

Unofficial translation of the Bailing-in of Bank of Cyprus Public Company Limited Decree of 2013

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[Regulatory Administrative Act] No 103

The Resolution of Credit and Other Institutions Law of 2013

Decree by virtue of articles 5(12)(α), 7(1) and 12

17(l) of 2013	The Resolution Authority, in the exercise of the powers vested in it under Section 5(1), 5(7), 5(12)(a), 7(1) and 12 of the Resolution of Credit and Other Institutions Law of 2013, and following the joint decision with the Minister of Finance for the adoption of resolution measures by virtue of Section 3 of the Law, and having taken into consideration the opinion of the Minister of Finance for the implementation of the specific resolution measure, the report of the competent supervisory authority regarding the current financial condition of the credit institution subject to resolution and the resolution plan prepared by the Resolution Authority in cooperation with the competent supervisory authority, and having established that all the conditions in Section 6(1) of the Law are fulfilled and that compelling reasons in the public interest exist, issues the following Decree with the aim of best achieving the purposes of Section 3 of the Law and with the application of, inter alia, the general principle of paragraph (g[ζ]) of Section 3(2) of the Law:
Short title.	1. This Decree shall be referred to as the Bailing-in of Bank of Cyprus Public Company Limited Decree of 2013.
Interpretation.	2. (1) In this Decree, unless a different meaning results from the text- «Shareholder Rights» means in relation to any share, all rights

<p>Annex C</p> <p>Annex C</p> <p>Annex C</p> <p>Annex C</p>	<p>attached or relating to that share;</p> <p>«Class A Shares» means a new class of shares in the share capital of Bank of Cyprus, issued under paragraph 6(1)(a) of this Decree or also Annex A, with the Shareholder Rights described in Part 1 of Annex C;</p> <p>«Class B Shares» means a new class of shares in the share capital of Bank of Cyprus, issued under paragraph 5(2)(b) of this Decree with the Shareholder Rights described in Part 2 of Annex C;</p> <p>«Class C Shares» means a new class of shares in the share capital of Bank of Cyprus, issued under paragraph 5(2)(c) of this Decree with the Shareholder Rights described in Part 3 of Annex C;</p> <p>«Class D Shares» means a new class of shares in the share capital of Bank of Cyprus, issued under paragraph 5(2)(d) of this Decree with the Shareholder Rights described in Part 4 of Annex C;</p> <p>«Law» means the Resolution of Credit and Other Institutions Law of 2013;</p> <p>«Ordinary Shares» means shares representing the share capital of Bank of Cyprus immediately before the entry into force of this Decree; and</p> <p>«Bank of Cyprus» means Bank of Cyprus Public Company Limited.</p> <p>(2) Terms not defined in this Decree have the meaning attributed thereto by the Law.</p>
<p>Purpose.</p>	<p>3. The purpose of this Decree is to restore the capital adequacy of Bank of Cyprus by way of the bailing-in measure under the Law.</p>
<p>Reorganisation measures.</p> <p>66(I) of 1997 74(I) of 1999 94(I) of 2000 119(I) of 2003 4(I) of 2004 151(I) of 2004 231(I) of 2004 235(I) of 2004 20(I) of 2005 80(I) of 2008 100(I) of 2009 123(I) of 2009 27(I) of 2011 104(I) of 2011 107(I) of 2012 14(I) of 2013.</p> <p>Official Journal of the</p>	<p>4. The measures set out in this Decree are intended as measures falling within the scope of application of Section 33(1) of the Banking Business Laws of 1997 to 2013 and of article 3 of Directive 2001/24/EC of the European Parliament and of the Council of 4 April 2001 on the reorganisation and winding up of credit institutions.</p>

