this transaction, the Bank has raised €550 mn of ECB funding for the repayment of Emergency Liquidity Assistance (ELA). Prior to the rating upgrade, the covered bonds were used as collateral for ELA.

Taking into account the above repayment, coupled with customer deposit inflows experienced during the third quarter of 2015, the Bank has repaid a total of €1,4 bn of ELA funding since 30 June 2015, reducing ELA to a current level of €4,5 bn.

With this transaction the Group reaches another milestone in its efforts to restore its financial strength and is part of the Group’s strategy to normalise its funding structure and reduce its reliance on ELA. In total, the reduction in ELA is €6,9 bn since its peak of €11,4 bn in April 2013.

¹ For more information on the restructuring of the Covered Bond Programme, please refer to the Group’s website, http://www.bankofcyprus.com/en-GB/Start/Investor-Relations/Debt_Securities/Covered-Bond-Cyprus/