European Communities L125 of 5.5.2001, p. 15.	
<p>Conversion of debt and issue of new shares.</p> <p>Annex C</p>	<p>5. (1) In case where at the time of entry into force of this Decree accrued interest exists on the titles, debt and claims of subparagraph (2), by this Decree this accrued interest is added to the capital of the respective title, debt or claim.</p> <p>(2) By this Decree and subject to the provisions of the Law requiring that no person affected by the application of the resolution measure of Section 12 of the Law shall be worse off than the position such person would have been in if no resolution measures had been taken and Bank of Cyprus were placed in liquidation:</p> <p>(a) all Shareholder Rights in relation to the Ordinary Shares are suspended [and remain suspended] from the entry into force of this Decree and until the Class D Reconversion Date in the meaning of Part 4 of Annex C;</p> <p>(b) the debt securities issued by Bank of Cyprus and rights to acquire debt securities issued by Bank of Cyprus are, subject to paragraph 6(5) of this Decree, converted into Class B Shares at a conversion rate of one (1) euro nominal amount of Class B Shares for each one (1) euro in principal amount of the debt securities that are converted or, for any such debt securities [denominated] in foreign currency, for each one (1) euro equivalent calculated based on the exchange rate contained in the reference exchange rates published by the European Central Bank on 26 March 2013 (the principle amount of such debt securities that are converted being hereinafter the "Debt Security Contribution Amount");</p> <p>(c) the bonds convertible into shares issued by Bank of Cyprus and the rights to acquire bonds convertible into shares issued by Bank of Cyprus are, subject to paragraph 6(5) of this Decree, converted into Class C Shares at a conversion rate of one (1) euro nominal amount of Class C Shares for each one (1) euro in principal amount of the bonds that are converted or, for any such bonds [denominated] in foreign currency, for each one (1) euro equivalent calculated based on the exchange rate contained in the reference exchange rates published by the European Central Bank on 26 March 2013 (the principle amount of such bonds that are converted being hereinafter the "Convertible Bond Contribution Amount"); and</p> <p>(d) the subordinated debt and claims of Bank of Cyprus (Tier II capital) are, subject to paragraph 6(5) of this Decree, converted into Class D Shares at a conversion rate of one (1) euro (nominal amount) for each one (1) euro in principal amount of such debt and claims that are converted or, for any such debt and claims [denominated] in foreign currency, for each one (1) euro equivalent calculated based on the exchange rate contained in the reference exchange rates published by the European Central Bank on 26</p>

	<p>March 2013 (the principle amount of such debt and claims that are converted being hereinafter the "Other Tier II Capital Contribution Amount");</p> <p>(e) all rights to acquire Ordinary Shares shall continue to be in force; and</p> <p>(f) the new shares issued under this paragraph 5 are allotted to creditors in accordance with the present paragraph 5 and, mutatis mutandis, the provisions of Regulation 10 of the Operation of Deposit Protection and Resolution of Credit and Other Institutions Scheme Regulations of 2013.</p>
<p>Conversion of deposits.</p> <p>Annex A</p>	<p>6. (1) By this Decree,</p> <p>(i) in case where the total deposits that a person who falls in the scope of application of Regulation 8 of the Operation of Deposit Protection and Resolution of Credit and Other Institutions Scheme Regulations of 2013 holds with Bank of Cyprus including accrued interest, as recorded in the books of Bank of Cyprus at 22:00 on 26 March 2013, exceed [the amount of] one hundred thousand (100.000) euro, the amount of these deposits in excess of one hundred thousand (100.000) euro, but after reducing such amount by the aggregate amount of the credit claims which Bank of Cyprus had against that person as at the time mentioned above, (hereinafter, in relation to such depositors, "the excess amount"), and</p> <p>(ii) the aggregate amount of deposits that any other person who does not fall in the scope of application of Regulation 8 of the Operation of Deposit Protection and Resolution of Credit and Other Institutions Scheme Regulations of 2013 holds with Bank of Cyprus including accrued interest, as recorded in the books of Bank of Cyprus at 22:00 on 26 March 2013, but after reducing such amount by the aggregate amount of the credit claims which Bank of Cyprus had against that person as at the time mentioned above, (hereinafter, in relation to such depositors, the "excess amount"),</p> <p>are subject to the following:</p> <p>(a) 37.5% of the excess amount is, subject to sub-paragraph (5), converted into Class A Shares at a conversion rate of one (1) euro nominal amount of Class A shares for each one (1) euro of the excess amount that is converted (the part of the excess amount so converted being hereinafter the "Initial Deposit Contribution Amount");</p> <p>(b) [a further] 22.5% of the excess amount is reduced to zero and replaced by a title governed by the terms of Annex A; and</p> <p>(c) the remaining 40% of the excess amount is reduced to zero and</p>

Annex D	<p>temporarily replaced by a title governed by the terms of Annex B;</p> <p>subject to the provisions of the Law requiring that no person affected by the application of the resolution measure of Section 12 of the Law shall be worse off than the position such person would have been in if no resolution measure had been taken and Bank of Cyprus were placed in liquidation.</p> <p>(2) For the purposes of determining and collecting the excess amount the following principles apply:</p> <p>(a) For deposits in Bank of Cyprus [denominated] in foreign currency the euro equivalent of the amount of the deposits is calculated based on the exchange rate contained in the reference exchange rates published by the European Central Bank on 26 March 2013;</p> <p>(b) for client deposit accounts in Bank of Cyprus and deposits in Bank of Cyprus in the name of a trustee or nominee of one or various other persons, the amount of the deposit shall be temporarily reduced to zero in its totality until the holder of the account concerned provides evidence to Bank of Cyprus on the beneficial owners of the deposit in order for the segregated amounts to be treated under this Decree -as of the entry into force of the Decree- as separate deposits of the beneficial owners; and</p> <p>(c) subject to subparagraph (1), in case one person holds more than one deposit with Bank of Cyprus, the excess amount shall be collected first from the deposit with the longest remaining maturity; in case one person holds more than one deposit with Bank of Cyprus with the same remaining maturity, the excess amount shall be collected first from the deposit with the highest amount.</p> <p>(3) The new shares issued under the present paragraph 6 of this Decree are allotted to depositors in accordance with the present paragraph 6 and, mutatis mutandis, the provisions of Regulation 10 of the Operation of Deposit Protection and Resolution of Credit and Other Institutions Scheme Regulations of 2013.</p> <p>(4) This paragraph 6 shall not apply in relation with the deposits with Bank of Cyprus referred to in Annex D.</p> <p>(5) If at the end of the period specified in point “Conversion” in Annex A, the Resolution Authority determines that the size of one or more of the Initial Deposit Contribution Amount, Supplemental Deposit Contribution Amount, Debt Security Contribution Amount, Convertible Bond Contribution Amount and Other Tier II Capital Contribution Amount is larger than what is required to restore the capital adequacy of Bank of Cyprus, the Resolution Authority determines the amount of the excess and which shall be treated as if the conversion</p>
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	[effected] by this Decree had never occurred.
Valuation.	7. The Resolution Authority will promptly initiate the procedure for appointing an independent evaluator in the meaning of Section 22 of the Law for valuating all assets, title deeds, rights and obligations -at the time of entry into force of this Decree- of Bank of Cyprus. Without prejudice to Section 23(3) of the Law, the valuation process will be completed and a valuation report shall be prepared and delivered to the Resolution Authority as soon as reasonably practicable.
Completion of new shares issuance.	8. Bank of Cyprus shall cater for the necessary actions of technical or other kind to be carried out within reasonable time for the allotment of the new shares and titles issued under this Decree.
Amendment of this Decree.	9. The Resolution Authority may, by new Decree, amend the terms of this Decree.
Entry into force.	10. This Decree shall enter into force starting on the day it is published in the Official Gazette of the Republic and shall start applying at 06:00 am on 29 March 2013.

Annex A

Principal Amount:	in respect of each depositor, an amount equal to 22.5% of the excess amount
Interest:	zero, subject as stated in paragraph 2 of point "Conversion" below
Priority:	subordinated to all other obligations of Bank of Cyprus of whatsoever nature other than Class B Shares, Class C Shares, Class D Shares and Ordinary Shares
Principal repayment:	no entitlement against Bank of Cyprus to principal repayment other than on a liquidation of Bank of Cyprus, in which case the principal amount of the title shall be repaid subject to the above mentioned priority
Conversion:	<p>The title shall be subject to conversion, partial or in full, upon a written conversion notice of the Resolution Authority, at any time during the period ending 90 days after the date of completion and delivery of the valuation report referred to in paragraph 7 of this Decree. Any notice of conversion may provide for conversion of the title partial or in full:</p> <p>1. into Class A Shares of Bank of Cyprus to be issued and allotted at a conversion rate of one (1) euro nominal amount of Class A Shares for</p>

	<p>each one (1) euro (or, where applicable, the equivalent in foreign currency) in principal amount of the title which is converted (the principal amount of the title so converted being hereinafter the “Supplemental Deposit Contribution Amount”) and, to the extent not converted into Class A Shares (and in any case if no conversion notice is given within the above mentioned period ending 90 days after the date of completion and delivery of the valuation report referred to in paragraph 7 of this Decree);</p> <p>2. into deposit at a conversion rate of one (1) euro for each one (1) euro (or, where applicable, the equivalent in foreign currency) in principal amount of the title which is converted, plus an additional amount equal to the amount of interest, calculated at an interest rate increased by 10 basis points, which would have accrued on the amount of such deposit if this Decree had not been issued.</p>
Transfer	The title and any rights in respect of or under it shall not be transferable.
Other Covenants of Bank of Cyprus:	none

Annex B

Principal Amount:	in respect of each depositor, an amount equal to 40% of the excess amount
Interest:	An interest rate equal to the interest rate applicable at the time of entry into force of this Decree to the deposit or deposits from which the excess amount is collected, increased by 10 basis points
Priority:	subordinated to all other obligations of Bank of Cyprus of whatsoever nature other than Class B Shares, Class C Shares, Class D Shares and Ordinary Shares
Principal and interest repayment	no entitlement against Bank of Cyprus to principal and interest repayment other than on a liquidation of Bank of Cyprus, in which case the principal amount and accrued interest of the title shall be repaid subject to the above mentioned priority
Conversion	The title, including the [amount of] interest calculated according to point “interest” above, shall be subject to conversion into deposit, in whole or in part, at any time upon a written conversion notice of the Resolution Authority at a conversion rate of one (1) euro for each one (1) euro (or, where applicable, the equivalent in foreign currency) in

	principal amount and accrued interest of the title which is converted.
Transfer	The title and any rights in respect of or under it shall not be transferable.
Other Covenants of Bank of Cyprus:	none

Annex C

For the purposes of this Annex C "reference interest rate" means the EURIBOR-3 month interest rate.

The exercise of any right described in this Annex is subject to the powers of the Resolution Authority under the Law.

Part 1: Rights attaching to Class A Shares

Dividend distribution: The holders of the Class A Shares shall [be entitled to] receive all dividends or other distributions [made] by Bank of Cyprus, to the exclusion of the holders of any other class of shares in Bank of Cyprus, until the first date since the entry into force of this Decree (hereinafter the "Class A Reconversion Date") when the aggregate amount of dividends which will have been paid, combined with the aggregate value of any other distributions which will have been made, on Class A Shares, is equal to the aggregate nominal value of the Initial Deposit Contribution Amount and Supplemental Deposit Contribution Amount plus an amount which would correspond to interest payable annually that would be calculated by applying the reference interest rate plus 10% on the above mentioned nominal value reduced for the purposes of this calculation by any and all previous payments and distributions. On and following the Class A Reconversion Date the holders of Class A Shares will be receiving no dividend or other distribution.

Voting rights: all voting and related rights attached to the shares in Bank of Cyprus [are exercisable] by the holders of the Class A Shares to the exclusion of the holders of any other class of shares in Bank of Cyprus until the Class A Reconversion Date. On and following the Class A Reconversion Date, the holders of the Class A Shares shall cease to have voting and related rights.

Other Shareholder Rights: prior to the Class A Reconversion Date, all Shareholder Rights in respect of Bank of Cyprus [are exercisable] by the holders of Class A Shares to the exclusion of the holders of any other class of shares in Bank of Cyprus. On and following the Class A Reconversion Date the Class A Shares are converted into Ordinary Shares on a one (1) for one (1) basis.

Part 2: Rights attaching to Class B Shares

None of the Shareholder Rights specified in this Part 2 [is exercisable] prior to the Class A Reconversion Date.

Dividend distribution: following the Class A Reconversion Date the holders of the Class B Shares shall [be entitled to] receive all dividends or other distributions [made] by Bank of Cyprus, to the exclusion of the holders of any other class of shares in Bank of Cyprus, until the first date since the entry into force of this Decree (hereinafter the "Class B Reconversion Date") when the aggregate amount of dividends which will have been paid, combined with the aggregate value of any other distributions which will have been made, on Class B Shares, is equal to the aggregate nominal value of the Debt Security Contribution Amount plus an amount which would correspond to interest payable annually that would be calculated by applying the reference interest rate plus 10% on the above mentioned nominal value reduced for the purposes of this calculation by any and all previous payments and distributions. On and following the Class B Reconversion Date the holders of Class B Shares will be receiving no dividend or other distribution.

Voting rights: all voting and related rights attached to the shares in Bank of Cyprus [are exercisable] by the holders of the Class B Shares to the exclusion of the holders of any other class of shares in Bank of Cyprus until the Class B Reconversion Date. On and following the Class B Reconversion Date, the holders of the Class B Shares shall cease to have voting and related rights.

Other Shareholder Rights: prior to the Class B Reconversion Date, all Shareholder Rights in respect of Bank of Cyprus [are exercisable] by the holders of Class B Shares to the exclusion of the holders of any other class of shares in Bank of Cyprus. On and following the Class B Reconversion Date the Class B Shares are converted into Ordinary Shares on a one (1) for one (1) basis.

Part 3: Rights attaching to Class C Shares

None of the Shareholder Rights specified in this Part 3 [is exercisable] prior to the Class B Reconversion Date.

Dividend distribution: following the Class B Reconversion Date the holders of the Class C Shares shall [be entitled to] receive all dividends or other distributions [made] by Bank of Cyprus, to the exclusion of the holders of any other class of shares in Bank of Cyprus, until the first date since the entry into force of this Decree (hereinafter the "Class C Reconversion Date") when the aggregate amount of dividends which will have been paid, combined with the aggregate value of any other distributions which will have been made, on Class C Shares, is equal to the aggregate nominal value of the Convertible Bond Contribution Amount plus an amount which would correspond to interest payable annually that would be calculated by applying the reference interest rate plus 10% on the above mentioned nominal value reduced for the purposes of this calculation by any and all previous payments and distributions. On and following the Class C Reconversion Date the holders of Class C Shares will be receiving no dividend or other distribution.

Voting rights: all voting and related rights attached to the shares in Bank of Cyprus [are exercisable] by the holders of the Class C Shares to the exclusion of the holders of any other class of shares in Bank of Cyprus until the Class C Reconversion Date. On and following the

Class C Reconversion Date, the holders of the Class C Shares shall cease to have voting and related rights.

Other Shareholder Rights: prior to the Class C Reconversion Date, all Shareholder Rights in respect of Bank of Cyprus [are exercisable] by the holders of Class C Shares to the exclusion of the holders of any other class of shares in Bank of Cyprus. On and following the Class C Reconversion Date the Class C Shares are converted into Ordinary Shares on a one (1) for one (1) basis.

Part 4: Rights attaching to Class D Shares

None of the Shareholder Rights specified in this Part 4 [is exercisable] prior to the Class C Reconversion Date.

Dividend distribution: following the Class C Reconversion Date the holders of the Class D Shares shall [be entitled to] receive all dividends or other distributions [made] by Bank of Cyprus, to the exclusion of the holders of any other class of shares in Bank of Cyprus, until the first date since the entry into force of this Decree (hereinafter the "Class D Reconversion Date") when the aggregate amount of dividends which will have been paid, combined with the aggregate value of any other distributions which will have been made, on Class D Shares, is equal to the aggregate nominal value of the Other Tier II Capital Contribution Amount plus an amount which would correspond to interest payable annually that would be calculated by applying the reference interest rate plus 10% on the above mentioned nominal value reduced for the purposes of this calculation by any and all previous payments and distributions. On and following the Class D Reconversion Date the holders of Class D Shares will be receiving no dividend or other distribution.

Voting rights: all voting and related rights attached to the shares in Bank of Cyprus [are exercisable] by the holders of the Class D Shares to the exclusion of the holders of any other class of shares in Bank of Cyprus until the Class D Reconversion Date. On and following the Class D Reconversion Date, the holders of the Class D Shares shall cease to have voting and related rights.

Other Shareholder Rights: prior to the Class D Reconversion Date, all Shareholder Rights in respect of Bank of Cyprus [are exercisable] by the holders of Class D Shares to the exclusion of the holders of any other class of shares in Bank of Cyprus. On and following the Class D Reconversion Date the Class D Shares are converted into Ordinary Shares on a one (1) for one (1) basis.

Part 5: Rights attaching to Ordinary Shares

From the entry into force of this Decree and until the Class D Reconversion Date, all rights attaching to the Ordinary Shares are suspended. On and following the Class D Reconversion Date the suspension of all rights attaching to the Ordinary Shares is lifted and all Shareholder Rights in respect of Bank of Cyprus [will be exercisable] in full [in the same way] as immediately prior to the entry into force of this Decree.

Annex D

A. Deposit categories per institutional sector under the European System of national and regional accounts (ESA 95)

1. Credit institutions;
2. Insurance Companies;
3. General Government; and
4. Domestic Financial Auxiliaries (S124) not registered in the Registrar of Companies.

B. Obligations out of Financial Instrument Repurchase Agreements (repo transactions).

C. Deposits held by JCC Payment Systems Ltd.

D. Charity institutions.

E. Schools and educational institutions.

Panicos Demetriades
Governor
Central Bank of Cyprus
as Resolution Authority